



nyhart

St. Clair County

GASB 45 Actuarial Valuation

As of December 31, 2012

Prepared by:

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February 24, 2014

Tami Rumsey
St. Clair County
200 Grand River Avenue, Ste. 206
Port Huron, MI 48060

This report summarizes the GASB actuarial valuation for St. Clair County as of December 31, 2012. 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.

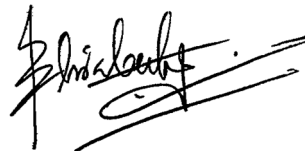
To our knowledge, there have been no significant events prior to the current year's measurement date or as of the date of this report that could materially affect the results contained herein.

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.

Should you have any questions please do not hesitate to contact us.



Randy Gomez, FSA, MAAA
Consulting Actuary



Evi Laksana, ASA, MAAA
Valuation Actuary

There are several changes to the substantive plan provisions since the last valuation, which was as of December 31, 2011. All of the changes below reduce the County's liabilities.

1. The underlying benefit provisions available to all retirees have been changed from PPO 2 to PPO 4 effective on August 1, 2012. Notable changes in the benefit provisions are as noted below.

| | PPO 2 | PPO 4 |
|---------------------------------------|----------------------|----------------------|
| Deductible (single/family) | \$100/200 | \$500/1,000 |
| Coinsurance | 10% | 20% |
| Maximum out-of-pocket (single/family) | \$500/1,000 | \$1,500/3,000 |
| Co-payments: | | |
| Office visit | \$15 | \$20 |
| Chiropractic office visit | \$0 | \$20 |
| Routine mammograms | 90% after deductible | 80% after deductible |
| Pharmacy benefit: | | |
| Hardship | \$10/20 | \$10/20/40 |
| Non-hardship | \$15/30/45 | \$10/40/80 |

2. Duplicate coverage was removed from anyone covered under St. Clair County's health plans. Individuals can no longer be covered as both a retiree and a dependent under the retiree or employee health care plans.
3. Definition of hardship retirees have been revised as follows:
 - a. Prior to 1/1/2013 – any participants with annual pension of \$24,999 or less and have at least 20 years of service at retirement.
 - b. Effective 1/1/2013 – any participants with annual household income of \$24,999 or less and have at least 20 years of service at retirement. Annual household income means any and all income (taxable or not) received by a retired member and/or their spouse residing in the same household.
4. Effective January 1, 2013, Medicare retirees and beneficiaries will be enrolled in a Medicare Advantage plan once they are eligible for Medicare.

Several actuarial assumptions have been updated since the last valuation, which was as of December 31, 2011.

1. Annual health care trend rate for FYE 2014 is based on the actual known illustrative rate increase from 2013 to 2014 followed by 8.5% decreasing to an ultimate rate of 5.0% by 0.5%.
2. Turnover and retirement rates have been updated. Comparison of sample rates is as shown below.

Turnover

| YOS | Age | Prior | | | Current | |
|-----|----------|----------------------------|--------------------|---------|----------------------------|------------------------------|
| | | General / Mental Health | Road Commission | Sheriff | General / Mental Health | Sheriff / Road Commission |
| 0 | All Ages | 10.0% | 3.0% | 5.0% | 11.0% | 4.0% |
| 2 | | 7.0% | 3.0% | 5.0% | 10.0% | 4.0% |
| 5+ | 20 | 6.0% | 3.0% | 5.0% | 6.0% | 4.0% |
| | 30 | 6.0% | 3.0% | 4.4% | 6.0% | 4.0% |
| | 40 | 3.4% | 1.4% | 1.7% | 6.0% | 4.0% |
| | 50 | 3.0% | 1.0% | 0.7% | 6.0% | 4.0% |

Retirement

| Age | Prior | | | | Current | | |
|-----|----------------------|----------------------|--------------------|-----------|----------------------------|--------------------|------------|
| | General Original* | General Modified* | Road Commission | Sheriff** | General / Mental Health | Road Commission | Sheriff*** |
| 50 | 5% | 10% | 25% | Vary by | 15% | 25% | 25% |
| 55 | 5% | 10% | 25% | YOS | 15% | 25% | 25% |
| 60 | 20% | 20% | 25% | 25% | 15% | 15% | 15% |
| 62 | 20% | 20% | 30% | 25% | 40% | 40% | 40% |
| 65 | 40% | 40% | 100% | 100% | 40% | 100% | 100% |
| 70 | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

* Includes Mental Health Authority

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

*** Sample rates shown are for 25 to 29 YOS only.

3. Payroll growth has been updated as shown below:
 - a. Prior valuation – 5.0% increase for general inflation plus merit increase.
 - b. Current valuation – 3.5% increase for general inflation plus merit increase.

| YOS | Prior | | | YOS | Current |
|--------|----------------------------|--------------------|---------|--------|------------|
| | General / Mental Health | Road Commission | Sheriff | | All Groups |
| 0 – 2 | 3.5% | 5.0% | 6.0% | 0 – 1 | 4.5% |
| 3 – 4 | 3.0% | 5.0% | 6.0% | 2 | 3.5% |
| 5 | 1.0% | 0.5% | 0.5% | 3 | 3.0% |
| 6 – 19 | 1.0% | 0.5% | 0.5% | 4 | 2.5% |
| 20+ | 0.5% | 0.5% | 0.5% | 5 | 2.0% |
| | | | | 6 – 19 | 0.5% |
| | | | | 20+ | 0.0% |

4. Health care coverage election rate has been updated as follows:

| Group | Prior | Current |
|-----------------|-------|---------|
| County General | 85% | 85% |
| County Police | 85% | 100% |
| Mental Health | 85% | 80% |
| Road Commission | 85% | 95% |

Actuarial Accrued Liability (AAL) comparison as of December 31, 2012 for all of the assumption changes above are as shown below.

| Total As of 12/31/2012 | Current* | Proposed Mortality | Proposed Salary Increases | Proposed Retirement | Proposed Turnover | Updated Health Care Trend Rates | Proposed Health Care Election Rate |
|---------------------------------|---------------|-----------------------|------------------------------|------------------------|----------------------|------------------------------------|--|
| AAL | \$ 90,453,074 | \$ 94,415,786 | \$ 98,793,728 | \$ 101,712,700 | \$ 100,421,752 | \$ 114,226,336 | \$ 116,604,115 |
| Actuarial Value of Assets (AVA) | (32,831,573) | (32,831,573) | (32,831,573) | (32,831,573) | (32,831,573) | (32,831,573) | (32,831,573) |
| Unfunded AAL (UAAL) | \$ 57,621,501 | \$ 61,584,213 | \$ 65,962,155 | \$ 68,881,127 | \$ 67,590,179 | \$ 81,394,763 | \$ 83,772,542 |
| Funded Ratio | 36.3% | 34.8% | 33.2% | 32.3% | 32.7% | 28.7% | 28.2% |
| Cumulative Change | | \$ 3,962,712 | \$ 8,340,654 | \$ 11,259,626 | \$ 9,968,678 | \$ 23,773,262 | \$ 26,151,041 |

* Include updated census data and per capita costs.

Summary of Results

Presented below is the summary of GASB 45 results as of December 31, 2012 compared to the prior year as shown in the County's Notes to Financial Statement.

| | <i>As of December 31, 2011</i> | | <i>As of December 31, 2012</i> | |
|---|--------------------------------|-------------|--------------------------------|-------------|
| Actuarial Accrued Liability | \$ | 223,723,268 | \$ | 116,604,115 |
| Actuarial Value of Assets | \$ | 35,528,936 | \$ | 32,831,573 |
| Unfunded Actuarial Accrued Liability | \$ | 188,194,332 | \$ | 83,772,542 |
| Funded Ratio | | 15.9% | | 28.2% |

| | <i>FY 2012</i> | | <i>FY 2013</i> | |
|---|----------------|------------|----------------|-----------|
| Annual Required Contribution | \$ | 16,580,583 | \$ | 9,365,261 |
| Annual OPEB Cost | \$ | 15,995,019 | \$ | 7,665,024 |
| Annual Employer Contribution¹ | \$ | 1,613,947 | \$ | 888,721 |

| | <i>As of December 31, 2012</i> | | <i>As of December 31, 2013</i> | |
|----------------------------|--------------------------------|------------|--------------------------------|------------|
| Net OPEB Obligation | \$ | 53,144,357 | \$ | 59,920,660 |

| | <i>As of December 31, 2012</i> | | <i>As of December 31, 2013</i> | |
|-----------------------------------|--------------------------------|-----|--------------------------------|-----|
| Active Participants | | 865 | | 788 |
| Total Retiree Participants | | 564 | | 637 |

The active participants' number above may include active employees who currently have no health care coverage. Refer to Summary of Participants section for an accurate breakdown of active employees with and without coverage.

¹ Based on the Post-employment Health Care Plan Notes to the Financial Statements as of December 31, 2012 as shown in the County's Comprehensive Annual Financial Report.

Below is a breakdown of total GASB 45 liabilities allocated to past, current, and future service as of December 31, 2012 compared to the prior year.

| | <i>As of December 31, 2011</i> | <i>As of December 31, 2012</i> |
|---|--------------------------------|--------------------------------|
| Present Value of Future Benefits | \$ 302,225,752 | \$ 147,786,517 |
| Active Employees | 151,727,266 | 81,621,464 |
| Retired Employees | 150,498,486 | 66,165,053 |
| Actuarial Accrued Liability | \$ 223,723,268 | \$ 116,604,115 |
| Active Employees | 73,224,782 | 50,439,062 |
| Retired Employees | 150,498,486 | 66,165,053 |
| Normal Cost | \$ 5,989,851 | \$ 3,049,549 |
| Future Normal Cost | \$ 72,512,633 | \$ 28,132,853 |

Present Value of Future Benefits is the amount needed as of December 31 to fully fund the County's retiree health care subsidies for existing and future retirees and their dependents assuming all actuarial assumptions are met.

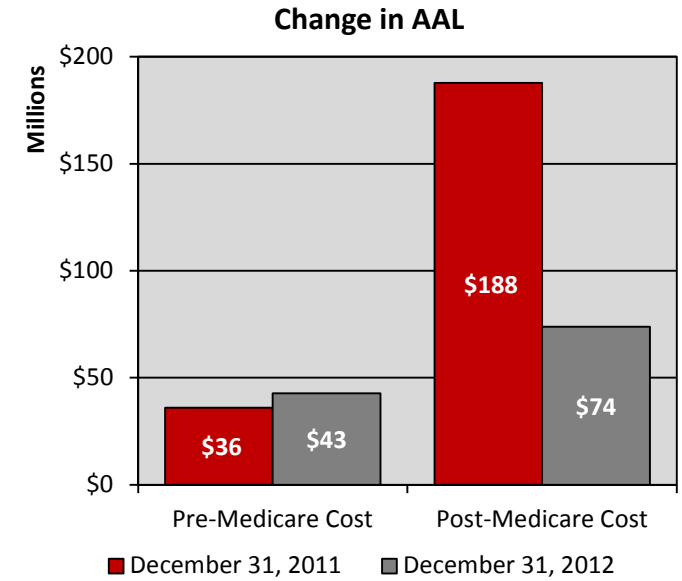
Actuarial Accrued Liability is the portion of PVFB considered to be accrued or earned as of December 31. This amount is a required disclosure in the Required Supplementary Information section.

Normal Cost is the portion of the total liability amount that is attributed and accrued for current year's active employee service by the actuarial cost method.

Future Normal Cost is the portion of the total liability amount that is attributed to the future employee service by the current year's valuation by the actuarial cost method.

Below is a breakdown of total GASB 45 Actuarial Accrued Liability (AAL) allocated to pre and post Medicare eligibility. The liability shown below includes explicit (if any) and implicit subsidies. Refer to the Substantive Plan Provisions section for complete information on the Plan Sponsor’s GASB subsidies.

| Actuarial Accrued Liability (AAL) | As of December 31, 2011 | As of December 31, 2012 |
|-----------------------------------|-------------------------|-------------------------|
| Active Pre-Medicare | \$ 15,849,250 | \$ 23,586,416 |
| Active Post-Medicare | 57,375,532 | 26,852,646 |
| Total Active AAL | \$ 73,224,782 | \$ 50,439,062 |
| Retirees Pre-Medicare | \$ 20,082,923 | \$ 19,156,285 |
| Retirees Post-Medicare | 130,415,563 | 47,008,768 |
| Total Retirees AAL | \$ 150,498,486 | \$ 66,165,053 |
| Total AAL | \$ 223,723,268 | \$ 116,604,115 |



**Development of Annual Required Contribution (ARC)
For Fiscal Year 2013**

| Required Supplementary Information | Total | St. Clair County | Mental Health | Road Commission |
|---|----------------------|-----------------------------|--------------------------|----------------------------|
| Actuarial Accrued Liability as of December 31, 2012 | \$ 116,604,115 | \$ 75,663,868 | \$ 18,273,076 | \$ 22,667,171 |
| Actuarial Value of Assets as of December 31, 2012 | (32,831,573) | (22,032,674) | (8,521,725) | (2,277,174) |
| Unfunded Actuarial Accrued Liability (UAAL) | \$ 83,772,542 | \$ 53,631,194 | \$ 9,751,351 | \$ 20,389,997 |
| Funded Ratio | 28.2% | 29.1% | 46.6% | 10.0% |
| Covered payroll | \$ 40,053,245 | \$ 25,566,989 | \$ 10,455,228 | \$ 4,031,028 |
| UAAL as a % of covered payroll | 209.2% | 209.8% | 93.3% | 505.8% |

| Annual Required Contribution | Total | St. Clair County | Mental Health | Road Commission |
|---|---------------------|-----------------------------|--------------------------|----------------------------|
| Normal cost as of beginning of year | \$ 3,049,550 | \$ 1,930,540 | \$ 658,412 | \$ 460,598 |
| Reduction for employee contributions | (645,158) | (441,908) | (203,250) | 0 |
| Net normal cost | \$ 2,404,392 | \$ 1,488,632 | \$ 455,162 | \$ 460,598 |
| Amortization of the UAAL | 6,514,904 | 4,530,515 | 641,991 | 1,342,398 |
| Total normal cost and amortization payment | \$ 8,919,296 | \$ 6,019,147 | \$ 1,097,153 | \$ 1,802,996 |
| Interest to end of year | 445,965 | 300,957 | 54,858 | 90,150 |
| Total Annual Required Contribution (ARC) | \$ 9,365,261 | \$ 6,320,104 | \$ 1,152,011 | \$ 1,893,146 |

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.

Development of Annual OPEB Cost and Net OPEB Obligation For Fiscal Year 2013

Annual employer contribution for pre-funding is estimated for 2013.

| Net OPEB Obligation (NOO) | | Total | St. Clair County | Mental Health | Road Commission |
|--|-----------|-------------------|-------------------------|----------------------|------------------------|
| ARC as of end of year | \$ | 9,365,261 | \$ 6,320,104 | \$ 1,152,011 | \$ 1,893,146 |
| Interest on NOO to end of year | | 2,657,218 | 1,746,685 | 396,144 | 514,389 |
| NOO amortization adjustment to the ARC | | (4,357,455) | (3,098,589) | (547,693) | (711,173) |
| Annual OPEB Cost | \$ | 7,665,024 | \$ 4,968,200 | \$ 1,000,462 | \$ 1,696,362 |
| Annual employer contribution for pay-go cost | | 0 | 0 | 0 | 0 |
| Annual employer contribution for pre-funding | | (888,721) | (607,295) | (118,200) | (163,226) |
| Change in NOO | \$ | 6,776,303 | \$ 4,360,905 | \$ 882,262 | \$ 1,533,136 |
| NOO as of beginning of year | | 53,144,357 | 34,933,692 | 7,922,882 | 10,287,783 |
| NOO as of end of year | \$ | 59,920,660 | \$ 39,294,597 | \$ 8,805,144 | \$ 11,820,919 |

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 OPB 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

Development of Annual Required Contribution (ARC) For Fiscal Year 2014

FY 2014 projected Annual Required Contribution was calculated using estimated employee contributions based on December 31, 2012 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 |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Expected AAL as of December 31, 2013 | \$ 121,589,855 | \$ 78,848,340 | \$ 19,388,202 | \$ 23,353,313 |
| Expected AVA as of December 31, 2013 | (33,214,323) | (22,401,704) | (9,112,127) | (1,700,491) |
| Expected Unfunded AAL (UAAL) | \$ 88,375,532 | \$ 56,446,636 | \$ 10,276,075 | \$ 21,652,822 |
| Funded Ratio | 27.3% | 28.4% | 47.0% | 7.3% |
| Expected covered payroll ² | \$ 41,455,109 | \$ 26,461,834 | \$ 10,821,161 | \$ 4,172,114 |
| UAAL as a % of covered payroll | 213.2% | 213.3% | 95.0% | 519.0% |

| Annual Required Contribution | Total | St. Clair County | Mental Health | Road Commission |
|---|----------------------|---------------------|---------------------|---------------------|
| Normal cost as of beginning of year | \$ 3,202,028 | \$ 2,027,067 | \$ 691,333 | \$ 483,628 |
| Reduction for employee contributions | (653,453) | (450,115) | (203,338) | 0 |
| Net normal cost | \$ 2,548,575 | \$ 1,576,952 | \$ 487,995 | \$ 483,628 |
| Amortization of the UAAL | 7,178,385 | 4,960,310 | 713,871 | 1,504,204 |
| Total normal cost and amortization payment | \$ 9,726,960 | \$ 6,537,262 | \$ 1,201,866 | \$ 1,987,832 |
| Interest to end of year | 486,348 | 326,863 | 60,093 | 99,392 |
| Total Annual Required Contribution (ARC) | \$ 10,213,308 | \$ 6,864,125 | \$ 1,261,959 | \$ 2,087,224 |

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.

² Expected covered payroll is based on CY 2012 covered payroll increased by 3.5%.

**Development of Annual OPEB Cost and Net OPEB Obligation
For Fiscal Year 2014**

| Net OPEB Obligation (NOO) | | Total | | St. Clair County | | Mental Health | | Road Commission |
|--|-----------|--------------|-----------|-----------------------------|-----------|--------------------------|-----------|----------------------------|
| ARC as of end of year | \$ | 10,213,308 | \$ | 6,864,125 | \$ | 1,261,959 | \$ | 2,087,224 |
| Interest on NOO to end of year | | 3,622,304 | | 2,360,003 | | 540,863 | | 721,438 |
| NOO amortization adjustment to the ARC | | (6,196,657) | | (4,355,146) | | (789,039) | | (1,052,472) |
| Annual OPEB Cost | \$ | 7,638,955 | \$ | 4,868,982 | \$ | 1,013,783 | \$ | 1,756,190 |
| Annual employer contribution for pay-go cost | | 0 | | 0 | | 0 | | 0 |
| Annual employer contribution for pre-funding | | TBD | | TBD | | TBD | | TBD |
| Change in NOO | \$ | TBD | \$ | TBD | \$ | TBD | \$ | TBD |
| NOO as of beginning of year | | 59,920,660 | | 39,294,597 | | 8,805,144 | | 11,820,919 |
| NOO as of end of year | \$ | TBD | \$ | TBD | \$ | TBD | \$ | TBD |

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 OPB 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

Summary of GASB 45 Financial Results

Presented below is the summary of GASB 45 results for the fiscal year ending December 31, 2013 and prior fiscal years as shown in the County's Notes to Financial Statements.

Schedule of Funding Progress

| <i>As of</i> | <i>Actuarial Accrued Liability (AAL)</i> | <i>Actuarial Value of Assets (AVA)</i> | <i>Unfunded Actuarial Accrued Liability (UAAL)</i> | <i>Funded Ratio</i> | <i>Covered Payroll</i> | <i>UAAL as % of Covered Payroll</i> |
|--------------------------|--|--|--|---------------------|------------------------|-------------------------------------|
| <i>A</i> | <i>B</i> | <i>C = A - B</i> | <i>D = B / A</i> | <i>E</i> | <i>F = C / E</i> | |
| December 31, 2012 | | | | | | |
| St. Clair County | \$ 75,663,868 | \$ 22,032,674 | \$ 53,631,194 | 29.1% | \$ 25,566,989 | 209.8% |
| Mental Health | \$ 18,273,076 | \$ 8,521,725 | \$ 9,751,351 | 46.6% | \$ 10,455,228 | 93.3% |
| Road Commission | \$ 22,667,171 | \$ 2,277,174 | \$ 20,389,997 | 10.0% | \$ 4,031,028 | 505.8% |
| Total | \$ 116,604,115 | \$ 32,831,573 | \$ 83,772,542 | 28.2% | \$ 40,053,245 | 209.2% |
| December 31, 2011 | | | | | | |
| St. Clair County | \$ 136,267,395 | \$ 23,479,345 | \$ 112,788,050 | 17.2% | \$ 27,801,445 | 405.7% |
| Mental Health | \$ 34,541,978 | \$ 8,494,244 | \$ 26,047,734 | 24.6% | \$ 11,341,334 | 229.7% |
| Road Commission | \$ 52,913,895 | \$ 3,555,347 | \$ 49,358,548 | 6.7% | \$ 4,339,292 | 1137.5% |
| Total | \$ 223,723,268 | \$ 35,528,936 | \$ 188,194,332 | 15.9% | \$ 43,482,071 | 432.8% |
| December 31, 2010 | | | | | | |
| St. Clair County | \$ 156,098,327 | \$ 22,981,212 | \$ 133,117,115 | 14.7% | \$ 28,421,891 | 549.2% |
| Mental Health | \$ 40,220,174 | \$ 8,052,170 | \$ 32,168,004 | 20.0% | \$ 11,360,057 | 354.0% |
| Road Commission | \$ 47,745,135 | \$ 5,072,150 | \$ 42,672,985 | 10.6% | \$ 4,841,418 | 986.2% |
| Total | \$ 244,063,636 | \$ 36,105,532 | \$ 207,958,104 | 14.8% | \$ 44,623,366 | 466.0% |

Summary of GASB 45 Financial Results (Continued)

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, 2013 | | | | | |
| St. Clair County | \$ | 607,295 | \$ | 6,320,104 | 9.6% |
| Mental Health | \$ | 118,200 | \$ | 1,152,011 | 10.3% |
| Road Commission | \$ | 163,226 | \$ | 1,893,146 | 8.6% |
| Total | \$ | 888,721 | \$ | 9,365,261 | 9.5% |
| December 31, 2012 | | | | | |
| St. Clair County | \$ | 1,045,720 | \$ | N/A | N/A |
| Mental Health | \$ | 366,287 | \$ | N/A | N/A |
| Road Commission | \$ | 201,940 | \$ | N/A | N/A |
| Total | \$ | 1,613,947 | \$ | 16,580,583 | 9.7% |
| 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 | \$ | 14,542,495 | 29.6% |

Summary of GASB 45 Financial Results (Continued)

Historical Annual OPEB Cost

| <i>As of</i> | <i>Annual OPEB Cost</i> | <i>% of Annual OPEB Cost Contributed</i> | <i>Net OPEB Obligation</i> |
|--------------------------|-------------------------|--|----------------------------|
| December 31, 2013 | | | |
| St. Clair County | \$ 4,968,200 | 12.2% | \$ 39,294,597 |
| Mental Health | \$ 1,000,462 | 11.8% | \$ 8,805,144 |
| Road Commission | \$ 1,696,362 | 9.6% | \$ 11,820,919 |
| Total | \$ 7,665,024 | 11.6% | \$ 59,920,660 |
| December 31, 2012 | | | |
| St. Clair County | \$ 11,758,622 | 8.9% | \$ 34,933,692 |
| Mental Health | \$ 2,295,907 | 16.0% | \$ 7,922,882 |
| Road Commission | \$ 1,940,490 | 10.4% | \$ 10,287,783 |
| Total | \$ 15,995,019 | 10.1% | \$ 53,144,357 |
| 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 |

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>2012</i> | | <i>2013</i> |
|--|----|---------------|----|-------------|
| Actuarial Accrued Liability as of beginning of year | \$ | 223,723,268 | \$ | 116,604,115 |
| Normal cost as of beginning of year | | 5,989,851 | | 3,049,550 |
| Expected benefit payments during the year | | (6,347,326) | | (3,948,973) |
| Interest adjustment to end of year | | 11,328,908 | | 5,885,162 |
| Expected Actuarial Accrued Liability as of end of year | \$ | 234,694,701 | \$ | 121,589,855 |
| Actuarial (gain) due to normal activity | | (8,733,036) | | TBD |
| Actuarial (gain) due to Medicare Advantage plan implementation | | (135,508,591) | | TBD |
| Actuarial loss due to assumption changes | | 26,151,041 | | TBD |
| Actual Actuarial Accrued Liability as of end of year | \$ | 116,604,115 | \$ | TBD |

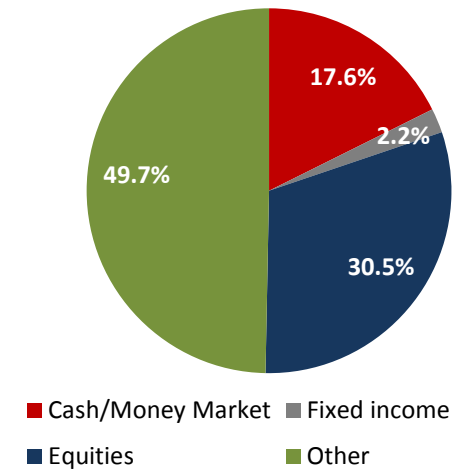
Reconciliation of AAL shows what the actuary expects the actuarial accrued liability to be at the beginning of the following fiscal year based on current assumptions and plan provisions. The expected end of year AAL will change as actual plan experience varies from assumptions. Generally, the AAL is expected to have a net increase each year.

Asset Information

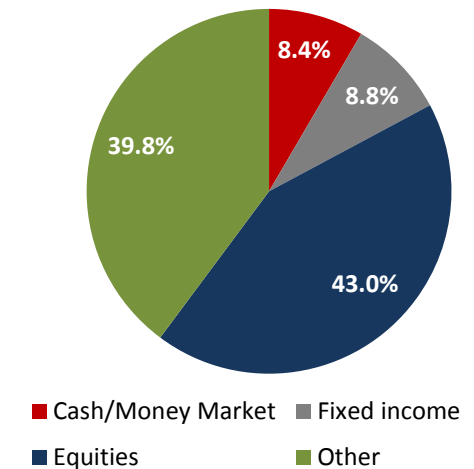
| Summary of Assets | Market Value as of December 31, 2011 | Market Value as of December 31, 2012 |
|---|---|---|
| Cash / money market | \$ 6,171,893 | \$ 2,981,123 |
| Fixed income | 754,483 | 3,091,997 |
| Equities | 10,665,612 | 15,188,502 |
| Other assets | 17,377,190 | 14,067,953 |
| Total market value of assets | \$ 34,969,178 | \$ 35,329,575 |
| Less: Accounts Payable, Accrued Liabilities | (126,401) | (199,258) |
| Net market value of assets | \$ 34,842,777 | \$ 35,130,317 |

| Reconciliation of Market Value of Assets | 2011 | 2012 |
|---|----------------|------------------------|
| Market value of assets as of January 1 | \$ 35,786,185 | \$ 34,842,777 |
| Revenues | | |
| Member contributions | \$ 475,545 | \$ 508,383 |
| Employer contributions | 4,277,777 | 1,541,123 ³ |
| Recognized investment income | (378,153) | 3,502,563 |
| Medicare Part D reimbursements | 612,343 | 282,254 |
| Total | \$ 4,987,512 | \$ 5,834,323 |
| Expenditures | | |
| Benefit payments | \$ (5,696,207) | \$ (5,239,846) |
| Investment expenses and professional fees | (199,577) | (151,543) |
| Total | \$ (5,895,784) | \$ (5,391,389) |
| Miscellaneous adjustment | \$ (35,136) | \$ (155,394) |
| Market value of assets as of December 31 | \$ 34,842,777 | \$ 35,130,317 |

Asset Allocation as of 12/31/2011



Asset Allocation as of 12/31/2012



³ Based on Statement of Changes in Fiduciary Net Position for the year ended December 31, 2012 as shown in the County's Comprehensive Annual Financial Report.

Funding Value of Trust Assets

The Trust assets are actuarially adjusted to reduce the impact of market-based fluctuations when determining future funding requirements. The adjusted assets are referred to as the “funding value of assets”. The actuarial smoothing method essentially spreads investment gains and losses over a five-year period. Below is a schedule with the calculation details for this adjustment.

| Year Ended December 31, | 2011 | 2012 | 2013 ⁴ |
|--|----------------|----------------|-------------------|
| A. Funding value as of beginning of year | \$ 36,105,532 | \$ 35,528,936 | \$ 32,831,573 |
| B. Market value as of end of year | \$ 34,842,777 | \$ 35,130,317 | \$ 33,054,481 |
| C. Market value as of beginning of year | \$ 35,786,185 | \$ 34,842,777 | \$ 35,130,317 |
| D. Non-investment net cash flow | \$ (942,885) | \$ (3,274,944) | \$ (2,415,094) |
| E. Investment income: | | | |
| E1. Reflecting actual market conditions (B – C – D) | \$ (523) | \$ 3,562,484 | \$ 339,258 |
| E2. Amount for immediate recognition (7.5%) | \$ 2,672,557 | \$ 2,541,860 | \$ 2,371,802 |
| E3. Amount for phased-in recognition (E1 – E2) | \$ (2,673,080) | \$ 1,020,624 | \$ (2,032,544) |
| F. Phased-in recognition of investment income | | | |
| F1. Current year (E3 / 5) | \$ (534,616) | \$ 204,125 | \$ (406,509) |
| F2. First prior year | 389,268 | (534,616) | 204,125 |
| F3. Second prior year | 773,774 | 389,268 | (534,616) |
| F4. Third prior year | (2,796,830) | 773,774 | 389,268 |
| F5. Fourth prior year | (137,864) | (2,796,830) | 773,774 |
| F6. Total recognized gain recognized in current period | \$ (2,306,268) | \$ (1,964,279) | \$ 426,042 |
| G. Funding value as of end of year (A + D + E2 + F6) | \$ 35,528,936 | \$ 32,831,573 | \$ 33,214,323 |
| I. Recognized rate of return using funding value | 1.0% | 1.7% | 8.9% |
| J. Rate of return using market value of assets | 0.0% | 10.7% | 1.0% |
| K. Ratio funding value to market value (G / B) | 102.0% | 93.5% | 100.5% |

⁴ CY 2013 non-investment net cash flow is based on expected contributions and benefit payments. The end of year fair market value is projected from the beginning of year fair market value assuming a 1.0% asset rate of return.

Asset Allocations

| | 2011 | Total | St. Clair County | Mental Health | Road Commission |
|----|---|---------------|-------------------------|----------------------|------------------------|
| A. | Actuarial Value of Assets as of BOY | \$ 36,105,532 | \$ 22,981,212 | \$ 8,052,170 | \$ 5,072,150 |
| B. | Member contributions | 475,545 | 423,743 | 51,802 | \$0 |
| C. | Employer contributions | 4,277,777 | 3,445,467 | 832,310 | \$0 |
| D. | Benefit payments | (5,696,207) | (3,608,644) | (526,645) | (1,560,918) |
| E. | Professional expenses | 0 | 0 | 0 | 0 |
| F. | Investment Income Allocation ⁵ | 366,289 | 237,567 | 84,607 | 44,115 |
| G. | Actuarial Value of Assets as of EOY | \$ 35,528,936 | \$ 23,479,345 | \$ 8,494,244 | \$ 3,555,347 |

| | 2012 | Total | St. Clair County | Mental Health | Road Commission |
|----|-------------------------------------|---------------|-------------------------|----------------------|------------------------|
| A. | Actuarial Value of Assets as of BOY | \$ 35,528,936 | \$ 23,479,345 | \$ 8,494,244 | \$ 3,555,347 |
| B. | Member contributions | 508,383 | 452,220 | 56,163 | 0 |
| C. | Employer contributions | 1,541,123 | 961,566 | 377,617 | 201,940 |
| D. | Benefit payments | (5,239,846) | (3,189,079) | (529,841) | (1,520,926) |
| E. | Professional expenses | (84,604) | (55,911) | (20,227) | (8,466) |
| F. | Investment Income Allocation | 577,581 | 384,533 | 143,769 | 49,279 |
| G. | Actuarial Value of Assets as of EOY | \$ 32,831,573 | \$ 22,032,674 | \$ 8,521,725 | \$ 2,277,174 |

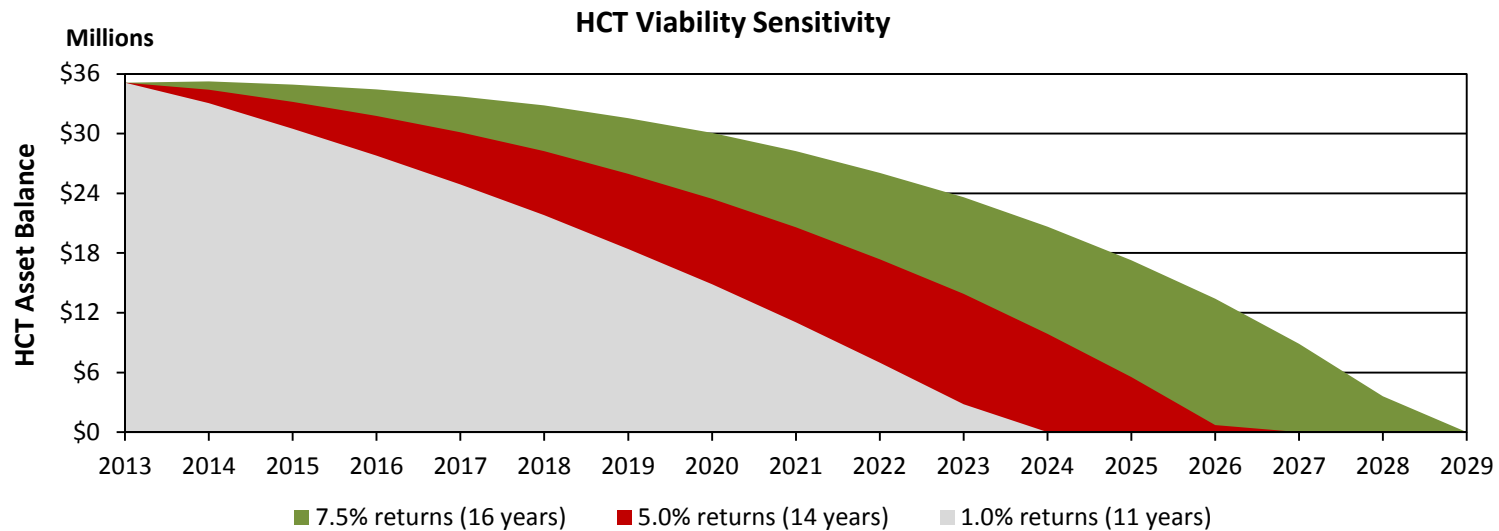
| | 2013 (Projected) | Total | St. Clair County | Mental Health | Road Commission |
|----|-------------------------------------|---------------|-------------------------|----------------------|------------------------|
| A. | Actuarial Value of Assets as of BOY | \$ 32,831,573 | \$ 22,032,674 | \$ 8,521,725 | \$ 2,277,174 |
| B. | Member contributions (expected) | 645,158 | 441,908 | 203,250 | 0 |
| C. | Employer contributions (expected) | 888,721 | 607,295 | 118,200 | 163,226 |
| D. | Benefit payments (expected) | (3,948,973) | (2,562,507) | (478,055) | (908,411) |
| E. | Professional expenses | 0 | 0 | 0 | 0 |
| F. | Investment Income Allocation | 2,797,844 | 1,882,334 | 747,007 | 168,503 |
| G. | Actuarial Value of Assets as of EOY | \$ 33,214,323 | \$ 22,401,704 | \$ 9,112,127 | \$ 1,700,492 |

⁵ Investment income is allocated among the different groups in the same proportion as each group's Average Valuation Assets to the total. The Average Valuation Assets is calculated as follows: (A) + 0.5 * (B + C + D + E).

St. Clair County established a Health Care Trust (HCT) for the purpose of funding future retiree health benefits. Currently both the County and its employees (except for Road Commission) contribute a percentage of salary to this Trust, and payments for retirees’ premiums are made from this Trust annually.

The viability of this Trust is highly sensitive to the investment return earned and future Trust contribution. Below is a comparison of the viability of the Trust under three different investment return scenarios:

1. Low return (1.0%) – the HCT will be depleted in 11 years.
2. Medium return (5.0%) – the HCT will be depleted in 14 years.
3. High return (7.5%) – the HCT will be depleted in 16 years.



Additional assumptions made in our analysis:

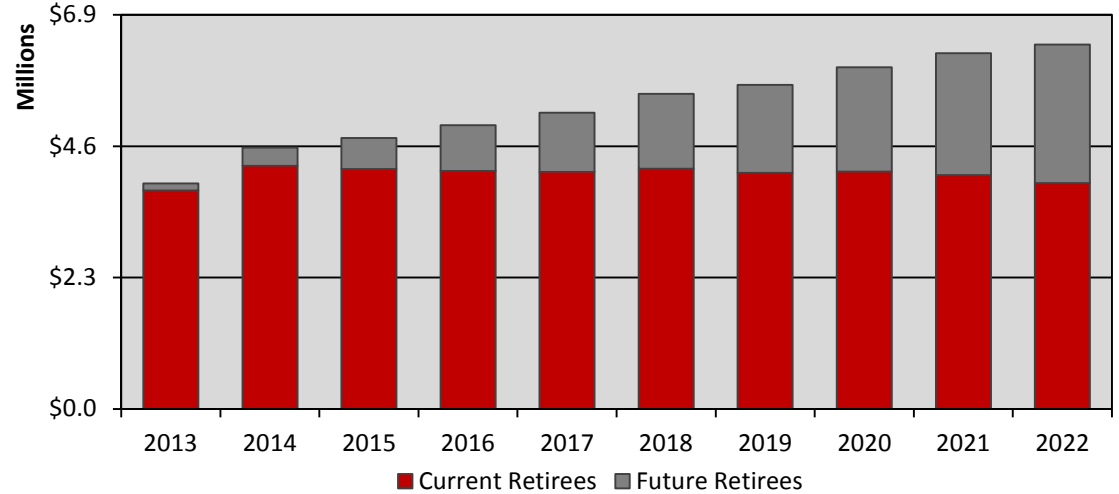
1. Market value of assets of \$35,130,317 as of January 1
2. Active employee contributions to HCT effective on 1/1/2013 as shown on page 24 of this report
3. 2.5% average employer contributions of eligible payroll for all groups (County General, Sheriff, Mental Health Authority, and Road Commission)
4. Projected future retiree health costs using current retirement and health care trend assumptions

The below projections show the actuarially estimated pay-go expenses of retiree health benefits for the next ten years. Results are shown separately for current /future retirees and gross claim costs/retiree contributions for all locations combined. These projections include explicit and implicit subsidies.

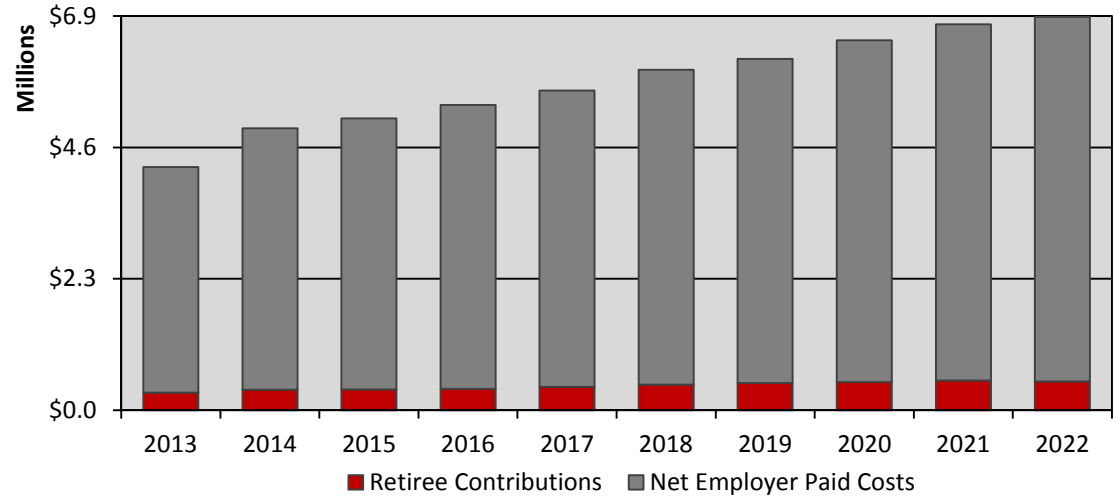
| FYE | Current Retirees | Future Retirees ⁶ | Total |
|------|------------------|------------------------------|--------------|
| 2013 | \$ 3,825,366 | \$ 123,607 | \$ 3,948,973 |
| 2014 | \$ 4,255,980 | \$ 320,037 | \$ 4,576,017 |
| 2015 | \$ 4,199,447 | \$ 544,271 | \$ 4,743,718 |
| 2016 | \$ 4,168,423 | \$ 796,230 | \$ 4,964,653 |
| 2017 | \$ 4,152,319 | \$ 1,035,208 | \$ 5,187,527 |
| 2018 | \$ 4,208,031 | \$ 1,307,146 | \$ 5,515,177 |
| 2019 | \$ 4,131,647 | \$ 1,540,353 | \$ 5,672,000 |
| 2020 | \$ 4,153,129 | \$ 1,829,373 | \$ 5,982,502 |
| 2021 | \$ 4,095,402 | \$ 2,134,873 | \$ 6,230,275 |
| 2022 | \$ 3,952,689 | \$ 2,424,380 | \$ 6,377,069 |

| FYE | Estimated Claims Costs | Retiree Contributions | Net Employer-Paid Costs |
|------|------------------------|-----------------------|-------------------------|
| 2013 | \$ 4,254,781 | \$ 305,808 | \$ 3,948,973 |
| 2014 | \$ 4,934,353 | \$ 358,336 | \$ 4,576,017 |
| 2015 | \$ 5,106,185 | \$ 362,467 | \$ 4,743,718 |
| 2016 | \$ 5,341,455 | \$ 376,802 | \$ 4,964,653 |
| 2017 | \$ 5,594,018 | \$ 406,491 | \$ 5,187,527 |
| 2018 | \$ 5,961,264 | \$ 446,087 | \$ 5,515,177 |
| 2019 | \$ 6,147,615 | \$ 475,615 | \$ 5,672,000 |
| 2020 | \$ 6,474,898 | \$ 492,396 | \$ 5,982,502 |
| 2021 | \$ 6,752,560 | \$ 522,285 | \$ 6,230,275 |
| 2022 | \$ 6,883,207 | \$ 506,138 | \$ 6,377,069 |

Projected Employer Pay-go Cost (All Locations)



Projected Employer Pay-go Cost (All Locations)



⁶ Projections for future retirees do not take into account future new hires.

Employer Contribution Cash Flow Projections

Projection of the actuarially estimated pay-go expenses of retiree health benefits for the next ten years by location are as shown below.

| FYE | St. Clair County | | | Mental Health Authority | | | Road Commission | | |
|------|------------------|------------------------------|--------------|-------------------------|-----------------|------------|------------------|-----------------|--------------|
| | Current Retirees | Future Retirees ⁷ | Total | Current Retirees | Future Retirees | Total | Current Retirees | Future Retirees | Total |
| 2013 | \$ 2,487,632 | \$ 74,875 | \$ 2,562,507 | \$ 458,722 | \$ 19,333 | \$ 478,055 | \$ 879,012 | \$ 29,399 | \$ 908,411 |
| 2014 | \$ 2,768,259 | \$ 189,588 | \$ 2,957,847 | \$ 510,687 | \$ 57,428 | \$ 568,115 | \$ 977,034 | \$ 73,021 | \$ 1,050,055 |
| 2015 | \$ 2,712,977 | \$ 332,559 | \$ 3,045,536 | \$ 517,138 | \$ 95,656 | \$ 612,794 | \$ 969,332 | \$ 116,056 | \$ 1,085,388 |
| 2016 | \$ 2,678,467 | \$ 495,804 | \$ 3,174,271 | \$ 542,297 | \$ 138,626 | \$ 680,923 | \$ 947,659 | \$ 161,800 | \$ 1,109,459 |
| 2017 | \$ 2,729,550 | \$ 644,569 | \$ 3,374,119 | \$ 514,219 | \$ 175,266 | \$ 689,485 | \$ 908,550 | \$ 215,373 | \$ 1,123,923 |
| 2018 | \$ 2,751,550 | \$ 812,516 | \$ 3,564,066 | \$ 537,101 | \$ 219,978 | \$ 757,079 | \$ 919,380 | \$ 274,652 | \$ 1,194,032 |
| 2019 | \$ 2,684,808 | \$ 961,864 | \$ 3,646,672 | \$ 520,138 | \$ 265,740 | \$ 785,878 | \$ 926,701 | \$ 312,749 | \$ 1,239,450 |
| 2020 | \$ 2,708,284 | \$ 1,122,577 | \$ 3,830,861 | \$ 505,935 | \$ 317,915 | \$ 823,850 | \$ 938,910 | \$ 388,881 | \$ 1,327,791 |
| 2021 | \$ 2,684,799 | \$ 1,293,481 | \$ 3,978,280 | \$ 513,065 | \$ 359,236 | \$ 872,301 | \$ 897,538 | \$ 482,156 | \$ 1,379,694 |
| 2022 | \$ 2,580,783 | \$ 1,470,337 | \$ 4,051,120 | \$ 547,092 | \$ 397,726 | \$ 944,818 | \$ 824,814 | \$ 556,317 | \$ 1,381,131 |

| FYE | Estimated Claims Costs | Retiree Contributions | Net Employer-Paid Costs | Estimated Claims Costs | Retiree Contributions | Net Employer-Paid Costs | Estimated Claims Costs | Retiree Contributions | Net Employer-Paid Costs |
|------|------------------------|-----------------------|-------------------------|------------------------|-----------------------|-------------------------|------------------------|-----------------------|-------------------------|
| 2013 | \$ 2,798,270 | \$ 235,763 | \$ 2,562,507 | \$ 523,004 | \$ 44,949 | \$ 478,055 | \$ 933,507 | \$ 25,096 | \$ 908,411 |
| 2014 | \$ 3,236,083 | \$ 278,236 | \$ 2,957,847 | \$ 620,183 | \$ 52,068 | \$ 568,115 | \$ 1,078,087 | \$ 28,032 | \$ 1,050,055 |
| 2015 | \$ 3,313,463 | \$ 267,927 | \$ 3,045,536 | \$ 670,830 | \$ 58,036 | \$ 612,794 | \$ 1,121,892 | \$ 36,504 | \$ 1,085,388 |
| 2016 | \$ 3,452,622 | \$ 278,351 | \$ 3,174,271 | \$ 743,863 | \$ 62,940 | \$ 680,923 | \$ 1,144,970 | \$ 35,511 | \$ 1,109,459 |
| 2017 | \$ 3,681,193 | \$ 307,074 | \$ 3,374,119 | \$ 758,144 | \$ 68,659 | \$ 689,485 | \$ 1,154,681 | \$ 30,758 | \$ 1,123,923 |
| 2018 | \$ 3,909,283 | \$ 345,217 | \$ 3,564,066 | \$ 825,026 | \$ 67,947 | \$ 757,079 | \$ 1,226,955 | \$ 32,923 | \$ 1,194,032 |
| 2019 | \$ 4,020,217 | \$ 373,545 | \$ 3,646,672 | \$ 853,412 | \$ 67,534 | \$ 785,878 | \$ 1,273,986 | \$ 34,536 | \$ 1,239,450 |
| 2020 | \$ 4,217,964 | \$ 387,103 | \$ 3,830,861 | \$ 898,029 | \$ 74,179 | \$ 823,850 | \$ 1,358,905 | \$ 31,114 | \$ 1,327,791 |
| 2021 | \$ 4,395,202 | \$ 416,922 | \$ 3,978,280 | \$ 944,678 | \$ 72,377 | \$ 872,301 | \$ 1,412,680 | \$ 32,986 | \$ 1,379,694 |
| 2022 | \$ 4,443,552 | \$ 392,432 | \$ 4,051,120 | \$ 1,029,652 | \$ 84,834 | \$ 944,818 | \$ 1,410,003 | \$ 28,872 | \$ 1,381,131 |

⁷ Projections for future retirees do not take into account future new hires.

Eligibility

Retiree health benefits eligibility requirements:

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 |
| | Road Commission | |
| RC | Production and Op Eng Clerical and TPOAM | Hired after 9/14/2011 Hired after 8/23/2011 |
| CDCO | Communication Officers POAM | |
| FOCP | Friend of the Court Supervisors | Hired after 6/30/2011 |
| PCCL | Probate Clerical | |
| SDEI | Correction Officers and Support Staff | |
| PSE | 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 |

Eligibility (continued)

Employees hired after the eligibility cut-off date shown below are not eligible for retiree health benefits.

| Union Code | Union Name | Retiree Health Eligibility Cut-Off Date |
|------------|--|---|
| BDMB | Board Member | Hired after 1/1/2009 |
| CANUE | CANUE Non-Affiliated | |
| COMM | Commissioners | |
| SDCO | Correction Officers Supervisors | |
| ELEC | Elected Officials | |
| HRE | Human Resources Clerks and Specialists | |
| JDGS | Judges | |
| JVCS | Juvenile Center Shift Supervisors | |
| JVCN | Juvenile Center Teamsters | |
| PCSP | Probate Court Supervisors | |
| PAPE | Prosecuting Attorneys | |
| PHNS | Public Health Nurse Supervisors | |
| PHNA | Public Health Nurses | |
| ADCE | Association of 72 nd District Court Employees | |
| CPEA | Circuit Court Probate Court Employee Associates | |
| SDSP | Sheriff Deputies Supervisors | Based on lower unit cut-off date |

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 % of salary while actively employed are as shown below:

| Union Code | Union Name | Eff. 1/1/2013 |
|------------|--|---------------|
| CBSO | Bailiff and Court Security Officers Association | 2.50%* |
| COMM | Commissioners | |
| ELEC | Elected Officials | |
| JDGS | Judges | |
| 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 | |
| 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 | |
| CMH | Mental Health | |
| BDMB | Board Member | 2.50% |
| CANUE | CANUE Non-Affiliated | |
| DCE | District Court AFSCME | |
| HRE | Human Resources Clerks and Specialists | |
| JVCS | Juvenile Center Shift Supervisors | |
| JVCN | Juvenile Center Teamsters | |
| PHNS | Public Health Nurse Supervisors | |
| PHNA | Public Health Nurses | |

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

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

Retiree Contributions

Employees are eligible for retiree health benefits 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.

Medical Benefit

All health plans are self-insured except for the Medicare Advantage plan that went into effect on January 1, 2013. The monthly retiree illustrative rates for medical and prescription drug benefits (excluding dental) by suffix are as shown below. These illustrative rates are calculated based on the blended claims experience for active employees and retirees.

| Pre-65 | | Eff. 1/1/2013 | | Eff. 1/1/2014 | |
|--|--|----------------------|-----------------|----------------------|-----------------|
| Suffix | Group | Single | 2-person | Single | 2-person |
| 900/40/54/60 | St. Clair County Non-Hardship Retirees | \$ 384.00 | \$ 921.61 | \$ 454.40 | \$ 1,090.56 |
| 901/41/57/60 | St. Clair County Hardship Retirees | \$ 428.04 | \$ 1,027.30 | \$ 483.03 | \$ 1,159.26 |
| 920/44/56/62 | Mental Health Non-Hardship Retirees | \$ 384.00 | \$ 921.61 | \$ 454.40 | \$ 1,090.56 |
| 921/45/59/62 | Mental Health Hardship Retirees | \$ 428.04 | \$ 1,027.30 | \$ 483.03 | \$ 1,159.26 |
| Pre-65 | | Eff. 3/1/2013 | | | |
| Suffix | Group | Single | 2-person | | |
| 0000/5/8/7 | Road Commission Non-Hardship Retirees | \$ 412.02 | \$ 988.86 | | |
| 0001/6/9/8 | Road Commission Hardship Retirees | \$ 478.36 | \$ 1,148.07 | | |
| Post-65 (Medicare Advantage Plan) | | Eff. 1/1/2013 | | Eff. 1/1/2014 | |
| Suffix | Group | Single | 2-person | Single | 2-person |
| 600/601/602 | Non-Hardship Retirees | \$ 160.30 | \$ 320.60 | \$ 200.85 | \$ 401.70 |
| 603/604/605 | Hardship Retirees | \$ 213.60 | \$ 427.20 | \$ 233.75 | \$ 467.50 |

Hardship retirees are those with annual household incomes of \$24,999 or less and have at least 20 years of service at retirement. Annual household income means any and all income (taxable or not) received by a retired member and/or their spouse residing in the same household.

Dental Benefit

Monthly illustrative rates for dental benefits by suffix are as shown below.

| Suffix | Group | Eff. 1/1/2013 | | Eff. 1/1/2014 | |
|-----------------------|------------------|---------------|----------|---------------|----------|
| | | Single | 2-person | Single | 2-person |
| Pre-65 | | | | | |
| 900/01/40/41/54/57/60 | St. Clair County | \$ 22.54 | \$ 54.10 | \$ 23.16 | \$ 55.58 |
| 920/21/44/45/56/59/62 | Mental Health | \$ 22.54 | \$ 54.10 | \$ 23.16 | \$ 55.58 |
| Post-65 | | | | | |
| 900/01/40/41/54/57/60 | St. Clair County | \$ 22.54 | \$ 45.08 | \$ 23.16 | \$ 46.32 |
| 920/21/44/45/56/59/62 | Mental Health | \$ 22.54 | \$ 45.08 | \$ 23.16 | \$ 46.32 |

| Suffix | Group | Eff. 3/1/2013 | |
|-----------------------|-------------------------|---------------|----------|
| | | Single | 2-person |
| 0000/1/5/6/7/8/9 | Road Commission Pre-65 | \$ 22.36 | \$ 53.67 |
| 910/11/42/43/55/58/61 | Road Commission Post-65 | \$ 22.54 | \$ 45.08 |

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 are changes to the actuarial methods and assumptions since the last GASB valuation, which was as of December 31, 2011. Refer to Actuary’s Notes section for complete information on these changes. For the current year GASB valuation, we have also updated the per capita costs. We expect to update health care trend rates and per capita costs again in the next full GASB valuation, which will be as of December 31, 2013.

| | |
|-------------------------|---|
| Measurement Date | December 31, 2012 |
| Discount Rate | 5.0% |
| Payroll Growth | 3.5% for general inflation plus merit increases as follows: |

| YOS | Rates |
|------------|--------------|
| 0 – 1 | 4.5% |
| 2 | 3.5% |
| 3 | 3.0% |
| 4 | 2.5% |
| 5 | 2.0% |
| 6 – 19 | 0.5% |
| 20+ | 0.0% |

| | |
|-------------------------------|---|
| Inflation Rate | 3.0% per year |
| Cost Method | Entry Age Normal Level % of Salary |
| Asset Valuation Method | Actuarial value of assets with a five-year smoothing |
| Amortization | Mental Health and Road Commission: Level % of pay over a closed period St. Clair County: Level dollar over a closed period The remaining amortization period for all locations is 17 years as of December 31, 2012. |
| Mortality | RP-2000 Combined Mortality Table fully generational using Scale AA |

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-related.

| Age | Rates | Age | Rates |
|-----|-------|-----|-------|
| 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% | | |

Turnover Rate

Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage. The rates represent the probability of termination in the next 12 months.

| YOS | General / Mental Health | Sheriff / Road Commission |
|-------|----------------------------|------------------------------|
| 0 – 2 | 11.0% | 4.0% |
| 3 – 4 | 10.0% | 4.0% |
| 5 | 6.0% | 4.0% |
| 6+ | 4.0%* | 4.0% |

* Annual turnover rate before age 35 for employees with at least 6 years of service is 6.0%.

Retirement Rate

Annual rates of retirement by group are as shown below:

| Age | General / Mental Health | Road Commission | Sheriff* | | | | |
|---------|----------------------------|--------------------|----------|---------|-------------|-------------|---------|
| | | | Age | <25 YOS | 25 – 29 YOS | 30 – 34 YOS | 35+ YOS |
| 50 – 59 | 15% | 25% | 40 – 59 | 0% | 25% | 100% | 100% |
| 60 | 15% | 15% | 60 – 61 | 15% | 15% | 15% | 100% |
| 61 | 20% | 15% | 62 | 40% | 40% | 40% | 100% |
| 62 | 40% | 40% | 63 – 64 | 20% | 20% | 20% | 100% |
| 63 – 64 | 20% | 20% | 65+ | 100% | 100% | 100% | 100% |
| 65 | 40% | 100% | | | | | |
| 66 – 69 | 25% | 100% | | | | | |
| 70+ | 100% | 100% | | | | | |

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

Census Data

Census information was provided by the County as of December 31, 2012. We have reviewed it for reasonableness and no material modifications were made to the census data except as noted below:

- All retirees with joint life payment form are assumed to have spousal coverage.

Employer Funding Policy

Partial pre-funding at the County’s discretion

Health Care Trend Rates

| FYE | Rates | FYE | Rates |
|------|-------|-------|-------|
| 2014 | 9.0%* | 2019 | 6.5% |
| 2015 | 8.5% | 2020 | 6.0% |
| 2016 | 8.0% | 2021 | 5.5% |
| 2017 | 7.5% | 2022+ | 5.0% |
| 2018 | 7.0% | | |

The initial trend rate was 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 health care trend rate in FYE 2014 is based on the actual illustrative rate increase from 2013 to 2014, which is 18.3% pre-Medicare for both the County and Mental Health Authority (but not Road Commission) and 25.3% post-Medicare for all three entities.

Annual dental trend rate in FYE 2014 for County and Mental Health Authority is based on the actual illustrative rate increase from 2013 to 2014, which is 2.75%. After 2014, the annual dental trend rate is assumed to be 5.00%. Annual dental trend rate for Road Commission is assumed to be 5.00% for all years.

Retiree Contributions

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

Health Care Coverage Election Rate

Active employees eligible for retiree health benefits are assumed to elect coverage according to the table below:

| Group | Rates |
|-----------------|-------|
| County General | 85% |
| County Police | 100% |
| Mental Health | 80% |
| Road Commission | 95% |

All retirees that currently have coverage are assumed to continue coverage in the future.
All retirees that currently have no coverage are assumed never to elect coverage in the future.

Spousal Coverage

Spousal coverage and age for current retirees is based on actual data. 80% of male and 50% of female employees is assumed to be married at retirement. Husbands are assumed to be three years older than wives.

Per Capita Costs

Annual per capita costs were calculated based on the County’s illustrative rates effective on January 1, 2013 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 | \$ 5,300 | \$ 5,900 | \$ 5,800 | \$ 6,400 |
| 55 – 59 | \$ 6,800 | \$ 6,600 | \$ 7,400 | \$ 7,200 |
| 60 – 64 | \$ 8,600 | \$ 7,800 | \$ 9,400 | \$ 8,500 |
| 65 – 69 | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ 1,500 |
| 70 – 74 | \$ 1,800 | \$ 1,800 | \$ 1,800 | \$ 1,800 |
| 75 – 79 | \$ 2,100 | \$ 2,100 | \$ 2,100 | \$ 2,100 |
| 80+ | \$ 2,400 | \$ 2,400 | \$ 2,400 | \$ 2,400 |

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 | \$ 270 | \$ 268 |
| 65+ | \$ 270 | \$ 268 |

* Applies to County’s General employees, Sheriff, and Mental Health Authority.

Nyhart used the 2013 County’s illustrative rates without adjustment in our calculations. The rates were provided by BCBS and were assumed to represent the expected cost of claims and administrative expenses under the self-insured health plan. To the extent the rates do not reflect the full cost of coverage, our actuarial results will need to be revised. Common reasons for rates not reflecting the full cost are (1) use of asset reserves to pay a portion of the expected costs which leads to lower rates than required based on claims experience and (2) use of maximum claim exposure under the plan’s aggregate stop-loss policy to set rates which overstate the expected costs for GASB 45 purposes.

Explicit Subsidy

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

| | Illustrative Rate | Retiree Contribution | Explicit Subsidy |
|---------|------------------------------|---------------------------------|-----------------------------|
| | A | B | C = A – B |
| Retiree | \$ 384.00 | \$ 0.00 | \$ 384.00 |
| Spouse | \$ 537.61 | \$ 0.00 | \$ 537.61 |

Implicit Subsidy

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

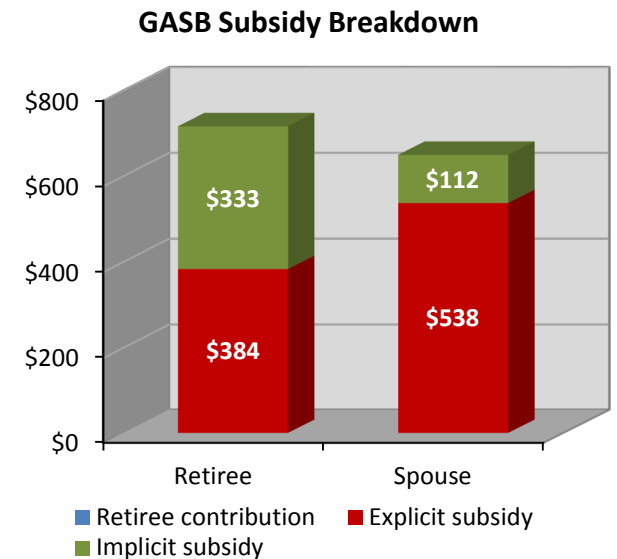
| | Per Capita Cost | Premium Rate | Implicit Subsidy |
|---------|----------------------------|-------------------------|-----------------------------|
| | A | B | C = A – B |
| Retiree | \$ 716.67 | \$ 384.00 | \$ 332.67 |
| Spouse | \$ 650.00 | \$ 537.61 | \$ 112.39 |

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.

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 and his / her spouse of the same age enrolled in the non-hardship plan.

| | Retiree | Spouse |
|---------------------------|------------------|------------------|
| Retiree contribution | \$ 0.00 | \$ 0.00 |
| Explicit subsidy | \$ 384.00 | \$ 537.61 |
| Implicit subsidy | \$ 332.67 | \$ 112.39 |
| Total monthly cost | \$ 716.67 | \$ 650.00 |



Summary of Plan Participants

| <i>Actives</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 | 505 | 46.6 | 12.5 | \$ 25,566,989 |
| Mental Health Authority | N/A | N/A | 205 | 45.1 | 10.2 | \$ 10,455,228 |
| Road Commission | N/A | N/A | 78 | 48.2 | 15.9 | \$ 4,031,028 |
| Total actives | N/A | N/A | 788 | 46.4 | 12.3 | \$ 40,053,245 |

Active enrollment above includes employees that are eligible for retiree health benefits only. Employees hired after the cut-off date as noted on pages 22 and 23 of this report are not eligible for retiree health benefits.

| <i>Retirees⁸</i> | <i>Single</i> | <i>Non-Single</i> | <i>Total</i> | <i>Avg. Age</i> |
|-----------------------------|---------------|-------------------|--------------|-----------------|
| St. Clair County | N/A | N/A | 416 | 69.3 |
| Mental Health Authority | N/A | N/A | 76 | 66.6 |
| Road Commission | N/A | N/A | 145 | 73.5 |
| Total retirees | N/A | N/A | 637 | 70.0 |

| <i>Terminated Vested⁹</i> | <i>Total</i> | <i>Avg. Age</i> |
|--------------------------------------|--------------|-----------------|
| St. Clair County | 62 | 51.0 |
| Mental Health Authority | 30 | 52.9 |
| Road Commission | 11 | 53.3 |
| Total terminated vested | 103 | 51.8 |

⁸ Includes disabled retirees and beneficiaries.

⁹ Includes all terminated vested employees, including those that are not eligible for retiree health benefits. Out of 103 terminated vested employees, 14 of them are not eligible for retiree health benefits.

Active Age-Service Distribution

All Groups (including those eligible for retiree health benefits only)

| 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 | 17 | 18 | | | | | | | | 36 |
| 30 to 34 | 1 | 20 | 50 | 5 | | | | | | | 76 |
| 35 to 39 | 2 | 15 | 48 | 35 | 4 | | | | | | 104 |
| 40 to 44 | | 19 | 43 | 48 | 31 | 6 | 2 | | | | 149 |
| 45 to 49 | | 16 | 37 | 27 | 28 | 12 | 10 | | | | 130 |
| 50 to 54 | | 7 | 29 | 29 | 15 | 18 | 15 | 4 | | | 117 |
| 55 to 59 | | 3 | 21 | 35 | 20 | 19 | 8 | 4 | 1 | | 111 |
| 60 to 64 | | 3 | 11 | 9 | 8 | 6 | 4 | 3 | 2 | | 46 |
| 65 to 69 | | | 4 | 4 | 3 | | 1 | 1 | | 1 | 14 |
| 70 & up | | | | 3 | 1 | | | | | | 4 |
| Total | 4 | 101 | 261 | 195 | 110 | 61 | 40 | 12 | 3 | 1 | 788 |

Active Age-Service Distribution (Continued)

St. Clair County (including those eligible for retiree health benefits only)

| 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 | | | | | | | | | | | 0 |
| 25 to 29 | | 11 | 15 | | | | | | | | 26 |
| 30 to 34 | | 8 | 39 | 3 | | | | | | | 50 |
| 35 to 39 | | 5 | 31 | 24 | 3 | | | | | | 63 |
| 40 to 44 | | 8 | 28 | 31 | 16 | 5 | 1 | | | | 89 |
| 45 to 49 | | 8 | 25 | 17 | 16 | 10 | 7 | | | | 83 |
| 50 to 54 | | 4 | 18 | 20 | 9 | 10 | 7 | 3 | | | 71 |
| 55 to 59 | | | 18 | 26 | 15 | 15 | 4 | 2 | 1 | | 81 |
| 60 to 64 | | 1 | 6 | 7 | 5 | 5 | 1 | 1 | 2 | | 28 |
| 65 to 69 | | | 3 | 3 | 2 | | 1 | 1 | | 1 | 11 |
| 70 & up | | | | 2 | 1 | | | | | | 3 |
| Total | 0 | 45 | 183 | 133 | 67 | 45 | 21 | 7 | 3 | 1 | 505 |

Active Age-Service Distribution (Continued)**Mental Health Authority** (including those eligible for retiree health benefits only)

| 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 | | | | | | | | | | | 0 |
| 25 to 29 | 1 | 6 | 3 | | | | | | | | 10 |
| 30 to 34 | 1 | 11 | 8 | 2 | | | | | | | 22 |
| 35 to 39 | 2 | 10 | 14 | 7 | | | | | | | 33 |
| 40 to 44 | | 11 | 14 | 9 | 11 | | | | | | 45 |
| 45 to 49 | | 8 | 10 | 7 | 3 | | 2 | | | | 30 |
| 50 to 54 | | 2 | 10 | 6 | 1 | 8 | 2 | 1 | | | 30 |
| 55 to 59 | | 3 | 2 | 4 | 2 | 2 | 2 | 2 | | | 17 |
| 60 to 64 | | 2 | 5 | 2 | 3 | 1 | 1 | 2 | | | 16 |
| 65 to 69 | | | 1 | | 1 | | | | | | 2 |
| 70 & up | | | | | | | | | | | 0 |
| Total | 4 | 53 | 67 | 37 | 21 | 11 | 7 | 5 | 0 | 0 | 205 |

Active Age-Service Distribution (Continued)

Road Commission (including those eligible for retiree health benefits only)

| 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 | | | | | | | | | | | 0 |
| 30 to 34 | | 1 | 3 | | | | | | | | 4 |
| 35 to 39 | | | 3 | 4 | 1 | | | | | | 8 |
| 40 to 44 | | | 1 | 8 | 4 | 1 | 1 | | | | 15 |
| 45 to 49 | | | 2 | 3 | 9 | 2 | 1 | | | | 17 |
| 50 to 54 | | 1 | 1 | 3 | 5 | | 6 | | | | 16 |
| 55 to 59 | | | 1 | 5 | 3 | 2 | 2 | | | | 13 |
| 60 to 64 | | | | | | | 2 | | | | 2 |
| 65 to 69 | | | | 1 | | | | | | | 1 |
| 70 & up | | | | 1 | | | | | | | 1 |
| Total | 0 | 3 | 11 | 25 | 22 | 5 | 12 | 0 | 0 | 0 | 78 |

APPENDIX

Comparison of Participant Demographic Information

The active participants' number below may include active employees who currently have no health care coverage. Refer to Summary of Participants section for an accurate breakdown of active employees with and without coverage.

| | <i>As of December 31, 2011</i> | <i>As of December 31, 2012</i> |
|-----------------------|------------------------------------|------------------------------------|
| Active Participants | 865 | 788 |
| Retired Participants | 564 | 637 |
| Averages for Active | | |
| Age | 45.9 | 46.4 |
| Service | 11.4 | 12.3 |
| Salary | \$ 50,268 | \$ 50,829 |
| Averages for Inactive | | |
| Age | 70.2 | 70.0 |

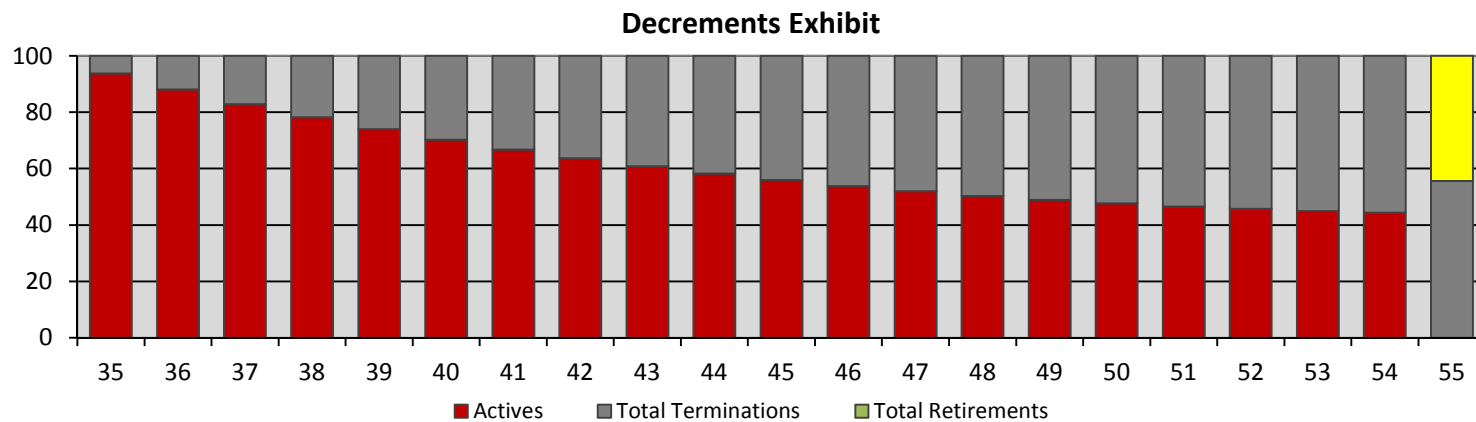
Glossary

Decrements Exhibit

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 44.430 employees out of the original 100 are expected to retire and could elect retiree health benefits at age 55.

| Age | # Remaining Employees | # of Terminations per Year* | # of Retirements per Year* | Total Decrements |
|-----|-----------------------|-----------------------------|----------------------------|------------------|
| 35 | 100.000 | 6.276 | 0.000 | 6.276 |
| 36 | 93.724 | 5.677 | 0.000 | 5.677 |
| 37 | 88.047 | 5.136 | 0.000 | 5.136 |
| 38 | 82.911 | 4.648 | 0.000 | 4.648 |
| 39 | 78.262 | 4.209 | 0.000 | 4.209 |
| 40 | 74.053 | 3.814 | 0.000 | 3.814 |
| 41 | 70.239 | 3.456 | 0.000 | 3.456 |
| 42 | 66.783 | 3.131 | 0.000 | 3.131 |
| 43 | 63.652 | 2.835 | 0.000 | 2.835 |
| 44 | 60.817 | 2.564 | 0.000 | 2.564 |
| 45 | 58.253 | 2.316 | 0.000 | 2.316 |

| Age | # Remaining Employees | # of Terminations per Year* | # of Retirements per Year* | Total Decrements |
|-----|-----------------------|-----------------------------|----------------------------|------------------|
| 46 | 55.938 | 2.085 | 0.000 | 2.085 |
| 47 | 53.853 | 1.866 | 0.000 | 1.866 |
| 48 | 51.987 | 1.656 | 0.000 | 1.656 |
| 49 | 50.331 | 1.452 | 0.000 | 1.452 |
| 50 | 48.880 | 1.253 | 0.000 | 1.253 |
| 51 | 47.627 | 1.060 | 0.000 | 1.060 |
| 52 | 46.567 | 0.877 | 0.000 | 0.877 |
| 53 | 45.690 | 0.707 | 0.000 | 0.707 |
| 54 | 44.983 | 0.553 | 0.000 | 0.553 |
| 55 | 44.430 | 0.000 | 44.430 | 44.430 |

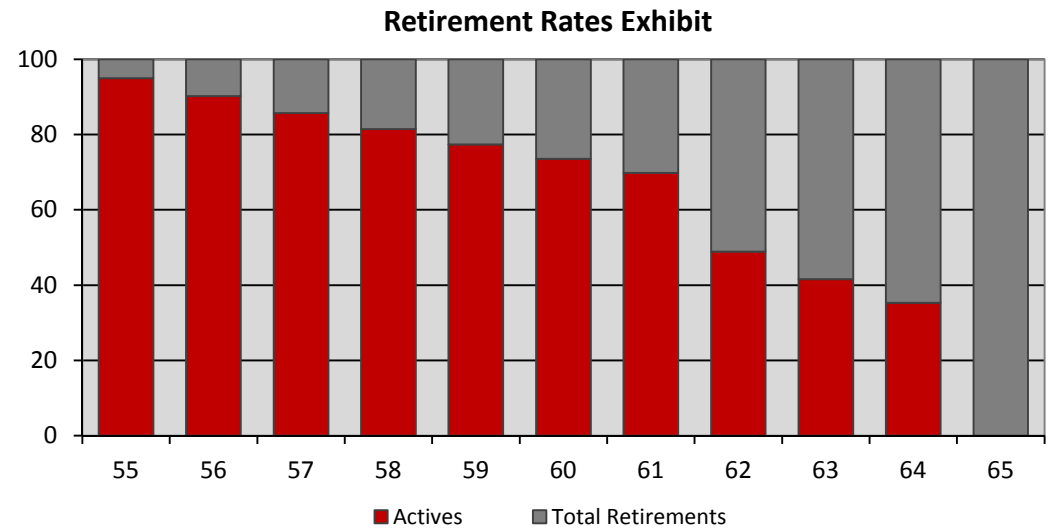


* The above rates are illustrative rates and are not used in our GASB calculations.

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 | 5.0% | 5.000 | 95.000 |
| 56 | 95.000 | 5.0% | 4.750 | 90.250 |
| 57 | 90.250 | 5.0% | 4.513 | 85.738 |
| 58 | 85.738 | 5.0% | 4.287 | 81.451 |
| 59 | 81.451 | 5.0% | 4.073 | 77.378 |
| 60 | 77.378 | 5.0% | 3.869 | 73.509 |
| 61 | 73.509 | 5.0% | 3.675 | 69.834 |
| 62 | 69.834 | 30.0% | 20.950 | 48.884 |
| 63 | 48.884 | 15.0% | 7.333 | 41.551 |
| 64 | 41.551 | 15.0% | 6.233 | 35.318 |
| 65 | 35.318 | 100.0% | 35.318 | 0.000 |



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

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 = $A \times B \times C \times D$ |

Illustration of GASB Calculations (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 = $A + B + C$ |

Definitions

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 (continued)

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.