



buck

JUNE 30, 2010
ACTUARIAL VALUATION OF
THE POST RETIREMENT BENEFITS PLAN
OF
THE TOWN OF NORTH ATTLEBOROUGH

December, 2010

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SECTION I - OVERVIEW

The Town of North Attleborough has engaged Buck Consultants, LLC (Buck) to prepare an actuarial valuation of their post-retirement benefits program as of June 30, 2010. The Town provided employee data and premium information.

The purposes of the valuation are to analyze the current funded position of the Town's post-retirement benefits program, determine the level of contributions necessary to assure sound funding and provide reporting and disclosure information for financial statements, governmental agencies and other interested parties. This valuation report contains information required by the Governmental Accounting Standards Board's Statements Nos. 43 and 45, respectively entitled "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" and "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." Liabilities have been determined based on an 8.0% discount rate. According to GASB principles, if the benefits are not prefunded, the rate earned by the General Asset Account must be used. To measure on that basis we have used an alternative discount rate of 3.5%.

Section II provides a summary of the principal valuation results. Section VII provides a projection of funding amounts.

Summary of Effects on Selected Provisions of Healthcare Reform

Early Retiree Reinsurance Program - Effective 6/1/2010: Due to the short-term nature of the payments expected to be received under this program, we did not feel it would be appropriate to include the impact of this program on long-term GASB 45 liabilities.

Removal of Lifetime Maximum: The elimination of the lifetime maximums would have no impact on the retiree health plan obligations since the plan has no lifetime maximums.

Medicare Advantage Plans - Effective 1/1/2011: The law provides for reductions to the amounts that would be provided to Medicare Advantage plans starting in 2011. Since the Town does not offer these plans, the reductions would have no impact.

Expansion of Child Coverage to Age 26: Since few retirees cover children on retiree health plans, this provision will likely have a relatively small effect on the gross benefit cost. We have reflected an estimate of the amount of additional cost by assuming a higher healthcare trend rate.

Medicare Part D Subsidy - Shrinking Medicare Prescription Drug “Donut Hole”- Starting 1/1/2011: RDS payments are not reflected as an ongoing offsetting item in GASB 45 valuations, and so no direct impact is reflected. RDS actuarial equivalence testing does not reflect the new donut hole shrinking Part D benefits, and thus would not impact the available future RDS for partial funding. Thus, the changes to Medicare Part D have no impact on the calculations.

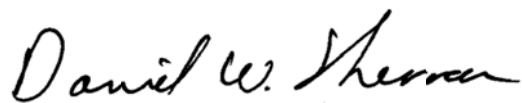
Excise Tax on High-Cost Employer Health Plans (aka Cadillac Tax) - Effective 1/1/2018: There is considerable uncertainty about how the tax would be applied, and considerable latitude in grouping of participants for tax purposes. Because a preliminary projection of the calculation on a blended pre-65/post-65 retiree coverage basis indicate that the overall increase in Actuarial Accrued Liability could be less than ¼%, we have not reflected any additional costs for the high cost plan excise tax.

Other: We have not identified any other specific provision of health care reform that would be expected to have a significant impact on the measured obligation. As additional guidance on the legislation is issued, we will continue to monitor any potential impacts.

Daniel Sherman is an Associate of the Society of Actuaries, a Member of the American Academy of Actuaries, and meets the Qualification Standards of the Academy to render the actuarial opinions contained herein. This report has been prepared in accordance with all applicable Actuarial Standards of Practice, and we are available to answer questions concerning it.

Respectfully Submitted,

BUCK CONSULTANTS, LLC



Daniel Sherman, ASA, MAAA, EA
Director and Consulting Actuary

December 20, 2010

Date

SECTION II - REQUIRED INFORMATION

	Full prefunding 8%	Pay-as-you-go 3.5%	
a) Actuarial valuation date	June 30, 2010	June 30, 2010	Difference
b) Actuarial Value of Assets	\$ 150,000	\$ 150,000	\$ 0
c) Actuarial Accrued Liability			
Active participants	\$ 48,461,558	\$ 122,919,649	\$ 74,458,091
Retired participants	39,336,367	61,664,708	22,328,341
Total AAL	\$ 87,797,925	\$ 184,584,357	\$ 96,786,432
d) Unfunded Actuarial Liability "UAL" [c - b]	\$ 87,647,925	\$ 184,434,357	\$ 96,786,432
e) Funded ratio [b / c]	0.2%	0.1%	
f) Annual covered payroll	\$ 49,047,424	\$ 49,047,424	
g) UAL as percentage of covered payroll	178.7%	376.0%	
h) Normal Cost for fiscal year 2010	\$ 2,358,159	\$ 7,561,191	\$ 5,203,032
i) Amortization of UAL for fiscal year 2010*	4,524,436	5,329,254	804,818
j) Interest to the end of the fiscal year	0	0	0
k) Annual Required Contribution "ARC" for fiscal year 2010 [h + i + j]	\$ 6,882,595	\$ 12,890,445	\$ 6,007,850
l) Expected benefit payments	\$ 3,169,135	\$ 3,169,135	\$ 0
m) Increase in annual cost to fund the Plan [k - l]	\$ 3,713,460	N/A	

* 30-year amortization, increasing 4.5% per year

SECTION III - MEDICAL PREMIUMS

Monthly Premiums effective July 1, 2010

Health benefits are available to employees and retirees through a number of plans. The following are gross monthly rates per subscriber:

Unicare Indemnity CIC - Individual	\$786.84
Unicare Indemnity CIC - Family	\$1,893.79
Unicare Indemnity OME/CIC w/Part B - Individual	\$344.52
Unicare Indemnity OME w/Part B - Individual	\$332.64
Fallon Select - Individual	\$497.60
Fallon Select - Family	\$1,194.30
Fallon Senior - Individual	\$225.50
Health New England - Individual	\$414.00
Tufts Medicare Supplement w/ Part B - Individual	\$350.75
HMO Blue - Individual	\$590.14
HMO Blue - Family	\$1,546.25
Managed Blue for Seniors - Individual	\$460.88
Medex - Individual	\$424.19
Blue Care Elect - Individual	\$907.10
Blue Care Elect - Family	\$2,255.07

SECTION IV - MEMBERSHIP DATA AND BREAKDOWN OF RESULTS

Number of Employees	School	Police	Fire	Water	Sewer	Landfill / Solid Waste	Electric	All Others	Total
Actives	618	56	62	19	15	6	30	125	931
Retirees and Beneficiaries	384	31	56	2	6	1	35	62	577
Total	1,002	87	118	21	21	7	65	187	1,508
Accrued Liability @ 8%									
Active	28,962,535	4,367,645	5,024,094	941,429	919,890	171,610	2,417,962	5,656,393	48,461,558
Retired	23,210,657	2,472,768	5,471,428	88,689	614,707	382	3,014,619	4,463,117	39,336,367
Total	52,173,192	6,840,413	10,495,522	1,030,118	1,534,597	171,992	5,432,581	10,119,510	87,797,925
Assets	-	-	-	-	-	-	150,000	-	150,000
UAL	52,173,192	6,840,413	10,495,522	1,030,118	1,534,597	171,992	5,282,581	10,119,510	87,647,925
Annual Required Contribution @ 8%									
Normal Cost with interest	1,453,448	160,867	199,836	64,310	47,820	27,908	79,604	324,366	2,358,159
Amortization of UAL with interest	2,693,210	353,106	541,785	53,175	79,217	8,878	272,690	522,375	4,524,436
Total	4,146,658	513,973	741,621	117,485	127,037	36,786	352,294	846,741	6,882,595
Estimated Benefit Payments	2,165,954	194,721	394,504	6,548	47,388	38	254,966	105,016	3,169,135
Difference	1,980,704	319,252	347,117	110,937	79,649	36,748	97,328	741,725	3,713,460
Accrued Liability @ 3.5%									
Active	69,183,441	13,138,177	15,121,677	2,595,809	2,238,915	444,018	6,535,193	13,662,419	122,919,649
Retired	35,194,426	4,062,872	9,335,147	134,893	1,038,108	548	4,980,356	6,918,358	61,664,708
Total	104,377,867	17,201,049	24,456,824	2,730,702	3,277,023	444,566	11,515,549	20,580,777	184,584,357
Assets	-	-	-	-	-	-	150,000	-	150,000
UAL	104,377,867	17,201,049	24,456,824	2,730,702	3,277,023	444,566	11,365,549	20,580,777	184,434,357
Annual Required Contribution @ 3.5%									
Normal Cost with interest	4,404,635	632,072	794,939	187,476	148,529	72,415	297,995	1,023,130	7,561,191
Amortization of UAL with interest	3,016,011	497,026	706,683	78,904	94,690	12,846	328,409	594,685	5,329,254
Total	7,420,646	1,129,098	1,501,622	266,380	243,219	85,261	626,404	1,617,815	12,890,445
Estimated Benefit Payments	2,165,954	194,721	394,504	6,548	47,388	38	254,966	105,016	3,169,135

SECTION V - REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress on a Full Prefunded Basis - 8%

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b) - (a) Unfunded AAL (UAL)	(a) / (b) Funded Ratio	(c) Payroll	(d) Unfunded AAL as % of Payroll
July 1, 2008	0	96,985,722	96,985,722	0.00%	49,398,406	196.3%
June 30, 2010	150,000	87,797,925	87,647,925	0.17%	49,047,424	178.7%

Schedule of Funding Progress on a Pay-As-You-Go Basis - 3.5%

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b) - (a) Unfunded AAL (UAL)	(a) / (b) Funded Ratio	(c) Payroll	(d) Unfunded AAL as % of Payroll
July 1, 2008	0	210,177,152	210,177,152	0.00%	49,398,406	425.5%
June 30, 2010	150,000	184,584,357	184,434,357	0.08%	49,047,424	376.0%

SECTION VI - NET OPEB OBLIGATION

GASB Statement No. 45 requires the development of Annual OPEB Cost and Net OPEB Obligation (NOO). This development is shown in the following table.

Development of OPEB Cost and Net OPEB Obligation (NOO)

Year Ending June 30	Annual Required Contribution	Interest on NOO	Amortization of NOO	Annual OPEB Cost (1) + (2) - (3)	Actual Contribution	Change in NOO (4) - (5)	NOO Balance
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
2009	16,159,751	0	0	16,159,751	3,517,098	12,642,653	12,642,653
2010	16,936,846	442,493	365,311	17,014,028	2,222,182	14,791,846	27,434,499
2011	13,587,996	960,207	792,723	13,750,480			

SECTION VII - SCHEDULE OF EMPLOYER CONTRIBUTIONS

The Governmental Accounting Standards Board's Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" outlines various requirements of a funding schedule that will amortize the unfunded actuarial liability and cover normal costs. Amortization of the unfunded actuarial liability is to be based on a schedule that extends no longer than 30 years. The contribution towards the amortization of the unfunded actuarial liability may be made in level payments or in payments increasing at the same rate as salary increases.

In the amortization schedule shown on the following pages, the amortization of the unfunded accrued liability is assumed to increase annually by 4.5%. The normal cost is expected to increase at the same rate as the assumed health care trend rate. The contributions were computed assuming that the contribution is paid on June 30th.

SECTION VI - SCHEDULE OF EMPLOYER CONTRIBUTIONS

Full Prefunding 8%

Fiscal Year		Amortization		
<u>Ending In</u>	<u>Normal Cost</u>	<u>of UAL</u>	<u>ARC*</u>	<u>Pay-as-You-Go</u>
2010	2,358,159	4,524,436	6,882,595	3,169,135
2011	2,476,067	4,728,036	7,204,103	3,551,439
2012	2,599,870	4,940,798	7,540,668	3,779,369
2013	2,729,864	5,163,134	7,892,998	4,129,338
2014	2,866,357	5,395,475	8,261,832	4,523,480
2015	3,009,675	5,638,271	8,647,946	4,906,225
2016	3,160,159	5,891,993	9,052,152	5,331,783
2017	3,318,167	6,157,133	9,475,300	5,733,686
2018	3,484,075	6,434,204	9,918,279	6,127,696
2019	3,658,279	6,723,743	10,382,022	6,588,350
2020	3,841,193	7,026,311	10,867,504	7,038,125
2021	4,033,253	7,342,495	11,375,748	7,468,203
2022	4,234,916	7,672,907	11,907,823	7,970,220
2023	4,446,662	8,018,188	12,464,850	8,411,534
2024	4,668,995	8,379,006	13,048,001	8,879,803
2025	4,902,445	8,756,061	13,658,506	9,394,151
2026	5,147,567	9,150,084	14,297,651	9,917,850
2027	5,404,945	9,561,838	14,966,783	10,358,594
2028	5,675,192	9,992,121	15,667,313	10,897,999
2029	5,958,952	10,441,766	16,400,718	11,450,994
2030	6,256,900	10,911,645	17,168,545	12,032,049
2031	6,569,745	11,402,669	17,972,414	12,642,588
2032	6,898,232	11,915,789	18,814,021	13,284,108
2033	7,243,144	12,452,000	19,695,144	13,958,180
2034	7,605,301	13,012,340	20,617,641	14,666,457
2035	7,985,566	13,597,895	21,583,461	15,410,674
2036	8,384,844	14,209,800	22,594,644	16,192,654
2037	8,804,086	14,849,241	23,653,327	17,014,314
2038	9,244,290	15,517,457	24,761,747	17,877,667
2039	9,706,505	16,215,743	25,922,248	18,784,830
2040	10,191,830	-	10,191,830	19,738,024
2041	10,701,422	-	10,701,422	20,739,586

* Assumes payment is made at the end of the fiscal year.

SECTION VI - SCHEDULE OF EMPLOYER CONTRIBUTIONS

Pay-as-You-Go 3.5%

Fiscal Year	Amortization			
<u>Ending In</u>	<u>Normal Cost</u>	<u>of UAL</u>	<u>ARC*</u>	<u>Pay-as-You-Go</u>
2010	7,561,191	5,329,254	12,890,445	3,169,135
2011	7,939,251	5,648,745	13,587,996	3,551,439
2012	8,336,214	5,979,486	14,315,700	3,779,369
2013	8,753,025	6,326,974	15,079,999	4,129,338
2014	9,190,676	6,688,803	15,879,479	4,523,480
2015	9,650,210	7,064,797	16,715,007	4,906,225
2016	10,132,721	7,456,443	17,589,164	5,331,783
2017	10,639,357	7,863,717	18,503,074	5,733,686
2018	11,171,325	8,288,582	19,459,907	6,127,696
2019	11,729,891	8,732,645	20,462,536	6,588,350
2020	12,316,386	9,195,413	21,511,799	7,038,125
2021	12,932,205	9,678,696	22,610,901	7,468,203
2022	13,578,815	10,184,668	23,763,483	7,970,220
2023	14,257,756	10,712,930	24,970,686	8,411,534
2024	14,970,644	11,267,012	26,237,656	8,879,803
2025	15,719,176	11,848,042	27,567,218	9,394,151
2026	16,505,135	12,456,673	28,961,808	9,917,850
2027	17,330,392	13,094,717	30,425,109	10,358,594
2028	18,196,912	13,766,817	31,963,729	10,897,999
2029	19,106,758	14,472,499	33,579,257	11,450,994
2030	20,062,096	15,213,833	35,275,929	12,032,049
2031	21,065,201	15,992,604	37,057,805	12,642,588
2032	22,118,461	16,810,683	38,929,144	13,284,108
2033	23,224,384	17,670,037	40,894,421	13,958,180
2034	24,385,603	18,572,726	42,958,329	14,666,457
2035	25,604,883	19,520,917	45,125,800	15,410,674
2036	26,885,127	20,516,881	47,402,008	16,192,654
2037	28,229,383	21,563,004	49,792,387	17,014,314
2038	29,640,852	22,661,790	52,302,642	17,877,667
2039	31,122,895	23,815,866	54,938,761	18,784,830
2040	32,679,040	25,027,989	57,707,029	19,738,024
2041	34,312,992	26,301,055	60,614,047	20,739,586

* Assumes payment is made at the end of the fiscal year.

SCHEDULE A - ACTUARIAL ASSUMPTIONS AND METHODS

TOWN OF NORTH ATTLEBOROUGH, ALL GROUPS

Interest: Full Prefunding: 8.00% per year, net of investment expenses
Pay-as-You-Go: 3.50% per year, net of investment expenses

Actuarial Cost Method: Projected Unit Credit. Benefits are attributed ratably to service from date of hire until full eligibility date. Full eligibility date is assumed to be first eligibility for retiree medical benefits.

Healthcare Cost Trend Rate:

<u>Year</u>	<u>Inflation Rate</u>
2010	8.0%
2011	7.5%
2012	7.0%
2013	6.5%
2014	6.0%
2015	5.5%
2016 & after	5.0%

Amortization period: 30-year level percent of pay assuming 4.5% increasing, closed basis for full prefunding. The amortization period is a specific number of years that is counted from one date, declining to zero with the passage of time. Under the pay-as-you-go an open basis was used for the amortization. The amortization period is 30 years for all future valuations.

Participation: 80% of future retirees are assumed to participate in the retiree medical plan and 65% of future retirees are expected to elect life insurance.

Marital status: 80% of male employees and 60% of female employees are assumed to have a covered spouse at retirement. Wives are assumed to be three years younger than their husbands.

SCHEDULE A - ACTUARIAL ASSUMPTIONS AND METHODS

TOWN OF NORTH ATTLEBOROUGH, ALL GROUPS

Pre-Age 65 Retirees: Current retirees who are under age 65 are assumed to remain in their current medical plan until age 65.

Current active employees who are assumed to retire prior to age 65 are valued with a weighted-average premium. This weighted-average premium is based on the medical plan coverage of current retirees under age 65. At age 65, all participants are assumed to participate in post 65 plans in the same proportions as current retirees over age 65.

Post-Age 65 Retirees: Current retirees over age 65 remain in their current medical plan until death. Per capita costs were developed from the Town developed monthly costs.

Termination Benefit: 60% of current actives over age 50 with at least 10 years of service are expected to elect medical coverage starting at age 65.

Medical Plan Costs: The Town is self-insured for Non-Teachers. The Teachers' medical premium rates are community rated through GIC. The estimated gross per capita incurred claim costs for Non-Teachers for 2009-10 at age 64 and 65 are \$14,526 and \$5,435, respectively. It is assumed that future retirees participate in the same manner as current retirees. Per capita costs were developed from the monthly costs. Employee cost sharing is based on current rates. Future cost sharing is based on the weighted average of the current cost sharing of retirees and beneficiaries.

Age-Based Morbidity: Per capita costs are adjusted to reflect expected cost increases related to age. The increase in the net incurred claims was assumed to be:

<u>Age</u>	<u>Annual Increase Retiree</u>
49 and below	2.6%
50-54	3.2%
55-59	3.4%
60-64	3.7%
65-69	3.2%
70-74	2.4%
75-79	1.8%
80 and over	0.0%

SCHEDULE A - ACTUARIAL ASSUMPTIONS AND METHODS

TOWN OF NORTH ATTLEBOROUGH, GROUPS 1 AND 2 (NON-TEACHERS)

SEPARATIONS FROM ACTIVE SERVICE: Representative values of the assumed annual rates of withdrawal and vesting, disability, death and service retirement are as follows:

Age	Disability	Service Retirement		Years of Service	Rates of Withdrawal
		Male	Female		
25	.02%			0	15.0%
30	.03			1	12.0
35	.06			2	10.0
40	.10			3	9.0
45	.15			4	8.0
50	.19	1.0%	1.5%	5	7.6
55	.24	2.0	5.5	10	5.4
60	.28	12.0	5.0	15	3.3
62	.30	30.0	15.0	20	2.0
65	.30	40.0	15.0	25	1.0
69		30.0	20.0	30+	0.0

Mortality: The RP-2000 Combined Healthy Table. For the period after disability retirement, the RP-2000 Combined Healthy Table set forward 2 years is used.

SCHEDULE A - ACTUARIAL ASSUMPTIONS AND METHODS

TOWN OF NORTH ATTLEBOROUGH, GROUPS 1 AND 2 (TEACHERS)

SEPARATIONS FROM ACTIVE SERVICE: Representative values of the assumed annual rates of withdrawal and vesting, disability, death and service retirement are as follows:

Age	Disability	Years of Service	Rates of Withdrawal
25	.02%	0	15.0%
30	.03	1	12.0
35	.06	2	10.0
40	.10	3	9.0
45	.15	4	8.0
50	.19	5	7.6
55	.24	10	5.4
60	.28	15	3.3
62	.30	20	2.0
65	.30	25	1.0
69		30+	0.0

Age	Male Service Retirement		Female Service Retirement	
	<20	20+	<20	20+
50	0.00	0.01	0.00	0.01
55	0.02	0.03	0.02	0.04
60	0.12	0.20	0.12	0.16
61	0.15	0.30	0.15	0.20
62	0.18	0.35	0.18	0.25
63	0.15	0.35	0.15	0.25
64	0.25	0.30	0.25	0.30
65	0.40	0.50	0.40	0.40
66	0.40	0.30	0.40	0.30
67	0.40	0.30	0.40	0.25
68	0.40	0.30	0.40	0.35
69	0.40	0.40	0.40	0.35
70	1.00	1.00	1.00	1.00

Teachers electing the increased benefit under Chapter 114 of the Acts of 2000 were assumed to have higher rates of retirement from ages 54 to 62 if their service was greater than 30 years. These rates are the same for males and females. The rate at age 54 is 0.035. The rate increases to 0.06 at age 55, 0.18 at age 56 and 0.30 at age 57. The rate for ages 58, 59 and 62 is 0.40. The rate for ages 60 and 61 is 0.35.

Mortality: The RP-2000 Combined Healthy Table. For the period after disability retirement, the RP-2000 Combined Healthy Table set forward 2 years is used.

SCHEDULE A - ACTUARIAL ASSUMPTIONS AND METHODS

TOWN OF NORTH ATTLEBOROUGH, GROUP 4

SEPARATIONS FROM ACTIVE SERVICE: Representative values of the assumed annual rates of disability, service retirement, and withdrawal are as follows:

Age	Disability	Service Retirements	Years of Service	Rates of Withdrawal
25	0.20%		0	15.0%
30	0.30		1	15.0
35	0.30		2	15.0
40	0.30		3	15.0
45	1.00	1.0%	4	15.0
50	1.25	2.0	5	15.0
55	1.20	15.0	6	15.0
60	0.85	20.0	7	15.0
62	0.75	25.0	8	15.0
65	0.00	100.0	9	15.0
69			10	15.0
			11+	0.0

Mortality: The RP-2000 Combined Healthy Table. For the period after disability retirement, the RP-2000 Combined Healthy Table set forward 2 years is used.

SCHEDULE B - SUMMARY OF PROGRAM PROVISIONS

Retirement Medical Insurance: Retired employees pay a variable portion of their post-retirement medical costs, which varies by plan.

Life Insurance: The Town contributes \$3.19 per month for each Town retiree receiving \$5,000 basic life insurance. The Town contributes \$2.25 per month for each School retiree receiving \$5,000 basic life insurance.

Spousal Coverage: Current and future retirees may elect to include their spouses as part of their post-retirement benefits. There is lifetime spousal coverage for medical insurance.

Section 18 Coverage: The Town has not elected to adopt Section 18 under Chapter 32B of the General Laws of Massachusetts, which requires that an employee or retiree must participate in the Medicare program as the primary payer once one reaches age 65 and is Medicare eligible.

Retirement Eligibility: Age 55 with 10 years of service, or 20 years of service.

Ordinary Disability Eligibility: 10 years of service and under age 55.

Termination Eligibility: 10 years of service.

SCHEDULE C - GLOSSARY OF TERMS

Actuarial Accrued Liability

That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of OPEB benefits and expenses which is not provided for by future Normal Costs and therefore is the value of benefits already earned.

Actuarial assumptions

Assumptions as to the occurrence of future events affecting OPEB costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided OPEB 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.

Actuarial cost method

A procedure for determining the Actuarial Present Value of OPEB 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.

Actuarial experience gain or loss

A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.

Amortization (of unfunded actuarial accrued liability)

That portion of the OPEB plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability or the Unfunded Frozen Actuarial Accrued Liability.

Annual OPEB cost

An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.

Annual required contributions of the employer (ARC)

The employer's periodic expense to a defined benefit OPEB plan, calculated in accordance with the parameters. It is the value of the cash contributions for a funded plan and the value of the expense entry in the profit and loss section of the financial statements.

Closed amortization period (closed basis)

A specific number of years that is counted from one date and, therefore, declines to zero with the passage of time. For example, if the amortization period initially is thirty years on a closed basis, twenty-nine years remain after the first year, twenty-eight years after the second year, and so forth. In contrast, an open amortization period (open basis) is one that begins again or is recalculated at each actuarial valuation date. Within a maximum number of years specified by law or policy (for example, thirty years), the period may increase, decrease, or remain stable.

Covered payroll

Annual compensation paid to active employees covered by an OPEB plan. If employees also are covered by a pension plan, the covered payroll should include all elements included in compensation on which contributions to the pension plan are based. For example, if pension contributions are calculated on base pay including overtime, covered payroll includes overtime compensation.

Defined benefit OPEB plan

An OPEB plan having terms that specify the benefits to be provided at or after separation from employment. The benefits may be specified in dollars (for example, a flat dollar payment or an amount based on one or more factors such as age, years of service, and compensation), or as a type or level of coverage (for example, prescription drugs or a percentage of healthcare insurance premiums).

Funded ratio

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

SCHEDULE C - GLOSSARY OF TERMS

Funding policy

The program for the amounts and timing of contributions to be made by plan members, employer(s), and other contributing entities (for example, state government contributions to a local government plan) to provide the benefits specified by an OPEB plan.

Healthcare cost trend rate

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

Investment return assumption (discount rate)

The rate used to adjust a series of future payments to reflect the time value of money.

Level dollar amortization method

The amount to be amortized is divided into equal dollar amounts to be paid over a given number of years; part of each payment is interest and part is principal (similar to a mortgage payment on a building). Because payroll can be expected to increase as a result of inflation, level dollar payments generally represent a decreasing percentage of payroll; in dollars adjusted for inflation, the payments can be expected to decrease over time.

Level percentage of projected payroll amortization method

Amortization payments are calculated so that they are a constant percentage of the projected payroll of active plan members over a given number of years. The dollar amount of the payments generally will increase over time as payroll increases due to inflation; in dollars adjusted for inflation, the payments can be expected to remain level.

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. It will be included as a balance sheet entry on the financial statements.

Normal cost

That portion of the Actuarial Present Value of OPEB benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. It is the value of benefits to be accrued in the valuation year by active employees.

OPEB-related debt

All long-term liabilities of an employer to an OPEB plan, the payment of which is not included in the annual required contributions of a sole or agent employer (ARC) or the actuarially determined required contributions of a cost-sharing employer. Payments generally are made in accordance with installment contracts that usually include interest. Examples include contractually deferred contributions and amounts assessed to an employer upon joining a multiple-employer plan.

Other postemployment benefits

Postemployment benefits other than pension benefits. Other postemployment benefits (OPEB) include postemployment healthcare benefits, regardless of the type of plan that provides them, and all postemployment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits.

Pay-as-you-go

A method of financing an OPEB 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.

Required supplementary information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.