York County Employees' Post-Employment Benefit Plan

Actuarial Valuation as of January 1, 2015

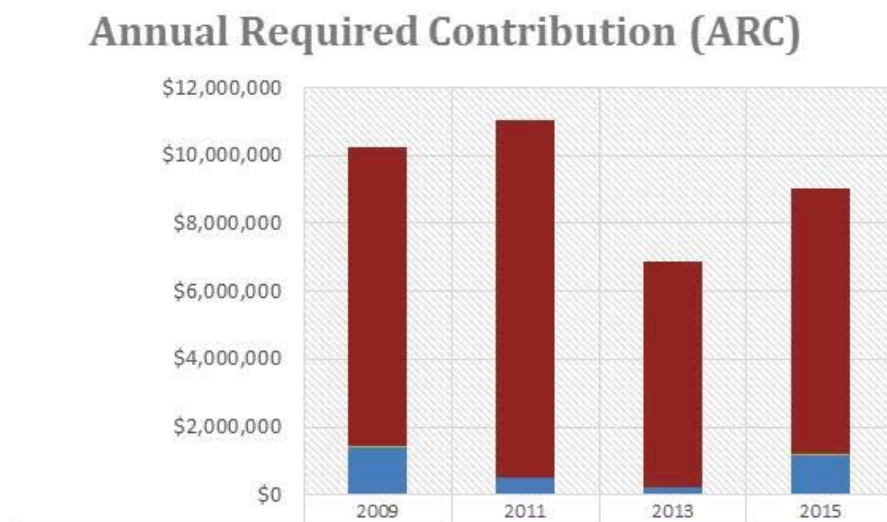
Municipal Finance Partners, Inc.

York County Employees' Post-Employment Benefit Plan

Actuarial Valuation as of January 1, 2015

In this report:

This report was prepared to comply with the accounting and disclosure requirements of Government Accounting Standards Board Statement No. 45 (GASB 45).



	2009	2011	2013	2015
Annual Required Contribution (ARC)	$10,224,852	$11,059,192	$6,876,624	$9,009,635
Amortization of Unfunded Liability	$8,796,378	$10,542,371	$6,669,249	$7,826,120
Interest to Year End	$54,941	$19,878	$7,976	$45,520
Normal Cost	$1,373,533	$496,943	$199,399	$1,137,995

Normal Cost   Interest to Year End
Amortization of Unfunded Liability   Annual Required Contribution (ARC)

Figure 1, Annual Required Contribution (ARC)

The Purpose of Financial Accounting Disclosures

The Government Accounting Standards Board (GASB) is responsible for establishing and improving standards of financial accounting and reporting for governmental entities. The purpose of GASB statements is to promote transparency in the reporting of the financial condition of government entities by fairly and consistently disclosing all of an entity's assets and liabilities.

The granting of postretirement benefits (such as medical and life insurance benefits) represent promises made, or liabilities incurred, to provide deferred benefits as part of an employee's compensation package in exchange for current work. In this sense, these other postretirement (OPEB) benefits are similar to pensions; however, unlike pensions, OPEB benefits are not required to be funded by Federal or State laws or regulations.

In 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, in order to require plan sponsors to recognize liabilities and expenses for postretirement benefits in their financial statements.

The 2015 Annual Required Contribution (ARC)

Figure 1 shows the components of the Annual Required Contribution (ARC) for 2015, compared with 2009, 2011 and 2013. The 2015 ARC has increased since 2013, due mostly to a sharp increase in prescription drug utilization and premiums. Another source of the increase is the increase in unfunded liabilities from not funding the ARC in prior years.

Changes Reflected in the Actuarial Valuation

Since the prior actuarial valuation, we have updated the medical inflation rates used to project medical benefits, medical reimbursement and prescription drug costs. In prior valuations, the assumption was that medical inflation would decrease from 10% in 2010 by 1% per year before leveling out at 5% in 2015 and later years. This was based on future expectations that medical inflation would have to lessen in future years as medical costs became a larger share of the nation's economy.

In recent years, the Society of Actuaries has developed a more sophisticated model, called the *Gentzen Model of Long-Run Cost Trends* that takes economic trends and expectations into account to predict future medical inflation. Under this model, which we have adopted for this actuarial valuation, the rates of medical inflation decrease gradually from 6.0% in 2015 to about 5.3% in 2021 and leveling off until 2014 before decreasing to 3.9% in 2075 and later years.

In addition, the rates used to project future mortality have been updated to reflect mortality improvement among the general population.

Also, we are now assuming that all terminating employees eligible for benefits will elect to receive benefits.

The only other changes in the actuarial methods and assumptions since the prior actuarial valuation were to reflect changes in expected future medical costs based upon the actual costs incurred in recent years.

The actuarial valuation report is based upon census information as of January 1, 2015, so the liabilities reflect changes in the participant data since January 1, 2013.

2015 Financial Disclosures

Section 1 of this report contains the development of the plan's financial disclosures for 2015.

The actuarial valuation of a plan is a model that the actuary builds based upon the plan's provisions and the actuarial assumptions and methods, including expected medical claims costs. Into this model, we incorporate the member data and use it to calculate liability amounts, such as the

normal cost and actuarial accrued liability under GASB 45.
Following the disclosures, the remainder of the report contains these building blocks.

Plan Provisions
The provisions of the plan as of the valuation date are based on the *substantive* plan provisions. This includes plan documents, ordinances and resolutions and union contracts, but can also include additional information communicated to employees regarding the plan. The benefits included in this valuation are described in Section 3 of this report. They are based on the Motions of the County Commissioners through March 31, 2010 as well as the currently effective collective bargaining agreements and medical plans.

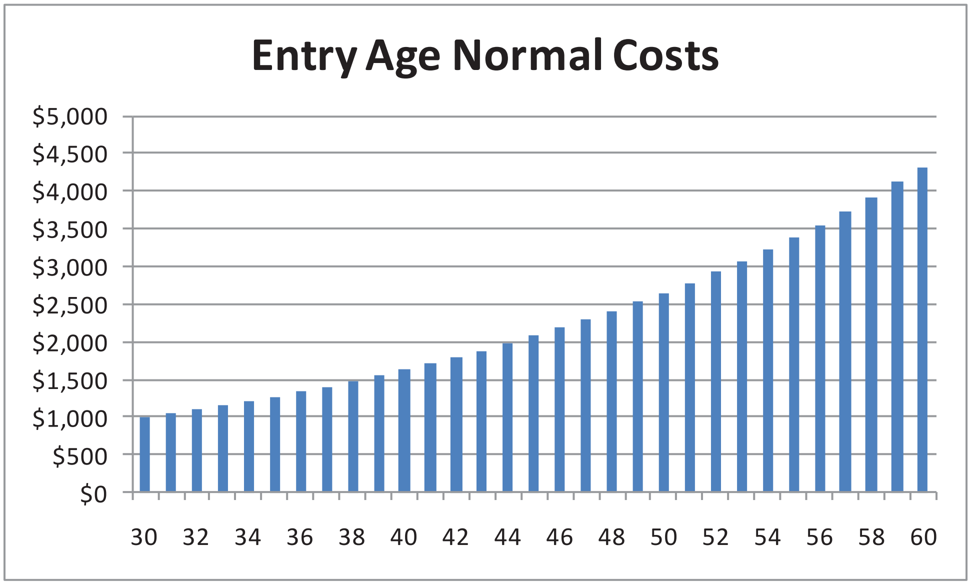


Figure 2, Entry Age Normal Cost Example

Plan Member Information
Once we have established the plan provisions, our next step is to determine what benefits each plan member might be eligible to receive in the future.

For each valuation, we update the census information for all active, former and retired members, taking into account changes in factors such as terminated and retired employees, and deaths and disabilities. Section 2 of the report contains a summary of the plan's membership.

As the plan membership includes only employees hired prior to January 1, 1989, the active membership is, as a

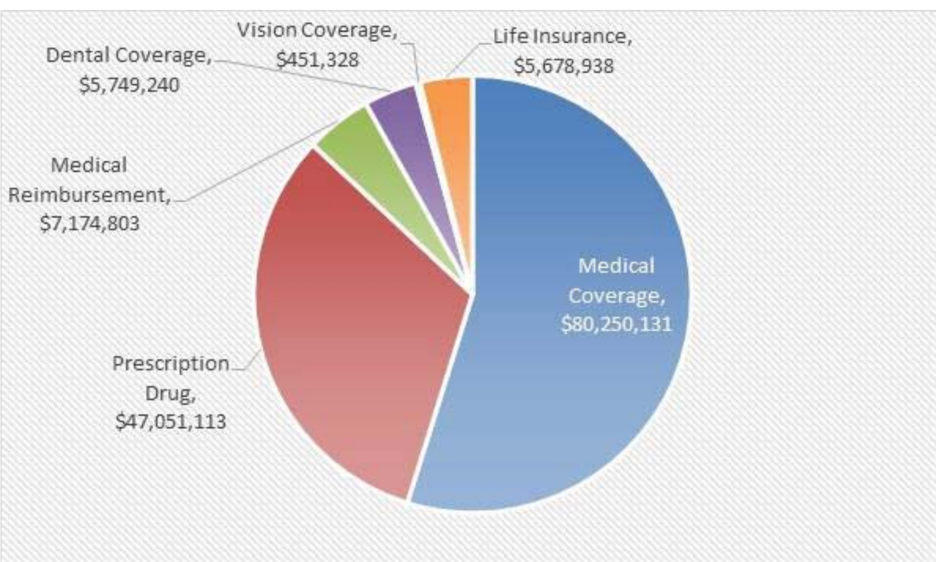
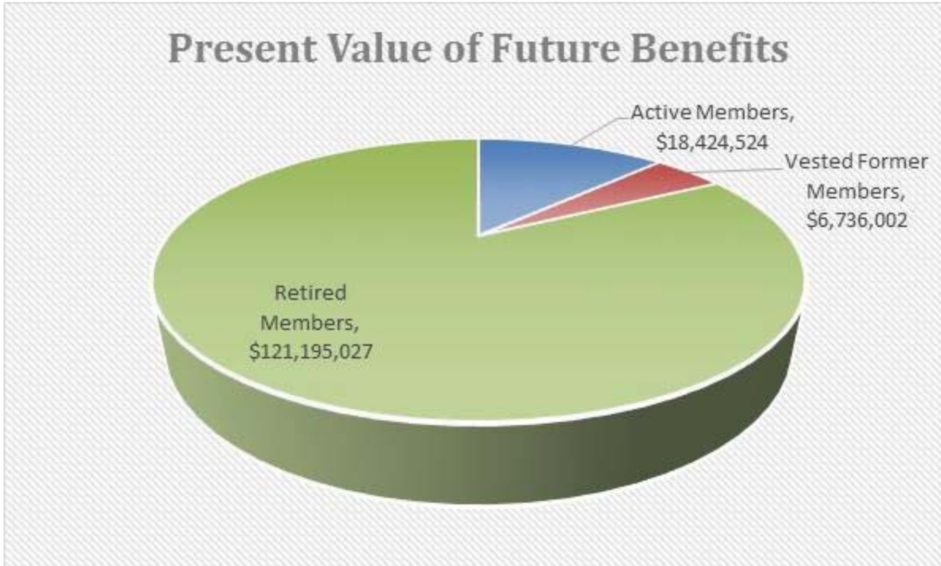


Figure 3, Actuarial Present Value of Future Benefits, by Benefit Type whole, very close to retirement eligibility. Since the last actuarial valuation, at January 1, 2013, the active membership has decreased from 125 to 78 due to retirement.



Actuarial Assumptions and Methods

Once the plan provisions and participant information have been established, we project potential future events (medical inflation, retirements, deaths, etc.) using a set of actuarial assumptions, as described in Section 4.

The changes in actuarial assumptions since the prior actuarial valuation, include medical inflation rates, which have been revised as described above, and the mortality table, which has been updated from the 2013 to the 2015 version of the RP-2000 table. Also, we are now assuming that all eligible terminating employees will choose to receive plan benefits at retirement.

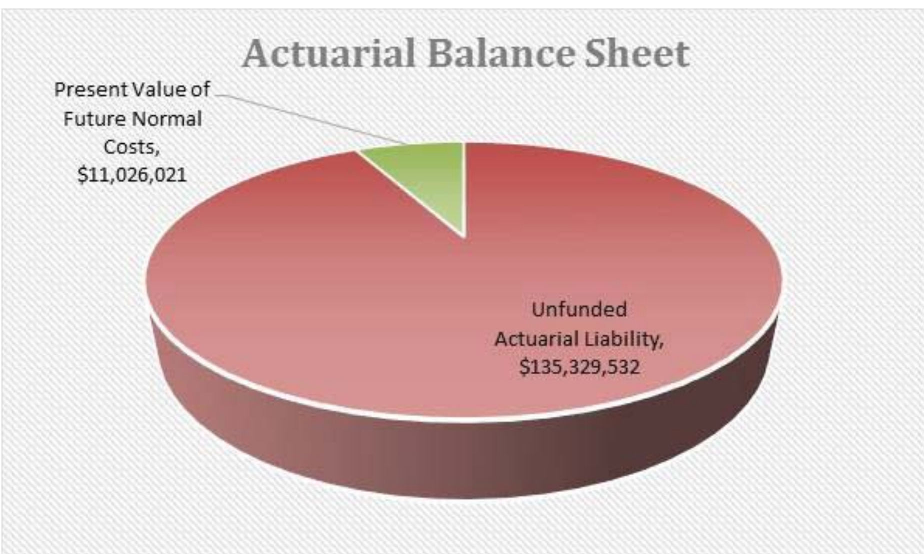


Figure 5, Actuarial Balance Sheet

The medical claims rates have been updated to reflect claims experience since the prior actuarial valuation.

At this point, we have determined the plan's liabilities. The next step is to use an *actuarial cost method* to assign these liabilities to particular time periods, such as the member's career.

Under the Entry Age Normal Cost Method, this present value is divided into two pieces: the amount to be funded by future normal costs and the amount that should have been funded by prior contributions (the *actuarial accrued liability*). The amount of the actuarial accrued liability that is not funded by current plan assets is called the *unfunded actuarial accrued liability*.

Figure 2 shows the pattern of normal costs under the Entry Age method.
The value of these normal costs, as of the valuation date, is the actuarial present value of all future benefits expected to be paid for each participant.

The current and future normal costs will be funded as part of the plan's Annual Required Contribution (ARC). The value of prior years' normal costs is the actuarial accrued liability.

Since there are no plan assets, the entire actuarial accrued liability is unfunded and is amortized over future years and added to the Normal Cost to determine the ARC.

Figure 3 shows the makeup of the actuarial present value of future benefits as of the valuation date by coverage type (regular medical, prescription drug, dental, etc.).
Figure 4 breaks down the same amount by member status (active, retired or vested former member eligible for future benefits). Figure 5 shows how this present value is broken down between future costs (i.e., future normal costs) and past costs (the actuarial accrued liability).

These are used to develop the financial disclosures in Section 1. The final page of Section 1 contains a breakdown of the ARC by division.

Actuarial Certification
The calculations within this report have been prepared for the purposes of fulfilling the plan sponsor's financial accounting requirements under Government Accounting Standards Board Statement No. 45 (GASB 45) and have been performed in accordance with generally accepted actuarial principles and practices and based on our understanding of GASB statements.

Determinations for purposes other than meeting the plan sponsor's financial accounting requirements may differ significantly from the results in this report. Additional determinations are needed for other purposes, such as determining the funding adequacy on an ongoing plan basis or gauging benefit security upon plan termination.

The actuarial valuation is a projection of liabilities based on the plan provisions, financial information, participant data and actuarial assumptions and methods as described within the report. The actuarial valuation is not an exact statement of the Plan's ultimate benefits and liabilities.

The actuarial valuation is based on actuarial assumptions as to future economic and demographic experience. Future results may differ significantly from the results of the actuarial valuation. Analysis of the sensitivity of the valuation results to future experience was beyond the scope of this assignment.

To the best of my knowledge, this report is complete and accurate, based upon the data furnished to us. The participant and beneficiary data and the information regarding medical claims were provided by York County.

The participant information used to prepare the January 1, 2015 actuarial valuation was as of January 1, 2015. The medical claims information used to project the plan's expected future medical costs was for the years 2012-2014.

The actuarial assumptions and methods used to prepare the actuarial valuation were arrived at by consensus of the Actuary and the County Management.

I, Charles B. Friedlander, am Director, Actuarial Services, for Municipal Finance Partners, Inc. I am a Member of the American Academy of Actuaries, a Fellow of the Conference of Consulting Actuaries, a Fellow of the Society of Actuaries, and an Enrolled Actuary under ERISA, and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

I am available to discuss this report and can be contacted at:

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Charles B. Friedlander

Charles B. Friedlander, F.S.A.
Director, Actuarial Services

April 26, 2016
Date

York County Employees' Post-Employment Benefit Plan

Actuarial Valuation as of January 1, 2015

Section 1: Financial Disclosures under GASB 45

This section contains the calculation of the Annual Required Contribution (ARC) under Government Accounting Standards Board Statement No. 45 (GASB 45).

The tables on this page show the determination of the Normal Cost and Actuarial Present Value of Future Benefits. The following page shows the amortization of unfunded liabilities and the calculation of the ARC from these components. Pages 3 and 4 contain the required GASB 45 disclosure items: the Schedule of Funding Progress and the determination of the Net OPEB Obligation. Page 5 shows a breakdown of the ARC and its components by Division.

Normal Cost		$1,137,995
Present Value of Future Benefits		
Active Members		
Medical Insurance	$10,049,815	
Prescription Drug	6,701,715	
Dental Insurance	900,972	
Vision Reimbursement	81,266	
Life Insurance	690,756	
Total Active Members		$18,424,524
Vested Former Members		
Medical Insurance	$4,170,291	
Prescription Drug	2,035,620	
Dental Insurance	352,298	
Vision Reimbursement	27,530	
Life Insurance	150,263	
Total Vested Former Members		6,736,002
Retired Members		
Medical Insurance	$66,030,025	
Prescription Drug	38,313,778	
Medical Reimbursement	7,174,803	
Dental Insurance	4,495,970	
Vision Reimbursement	342,532	
Life Insurance	4,837,919	
Total Retired Members		121,195,027
Total Present Value of Future Benefits		$146,355,553

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The Actuarial Accrued Liability is calculated as present value of future benefits, reduced by the portion that will be funded through future normal costs. The Unfunded Actuarial Accrued Liability is equal to the Actuarial Accrued Liability, reduced by any plan assets.

Unfunded Actuarial Accrued Liability	
Present Value of Future Benefits	$146,355,553
Present Value of Future Normal Costs	(11,026,021)
Actuarial Accrued Liability	$135,329,532
Actuarial Value of Assets	0
Unfunded Actuarial Accrued Liability	$135,329,532

The Annual Required Contribution, or ARC, is calculated as the sum of the normal cost, administrative expenses expected to be paid from the plan, and the annual amortization payment.

Annual Required Contribution (ARC)	
Normal Cost	$1,137,995
Administrative Expenses	0
Interest to Year End	45,520
Amortization of Unfunded Actuarial Accrued Liability	7,826,120
Annual Required Contribution	$9,009,635

The annual payment to amortize the unfunded actuarial accrued liability is determined based upon an open 30-year amortization period.

Amortization of Unfunded Actuarial Accrued Liability

Initial Period	Date Established	Initial Amount	Current Amount	Annual Payment	Years Remaining	Source
30	1/1/2015	$135,329,532	$135,329,532	$7,826,120	30	Total Unfunded Liability
Totals		$135,329,532	$135,329,532	$7,826,120		

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This page contains information regarding plan funding from this actuarial valuation report. The information on this page was prepared in order to furnish the plan's auditors with the information needed to prepare the plan's financial disclosures under Government Accounting Standards Board Statement No. 45.

The first table below is the Schedule of Funding Progress.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2007	$0	$100,954,417	$100,954,417	0.0%	$80,530,461	125.4%
1/1/2008	0	103,679,537	103,679,537	0.0%	87,480,027	118.5%
1/1/2009	0	152,089,381	152,089,381	0.0%	91,673,555	165.9%
1/1/2010	0	154,890,700	154,890,700	0.0%	94,978,984	163.1%
1/1/2011	0	182,299,039	182,299,039	0.0%	93,916,913	194.1%
1/1/2013	0	115,324,870	115,324,870	0.0%	104,455,515	110.4%
1/1/2015	0	135,329,532	135,329,532	0.0%	113,715,757	119.0%

The schedule below shows the calculation of the Net OPEB Obligation. The interest on the Net OPEB Obligation and the ARC Adjustment are based on the valuation interest rate.

(1) Year	(2) ARC	(3) Interest on NOO[1]	(4) ARC Adjustment[2]	(5) OPEB Cost (2)+(3)+(4)	(6) Contribution	(7) Change in NOO (5)-(6)	(8) NOO Balance (BB)-(7)[3]
2007	$8,013,384	$0	$0	$8,013,384	$3,892,759	4,120,625	$4,120,625
2008	8,013,384	226,634	(283,594)	7,956,424	4,142,947	3,813,477	7,934,102
2009	10,224,852	278,093	(402,101)	10,100,844	6,308,665	3,792,179	11,726,281
2010	10,224,852	469,051	(678,212)	10,015,691	4,997,660	5,018,031	16,744,312
2011	11,059,192	669,772	(968,325)	10,760,639	6,344,043	4,416,596	21,160,908
2012	11,059,192	846,436	(1,223,737)	10,681,891	6,104,239	4,577,652	25,738,560
2013	6,876,624	1,029,542	(1,488,463)	6,417,703	4,436,491	1,981,212	27,719,772
2014	6,876,624	1,108,791	(1,603,037)	6,382,378	4,662,441	1,719,937	29,439,709
2015	9,009,635	1,177,588	(1,702,501)	8,484,722	5,908,500	2,576,222	32,015,931

[1] Interest on the balance of the Net OPEB Obligation (NOO) at the beginning of the year using the investment return rate assumed in determining the ARC. The interest is an estimate of the investment earnings lost to the plan on any contributions that were not made. The current investment return assumption is 4.0%

[2] The ARC adjustment is an amortization of the Net OPEB Obligation (NOO) Balance at the end of the previous year, based on the amortization method under the Entry Age Normal Cost Method, as described in this report.

[3] BB is the beginning balance for the year.

The schedule below shows the development of the Net OPEB Obligation for component units of the County.

	Governmental Activities	County Nursing Home	911 Fund	Total Primary Government
Annual Required Contribution (ARC)	$6,487,833	$2,162,858	$358,944	$9,009,635
Interest on Net OPEB Obligation	804,016	323,337	50,235	1,177,588
ARC Adjustment	(1,162,408)	(467,465)	(72,628)	(1,702,501)
Annual OPEB Cost	$6,129,441	$2,018,730	$336,551	$8,484,722
Contributions Made	(4,092,613)	(1,619,524)	(196,363)	(5,908,500)
Increase in Net OPEB Obligation	$2,036,828	$399,206	$140,188	$2,576,222
Net OPEB Obligation (Beginning of Year)	20,100,396	8,083,426	1,255,887	29,439,709
Net OPEB Obligation (End of Year)	$22,137,224	$8,482,632	$1,396,075	$32,015,931

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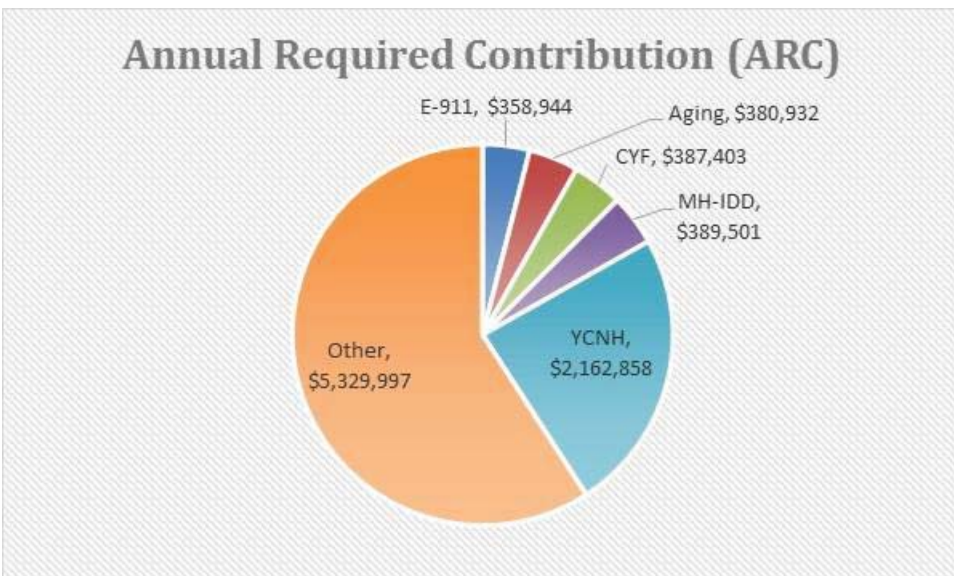
The schedule below contains a breakdown of the Annual Required Contribution (ARC) calculation by Division.

Department	E-911	Aging	CYF	MH-IDD	YCNH	Other	Total
Normal Cost	$0	$29,945	$44,463	$111,884	$164,715	$786,988	$1,137,995
Actuarial Accrued Liability	$6,206,864	$6,048,555	$5,899,366	$4,723,183	$34,438,015	$78,013,549	$135,329,532
Actuarial Value of Assets	0	0	0	0	0	0	0
Unfunded Actuarial Accrued Liability	$6,206,864	$6,048,555	$5,899,366	$4,723,183	$34,438,015	$78,013,549	$135,329,532
Annual Required Contribution (ARC)							
Normal Cost	$0	$29,945	$44,463	$111,884	$164,715	$786,988	$1,137,995
Administrative Expenses	0	0	0	0	0	0	0
Interest to Year End	0	1,198	1,779	4,475	6,589	31,479	45,520
Amortization Amount	358,944	349,789	341,161	273,142	1,991,554	4,511,530	7,826,120
Annual Required Contribution	$358,944	$380,932	$387,403	$389,501	$2,162,858	$5,329,997	$9,009,635



Section 2: Plan Membership

The actuarial valuation was based on participant information as of January 1, 2015 as furnished to us. The following table is a summary of the participant information:

Active Members	
Active Members as of January 1, 2015	78
Vested Former Members	
Vested Former Members as of January 1, 2015	24
Retired Members	
Retired Members as of January 1, 2015	574

Section 3: Plan Provisions

The Plan is governed by Resolutions of the York County Retirement Board of January 5, 1983, December 7, 1983, February 22, 1984, December 31, 1986, December 21, 1988, September 12, 1990, March 3, 1993 and March 31, 2010 and the collective bargaining agreements between the County and its employee bargaining units. The following is a summary of the plan's salient provisions; actual benefits will be determined by the Resolutions and the collective bargaining agreements.

Plan Membership

An employee hired on a full-time basis prior to January 1, 1989 enters the plan on the day he becomes a full-time County employee. Employees hired prior to January 1, 1989 who terminate employment and do not vest their pension benefit and are subsequently rehired on or after January 1, 1989 are not eligible for plan benefits.

Benefit Eligibility

An eligible County employee who retires on or after January 1, 1983 after completion of 8 or more years of service and is both receiving a pension from the York County Employees' Retirement System and currently enrolled in the County's health benefits plan is eligible for paid health and life insurance benefits for the remainder of his lifetime.

Spousal coverage will be provided for retiring members if the spouse was covered under the County health benefits plan at the time of retirement.

Normal Retirement

If a member terminates after age 55 and completion of 20 years of service, or age 60, he will be eligible for normal retirement pension under the York County Employees' Retirement System.

Early Retirement

If a member retires after voluntary termination after completion of 20 years of service, or after involuntary termination (as defined in Act 96 of 1971, the *County Pension Law*) after 8 years of service, he will be eligible for an early retirement pension under the York County Employees' Retirement System.

Termination of Employment

A county employee who terminates employment after 8 or more years of service will be eligible for benefits at retirement.

Death Benefit

If an employee dies prior to retirement, no benefits will be payable under the plan unless he has elected the Option 2(d) death benefit under the Retirement System. If an eligible retired member receiving plan benefits had elected a pension payment option that included lifetime benefits for his spouse, should he predecease her, then the spouse will continue to receive coverage under the plan after the death of the eligible retired member (Options Two, Three, Four(C) or Four (D)).

Medical Benefits Provided

Upon meeting the eligibility requirements, the plan will pay the medical costs for benefits covered to the retired County employees. Currently, this coverage is provided under the County's self-funded insurance plan for active employees. County Employees who retired prior to April 1, 2010 will continue to receive the plan medical benefits that were in place at the time of their retirement.

The medical benefits provided at retirement include coverages:

- Coverage for hospitalization and doctor's care through the Indemnity or Preferred Provider Organization plan under which the member was covered as an active member.
- Prescription Drug expense reimbursement, which changes to an insured prescription drug product for members over age 65.
- Reimbursement of Medical Expenses, which is provided for a small group of grandfathered retired members.
- Dental Coverage
- Vision Coverage

The medical coverage has varying deductibles, copayments and other provisions based upon the date of retirement, union contract provisions and participant elections.

Life Insurance Benefits Provided

The designated beneficiaries of eligible members will receive a death benefit of 100% of the member's pay at retirement, to a maximum of $50,000. For deaths after age 70, this amount will be reduced by 50%.

Contributions

Retired members do not contribute towards their medical benefits, except for members of certain employee groups who will be required to make the following contributions towards their medical costs after retirement:

- For medical coverage (i.e., PPO or Indemnity coverage), the contributions by retired members will be determined based upon the monthly dollar amount being paid by active employees at their retirement. These amounts will not increase after retirement.
- For dental coverage, the participant will be required to pay the excess of the COBRA rate for the option and tier coverage chosen over the COBRA rate low-option single person coverage. These amounts will not increase after retirement.

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Section 4: Actuarial Assumptions and Methods

The following is a summary of the actuarial assumptions and methods used for this actuarial valuation.

Interest Rate

4.0%

The valuation interest rate represents the expected long-term investment return on plan assets, as specified under GASB Statement No. 45. This rate is used to discount expected future benefit payments to the valuation date to determine the present value of plan liabilities and to calculate required plan funding levels. Based on the lack of any advanced funding, the interest rate used is the expected long-term return on the County's general fund, which is restricted generally to cash and cash equivalent investments.

Salary Increases

Active plan members' salaries are assumed to increase by 4.5% per year.

Mortality

RP-2000 Table for healthy males and females, using the combined mortality table for active and retired members with mortality improvement projected to 2015.

The mortality is assumed to follow the above-named table, which is based on mortality among the general population. The size of the member group in the plan is not large enough to develop a table based upon the plan's experience.

Turnover

Select and Ultimate Withdrawal is assumed. The Ultimate Rates, for members with 6 or more years of service are from Table T-7 of the Actuary's Pension Handbook. The following is a list of the annual rates of withdrawal (employee turnover) at selected ages under the Ultimate table:

Age	*Rate of Turnover*
20	10.0000%
25	9.7500%
30	9.4022%
35	8.8436%
40	7.9543%
45	6.7120%
50	4,8722%
55	1.7020%

For members with less than 7 years of service, the rate of withdrawal is a percentage of the ultimate rate, as specified below:

Years of Service	*Percentage of Ultimate Rate*
0-1	300%
1-2	275%
2-3	250%
3-4	225%
4-5	200%
5-6	175%
6 +	100%

Member Elections

100% of vested terminated members are assumed to receive medical benefits at their normal retirement age.

Disability

None Assumed

Retirement

Rates of retirement for members eligible for early or normal retirement are as follows:

Age	*Rate of Retirement*
55-59	7%
60-61	8%
62-64	15%
65	34%
66-69	23%
70	100%

Benefit Elections

75% of male and 50% of female retiring members are assumed to elect a retirement benefit option that provides for spousal coverage under the plan.

Medical Claims Rates
The annual expected medical claims for retired members' health insurance are based on a weighted average of monthly claims paid for retired members over the prior three years. Medical claims (i.e., claims other than prescription drug, medical reimbursement, dental and vision) were further adjusted based on the age of the participant to reflect both the increased claims at older ages and the effect of Medicare coverage for members age 65 and older.

Medical Inflation
For the medical (non-dental, non-vision) coverage, premium rates are assumed to increase at the following rates, based on the Gentzen Model of Long-Run Medical Cost Trends:

Vision and Dental claims are assumed to increase by 5% per year.

Census Data
The actuarial valuation was prepared using census data, plan benefits and claims and insurance data as of January 1, 2015.

Actuarial Funding Method
The actuarial cost method is the way that unfunded plan costs are allocated over future years, including the current year. This actuarial valuation uses the *Entry Age Normal Actuarial Cost Method*, which is the same actuarial cost method used for the funding of the County's pension plan. Under this method, the normal cost and actuarial accrued liability are determined on an individual basis. The unfunded actuarial accrued liability is determined as the excess of the actuarial accrued liability over the actuarial value of assets. If the actuarial accrued liability exceeds the actuarial value of plan assets, the unfunded actuarial accrued liability is amortized over future years as part of the annual contribution requirement. The amortization amounts are determined based on the source of each piece of the unfunded actuarial accrued liability (e.g., actuarial gains and losses, plan amendments, changes in assumptions, etc.). If the actuarial value of assets exceeds the actuarial accrued liability, 10% of this excess is used to reduce the plan's financial requirement.

Changes in Actuarial Assumptions and Methods

- The mortality table has been changed from the RP-2000 Table, combined rate for active and retired employees, with mortality rates projected to 2013 to the same table with mortality rates projected to 2015.
- The medical inflation rate has been changed from 5% per year to the table shown above based on the Gentzen Model. The inflation rate for dental and vision claims has been changed from 6.0% to 5.0% per year.
- The percentage of terminated members expected to elect to receive medical benefits at retirement age has been changed from a rate based on age at

termination to the assumption that 100% of eligible terminating members elect to receive benefits.