York County Employees' Postemployment Benefit Plan

Actuarial Valuation as of December 31, 2017 for GASB Reporting Purposes

Municipal Finance Partners, Inc.

York County Employees' Postemployment Benefit Plan

Actuarial Valuation as of December 31, 2017 for GASB Reporting Purposes

In this report:

This report was prepared to comply with the accounting and disclosure requirements of Government Accounting Standards Board Statement Nos. 74 and 45 (GASB 74 and 45).

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 government 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 an entity's assets and liabilities.

The granting of postretirement benefits represents promises made, or liabilities incurred, to provide deferred benefits as part of an employee's compensation package in exchange for current work. As such, a postretirement benefit plan's assets and liabilities affect the sponsoring entity's financial condition.

GASB Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* revised financial reporting standards for postretirement benefits plans of state and local governmental entities, effective for this fiscal year, to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans. GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, established standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. This report contains the plan (GASB 74) and entity (GASB 45) disclosure information for the York County Employees' Postemployment Benefit Plan.

For the 2018 fiscal year, the GASB 45 entity disclosures will be replaced by the financial disclosures required under GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Section 1 of this report contains the development of the plan's financial disclosures for 2017.

Following the disclosures, the remainder of the report contains a summary of the 2017 OPEB fund activity, plan investments at year end 2017 and a summary of plan membership activity (Section 2), a summary of the substantive plan provisions (Section 3) and a summary of the actuarial assumptions and methods used to prepare the actuarial valuation (Section 4).

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. 74 and 45 (GASB 74 and 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, with the exception shown herein of the interest rate and medical trend rate sensitivity information.

To the best of my knowledge, this report is complete and accurate, based upon the data furnished to us. The financial data regarding the OPEB fund was provided by and the participant and beneficiary data, as well as plan medical cost information, were provided by York County. The determination of the long-term expected rate of return was provided by Marquette Associates, the plan's investment consultants.

The participant census information used to prepare these disclosures was as of January 1, 2017. The Net OPEB Liability at December 31, 2017 was based on participant census information as of January 1, 2017. The 2017 Actuarially Determined Employer Contribution (ADEC) was determined based on the participant census and plan asset information as of January 1, 2017. This information was supplemented by 2017 OPEB fund and membership activity to complete the disclosures in this report.

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

I certify that all costs and liabilities herein have been determined on the basis of actuarial assumptions and methods (described in Section 4), each of which is reasonable and which, in combination, offer my best estimate of anticipated experience under the plan, taking into account the plan's past experience and reasonable expectations of future events.

I, Charles B. Friedlander, am President & Chief Actuary, for Municipal Finance Partners, Inc. I am a Member of the American Academy of Actuaries, a Fellow of the Society of Actuaries, a Fellow of the Conference of Consulting 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.

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June 19, 2018
Date

York County Employees' Postemployment Benefit Plan

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Section 1: Financial Disclosures under GASB 74 and 45
This section contains the plan and entity disclosures required under Government Accounting Standards Board Statement Nos. 74 and 45 (GASB 74 and GASB 45). The employer and plan disclosures herein are as required under GASB 74 and GASB 45.

Summary of Significant Accounting Policies

Basis of Accounting: The financial statements for the York County Employees' Postemployment Benefit Plan are prepared using an accrual basis of accounting. Plan member contributions by retired officers toward their postretirement benefits reduce the employer cost and the resulting liability. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments: All investments of the OPEB trust fund are reported by the custodian at fair value. Investments that do not have an established market value are reported at estimated fair value.

Plan Description and Membership Information

Plan Description: The York County Employees' Postemployment Benefit Plan is a non-contributory, single-employer postretirement benefits plan that covers full-time employees of the County who were hired prior to 1989. The plan provides postretirement medical benefits and life insurance upon retirement to plan members and their beneficiaries, pursuant to County Resolutions. The plan can be amended by the County through its Resolutions. The plan is administered by a plan administrator appointed by the governing body of the municipality.

Plan Membership: As of January 1, 2017, the beginning of the plan year and December 31, 2017, the plan year end, plan membership consisted of the following:

	1/1/2017	12/31/2017
Retirees and Beneficiaries Receiving Benefits	570	570
Terminated Members Entitled to Benefits but not yet receiving them	24	22
Active Plan Members	60	55
Total	654	647

<u>Deferred Retirement Option Program (DROP)</u>
The plan does not offer a Deferred Retirement Option Program (DROP).

Plan Funding

The plan's adopted funding policy is to contribute each year the Actuarially Determined Employer Contribution. Medical costs for retired members are paid from the OPEB trust.

Net OPEB Liability

The Net OPEB Liability was measured as of December 31, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of January 1, 2017 and by rolling forward the liabilities from the January 1, 2017 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

Actuarial Assumptions

The Total OPEB liability as of December 31, 2017 was determined using the following economic assumptions, applied to all periods included in the measurement.

Salary Increases: 4.5%
Investment Return: 7.0% (including inflation)
Inflation: 2.5%
Mortality rates were based on the RP-2000 Mortality Tables with rates projected to 2015 using Scale AA

The actuarial assumptions and methods used for the actuarial valuation are described in more detail in Section 4 of this report.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table. This information was provided by the plan's investment consultants, Marquette Associates.

Asset Class	Target Allocation	Long-Term Expected Rate of Return	Contribution to Rate of Return
Domestic Equity	47.00%	5.50%	2.59%
International Equity	28.00%	6.00%	1.68%
Core Fixed Income	24.00%	1.20%	0.29%
Cash	1.00%	-0.10%	0.00%
Total	100.00%		4.56%
Inflation			2.50%
Long-Term Expected Rate of Return			7.06%

<u>Discount Rate</u> The discount rate used to measure the Total OPEB Liability was 7.0%, based upon the expected rate of return, net of expected investment expenses. The OPEB plan's Fiduciary Net Position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability. The employer's funding policy is to fund the rate subsidies through the General Fund and pay only the actual premiums for retired members from the OPEB trust.

The actuarial assumptions and methods used for the actuarial valuation are described in more detail in Section 4 of this report.

Changes in the Net OPEB Liability

The schedule below shows the changes in the Net OPEB Liability during the most recent year.

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 1/1/2017	$85,868,108	$2,000,026	$83,868,082
Changes during 2017:			
Service Cost	380,344		380,344
Interest	5,794,991		5,794,991
Differences between expected and actual experience	0		0
Changes in Actuarial Assumptions	0		0
Employer Contributions		9,844,495	(9,844,495)
Employee Contributions		0	0
Net Investment Income		271,134	(271,134)
Benefit Payments (including contribution refunds)	(6,925,740)	(6,925,740)	0
Insurance Premiums		0	0
Administrative Expenses		0	0
Other Changes	0	0	0
Net Changes	($750,405)	$3,189,889	($3,940,294)
Balances at 12/31/2017	$85,117,703	$5,189,915	$79,927,788

Plan Fiduciary Net Position, End of Year (% of Total OPEB Liability)	6.10%
Internal Money-Weighted Rate of Return	5.44%
Covered Employee Payroll	$3,535,492

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The schedule below shows the impact on the Net OPEB Liability if it were calculated using a discount rate that is 1% higher and lower than the current discount rate.

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
	6.00%	7.00%	8.00%
Total OPEB Liability	$93,251,757	$85,117,703	$78,058,121
Plan Fiduciary Net Position	(5,189,915)	(5,189,915)	(5,189,915)
Net OPEB Liability	$88,061,842	$79,927,788	$72,868,206

The schedule below shows the impact on the Net OPEB Liability if it were calculated using a medical inflation rate that is 1% higher and lower than the current discount rate.

	1% Decrease in Medical Trend Rate	Current Medical Trend Rate	1% Increase in Medical Trend Rate
Total OPEB Liability	$77,313,066	$85,117,703	$94,267,031
Plan Fiduciary Net Position	(5,189,915)	(5,189,915)	(5,189,915)
Net OPEB Liability	$72,123,151	$79,927,788	$89,077,116

Components of OPEB Expense for Fiscal Year Ended December 31, 2017

Service Cost	$380,344
Interest on the Total OPEB Liability	5,794,991
Differences between Expected and Actual Experience	0
Changes in Assumptions	0
Employee Contributions	0
Projected Earnings on OPEB Plan Investments	(242,158)
Difference between Projected and Actual Earnings on Investments[1]	(5,795)
OPEB Plan Administrative Expense	0
Other Changes in Net Fiduciary Position	0
Total OPEB Expense	$5,927,382

[1] Each year's gain or loss is recognized over a five-year period.

Amortization of Investment (Gains)/Losses	
Year Established	**2017**
Investment (Gain)/Loss	($28,976)
Years Recognized:	
2017	($5,795)
2018	(5,795)
2019	(5,795)
2020	(5,795)
2021	(5,796)

Determination of Difference in Projected and Actual Earnings on OPEB Plan Investments	
Expected Return	$242,158
Actual Return	(271,134)
(Gain)/Loss on OPEB Plan Investments	($28,976)

Actuarially Determined Deferred Outflows and (Inflows) of Resources Related to OPEBs for Years Ending December 31:	
2018	($5,795)
2019	(5,795)
2020	(5,795)
2021	(5,796)

Employer Contributions

Contributions Required and Contributions Made: The actuarially determined employer contribution (ADEC) to the retirement fund for 2017 is calculated below. The County contributed $9,844,495 toward the plan's ADEC for 2017 including $8,075,740 of contributions to the OPEB fund, plus $1,768,755 of medical costs for retired members that were paid from the County's General Fund.

Determination of Actuarially Determined Employer Contribution (ADEC)

The ADEC for 2017 was determined as follows:

Actuarially Determined Employer Contribution (ADEC)	
Normal Cost	$380,344
Administrative Expenses	0
Amortization of Unfunded Actuarial Accrued Liability	7,398,648
Interest to Year End	544,529
Actuarially Determined Employer Contribution	$8,323,521

Notes to Schedules

Valuation Date: Actuarially determined contribution rates are calculated as of January 1 of the fiscal year in which the contributions are reported.

The methods and assumptions used to determine contribution rates are as follows.

Actuarial Cost Method: Entry Age Normal Actuarial Cost Method.

- Amortization Method: Level Dollar, Closed
- Remaining Amortization Period: 20 years
- Asset Valuation Method: Market value of assets.
- Medical Inflation: Not Applicable
- Inflation: 2.5%
- Salary Increases: 4.5%.
- Investment Rate of Return: 7.0%
- Retirement Age: 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%
66-70	23%
71-79	21%
80+	100%

- Mortality: RP-2000 Table with rates projected to 2015 using Scale AA.

The actuarial assumptions and methods used for the actuarial valuation are described in more detail in Section 4 of this report.

Schedule of Investment Return

The annual money-weighted rate of return for 2017 was 5.44%, net of investment expenses, determined as follows:

Determination of Money-Weighted Rate of Return for January 1, 2017 to December 31, 2017

	Plan Investments/ Net External Cash Flows (a)	Months Invested (b)	Period Weight (c)	Total with Interest to Year End (d)
Beginning Value at January 1	$2,000,026.40	12	1.000000	$2,108,751.53
Monthly Net External Cash Flows:				
Payables/Receivables at January 1	$0.00	12	1.000000	$0.00
January	0.00	11 1/2	0.958333	0.00
February	0.00	10 1/2	0.875000	0.00
March	0.00	9 1/2	0.791667	0.00
April	0.00	8 1/2	0.708333	0.00
May	6,075,740.00	7 1/2	0.625000	6,280,116.96
June	(584,943.19)	6 1/2	0.541667	(601,958.35)
July	(589,449.29)	5 1/2	0.458333	(603,925.52)
August	(559,809.58)	4 1/2	0.375000	(571,033.33)
September	(574,511.18)	3 1/2	0.291667	(583,450.23)
October	1,462,271.52	2 1/2	0.208333	1,478,487.07
November	(605,960.60)	1 1/2	0.125000	(609,983.51)
December	(1,135,154.41)	1/2	0.041667	(1,137,660.95)
Payables/Receivables at December 31	(569,428.40)	0	0.000000	(569,428.40)
Ending Value at December 31				$5,189,915.27
Internal Money-Weighted Rate of Return				5.44%

Notes on inputs and methodology:

The market value of the OPEB fund was $2,000,026.40 at January 1, 2017 and $5,189,915.27 at December 31, 2017. External net cash flows (inflows netted by outflows) are determined on a mid-month basis as they have occurred each month from January 1, 2017 to December 31, 2017.

The remainder of this section contains information regarding plan funding required to prepare the plan's financial disclosures under Government Accounting Standards Board Statement No. 45.

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%
1/1/2017	2,000,026	85,868,108	83,868,082	2.3%	106,720,140	78.6%

Determination of Net OPEB Obligation

(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]
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
2016	9,009,635	1,280,637	(1,851,484)	8,438,788	8,123,050	315,738	32,331,669
2017	8,323,521	2,263,217	(2,605,493)	7,981,245	9,844,495	(1,863,250)	30,468,419

[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 7.0%; prior to 2017, the investment return assumption was 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 following table shows the development of the Net OPEB Obligation for the County Nursing Home and for all other Government Activities.

	Governmental Activities	County Nursing Home	Total Primary Government
Annual Required Contribution (ARC)	$6,298,674	$2,024,847	$8,323,521
Interest on Net OPEB Obligation	1,679,975	583,242	2,263,217
ARC Adjustment	(1,934,044)	(671,449)	(2,605,493)
Annual OPEB Cost	$6,044,605	$1,936,640	$7,981,245
Contributions Made	(7,449,644)	(2,394,851)	(9,844,495)
Increase in Net OPEB Obligation	($1,405,039)	($458,211)	($1,863,250)
Net OPEB Obligation (Beginning of Year)	23,999,637	8,332,032	32,331,669
Net OPEB Obligation (End of Year)	$22,594,598	$7,873,821	$30,468,419

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Section 2: Pension Fund Information

The tables below show the pension fund activity for 2017. The following page shows how the pension fund was invested at December 31, 2017.

Market Value of Assets as of January 1, 2017		$2,000,026.40
Employer Contributions[1]	$9,844,495.00	
Member Contributions	0.00	
Investment Income	67,695.32	
Gains and (Losses) on Investments	203,438.68	
Total Receipts		10,115,629.00
Benefit Payments[1]	($6,925,740.13)	
Refund of Member Contributions	0.00	
Investment Costs	0.00	
Administrative Expenses	0.00	
Insurance Premiums	0.00	
Total Disbursements		(6,925,740.13)
Market Value of Assets as of December 31, 2017		$5,189,915.27
Investment Return Percentage		5.44%

[1] Includes $5,165,985 of plan benefits paid from the County's General Fund.

The table below shows how the pension fund was invested as of December 31, 2017.

Cash	$0.00	
Checking Account	0.00	
Certificates of Deposit	0.00	
Money Market Funds	1,530,760.84	
Equity Mutual Funds	3,229,684.42	
Fixed Income Mutual Funds	997,347.53	
Total Assets in Fund		$5,757,792.79
Member Contributions Receivable		0.00
Accrued Income		1,550.88
Total Assets		$5,759,343.67
Benefits Payable	($569,428.40)	
Administrative Expenses Payable	0.00	
Total Liabilities		(569,428.40)
Net Assets		$5,189,915.27

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Summary of 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 (i.e., Option Two, Three, Four(C) or Four (D)), should he predecease her, then the spouse will continue to receive coverage under the plan after the death of the eligible retired member.

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 until Medicare eligibility and under an insured Medicare Supplement policy thereafter. 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.

Section 4 - Actuarial Assumptions and Methods

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

Interest Rate

For determination of the Actuarially Determined Employer Contribution and GASB 45 disclosures, the interest rate is 7.0% per year.

For GASB 74 disclosures, the interest rate is 7.0%.

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. Since the plan sponsor is funding the ARC, the interest rate used is the expected return on the plan's current investment portfolio.

For GASB 74 disclosures, the interest rate represents the expected long-term investment return on plan assets.

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 sufficiently large 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 or more	*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%
71-79	21%
80	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, or on premium rates for insured coverages. 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, 2017.

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 fes, 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