



CONSULTING GROUP



A POSTRETIREMENT WELFARE BENEFIT
GASB 75 ACTUARIAL VALUATION

For:

Town of Ulster

As of:

January 1, 2020

Prepared by:

**USI Consulting Group
September 16, 2020**



CONSULTING GROUP

USI Consulting Group
95 Glastonbury Blvd, Suite 102
Glastonbury, CT 06033
www.usi.com
Phone: 860.633.5283
Fax: 860.368.2112

September 16, 2020

Town of Ulster
1 Town Hall Drive
Lake Katrine, NY 12449

RE: January 1, 2020 Actuarial Valuation of Postretirement Welfare Benefits

We enclose the report covering the actuarial valuation of the postretirement medical insurance plan for the employees of the Town of Ulster as of January 1, 2020.

The financial results of the actuarial valuation are summarized in the report. The Executive Summary highlights the results of the valuation, including the calculation of the OPEB expense for the fiscal years ending December 31, 2020 and December 31, 2021.

Additional information summarizing census information, actuarial assumptions, and the methodology for developing them, as well as a glossary of selected terms used in this study, are also included in the report.

All calculations are made in accordance with our understanding of the provisions of the Statement of Governmental Accounting Standards Numbers 75 (GAS 75). This report provides information for the fiscal years ending December 31, 2020 and December 31, 2021. When completed, we would appreciate a copy of the footnote to your financial statement related to the postretirement benefits.

Respectfully submitted,

USI Consulting Group

A handwritten signature in blue ink that reads "Robert W. Webb".

Robert W. Webb, FSA, EA, MAAA
Vice President and Actuary

A handwritten signature in blue ink that reads "Denise Reed".

Denise Reed, ASA, MAAA
Senior Consultant and Actuary

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Section I

Executive Summary

This section presents the results of the January 1, 2020 valuation. The Executive Summary provides a brief discussion of key valuation results and includes the actuarial certification. The Executive Summary Detail provides detailed development of the expenses and liabilities.

EXECUTIVE SUMMARY

Introduction

Other postemployment benefits (“OPEB”) are benefits, other than pension or retirement income benefits, that are earned during employment but are payable upon cessation of employment. OPEB includes postemployment health care benefits (medical, dental, vision, hearing, and other health-related benefits), whether provided separately or through a defined benefit pension plan. OPEB also includes life insurance, disability, long-term care, etc., when provided separately from a pension plan.

Unlike pension plans, there is no requirement that OPEB benefits be funded prior to when the benefits are payable; however, Generally Accepted Accounting Principles (“GAAP”) view OPEB as a form of deferred compensation, and require that the costs related to these benefits be recognized during employment.

This January 1, 2020 Actuarial Valuation has been prepared to assist management in meeting the requirements of Government Accounting Standards. This is a biennial valuation that provides financial results for fiscal years ending December 31, 2020 and December 31, 2021. **The December 31, 2020 and December 31, 2021 values are at this point still estimates that may need to be updated to reflect appropriate assumptions (in particular, the discount rate) as of those measurement dates.**

This report provides the information needed to prepare the footnote in your financial statements related to your postretirement benefit plans. The results for fiscal years ending December 31, 2020 and December 31, 2021 are developed to comply with Statement of Governmental Accounting Standards Number 75 (GAS 75), which replaces GAS 45 for fiscal years beginning after June 15, 2017. At the end of each year the financial results for that year will be updated to reflect the appropriate assumptions as of the measurement date.

Additional information about GAS 75 is provided in Appendix D.

The liabilities developed in this report are only valid for purposes of meeting employer accounting requirements as required by Standards discussed above. Liabilities developed for other purposes could be significantly different than those shown in this report.

The valuation is based on the July 1, 2020 census data and January 1, 2020 plan information as provided by the employer. We have reviewed both the census and financial data for reasonableness, but have not completed an independent audit of the information.

The detail charts included in this Executive Summary highlight the results of the valuation. Additional information summarizing the census, actuarial assumptions, plan provisions, and a glossary of selected terms used in this study are also included in this report.

EXECUTIVE SUMMARY (cont.)

Actuarial Certification

All costs, liabilities, and other factors under the plan were determined in accordance with generally accepted actuarial principles and procedures. The calculations are consistent and undertaken with our understanding of Statement of Governmental Accounting Standards Number 75. In our opinion, the actuarial assumptions are reasonable, taking into account the experience of the plan and reasonable expectations, and individually represent our best estimate of the anticipated experience under the plan.

I have no relationship with the employer or the plan that would objectively impair, or appear to impair, my ability to perform the work detailed in this report. I certify that I am a member of the American Academy of Actuaries and meet its Qualification Standards to provide an actuarial opinion in accordance with GASB 75.



Robert W. Webb, FSA, EA, MAAA
Vice President and Actuary



Adeniyi Olaiya, ASA, MAAA
Associate Vice President and Actuary

EXECUTIVE SUMMARY (cont.)

Summary of Results

For fiscal years ending December 31, 2020 and December 31, 2021, the Total OPEB Liability, the Fiduciary Net Position, the Net OPEB Liability and Deferred (Outflows) / Inflows of resources are based on calculations as of the Valuation Date projected to the end of the applicable fiscal year. Additional detail is developed in the exhibits included in this actuarial valuation report.

Fiscal Year Ending December 31, 2020 (Estimated)

<i>Total OPEB Liability</i>	\$34,323,708
<i>Fiduciary Net Position</i>	\$0
<i>Net OPEB Liability</i>	\$34,323,708
<i>OPEB Expense</i>	\$1,817,036
<i>Deferred (Outflows)/Inflows of Resources</i>	\$2,777,366
<i>Expected Benefit Payments</i>	\$832,666

Fiscal Year Ending December 31, 2021 (Estimated)

<i>Total OPEB Liability</i>	\$35,669,103
<i>Fiduciary Net Position</i>	\$0
<i>Net OPEB Liability</i>	\$35,669,103
<i>OPEB Expense</i>	\$1,884,170
<i>Deferred (Outflows)/Inflows of Resources</i>	\$2,440,595
<i>Expected Benefit Payments</i>	\$875,546

Economic Assumptions

The following table details the selected and projected economic assumptions for the current fiscal year and the fiscal year ending December 31, 2021, respectively. More detailed information is provided in Section IV.

<u>Assumption Selection Date</u>	<u>January 1, 2020</u>	<u>December 31, 2020</u>	<u>December 31, 2021</u>
<i>Discount rate</i>	2.74%	2.74% *	2.74% *
<i>2020 Medical Trend Rates</i>	7.00%	7.00%	7.00%
<i>2021 Medical Trend Rates</i>	6.50%	6.50%	6.50%
<i>Ultimate Medical Trend Rate</i>	4.50%	4.50%	4.50%
<i>Year Ultimate Trend Rates Reached</i>	2025	2025	2025
<i>Annual Payroll Increase</i>	2.50%	2.50%	2.50%

*Estimated

Experience Gains and Losses

The plan had an accumulated experience gain over the past two years primarily due to healthcare costs increasing less than assumed. The high cost health plan excise tax was repealed in 2019. The impact on the total OPEB liability is provided in Section III.

EXECUTIVE SUMMARY (cont.)

Assumption Changes included in current valuation

The non-Medicare eligible healthcare cost trend rate was set to 7.0% in 2020, grading down 0.5% per annum to an ultimate rate of 4.5% in years 2025 and later. The Medicare eligible healthcare cost trend rate was reset to 4.5% in years 2020 and later. The mortality table improvement scale was updated from MP2017 to MP2019. The impact on the total OPEB liability is provided in Section III.

Benefit Changes included in current valuation

This valuation reflects the increase to the CDPHP High Deductible Health Plan deductible. The impact on the total OPEB liability is provided in Section III.

EXECUTIVE SUMMARY DETAIL
ESTIMATED GASB 75 LIABILITIES AND EXPENSE
FOR FISCAL YEAR ENDING DECEMBER 31, 2020

	<u>General</u>	<u>Highway</u>	<u>Police</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
I. Present Value of Future Benefits						
A. Retirees/Disableds	\$1,434,690	\$3,414,435	\$11,187,091	\$1,639,848	\$1,134,498	\$18,810,562
B. Active Employees	<u>\$5,269,102</u>	<u>\$6,391,956</u>	<u>\$21,008,584</u>	<u>\$3,591,894</u>	<u>\$3,480,576</u>	<u>\$39,742,112</u>
C. Total	\$6,703,792	\$9,806,391	\$32,195,675	\$5,231,742	\$4,615,074	\$58,552,674
II. Total OPEB Liability						
A. Retirees/Disableds	\$1,434,690	\$3,414,435	\$11,187,091	\$1,639,848	\$1,134,498	\$18,810,562
B. Active Employees	<u>\$2,973,005</u>	<u>\$3,421,155</u>	<u>\$5,643,537</u>	<u>\$1,431,303</u>	<u>\$2,044,146</u>	<u>\$15,513,146</u>
C. Total	\$4,407,695	\$6,835,590	\$16,830,628	\$3,071,151	\$3,178,644	\$34,323,708
III. Fiduciary Net Position	\$0	\$0	\$0	\$0	\$0	\$0
IV. Net OPEB Liability	\$4,407,695	\$6,835,590	\$16,830,628	\$3,071,151	\$3,178,644	\$34,323,708
V. Expected Benefit Payments						
A. Retirees/Disableds	\$12,732	\$21,666	\$4,467	\$1,489	\$4,467	\$44,821
B. Active Employees	<u>\$72,258</u>	<u>\$138,973</u>	<u>\$413,675</u>	<u>\$94,280</u>	<u>\$68,659</u>	<u>\$787,845</u>
C. Total	\$84,990	\$160,639	\$418,142	\$95,769	\$73,126	\$832,666
VI. OPEB Expense						
A. Service Cost	\$239,755	\$210,699	\$574,449	\$106,081	\$96,254	\$1,227,238
B. Interest	\$118,692	\$184,456	\$454,475	\$83,191	\$85,755	\$926,569
C. Changes of Benefit Terms	\$0	\$0	\$0	\$0	\$0	\$0
D. Recognition of Deferred Outflows/ Inflows of Resources	<u>(\$106,275)</u>	<u>(\$111,640)</u>	<u>(\$105,960)</u>	<u>\$5,062</u>	<u>(\$17,958)</u>	<u>(\$336,771)</u>
E. OPEB Expense [A. + B. + C. + D.]	\$252,172	\$283,515	\$922,964	\$194,334	\$164,051	\$1,817,036
VII. Deferred (Outflows) of Resources						
A. Experience Loss	\$0	\$0	\$0	(\$163,374)	\$0	(\$163,374)
B. Change In Assumptions	<u>(\$658,029)</u>	<u>(\$1,202,026)</u>	<u>(\$3,625,510)</u>	<u>(\$692,120)</u>	<u>(\$675,665)</u>	<u>(\$6,853,350)</u>
C. Total	(\$658,029)	(\$1,202,026)	(\$3,625,510)	(\$855,494)	(\$675,665)	(\$7,016,724)
Deferred Inflows of Resources						
A. Experience Gain	\$617,060	\$862,952	\$1,870,743	\$0	\$166,265	\$3,517,020
B. Change In Assumptions	<u>\$568,950</u>	<u>\$1,178,959</u>	<u>\$3,115,665</u>	<u>\$802,387</u>	<u>\$611,109</u>	<u>\$6,277,070</u>
C. Total	\$1,186,010	\$2,041,911	\$4,986,408	\$802,387	\$777,374	\$9,794,090
Recognition in Expense Year ended December 31,						
2021	(\$106,275)	(\$111,640)	(\$105,960)	\$5,062	(\$17,958)	(\$336,771)
2022	(\$106,275)	(\$111,640)	(\$105,960)	\$5,062	(\$17,958)	(\$336,771)
2023	(\$106,275)	(\$111,640)	(\$105,960)	\$5,062	(\$17,958)	(\$336,771)
2024	(\$106,275)	(\$111,640)	(\$105,960)	\$5,062	(\$17,958)	(\$336,771)
2025	(\$61,975)	(\$109,776)	(\$105,960)	\$5,062	(\$17,958)	(\$290,607)
Thereafter	\$0	(\$306,649)	(\$831,098)	\$27,797	(\$11,919)	(\$1,121,869)

EXECUTIVE SUMMARY DETAIL
ESTIMATED GASB 75 LIABILITIES AND EXPENSE
FOR FISCAL YEAR ENDING DECEMBER 31, 2021

	<u>General</u>	<u>Highway</u>	<u>Police</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
I. Present Value of Future Benefits						
A. Retirees/Disableds	\$1,661,335	\$3,521,877	\$11,127,196	\$1,672,597	\$1,176,038	\$19,159,043
B. Active Employees	<u>\$5,284,430</u>	<u>\$6,494,893</u>	<u>\$22,945,281</u>	<u>\$3,668,532</u>	<u>\$3,493,313</u>	<u>\$41,886,449</u>
C. Total	\$6,945,765	\$10,016,770	\$34,072,477	\$5,341,129	\$4,669,351	\$61,045,492
II. Total OPEB Liability						
A. Retirees/Disableds	\$1,661,335	\$3,521,877	\$11,127,196	\$1,672,597	\$1,176,038	\$19,159,043
B. Active Employees	<u>\$3,014,748</u>	<u>\$3,550,892</u>	<u>\$6,332,752</u>	<u>\$1,492,779</u>	<u>\$2,118,889</u>	<u>\$16,510,060</u>
C. Total	\$4,676,083	\$7,072,769	\$17,459,948	\$3,165,376	\$3,294,927	\$35,669,103
III. Fiduciary Net Position	\$0	\$0	\$0	\$0	\$0	\$0
IV. Net OPEB Liability	\$4,676,083	\$7,072,769	\$17,459,948	\$3,165,376	\$3,294,927	\$35,669,103
V. Expected Benefit Payments						
A. Retirees/Disableds	\$77,953	\$156,615	\$426,995	\$89,752	\$67,284	\$818,599
B. Active Employees	<u>\$25,505</u>	<u>\$13,075</u>	<u>\$3,924</u>	<u>\$10,520</u>	<u>\$3,923</u>	<u>\$56,947</u>
C. Total	\$103,458	\$169,690	\$430,919	\$100,272	\$71,207	\$875,546
VI. OPEB Expense						
A. Service Cost	\$245,749	\$215,966	\$588,810	\$108,732	\$98,661	\$1,257,918
B. Interest	\$126,097	\$190,903	\$471,429	\$85,765	\$88,829	\$963,023
C. Changes of Benefit Terms	\$0	\$0	\$0	\$0	\$0	\$0
D. Recognition of Deferred Outflows/ Inflows of Resources	<u>(\$106,275)</u>	<u>(\$111,640)</u>	<u>(\$105,960)</u>	<u>\$5,062</u>	<u>(\$17,958)</u>	<u>(\$336,771)</u>
E. OPEB Expense [A. + B. + C. + D.]	\$265,571	\$295,229	\$954,279	\$199,559	\$169,532	\$1,884,170
VII. Deferred (Outflows) of Resources						
A. Experience Loss	\$0	\$0	\$0	(\$149,272)	\$0	(\$149,272)
B. Change In Assumptions	<u>(\$495,452)</u>	<u>(\$944,908)</u>	<u>(\$3,285,963)</u>	<u>(\$627,542)</u>	<u>(\$587,916)</u>	<u>(\$5,941,781)</u>
C. Total	(\$495,452)	(\$944,908)	(\$3,285,963)	(\$776,814)	(\$587,916)	(\$6,091,053)
Deferred Inflows of Resources						
A. Experience Gain	\$487,562	\$723,089	\$1,712,741	\$0	\$143,812	\$3,067,204
B. Change In Assumptions	<u>\$429,596</u>	<u>\$950,064</u>	<u>\$2,828,160</u>	<u>\$728,769</u>	<u>\$527,855</u>	<u>\$5,464,444</u>
C. Total	\$917,158	\$1,673,153	\$4,540,901	\$728,769	\$671,667	\$8,531,648
Recognition in Expense						
Year ended December 31,						
2022	(\$106,275)	(\$111,640)	(\$105,960)	\$5,062	(\$17,958)	(\$336,771)
2023	(\$106,275)	(\$111,640)	(\$105,960)	\$5,062	(\$17,958)	(\$336,771)
2024	(\$106,275)	(\$111,640)	(\$105,960)	\$5,062	(\$17,958)	(\$336,771)
2025	(\$61,975)	(\$109,776)	(\$105,960)	\$5,062	(\$17,958)	(\$290,607)
2026	(\$147,181)	(\$88,540)	(\$105,960)	\$5,062	(\$17,958)	(\$354,577)
Thereafter	\$0	(\$44,555)	(\$725,138)	\$22,735	\$6,039	(\$740,919)

Section II

Census Information

This section details statistics related to the participants in the postretirement benefit plan.

CENSUS INFORMATION – A.

EMPLOYEE COUNTS

	<i>As of July 1, 2020</i>				<i>As of January 1, 2018</i>				
	<i>Actives</i>	<i>Inactives Not Receiving Benefits</i>	<i>Inactives Receiving Benefits</i>	<i>Total</i>	<i>Actives</i>	<i>Inactives Not Receiving Benefits</i>	<i>Inactives Receiving Benefits</i>	<i>Total</i>	
Male	61	0	38	99	Male	51	0	38	89
Female	<u>22</u>	<u>0</u>	<u>10</u>	<u>32</u>	Female	<u>21</u>	<u>0</u>	<u>12</u>	<u>33</u>
Total	83	0	48	131	Total	72	0	50	122

COUNTS BY AGE AND ELIGIBILITY STATUS

ACTIVE EMPLOYEES

**INACTIVE EMPLOYEES
 NOT YET RECEIVING BENEFITS:**

<i>Age</i>	<i>Currently Eligible to Retire</i>	<i>Not Currently Eligible to Retire</i>	<i>Total</i>	<i>Currently Eligible to Retire</i>	<i>Not Currently Eligible to Retire</i>	<i>Total</i>
29 and under	0	22	22	0	0	0
30 - 34	0	10	10	0	0	0
35 - 39	0	8	8	0	0	0
40 - 44	0	8	8	0	0	0
45 - 49	1	8	9	0	0	0
50 - 54	0	6	6	0	0	0
55 - 59	3	4	7	0	0	0
60 - 64	4	6	10	0	0	0
65 and over	2	1	3	0	0	0
Total	10	73	83	0	0	0

INACTIVES RECEIVING BENEFITS

<i>Age</i>	<i>Retirees</i>	<i>Spouses</i>	<i>Total</i>
54 and under	6	5	11
55 - 59	6	5	11
60 - 64	7	6	13
65 - 69	16	3	19
70 - 74	8	5	13
75 - 79	2	2	4
80 and over	3	2	5
Total	48	28	76

CENSUS INFORMATION – B.

AVERAGE AGE AND SERVICE

	<u>As of July 1, 2020</u>	<u>As of January 1, 2018</u>
ACTIVE EMPLOYEES:		
A. Average Age at Hire		
Males	27.0	27.4
Females	36.9	38.3
Total	29.6	30.6
B. Average Service		
Males	12.3	13.0
Females	12.2	9.4
Total	12.3	11.9
C. Average Current Age		
Males	39.3	40.4
Females	49.1	47.7
Total	41.9	42.5
INACTIVES NOT RECEIVING BENEFITS:		
D. Average Current Age		
Males	N/A	N/A
Females	N/A	N/A
Total	N/A	N/A
INACTIVES RECEIVING BENEFITS:		
E. Average Current Age		
Males	63.0	63.4
Females	74.1	73.0
Total	65.3	65.7

Section III

Financial Statement Disclosure

This section provides the required information and notes to the Financial Statements for the fiscal years ending December 31, 2020 and December 31, 2021.

FINANCIAL STATEMENT DISCLOSURE

The GASB standard on accounting for postretirement benefits other than pensions requires the following disclosures in the financial statements with regard to the retiree benefit liability:

1.) Fiscal Year ending December 31, 2020 (Estimated)

Changes in Total OPEB Liability

<i>Balance at 12/31/2019</i>	\$40,737,563
<i>Changes for the year:</i>	
Service Cost	\$1,227,238
Interest	\$926,569
Changes in Benefit Terms	\$194,413
Differences between expected and actual experience	(\$3,789,360)
Changes in assumptions and other inputs	(\$4,140,049)
Benefit Payments	<u>(\$832,666)</u>
Net Changes	<u>(\$6,413,855)</u>
<i>Balance at 12/31/2020</i>	<u>\$34,323,708</u>

Notes:

Plan changes - None
 Plan provisions are summarized in Section V.

Assumption changes –
 The healthcare cost trends were updated
 The mortality improvement scaled was updated
 Assumptions are summarized in Section IV.

Sensitivity of the Total OPEB Liability

1% Decrease (1.74%)	Discount Rate (2.74%)	1% Increase (3.74%)
\$41,141,895	\$34,323,708	\$28,994,911
	Healthcare Cost Trend	
1% Decrease (6.00% decreasing to 3.50%)	Rates (7.00% decreasing to 4.50%)	1% Increase (8.00% decreasing to 5.50%)
\$28,773,045	\$34,323,708	\$41,766,759

FINANCIAL STATEMENT DISCLOSURE (cont.)

2.) Fiscal Year ending December 31, 2021 (Estimated)

Changes in Total OPEB Liability

<i>Balance at 12/31/2020</i>	\$34,323,708
<i>Changes for the year:</i>	
Service Cost	\$1,257,918
Interest	\$963,023
Changes in Benefit Terms	\$0
Differences between expected and actual experience	\$0
Changes in assumptions and other inputs	\$0
Benefit Payments	(<u>\$875,546</u>)
Net Changes	<u>\$1,345,395</u>
<i>Balance at 12/31/2021</i>	<u>\$35,669,103</u>

Notes:

Plan changes - None
 Plan provisions are summarized in Section V.

Assumption changes – None
 Assumptions are summarized in Section IV.

Sensitivity of the Total OPEB Liability

1% Decrease (1.74%)	Discount Rate (2.74%)	1% Increase (3.74%)
\$42,716,559	\$35,669,103	\$30,154,169
	Healthcare Cost Trend	
1% Decrease (5.50% decreasing to 3.50%)	Rates (6.50% decreasing to 4.50%)	1% Increase (7.50% decreasing to 5.50%)
\$29,650,775	\$35,669,103	\$43,785,155

Section IV

Actuarial Assumptions and Methodology

The following pages detail the assumptions used in the calculations.

ACTUARIAL ASSUMPTIONS AND METHODOLOGY

1. **Discount Rate:** A discount rate of 2.74% was used as of December 31, 2019.
 The discount rate was based on the Bond Buyer’s 20 Bond Index.

For the following demographic (mortality, retirement, disability, and other termination of employment) assumptions, we utilized the rates developed in the report, “Development of Recommended Actuarial Assumptions” for New York/SUNY GASB 45 Valuation prepared by the AON Hewitt dated June 2019:

2. **Mortality:** Unisex pre-retirement mortality rates from Exhibit 2-2 of the above report (combined accidental and all other death rates) and postretirement mortality rates for healthy participants (sex distinct for non-police employees and retirees) using projection scale MP 2019.

3. **Retirement Rates:** **Non-Police Early Retirement System - Tier 1**

<u>Age</u>	<u>Years of Service</u>		
	<u>0-19</u>	<u>20-29</u>	<u>30+</u>
55	16.99%	34.98%	77.50%
60	10.33%	17.39%	21.37%
65	22.85%	29.26%	26.24%
69	19.51%	26.24%	18.61%
70+	100.00%	100.00%	100.00%

Non-Police Early Retirement System - Tiers 2, 3, and 4

<u>Age</u>	<u>Years of Service</u>		
	<u>0-19</u>	<u>20-29</u>	<u>30+</u>
55	5.71%	9.70%	49.64%
60	5.40%	8.47%	21.23%
65	16.60%	28.93%	22.94%
69	15.38%	26.56%	24.61%
70+	100.00%	100.00%	100.00%

Non-Police Early Retirement System – Tiers 5 and 6

<u>Age</u>	<u>Years of Service</u>		
	<u>0-19</u>	<u>20-29</u>	<u>30+</u>
55	4.57%	7.76%	9.70%
60	4.32%	6.77%	8.47%
65	16.60%	28.93%	22.94%
69	15.38%	26.56%	24.61%
70+	100.00%	100.00%	100.00%

ACTUARIAL ASSUMPTIONS AND METHODOLOGY (CONT.)

3. **Retirement Rates (cont.):** **Police Retirement System - Tier 2**

<u>Age</u>	<u>Years of Service</u>		
	<u>0-19</u>	<u>20-29</u>	<u>30+</u>
55	16.99%	34.98%	34.98%
60	10.33%	17.39%	17.39%
65	22.85%	29.26%	29.26%
69	19.51%	26.24%	26.24%
70+	100.00%	100.00%	100.00%

4. **Disability Rates:** None assumed.

5. **Termination Rates:** **Non-Police Early Retirement System – Tiers 1, 2, 3, and 4**

<u>Age</u>	<u>Years of Service</u>					
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5-9</u>	<u>10+</u>
15	25.07%	12.99%	7.72%	6.55%	4.37%	1.51%
25	20.98%	14.15%	10.28%	7.44%	4.53%	1.51%
30	15.87%	13.47%	10.33%	7.71%	4.35%	1.56%
40	13.99%	9.71%	7.28%	5.67%	4.05%	1.69%
50	13.49%	8.14%	6.30%	5.10%	3.28%	1.31%
60	14.45%	9.66%	7.62%	5.82%	2.36%	1.20%
69	15.97%	11.12%	8.37%	6.10%	1.87%	1.20%

Non-Police Early Retirement System – Tiers 5 and 6

<u>Age</u>	<u>Years of Service</u>					
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5-9</u>	<u>10+</u>
15	25.07%	12.99%	7.72%	6.55%	2.62%	3.02%
25	20.98%	14.15%	10.28%	7.44%	2.72%	3.02%
30	15.87%	13.47%	10.33%	7.71%	2.61%	3.12%
40	13.99%	9.71%	7.28%	5.67%	2.43%	3.38%
50	13.49%	8.14%	6.30%	5.10%	1.97%	2.62%
60	14.45%	9.66%	7.62%	5.82%	1.42%	2.39%
69	15.97%	11.12%	8.37%	6.10%	1.12%	2.39%

Police:

<u>Years of Service</u>	<u>Rates</u>
0	7.11%
5	1.18%
10	0.55%
15	0.28%
20+	0.22%

ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)

6. **Health Care Trend Rates:** It was assumed that health care costs would increase in accordance with the trend rates in the following table:

<u>Year</u>	<u>Current Valuation*</u>		<u>Previous Valuation*</u>	
	<u>Pre-65 Rates</u>	<u>Post-65 Rates</u>	<u>Pre-65 Rates</u>	<u>Post-65 Rates</u>
2020	7.0%	4.5%	8.0%	5.0%
2021	6.5%	4.5%	7.5%	5.0%
2022	6.0%	4.5%	7.0%	5.0%
2023	5.5%	4.5%	6.5%	5.0%
2024	5.0%	4.5%	6.0%	5.0%
2025	4.5%	4.5%	5.5%	5.0%
2026+	4.5%	4.5%	5.0%	5.0%

**Dental and Vision rates assumed to increase at 5.0% per annum*

7. **Participation Rate:** It was assumed that 100% of the current police employees and 90% of the current non-police employees covered under the active plan on the day before retirement would enroll in the retiree medical plan upon retirement.
8. **Percent Married:** It was assumed that 65% of the male and 40% of the female employees who elect retiree health care coverage for themselves would also elect coverage for their spouse upon retirement. It was assumed that male spouses are three years older than their wives and female spouses are three years younger than the retiree. For current retirees, actual census information was used.
9. **Actuarial Value of Assets:** N/A
10. **Per Capita Claims Cost:** Based on the premiums levels of the plans utilized. The premium levels are summarized in the plan provisions in Section V. Actual premiums were used as an approximation to claims experience. Aging factors were then applied to the plan premiums to produce age-related per-capita claim rates.

<u>Empire</u>		<u>CDPHP / United Healthcare</u>	
<u>Age</u>	<u>Per Capita Claims Cost</u>	<u>Age</u>	<u>Per Capita Claims Cost</u>
55	13,624	50	7,027
60	16,925	55	8,668
64	19,693	60	10,768
65	4,125	65	2,431
70	4,891	70	2,883
75	5,479	75	3,229
80	5,819	80	3,430
85	6,121	85	3,608
90	6,287	90	3,706

ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)

11. **Administrative expenses:** Included in premiums used.
12. **Participant Salary Increases:** 3.50% annually
13. **Payroll Growth Rate:** 2.50% annually
14. **High Cost Plan Excise Tax:** The tax was repealed in 2019.

ACTUARIAL COST METHOD

An Actuarial Cost Method develops an orderly allocation of the actuarial present value of benefits payments over the working lifetime of the participants in the plan. The actuarial present value of benefits allocated to a particular fiscal year is called the Normal Cost. The actuarial present value of benefits allocated to all periods prior to a valuation date is called the Actuarial Accrued Liability. The Unfunded Actuarial Accrued Liability is amortized over future years in accordance with the employer's established accounting policy.

The Entry Age Actuarial Cost Method is used in this valuation. Under this method, the Actuarial Present Value of Projected Benefits of each individual included in the Actuarial Valuation is allocated on a level basis over future earnings of the individual between entry age and assumed exit age(s). The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.

ADDITIONAL COMMENTS

-The values in this valuation represent a closed group and do not reflect new entrants after the census collection date.

Section V

Plan Provisions

PLAN PROVISIONS

- a. Plan Types:** Pre-Medicare eligible: NYSHIP Empire or CDPHP HDHP
 Post Medicare eligible: NYSHIP MediPrime or UnitedHealth care
- b. Eligibility:** **Non-Union/Labor 17:** Age 55 with 30 years or service; or Age 62 with 10 years of service.
PBA: 20 years of service
- c. Benefit/Cost Sharing:** **Labor 17:**
Service at decrement > 20 years: town covers 100% of medical premium
Service at decrement between 15 and 20: retiree must contribute \$450 per year
Service at decrement between 10 and 15: retiree must contribute \$900 per year
- Non-Union/PBA:**
 Town covers 100% of the medical premiums
 Town reimburses the participant for the plan deductible under the CDPHP HDHP in the amount of \$6,750 for individual coverage and \$13,500 for family coverage.
- d. Spouse Benefit:** Yes, same contributions as retiree
Note: the \$450 and \$900 contributions include spouse coverage
- e. Surviving Spouse Benefit:** Surviving Spouse must pay 100% of the medical premium after 6 months
- f. Annual Medical Premiums:** *Effective January 1, 2020 through December 31, 2020*
- | <u>Plan</u> | <u>Single</u> | <u>Family</u> |
|-------------------|---------------|---------------|
| Empire | \$12,381.84 | \$28,650.96 |
| CDPHP | \$6,359.04 | \$17,111.16 |
| United Healthcare | \$3,000.00 | |
- g. Medicare Part B:** The Town reimburses 100% of the Medicare Part B premium
 Single: \$1,735.20
- h. UHC Prescription Plan:** The Town reimburses 100% of the UHC Prescription Plan premium
 Single: \$1,027.20
- i. Annual Dental/Vision Premiums:** Dental and Vision coverage through Guardian
 The Town covers 100% of the dental/vision premium
- | | |
|----------------|------------|
| Dental Single: | \$ 408.36 |
| Dental Family: | \$1,196.16 |
| Vision Single: | \$ 127.56 |
| Vision Family: | \$ 274.68 |

Section VI
Appendices

APPENDIX - A.

ACTIVE EMPLOYEES BY AGE AND SERVICE

AS OF JULY 1, 2020

<u>Age</u>	<u>Service</u>									<u>Total</u>
	<u>0 - 4</u>	<u>5 - 9</u>	<u>10 - 14</u>	<u>15 - 19</u>	<u>20 - 24</u>	<u>25 - 29</u>	<u>30 - 34</u>	<u>35 - 39</u>	<u>40+</u>	
0 - 19	0	0	0	0	0	0	0	0	0	0
20 - 24	7	0	0	0	0	0	0	0	0	7
25 - 29	7	8	0	0	0	0	0	0	0	15
30 - 34	4	3	2	1	0	0	0	0	0	10
35 - 39	0	0	3	5	0	0	0	0	0	8
40 - 44	0	2	1	5	0	0	0	0	0	8
45 - 49	0	1	4	2	2	0	0	0	0	9
50 - 54	1	2	0	1	0	1	1	0	0	6
55 - 59	2	0	1	1	0	0	2	1	0	7
60 - 64	1	0	3	3	0	0	2	1	0	10
65 - 69	0	1	0	1	0	1	0	0	0	3
70 - 74	0	0	0	0	0	0	0	0	0	0
75 - 79	0	0	0	0	0	0	0	0	0	0
80 - 84	0	0	0	0	0	0	0	0	0	0
85 and over	0	0	0	0	0	0	0	0	0	0
Total	22	17	14	19	2	2	5	2	0	83

APPENDIX – B.

PROJECTED BENEFIT PAYMENTS

<u>Year</u>	<u>Amount</u>	<u>Accumulated</u>	<u>Year</u>	<u>Amount</u>	<u>Accumulated</u>	<u>Year</u>	<u>Amount</u>	<u>Accumulated</u>
2020	\$ 832,666	\$ 832,666	2044	\$ 2,194,720	\$ 35,845,970	2068	\$ 2,499,013	\$ 98,584,802
2021	\$ 875,546	\$ 1,708,212	2045	\$ 2,264,529	\$ 38,110,499	2069	\$ 2,484,174	\$ 101,068,976
2022	\$ 914,417	\$ 2,622,629	2046	\$ 2,296,792	\$ 40,407,291	2070	\$ 2,462,859	\$ 103,531,835
2023	\$ 979,746	\$ 3,602,375	2047	\$ 2,333,559	\$ 42,740,850	2071	\$ 2,435,588	\$ 105,967,423
2024	\$ 1,041,224	\$ 4,643,599	2048	\$ 2,409,023	\$ 45,149,873	2072	\$ 2,402,352	\$ 108,369,775
2025	\$ 1,091,312	\$ 5,734,911	2049	\$ 2,474,428	\$ 47,624,301	2073	\$ 2,362,602	\$ 110,732,377
2026	\$ 1,145,816	\$ 6,880,727	2050	\$ 2,542,446	\$ 50,166,747	2074	\$ 2,316,256	\$ 113,048,633
2027	\$ 1,168,438	\$ 8,049,165	2051	\$ 2,618,499	\$ 52,785,246	2075	\$ 2,262,997	\$ 115,311,630
2028	\$ 1,185,469	\$ 9,234,634	2052	\$ 2,676,172	\$ 55,461,418	2076	\$ 2,202,769	\$ 117,514,399
2029	\$ 1,217,931	\$ 10,452,565	2053	\$ 2,761,429	\$ 58,222,847	2077	\$ 2,136,363	\$ 119,650,762
2030	\$ 1,259,204	\$ 11,711,769	2054	\$ 2,833,800	\$ 61,056,647	2078	\$ 2,063,223	\$ 121,713,985
2031	\$ 1,330,159	\$ 13,041,928	2055	\$ 2,890,877	\$ 63,947,524	2079	\$ 1,982,975	\$ 123,696,960
2032	\$ 1,388,038	\$ 14,429,966	2056	\$ 2,943,236	\$ 66,890,760	2080	\$ 1,895,779	\$ 125,592,739
2033	\$ 1,412,339	\$ 15,842,305	2057	\$ 2,918,494	\$ 69,809,254	2081	\$ 1,801,867	\$ 127,394,606
2034	\$ 1,446,171	\$ 17,288,476	2058	\$ 2,827,591	\$ 72,636,845	2082	\$ 1,701,843	\$ 129,096,449
2035	\$ 1,518,713	\$ 18,807,189	2059	\$ 2,768,928	\$ 75,405,773	2083	\$ 1,595,605	\$ 130,692,054
2036	\$ 1,608,562	\$ 20,415,751	2060	\$ 2,710,340	\$ 78,116,113	2084	\$ 1,483,946	\$ 132,176,000
2037	\$ 1,692,094	\$ 22,107,845	2061	\$ 2,676,757	\$ 80,792,870	2085	\$ 1,368,299	\$ 133,544,299
2038	\$ 1,775,675	\$ 23,883,520	2062	\$ 2,639,954	\$ 83,432,824	2086	\$ 1,250,146	\$ 134,794,445
2039	\$ 1,854,352	\$ 25,737,872	2063	\$ 2,585,241	\$ 86,018,065	2087	\$ 1,131,259	\$ 135,925,704
2040	\$ 1,889,271	\$ 27,627,143	2064	\$ 2,546,172	\$ 88,564,237	2088	\$ 1,013,216	\$ 136,938,920
2041	\$ 1,920,969	\$ 29,548,112	2065	\$ 2,507,872	\$ 91,072,109	2089	\$ 897,570	\$ 137,836,490
2042	\$ 2,002,555	\$ 31,550,667	2066	\$ 2,507,432	\$ 93,579,541	2090	\$ 786,128	\$ 138,622,618
2043	\$ 2,100,583	\$ 33,651,250	2067	\$ 2,506,248	\$ 96,085,789	2091	\$ 680,355	\$ 139,302,973

APPENDIX – C.

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Service Cost	\$1,257,918 *	\$1,227,238 *	\$961,304	\$1,145,299		
Interest	\$963,023 *	\$926,569 *	\$1,280,519	\$1,159,031		
Changes in Benefit terms	\$0 *	\$194,413 *	\$0	\$0		
Differences between expected and actual experience	\$0 *	(\$3,789,360) *	\$0	\$0		
Changes in assumptions and other inputs	\$0 *	(\$4,140,049) *	\$8,676,488	(\$3,706,691)		
Benefit Payments	(\$875,546) *	(\$832,666) *	(\$894,198)	(\$856,332)		
Net Changes	<u>\$1,345,395 *</u>	<u>(\$6,413,855) *</u>	<u>\$10,024,113</u>	<u>(\$2,258,693)</u>		
Total OPEB Liability - beginning	<u>\$34,323,708 *</u>	<u>\$40,737,563</u>	<u>\$30,713,450</u>	<u>\$32,972,143</u>		
Total OPEB Liability - ending	<u><u>\$35,669,103 *</u></u>	<u><u>\$34,323,708 *</u></u>	<u><u>\$40,737,563</u></u>	<u><u>\$30,713,450</u></u>	<u><u>\$32,972,143</u></u>	
Covered Employee Payroll	N/A	N/A	N/A	N/A		
Total OPEB Liability as a percentage of Covered Employee Payroll	N/A	N/A	N/A	N/A		
Notes:						
<u>Assumption changes:</u>						
Discount Rate	2.74% *	2.74% *	2.74%	4.10%	3.44%	
Non-Medicare Eligible Trend Rate	6.5% in 2021, grading down to an ultimate rate of 4.5% in 2025	7.0% in 2020, grading down to an ultimate rate of 4.5% in 2025	8.5% in 2019, grading down to an ultimate rate of 5.0% in 2026	9.0% in 2018, grading down to an ultimate rate of 5.0% in 2026		
Medicare Eligible Trend Rate	4.50%	4.50%	5.00%	5.00%		
Mortality Improvement Scale	MP 2019	MP 2019	MP 2017	MP 2017		
<u>Plan changes:</u>						
CDPHP HPDP Deductible	\$6,750	\$6,750	\$4,500	\$4,500		

*Estimated

APPENDIX – D.

GOVERNMENT ACCOUNTING STANDARD NO. 75

The Government Accounting Standards Board (“GASB”) issued Statement No. 43, “Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans” in April 2004 and Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions” in June 2004. The statements introduced accrual accounting for postretirement benefits other than pensions.

GASB issued Statements No. 74 and 75 in June 2015, which are updates to Statements 43 and 45, respectively. GAS 74 and 75 are effective for fiscal years beginning after June 15, 2016 and June 15, 2017, respectively, and will require numerous changes; including new terminology, accelerated recognition of plan cost, and extended disclosure items. In addition, the valuation discount rate assumption must reflect the yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher to the extent that plan assets (plan’s fiduciary net position) are projected to be insufficient to make projected benefit payments.

GAS 74/75 Key changes:

- **Consistency:** New standards parallel the recent changes to pension plan accounting standards.
- **Standardization:** The Entry Age Normal (EAN) actuarial cost method will now be the only method allowed, discarding the acceptance of five other methods. The discount rate used for “pay as you go” plans will be based on a 20-year municipal bond index rate.
- **Philosophy:** More focus on plan liability than plan cost. Recognition of liability is accelerated by eliminating the provision that allowed for the 30-year amortization of the plan’s unfunded liability.
- **Reporting:** Net OPEB liability will now be on government-wide financial statement balance sheets. Information disclosed and included in Required Supplementary Information is expanded.
- **Measurement:** OPEB Actuarial Valuations must be performed at least every two years regardless of the size of the plan. GASB 45 allowed plans with less than 200 participants to have valuations performed at least every three years.
- **Timing:** GAS 74 is effective for fiscal years beginning after June 15, 2016 and GAS 75 is effective for fiscal years beginning after June 15, 2017.

The **OPEB Expense** (and Deferred Inflows and Outflows of Resources) results mostly from changes to the Net OPEB Liability. The change to the liability attributable to benefit changes is fully recognized in the Net OPEB expense the year the change is made. Changes to the Net OPEB liability due to plan experience, assumption changes, and investment experience will be amortized over the average service of plan participants, which is likely much shorter than the 30 years allowed under GAS 45. Deferred outflows and inflows of resources will be established for amounts not recognized in the current year’s expense.

APPENDIX – D.

GOVERNMENT ACCOUNTING STANDARD NO. 75 (CONT.)

The **Discount Rate** for plans with assets will be determined using a depletion date test. The test will determine a “cross-over” date when the assets are estimated to be depleted. For this purpose, the projection of future contributions to the Trust will be based on a written funding policy and/or experience over the most recent five years. A single equivalent discount rate will then be developed by discounting the benefits prior to the cross-over date using the trust’s long term expected rate of return and discounting the benefits after the cross-over date using the market rate for high-quality 20-year municipal bonds. For plans that are funded on a pay-as-you-go basis, the discount rate will equal the market rate for high-quality 20-year municipal bonds as of the measurement date.

The **Long-Term Expected Rate of Return** on OPEB plan assets will consider the assumed asset allocation of the plan’s portfolio, and the long-term expected real rate of return for each major asset class.

The use of unadjusted premiums as the basis of projected **Per Capita Claims Costs** by employers in “community rated” plans has been effectively eliminated. Projections of benefit payments are required to be based on claims costs, or age-adjusted premiums approximating claims costs, in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board. The current Actuarial Standards of Practice significantly limit the situations in which age adjustments may be disregarded in developing per capita claims costs.

Notes to financial statements

This Statement requires that notes to financial statements of single and agent employers include:

- For the current year, sources of changes in the net OPEB liability.
- Significant assumptions and other inputs used to calculate the total OPEB liability.
- The date of the actuarial valuation used to determine the total OPEB liability, information about changes of assumptions or other inputs and benefit terms.

Required supplementary information

This Statement requires single and agent employers to present in required supplementary information the following information, determined as of the measurement date, for each of the 10 most recent fiscal years:

- Sources of changes in the net OPEB liability.
- The components of the net OPEB liability and related ratios, including the OPEB plan’s fiduciary net position as a percentage of the total OPEB liability, and the net OPEB liability as a percentage of covered-employee payroll.
- If an actuarially determined contribution is calculated for a single or agent employer, the employer is required to present in required supplementary information a schedule covering each of the 10 most recent fiscal years that includes information about the actuarially determined contribution, contributions to the OPEB plan, and related ratios.

Guidelines

GASB is scheduled to issue implementation guidelines for GAS No.74 and No.75 in March and November of 2017, respectively.

APPENDIX – E.

GLOSSARY
GAS 45 / (GAS 75)

Actuarial Accrued Liability / (Total OPEB Liability). The portion, as determined by a particular Actuarial Cost Method, of the present value of benefits which is not provided for by future Normal Costs.

Actuarial Cost Method. A procedure for determining the Actuarial Present Value of Total Projected Benefits 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.

Actuarially Equivalent. Of equal Actuarial Present Value, determined as of a given date with each value based on the same set of Actuarial Assumptions.

Actuarial Present Value of Total Projected Benefits. The present value, as of the valuation date, of the cost of future benefits to be paid to employees, retirees, and covered dependents, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. 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.

Annual OPEB Cost / (OPEB Expense). The 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) / (NA). The employer's periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the parameters defined in GAS 45.

Investment Return Assumption / (Discount Rate). The rate used to adjust a series of future benefit payments to reflect the time value of money.

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 and technological developments.

Net OPEB Obligation / (OPEB Liability). **GAS 45:** The cumulative difference since the effective date of GAS 45 between the annual OPEB cost and the employer's contributions to the plan. **GAS 75:** The difference between the Total OPEB Liability and the OPEB Plan's fiduciary net position as of the measurement date

Normal Cost / (Service Cost). The portion of the Actuarial Present Value of plan benefits which is allocated to a valuation year by the Actuarial Cost Method.

OPEB. Postemployment benefits other than pension benefits.

Pay-As-You-Go. The amount of the benefits paid out to plan participants during the year.

Per Capita Claims Cost. The current average annual cost of providing postretirement health care benefits per individual.

Supplemental Cost / (NA). The amount of the Annual Required Contribution attributable to the amortization of the unfunded Actuarial Accrued Liability.