

Oneida County
Other Postemployment Benefits

Actuarial Valuation as of January 1, 2015

September 14, 2015

John P. Frederick
Actuary and Consultant
2608 East Newton Avenue
Shorewood, Wisconsin 53211-2654
(414) 964-7000

Oneida County Other Postemployment Benefits Actuarial Valuation as of January 1, 2015

Introduction

This report has been prepared for Oneida County, the sponsor of the substantive plan providing postretirement medical benefits to the employees of Oneida County. The purpose of this report is to present the results of the actuarial valuation, completed as of January 1, 2015, of the liability for postretirement benefits other than pensions that are provided to retired employees of Oneida County. This report has been prepared in accordance with the requirements of Government Accounting Standards Board Statement No. 45, *“Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”*.

Medical benefits are the only post employment benefit other than pensions provided to retired employees by Oneida County. Therefore, this valuation sets forth the liability for post employment medical benefits provided to retirees by the County. This valuation is a closed group valuation, i.e., it was performed to determine the liability for benefits to be paid to current active and retired employees. It does not include or anticipate the liability for any benefits that may be payable to employees that are hired after the valuation date.

The principle results of the valuation include:

- The actuarial accrued liability as of January 1, 2015 and
- The Annual Required Contribution (ARC) and the annual OPEB cost for the fiscal year ending December 31, 2015.

This report has been performed in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice issued by the Actuarial Standards Board. In addition, the valuation results are based on my understanding of the requirements of Statement No. 45 of the Government Accounting Standards Board *“Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”*. Determinations for purposes other than those listed above may be significantly different from the results in this report. Thus the use of this report for other purposes may not be appropriate. The results as of other dates may also be significantly different, and the scope of this report does not include an analysis of the potential range of results as of other dates.

It is my belief that the assumptions and methods used for the valuation represent reasonable expectations of anticipated plan experience. However, there is a risk that the actual experience of the plan will vary from the assumptions.

Oneida County provides postretirement medical benefits for seven employee groups, including one union, plus six other groups of employees. Except for some minor variations, the benefits provided to all of these groups are the same.

GASB Statement No. 45 takes the position that postretirement benefits are a form of deferred compensation earned while an employee. It therefore requires the recognition of the cost of these benefits over the period of the employee's service with their employer. Oneida County adopted the procedures set forth in the Statement for the 2007 fiscal year, changing from the pay-as-you-go, or cash basis accounting method that had been used previously, in which the cost of the retiree benefits is recognized when they are paid and are assumed to be equal to the employer contribution to premium cost for retirees that are currently receiving benefits.

A summary of the principle benefit provisions is set forth on Table 3 and the actuarial methods and assumptions are described on Table 4.

Changes Since the Last Valuation

A valuation of the liability for postretirement medical benefits was last performed as of January 1, 2013. Since then, there have been a number of changes.

- Since 2013, premium costs have changed. The increase was less than expected. Based on the prior valuation, the expected premium level for 2015 for non-HRA coverage was \$1,069 per month, which is about 8.5% more than the actual premium level of \$985.

	Actual Premium	Actual Increase	Projected Premium	Projected Increase
2013	904.00			
2014	904.00	0.0%	985.36	9.0%
2015	985.00	9.0%	1,069.12	8.5%

The expected premium level for 2015 for HRA coverage was \$895.27 per month, which is about 34.8% more than the actual premium level of \$664.00.

	Actual Premium	Actual Increase	Projected Premium	Projected Increase
2013 HRA	757.00			
2015 HRA	664.00	-12.3%	895.27	18.3%

The expected premium level for 2015 for High Deductible coverage with no Copay, was \$952.03 per month, which is about 8.6% more than the actual premium level of \$877.00.

	Actual Premium	Actual Increase	Projected Premium	Projected Increase
2013 HRA	805.00			
2015 HRA	877.00	8.9%	952.03	18.3%

The expected premium level for 2015 for High Deductible coverage with Copays, was \$895.27 per month, which is about 8.5% more than the actual premium level of \$825.00.

	Actual Premium	Actual Increase	Projected Premium	Projected Increase
2013 HRA	757.00			
2015 HRA	825.00	9.0%	895.27	18.3%

- The discount assumption was reviewed with respect to the investment of assets of the County and it was decided that no change in the discount assumption is warranted at this time.

Effect of Changes on the Liability

Each of the changes that occurred in the last year had an impact on the liability and cost of the benefit program. The effect of each of these changes is outlined below.

	<u>Actuarial Accrued Liability</u>
Results of January 1, 2013 valuation	\$8,090,566
Expected increase due to interest and the accrual of additional service by active employees	+\$169,025
Effect of increases in per capita claims costs that were less than assumed	\$(1,616,087)
All Other Causes – Fewer/more employees retiring than expected, employees dropping medical coverage, and less/more turnover than expected, etc.	<u>\$314,790</u>
Total Change Since January 1, 2013	\$(1,132,272)
Results of January 1, 2015 valuation	\$6,958,294

As indicated above, there were actuarial losses during the last two years. The primary source of the losses was the retirement of more employees than expected, at ages younger than expected. This loss was partially offset by gains due to fewer retirees electing to cover their spouse than expected. There were also gains, as outlined above, from the effects of increases in average premium cost that were less than expected during the last two years.

GASB Statement No. 45

The Government Accounting Standards Board's Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*" was adopted by the County in 2007. An "Other Post Employment Benefit" or "OPEB" arises from an exchange of salaries and benefits for employee services, and it is part of the compensation that employers offer for services received. This Statement takes the position that post employment benefits are a form of deferred compensation earned by the employee while in active service and therefore require the recognition of the cost of these benefits over the period of the employee's service with their employer.

The effect of the Statement is to:

- Recognize the cost of benefits in periods when the related services are received by the employer
- Provide information about the actuarial accrued liabilities for promised benefits associated with past services and to the extent those benefits have been funded
- Provide information useful in assessing the effects on the employer's future cash flow.

The Statement seeks to improve the relevance and usefulness of financial reporting by requiring the measurement of the liability for these benefits on a systematic basis and the recognition of an expense, plus provide information about the liability and funding for these benefits.

The Statement requires an accrual basis of accounting rather than a pay-as-you-go accounting method. The Statement defines annual OPEB cost as an amount equal to the employer's annual required contribution (ARC), with certain adjustments. The ARC includes the normal cost for the year and a component for amortization of the total unfunded actuarial liability over a period not to exceed thirty years.

In accordance with the provisions of the Statement, an actuarial valuation is required at least biennially for employers with 200 or more employees and retirees who are eligible for or receiving benefits. The valuation is to reflect all of the benefits covered by the substantive plan.

Revised of Accounting Standard

Recently, the Government Accounting Standards Board issued Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*" This statement replaces Statement 45 and is effective for fiscal years beginning after June 15, 2017. This proposed revision would require the use of the entry age normal cost method cost method, rather than one of six methods available currently. It would also call for the use of the yield on the 20-year tax exempt, general obligation municipal bond yield for the discount rate, along with many other changes. These changes would generally result in an increase in the value of the benefits being measured.

Description of the Substantive Plan

An objective of the accounting standard is to reflect the terms of the agreement or transaction that takes place between the employer and the employee involving the exchange of services for the promise of a deferred benefit. The substantive plan is the understanding between the employer and the employee resulting from past practice and written and oral communications. The description of the substantive plan used for the purpose of this valuation was based on the provisions of the bargaining agreement with the sheriff's union, the summary of benefits provided to non-represented employees, past practice, provisions of the Wisconsin Retirement System (WRS), and management's understanding of the benefit provisions.

Employees who retire from the County after attaining age 55 (age 50 or age 53 for protectives), and after completing twenty years of service and commence receipt of their pension from WRS upon retirement are eligible to receive continued medical coverage. The entire cost of coverage for the retired employee is paid by the County. Coverage is provided until the retired employee attains the minimum age for Medicare coverage, currently age 65.

Employees who retire from the County after attaining age 55 (age 50 or age 53 for protectives) and after completing less than twenty years of service and commence receipt of their pension from WRS upon retirement are eligible to receive continued medical coverage. To receive coverage, the retiree must contribute an amount equal to 100% of the premium cost for coverage. Coverage is provided until the retired employee attains age 65, the minimum age for Medicare coverage.

Coverage is also available for the spouses of retirees, if the employee retires after attaining age 55 (age 50 or age 53 for protectives), provided the retired employee agrees to pay 100% of the premium cost for the spousal coverage. If the employee retires after completing twenty-five years of service, the County will pay \$75 per month towards the cost of the spousal coverage.

Coverage is limited to those employees hired prior to January 1, 2010 or January 1, 2011, as outlined on Table 3. In addition, coverage is limited to ten, nine, eight, or seven years, based on date of retirement, as outlined on Table 3.

This valuation assumes that retirees will continue to be covered by the group insurance plan until they are eligible for Medicare, or if earlier, the completion of the maximum period of coverage. At that time, coverage ends.

Benefits are currently funded on a pay-as-you-go basis and no assets exist to prefund retiree benefits.

Benefits are described in further detail in Table 3.

Implicit Rate Subsidy

Health care costs generally increase as an employee ages. On the other hand, group insurance premium rates reflect the average cost of those covered and do not usually vary by age. Since the actual expected cost for retirees is generally higher because the retirees are generally older than the average employee, the average premium or cost do not fully reflect the cost of coverage for retirees. Therefore the use of the average premium rate for retirees results in a rate subsidy from the employer. This rate subsidy is considered a benefit subject to valuation, according to the Statement. Therefore, unless the premium rate for retirees is set to fully reflect their actual expected health costs, the premium for retired employees is artificially understated. This understatement is called the implicit rate subsidy. The valuation of the OPEB liability is to reflect the value of the implicit rate subsidy.

As a result of this implicit rate subsidy, a liability is incurred for employees who retire with less than twenty years of service even though they pay the full premium cost. For these employees, this liability consists entirely of the rate subsidy. This implicit subsidy can be illustrated by comparing the actual premium for the entire group with the imputed cost based on age, as outlined below.

	Non	
	HRA Coverage	Actual
Age	Premium	Imputed Cost
55	\$11,820	\$14,522
60	\$11,820	\$18,095
64	\$11,820	\$21,995

Based on the assumptions outlined in this report, the implicit subsidy may account for as much as 40% of the total liability for retiree benefits. When the cost of this subsidy is recognized in the accounting for retiree costs, a corresponding adjustment should be made to the cost of active benefits, without which the cost for active employees would be overstated. While the expected premium cost of coverage for retirees in 2015 is expected to be \$406,975, the actual cost including the imputed subsidy is expected to be \$691,672.

Valuation Process

To perform a valuation of other postemployment benefits, there are a number of steps.

Collect Participant Data: Collect a complete census of all active employees of the County and all retired employees of the County entitled to benefits.

Benefit Provisions: Determine the benefit provisions, including the conditions under which an employee may qualify for benefits, such as age and service requirements, and the duration of coverage after the employee retires.

Cost of Coverage: Determine the current cost of coverage, or the current premium charges for each participant and the amount of any contributions to be made by retirees.

Assumptions Regarding Future Events: To determine the liability for postretirement benefits, a number of assumptions regarding future events must be made. These assumptions should be appropriate for the current group of employees and retirees. These assumptions predict future employee turnover, retirement, participation, mortality or life expectancy, and the cost of medical benefits in future years.

Model: Using the benefit provisions and assumptions, a model is built which projects for each employee the dollar amount of benefits that will be paid in each future year and the probability of that employee satisfying the requirements for receipt of those benefits.

Determine the Present Value of Future Benefits: The present value of all future benefits expected to be paid to all current active and retired employees of the County is calculated using a discount assumption to discount the amount of projected future benefit payments back to the valuation date.

Allocation of the Present Value of Future Benefits: The present value of future benefits is then allocated between the value attributable to prior service, service in the current year, and future service. The portion of the present value of future benefits attributable to service in the current year is the normal cost and is a component of the current year's net periodic cost. The portion attributable to prior service is the accrued liability, and to the extent that it has not been recognized in prior years, is amortized. The portion attributable to future service is recognized in future years.

Choice of Assumptions

To select assumptions to be used in the valuation, a number of factors are considered. These factors include the requirements of the Statement, the level of benefits provided, the ages at which these benefits become available, recent experience of the group, the experience of participants of the Wisconsin Retirement System (WRS), the insights and observations of management, and the actuary's best estimate of the likelihood of certain events, given experience with other employers under similar circumstances.

Because of the relatively small size of the group, it was not possible to develop reasonable assumptions based solely on the County's experience. To obtain more reliable experience, other sources were used.

The most relevant and credible source of experience available is the Wisconsin Retirement System Three-Year Experience Study for the period January 1, 2009 through December 31, 2011. This experience study was used to determine the assumptions that are used to perform the actuarial valuation of the Wisconsin Retirement System. It was decided that the assumptions reflecting the experience of WRS for mortality, withdrawal or turnover, normal retirement and early retirement, with minor variations, should be used in the valuation of Oneida County's post employment benefits. There are several reasons why this source was considered to be a reliable indicator of the future experience for Oneida County.

1. An important factor in employees' decision regarding retirement is the level of benefits available to the employee from all sources. Because the WRS provides an important source of retirement income for the County's employees, the eligibility provisions and the benefit provisions of WRS will play a major role in the employees' decision making process regarding retirement. Therefore, if these assumptions are appropriate for determining the liability for purposes of the pension plan, then it is reasonable to conclude that they will be appropriate for the purposes of determining the liability for post employment benefits.
2. The experience study reflects the experience of all participants of WRS, including the participants in Oneida County. Therefore, to a certain extent, the study directly reflects the experience of the employees of Oneida County.
3. Because there is no reason to believe that Oneida County's experience will be substantially different than the collective experience of all the participants of WRS, it was determined that this experience study would provide a reliable indicator of the future experience of the employees of Oneida County's receiving postretirement medical benefits.

The retirement experience for employees of Oneida County was reviewed. Because of the relatively small number of employees and small number of terminations and retirements, a pattern was not discernable. However, the number of terminations and retirements and the ages at which employees retired was not inconsistent with the assumptions used for the valuation of the WRS plan.

Retirement Assumption

One of the most important assumptions for the valuation of Oneida County’s other post employment benefits is age at which employees are expected to retire, because it directly effects the cost of the benefits. The earlier an employee retires, the longer the employee will receive post employment benefits and the greater the value of the benefits will be. In addition, the earlier an employee retires, the shorter the period of active employment over which the cost of the benefit can be spread. Conversely, the later the employee retires, the smaller the benefit will be. If the employee retires after attainment of age 65, then the benefit becomes zero.

The assumed rates of retirement used in the valuation are shown below. Rates are defined as the percentage of active employees at that age that will retire. Normal Retirement is defined as retirement after attaining age 57 and completing thirty years of service. Early retirement is defined as retirement prior to attaining age 57 or prior to completing thirty years of service. No distinction was made between normal and early retirement for protectives.

Age	Protectives	Elected		A/O Male		A/O Female	
	Normal & Early Ret.	Normal Retirement	Early Retirement	Normal Retirement	Early Retirement	Normal Retirement	Early Retirement
50							
51							
52							
53							
54							
55							
56							
57							
58	70%	10%	20%	40%	23%	34%	22%
59	16%	5%	5%	20%	8%	17%	5%
60	18%	5%	5%	20%	8%	20%	8%
61	18%	5%	5%	20%	8%	20%	8%
62	22%	5%	5%	27%	17%	27%	16%
63	29%	5%	5%	32%	17%	28%	16%
64	16%	5%	5%	24%	17%	25%	16%
65	100%	100%	100%	100%	100%	100%	100%

The retirement assumption is based on the experience of employees in WRS, set forth in the “Wisconsin Retirement System Three-Year Experience Study January 1, 2009 – December 31, 2011”. However, the retirement assumption was modified to reflect the substantive plan provisions limiting coverage to 10, 9, 8, or 7 years by assuming that employees would delay retirement until age 58 or seven years prior to age 65.

Health Care Trend Assumption

Medical costs have been increasing at a rate higher than general inflation for a long time. This valuation assumes that medical costs will continue to increase at a rate that is higher than the general inflation rate. The medical cost increase represents the combination of the inflation in the price of health care services, changes in utilization (other than age-related changes), technological advances in medical care, and changes in the health status of employees.

Increases in average premium cost for Oneida County for the last several years, are as follows:

1999	+18.0%
2000	+26.8%
2001	+37.0%
2002	+24.9%
2003	+29.8%
2004	+4.2%
2005	+0.0%
2006	+8.0%
2007	+11.5%
2008	+5.0%
2009	+3.0% to +1.9%
2010	+11.0% to +9.8%
2011	+10.9% to +10.0%
2012	+10.5% to +1.3%
2013	+6.0% to -0.3%
2014	-6.7% to 0%
2015	+9.0% to -2.0%

For purposes of this valuation, average claims costs for future years are assumed to increase at the rate set forth in the following schedule. This increase represents the combination of the inflation in health care costs, changes in utilization (other than age-related changes,) technological advances in medical care, and changes in the health status of employees. The health care trend assumption is unchanged from the prior valuation

The 2011 rate was based on group health insurance expected rate increases for the area. The 2025 rates are based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services, as published in *National Health Expenditures Projections: 2009-2019*. Rates for 2012 through 2024 are scaled between the 2011 and year 2025 rates. For purposes of this valuation, average medical premium rates and claims costs for future years are assumed to increase at the rate set forth in the following schedule.

<u>Year</u>	<u>Trend Rate</u>	<u>Year</u>	<u>Trend Rate</u>
2015	8.0%	2019 - 2020	7.0%
2016	8.0%	2021 - 2022	6.5%
2017	7.5%	2023 - 2024	6.0%
2018	7.5%	2025+	5.5%

Discount Assumption

The investment return assumption or the discount rate is to reflect the time value of money as of the measurement or valuation date. The Statement provides that the discount assumption is to be based on the estimated long-term investment yield on investments expected to be used to finance the payment of benefits, with consideration given to the nature and mix of current and expected investments. Because there are no plan assets, it is expected that the assets of the employer will be used to finance the payment of benefits.

Benefits are expected to be paid from the available cash and reserves held by the employer. The average rate of return on these assets is currently near zero. It is felt that the current yield on money markets, certificates of deposit, and high quality bonds are depressed due to the current economic environment and are not indicative of the long term yields that can be expected from these types of investments. It is believed that expected long term investment yield on these types of investments is in the neighborhood of 5%. Therefore, a discount assumption of 5.0% was used for the valuation, which is unchanged from the last valuation.

Valuation as of January 1, 2015

The results of the valuation as of January 1, 2015 are summarized below. The present value of projected benefits is the present value of all benefits expected to be paid to current retired employees and current active employees expected to retire in the future. This value reflects the assumption that 100% of eligible employees that currently have elected medical coverage that retire from the County with twenty years of service will elect to receive coverage when they retire.

Actuarial Present Value of Projected Benefits

Active Employees	\$7,777,663
Retired Employees	<u>2,539,363</u>
Total	\$10,317,026

The actuarial accrued liability is defined as the portion of the present value of future benefits that is allocated to service prior to the valuation date. The projected unit credit cost method was used to allocate costs to various time periods.

Actuarial Accrued Liability

Active Employees	\$4,418,931
Retired Employees	<u>2,539,363</u>
Total	\$6,958,294

Annual Required Contribution For Fiscal Year Ending December 31, 2015

The Annual Required Contribution (ARC) is the portion of the present value of future benefits that is to be recognized in the current fiscal year. It is made up of several components:

- The normal cost, or the portion of the present value of future benefits attributable to service in the current year,
- The interest cost, or the expected increase in the value of the normal cost, and the amortization of the accrued liability, attributable to the passage of time during the year,
- Amortization of the present value of future benefits attributable to prior years, resulting from amendments, actuarial gains and losses, or the initial adoption of the substantive plan,

The Actuarial Accrued Liability is to be amortized over thirty or fewer years. The GASB Statement allows two different amortization methods. These two methods are the level dollar amount and the level percentage of payroll method. The ARC shown below was calculated using the level dollar amortization method, amortizing costs over 26 years.

The components of the ARC are listed below. These components are also set forth on Table 1, broken down by employee group.

Normal Cost	\$265,538
Interest Cost	36,327
Amortization of Accrued Liability	<u>460,999</u>
Total Annual Required Contribution	\$762,864

In future years, there will be gains or losses on the accrued liability. Gains and losses are defined as the changes in the accrued liability that are less than, or greater than expected. These gains and losses result from experience which deviates from the assumptions. Examples may include increases in the cost of health care that are greater or less than assumed, employees retiring earlier or later than assumed, or changes in the assumptions. These gains or losses will also be amortized over a period of at least ten years.

The cost in future years will be dependent upon whether the liability is funded and an employer contribution is made, equal to the ARC. If the benefits are funded, the return on plan assets will offset a portion of the cost that would otherwise accrue. If the benefits are not funded, the costs will increase due to an increasing interest accrual on an increasing liability.

Annual OPEB Cost For Fiscal Year Ending December 31, 2015

The Annual OPEB Cost is the measure of the employer's cost for the fiscal year. It is made up of several components:

- The Annual Required Contribution
- Interest on the beginning balance of the net OPEB obligation
- An adjustment to the ARC for the amortization of past contribution deficiencies

Set forth below are the components of the Annual OPEB Cost for the fiscal year ending December 31, 2015:

ARC	\$762,864
Interest on Net OPEB Obligation	152,339
Adjustment to the ARC	<u>(211,948)</u>
Total	<u>\$703,255</u>

The net annual OPEB cost of \$703,255 compares to the net annual OPEB cost of \$861,907 set forth in the prior valuation for the 2013 fiscal year.

Net OPEB Obligation

The basis for Statement No. 45 is the accrual of a cost or liability for other post employment benefits prior to the period in which they are paid. Under the provisions of the Statement No. 45, the employer should set the net OPEB obligation equal to zero when first implementing the Statement. The net OPEB obligation is then equal to the cumulative difference between the annual OPEB cost and the employer's contributions to the cost of coverage.

Net OPEB Obligation as of December 31, 2014	\$3,046,787
Annual OPEB Cost for FYE December 31, 2015	703,255
Benefits expected to be paid by the Employer for OPEB's During FYE December 31, 2015	<u>(406,975)</u> (projected)
Estimated Net OPEB Obligation as of December 31, 2015	<u>\$3,343,067</u>

Cash Flow Projection

The liability set forth above will be satisfied through the payment of benefits for current and future retirees. Using the same assumptions for retirement, mortality, and increases in medical costs that were used to perform the valuation, the cash requirements were projected for each of the next twenty years. These cash requirements are projected claims costs, less retiree contributions, for both current and future retirees.

Set forth below is the projected employer provided cost of benefits expected to be paid over the next twenty years. As explained earlier in the report, the actual cost of benefits for older employees and retirees is greater than the cost of benefits for younger employees, even though the premium is the same for all employees. In the first column, below, I have shown the projected cost of benefits reflecting the implied cost for older employees. In the second column, I have shown the projected cash requirements reflecting only the payment of the actual premium cost for retired employees. The difference is the effect of the implied subsidy for retired employees.

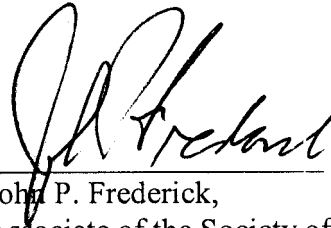
<u>Year</u>	<u>Reflecting Effect of Implied Subsidy</u>	<u>Reflecting Premium Cost</u>
2015	691,672	406,975
2016	699,461	400,282
2017	559,645	317,218
2018	483,433	267,357
2019	489,564	270,938
2020	468,930	250,761
2021	420,809	237,490
2022	408,404	229,656
2023	497,539	275,822
2024	507,379	279,751
2025	545,220	279,586
2026	528,591	287,385
2027	563,211	301,692
2028	606,330	334,799
2029	641,560	365,923
2030	799,932	453,964
2031	774,591	439,533
2032	874,741	503,931
2033	1,035,264	586,894
2034	1,191,350	656,560

Financial Disclosure Information

Statement No. 45 requires the disclosure of various information relating to the other post employment benefits in the notes to their financial statements. This information includes a description of the substantive plan provisions, funding policy, the annual OPEB cost, the amount of the employer contribution, and the net obligation. Also required is various information from the latest valuation report relating to the methods and assumptions used in the valuation as well as the results of the valuation, including funding progress and factors affecting liabilities or changes in liabilities.

I, John P. Frederick, Actuary & Consultant, am a member of the American Academy of Actuaries and the Society of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "John P. Frederick", is written over a horizontal line.

John P. Frederick,
Associate of the Society of Actuaries
Member of the American Academy of Actuaries

TABLE 1**ONEIDA COUNTY
OTHER POSTEMPLOYMENT BENEFITS****SUMMARY OF THE RESULTS OF THE VALUATION AS OF JANUARY 1, 2015**

1.	Number of Participants	
	(a) Active Employees included in the valuation	179
	(b) Retired Employees and Surviving Spouses	<u>38</u>
	(c) Total	217
	Active Employees that are Ineligible due to Date of Hire	79
	Active Employees with No Medical Coverage Excluded from the Valuation	10
2.	Actuarial Present Value of Projected Benefits	
	(a) Active Employees	\$7,777,663
	(b) Retired Employees	<u>2,539,363</u>
	(c) Total	\$10,317,026
3.	Actuarial Accrued Liability	
	(a) Active Employees	\$4,418,931
	(b) Retired Employees	<u>2,539,363</u>
	(c) Total	\$6,958,294
4.	Actuarial Value of Assets	\$0
5.	Unfunded Actuarial Accrued Liability	\$6,958,294
6.	Net OPEB Obligation	\$3,046,787
7.	Annual Required Contribution (ARC)	
	(a) Normal Cost	\$265,538
	(b) Interest Cost	36,327
	(c) Amortization of Accrued Liability	<u>460,999</u>
	(d) Total Annual Required Contribution	\$762,864
8.	Annual OPEB Cost for the FYE December 31, 2015	
	(a) Annual Required Contribution	\$762,864
	(b) Interest on Net OPEB Obligation	152,339
	(c) Adjustment to the ARC	<u>(211,948)</u>
	(d) Total Annual OPEB Cost	\$703,255

TABLE 2

ONEIDA COUNTY
OTHER POST EMPLOYMENT BENEFITS

SUMMARY OF THE RESULTS OF THE VALUATION AS OF JANUARY 1, 2015
ALLOCATION BY EMPLOYEE GROUP

	1	2	3	4	5	6	98	99	TOTAL
Union Number									
Number of Participants									
Active	25	61	14	6	6	26	3	38	179
Retired	5	10	8	2	0	3	2	8	38
Total	30	71	22	8	6	29	5	46	217
Present Value of Projected Benefits									
Active	\$2,103,750	\$1,845,379	\$701,455	\$181,742	\$167,506	\$925,175	\$106,838	\$1,745,818	\$7,777,663
Retired	<u>\$423,633</u>	<u>\$535,936</u>	<u>\$814,286</u>	<u>\$62,921</u>	\$0	<u>\$132,626</u>	<u>\$86,668</u>	<u>\$483,293</u>	<u>\$2,539,363</u>
Total	\$2,527,383	\$2,381,315	\$1,515,741	\$244,663	\$167,506	\$1,057,801	\$193,506	\$2,229,111	\$10,317,026
Actuarial Accrued Liability									
Active	\$995,623	\$1,118,422	\$474,598	\$87,991	\$71,822	\$506,650	\$58,037	\$1,105,788	\$4,418,931
Retired	<u>\$423,633</u>	<u>\$535,936</u>	<u>\$814,286</u>	<u>\$62,921</u>	\$0	<u>\$132,626</u>	<u>\$86,668</u>	<u>\$483,293</u>	<u>\$2,539,363</u>
Total	\$1,419,256	\$1,654,358	\$1,288,884	\$150,912	\$71,822	\$639,276	\$144,705	\$1,589,081	\$6,958,294
Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unfunded Accd Liab	\$1,419,256	\$1,654,358	\$1,288,884	\$150,912	\$71,822	\$639,276	\$144,705	\$1,589,081	\$6,958,294
Net OPEB Obligation	\$621,441	\$724,384	\$564,356	\$66,079	\$31,448	\$279,916	\$63,361	\$695,801	\$3,046,787
Annual Required Contribution									
Normal Cost	\$71,237	\$63,314	\$24,262	\$6,664	\$5,743	\$34,084	\$3,290	\$56,944	\$265,538
Interest Cost	\$8,263	\$8,646	\$5,483	\$833	\$525	\$3,822	\$644	\$8,111	\$36,327
Amortization	\$94,028	\$109,604	\$85,391	\$9,998	\$4,758	\$42,353	\$9,587	\$105,279	\$460,999
Total	\$173,528	\$181,564	\$115,135	\$17,495	\$11,026	\$80,259	\$13,521	\$170,335	\$762,864
Annual OPEB Cost for FYE 12/31/2015									
ARC	\$173,528	\$181,564	\$115,135	\$17,495	\$11,026	\$80,259	\$13,521	\$170,335	\$762,864
Interest on OPEB Oblig.	\$31,072	\$36,219	\$28,218	\$3,304	\$1,572	\$13,996	\$3,168	\$34,790	\$152,339
Adjustment to ARC	(43,230)	(50,391)	(39,259)	(4,597)	(2,188)	(19,472)	(4,408)	(48,403)	(211,948)
Total	\$161,370	\$167,392	\$104,094	\$16,203	\$10,411	\$74,783	\$12,281	\$156,722	\$703,255

**ONEIDA COUNTY
OTHER POST EMPLOYMENT BENEFITS
SUMMARY OF BENEFIT PROVISIONS**

Insurance Coverage

Health insurance is provided for active and certain retired employees of Oneida County by the Wisconsin Counties Association Group Health Trust. Coverage is experience rated. To receive coverage, active employees are required to contribute 8% of the premium cost, while the employer contributes 92% of the premium cost.

The conditions and terms under which health insurance is provided for retired employees are outlined in the bargaining agreement for the protective union and in an employee handbook for all other employees.

<u>Group Number</u>	<u>Agreement or Employee Group</u>
1	Agreement Between the County of Oneida and the Oneida County Deputy Sheriff's Association (Protectives)
2	Oneida County Employee Handbook - Courthouse Employees
3	Oneida County Employee Handbook - Highway Employees
4	Oneida County Employee Handbook - Public Health Department Employees
5	Oneida County Employee Handbook - Social Workers
6	Oneida County Employee Handbook - Sheriff's Department Non Protective
98	Oneida County Employee Handbook - Elected Employees
99	Oneida County Employee Handbook - Non-Represented Employees

**ONEIDA COUNTY
OTHER POST EMPLOYMENT BENEFITS**

SUMMARY OF BENEFIT PROVISIONS

Eligibility

Employees who retire with a minimum of twenty years of continuous service with Oneida County, at age 55 or older, (53 for non-represented protectives and Sheriff's Department protectives*), and who begin receiving an immediate annuity under the Wisconsin Retirement System (WRS) shall be allowed to continue under the group hospital and surgical insurance plan up to the minimum age at which Medicare begins.

- * Grandfather clause: The retirement age of 53 shall be reduced to age 50 for the select group of Sheriff's Department employees actively employed on January 1, 2002, provided they qualify for and take early retirement under the WRS rules and have a total of 80 for the sum of their age, with a minimum of age 50, plus continuous years of service with Oneida County, and who meet all the other requirements as described in this section.

Employees hired after certain dates will not be eligible for postretirement medical benefits.

Group Number

1	Sheriffs (protectives)	January 1, 2011
2	Courthouse	January 1, 2010
3	Highway	January 1, 2010
4	Public Health	January 1, 2011
5	Social Workers	January 1, 2010
6	Sheriffs Non-protectives	January 1, 2010
98	Elected	January 1, 2010
99	Non-represented	January 1, 2010

Benefits

The County pays the single plan rate for employees with at least twenty years of continuous service and the single plan rate plus \$75 to be applied to the health plan premium cost of a single plus one or family plan, for employees with at least 25 years of continuous service. The employee has the option of carrying any plan coverage beyond the single plan, provided the employee pays the difference between the County's contribution and the premium cost of the selected plan coverage.

An employee who retires from Oneida County between the age of 55 and the date they are eligible to participate in the Federal Medicare program, and with less than 20 years of continuous service for Oneida County, and is receiving an annuity from the Wisconsin Retirement System, shall be allowed to continue under Oneida County's group hospital and surgical insurance plan up to the date that they are first eligible to participate in the Federal Medicare program, provided he/she pays the entire premium cost for such plan to the County each month.

**ONEIDA COUNTY
OTHER POST EMPLOYMENT BENEFITS**

SUMMARY OF BENEFIT PROVISIONS

Retirees who continue under the group Health Plan, at the time of retirement, shall be allowed to continue under the Prescription Drug Plan, until they become eligible for Medicare or Medicaid.

Coverage will be provided from the date of retirement to the date the retired employee becomes eligible for Medicare, subject to the following maximum periods of coverage:

Sheriff's Protective

For employees eligible to retire before December 31, 2011: up to 10 years

For employees eligible to retire before December 31, 2012: up to 9 years

For employees eligible to retire before December 31, 2013: up to 8 years

For employees eligible to retire on or after January 1, 2014: up to 7 years

In addition, retired Protective employees may continue their retiree coverage for up to an additional 36 months, (not exceeding ten total years of coverage and not beyond Medicare eligibility) provided they pay 50% of the monthly premium for any additional months

Courthouse, Highway, Social Workers, Sheriff's Non Protective, Public Health Non-represented, and Elected

For employees eligible to retire before December 31, 2010: up to 10 years

For employees eligible to retire before December 31, 2011: up to 9 years

For employees eligible to retire before December 31, 2012: up to 8 years

For employees eligible to retire on or after January 1, 2013: up to 7 years

Spouse Benefits Provided

As indicated above, a retiree may elect any plan coverage beyond the single plan, provided the employee pays the difference between the County's contribution and the cost of the selected plan coverage. After coverage ceases for the retired employee, either because the retired employee attained age 65 or died prior to age 65, or reached the maximum number of years of coverage, the spouse may continue to be covered for 36 months, or if earlier, the attainment of age 65, provided the spouse pays 100% of the premium.

High Deductible Coverage with Health Reimbursement Account (HRA)

Only those eligible to retire as of the following dates will be eligible to elect low deductible plan coverage upon retirement. Eligibility for retirement is defined as attainment of age 55 (age 53 for protectives) and the completion of 20 years of service.

December 31, 2008 for Protectives

December 31, 2009 for Courthouse, Highway, Public Health, Social Workers, Non-protectives, Elected and Non-represented

**ONEIDA COUNTY
OTHER POST EMPLOYMENT BENEFITS**

SUMMARY OF BENEFIT PROVISIONS

Alternatively, they may elect a higher deductible plan with an HRA account. All employees that are not eligible to retire as of December 31, 2009 must elect the higher deductible plan with an HRA account. In order to receive the cash contribution to the HRA account described above, they must elect the higher deductible plan with an HRA account.

Employer Contribution to Health Reimbursement Account

The County will contribute the following amounts to a Health Reimbursement Account (HRA) or VEBA for each employee, upon retirement, as follows:

Sheriff Protective

\$12,000 upon retirement for employees retiring on or before December 31, 2013, or on December 31, 2013 for any employee eligible to retire on or before December 31, 2016 and has not retired by December 31, 2013.

Courthouse Employees, Highway, Social Workers

\$2,000 for employees retiring in 2011
 \$4,000 for employees retiring in 2012
 \$6,000 for employees retiring in 2013
 \$8,000 for employees retiring in 2014
 \$10,000 for employees retiring in 2015
 \$12,000 for employees retiring in 2016

Public Health

\$12,000 for employees retiring before December 31, 2013
 \$8,000 for employees retiring in 2014
 \$10,000 for employees retiring in 2015
 \$12,000 for employees retiring in 2016

Sheriff's Non Protective, Non-represented, and Elected

\$6,000 for employees retiring in 2011
 \$9,000 for employees retiring in 2012
 \$12,000 for employees retiring in 2013
 \$8,000 for employees retiring in 2014
 \$10,000 for employees retiring in 2015
 \$12,000 for employees retiring in 2016

**ONEIDA COUNTY
OTHER POST EMPLOYMENT BENEFITS**

SUMMARY OF BENEFIT PROVISIONS – Non HRA Coverage

Providers	In-Network Benefits	Out-of-Network Benefits
Calendar Year Deductible	\$250/\$500	\$250/\$500
Co-Insurance	90/10 to \$2,000	80/20 to \$2,000
Annual Out-of-Pocket Maximum	\$450/\$900	\$650/\$1300
UC & R	None	Yes
Lifetime Maximum	Unlimited	Unlimited
Physician Services		
Office Visits and Procedures	Deductible; then 90/10%	Deductible; then 80/20%
Qualified Practioner	Deductible; then 90/10%	Deductible; then 80/20%
Routine Eye Exams	Deductible; then 90/10%	Deductible; then 90/10%
Qualified Practioner	Deductible; then 90/10%	Deductible; then 80/20%
Urgent Care Center	Deductible; then 90/10%	Deductible; then 80/20%
Oral Surgery	Deductible Waived; Payable at 100%	
Wellness	Deductible Waived; Payable at 100%	
Supplemental Accident	Deductible Waived; Payable at 100%	
Ambulatory Surgery	Deductible Waived; Payable at 100%	
Second and Third Surgical Opinion	Deductible Waived; Payable at 100%	
Preadmission Testing	Deductible Waived; Payable at 100%	
Well Child Exams	Deductible Waived: Payable at 100% until age 2	
Immunizations	Deductible Waived: Payable at 100% until age 6	
Physical, Speech & Occup. Therapy	Deductible; then 90/10%	Deductible; then 80/20%
Lab and Xray	Deductible; then 90/10%	Deductible; then 80/20%
Chiropractic	Deductible; then 90/10%	Deductible; then 80/20%
Pregnancy, Newborn, Birthing	Deductible; then 90/10%	Deductible; then 80/20%
Transplants	Deductible; then 90/10%	Deductible; then 80/20%
Psychological Disorders	Deductible; then 90/10%	Deductible; then 80/20%
Kidney Disease	Deductible; then 90/10%	Deductible; then 80/20%
TMJ	Deductible; then 90/10%	Deductible; then 80/20%
Other	Deductible; then 90/10%	Deductible; then 80/20%
Hospital Services		
Inpatient Hospitals	Deductible; then 90/10%	Deductible; then 80/20%
Skilled Nursing Facility	Deductible; then 90/10%	Deductible; then 80/20%
Outpatient Hospital Services	Payable at 100%	No deductible/no copay
Emergency Room	\$50 Copay, then 100%- Waived if Admitted	\$50 Copay, then 100%- Waived if Admitted
Hospice Care	Deductible; then 90/10%	Deductible; then 80/20%
Ambulance	Deductible; then 90/10%	Deductible; then 80/20%
Home Health Care	Deductible; then 90/10%	Deductible; then 80/20%

**ONEIDA COUNTY
OTHER POST EMPLOYMENT BENEFITS**

SUMMARY OF BENEFIT PROVISIONS – Non HRA Coverage

Prescription Drugs

Rx dispensed	\$11.73/\$17.60/\$35.19	\$11.73/\$17.60/\$35.19
Diabetic Equipment & Supplies	Deductible; then 90/10%	Deductible; then 90/10%

Insurance Premiums

The monthly premiums for the above coverages, which are applicable for all active and retired employees, effective for the 2015 calendar year, are as follows.

Single Coverage	\$985.00
Employee Plus One Coverage	\$1,812.00
Family Coverage	\$2,630.00

**ONEIDA COUNTY
OTHER POST EMPLOYMENT BENEFITS**

SUMMARY OF BENEFIT PROVISIONS –HRA Coverage

Providers	In-Network Benefits	Out-of-Network Benefits
Calendar Year Deductible	\$2000/\$4000/\$6000	N/A
Co-Insurance	90/10	
Annual Out-of-Pocket Maximum	\$2500/\$5000/\$7000	N/A
Medical Coverage		
Hospital Services	Deductible; then 90/10%	N/A
Office Visits	\$20 copay/Deductible; then 90/10%	N/A
Preventative Services	100%, Deductible waived	N/A
Mental Health Services	Same as any other illness	N/A
Outpatient Surgery		
Urgent Care	Deductible/ 90%	N/A
Emergency Room Care	\$150 copay/Ded/ 90%	N/A
Chiropractic Care Services	\$20 copay/Ded/90%	N/A
Durable Medical Supplies	Deductible/90%	N/A
High Tech Imaging Coverage	\$100 copay/Ded/90%	N/A
Pharmacy		
Drug Plan	\$10/\$30/\$60/\$100	
	\$20/\$60/\$120/\$200	
Maximum Out of Pocket (pharmacy)	\$3000/\$6000	

Insurance Premiums

The monthly premiums for the above coverages, which are applicable for all active and retired employees, effective for the 2015 calendar year, are as follows.

Single Coverage	\$664.00
Employee Plus One Coverage	\$1,223.00
Family	\$1,773.00

**ONEIDA COUNTY
OTHER POST EMPLOYMENT BENEFITS**

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

The assumptions used in this valuation are as follows:

Valuation Date

The valuation date is January 1, 2015.

Discount Rate

A discount rate of 5.0% was used to discount expected liabilities to the measurement date.

Mortality

A mortality table based on the results of the Wisconsin Retirement System 2009-2011 Experience Study was used. Mortality rates for employees under the age of 56 are from the Death-In-Service mortality rates. For ages 56 through 65, a weighted average of the mortality rates from the Death-In-Service table and the Healthy Lives (retired) table were used.

Health Care Trend Rate

Average claims costs for future years are assumed to increase at the rate set forth in the following schedule. This increase represents the combination of the inflation in health care costs, changes in utilization (other than age-related changes,) technological advances in medical care, and changes in the health status of plan participants.

<u>Year</u>	<u>Trend Rate</u>	<u>Year</u>	<u>Trend Rate</u>
2015	8.0%	2019 - 2012	7.0%
2016	8.0%	2021 - 2022	6.5%
2017	7.5%	2023 - 2024	6.0%
2018	7.5%	2025+	5.5%

Retiree Contributions

Retiree contributions to the cost of coverage were determined as a percentage of projected premiums, less the fixed dollar subsidy to the cost of spouse coverage paid by the County. It is assumed that retiree contributions related to premiums will increase in future years at the same rate as the per capita claims cost.

TABLE 4

**ONEIDA COUNTY
OTHER POST EMPLOYMENT BENEFITS**

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Retirement Age

Assumed rates of retirement rate are as follows:

Age	Protectives	Elected		A/O Male		A/O Female	
	Normal & Early Ret.	Normal Retirement	Early Retirement	Normal Retirement	Early Retirement	Normal Retirement	Early Retirement
50							
51							
52							
53							
54							
55							
56							
57							
58	70%	10%	20%	40%	23%	34%	22%
59	16%	5%	5%	20%	8%	17%	5%
60	18%	5%	5%	20%	8%	20%	8%
61	18%	5%	5%	20%	8%	20%	8%
62	22%	5%	5%	27%	17%	27%	16%
63	29%	5%	5%	32%	17%	28%	16%
64	16%	5%	5%	24%	17%	25%	16%
65	100%	100%	100%	100%	100%	100%	100%

Per Capita Claims Costs

Claims costs for the fiscal year beginning on the valuation date were based on the insurance premiums in effect during the fiscal year. These premiums were converted to age specific costs. Illustrative costs are as follows:

Non HRA Coverage

	<u>Retiree</u>		<u>Spouse</u>	
	<u>Annual</u>	<u>Monthly</u>	<u>Annual</u>	<u>Monthly</u>
Age 50	\$12,040	\$1,003	\$10,109	\$842
Age 55	\$14,522	\$1,210	\$13,667	\$1,139
Age 60	\$18,095	\$1,508	\$15,192	\$1,266
Age 64	\$21,995	\$1,833	\$18,467	\$1,539

**ONEIDA COUNTY
OTHER POST EMPLOYMENT BENEFITS**

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

<u>HRA</u> <u>Coverage</u>	<u>Retiree</u> <u>Annual</u>	<u>Monthly</u>	<u>Spouse</u> <u>Annual</u>	<u>Monthly</u>
Age 50	\$8,116	\$676	\$6,833	\$569
Age 55	\$9,789	\$816	\$8,241	\$687
Age 60	\$12,198	\$1,017	\$10,269	\$856
Age 64	\$14,827	\$1,236	\$12,482	\$1,040

Average per capita claims costs were developed from the monthly premium rates set for coverage for active and retired employees under age 65. These premiums were converted into age-specific rates, assuming increases in claims costs in accordance with the aging assumption.

Withdrawal

Rates of termination of employment for reasons other than retirement and death were taken from the Select and Ultimate Withdrawal Table based on the Wisconsin Retirement System 2006 - 2008 Experience Study. Illustrative annual rates of withdrawal from employment are as follows:

<u>Age</u>	<u>ServiceProtective</u>	<u>All Other</u>	
		<u>Males</u>	<u>Females</u>
	0-1	.1500	.1750
	1-2	.0700	.1300
	2-3	.0430	.0850
	3-4	.0380	.0680
	4-5	.0340	.0600
	5-6	.0260	.0450
	6-7	.0250	.0400
	7-8	.0230	.0350
	8-9	.0200	.0300
	9-10	.0170	.0250
Under 30	10 & Up	.0160	.0250
35		.0140	.0210
40		.0120	.0160
45		.0110	.0130
50		.0100	.0110
55		.0000	.0000

**ONEIDA COUNTY
OTHER POST EMPLOYMENT BENEFITS**

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Aging

Utilization is assumed to vary by age, increasing each year prior to age 65. The following are representative rates:

Age 51	3.5%
Age 55	4.1%
Age 60	4.9%
Age 64	5.0%

Administrative Expenses

None specifically assumed. Expense provisions are included in the claims cost.

Disability

None

Age of Spouse

For current retirees, actual spousal information was used. For current active employees, the age of the male spouse was assumed to be three years older than that of the female.

Participation

100% of eligible employees who elect coverage while actively employed and retire with twenty or more years of service are assumed to elect to participate in the retiree medical plan.

5% of eligible employees who elect coverage while actively employed and retire with less than twenty years of service are assumed to elect to participate in the retiree medical plan.

Employees that decline coverage while actively employed are assumed to decline coverage when retired.

Percentage Married

80% of employees are assumed to be married upon retirement.

Coverage of Spouse

40% of eligible spouses of retirees that elect to participate, are assumed to be covered upon retirement of the eligible employee.

**ONEIDA COUNTY
OTHER POST EMPLOYMENT BENEFITS****SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS****METHODOLOGY**

Per capita claims costs were developed using the monthly premium costs for active and retired employees, developed for the purpose of determining the employer and employee contributions to the cost of coverage. These premiums were converted into age-specific rates, using the aging assumptions.

A projection of the population to retirement was made. For those retirees eligible for coverage, a projection of claims was made for each year of retirement using mortality and trend assumptions. The resulting cash flows were discounted to the valuation date.

Cost Method

The projected unit credit cost method was used. This method is one of the methods allowed by the Statement No. 45.

EMPLOYEE CENSUS

Participant data which served as the basis for this valuation was provided by Oneida County for each employee covered by the Plan. Reliance was placed on this information. Data was reviewed for reasonableness and consistency, but no audit was performed. The distribution of active employees by age and service, as of the valuation date is set forth on the attached exhibit.

Asset information was provided by the employer. Reliance was placed on this information.

TABLE 5

**ONEIDA COUNTY
OTHER POST EMPLOYMENT BENEFITS
AGE AND SERVICE DISTRIBUTION AT JANUARY 1, 2015**

Years of Service at January 1, 2015

Age	Under 1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & Up	Total
Under 25	4	2									6
25-29	5	10	1								16
30-34	4	10	6								20
35-39	1		4	6							11
40-44	3	3	9	10	15	2	1				43
45-49	2	10	5	7	8	7	2				41
50-54	4	12	10	4	12	10		3			55
55-59	2	7	10	6	10	3	6	2	1		47
60-64		3	3	9	5	3	2				25
65-69				1	2						3
70 & Up					1						1
Total	25	57	48	43	53	25	11	5	1	0	268
Average Age		47.4	Number of Males		107	Average Service		11.2	Number of Females		161