

Broome County GASB 45 Valuation

May 2008

Agenda

- Actuarial Valuation – Basics
- Components of GASB 45 Valuation
- GASB 45 Methodology
- GASB 45 Results
- Key Issues – Where do we go from here?
- Q & A

Actuarial Valuation - Basics

- **Actuarial Accrued Liability (AAL)** - The AAL is the actuarial present value of future benefits earned to date.
- **Annual Required Contributions (ARC)** – Amortization of unfunded liability and the incremental cost of participants earning one more year of service (Normal cost).
- **Annual OPEB Cost** - An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.
- **Net OPEB Obligation** - The cumulative difference between Annual OPEB cost and the employer's contributions to the plan.



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Components of GASB 45 Valuation

- **Census**
 - Retirees, Dependents of Retirees, Active Employees
- **Plan Design**
 - Retirement Eligibility, Benefit Coverage, Retiree Contributions
- **Actuarial Assumptions**
 - Mortality, Turnover, Retirement, Claims Costs, Discount Rate, Healthcare Trend, etc.



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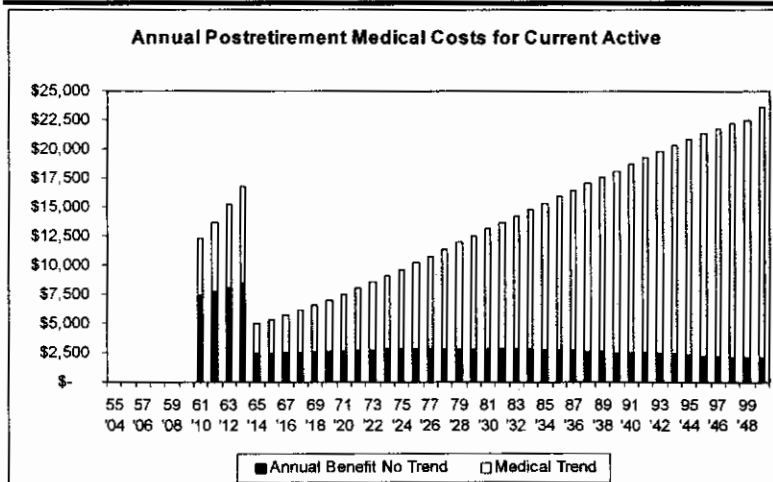
GASB 45 Methodology

- Illustrative sample life; does not tie to Broome County results.
- Data
 - Active, Age 55
 - Medical Benefits are assumed for lifetime beginning at age 61
- Actuarial Assumptions
 - Mortality
 - Turnover
 - Interest
 - Healthcare Per Capita Costs
 - Healthcare Trend Rates

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Actuarial Valuation - Projected Annual Healthcare Costs

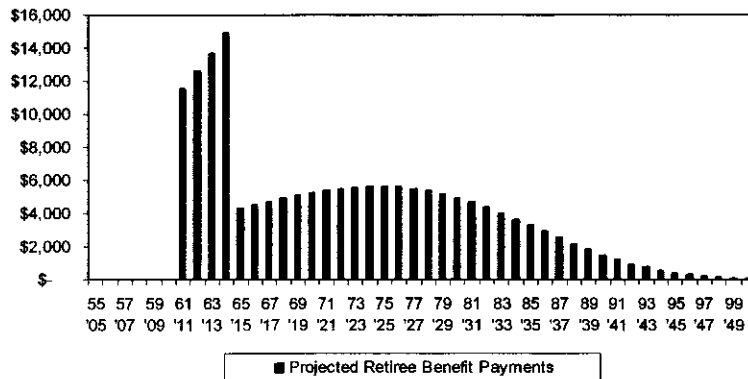


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Actuarial Valuation - Projected Annual Healthcare Costs

Annual Postretirement Medical Costs for Current Active Adjusted for Mortality

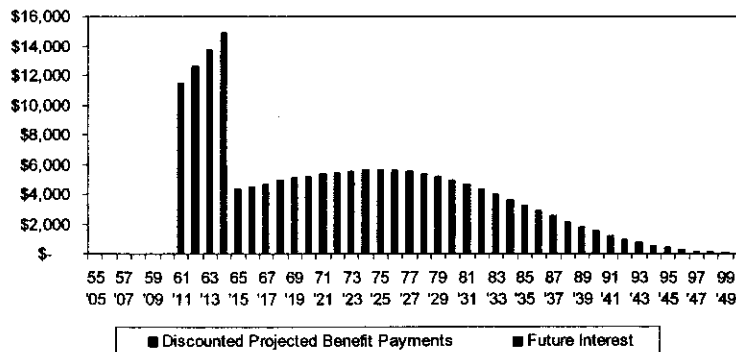


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Actuarial Valuation - Projected Annual Healthcare Costs

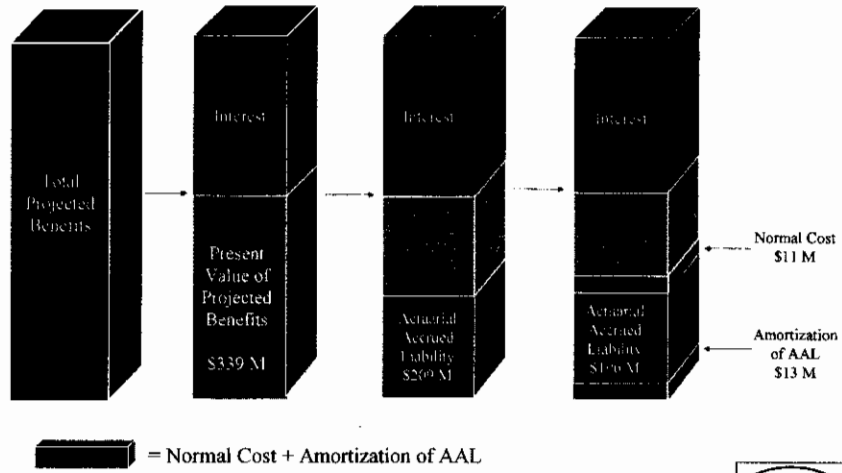
Annual Postretirement Medical Costs for Current Active Adjusted for Mortality and Segregated into Discounted Projected Benefit Payments and Future Interest



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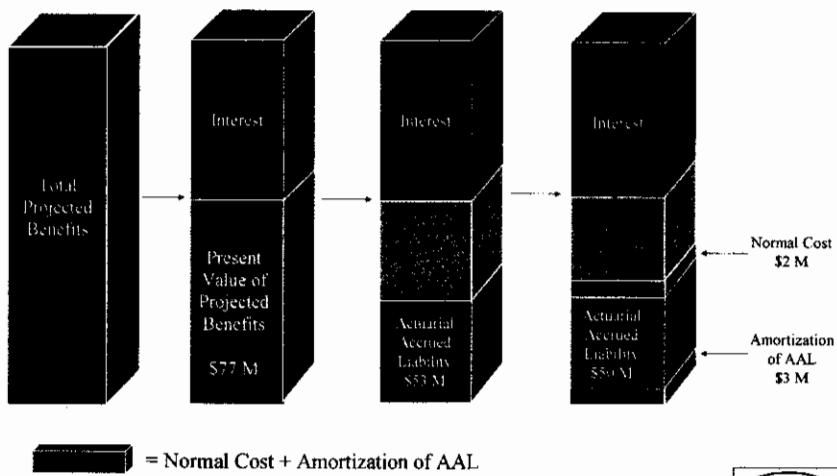
GASB 45 Results – Broome County



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GASB 45 Results – Broome Community College



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Key Issues – Where do we go from here?

- Variables that drive high GASB 45 expense:
 - Rich benefits
 - Generous early retirement
 - Collective bargaining constraints
 - Unfunded obligation
 - Mature Population
 - Low Retiree Contributions

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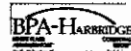


Key Issues – Where do we go from here?

Government Employers forced to take a closer look at their retiree health benefit plans

- Eligibility
- Benefit design
- Contributions
- Employer caps: flat \$ or indexed
- Community-rated plans
- Medicare Advantage plans
- Health management initiatives
- Medicare Part D: RDS vs PDP

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