

**MINUTES** of the **AUDIT COMMITTEE MEETING** of the **ERIE COUNTY WATER AUTHORITY** held in the office, 350 Ellicott Square Building, Buffalo, New York, on the 12th day of May, 2011.

**PRESENT:** Kelly M. Vacco, Chairperson  
Francis G. Warthling, Vice Chairman  
John F. O'Donnell, Treasurer (via conference call)  
Robert A. Mendez, Executive Director  
Matthew J. Baudo, Secretary to the Authority/Personnel Director  
Robert J. Lichtenthal, Jr., Deputy Director  
Wesley C. Dust, Executive Engineer  
Mark J. Fuzak, Attorney  
Ronald P. Bennett, Associate Attorney  
Daniel J. NeMoyer, Director of Human Resources  
Karen A. Prendergast, Comptroller  
Steven V. D'Amico, Budget and Financial Analyst

**ATTENDEES:** Danielle Elliott  
Nicole Wagner  
Monica Cecilia

## **CALL TO ORDER**

## **PLEDGE TO THE FLAG**

### **I. - ROLL CALL**

### **II. - READING OF MINUTES**

Motion by Mr. Warthling seconded by Mr. O'Donnell and carried to waive the reading of the Minutes of the Audit Committee Meeting held on Thursday, March 24, 2011.

### **III. - APPROVAL OF MINUTES**

Motion by Mr. Warthling seconded by Mr. O'Donnell and carried to approve the Minutes of the Audit Committee Meeting held on Thursday, March 24, 2011.

**IV. – REPORTS**

A) BPA – Harbridge Consulting Group GASB 45 Presentation

Nicole Wagner and Monica Cecilia distributed an Actuarial Valuation of Postretirement Health Care Benefits and thereafter gave a presentation to the Board.

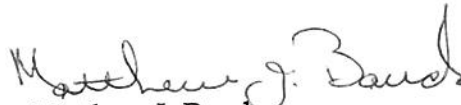
**V. - COMMUNICATIONS AND BILLS**

**VI. - UNFINISHED BUSINESS (NONE)**

**VII. - NEW BUSINESS**

**VIII. - ADJOURNMENT**

Motion by Mr. Warthling, second by Mr. O'Donnell and carried that the meeting adjourn.

  
Matthew J. Baudo  
Secretary to the Authority

SLZ



## Harbridge Consulting Group, LLC

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### PRIVATE AND CONFIDENTIAL

March 2011

Mr. Robert J. Lichtenthal, Jr.  
 Deputy Director  
 Erie County Water Authority  
 350 Ellicott Square Building  
 Buffalo, New York

Dear Mr. Lichtenthal:

#### Actuarial Certification

Erie County Water Authority retained Harbridge Consulting Group, L.L.C. to perform an interim valuation of its postretirement health care benefits plan for the purpose of determining, as of January 1, 2011, its obligations and cost in accordance with the Governmental Accounting Standard No. 45 (GASB 45), Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.

This valuation has been conducted in accordance with generally accepted actuarial principles and practices. The actuaries involved in this engagement are members of the Society of Actuaries and other professional actuarial organizations and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" to render the actuarial opinion outlined herein.

Our calculations were based upon data submitted as of January 1, 2010. While the scope of our engagement did not call for us to perform an audit or independent verification of this information, we have reviewed this information for reasonableness, but have not audited it. The accuracy of the results is dependent upon the accuracy and completeness of the underlying information which is the responsibility of those who supply the data.

The calculations reported herein have been made on a basis consistent with our understanding of GASB 45. Determinations for purposes other than meeting the Authority's financial accounting requirements may be significantly different from the results reported.

The results of this interim valuation reflect a discount rate of 5.00% and updated health care trend rates as determined by the Authority. All other assumptions and plan provisions remain the same as detailed in our January 2011 valuation report. These assumptions represent anticipated future experience under the Plan and were selected based on our best estimate range with regard to each assumption; with the exception of the discount rate, which was selected based on Erie County Water Authority's expectation.

5/12/11

Mr. Robert J. Lichtenhal, Jr.  
March 2011  
Page 2

The information contained in this report was prepared for the use of Erie County Water Authority and its auditors in connection with our actuarial valuation. It is not intended or necessarily suitable for other purposes. To avoid misrepresentation, it is intended to be used in its entirety. Please note that the information required for the December 31, 2011 financial statements is incomplete without the accompanying supplement to this report to be issued at the end of the fiscal year.

Respectfully submitted,

**HARBRIDGE CONSULTING GROUP, L.L.C.**



Nicole K. Wagner, F.S.A., E.A.  
Member of the American Academy of Actuaries  
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NKW:MDG:pf

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**Erie County Water Authority**  
**Postretirement Health Care Benefits Plan**  
*As of January 1, 2011*  
 Investment Rate of Return: 5.00%

	<b>EGWA</b>
<b>Actuarial Accrued Liability (AAL)</b>	
Retirees & Dependents	\$22,791,390
Actives Fully Eligible	9,666,545
Actives Not Fully Eligible	20,541,304
Disableds	0
<b>Total Actuarial Accrued Liability</b>	<b>52,999,239</b>
Additional Obligation attributable to future service	21,347,042
<b>Present Value of Total Future Liability</b>	<b>74,346,281</b>
<b>Annual Required Contribution (ARC)</b>	
Normal Cost for Fiscal Year	\$2,125,205
Amortization of Unfunded Actuarial Accrued Liability	3,447,676
<b>Annual Required Contribution (ARC)</b>	<b>5,572,881</b>
<b>Annual OPEB Cost</b>	
Annual Required Contribution (ARC)	\$5,572,881
Interest on Net OPEB Obligation	690,486
Adjustment to Annual Required Contribution	(898,343)
<b>Annual OPEB Cost</b>	<b>5,365,024</b>
<b>Net OPEB Obligation</b>	
Net OPEB Obligation - beginning of year	\$13,809,727
Annual OPEB Cost	5,365,024
Expected Employer Contributions	(1,343,935)
<b>Net OPEB Obligation - end of year</b>	<b>17,830,816</b>

\* These results are based on the fiscal year 2010 full valuation.

Erie County Water Authority  
Postretirement Health Care Benefits Plan  
As of January 1, 2011

Fiscal Year 2011 Expected Cash Flow and Ten Year Cash Flow Projection

Fiscal Year	
2011	\$1,343,935
2012	1,468,710
2013	1,654,539
2014	1,883,729
2015	2,065,669
2016	2,278,559
2017	2,520,752
2018	2,772,327
2019	3,014,037
2020	3,227,818
2021	3,439,874

\* These results are based on the fiscal year 2010 full valuation. They are based on a closed group valuation and do not consider the impact of future new hires.

# Erie County Water Authority

Actuarial Valuation of  
Postretirement Health Care Benefits  
Determined in Accordance with Statement No. 45 of the Governmental Accounting Standards Board  
As of January 1, 2010

January 2011

Harbridge Consulting Group, LLC  
*Actuaries and Advisors*

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5/12/11

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The information contained in this report was prepared for the use of the Plan Sponsor and its auditors in connection with our actuarial valuation. It is not intended or necessarily suitable for other purposes. To avoid misrepresentation, it is intended to be used in its entirety.

**SECTION I****EXECUTIVE SUMMARY**

The objective of the Governmental Accounting Standards Board (GASB) Accounting Standard No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, is to improve the faithfulness of representations and usefulness of information included in the financial reports of employers regarding other postemployment benefits. Postemployment benefits include health care benefits, life insurance benefits, and, in some cases, sick pay accrual. These benefits arise from an exchange of salaries and benefits for employee services rendered and constitute part of the compensation for those services. The goal is to measure and recognize the cost of postemployment benefits during the period when employees render the services and to provide relevant information about obligations and the extent to which progress is being made in funding these obligations.

The following exhibit illustrates the Actuarial Accrued Liability, Annual Required Contribution, Annual OPEB Cost, and Net OPEB Obligation. It should be noted that while the Actuarial Accrued Liability impacts the development of the Annual Required Contribution, it is not a component of the balance sheet or accounting liability. It is, however, required to be disclosed on the Notes to Financial Statements. In addition, the Present Value of Total Future Liability is illustrated for informational purposes only; it is not required to be disclosed. Please refer to Section VIII for a description of GASB 45 terminology.

**SECTION I****EXECUTIVE SUMMARY**

Erie County Water Authority  
 Postretirement Health Care Benefits Plan  
 As of January 1, 2010  
 Investment Rate of Return: 5.00%

	ECWA
<b>Actuarial Accrued Liability (AAL)</b>	
Retirees & Dependents	\$22,872,858
Actives Fully Eligible	9,239,880
Actives Not Fully Eligible	17,635,523
Disableds	0
<b>Total Actuarial Accrued Liability</b>	<b>49,748,261</b>
Additional Obligation attributable to future service	22,258,139
<b>Present Value of Total Future Liability</b>	<b>72,006,400</b>
<b>Annual Required Contribution (ARC)</b>	
Normal Cost for Fiscal Year	\$2,024,005
Amortization of Unfunded Actuarial Accrued Liability	3,236,196
<b>Annual Required Contribution (ARC)</b>	<b>5,260,201</b>
<b>Annual OPEB Cost</b>	
Annual Required Contribution (ARC)	\$5,260,201
Interest on Net OPEB Obligation	496,433
Adjustment to Annual Required Contribution	(645,874)
<b>Annual OPEB Cost</b>	<b>5,110,760</b>
<b>Net OPEB Obligation</b>	
Net OPEB Obligation - beginning of year	\$9,928,664
Annual OPEB Cost	5,110,760
Expected Employer Contributions	(1,229,697)
<b>Expected Net OPEB Obligation - end of year</b>	<b>13,809,727</b>

**SECTION II****CERTIFICATION**

This valuation has been conducted in accordance with generally accepted actuarial principles and practices. The actuaries involved in this engagement are members of the Society of Actuaries and other professional actuarial organizations and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" to render the actuarial opinion outlined herein.

In preparing the results presented in this report, we have relied upon information provided to us regarding plan provisions, plan participants, and benefit payments. While the scope of our engagement did not call for us to perform an audit or independent verification of this information, we have reviewed this information for reasonableness, but have not audited it. The accuracy of the results is dependent upon the accuracy and completeness of the underlying information which is the responsibility of those who supply the data.

The calculations reported herein have been made on a basis consistent with our understanding of GASB 45. Determinations for purposes other than meeting Erie County Water Authority's financial accounting requirements may be significantly different from the results reported.

The Patient Protection and Affordable Care Act (PPACA) was signed into law on March 23, 2010. On March 30, 2010 the Health Care and Education Reconciliation Act of 2010 (HCERA), which amends certain aspects of PPACA was signed into law. The new laws have a financial impact on employers who sponsor postretirement health care benefits and therefore are reflected in the GASB 45 valuation as of June 30, 2010. An adjustment has been made to reflect the effect of the 2011 benefit mandates, the elimination of excess subsidies for Medicare Advantage plans by 2014 and the excise tax that is applicable beginning in 2018.

Erie County Water Authority has determined and taken responsibility for the economic assumptions, accounting policies, and methods employed in this valuation. The balance of the demographic assumptions represents our best estimate of anticipated experience under the plan. GASB 45 requires that each significant assumption reflect the best estimate of the plan's future experience solely with respect to that assumption. We believe the assumptions chosen are reasonable and appropriate for the purpose in which they have been used.

Please note that the information required for the January 1, 2010 financial statements is incomplete without the accompanying supplement to this report to be issued at the end of the fiscal year.

Respectfully submitted,

**HARBIDGE CONSULTING GROUP, L.L.C.**



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<b>SECTION III</b>	<b>DETAILS OF CALCULATIONS</b>
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	ECWA
<b>Calculation of Normal Cost Component</b>	
Normal Cost	\$1,927,624
Interest on Normal Cost	96,381
Normal Cost Component	\$2,024,005
<b>Calculation of Amortization Component</b>	
Actuarial Accrued Liability (AAL)	\$49,748,261
Actuarial Value of Assets	0
Unfunded Actuarial Accrued Liability	49,748,261
Amortization Period Status	Open
Amortization Period (years)	30
Investment Rate of Return	5.00%
Amortization Factor	16.1411
Annual Amortization	3,082,091
Interest on Amortization Payment	154,105
Amortization Component	\$3,236,196
<b>Calculation of Annual Required Contribution (ARC)</b>	
Normal Cost Component	\$2,024,005
Amortization Component	3,236,196
Annual Required Contribution	\$5,260,201
<b>Calculation of Interest on Net OPEB Obligation</b>	
Net OPEB Obligation - end of prior year	\$9,928,664
Investment Rate of Return	5.00%
Interest on Net OPEB Obligation	\$496,433
<b>Calculation of Annual OPEB Cost</b>	
Annual Required Contribution	\$5,260,201
Interest on Net OPEB Obligation	496,433
Adjustment to Annual Required Contribution	(645,874)
Annual OPEB Cost	\$5,110,760



**SECTION III** **DETAILS OF CALCULATIONS**

**Fiscal Year 2010 Expected Cash Flow and  
Ten Year Projection of Future Cash Flow**

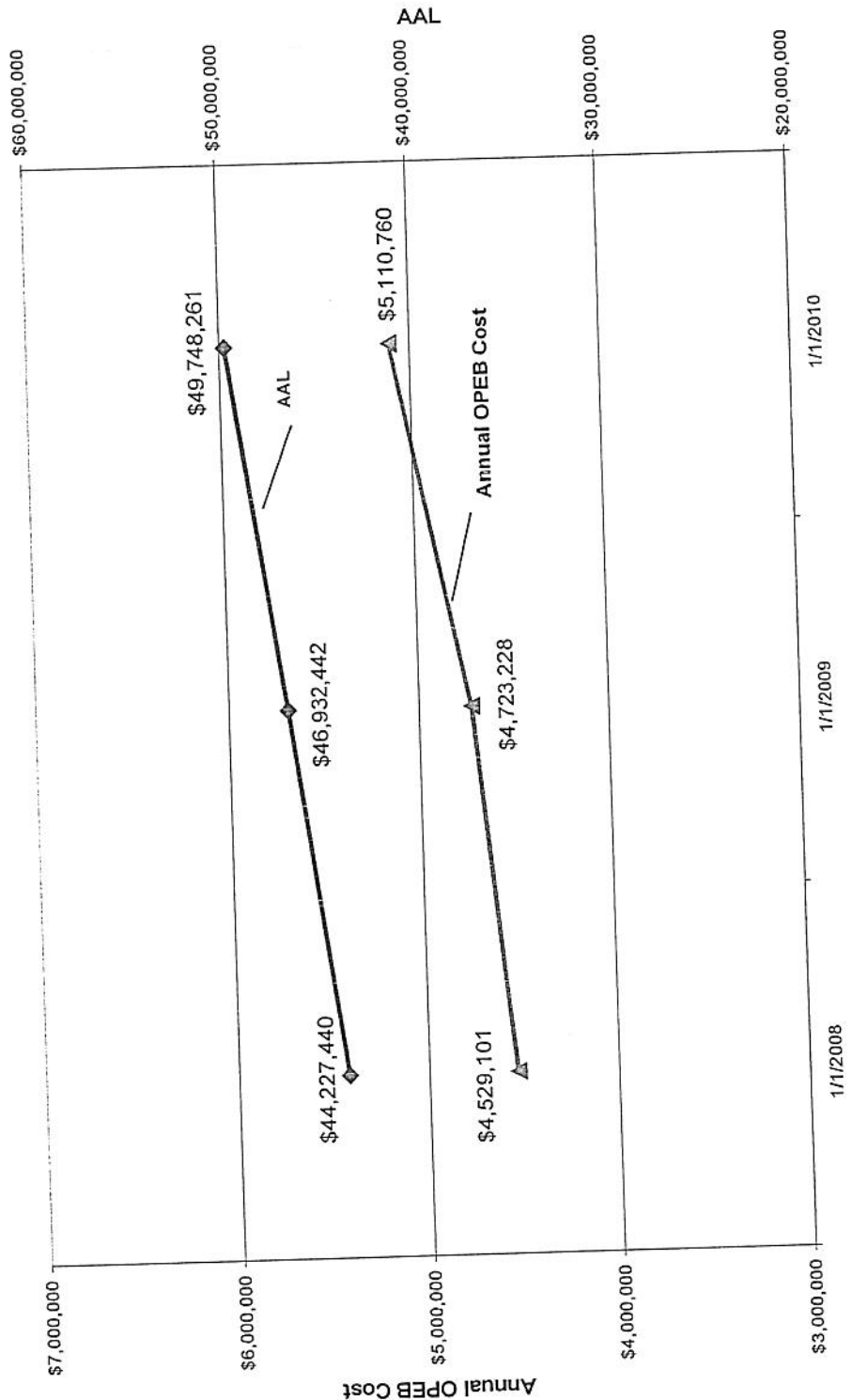
<b>Fiscal Year</b>	<b>ECWA</b>
2010	\$1,229,697
2011	1,343,935
2012	1,468,710
2013	1,654,539
2014	1,883,729
2015	2,065,669
2016	2,278,559
2017	2,520,752
2018	2,772,327
2019	3,014,037
2020	3,227,818

The ten year projection of future cash flow is based on a closed group valuation as of January 1, 2010. It does not consider the impact of future new hires.



**SECTION V** **COMPARISON OF RESULTS & PARTICIPANT SUMMARY**

History of Actuarial Accrued Liability (AAL) and Annual OPEB Cost



**SECTION V COMPARISON OF RESULTS & PARTICIPANT SUMMARY**

Change in Liability from January 1, 2009 to January 1, 2010

	January 1, 2009	December 31, 2009	January 1, 2010
Actuarial Accrued Liability	\$46,932,442	\$49,710,222	\$49,748,261

	5.92%	0.08%
<ul style="list-style-type: none"> <li>&gt; <b>Actuarial Accrued Liability</b></li> <li>&gt; <b>Percent Change</b></li> <li>&gt; <b>Reasons for Increase</b></li> </ul>	<ul style="list-style-type: none"> <li>• Accumulation of interest on AAL</li> <li>• Accrual of additional benefits for actives not fully eligible</li> </ul>	<ul style="list-style-type: none"> <li>• Reflection of Healthcare Reform Legislation</li> <li>• Revised health care trend rates</li> <li>• Revised mortality table</li> </ul>
<ul style="list-style-type: none"> <li>&gt; <b>Reasons for Decrease</b></li> </ul>	<ul style="list-style-type: none"> <li>• Benefit payments made to current retirees</li> </ul>	<ul style="list-style-type: none"> <li>• Less than expected increase in claims costs</li> <li>• Demographic changes different than those assumed</li> <li>• Change in investment rate of return from 4.50% to 5.00%</li> </ul>

## SECTION V COMPARISON OF RESULTS & PARTICIPANT SUMMARY

### Reconciliation of Plan Participants

	Reconciliation of Medical Plan Participant Data				
	Active Employees	Retirees	Dependents	Disableds	Total
Total as of January 1, 2008	245	108	91	0	444
New entrants	33	0	0	0	33
Terminations	(14)	(6)	(4)	0	(24)
To inactive	0	0	0	0	0
From inactive	0	0	0	0	0
Retirements	(13)	13	11	0	11
Disablingments	0	0	0	0	0
Data adjustments	0	0	0	0	0
Total as of January 1, 2010	251	115	98	0	464

	Reconciliation of Life Insurance Plan Participant Data				
	Active Employees	Retirees	Dependents	Disableds	Total
Total as of January 1, 2008	13	90	0	0	103
New entrants	0	0	0	0	0
Terminations	0	(9)	0	0	(9)
To inactive	0	0	0	0	0
From inactive	0	0	0	0	0
Retirements	(3)	3	0	0	0
Disablingments	0	0	0	0	0
Data adjustments	0	0	0	0	0
Total as of January 1, 2010	10	84	0	0	94

## SECTION V COMPARISON OF RESULTS & PARTICIPANT SUMMARY

### Summary of Active Plan Participants

Age	Years of Service							Total
	0-4	5-9	10-14	15-19	20-24	25-29	30+	
Under 25	0	0	0	0	0	0	0	0
25-29	4	1	0	0	0	0	0	5
30-34	11	3	0	0	0	0	0	14
35-39	10	6	1	0	0	0	0	17
40-44	17	10	5	6	3	0	0	41
45-49	11	4	7	12	5	5	0	44
50-54	13	5	13	11	7	5	5	59
55-59	2	7	7	11	7	2	6	42
60-64	1	3	3	4	4	0	2	17
65 and over	3	3	2	1	3	0	0	12
<b>Total</b>	<b>72</b>	<b>42</b>	<b>38</b>	<b>45</b>	<b>29</b>	<b>12</b>	<b>13</b>	<b>251</b>

Number of active employees not fully eligible for benefits	204
Number of active employees fully eligible for benefits	47
Average age	49.2
Average years of service	12.7

## SECTION V COMPARISON OF RESULTS & PARTICIPANT SUMMARY

### Summary of Inactive Plan Participants

Age	Medical Inactive Participants			Total
	Retirees	Dependents	Disableds	
Under 55	0	8	0	8
55-59	16	10	0	26
60-64	27	29	0	56
65-69	26	15	0	41
70-74	16	12	0	28
75-79	13	10	0	23
80-84	13	12	0	25
85 and over	4	2	0	6
<b>Total</b>	<b>115</b>	<b>98</b>	<b>0</b>	<b>213</b>

Age	Life Insurance Inactive Participants			Total
	Retirees	Dependents	Disableds	
Under 55	0	0	0	0
55-59	8	0	0	8
60-64	14	0	0	14
65-69	11	0	0	11
70-74	11	0	0	11
75-79	11	0	0	11
80-84	18	0	0	18
85 and over	11	0	0	11
<b>Total</b>	<b>84</b>	<b>0</b>	<b>0</b>	<b>84</b>

**SECTION VI****ASSUMPTIONS AND METHODOLOGY**

The valuation of postretirement health care benefits involves estimates and assumptions about the probability of events occurring far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of the valuation and on the pattern of cost sharing between the employer and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility. Below is a description of the actuarial assumptions and methodology used in the actuarial valuation.

**Actuarial Cost Method:** Projected Unit Credit

**Valuation Date:** January 1, 2010

**Measurement Date:** January 1, 2010

**Investment Rate of Return:**

Expected Return on Plan Assets	0.00%
Expected Return on Employer's General Assets	5.00%
Investment Rate of Return Selected	5.00%

This rate is based on the projected long-term earning rate of the assets expected to be available to pay benefits. Since Erie County Water Authority does not currently segregate funding for these benefits, the appropriate rate is the expected return on the employer's general assets.

**Mortality:** The RP-2000 Mortality Table for annuitants and non-annuitants with projected mortality improvements; specifically as outlined in IRC Regulation 1.430(h)(3)-1 for 2010 valuations. The static mortality tables are projected from the base table for the year 2000 through 2010 with further projection to reflect the approximate expected duration of liabilities, namely 7 years for annuitants and 15 years for non-annuitants.

**Disability:** Rates of decrement due to disability are assumed to be 0%.

**Turnover:** Rates of turnover are based on the experience under the New York State Employees' Retirement System (ERS). Please refer to Section VII for these tables.

**Retirement Incidence:** Rates of retirement are based on the experience under the New York State Employees' Retirement System (ERS). Please refer to Section VII for these tables.



## SECTION VI ASSUMPTIONS AND METHODOLOGY

**Election Percentage:** It was assumed that 100% of future retirees eligible for coverage will elect postretirement health care benefits. Future retirees were assumed to elect coverage in medical plans at the following rates:

	Medical Plan	% of Retirees Electing Coverage
Pre-65	Core POS 203	100%
	Senior Blue HMO (formerly 401 & 402)	80%
Post-65	Forever Blue PPO (formerly PPO 201)	20%
	Traditional Blue PPO 812	0%

A weighted average of the plan elections based on Erie County Water Authority's actual retiree participation was the basis for the plan elections for future retirees. However, no future retirees were assumed to enter the Senior Blue 402 Medicare Plan or the Traditional Blue PPO 812 Plan; the Traditional Blue PPO 812 Plan will require employee contributions for retirees enrolling after June 1, 2004.

Current retirees over age 65 were assumed to continue participation in their current plans.

**Spousal Coverage:** 80% of future retirees are assumed to elect spousal coverage upon retirement, with male spouses assumed to be three years older and female spouses assumed to be three years younger than the retiree.

**Per Capita Costs:** All retiree health plans are offered through Labor Management Healthcare Fund (LMHF). Erie County Water Authority's retiree population is not large enough for the group's claims experience to be considered sufficiently credible. Therefore, actual claims experience from LMHF was used to develop retiree claim costs for ECWA.

The Core POS 203 Plan is an experience-rated health care plan. The following table presents the average expected costs, including medical and prescription drug claims as well as administrative fees, per capita for fiscal year 2010:

Core POS 203 Incurred Annual Claim Costs				
Age	Retiree		Dependent	
	Male	Female	Male	Female
55-59	\$5,985	\$6,797	\$6,078	\$6,890
60-64	\$7,479	\$7,745	\$7,572	\$7,838

## SECTION VI ASSUMPTIONS AND METHODOLOGY

The Traditional Blue PPO 812 Plan is an experience-rated health care plan. The following table presents the average expected costs, including medical and prescription drug claims as well as administrative fees, per capita for fiscal year 2010:

<b>Traditional Blue PPO 812 Incurred Annual Claim Costs</b>		
Age	Male	Female
65-69	\$5,786	\$5,576
70-74	\$6,749	\$6,092
75-79	\$7,535	\$6,686
80-84	\$8,150	\$7,129
85-89	\$8,537	\$7,307
90-94	\$8,655	\$7,407
95-99	\$8,655	\$7,407

The Senior Blue HMO and Forever Blue PPO Plans are Medicare Advantage health care plans that are available to all post-65 retirees, dependents, and surviving spouses. The medical portion of the annual premiums were used as the baseline costs for these plans.

The Prescription Drug portion of the Senior Blue HMO and Forever Blue PPO Plans are experience-rated. The following table presents the average expected prescription drug per capita claim cost for fiscal year 2010:

<b>Post-65 Prescription Drug Claim Costs</b>				
Age	Senior Blue HMO		Forever Blue HMO	
	Male	Female	Male	Female
65-69	\$2,894	\$2,776	\$2,697	\$2,587
70-74	\$3,435	\$3,066	\$3,200	\$2,857
75-79	\$3,876	\$3,399	\$3,611	\$3,167
80-84	\$4,221	\$3,648	\$3,932	\$3,399
85-89	\$4,438	\$3,748	\$4,135	\$3,492
90-94	\$4,504	\$3,804	\$4,196	\$3,544
95-99	\$4,504	\$3,804	\$4,196	\$3,544

**Medicare Part B Premium:** Medicare Part B premiums are not reimbursed for post-65 retirees, dependents, and surviving spouses.

## SECTION VI ASSUMPTIONS AND METHODOLOGY

**Annual Rate of Increase in Medical Costs:** The assumed rates of increase in medical and prescription drug costs are presented in the table below:

Fiscal Year	Pre-65 Medical	Post-65 Medical	Prescription Drug
2010	9.00%	7.00%	10.00%
2011	8.50%	6.75%	9.00%
2012	8.00%	6.50%	8.00%
2013	7.50%	6.25%	7.50%
2014	7.00%	6.00%	7.00%
2015	6.50%	5.75%	6.50%
2016	6.00%	5.50%	6.00%
2017	5.50%	5.25%	5.50%
2018+	5.00%	5.00%	5.00%

Medicare Advantage Plan healthcare cost trend is assumed to equal 30% in fiscal years 2011, 2012 and 2013 while all other years will equal the assumed post-65 medical trend shown above.

Note that the actual increase in medical costs that occurred during 2010 for the Senior Blue HMO and Forever Blue HMO was used in the valuation.

Administrative fees were assumed to increase at 3.25% per year.

**SECTION VII****PLAN PROVISIONS**

**Eligibility:** Eligibility for postretirement health care benefits is as follows:

Employee Group	Eligibility for Retiree Health Benefits	
	Age	Years of Service
AFSCME	55	15
CSEA	55	15
NON REP	55	15
NON REP	Rule of 70 with minimum of 10 years of service	

**Duration of Coverage:** Retiree benefits continue for the lifetime of the retiree. Spousal benefits continue for the lifetime of the dependent, or until the surviving spouse remarries.

**Retiree Contributions:** Annual contributions as of January 1, 2010 are as follows:

Coverage Level	Required Retiree Contribution
Single Coverage	0% of premium
Dual Coverage	0% of premium

New retirees enrolling in the Traditional Blue PPO 812 plan after June 1, 2004 will be required to pay contributions equal to the difference between the Traditional Blue PPO 812 plan premium and the highest premium of any other plan offered to that retiree. No current retirees contribute to their health care coverage.

**Life Insurance Benefits:** Life insurance benefits are offered to current active employees and retirees hired prior to May 1, 1979. Upon retirement, life insurance benefits are equal to 50% of the life insurance benefit offered while actively employed, where active employee benefit amounts vary for each individual. Retirees are not required to contribute towards life insurance benefits.

**SECTION VII****PLAN PROVISIONS**

**Medical Benefits:** Retiree medical benefits are provided through Labor Management Healthcare Fund. The main features of the plans are detailed below.

*Core POS 203 Plan*

Monthly premiums for the Core POS 203 plan for the plan year from January 1, 2010 through December 31, 2010 are presented in the following table:

Tier	Pre-65
Single	\$636.35
Dual	\$1,387.33

*Senior Blue HMO (formerly 401) Medicare Plan*

Monthly premiums for the Senior Blue HMO plan for the plan year from January 1, 2010 through December 31, 2010, and January 1, 2011 – December 31, 2011 are presented in the following table:

Single Premium	Post-65	
	Medical	Prescription Drug
2010	\$58.71	\$315.85
2011	\$63.99	\$349.33

*Senior Blue HMO (formerly 402) Medicare Plan*

Monthly premiums for the Senior Blue HMO plan for the plan year from January 1, 2010 through December 31, 2010, and January 1, 2011 – December 31, 2011 are presented in the following table:

Single Premium	Post-65	
	Medical	Prescription Drug
2010	\$57.24	\$168.80
2011	\$62.36	\$186.11

*Forever Blue PPO (formerly 201) Medicare Plan*

Monthly premiums for the Forever Blue PPO plan for the plan year from January 1, 2010 through December 31, 2010, and January 1, 2011 – December 31, 2011 are presented in the following table:

Single Premium	Post-65	
	Medical	Prescription Drug
2010	\$93.50	\$260.18
2011	\$88.02	\$287.54

*Traditional Blue PPO 812 Plan*

Monthly premiums for the Traditional Blue PPO 812 plan for the plan year from January 1, 2010 through December 31, 2010 are presented in the following table:

Tier	Post-65
Single	\$847.81
Dual	\$1,695.61

The post-65 plans integrate with Medicare using the coordination of benefits method.

**SECTION VII****PLAN PROVISIONS**

**Health Care Reform:** PPACA has a financial impact on employers who sponsor postretirement health care benefits and therefore certain provisions are reflected in the GASB 45 valuation as of June 30, 2010. An adjustment has been made to reflect the effect of the 2011 benefit mandates, the elimination of excess subsidies for Medicare Advantage plans by 2014 and the excise tax that is applicable beginning in 2018.

## SECTION VIII SUMMARY OF GASB 45 AND REFERENCED TABLES

### SUMMARY OF GASB 45

#### GASB 45 Statement

The Governmental Accounting Standards Board (GASB) Accounting Standard No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, covers postemployment benefits including health care benefits, life insurance benefits, and, in some cases, sick pay accrual. GASB 45 requires employers to recognize these benefits on an accrual basis rather than pay-as-you-go.

#### Effective Date

Statement 45 becomes effective in three phases, based on the annual revenues of the employer. The phase in which an employer should implement GASB 45 is the same as the employer's phase for the purpose of implementing Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. The total revenue was based on the first fiscal year ending after June 15, 1999. A new revenue calculation is not required.

Phase	Effective for Period Beginning After	Total Annual Revenue
Phase 1	December 15, 2006	\$100 million or more
Phase 2	December 15, 2007	\$10 million up to \$100 million
Phase 3	December 15, 2008	Less than \$10 million

#### Valuation Frequency

For financial reporting purposes, a full actuarial valuation should be performed at the following minimum frequency.

- a. Biennially for plans with a total membership of 200 or more
- b. Triennially for plans with a total membership of fewer than 200

Interim valuations, or roll-forwards, may be performed in years in which a full valuation is not required.

#### GASB 45 Terminology:

**Present Value of Total Future Liability** – The present value of total future liability represents the total future benefits expected to be paid to current and future retirees as a result of their service through the valuation date as well as any expected future service. The present value of total future liability is the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value of money and the probabilities of payment.

## SECTION VIII SUMMARY OF GASB 45 AND REFERENCED TABLES

**Actuarial Accrued Liability (AAL)** - The AAL is the actuarial present value of future benefits based on employees' service rendered to the measurement date using the selected actuarial cost method.

*Retirees & Dependents* – former employees who have satisfied the age and service requirement and are currently receiving postretirement health care benefits

*Actives Fully Eligible* – active employees who have satisfied the age and service requirement for postretirement health care benefits.

*Actives Not Fully Eligible* – active employees who have not yet satisfied the age and service requirement for postretirement health care benefits.

**Unfunded Actuarial Accrued Liability (UAAL)** - The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. For an unfunded plan, the UAAL is equal to the AAL.

**Normal Cost** – The present value of future benefits earned by employees during the current fiscal year.

**Annual Required Contributions of the Employer (ARC)** - If the plan were funded, the ARC would equal the employer's periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the GASB #45 parameters. For non-funded plans, this amount is calculated and used to increase the net unfunded OPEB Obligation.

**Annual OPEB Cost** - An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan. The Annual OPEB Cost is recorded as an expense and disclosed in the government-wide financial statement.

**Net OPEB Obligation** - The cumulative difference as of the effective date of this Statement between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt. The Net OPEB Obligation is represented as a balance sheet liability in the Statement of Net Assets.



## SECTION VIII SUMMARY OF GASB 45 AND REFERENCED TABLES

### REFERENCED TABLES

#### Turnover

#### New York State Employees' Retirement System (ERS) Turnover Rates

Age	<2 Years	2 Years	3 Years	4 Years	5-9 Years	10+ Years
<21	16.960%	10.868%	8.421%	7.517%	7.088%	3.252%
22	16.851%	11.972%	8.817%	7.528%	7.088%	3.252%
23	16.765%	12.601%	9.098%	7.547%	7.049%	3.252%
24	16.656%	12.930%	9.262%	7.575%	6.965%	3.252%
25	16.510%	13.088%	9.330%	7.614%	6.826%	3.252%
26	16.323%	13.127%	9.334%	7.672%	6.636%	3.252%
27	16.087%	13.048%	9.303%	7.763%	6.407%	3.252%
28	15.798%	12.840%	9.249%	7.888%	6.167%	3.220%
29	15.457%	12.503%	9.172%	8.025%	5.950%	3.175%
30	15.074%	12.067%	9.056%	8.130%	5.776%	3.113%
31	14.666%	11.577%	8.879%	8.147%	5.654%	3.036%
32	14.252%	11.085%	8.626%	8.030%	5.572%	2.949%
33	13.849%	10.624%	8.293%	7.762%	5.514%	2.860%
34	13.471%	10.207%	7.898%	7.367%	5.457%	2.774%
35	13.128%	9.823%	7.479%	6.909%	5.382%	2.692%
36	12.820%	9.452%	7.084%	6.466%	5.270%	2.609%
37	12.548%	9.081%	6.752%	6.108%	5.107%	2.517%
38	12.312%	8.710%	6.506%	5.870%	4.896%	2.414%
39	12.110%	8.356%	6.340%	5.741%	4.653%	2.306%
40	11.937%	8.036%	6.227%	5.675%	4.406%	2.198%
41	11.790%	7.770%	6.130%	5.620%	4.183%	2.098%
42	11.663%	7.568%	6.023%	5.534%	4.004%	2.010%
43	11.552%	7.430%	5.892%	5.401%	3.878%	1.935%
44	11.451%	7.344%	5.740%	5.231%	3.796%	1.869%
45	11.360%	7.289%	5.583%	5.050%	3.741%	1.805%
46	11.282%	7.244%	5.440%	4.884%	3.695%	1.732%
47	11.220%	7.190%	5.329%	4.757%	3.647%	1.644%
48	11.181%	7.118%	5.260%	4.680%	3.591%	1.547%
49	11.162%	7.030%	5.231%	4.646%	3.531%	1.448%
50	11.155%	6.936%	5.231%	4.640%	3.473%	1.360%
51	11.145%	6.851%	5.246%	4.639%	3.421%	1.291%
52	11.113%	6.793%	5.263%	4.622%	3.382%	1.243%
53	11.046%	6.774%	5.275%	4.575%	3.355%	1.214%
54	10.943%	6.794%	5.286%	4.501%	3.336%	1.197%
55	10.819%	6.852%	5.307%	4.418%	3.326%	1.188%
56	10.710%	6.940%	5.366%	4.358%	3.322%	1.185%
57	10.660%	7.056%	5.490%	4.358%	3.322%	1.187%
58	10.712%	7.200%	5.706%	4.450%	3.327%	1.193%
59	10.897%	7.379%	6.035%	4.650%	3.334%	1.201%
60	11.210%	7.596%	6.476%	4.961%	3.343%	1.211%
61	11.605%	7.841%	7.008%	5.358%	3.354%	1.221%
62	11.985%	8.087%	7.578%	5.798%	3.363%	1.229%
63	12.209%	8.284%	8.101%	6.211%	3.372%	1.236%
64	12.209%	8.284%	8.101%	6.211%	3.377%	1.240%
65-69	12.209%	8.284%	8.101%	6.211%	3.378%	1.241%
70+	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

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**SECTION VIII SUMMARY OF GASB 45 AND REFERENCED TABLES**

New York State Teachers' Retirement System (TRS) Turnover Rates for females

Age	0 Years of Service	1 Year of Service	2 Years of Service	3 Years of Service	4 Years of Service	5 Years of Service	6 Years of Service	7 Years of Service	8 Years of Service	9 Years of Service	10+ Years of Service
<22	23.1046%	8.5075%	5.7926%	4.4635%	6.5672%	5.4662%	3.8258%	4.5681%	3.9018%	4.0717%	2.5987%
23	23.2395%	8.5075%	5.7926%	4.4635%	6.5672%	5.4662%	3.8258%	4.5681%	3.9018%	4.0717%	2.5987%
24	23.3744%	9.0141%	5.7926%	4.4635%	6.5672%	5.4662%	3.8258%	4.5681%	3.9018%	4.0717%	2.5987%
25	23.5092%	9.5208%	6.2180%	4.4635%	6.5672%	5.4662%	3.8258%	4.5681%	3.9018%	4.0717%	2.5987%
26	23.6441%	10.0275%	6.6434%	5.1391%	6.5672%	5.4662%	3.8258%	4.5681%	3.9018%	4.0717%	2.5987%
27	23.7790%	10.5341%	7.0688%	5.8147%	6.6897%	5.4662%	3.8258%	4.5681%	3.9018%	4.0717%	2.5987%
28	23.9139%	11.0408%	7.4941%	6.4903%	6.8122%	5.6413%	4.3249%	4.5681%	3.9018%	4.0717%	2.5987%
29	24.0487%	11.5475%	7.9195%	7.1659%	6.9347%	5.8163%	4.3249%	4.5681%	3.9018%	4.0717%	2.5987%
30	24.1836%	12.0542%	8.3449%	7.8415%	7.0572%	5.9913%	4.8241%	4.7165%	3.9018%	4.0717%	2.5987%
31	23.7362%	11.7221%	8.2367%	7.9831%	7.1797%	6.1663%	5.3232%	4.8648%	4.1626%	4.0717%	2.5987%
32	23.2887%	11.3090%	8.1285%	8.1246%	7.3022%	6.3414%	5.8223%	5.0132%	4.4234%	4.0717%	2.5987%
33	22.8413%	11.0581%	8.0203%	8.2652%	7.4247%	6.5164%	6.3214%	5.1616%	4.6842%	4.0717%	2.5987%
34	22.3938%	10.7261%	7.9121%	8.4077%	7.5472%	6.6914%	6.8205%	5.3099%	4.9451%	4.0717%	2.5987%
35	21.9464%	10.3941%	7.8038%	8.5493%	7.6697%	6.8665%	7.3197%	5.4583%	5.2059%	3.7950%	2.3969%
36	21.7543%	10.0745%	7.4466%	7.8070%	7.0748%	6.3003%	6.6416%	5.0740%	4.2376%	3.5182%	2.1950%
37	21.5621%	9.7548%	7.0893%	7.0647%	6.4800%	5.7342%	5.9636%	4.6897%	4.3054%	3.2415%	1.9932%
38	21.3700%	9.4352%	6.7320%	6.3225%	5.8851%	5.1680%	5.2856%	4.3921%	3.9211%	2.7852%	1.7914%
39	21.1779%	9.1155%	6.3747%	5.5802%	5.2902%	4.6019%	4.6075%	3.9295%	3.5368%	2.6680%	1.5896%
40	20.9858%	8.7958%	6.0174%	4.8379%	4.6953%	4.0357%	3.7785%	3.2795%	2.5789%	2.5670%	1.4814%
41	20.9432%	8.9486%	6.1628%	4.9664%	4.3724%	3.8635%	3.7785%	3.0221%	2.3726%	2.4460%	1.3732%
42	20.9006%	9.1014%	6.3082%	5.0950%	4.0495%	3.6913%	3.6275%	3.0221%	2.1663%	2.3250%	1.2650%
43	20.8580%	9.2542%	6.4535%	5.2235%	3.7266%	3.5191%	3.4766%	2.7648%	1.9600%	2.2039%	1.1568%
44	20.8154%	9.4069%	6.5989%	5.3521%	3.4036%	3.3468%	3.3256%	2.5075%	1.7537%	2.0829%	1.0486%
45	20.7727%	9.5597%	6.7443%	5.4806%	3.0807%	3.1746%	3.1746%	2.2502%	1.9206%	2.0627%	1.0962%
46	21.3134%	9.9401%	7.0512%	5.7942%	3.6194%	3.5189%	3.4277%	2.4233%	2.0875%	2.0425%	1.1439%
47	21.8541%	10.3205%	7.3580%	6.1078%	4.1581%	3.8632%	3.6808%	2.7696%	2.2544%	2.0224%	1.1915%
48	22.3948%	10.7009%	7.6649%	6.4214%	4.6968%	4.2075%	3.9339%	2.5965%	2.0875%	2.0224%	1.2392%
49	22.9355%	11.0813%	7.9718%	6.7350%	5.2354%	4.5518%	4.1870%	2.9428%	2.4213%	2.0022%	1.2868%
50	23.4762%	11.4616%	8.2787%	7.0486%	5.7741%	4.8960%	4.4401%	3.1159%	2.5882%	1.9820%	1.3345%
51	24.0168%	11.8420%	8.5855%	7.3622%	6.3128%	5.2403%	4.6932%	3.2890%	2.7551%	1.9618%	1.3821%
52	24.5575%	12.2224%	8.8924%	7.6758%	6.8515%	5.5846%	4.9463%	3.4622%	2.9220%	1.9417%	1.4298%
53	25.0982%	12.6028%	9.1993%	7.9894%	7.3901%	5.9289%	5.1994%	3.6353%	3.0889%	1.9215%	1.4774%
54+	23.6389%	12.9832%	9.5062%	8.3030%	7.9288%	6.2732%	5.4525%	3.8085%	3.2558%	1.9013%	1.4774%

## SECTION VIII SUMMARY OF GASB 45 AND REFERENCED TABLES

New York State Police and Fire Retirement System (PFRS) Turnover Rates

Years of Service	PFRS
0	7.955%
1	5.009%
2	3.084%
3	2.050%
4	1.555%
5	1.295%
6	1.135%
7	1.047%
8	0.987%
9	0.875%
10	0.726%
11	0.590%
12	0.509%
13	0.451%
14	0.386%
15	0.327%
16	0.268%
17	0.223%
18+	0.223%

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**SECTION VIII**

**SUMMARY OF GASB 45 AND REFERENCED TABLES**

New York State Teachers' Retirement System (TRS) Turnover Rates for males

Age	0 Years of Service	1 Year of Service	2 Years of Service	3 Years of Service	4 Years of Service	5 Years of Service	6 Years of Service	7 Years of Service	8 Years of Service	9 Years of Service	10 + Years of Service
<22	21.8354%	8.7974%	6.1209%	3.8791%	2.8598%	1.6826%	1.9724%	1.8589%	0.7774%	0.4411%	0.7144%
23	22.3103%	8.974%	6.1209%	3.8791%	2.8598%	1.6826%	1.9724%	1.8589%	0.7774%	0.4411%	0.7144%
24	22.7853%	8.9299%	6.1209%	3.8791%	2.8598%	1.6826%	1.9724%	1.8589%	0.7774%	0.4411%	0.7144%
25	23.2602%	9.0623%	6.1404%	3.8791%	2.8598%	1.6826%	1.9724%	1.8589%	0.7774%	0.4411%	0.7144%
26	23.7351%	9.1948%	6.1598%	4.1434%	2.8598%	1.6826%	1.9724%	1.8589%	0.7774%	0.4411%	0.7144%
27	24.2100%	9.3273%	6.1793%	4.4077%	3.0471%	1.6826%	1.9724%	1.8589%	0.7774%	0.4411%	0.7144%
28	24.6850%	9.4598%	6.1988%	4.6720%	3.2344%	2.0154%	1.9724%	1.8589%	0.7774%	0.4411%	0.7144%
29	25.1599%	9.5922%	6.2183%	4.9363%	3.4217%	2.3481%	2.0206%	1.8589%	0.7774%	0.4411%	0.7144%
30	26.6348%	9.7247%	6.2378%	5.2005%	3.6090%	2.6809%	2.0687%	1.8807%	0.7774%	0.4411%	0.7144%
31	25.9400%	9.8868%	6.5616%	5.4574%	3.7963%	3.0136%	2.1688%	1.9025%	0.9427%	0.4411%	0.7144%
32	26.2451%	10.0490%	6.8855%	5.7143%	3.9836%	3.3463%	2.1649%	1.9243%	1.1080%	0.5291%	0.7144%
33	26.5502%	10.2111%	7.2094%	5.9712%	4.1709%	3.6791%	2.2131%	1.9461%	1.2733%	0.6172%	0.7306%
34	26.8554%	10.3732%	7.5333%	6.2280%	4.3582%	4.0118%	2.2612%	1.9679%	1.4387%	0.7052%	0.7467%
35	27.1605%	10.5353%	7.8571%	6.4849%	4.5455%	4.3446%	2.3093%	1.9897%	1.6040%	0.7933%	0.7629%
36	27.6933%	10.7699%	7.5381%	6.8507%	4.3710%	4.2485%	2.3898%	2.0735%	1.6076%	0.8813%	0.7790%
37	28.2261%	11.0045%	7.2191%	7.2165%	4.1955%	4.1524%	2.4703%	2.1572%	1.6112%	0.9693%	0.7952%
38	28.7589%	11.2392%	6.9001%	7.5822%	4.0020%	4.0563%	2.5508%	2.2409%	1.6149%	1.0574%	0.8113%
39	29.2917%	11.4738%	6.5811%	7.9480%	3.8475%	3.9602%	2.6314%	2.3246%	1.6185%	1.1454%	0.8274%
40	29.8246%	11.7084%	6.2620%	8.3138%	3.6730%	3.8642%	2.7119%	2.4084%	1.6221%	1.2335%	0.8436%
41	28.5359%	12.0663%	6.8464%	8.4111%	4.0162%	3.8653%	2.5819%	2.5149%	1.6968%	1.2862%	0.8401%
42	27.2473%	12.4242%	7.4307%	8.5083%	4.3595%	3.8665%	2.4519%	2.6215%	1.7714%	1.3390%	0.8367%
43	25.9586%	12.7821%	8.0150%	8.6055%	4.7027%	3.8676%	2.3219%	2.7281%	1.8460%	1.3918%	0.8332%
44	24.6699%	13.1400%	8.5993%	8.7028%	5.0460%	3.8688%	2.1919%	2.8346%	1.9207%	1.4446%	0.8297%
45	23.3813%	13.4979%	9.1837%	8.8000%	5.3892%	3.8700%	2.0619%	2.9412%	1.9953%	1.4973%	0.8263%
46	24.0524%	13.6377%	9.1371%	8.3782%	5.6500%	4.0504%	2.6694%	2.9967%	2.1063%	1.6334%	0.7990%
47	24.7235%	13.7775%	9.0906%	7.9563%	5.9107%	4.2309%	3.2770%	3.0523%	2.2172%	1.7694%	0.7717%
48	25.3946%	13.9173%	9.0441%	7.5345%	6.1714%	4.4113%	3.8846%	3.1078%	2.3282%	1.9055%	0.7444%
49	26.0657%	14.0571%	8.9976%	7.1126%	6.4322%	4.5918%	4.4922%	3.1633%	2.4391%	2.0415%	0.7171%
50	26.7368%	14.1969%	8.9510%	6.6908%	6.6929%	4.7722%	5.0998%	3.2189%	2.5501%	2.1776%	0.6898%
51	27.4080%	14.3367%	8.9045%	6.2689%	6.9537%	4.9527%	5.7074%	3.2744%	2.6610%	2.3136%	0.6625%
52	28.0791%	14.4765%	8.8580%	5.8471%	7.2144%	5.1331%	6.3149%	3.3300%	2.7720%	2.4496%	0.6352%
53	28.7502%	14.6163%	8.8115%	5.4252%	7.4751%	5.3136%	6.9225%	3.3855%	2.8830%	2.5857%	0.6078%
54+	29.4213%	14.7561%	8.7649%	5.0034%	7.7359%	5.4940%	7.5301%	3.4411%	2.9939%	2.7217%	0.5805%



## SECTION VIII SUMMARY OF GASB 45 AND REFERENCED TABLES

### Retirement

#### New York State Employees' Retirement System (ERS) Retirement Rates

Age	Tier 1			Tier 2, 3, 4		
	<20 Years	20-29 Years	30+ Years	<20 Years	20-29 Years	30+ Years
55	14.087%	21.760%	38.944%	5.368%	8.827%	28.216%
56	9.632%	15.181%	24.928%	4.518%	7.174%	20.938%
57	7.848%	13.186%	22.767%	4.626%	7.307%	18.393%
58	9.751%	14.383%	22.665%	4.870%	8.150%	21.279%
59	10.448%	16.200%	23.762%	5.683%	9.622%	24.370%
60	12.185%	17.497%	24.040%	6.412%	11.768%	23.707%
61	15.143%	23.394%	29.058%	11.522%	20.838%	32.988%
62	24.581%	39.194%	37.573%	20.910%	39.194%	43.710%
63	18.617%	25.830%	26.772%	14.090%	25.830%	31.095%
64	19.317%	23.372%	24.977%	14.543%	23.372%	24.977%
65	27.247%	31.101%	27.759%	19.902%	31.101%	27.759%
66	18.252%	24.229%	22.960%	15.511%	24.229%	22.960%
67	17.492%	21.717%	21.737%	14.727%	21.717%	21.737%
68	16.929%	21.250%	20.472%	14.148%	21.250%	20.472%
69	18.523%	21.035%	21.862%	15.790%	21.035%	21.862%
70	100.000%	100.000%	100.000%	100.000%	100.000%	100.000%

#### New York State Teachers' Retirement System (TRS) Retirement Rates

TRS - Tier 1 and Tiers 2, 3 & 4 with 30+ Years of Service		
Age	Males	Females
55	27.7390%	26.3059%
56	25.4401%	21.4749%
57	22.5338%	17.5693%
58	22.0620%	17.0357%
59	23.1737%	18.5625%
60	27.1395%	22.0638%
61	32.6469%	26.3375%
62	38.9623%	31.1033%
63	35.3272%	30.1430%
64	36.2969%	29.5139%
65	42.8599%	33.3144%
66	37.9139%	34.0981%
67	32.5933%	29.9974%
68	26.0654%	30.6956%
69	30.7829%	26.9845%
70	28.8309%	29.6982%
71	100.0000%	100.0000%

TRS - Tiers 2, 3, 4 with <30 Years of Service		
Age	Males	Females
55	4.1608%	6.5765%
56	3.8160%	5.3687%
57	3.3801%	4.3923%
58	3.3093%	4.2589%
59	3.4761%	4.6406%
60	4.0709%	5.5159%
61	4.8970%	6.5844%
62	38.9623%	31.1033%
63	35.3272%	30.1430%
64	36.2969%	29.5139%
65	42.8599%	33.3144%
66	37.9139%	34.0981%
67	32.5933%	29.9974%
68	26.0654%	30.6956%
69	30.7829%	26.9845%
70	28.8309%	29.6982%
71	100.0000%	100.0000%

## SECTION VIII SUMMARY OF GASB 45 AND REFERENCED TABLES

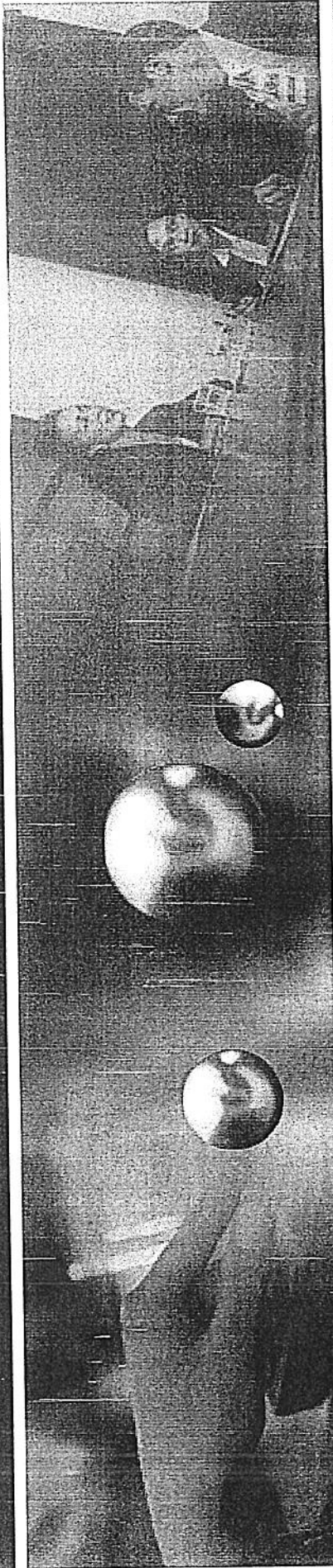
New York Police and Fire Retirement System (PFRS) Retirement Rates

Years of Service	Tier 1	Tier 2
20	7.322%	7.322%
21	7.073%	7.073%
22	8.349%	8.349%
23	5.671%	5.671%
24	5.058%	5.058%
25	8.781%	8.781%
26	8.084%	8.084%
27	10.850%	10.850%
28	13.515%	13.515%
29	15.451%	36.241%
30	18.469%	30.508%
31-39	18.469%	18.469%
40+	100.000%	100.000%

5/12/11

# Erie County Water Authority

May 12, 2011



*Solving Tomorrow's Benefit Plan Challenges... Today*



# Agenda

- Actuarial Valuation
- GASB 45 Results
- GASB 45 Key Drivers
- Traditional Design Alternatives
- Health Care Reform

5/12/11

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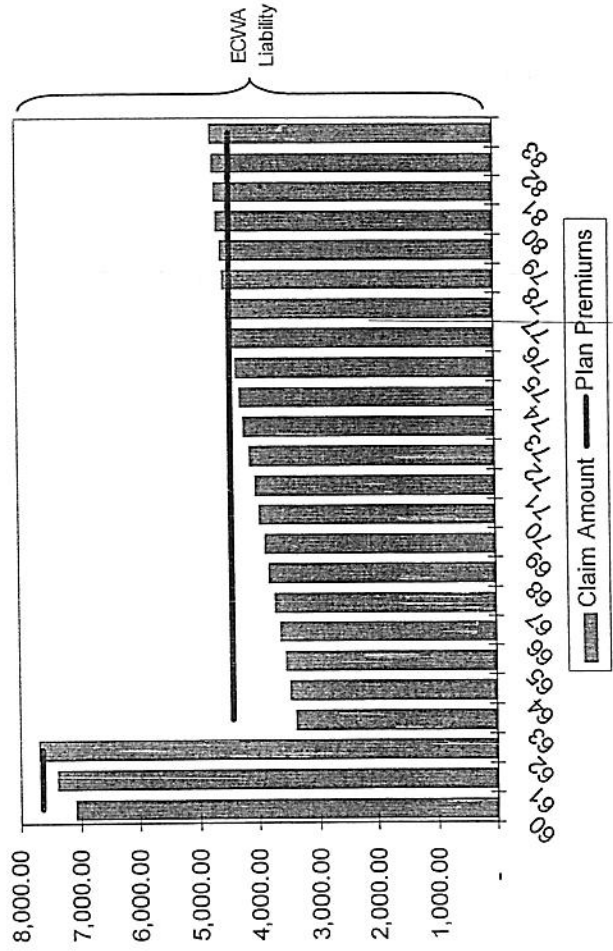
# Actuarial Valuation: Components



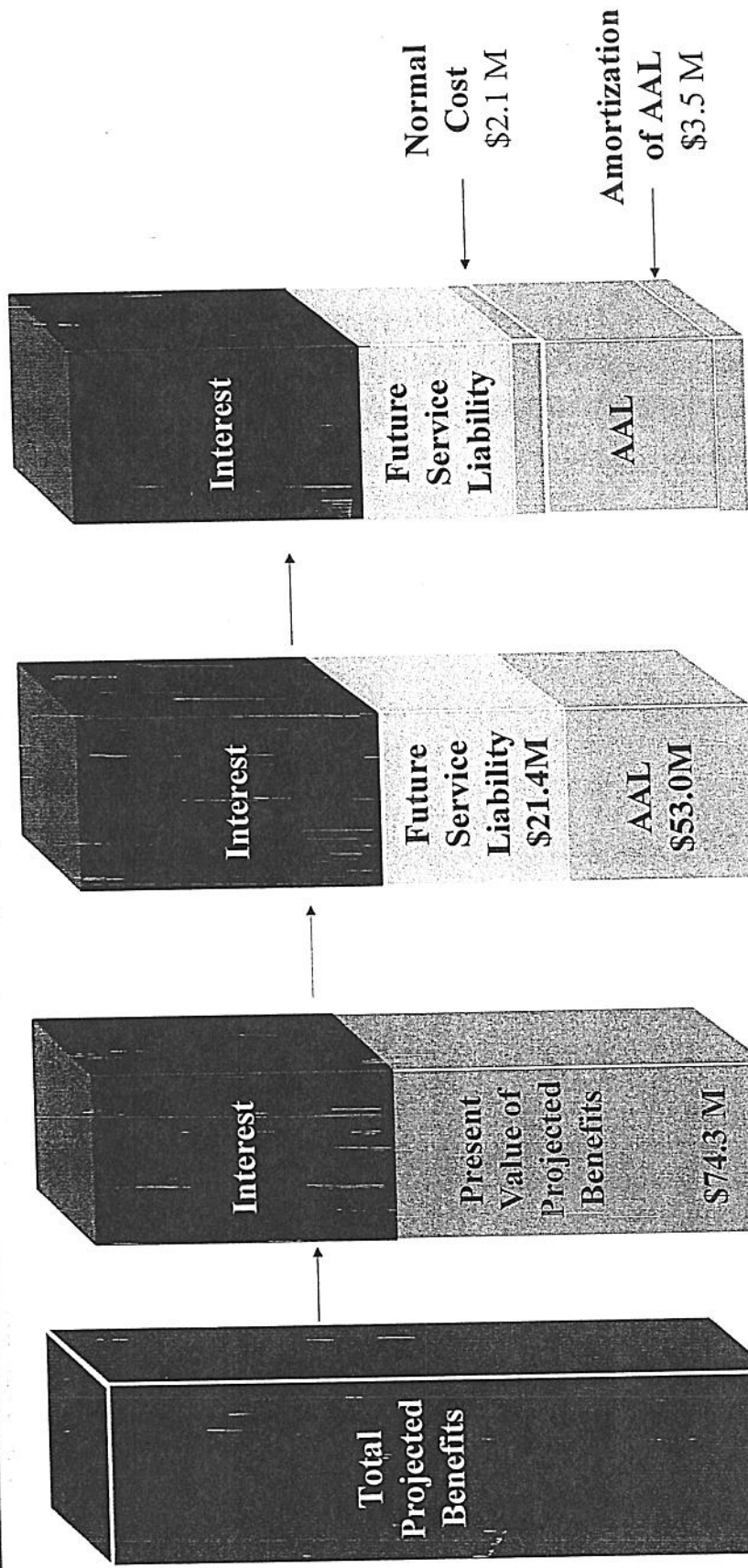
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- Census
  - Retirees, Dependents of Retirees, Active Employees
- Plan Design
  - Retirement Eligibility, Benefit Coverage, Retiree Contributions
- Actuarial Assumptions
  - Mortality, Turnover, Retirement, Claims Costs, Healthcare Trend, Discount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

- GASB 45 requires use of retiree-specific costs which vary by age and gender.
- Claims cost can be significantly different than premiums



# FY2011 GASB 45 Results: Graphical Representation



**2011 ARC = \$5.6M**  
= Normal Cost + Amortization of AAL

Actuarial Accrued Liability (AAL) - 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).

# GASB 45 Results: Comparison of Results

5/12/11

## Change in Liability from January 1, 2009 to January 1, 2011

	January 1, 2009	January 1, 2010	January 1, 2011
Actuarial Accrued Liability	\$46,932,442	\$49,748,261	\$52,999,239

➤ Actuarial Accrued Liability

➤ Percent Change

➤ Reasons for Increase

➤ Reasons for Decrease

	6.00%	6.53%
<ul style="list-style-type: none"> <li>• Accumulation of interest on AAL</li> <li>• Accrual of additional benefits for actives not fully eligible</li> <li>• Reflection of the removal of subsidies provided to Medicare Advantage Plans</li> <li>• Dependent coverage extended to age 26</li> <li>• Reflection of excise tax beginning in 2018</li> <li>• Removal of lifetime maximums</li> </ul>	<ul style="list-style-type: none"> <li>• Accumulation of interest on AAL</li> <li>• Accrual of additional benefits for actives not fully eligible</li> </ul>	<ul style="list-style-type: none"> <li>• Benefit payments made to current retirees</li> <li>• Demographic changes different than those assumed</li> <li>• Change in investment rate of return from 4.50% to 5.00%</li> </ul>



# FY2011 GASB 45 Results

<b>Net OPEB Obligation</b>	
Net OPEB Obligation - beginning of year	\$13,809,727
Annual OPEB Cost	5,365,024
Expected Employer Contributions	(1,343,935)
<b>Net OPEB Obligation - end of year</b>	<b>17,830,816</b>

- 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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# GASB 45 Key Drivers

- Discount Rate
  - Based on the long-term earning rate on the assets expected to be available to pay benefits
- Trend Rates
  - Post-65 Medicare Advantage Plan assumed to increase 30% until 2014
  - Prescription Drug and Pre-65 Medical trend assumed for fiscal year 2012+ may need to be updated for next full valuation
- Rich Benefits
  - No retiree contributions (unless Plan 812 & retire after 6/1/04)
- Mature population





## Retiree Health Plan Traditional Design Alternatives


- Eligibility:
  - Minimum age and service
  - Credited service period
- Contribution structure:
  - Graded service schedule
  - Cap on employer subsidy (flat or indexed)
  - Based on retiree specific premium
- Medical plan design

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# Other Considerations

- The Affordable Care Act (ACA) signed 3/23/2010
  - Early Retiree Reinsurance Program
    - ✓ Subsidy for pre-65 retirees
    - ✓ \$5B fund available, about \$2B is used
  - 2014 landscape
    - ✓ Health Insurance Exchanges
    - ✓ Individual Mandates
    - ✓ Employer “Free Rider” Penalties
    - ✓ Subsidies are phased out
- Health Risk Identification and Management
  - Health risk questionnaires
  - Disease management
  - Health coaching





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