Deschutes County

Retiree Health Plan

Report of Actuarial Valuation
as of June 30, 2013

Prepared by:

Heintzberger | Payne
12511 S.W. 68th Ave.
Portland, OR 97223

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Introduction

A. Purpose

This report presents the results of the actuarial valuation of Deschutes County's Retiree Health Plan as of June 30, 2013. The primary purpose of the valuation is to determine various actuarial and financial measurements needed for financial statement disclosures in compliance with the applicable standards of Governmental Accounting Standards Board (GASB) #45.

In general, Deschutes County provides a monthly subsidy for retirees from their date of retirement until the retiree is eligible for Medicare. The amount of the subsidy is dependent upon the number of active years of service with the County. Under GASB #45 this benefit consists of both an explicit and implicit subsidy. The explicit subsidy refers to the direct costs paid by Deschutes County for the retirees' health coverage. The implicit subsidy is the difference between the actual premium paid by the County and the retirees' expected health claims costs.

The results of this report include:

- A determination of the plan's funded status as of June 30, 2013
- The Annual Required Contribution (ARC), as defined by GASB #45, for the 2012/13 fiscal year
- Estimation of future cash flows and their present value
- Estimation of the June 30, 2014 Roll Forward results
- Actuarial Accrued Liability
- Funded Status of the plan

The County has elected to use the Entry Age Normal Method (Level Dollar) for calculating the Annual Required Contribution (ARC) and the Actuarial Accrued Liability. The ARC is equal to the sum of the Normal Cost and a payment to amortize the Unfunded Actuarial Accrued Liability over a period not to exceed 30 years.

B. **Schedule of Funding Progress**

Deschutes County's Retiree Health Plan is unfunded as defined by GASB. Contributions to the Plan have been determined on a pay-as-you-go basis and compared to the actuarially determined Annual OPEB Cost for disclosure purposes.

C. **Employee and Financial Data**

As of June 2013 there were 830 active employees and 79 retirees and surviving spouses insured through Deschutes County. Of the reported active employees 123 would receive a contribution from the County if they retired today, 596 are potentially eligible for a county contribution, 97 will be able to continue coverage at their own expense, and the remaining 14 are Medicare eligible and assumed to have a spouse that is Medical eligible and are not eligible for County benefits.

Deschutes County is currently paying some portion of insurance premiums for 57 retirees. An additional 15 retirees and 7 surviving spouses are continuing their County health insurance at their own expense.

The basic employee and financial data for the valuation was supplied by the County. We did not audit this data, but we did check it for reasonableness. Section 2.2 includes tables showing the distribution of active employees included in this June 30, 2013 valuation by age and service, and the distribution of retired employees and surviving spouses by age.

D. Plan Provisions

Deschutes County's Retiree Health Plan has two components: the Subsidized Health Plan and the Self-Pay Health Plan. A detailed summary of Plan provisions used in this valuation can be found in Section 5.

The Subsidized Health Plan is comprised of several bargaining agreements between the County and various employee groups. Under the plan, Deschutes County makes monthly contributions towards the medical premiums of retirees with 15 or more years of full time employment with the County. Contribution amounts are based on years of service and are independent of the coverage selected.

Retirees with 30 years of service receive coverage under the same terms as an active employee. Deschutes County recognizes the explicit cost of insurance to these retirees as the per-capita amount recognized for active employees, regardless of the retirees selected coverage.

Included in the Subsidized Health Plan are two Retiree Incentive Programs the County offered in 1994 and 1997 (RIP I and RIP II). Participants in these programs also receive County contributions that are based on service.

The Self-Pay Health plan is provided in accordance with ORS 243.303, which requires that early retirees, including those ineligible for a County contribution, be allowed to continue coverage under Deschutes County's health plan on a completely self-pay basis.

E. Actuarial Assumptions

A detailed description of all actuarial assumptions is included in Section 4.1. Key assumptions include the following:

1. Investment return assumption (Interest discount): 3%
2. Insurance Premium Annual Trend Rate: 10% initial annual increase, reducing to 5% over 10 years.
3. Retiree Health Claims Annual Trend Rate: 11% initial annual increase, reducing to 5.5% over 11 years.
4. Retirement Rates: The assumed rates of retirement for County employees covered by this Plan are based on the retirement rate assumptions used by Oregon PERS for General Service and Public Safety employees. The assumed retirement rates were adjusted to reflect the significant effect of the County's service-based contributions on the behavior of eligible employees. The adjustments are:
   - I. Retirement rates for those with 15-30 years of service are increased in step with the County's service-based contribution increases.
   - II. Lower retirement rates for the first 15 years of employment are assumed for those who will be eligible for the Subsidized Health Plan by age 60.
   - III. It is assumed that nobody retires in the year before they qualify for a contribution increase if they are under age 64 at the time.

Since the previous valuation, County contributions, premiums, and medical trend rates have increased leading to a significant increase in liabilities. The increase in the implicit liability was partially offset by the decreased rates of spousal coverage.

The actuarial assumptions are set by the County, based upon recommendations made by the Plan's actuary. With the exception of the investment return, medical trend assumptions, and retirement rates, the actuarial assumptions are intended to match those selected by the Oregon PERS actuary to value benefits for General Service and Public Safety employees under Oregon PERS.

The results of the actuarial valuation are dependent on the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions.

Heintzberger | Payne
12511 S.W. 68th Ave
Portland, OR 97223

F. Actuarial Method, Funding and Expense

The Entry Age Normal (EAN) method is used to develop an annual required contribution (ARC) in accordance with accepted actuarial methods. The ARC is the basic building block of cost recognition. There are two alternative ways in which the entry age normal method may be applied. One is based on Level Dollar funding over an employee's working career, the other is based on Level Percentage of Pay over the employee's working career. For disclosure purposes, our presentation assumes the County will adopt the Level Dollar alternative.

Total annual contributions may or may not be equal to the Annual Required Contribution in any given year. In the event that the County contributes more or less than the annual OPEB cost in any year, a credit or debit is made to an OPEB notional account. The balance in the OPEB notional account is either a net asset or a net liability on the County's balance sheet and amortized through a corresponding increase or decrease to the ARC following the next valuation.

Descriptions of the actuarial assumptions and methods used are included in Sections 4.1 and 4.2. An "unfunded liability" is calculated as the excess of the Actuarial Accrued Liability over Plan Assets. The Annual Required Contribution has been calculated as the sum of the Normal Cost, as determined under the EAN (level dollar) method and a level dollar amount to amortize the Unfunded Liability over an open period of 30 years.

G. **Opinions and Certifications**

We certify that the information contained in this report is accurate and fairly presents the actuarial position of Deschutes County's Retiree Health Plan as of June 30, 2013. All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board.

In our opinion, the results presented also comply with the applicable Statements of the Governmental Accounting Standards Board including Statements No. 43 and No. 45. The undersigned individuals are both independent Enrolled Actuaries, Members of the American Academy of Actuaries, and are experienced in performing valuations for retirement plans and post-employment benefit plans.

* * * * * *

If any further information is desired in connection with this valuation of the Plan, or if any questions arise concerning this report, we will be pleased to respond.

Respectfully submitted,

Heintzberger | Payne

Edward H Heintzberger

Edward H. Heintzberger, FSA, MAAA

Dennis M. Monaghan

Dennis M. Monaghan, FSA, MAAA

Oct. 11, 2013

Date Signed

Heintzberger | Payne
12511 S.W. 68th Ave
Portland, OR 97223

Section 1 – Summary

Number of Covered Employees

	Eligible for County Contribution	Self- Pay Only	Total
General Service	547	96	643
Police & Fire	172	1	173
Retirees	56	15	71
Surviving Spouses	1	7	8
Total Included in Valuation	776	119	895

Data for Active Employees

Average Attained Age	44.0	58.8	45.8
Average Years of Past Service	9.8	5.4	9.3

Annualized Benefits for Retirees	County Contributions	Implicit Subsidy	Total
Estimated Subsidy for 2012-13	$356,579	$466,582	$823,161

Unfunded Liability	County Contributions	Implicit Subsidy	Total
Actuarial Accrued Liability (EAN)	$19,341,853	$18,968,217	$38,310,071
Plan Assets	$0	$0	$0
Unfunded Actuarial Accrued Liability (UAAL)	$19,341,853	$18,968,217	$38,310,071

Annual Required Contribution

Annual Required Contribution	$4,185,452

Section 2.1 - Employee Data

As of June 30, 2013 there are 816 active eligible to continue medical coverage as early retirees and 79 retired employees and surviving spouses receiving medical insurance from the County.

Employee data was provided by the County in MS Excel© file format. The data for each active employee included an identification number, date of birth, date of hire, and classification as a General Service or Public Safety employee. Data for retirees and surviving spouses included an identification number, date of birth, date of retirement, spousal information when applicable, county contribution received monthly (if any), and current medical coverage.

Section 2.2 - Distributions of Active and Retired Participants

Age/Service Distribution of Active Deschutes County Employees

Age	Service								Totals
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35+	
under 30	37	10	1	-	-	-	-	-	48
30 - 34	38	39	6	-	-	-	-	-	83
35 - 39	50	42	19	2	-	-	-	-	113
40 - 44	45	56	31	26	4	-	-	-	162
45 - 49	18	42	24	14	9	3	-	-	110
50 - 54	21	29	32	18	15	5	-	-	120
55 - 59	18	20	25	16	14	7	2	-	102
60 - 64	14	19	13	12	6	4	-	1	69
Over 65	-	3	4	1	-	1	-	-	9
Totals:	241	260	155	89	48	20	2	1	816

Section 2.2 - Distributions of Active and Retired Participants (Concluded)

Retired Age Distribution

Retirees & Surviving Spouses			
	All	**Subsidized**	**Self Pay**
under 55	3	3	0
55	1	1	0
56	3	1	2
57	10	9	1
58	4	4	0
59	4	3	1
60	9	7	2
61	8	5	3
62	14	10	4
63	12	7	5
64	11	7	4
65+	0	0	0
Total	79	57	22
Average Age	60.9	60.6	61.9
Avg Age at DOR	57.6	57.1	59.6

Section 2.3 - Plan Account

Composition of Plan Account as of June 30, 2013

Cash and Cash Equivalents	$0
Total	$0

Changes in Plan Account During 2012-13 Fiscal Year

Plan Account as of Beginning of Year	$0
Increases:	
Expected Contributions During Year:	
Benefit Payments	$356,579
Implicit Subsidy	$466,582
Total Estimated Contributions	$823,161
Increase Due to Investment Earnings	$0
Decreases:	
Benefit Payments	($823,161)
Expenses	$0
Plan Account as of End of Year	$0

Section 3.1 – Projected Cash Flows and Actuarial Liabilities

Projected Cash Flows for

Fiscal Year Beginning in:	- Explicit Medical Benefits- Current Employees	Current Retirees	Total	- Implicit Medical Benefits- Current Employees	Current Retirees	Total	Combined Totals
2013	$13,197	$437,447	$450,644	$15,995	$533,857	$549,852	$1,000,496
2014	$56,651	$448,739	$505,391	$59,652	$474,105	$533,757	$1,039,148
2015	$129,179	$414,278	$543,457	$126,582	$427,181	$553,763	$1,097,219
2016	$217,741	$343,674	$561,415	$208,887	$340,437	$549,324	$1,110,739
2017	$281,673	$329,792	$611,465	$281,009	$261,981	$542,990	$1,154,454
2022	$773,929	$73,008	$846,937	$806,095	$90,172	$896,268	$1,743,205
2027	$1,300,258	$0	$1,300,258	$1,450,238	$41,248	$1,491,486	$2,791,743
2032	$2,162,834	$0	$2,162,834	$2,517,561	$49,888	$2,567,449	$4,730,283

Present Values as of June 30, 2013

Actuarial Present Value of Total Projected Benefits for:

	Explicit	Implicit	Total
Active Employees	$26,939,254	$28,513,730	$ 55,452,984
Retirees	$2,597,160	$3,068,670	$ 5,665,830
Total Present Value:	**$29,536,414**	**$31,582,400**	**$61,118,814**

Attribution of Costs to Past and Future Periods:

	Explicit	Implicit	Total
Future Normal Costs	$10,194,561	$12,614,183	$ 22,808,743
Unfunded Accrued Liability	$19,341,853	$18,968,217	$ 38,310,071
Total Present Value:	**$29,536,414**	**$31,582,400**	**$61,118,814**

Section 3.2 - Annual Required Contribution (ARC) And Schedule of Funding Progress

Annual Required Contribution

Normal Cost for the Fiscal Year Beginning June 30, 2013	
Explicit Subsidy	$992,712
Implicit Subsidy	$1,238,188
Total Normal Cost	$2,230,901
30 Year Amortization of UAAL ($38,310,071)	
Explicit Subsidy	$986,807
Implicit Subsidy	$967,744
UAAL for Amortization	$1,954,551
Total Annual Required Contribution as of June 30, 2013	$4,185,452

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	EAN Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a) / (c)
6/30/2013	$0	$38,310,071	$38,310,071	0.00%	$51,566,646	74.29%
6/30/2011	$0	$28,290,503	$28,290,503	0.00%	$53,294,382	53.08%
7/1/2008	$0	$27,371,450	$27,371,450	0.00%	$46,966,544	58.28%

Section 3.3 – Roll-Forward Liabilities and Contributions* for Fiscal Year Ending June 30, 2014

Present Values as of June 30, 2014

Actuarial Present Value of Total Projected Benefits for:	**Explicit**	**Implicit**	**Total**
Active Employees	$27,734,037	$29,352,907	$57,086,944
Retirees	$2,231,066	$2,618,865	$4,849,931
Total Present Value:	**$29,965,103**	**$31,971,772**	**$61,936,875**
Attribution of Costs to Past and Future Periods:			
Future Normal Costs	$9,477,904	$11,717,274	$21,195,178
Actuarial Accrued Liability	$20,487,199	$20,254,498	$40,741,697
Total Present Value:	**$29,965,103**	**$31,971,772**	**$61,936,875**
Actuarial Accrued Liability			$40,741,697
Less Plan Assets			$0
Unfunded Accrued Liability			**$40,741,697**
Annual Required Contribution:			**$4,185,452**
Annual OPEB Costs			
ARC			$4,185,452
Interest on Net OPEB Obligation (BOY)			$406,727
Adjustment to ARC for Net OPEB Obligation			($691,698)
Estimated Annual OPEB Cost			**$3,900,481**

** Assumes that all actuarial assumptions are exactly realized.*

Heintzberger | Payne
12511 S.W. 68th Ave
Portland, OR 97223

Section 3.4 – Annual OPEB Cost and Net OPEB Obligation

	Fiscal Year Ending June 30, 2013	Fiscal Year Ending June 30, 2014
Annual Required Contribution	$4,185,452	$4,185,452
Interest on Net OPEB Obligation	$312,426	$406,727
Adjustment to the ARC for Net OPEB Obligation	($531,324)	($691,698)
Annual OPEB Cost	$3,966,554	$3,900,481
Estimated Contributions	($823,161)	($1,000,496)
Increase (Decrease) in Net OPEB Obligation	$3,143,393	$2,899,985
Net OPEB Obligation - Beginning of Year	$10,414,186	$13,557,579
Net OPEB Obligation - End of Year	**$13,557,579**	**$16,457,565**

Fiscal Year Ending	Annual OPEB Cost	Contributions	% of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	$3,900,481	$1,000,496	25.65%	$16,457,565
6/30/2013	$3,966,554	$823,161	20.75%	$13,557,579
6/30/2012	$3,040,067	$617,532	20.31%	$10,414,186
6/30/2011	$3,045,739	$571,679	18.77%	$7,991,651
6/30/2010	$3,374,027	$766,536	22.72%	$5,517,591
6/30/2009	$3,165,717	$620,043	19.59%	$2,672,301

Section 4.1 - Actuarial Assumptions

Economic Assumptions

Interest Discount: A 3.0% discount rate is used.

Inflation Rate: An assumed inflation rate of 2.5% is used for all future years.

Medical Premiums:

Premiums w/ Dental > 30yrs

	2012/13	2013/14
Single	$1,322	$1,485
Retiree & Spouse	$1,322	$1,485
Retiree & Child	$1,322	$1,485
Retiree & Family	$1,322	$1,485

Standard Premiums w/o Dental < 30yrs

	2012/13	2013/14
Single	$493	$596
Retiree & Spouse	$997	$1,160
Retiree & Child	$866	$1,017
Retiree & Family	$1,383	$1,587

HDHP Premiums w/o Dental < 30yrs

	2012/13	2013/14
Single	NA	$574
Retiree & Spouse	NA	$1,074
Retiree & Child	NA	$949
Retiree & Family	NA	$1,448

Medical Claims:

Claims for future retirees are a blend of the age-adjusted costs for the Standard and High Deductible plans below. This blend is based on the assumption that approximately 97% of future retirees will choose the Standard medical plan.

Age Group	Standard	HDHP	Blended Actives
< 55	$775	$640	$771
56-60	$967	$799	$962
61-65	$1,221	$1,009	$1,215

Children Claims:

It is assumed that annual claims for covered children are equal to the annual premiums paid for their coverage. Essentially, an implicit subsidy of $0 is assumed for all covered children.

Trends:

Assumed annual increases in health premiums and claims are as follows:

Year	Premiums	Claims
2014	10.0%	11.0%
2015	9.5%	10.5%
2016	9.0%	10.0%
2017	8.5%	9.5%
2018	8.0%	9.0%
2019	7.5%	8.5%
2020	7.0%	8.0%
2021	6.5%	7.5%
2022	6.0%	7.0%
2023	5.5%	6.5%
2024	5.0%	6.0%
2025+	5.0%	5.5%

County Contributions:

	2012/13	2013/14
15-20 years	$125	$149
20-25 years	$250	$298
25-30 years	$374	$447
30+ years	$1,257	$1,395

Demographic Assumptions

Persistence & Plan Participation Retirees who maintained coverage throughout the previous year will continue to pay for coverage into the succeeding year at the rates below. Also, those eligible to continue coverage under the retiree paid plan choose to do so at the election rate below.

SERVICE	Persistence	Election Rate
Less than 15 Yrs	85%	15%
15 - 20 Years	90.0%	30%
20 - 25 Years	100.0%	80%
25 - 30 Years	100%	90%
30+ Years	100%	95%

Spouse's Age: Spouse's or dependant's age was provided for all current retirees and surviving spouses. For active employees, male spouses are assumed to be two years older than female spouses.

Coverage Election: Participants covered under the early retirement and self pay medical plans choose coverage in the following proportions based on their years of service:

	Years of Service		
Coverage	< 15	15-30	30+
Single	80%	60%	40%
Retiree & Spouse	20%	40%	60%

Heintzberger | Payne
12511 S.W. 68th Ave
Portland, OR 97223

Section 4.1 - Actuarial Assumptions (Continued)

Rates of withdrawal and mortality are generally the same rates that were used in the December 31, 2011 actuarial valuation of the Oregon Public Employees Retirement System for school district employees.

Mortality Rates: Active employee mortality for General Service employees is assumed to be 85% of PERS retiree mortality for males, and 50% of PERS retiree mortality for females. For Police and Fire employees, active mortality is assumed to be 70% of PERS retiree mortality for males and 50% of PERS retiree mortality for females.

Age	Police and Fire Healthy Retired							
	Male				Female			
	1950	1960	1970	1980	1950	1960	1970	1980
45	0.15%	0.14%	0.12%	0.11%	0.10%	0.09%	0.08%	0.07%
50	0.21%	0.18%	0.15%	0.12%	0.16%	0.13%	0.11%	0.10%
55	0.33%	0.27%	0.22%	0.18%	0.25%	0.23%	0.21%	0.20%
60	0.55%	0.47%	0.40%	0.34%	0.44%	0.42%	0.40%	0.38%

Age	General Service Healthy Retired							
	Male				Female			
	1950	1960	1970	1980	1950	1960	1970	1980
45	0.15%	0.14%	0.12%	0.10%	0.10%	0.09%	0.08%	0.07%
50	0.21%	0.17%	0.15%	0.12%	0.16%	0.13%	0.11%	0.10%
55	0.32%	0.26%	0.22%	0.18%	0.25%	0.23%	0.21%	0.20%
60	0.53%	0.45%	0.39%	0.33%	0.44%	0.42%	0.40%	0.38%

Section 4.1 - Actuarial Assumptions (Continued)

Withdrawal Rates: Employees with over 25 years of service are assumed to have a withdrawal rate of zero. All other employees terminate employment at the rates below.

General Service

	Tiers 1 & 2		OPSRP							
			Male				Female			
Age	Male	Female	1st Select Period	2nd Select Period	3rd Select Period	Ultimate	1st Select Period	2nd Select Period	3rd Select Period	Ultimate
25	7.9%	11.9%	20.9%	17.9%	14.9%	12.0%	21.2%	18.2%	15.2%	12.1%
30	6.2%	8.8%	16.2%	13.1%	10.9%	8.7%	16.8%	14.4%	12.0%	9.6%
35	4.7%	6.3%	13.4%	9.3%	7.7%	6.2%	13.1%	10.9%	9.7%	7.3%
40	3.6%	4.4%	11.7%	7.5%	5.9%	4.4%	12.9%	9.1%	7.9%	5.4%
45	2.9%	3.3%	10.7%	6.6%	5.0%	3.3%	12.9%	7.8%	6.6%	4.0%
50	2.6%	3.0%	10.5%	6.3%	4.7%	3.0%	12.9%	7.0%	5.8%	3.2%

Police & Fire

	Tier 1 & 2	OPSRP			
	Gender Neutral	Gender Neutral			
Age		1st Select Period	2nd Select Period	3rd Select Period	Ultimate
25	5.1%	12.7%	10.2%	7.6%	5.1%
30	3.5%	8.6%	6.9%	5.2%	3.5%
35	2.6%	6.5%	5.2%	3.9%	2.6%
40	2.2%	5.4%	4.3%	3.3%	2.2%
45	1.8%	4.5%	3.6%	2.7%	1.8%
50	1.2%	3.1%	2.5%	1.9%	1.2%

Retirement Rates:

PERS retirement rates are used for employees with less than 15 years or more than 30 years. For employees with 15-30 years of service at eligibility for retirement, retirement rates are increased to reflect the impact of the County's contribution on retirement rates.

Employees who will be eligible for an explicit subsidy by age 60 are assumed to have reduced retirement rates during the first 15 years of their employment. Employees in this situation are assumed to have a retirement rate equal to half of the applicable rate found below.

Also, eligible employees who are in their 14th, 19th, 24th, and 29th years of employment and under the age of 64 are assumed to continue working during these years in order to qualify for a larger Post Employment Benefit.

	Police and Fire - Tier 1 & 2				
Age	< 15 Years	15 - 19 Years	20 - 24 Years	25 - 29 Years	30+ Years
50	1.0%	2.0%	9.7%	17.3%	25.0%
55	3.0%	7.5%	10.5%	13.5%	16.5%
58	3.0%	7.5%	10.5%	13.5%	16.5%
60	3.0%	7.5%	10.5%	13.5%	16.5%
62	13.0%	22.0%	26.3%	30.7%	35.0%
64	8.0%	10.0%	16.7%	23.3%	30.0%

Heintzberger | Payne
12511 S.W. 68th Ave
Portland, OR 97223

Retirement Rates (Continued):

	Police and Fire - OPSRP				
Age	< 15 Years	15 - 19 Years	20 - 24 Years	25 - 29 Years	30+ Years
50	1.0%	2.0%	3.2%	4.3%	5.5%
55	3.0%	5.0%	8.8%	12.7%	16.5%
58	3.0%	5.0%	8.8%	12.7%	16.5%
60	3.0%	15.0%	15.5%	16.0%	16.5%
62	13.0%	22.0%	26.3%	30.7%	35.0%
64	8.0%	10.0%	16.7%	23.3%	30.0%

	General Service - Tier 1 & 2				
Age	< 15 Years	15 - 19 Years	20 - 24 Years	25 - 29 Years	30+ Years
50	0.0%	0.0%	6.0%	12.0%	18.0%
55	1.0%	3.5%	11.0%	18.5%	26.0%
58	1.5%	9.0%	15.3%	21.7%	28.0%
60	4.0%	8.0%	12.3%	16.7%	21.0%
62	8.5%	15.0%	19.7%	24.3%	29.0%
64	7.0%	13.0%	16.0%	19.0%	22.0%

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Section 4.1 - Actuarial Assumptions (Concluded)

Retirement Rates (Concluded):

	General Service - OPSRP				
Age	< 15 Years	15 - 19 Years	20 - 24 Years	25 - 29 Years	30+ Years
50	0.0%	0.0%	0.0%	0.0%	0.0%
55	1.0%	5.0%	5.0%	5.0%	5.0%
58	2.0%	3.0%	13.7%	24.3%	35.0%
60	4.0%	3.8%	9.2%	14.6%	20.0%
62	7.0%	12.0%	18.0%	24.0%	30.0%
64	6.0%	10.0%	13.3%	16.7%	20.0%

Disability Rates: Disability rates are assumed to be immaterial for purposes of this OPEB Actuarial Valuation

Section 4.2 - Actuarial Methods

Entry Age Normal Method

The Entry Age Normal Cost Method is used to determine the Actuarial Accrued Liability and the Normal Cost.

Under this method, the actuarial present value of the projected benefits of each active employee included in the valuation is allocated on a level dollar basis over the service of the active employee between assumed entry age (date of hire) and assumed exit age(s). The portion of this actuarial present value allocated to the valuation year is called the Normal Cost for that active employee. The sum of these individual normal costs is the Plan's Normal Cost for the valuation year.

The present value of benefits for current retirees plus the accumulated value of all prior Normal Costs is the Actuarial Accrued Liability. The excess of the Actuarial Accrued Liability over Plan Assets is the Unfunded Actuarial Accrued Liability.

Under this method, the actuarial gains (losses), as they occur, reduce (increase) the Unfunded Actuarial Accrued Liability while leaving the Normal Cost unchanged.

Plan Assets

The County's Retiree Health Plan is deemed "unfunded" in accordance with the relevant GASB statements.

Valuation Date

June 30, 2013

Amortization Period

30 year open period

Heintzberger | Payne
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Section 4.3 – Glossary of Key Terminology

Following is a glossary of special terms defined in GASB Statements No. 43 and No. 45 and used in this report:

"ARC" or Annual Required Contribution. The employer's periodic required contribution to a defined benefit pension plan or other post-employment benefit plan

Actuarial Present Value of Total Projected Benefits. Total projected benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The Actuarial Present Value of Total Projected Benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.

Actuarial Cost Method. Any one of several different recognized methods for determining the rate at which post-employment benefits are deemed to accrue over an employee's working lifetime.

Normal Cost. That portion of the Actuarial Present Value of Total Projected Benefits that are deemed to accrue during the one-year period beginning on the valuation date.

Actuarial Accrued Liability. The portion of the Actuarial Present Value of Total Projected Benefits that are deemed to have accrued in years prior to the valuation.

Funded Ratio. The ratio of Plan Assets to the Actuarial Accrued Liability.

Other Postemployment Benefits (OPEB). Refers to postemployment benefits other than pensions.

Plan Assets. Resources usually in the form of stocks, bonds, or other classes of investments, that have been segregated and restricted in a trust for the payment of benefits in accordance with the terms of the plan

Section 5 - Summary of Principal Plan Provisions as of June 30, 2013

Subsidized Health Plan

Eligibility Requirements: Must have 15 years of service and be receiving benefits from PERS/OPSRP. Temporary employees are not eligible

Eligibility for Dental Coverage: 30 years of service

Dependent Eligibility: Spouse or unmarried children under the age of 26

Benefit Description: The County's contribution towards the retiree's medical premium is based on the retiree's years of service. The contribution is independent of coverage. County contributions by years of service are shown below.

	2012/13	2013/14
15-20 years	$125	$149
20-25 years	$250	$298
25-30 years	$374	$447
30+ years	$1,257	$1,395

Employees who retired before July 1, 2006 with 30 or more years of service are not required to pay a monthly co-pay. Employees who retire after July 1, 2006 with 30 or more years of service are required to pay a monthly co-pay. This co-pay will be equivalent to that of the active employee premium co-pay. The co-pay for the 2012/2013 year is $65 and will increase to $90 for the 2013/2014 plan year.

Retirement Incentive Programs: Several former employees receive contributions from the County towards medical coverage through one of two retirement incentive programs. The contributions for these retirees were valued as reported, and are assumed to increase at the same rate as other County contributions.

Coverage Termination: Coverage ends the last day of the month the retiree reaches age 65, or the first day of the month that the retiree is eligible for Medicare. Surviving spouses do not receive a county contribution, but may continue coverage under the self pay plan until age 65 or eligible for Medicare.

Self Pay Health Plan

Eligibility Requirements: Retiree enrolled in the County's plan (or prior plan) for 24 consecutive months immediately prior to retirement; or, the surviving spouse of a retiree who was enrolled in the County's plan (or prior plan) for 24 consecutive months immediately prior to retirement.

Coverage Termination: Coverage for the retiree ends the last day of the month the retiree reaches age 65, or the first day of the month that the retiree is eligible for Medicare. Coverage for the surviving spouse ends the last day of the month the surviving spouse reaches age 65, or the first day of the month that the surviving spouse is eligible for Medicare.

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