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ALLIANCE BENEFIT GROUP

## Certification

This report summarizes the GASB actuarial valuation for Dane County for the 2008 fiscal year. To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statement No. 45 (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions). The valuation is also based upon our understanding of the plan provisions as summarized within the report.

The information presented herein is based on the information furnished to us by the Plan Sponsor that has been reconciled and reviewed for reasonableness. We are not aware of any material inadequacy in employee census provided by the Plan Sponsor. We have not audited the information at the source, and therefore do not accept responsibility for the accuracy or the completeness of the data on which the information is based.

The actuarial assumptions were selected by the Plan Sponsor with the concurrence of Alliance Benefit Group. In our opinion, the actuarial assumptions are individually reasonable and in combination represent our estimate of anticipated experience of the Plan. All computations have been made in accordance with generally accepted actuarial principles and practice.

To our knowledge, there have been no significant events prior to the current year's measurement date or as of the date of this report that could materially affect the results contained herein.

Neither Alliance Benefit Group nor any of its employees has any relationship with the plan or its sponsor that could impair or appear to impair the objectivity of this report.

**Alliance Benefit Group**

R Gomez

Randy Gomez, FSA, EA, MAAA

January 6, 2009

Alliance Benefit Group

## Summary of Participants

| Actives with Coverage | Single | Non-Single | Total | Avg. Age | Avg. Svc | Salary |
|---|---|---|---|---|---|---|
| PPlus HMO | 408 | 1,213 | 1,621 | 44.6 | 12.0 | $ 86,100,017 |
| PPlus POS | 138 | 213 | 351 | 49.2 | 15.9 | $ 20,560,433 |
| **Total actives with coverage** | **546** | **1,426** | **1,972** | **45.4** | **12.7** | **$ 106,660,450** |

| Actives without Coverage | Single | Non-Single | Total | Salary | Avg. Svc | Salary |
|---|---|---|---|---|---|---|
| Total | NA | NA | 203 | 45.5 | 9.7 | $ 7,306,770 |

| All Actives by Fund | No Health Plan | PP HMO | PP POS | Total |
|---|---|---|---|---|
| General Fund | 88 | 958 | 186 | 1,232 |
| Highway Fund | 2 | 109 | 23 | 134 |
| Library Fund | 1 | 6 | 1 | 8 |
| Human Services Fund | 33 | 287 | 72 | 392 |
| Airport Fund | 7 | 50 | 14 | 71 |
| Badger Prairie Fund | 51 | 102 | 23 | 176 |
| Public Health Fund | 18 | 68 | 15 | 101 |
| Solid Waste Fund | 0 | 11 | 6 | 17 |
| Printing and Services Fund | 0 | 9 | 0 | 9 |
| Consolidated Food Service Fund | 3 | 17 | 9 | 29 |
| Land Information Fund | 0 | 3 | 2 | 5 |
| Methane Gas Fund | 0 | 1 | 0 | 1 |
| **Total** | **203** | **1,621** | **351** | **2,175** |



ALLIANCE BENEFIT GROUP

## Summary of Participants – Continued

| Inactives with Coverage | Pre-Medicare | | | | Post-Medicare | | | |
|---|---|---|---|---|---|---|---|---|
| | Single | Non-Single | Total | Avg. Age | Single | Non-Single | Total | Avg. Age |
| PPlus HMO | 93 | 62 | 155 | 60.8 | 156 | 90 | 246 | 74.0 |
| PPlus POS | 24 | 7 | 31 | 60.7 | 63 | 21 | 84 | 77.3 |
| Total | 117 | 69 | 186 | 60.8 | 219 | 111 | 330 | 74.9 |

## Sources of GASB Liabilities and Assets

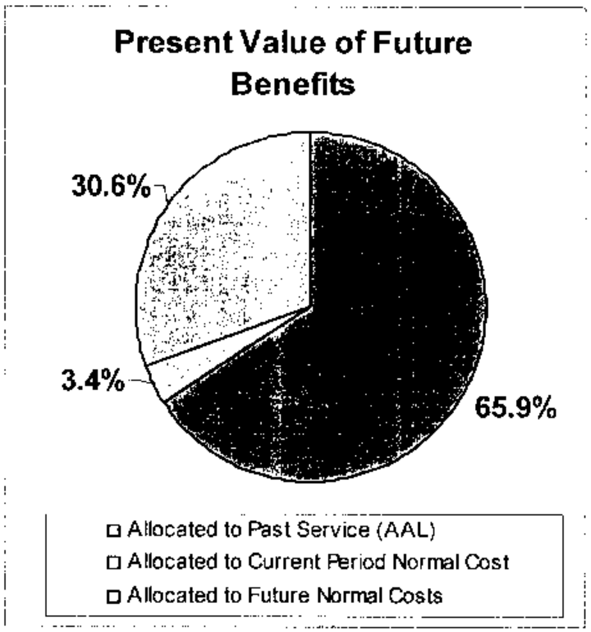
1. The County does not explicitly subsidize retiree health care coverage.

2. Retiree health coverage is implicitly more expensive than active health coverage. This higher cost of coverage creates a GASB 45 liability assigned to the County.

3. The County has historically funded its retiree health benefits on a pay-as-you-go basis.

Below is the breakdown of Present Value of Future Benefits (PVFB) allocated for past, current, and future service. Pages 5 and 6 show the GASB results for the fiscal year beginning January 1, 2008 based on the Entry Age Normal Level % of Salary cost method.

| | ***Present Value of Future Benefits (PVFB)***<br>***A*** | ***Actuarial Accrued Liability (AAL)***<br>*PVFB allocated to past service*<br>***B*** | ***Normal Cost (NC)***<br>*PVFB allocated to current period service*<br>***C*** | ***Future Normal Costs***<br>*PVFB allocated to future service*<br>***D = A-B-C*** |
|---|---|---|---|---|
| As of 1/1/2008 | $ 35,472,961 | $ 23,392,325 | $ 1,223,231 | $ 10,857,405 |




PVFB is the amount needed as of January 1, 2008 to fully fund the County's retiree health care subsidies for existing and future retirees and their dependents assuming all actuarial assumptions are met.

AAL is the portion of PVFB considered to be accrued or earned as of January 1, 2008. This amount is a required disclosure in the Required Supplementary Information section.

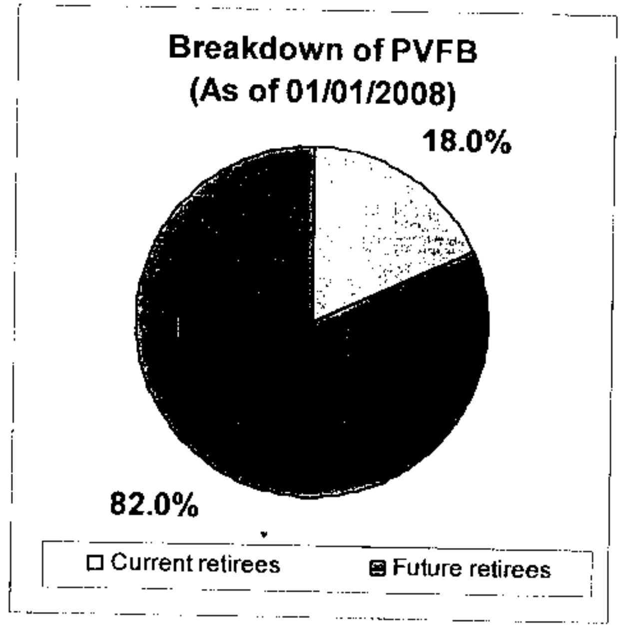
NC is the portion of actuarial present value of retiree health care benefits and expenses allocated to 2008 by the actuarial cost method.

ALLIANCE BENEFIT GROUP

# Summary of Results

## 1. Present Value of Future Benefits (PVFB)

| | *01/01/2007* | *01/01/2008* |
|---|---|---|
| Current retirees | | |
| Explicit (Pre-Medicare) | $ 0 | $ 0 |
| Implicit (Pre-Medicare) | 5,785,637 | 6,392,480 |
| Post-Medicare | 0 | 0 |
| Total | $ 5,785,637 | $ 6,392,480 |
| Future retirees | | |
| Explicit (Pre-Medicare) | $ 0 | $ 0 |
| Implicit (Pre-Medicare) | 34,042,013 | 29,080,481 |
| Post-Medicare | 0 | 0 |
| Total | $ 34,042,013 | $ 29,080,481 |
| Total PVFB | $ 39,827,650 | $ 35,472,961 |
| | | |
| Discount Rate | 3.0% | 4.5% |



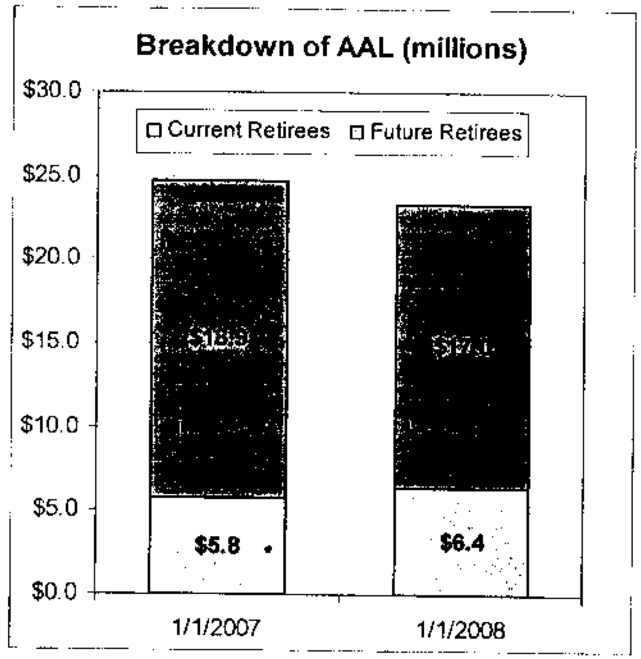



ALLIANCE BENEFIT GROUP

# Summary of Results – Continued

## 2. Actuarial Accrued Liabilities (AAL)

| | *01/01/2007* | *01/01/2008* |
|---|---|---|
| Current retirees | | |
| Explicit (Pre-Medicare) | $ 0 | $ 0 |
| Implicit (Pre-Medicare) | 5,785,637 | 6,392,480 |
| Post-Medicare | 0 | 0 |
| Total | $ 5,785,637 | $ 6,392,480 |
| Future retirees | | |
| Explicit (Pre-Medicare) | $ 0 | $ 0 |
| Implicit (Pre-Medicare) | 18,928,321 | 16,999,845 |
| Post-Medicare | 0 | 0 |
| Total | $ 18,928,321 | $ 16,999,845 |
| Total liabilities | $ 24,713,958 | $ 23,392,325 |
| | | |
| Discount Rate | 3.0% | 4.5% |




Implicit Subsidies are additional employer liabilities when the inherently higher health care costs for retired employees are not directly reflected in the determination of the premium or premium equivalent rates.

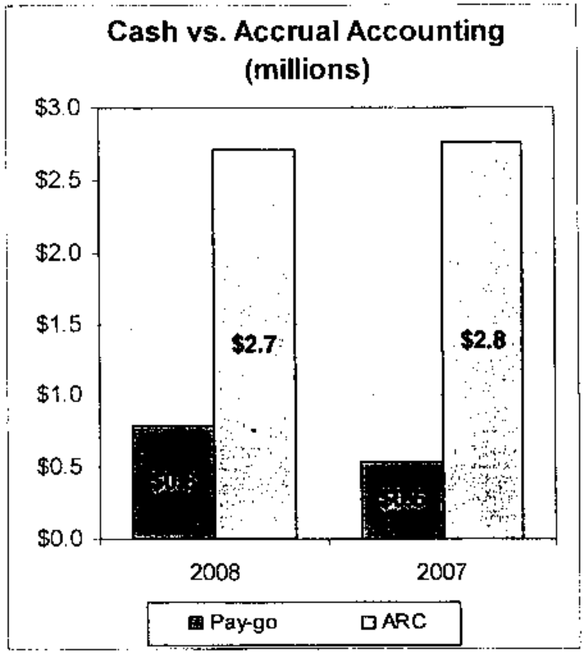
## 3. Income Statement and Balance Sheet Impact

| | *2007* | *2008* |
|---|---|---|
| Annual Required Contribution | $ 2,763,910 | $ 2,714,368 |
| Annual OPEB Cost | $ 2,763,910 | $ 2,677,933 |
| Total Employer Contributions | $ 541,098 | $ 788,066 |
| Net OPEB Obligation at year-end | $ 2,222,812 | $ 4,112,679 |

# GASB Disclosures

| Required Supplementary Information | 2007 | 2008 |
|---|---|---|
| **Actuarial Accrued Liability** as of beginning of year | $ 24,713,957 | $ 23,392,325 |
| **Actuarial Value of Assets** as of beginning of year | 0 | 0 |
| **Unfunded Actuarial Accrued Liability (UAAL)** | **$ 24,713,957** | **$ 23,392,325** |
| Covered payroll | 86,638,672 | 106,660,449 |
| UAAL as a % of covered payroll | 28.5% | 21.9% |

| Annual Required Contribution | 2007 | 2008 |
|---|---|---|
| Normal cost as of beginning of year | $ 1,459,245 | $ 1,223,231 |
| Amortization of the UAAL for 30 years | 1,224,163 | 1,374,250 |
| Total normal cost and amortization payment | $ 2,683,408 | $ 2,597,481 |
| Adjustment for timing | 80,502 | 116,887 |
| **Total Annual Required Contribution (ARC)** | **$ 2,763,910** | **$ 2,714,368** |




Pay-as-you-go cost is the expected total employer cash cost for the coming period based on all explicit and implicit subsidies. It is also the amount recognized as expense on the Income Statement under pay-as-you-go accounting.

Annual Required Contribution (ARC) is the annual expense recorded in the income statement under GASB 45 accrual accounting. It replaces the cash basis method of accounting recognition with an accrual method. The GASB 45 ARC is higher than the pay-as-you-go cost because it includes recognition of employer costs expected to be paid in future accounting periods.

# GASB Disclosures – Continued

| Annual OPEB Cost and Net OPEB Obligation | *2007* | *2008* |
|---|---|---|
| ARC as of end of year | $ 2,763,910 | $ 2,714,368 |
| Interest on NOO to end of year | 0 | 100,027 |
| Total adjustment to the ARC | 0 | (136,462) |
| Annual OPEB cost | $ 2,763,910 | $ 2,677,933 |
| Total annual employer contribution | (541,098) | (788,066) |
| Change in NOO | $ 2,222,812 | $ 1,889,867 |
| Net OPEB Obligation (NOO) as of beginning of year | 0 | 2,222,812 |
| **Net OPEB Obligation (NOO) as of end of year** | **$ 2,222,812** | **$ 4,112,679** |

Net OPEB Obligation is the cumulative difference between the annual OPEB cost and employer contributions. This obligation will be created if cash contributions are less than the current year expense under GASB 45 accrual rules.

The net obligation is recorded as a liability on the employer's balance sheet which will reduce the net fund balance.

The value of implicit subsidies is considered as part of cash contributions for the current period. Other cash expenditures that meet certain conditions are also considered as contributions for GASB 45 purposes.



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# GASB Disclosures – Continued

## Schedule of Funding Progress

| As of | Actuarial Value of Assets (AVA) | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) | AVA as a % of AAL | Covered Payroll | UAAL as a % of Covered Payroll |
|---|---|---|---|---|---|---|
| | A | B | C = B – A | D = A / B | E | F = C / E |
| 01/01/2008 | $ - | $ 23,392,325 | $ 23,392,325 | 0.0% | 106,660,449 | 21.9% |
| 01/01/2007 | $ - | $ 24,713,957 | $ 24,713,957 | 0.0% | 86,638,672 | 28.5% |

## Schedule of Employer Contributions

| FYE | Employer Contributions | Annual Required Contribution (ARC) | % of ARC Contributed |
|---|---|---|---|
| | A | B | C = A / B |
| December 31, 2008 | $ 788,066 | $ 2,714,368 | 29.0% |
| December 31, 2007 | $ 541,098 | $ 2,763,910 | 19.6% |

## Historical Annual OPEB Cost

| FYE | Annual OPEB Cost | % of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| December 31, 2008 | $ 2,677,933 | 29.4% | $ 4,112,679 |
| December 31, 2007 | $ 2,763,910 | 19.6% | $ 2,222,812 |



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## Reconciliation of Actuarial Accrued Liability

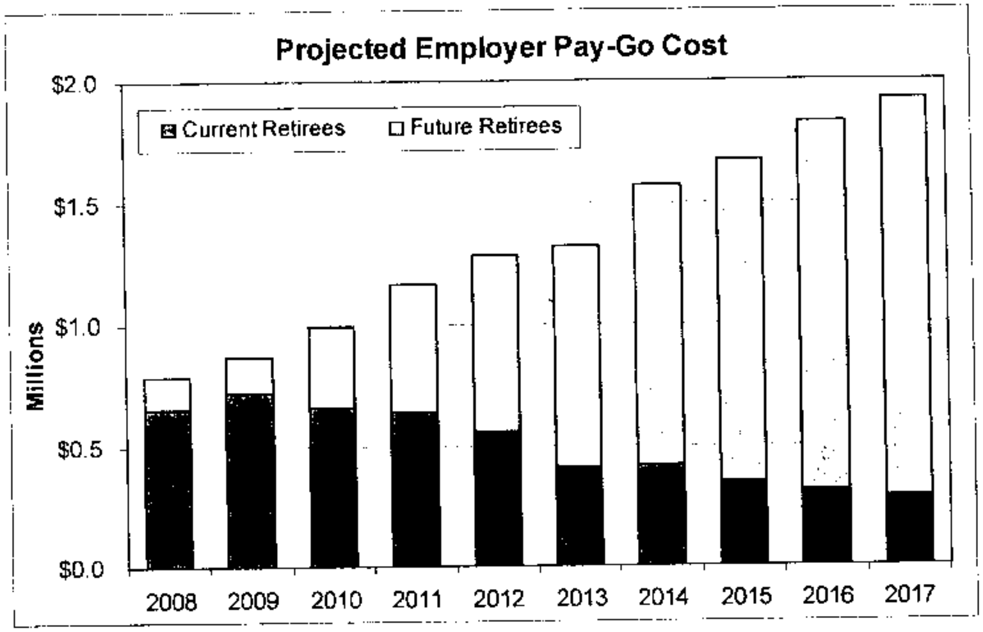
| | 2008 [1] |
|---|---|
| Actuarial Accrued Liability as of beginning of year | $ 23,392,325 |
| Normal cost as of beginning of year | 1,223,231 |
| Expected benefit payments during the year | (788,066) |
| Interest adjustment to end of year | 1,090,164 |
| Actuarial (gain) / loss | 0 |
| Actuarial Accrued Liability as of end of year | $ 24,917,654 |

[1] The above reconciliation was calculated using a "no loss/gain" basis for illustration purposes only. The actual 2008 year-end liability may be higher or lower depending on plan experience.

## Pay-as-you-go Cash Flow Projections

The projection below shows the anticipated pay-as-you-go cost for employer subsidized benefits for the next 10 years. Results are shown separately for current and future retirees. The projections include explicit and implicit subsidies.

| *FYE* | *Future Retirees* | *Current Retirees* | *Total* |
|---|---|---|---|
| 2008 | $ 134,575 | $ 653,491 | $ 788,066 |
| 2009 | $ 148,033 | $ 718,840 | $ 866,873 |
| 2010 | $ 328,420 | $ 660,916 | $ 989,336 |
| 2011 | $ 526,693 | $ 637,486 | $ 1,164,179 |
| 2012 | $ 723,904 | $ 558,013 | $ 1,281,917 |
| 2013 | $ 912,288 | $ 409,770 | $ 1,322,058 |
| 2014 | $ 1,148,986 | $ 417,875 | $ 1,566,861 |
| 2015 | $ 1,324,073 | $ 346,400 | $ 1,670,473 |
| 2016 | $ 1,517,749 | $ 309,851 | $ 1,827,600 |
| 2017 | $ 1,646,437 | $ 279,016 | $ 1,925,453 |



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## Asset Pre-Funding Sensitivity

Another key actuarial assumption that requires sensitivity analysis is the interest rate assumption. The interest rate assumption is based on the plan's long-term expectation of asset returns based on its funding contribution policy. Below is comparison of key financial disclosures (actuarial liability, OPEB Cost and year-end Net Obligation) using the baseline interest rate and a higher interest rate if the County had a fully-funded contribution policy. For this purpose, a fully-funded contribution policy consists of three required elements:

1. A secured trust dedicated solely to OPEB retiree health assets,
2. An investment policy that is expected to generate high returns in the long-term, and
3. A policy of making annual contributions equal to the GASB 45 OPEB Cost.

**No Pre-funding**

| | | 2008 |
|---|---|---|
| 1. Net OPEB Obligation (NOO) as of beginning of year | $ | 2,222,812 |
| 2. Annual OPEB Cost | | 2,677,933 |
| 3. Contributions based on funding policy | | 788,066 |
| 4. Change in NOO (2) – (3) | | 1,889,867 |
| 5. NOO as of end of year (1) + (4) | $ | 4,112,679 |
| Discount rate used for liabilities and assumed asset return | | 4.5% |
| Actuarial Accrued Liabilities (AAL) at beginning of year | $ | 23,392,325 |
| Assets at end of year | $ | 0 |

**Fully-funded (What-If Scenario)**

| | | 2008 |
|---|---|---|
| 1. Net OPEB Obligation (NOO) as of beginning of year | $ | 2,222,812 |
| 2. Annual OPEB Cost | | 2,186,182 |
| 3. Contributions based on funding policy | | 2,186,182 |
| 4. Change in NOO (2) – (3) | | 0 |
| 5. NOO as of end of year (1) + (4) | $ | 2,222,812 |
| Discount rate used for liabilities and assumed asset return | | 8.0% |
| Actuarial Accrued Liabilities (AAL) at beginning of year | $ | 16,604,489 |
| Assets at end of year | $ | 1,454,041 |

## Eligibility

Deputies and Protective Service — Employees are eligible to receive retiree health care coverage at age 50 with no service requirements.

All Other Employees — Employees are eligible to receive retiree health care coverage at age 55 with no service requirements.

**County Explicit Subsidy** — The County does not provide an explicit subsidy to any employee group.

**Spouse Benefit** — Upon death of the retiree, the surviving spouse may continue coverage by paying the premium rate for single coverage.

**Retiree Cost Sharing** — Retirees are responsible for the entire premium.

**Medical Benefit**

All Employees — Same benefit options are available to retirees as active employees. The County's health plans are self-insured. The 2009 monthly premiums by plan are as shown below.

| | Single | Family |
|---|---|---|
| PPlus HMO | $ 457.36 | $ 1,074.80 |
| PPlus POS | $ 580.63 | $ 1,364.48 |

No GASB liabilities are generated by Medicare retirees because the retiree contribution is equal to an actuarially priced premium rate.

The actuarial assumptions used in this report represent a reasonable long-term expectation of future OPEB outcomes. As national economic and employer experience change over time, the assumptions will be tested for ongoing reasonableness and, if necessary, updated.

**Census Data**

2008: Census was collected as of year-end 2008 for the 2008 disclosures.

2007: Census was collected as of January 2006 for the 2007 disclosures.

**Measurement Date**

2008: The actuarial present values were determined as of December 31, 2008 and rolled back to January 1, 2008 on a no loss/(gain basis).

2007: The 2007 disclosures were based on a one-year look back period using actuarial present values determined as of January 1, 2006.

**Discount Rate**

4.5% unfunded, 8.0% fully-funded

Prior valuation used 3.0% for the unfunded discount rate.

**Salary Scale**

3.0% per year

**Cost Method**

Entry Age Normal Level % of Salary

**Amortization**

Level dollar amount over thirty years based on an open group.

**Mortality**

RP-2000 Combined Mortality Table projected to 2010 using Scale AA

Prior valuation used RP-2000 Combined Mortality Table.

**Withdrawal Rate**

Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage. The rates represent the probability of termination in the next 12 months.

All Employees

Saranson T-5. Sample annual rates are as shown below:

| Age | Annual Rate |
|---|---|
| 25 | 7.72% |
| 30 | 7.22% |
| 35 | 6.28% |
| 40 | 5.15% |
| 45 | 3.98% |
| 50 | 2.56% |

**Disability**

None

**Retirement Rate**

Select and ultimate annual rates of retirement by group as shown below:

| Age | Protective Service < 25 YOS | Protective Service 25+ YOS | Elected Officials | Everyone Else |
|---|---|---|---|---|
| 50-52 | 10% | 10% | 0% | 0% |
| 53 | 10% | 100% | 0% | 0% |
| 54 | 75% | 100% | 0% | 0% |
| 55 | 100% | 100% | 2% | 5% |
| 56-61 | 100% | 100% | 2% | 5% |
| 62 | 100% | 100% | 20% | 30% |
| 63-64 | 100% | 100% | 10% | 15% |
| 65 | 100% | 100% | 100% | 100% |

**Health Care Trend Rates**

Medical

| FYE | Rates | FYE | Rates |
|---|---|---|---|
| 2009 | 10.0% | 2015 | 5.5% |
| 2010 | 9.0% | 2016 | 5.0% |
| 2011 | 8.0% | 2017+ | 4.5% |
| 2012 | 7.0% | | |
| 2013 | 6.5% | | |
| 2014 | 6.0% | | |

The initial trend rate was based on the plan's actual experience. The subsequent year trend rates were selected based on a combination of employer history, national trend surveys, and professional judgment.

The ultimate trend rate was selected based on historical medical CPI information.

| | |
|---|---|
| **Retiree Contributions** | Retiree contributions are assumed to increase with health care trend rates. |
| **Health Care Coverage Election Rate** | Active employees with current coverage: 100%<br>Active employees with no coverage: 0%<br><br>Inactive employees with current coverage: 100%<br>Inactive employees with no coverage: 0% |
| **Spousal Coverage** | Based on actual data for future retirees. Roughly 66% of active employees are projected to elect spousal coverage at retirement. Spousal coverage for current retirees is based on actual data.<br><br>Husbands are assumed to be three years older than wives. |
| **Employer Funding Policy** | Pay-as-you-go cash basis |
| **Returning Inactive Profile** | Past terminations who ultimately retire from Dane County can delay participation for up to 10 years. For valuation purposes, the following profile for 50 former employees was used to value this contingent liability: |

- Number of former employees: 17 age-40, 17 age-45, and 15 age-60.
- All are assumed to elect PPlus HMO Plan.
- Equal number of male and female within each age band.
- Within each age band 70% are assumed to be married and thus have spouse coverage.
- Coverage is assumed to begin at age 55 or current age.



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## Per Capita Costs

All Employees

Annual per capita costs were calculated based on the 2009 premium rates by plan actuarially increased using health index factors and current enrollment. The costs are assumed to increase with health care trend rates. Annual per capita costs by plan are as shown below:

| | PPlus HMO | | PPlus POS | |
|---|---|---|---|---|
| **Age** | **Male** | **Female** | **Male** | **Female** |
| < 50 | $ 5,500 | $ 5,500 | $ 7,000 | $ 7,000 |
| 50 – 54 | $ 5,900 | $ 5,900 | $ 7,600 | $ 7,600 |
| 55 – 59 | $ 7,700 | $ 7,700 | $ 9,800 | $ 9,800 |
| 60 – 64 | $ 9,500 | $ 9,500 | $ 12,100 | $ 12,100 |

The per capita costs represent the cost of coverage for a retiree-only population.

Actuarial standards require the recognition of higher inherent costs for a retired population versus an active population.

Employees are assumed to elect at retirement the same plan as their current active health plan. Employees who waived coverage were assumed to also waive coverage at retirement.

## Explicit Subsidy

The difference between (a) the premium rate and (b) the retiree contribution. Below is an example of the monthly explicit subsidies for a retiree under 65 enrolled in the PPlus POS plan.

| | Premium Rate (A) | Retiree Contribution (B) | Explicit Subsidy (C) |
|---|---|---|---|
| Retiree | $ 580.63 | $ 580.63 | $ 0.00 |
| Retiree + Spouse | $ 1,364.48 | $ 1,364.88 | $ 0.00 |

## Implicit Subsidy

The difference between (a) the per capita cost and (b) the premium rate. Below is an example of the monthly implicit subsidies for a 60 – 64 male retiree enrolled in the PPlus POS plan.

| | Per Capita Cost (A) | Premium Rate (B) | Implicit Subsidy (C) |
|---|---|---|---|
| Retiree | $ 1,008.33 | $ 580.63 | $ 427.70 |
| Spouse | $ 1,008.33 | $ 783.85 | $ 224.48 |

All employers that utilize premium rates based on blended active/retiree claims experience will have an implicit subsidy. There is an exception for plans using a true community-rated premium rate.



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GASB 45 defines several unique terms not commonly employed in the funding of pension and retiree health plans. The definitions of the terms used in the GASB actuarial valuations are noted below.

1. **Actuarial Accrued Liability** – That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of plan benefits and expenses which is not provided for by the future Normal Costs.

2. **Actuarial Assumptions** – Assumptions as to the occurrence of future events affecting health care costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided health care benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.

3. **Actuarial Cost Method** – A procedure for determining the Actuarial Present Value of future benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

4. **Actuarial Present Value** – The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:

   a) adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, Social Security, marital status, etc.);
   b) multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned; and
   c) discounted according to an assumed rate (or rates) of return to reflect the time value of money.

5. **Annual OPEB Cost** – An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.

6. **Annual Required Contribution (ARC)** – The employer's periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the parameters.

7. **Explicit Subsidy** – The difference between (a) the amounts required to be contributed by the retirees based on the premium rates and (b) actual cash contribution made by the employer.

8. **Funded Ratio** – The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

9. **Healthcare Cost Trend Rate** – The rate of change in the per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

10. **Implicit Subsidy** – In an experience-rated healthcare plan that includes both active employees and retirees with blended premium rates for all plan members, the difference between (a) the age-adjusted premiums approximating claim costs for retirees in the group (which, because of the effect of age on claim costs, generally will be higher than the blended premium rates for all group members) and (b) the amounts required to be contributed by the retirees.

11. **Net OPEB Obligation** – The cumulative difference since 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.

12. **Normal Cost** – The portion of the Actuarial Present Value of plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

13. **Pay-as-you-go** – A method of financing a benefit plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

14. **Per Capita Costs** – The current cost of providing postretirement health care benefits for one year at each age from the youngest age to the oldest age at which plan participants are expected to receive benefits under the plan.

15. **Present Value of Future 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. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.

16. **Select and Ultimate Rates** – Actuarial assumptions that contemplate different rates for successive years. Instead of a single assumed rate with respect to, for example, the investment return assumption, the actuary may apply different rates for the early years of a projection and a single rate for all subsequent years. For example, if an actuary applies an assumed investment return of 8% for year 20W0, then 7.5% for 20W1, and 7% for 20W2 and thereafter, then 8% and 7.5% select rates, and 7% is the ultimate rate.

17. **Substantive Plan** – The terms of an OPEB plan as understood by the employer(s) and plan members.

# APPENDIX

## Appendix A – GASB Results by Fund

Below is the summary of the GASB results for fiscal year ending December 31, 2008.

| | ***Actuarial Accrued Liabilities (AAL)*** | ***Annual Required Contribution (ARC)*** | ***Net OPEB Obligation (NOO)*** |
|---|---|---|---|
| | *As of January 1, 2008* | *For 2008* | *As of December 31, 2008* |
| General Fund | $ 14,537,172 | $ 1,731,258 | $ 2,745,138 |
| Highway Fund | 1,523,936 | 179,306 | 237,084 |
| Library Fund | 63,878 | 5,255 | 2,173 |
| Human Services Fund | 2,661,773 | 317,267 | 410,098 |
| Airport Fund | 588,718 | 79,142 | 122,770 |
| Badger Prairie Fund | 895,307 | 120,536 | 130,424 |
| Public Health Fund | 356,125 | 84,389 | 109,682 |
| Solid Waste Fund | 210,065 | 19,621 | 23,246 |
| Printing and Services Fund | 92,527 | 10,623 | 12,917 |
| Consolidated Food Service Fund | 206,924 | 25,766 | 24,878 |
| Firearms Training Fund | 61,452 | 3,772 | 22,394 |
| Land Information Fund | 26,168 | 4,133 | 7,372 |
| Methane Gas Fund | 13,335 | 1,004 | 1,004 |
| Returning Termed | 2,154,945 | 132,296 | 263,499 |
| **TOTAL** | **$ 23,392,325** | **$ 2,714,368** | **$ 4,112,679** |

# Appendix B – Active Age-Service Distribution

## Active Employees with Coverage

| Age | Years of Service | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | < 1 | 1 to 4 | 5 to 9 | 10 to 14 | 15 to 19 | 20 to 24 | 25 to 29 | 30 to 34 | 35 to 39 | 40 & up | Total |
| Under 25 | 18 | 12 | | | | | | | | | 30 |
| 25 to 29 | 24 | 76 | 18 | 1 | | | | | | | 119 |
| 30 to 34 | 30 | 69 | 99 | 25 | | | | | | | 223 |
| 35 to 39 | 9 | 51 | 75 | 83 | 25 | | | | | | 243 |
| 40 to 44 | 10 | 42 | 70 | 78 | 99 | 20 | | | | | 319 |
| 45 to 49 | 14 | 46 | 57 | 65 | 79 | 58 | 14 | 2 | | | 335 |
| 50 to 54 | 15 | 19 | 39 | 50 | 51 | 62 | 37 | 27 | 1 | | 301 |
| 55 to 59 | 3 | 17 | 37 | 39 | 38 | 44 | 25 | 54 | 2 | 1 | 260 |
| 60 to 64 | 3 | 6 | 12 | 21 | 28 | 21 | 7 | 11 | 8 | 1 | 118 |
| 65 & up | 1 | 1 | 4 | 3 | 7 | 1 | 3 | 4 | | | 24 |
| **Total** | **127** | **339** | **411** | **365** | **327** | **206** | **86** | **98** | **11** | **2** | **1,972** |

# Appendix C – Comparison of Participant Demographic Information

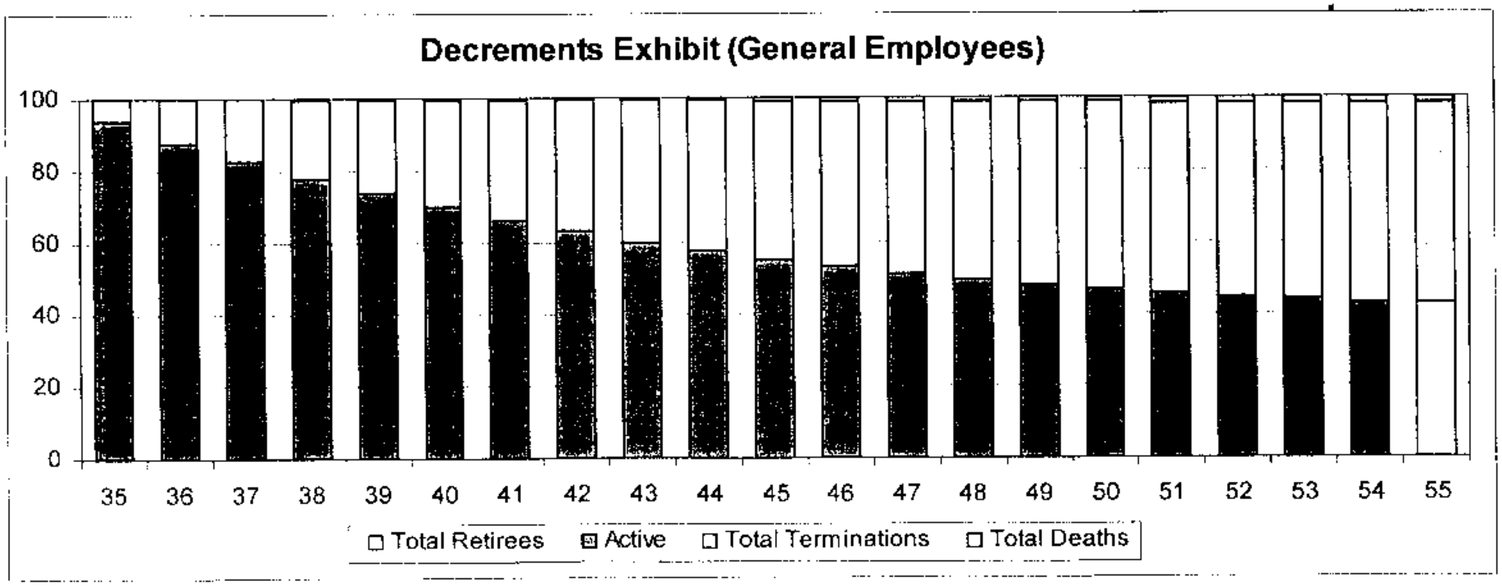
| | 01/01/2009 | 01/01/2006 |
|---|---|---|
| Active Participants | 1,972 | 1,854 |
| Inactive Participants | 516 | 479 |
| Averages for Active | | |
| Age | 44.6 | 45.4 |
| Service | 12.3 | 12.7 |
| Averages for Inactive | | |
| Age | 69.8 | 69.9 |

# Appendix D – Decrements Exhibit (Withdrawal and Mortality Rates)

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. Based on a sample of 100 active general employees whom all are age 35, the selected actuarial assumptions show that 42.949 employees out of the original 100 are expected to retire and could elect retiree health benefits at age 55.

| Age | # Remaining Employees | # Deaths per year | # of Terminations per year | # of Retirements per year | Total Decrements |
|---|---|---|---|---|---|
| 35 | 100.000 | 0.077 | 6.276 | 0.000 | 6.353 |
| 36 | 93.647 | 0.079 | 5.672 | 0.000 | 5.751 |
| 37 | 87.896 | 0.079 | 5.127 | 0.000 | 5.206 |
| 38 | 82.690 | 0.080 | 4.636 | 0.000 | 4.716 |
| 39 | 77.974 | 0.080 | 4.194 | 0.000 | 4.274 |
| 40 | 73.700 | 0.080 | 3.796 | 0.000 | 3.876 |
| 41 | 69.824 | 0.080 | 3.436 | 0.000 | 3.516 |
| 42 | 66.308 | 0.081 | 3.109 | 0.000 | 3.190 |
| 43 | 63.118 | 0.082 | 2.811 | 0.000 | 2.893 |
| 44 | 60.225 | 0.084 | 2.539 | 0.000 | 2.623 |
| 45 | 57.602 | 0.087 | 2.290 | 0.000 | 2.377 |

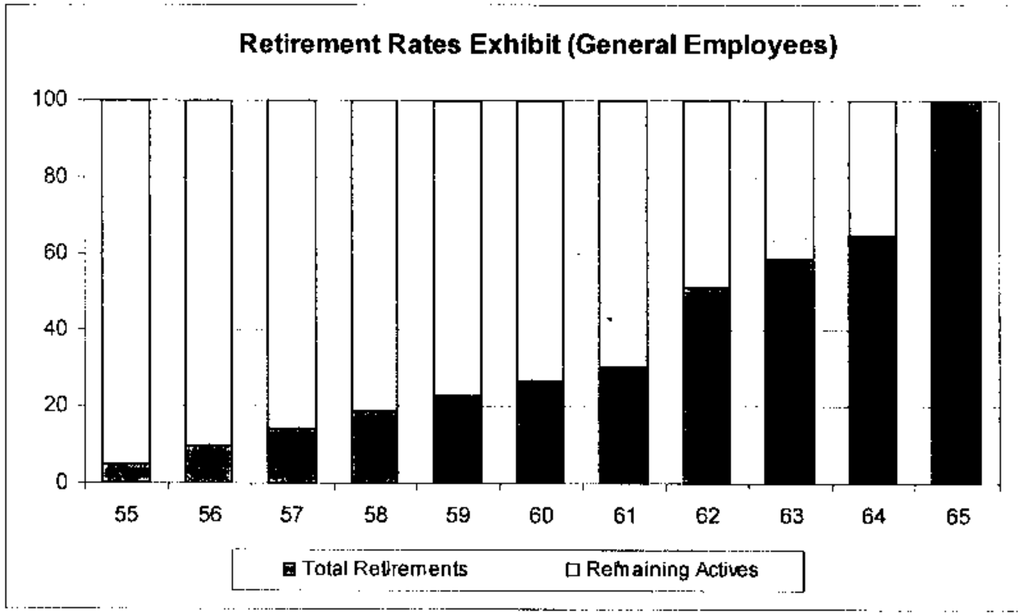
| Age | # Remaining Employees | # Deaths per year | # of Terminations per year | # of Retirements per year | Total Decrements |
|---|---|---|---|---|---|
| 46 | 55.225 | 0.089 | 2.058 | 0.000 | 2.147 |
| 47 | 53.078 | 0.092 | 1.839 | 0.000 | 1.931 |
| 48 | 51.147 | 0.095 | 1.629 | 0.000 | 1.724 |
| 49 | 49.423 | 0.099 | 1.425 | 0.000 | 1.524 |
| 50 | 47.899 | 0.102 | 1.227 | 0.000 | 1.329 |
| 51 | 46.570 | 0.114 | 1.037 | 0.000 | 1.151 |
| 52 | 45.419 | 0.121 | 0.856 | 0.000 | 0.977 |
| 53 | 44.442 | 0.130 | 0.688 | 0.000 | 0.818 |
| 54 | 43.624 | 0.139 | 0.536 | 0.000 | 0.675 |
| 55 | 42.949 | 0.000 | 0.000 | 42.949 | 42.949 |



# Appendix E – Retirement Rates Exhibit

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. The selected retirement rates show the number of employees who are assumed to retire annually based on a sample of 100 general employees (age 55) who are eligible for retiree health care coverage. The average age at retirement is 62.0.

| Age | Active Employees BOY | Annual Retirement Rates | # Retirements per year | Active Employees EOY |
|---|---|---|---|---|
| 55 | 100.000 | 5.00% | 5.000 | 95.000 |
| 56 | 95.000 | 5.00% | 4.750 | 90.250 |
| 57 | 90.250 | 5.00% | 4.513 | 85.738 |
| 58 | 85.738 | 5.00% | 4.287 | 81.451 |
| 59 | 81.451 | 5.00% | 4.073 | 77.378 |
| 60 | 77.378 | 5.00% | 3.869 | 73.509 |
| 61 | 73.509 | 5.00% | 3.675 | 69.834 |
| 62 | 69.834 | 30.00% | 20.950 | 48.884 |
| 63 | 48.884 | 15.00% | 7.333 | 41.551 |
| 64 | 41.551 | 15.00% | 6.233 | 35.318 |
| 65 | 35.318 | 100.00% | 35.318 | 0.000 |






ALLIANCE BENEFIT GROUP

# Appendix F – Illustration of GASB Calculations for Non-Actuaries

The purpose of the illustration is to familiarize non-actuaries with the GASB 45 actuarial calculation process.

## I. Facts

1. The employer provides subsidized retiree health coverage worth $100,000 to employees retiring at age 55 with 25 years of service. The employer funds for retiree health coverage on a pay-as-you-go basis.

2. Employee X is age 50 and has worked 20 years with the employer.

3. Retiree health subsidies are paid from the general fund assets which are expected to earn 4.5% per year on a long-term basis.

4. Based on Employee X's age and sex he has a 98.0% probability of living to age 55 and a 95.0% probability of continuing to work to age 55.

## II. Calculation of Present Value of Future Benefits

**Present Value of Future Benefits** represents the cost to finance benefits payable in the future to current and future retirees and beneficiaries, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.

| | Value | Description |
|---|---|---|
| A. | $100,000 | Projected benefit at retirement |
| B. | 80.2% | Interest discount for five years = $(1 / 1.045)^5$ |
| C. | 98.0% | Probability of living to retirement age |
| D. | 95.0% | Probability of continuing to work to retirement age |
| E. | $74,666 | Present value of projected retirement benefit measured at employee's current age = A x B x C x D |


ALLIANCE BENEFIT GROUP

# Appendix F – Continued

## III. Calculation of Actuarial Accrued Liability

**Actuarial Accrued Liability** represents the portion of the Present Value of Future Benefits which has been accrued recognizing the employee's past service with the employer. The Actuarial Accrued Liability is a required disclosure in the Required Supplementary Information section of the employer's financial statement.

| | Value | Description |
|---|---|---|
| A. | $74,666 | Present value of projected retirement benefit measured at employee's current age |
| B. | 20 | Current years of service with employer |
| C. | 25 | Projected years of service with employer at retirement |
| D. | $59,733 | Actuarial accrued liability measured at employee's current age = A x B / C |

## IV. Calculation of Normal Cost

**Normal Cost** represents the portion of the Present Value of Future Benefits allocated to the current year.

| | Value | Description |
|---|---|---|
| A. | $74,666 | Present value of projected retirement benefit measured at employee's current age |
| B. | 25 | Projected years of service with employer at retirement |
| C. | $2,987 | Normal cost measured at employee's current age = A / B |

## V. Calculation of Annual Required Contribution

**Annual Required Contribution** is the total expense for the current year to be shown in the employer's income statement.

| | Value | Description |
|---|---|---|
| A. | $2,987 | Normal Cost for the current year |
| B. | $3,509 | 30-year amortization (level dollar method) of Unfunded Actuarial Accrued Liability using a 4.5% interest rate discount factor |
| C. | $292 | Interest adjustment = 4.5% x (A + B) |
| D. | $6,788 | Annual Required Contribution = A + B + C |