

**Huntington Union Free School District**  
Actuarial Valuation Postretirement Benefits  
(GASB 45) as of July 1, 2010  
With Estimated Disclosures for the Year Ended June 30, 2011

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## SECTION I - Executive Summary

### Introduction

The Huntington Union Free School District is required to prepare its financial statements in accordance with accounting principles generally accepted in the United States. Accordingly, the school district is required to disclose its obligations for post employment benefits. In addition to pensions, these benefits include health insurance paid on behalf of retirees. Guidance for the disclosure required is contained in Governmental Accounting Standards Board Statement No. 45 - "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions" (GASB No. 45). This report has been prepared to determine the future obligations of the Huntington Union Free School District and provide the information necessary to be included in the financial statements to satisfy the reporting and disclosure requirements as set forth in GASB No. 45.

### Summary of Results

The following table displays the most important items derived from the July 1, 2010 valuation that are necessary for required GASB 45 disclosure.

<u>Disclosures</u>		<u>Valuation</u>
Present Value of Future Benefits Payments	\$	258,323,085
Unfunded Actuarial Accrued Liability (UAAL)	\$	187,917,500
Annual Required Contribution (ARC)	\$	18,310,201
Expected Benefit Payments for Fiscal Year Ended June 30, 2011	\$	5,669,564
Increase in Net OPEB Obligation in Fiscal Year	\$	12,241,735
Net OPEB Obligation (NOO) as of June 30, 2011	\$	36,117,956

*Appendix 3 contains an explanation of these Disclosure items.*

The UAAL and participant count by benefit group is as follows:

<u>Group</u>	<u>Liability</u>	<u>Count</u>
Active	\$ 112,670,966	743
Retired / Survivors	\$ 75,246,534	653
Total	\$ 187,917,500	1,396

### Benefit Provisions

The Huntington Union School Free School District provides medical, Medicare Part B, vision, dental, and life insurance benefits to its retired employees, and, with the exception of life insurance benefits, to their spouses. Employees are eligible for these benefits upon retirement at age 55 or over with at least 5 years of service.

The school district pays from 85% to 70% of the cost for individual coverage and 85% to 60% of the cost of their spouse or dependent coverage. The school district pays the entire cost of the Medicare part B premium for both the retiree and spouse.

Upon the retiree's death the surviving spouse must pay the full cost of all coverage except for Medicare Part B, which continues to be provided at no cost.

**Economic Assumptions:**

The employer, with the approval of the auditor, is responsible for selecting the economic assumptions as of the disclosure date. The following table details the selected economic assumptions for the current fiscal year:

Census Collection Date .....	July 1, 2010
Assumption Selection Date.....	July 1, 2010
Funding Interest Rate* .....	4.00%
06/30/2011 Medical Cost Trend Rate .....	12.10%
Ultimate Medical Cost Trend Rate .....	5.00%
Fiscal year Ultimate Medical Trend Rate Reached.....	06/30/2016
Actuarial Cost Method.....	Projected Unit Credit (PUC)

*\* Reflects current funding policy (assumes no funding / pay-as-you-go funding). Increasing the interest rate by 1% will decrease the liability by 14.75%.*

**Changes included in current valuation:**

1. Current year premiums were used for per capita costs.
2. Inflation factors (trends) were moved forward one year and the initial trend rate was changed to better reflect anticipated experience.

## SECTION II - Certification

### Actuarial Certification

The financial results of the actuarial valuation are summarized in this report. The valuation has been prepared as of July 1, 2010. The detail charts included in this Executive Summary highlight the results of the valuation. Additional information summarizing the census, actuarial assumptions, plan provisions, and a glossary of selected terms used in this study are also included in this report.

The valuation is based on the July 1, 2010 census data and plan information as provided by the employer. We have reviewed both the census and financial data for reasonableness, but have not completed an independent audit of the information.

All costs, liabilities, and other factors under the plan were determined in accordance with generally accepted actuarial principles and procedures. The calculations are consistent and undertaken with our understanding of Statement of Governmental Accounting Standards Number 45 (GAS 45). In our opinion, the actuarial assumptions are reasonable, taking into account the experience of the plan and reasonable expectations and, individually represent our best estimate of the anticipated experience under the plan.

I have no relationship with the employer or the plan that would objectively impair, or appear to impair, my ability to perform the work detailed in this report.

I certify that I am member of the American Academy of Actuaries and meet its Qualification Standards to provide an actuarial opinion in accordance with GASB 45.

  
James MacDonald, FSA, EA

March 24, 2011

## SECTION III - Notes to Financial Statements

The GASB standard on accounting for postretirement benefits other than pensions requires the following disclosures in the financial statements with regard to the retiree benefit liability:

### 1. A Brief Description of the Retiree Medical Plan:

- |                         |  |  |                   |            |                        |             |                    |            |                         |             |                 |            |               |                     |        |                     |
|-------------------------|--|--|-------------------|------------|------------------------|-------------|--------------------|------------|-------------------------|-------------|-----------------|------------|---------------|---------------------|--------|---------------------|
| a.                      | Plan Types:  | The school district provides medical, Medicare Part B, major medical, vision and term life insurance benefits to its eligible retirees. The benefits are provided through fully insured plans that are sponsored by a regional health insurance consortium.  |                   |            |                        |             |                    |            |                         |             |                 |            |               |                     |        |                     |
| b.                      | Eligibility  | Employees are required to reach age 55 and have 5 years of service to qualify for OPEB. See discussion beginning on page 13 for eligibility requirements for each employee group.  |                   |            |                        |             |                    |            |                         |             |                 |            |               |                     |        |                     |
| c.                      | Benefit Cost Sharing<br>(Individual Coverage):                             | The school district pays from 85% to 70% of the retiree's medical benefits depending on the employee group.  |                   |            |                        |             |                    |            |                         |             |                 |            |               |                     |        |                     |
| d.                      | Spouse Benefit:  | The school district contributes towards the cost of eligible spouses during the retiree's lifetime. The district will pay 85% to 60% of the cost of the benefits depending on the employee group.  |                   |            |                        |             |                    |            |                         |             |                 |            |               |                     |        |                     |
| e.                      | Medicare Part B:   | The school district pays 100% of the cost for Medicare Part B for employees that are eligible for this benefit.  |                   |            |                        |             |                    |            |                         |             |                 |            |               |                     |        |                     |
| f.                      | Surviving Spouse Benefit:  | Upon the retiree's death the surviving spouse must pay the full cost of all coverage except for Medicare Part B, which continues to be provided at no cost.  |                   |            |                        |             |                    |            |                         |             |                 |            |               |                     |        |                     |
| g.                      | Annual Premiums for Retirees<br>effective as of July 1, 2010: <sup>1</sup> | <table border="0" style="width: 100%;"> <tr> <td style="width: 80%;">Pre 65 Individual</td> <td style="text-align: right;">\$7,348.08</td> </tr> <tr> <td>Pre 65 Family / Spouse</td> <td style="text-align: right;">\$15,971.16</td> </tr> <tr> <td>Post 65 Individual</td> <td style="text-align: right;">\$4,412.04</td> </tr> <tr> <td>Post 65 Family / Spouse</td> <td style="text-align: right;">\$10,095.76</td> </tr> <tr> <td>Medicare Part B</td> <td style="text-align: right;">\$1,326.00</td> </tr> <tr> <td>Major Medical</td> <td style="text-align: right;">\$137.40 / \$337.80</td> </tr> <tr> <td>Dental</td> <td style="text-align: right;">\$408.36 / \$765.36</td> </tr> </table> | Pre 65 Individual | \$7,348.08 | Pre 65 Family / Spouse | \$15,971.16 | Post 65 Individual | \$4,412.04 | Post 65 Family / Spouse | \$10,095.76 | Medicare Part B | \$1,326.00 | Major Medical | \$137.40 / \$337.80 | Dental | \$408.36 / \$765.36 |
| Pre 65 Individual       | \$7,348.08   |  |                   |            |                        |             |                    |            |                         |             |                 |            |               |                     |        |                     |
| Pre 65 Family / Spouse  | \$15,971.16  |  |                   |            |                        |             |                    |            |                         |             |                 |            |               |                     |        |                     |
| Post 65 Individual      | \$4,412.04   |  |                   |            |                        |             |                    |            |                         |             |                 |            |               |                     |        |                     |
| Post 65 Family / Spouse | \$10,095.76  |  |                   |            |                        |             |                    |            |                         |             |                 |            |               |                     |        |                     |
| Medicare Part B         | \$1,326.00   |  |                   |            |                        |             |                    |            |                         |             |                 |            |               |                     |        |                     |
| Major Medical           | \$137.40 / \$337.80  |  |                   |            |                        |             |                    |            |                         |             |                 |            |               |                     |        |                     |
| Dental                  | \$408.36 / \$765.36  |  |                   |            |                        |             |                    |            |                         |             |                 |            |               |                     |        |                     |
| h.                      | Life Insurance Premiums  | <table border="0" style="width: 100%;"> <tr> <td style="width: 80%;">\$100,000 Term</td> <td style="text-align: right;">\$540.00</td> </tr> <tr> <td>\$50,000 Term</td> <td style="text-align: right;">\$270.00</td> </tr> <tr> <td>\$4,000 Term</td> <td style="text-align: right;">\$21.60</td> </tr> <tr> <td>\$2,000 Term</td> <td style="text-align: right;">\$21.60</td> </tr> </table>  | \$100,000 Term    | \$540.00   | \$50,000 Term          | \$270.00    | \$4,000 Term       | \$21.60    | \$2,000 Term            | \$21.60     |                 |            |               |                     |        |                     |
| \$100,000 Term          | \$540.00   |  |                   |            |                        |             |                    |            |                         |             |                 |            |               |                     |        |                     |
| \$50,000 Term           | \$270.00   |  |                   |            |                        |             |                    |            |                         |             |                 |            |               |                     |        |                     |
| \$4,000 Term            | \$21.60  |  |                   |            |                        |             |                    |            |                         |             |                 |            |               |                     |        |                     |
| \$2,000 Term            | \$21.60  |  |                   |            |                        |             |                    |            |                         |             |                 |            |               |                     |        |                     |

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<sup>1</sup> Figures presented here reflect gross premiums.

GASB 45 Disclosure Requirements - Estimated:

**Estimated Plan Results for GASB 45**

Annual OPEB Cost and Net OPEB Obligation	
1. Normal Cost	\$ 7,505,314
2. Supplemental Cost*	10,449,315
3. Interest	355,572
4. Annual Required Contribution (ARC) [ 1 + 2 + 3 ]	\$ 18,310,201
5. Interest on Net OPEB Obligation	955,049
6. Adjustment to ARC	1,353,951
7. Annual OPEB Cost (Expense) [ 4 + 5 - 6 ]	\$ 17,911,299
8. Contributions made (assumed mid of year)*	5,669,564
9. Increase in net OPEB Obligation [ 7 - 8 ]	\$ 12,241,735
10. Net OPEB Obligation - July 1, 2010	23,876,221
11. Net OPEB Obligation - June 30, 2011 [ 9 + 10 ]	\$ <u>36,117,956</u>

\*Contribution was assumed to equal Expected Benefit Payments. The preparer of the financial statements should calculate the Net OPEB Obligation and related disclosure using the school district 's actual OPEB payments.

**Summary of Annual Results:**

Huntington Union Free School District's annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending June 30, 2011 is as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$18,000,917	30.8%	\$12,450,197
June 30, 2010	\$16,511,912	30.8%	\$23,876,221
June 30, 2011	\$17,911,299	31.7%	\$36,117,956

**Funded Status and Funding Progress:**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrual Liability (AAL) (b)	Unfunded AAL (UAAL) (b -a)	Funded Ratio (a / b)	Estimated Covered Payroll (c)	UAAL as a Percentage of covered payroll (AAL) ((b-a)/c)
7/1/2008	\$ 0	\$ 164,463,546	\$ 164,463,546	NA	\$ 55,488,404	296.39%
7/1/2009	\$ 0	\$ 165,159,018	\$ 165,159,018	NA	\$ 52,338,096	315.56%
7/1/2010	\$ 0	\$ 187,917,500	\$ 187,917,500	NA	\$ 49,661,523	378.40%

## SECTION IV - Development of Annual OPEB Expense

### GASB 45 LIABILITIES, ANNUAL REQUIRED CONTRIBUTION AND ANNUAL OPEB COST Combined Results

<b>I. Present Value of Future Benefits</b>		
a. Retirees		\$ 75,246,534
b. Active Employees		\$ 183,076,551
c. Total		\$ <u>258,323,085</u>
<b>II. Unfunded Actuarial Accrued Liability (UAAL)</b>		
a. Retirees		\$ 75,246,534
b. Fully Eligible Employees		\$ 40,448,770
c. Other Active Employees		\$ 72,222,196
d. Total		\$ <u>187,917,500</u>
<b>III. Annual Required Contribution (ARC)</b>		
a. Normal Cost		\$ 7,505,314
b. Supplemental Cost		
i. Funding liability		\$ 187,917,500
ii. Actuarial Assets		\$ 0
iii. Unfunded Actuarial Accrued Liability [ (i) - (ii) ]		\$ 187,917,500
iv. Amortization Period		30
v. Supplemental Cost <sup>2</sup>		\$ 10,449,315
c. Beginning Of Year Contribution [A. + B. (v)]		\$ 17,954,629
d. Compound Interest to Year End		\$ 355,572
e. Preliminary ARC [C. + D.]		\$ <u>18,310,201</u>
<b>IV. Annual OPEB Expense and Net OPEB Obligation:</b>		
a. Annual Required Contribution (ARC) [III. E.]		\$ 18,310,201
b. Interest on net OPEB Obligation, Beginning of year		\$ 955,049
c. Adjustment to ARC		\$ 1,353,951
d. Annual OPEB Cost (Expense) [ a + b - c ]		\$ <u>17,911,299</u>
e. Net OPEB Obligation, July 1, 2010		\$ 23,876,221
f. Expected Benefit Payments <sup>3</sup>		\$ 5,669,564
g. Net OPEB Obligation, June 30, 2011 [ d + e - f ]		\$ <u>36,117,956</u>

#### Key Actuarial Assumptions

Census Collection Date	July 1, 2010
Funding interest Rate	4.00%
06/30/2011 Trend Rate	12.10%
06/30/2012 Trend Rate	9.00%
Ultimate Trend Rate	5.00%
Fiscal year ultimate trend rate reached	06/30/2016

<sup>2</sup> The Supplemental cost is the amortization of the Unfunded Actuarial Accrued Liability. The school district has elected to amortize this liability over 30 years, as permitted by GASB No. 45.

<sup>3</sup> Contribution was assumed to equal Expected Benefit Payments. The preparer of the financial statements should calculate the Net OPEB Obligation and related disclosure using the school district's actual OPEB payments

**V. Summary of Annual Results:**

Huntington Union Free School District's annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending June 30, 2011 is as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$18,000,917	30.8%	\$12,450,197
June 30, 2010	\$16,511,912	30.8%	\$23,876,221
June 30, 2011	\$17,911,299	31.7%	\$36,117,956

**VI. Funded Status and Funding Progress:**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrual Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a / b)</u>	<u>Estimated Covered Payroll (c)</u>	<u>UAAL as a Percentage of covered payroll (AAL) ((b-a)/c)</u>
7/1/2008	\$ 0	\$ 164,463,546	\$ 164,463,546	NA	\$ 55,488,404	296.39%
7/1/2009	\$ 0	\$ 165,159,018	\$ 165,159,018	NA	\$ 52,338,096	315.56%
7/1/2010	\$ 0	\$ 187,917,500	\$ 187,917,500	NA	\$ 49,661,523	378.40%

**VII. Projected Benefit Payments:**

The table below illustrates the projected benefit payments for the ten year period ending June 30, 2020 and has been developed based on our understanding of the benefits offered to retirees. The amount captured in the column labeled active, represents a proportionate share of emerging retirees. Since these figures are estimates / projections, actual benefit payments should be used in arriving at a final figure for the June 30, 2011 Net OPEB Obligation (NOO).

<u>Years</u>	<u>Fiscal Year</u>	<u>Active on 07/01/2010</u>	<u>Retiree on 07/01/2010</u>	<u>Amount</u>	<u>Accumulated</u>
1	06/30/2011	\$ 440,331	\$ 5,229,233	\$ 5,669,564	\$ 5,669,564
2	06/30/2012	\$ 833,445	\$ 5,474,383	\$ 6,307,828	\$ 11,977,392
3	06/30/2013	\$ 1,226,982	\$ 5,567,998	\$ 6,794,980	\$ 18,772,372
4	06/30/2014	\$ 1,654,859	\$ 5,617,368	\$ 7,272,227	\$ 26,044,599
5	06/30/2015	\$ 2,116,844	\$ 5,603,928	\$ 7,720,772	\$ 33,765,371
6	06/30/2016	\$ 2,574,792	\$ 5,519,913	\$ 8,094,705	\$ 41,860,076
7	06/30/2017	\$ 2,982,011	\$ 5,375,583	\$ 8,357,594	\$ 50,217,670
8	06/30/2018	\$ 3,517,169	\$ 5,222,680	\$ 8,739,849	\$ 58,957,519
9	06/30/2019	\$ 4,111,559	\$ 5,064,074	\$ 9,175,633	\$ 68,133,152
10	06/30/2020	\$ 4,684,114	\$ 4,891,658	\$ 9,575,772	\$ 77,708,924

## SECTION V - Census Information

This section details the statistics related to the participants in the postretirement benefit plan. The census collection date is July 1, 2010.

The file that was used to prepare the GASB 45 valuation was provided by the school district. Our understanding is that this file represents the population of the school district's active and retired employees as of July 1, 2010, the census collection date.

The census file contained 1,432 records. The GASB 45 valuation excluded 36 records because the employee may have been hired after the census collection date (July 1, 2010) or the records represented individuals that are not entitled to benefits.

Employee and Retiree Counts by Gender:

	As of July 1, 2010		Total
	Actives	Retirees and Survivors	
Male	162	205	367
Female	581	448	1,029
Total	743	653	1,396

Active - Counts by Age and Eligibility Status:

Age	Active Employees as of July 1, 2010		TOTAL
	Not Currently Eligible to Retire	Currently Eligible to Retire <sup>4</sup>	
29 and Under	53		53
30 - 34	86		86
35 - 39	88		88
40 - 44	74		74
45 - 49	121		121
50 - 54	138		138
55 - 59	8	83	91
60 - 64	5	61	66
65 and Over		26	26
Total	573	170	743

Retiree and Covered Spouses - Counts by Age:

Age	Retired as of July 1, 2010		TOTAL
	Retirees and Survivors	Spouses	
54 and Under	2	1	3
55 - 59	16	11	27
60 - 64	77	40	117
65 - 69	121	58	179
70 - 74	79	43	122
75 - 79	125	55	180
80 and Over	233	61	294
Total	653	269	922

<sup>4</sup> These active employees have met the minimum age and service requirements needed to vest in an OPEB benefit upon retirement.

Average age and Service:

As of July 1, 2010

**Active Employees:**

A. Average Age at Hire:

Males	32.1
Females	35.9

B. Average Service

Males	12.8
Females	11.4

C. Average Current Age

Males	44.9
Females	47.3

**Current Retirees:**

D. Average Current Age

Males	76.0
Females	75.5

Active Employees by Age and Service as of July 1, 2010 using the census collected on July 1, 2010.

AGE	YEARS OF SERVICE								TOTAL
	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 Plus	
20 to 24	11								11
25 to 29	27	15							42
30 to 34	22	50	14						86
35 to 39	12	38	36	2					88
40 to 44	11	22	28	12	1				74
45 to 49	25	34	28	13	18	2	1		121
50 to 54	17	40	41	13	10	15	2		138
55 to 59	8	18	30	8	8	11	5	3	91
60 to 64	5	10	16	13	16	4		2	66
65 Plus		7	1	4	8	2	3	1	26
TOTAL	138	234	194	65	61	34	11	6	743

## SECTION VI - Assumptions and Methodology

1. **Census Collection Date:** The census used in this report represents the eligible population as of July 1, 2010. This data was rolled forward one year for the purposes of developing the report and estimated disclosures for the year ended 6/30/2011.
2. **Mortality:** RP-2000 Combined Mortality Table
3. **Funding Interest Rate:** An interest rate of 4.00% was used
4. **Retirement Rates:** The following are representative assumed retirement rates for eligible employees:

<b>Teaching Positions<sup>5</sup></b>				
<b>Age</b>	<b>Male</b>		<b>Female</b>	
	Under 30	>30	Under 30	>30
	Years of Service	Years of Service	Years of Service	Years of Service
55	0.0941	0.3763	0.0667	0.3070
60	0.0751	0.3002	0.0585	0.2338
65	0.3229	0.3229	0.3251	0.3251
69	0.2142	0.2142	0.2704	0.2704
>=70	1.0000	1.0000	1.0000	1.0000

<b>Non-Teaching Positions<sup>6</sup></b>			
<b>AGE</b>	<b>10 to 19 Years</b>	<b>20 to 29 Years</b>	<b>Over 30 Years</b>
55	0.0552	0.0924	0.3285
60	0.0662	0.1250	0.2690
64	0.1900	0.3196	0.3116
>=65	1.0000	1.0000	1.0000

5. **Termination Rates:** These rates represent the percentage of employees who will terminate employment at the given age each year, for reasons other than death, or retirement:

<b>ULTIMATE RATES</b>			
<b>Age</b>	<b>Teaching Positions:</b>		<b>Non-Teaching Positions:</b>
	<b>Male</b>	<b>Female</b>	
35	0.00990	0.03700	0.02692
40	0.00920	0.01970	0.02198
45	0.00760	0.01110	0.01805
50	0.00890	0.01180	0.01360

6. **Trend - Life Insurance:** No trend was applied to term life insurance premiums.
7. **Participation Rate:** It was assumed that 100% of future retirees eligible for coverage will elect the benefit.

<sup>5</sup> Refers to employees that are eligible for the New York State Teachers Retirement System

<sup>6</sup> Refers to employees that are eligible for the New York State Employees Retirement System

8. Trend - medical, Medicare Part B, major medical, vision, and dental:

It was assumed that health care costs would increase in accordance with the trend rates in the following table:

Year	Medical/Medicare Part B/ Vision	Dental
06/30/2011	12.10% <sup>7</sup>	5.00%
06/30/2012	9.00%	4.00%
06/30/2013	8.00%	3.00%
06/30/2014	7.00%	2.00%
06/30/2015	6.00%	1.00%
06/30/2016	5.00%	1.00%

9. Participation Rate: It was assumed that 100% of future retirees eligible for coverage will elect the benefit.
10. Sick time accumulations: For purposes of this valuation, it has been assumed that future retirees will have accumulated 100 days of unused time. The value of this time is used to offset retiree contributions for OPEB. These 100 days were valued using the current salary for active employees; a 3.00% inflation rate was used to project salaries to retirement eligibility.
11. Percent Married: It was assumed that 80% of future retirees will be married, with male spouses assumed to be 3 years older than female spouses. For current retirees, actual census information was used.
12. Actuarial Value of Assets: None
13. Per Capita Claim Costs: Are based on the premiums levels of the plans utilized. The premium levels are summarized in the plan provisions in section of this report.
14. Administrative Expenses: Included in the premiums used
15. Actuarial Cost Method: This report was developed using the Projected Unit Credit (PUC) cost method.

**Actuarial Cost Method:**

An Actuarial Cost Method develops an *orderly allocation* of the actuarial present value of benefits payments over the working lifetime of the participants in the plan. The actuarial present value of benefits and expenses which is allocated to a particular valuation year by the actuarial cost method is called the Normal Cost. The actuarial present value of benefits and expenses which is not provided by future Normal Costs is called the Actuarial Accrued Liability. The Unfunded Actuarial Accrued Liability is amortized over future years in accordance with the employer's established accounting policy.

16. Additional Comments The amounts in this OPEB valuation represent a closed group and do not reflect new entrants after the census collection date, July 1, 2010.

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<sup>7</sup> Based on actual premium increase 2008 to 2009

## SECTION VII - Plan Provisions

The district provides medical, Medicare Part B, major medical, vision and term life insurance benefits to retired employees and their eligible dependents. The benefits provided to employees upon retirement are based on provisions in various contracts that the district has in place with different classifications of employees.

The school district is part of acquires health insurance through a consortium known as the New York State Health Insurance Program (NYSHIP). Benefits provided by NYSHIP are administered by Empire BlueCross BlueShield, United HealthCare, GHI/Value Options and Empire BlueCross BlueShield/Caremark. The NYSHIP plan covers medical and pharmaceutical costs. Refer to the plan documents for the specifics and limitations of the coverage offered to retirees. Many of the services in the NYSHIP plan require co-payments at various levels depending on the nature of the service.

The benefits provided and the eligibility requirements are summarized below:

Group	Age / Service	Contributions	Benefits	Comments
<b>Group 1:</b> • Superintendent <sup>8</sup> • DSPA • Administrators	• Age - 55 • Service - 5	• Individual - 15% • Family - 15%	• Medical • Excess major medical / Vision • Dental • Medicare Part B • Life insurance	Life Insurance is fully paid by the school Coverage is as follows: \$100,000 to age 65; and \$4,000 age 70 and beyond
<b>Group 2:</b> • Non Contractual • Central Office	• Age - 55 • Service - 5	• Individual - 15% • Family - 15%	• Medical • Excess major medical / Vision • Dental • Medicare Part B • Sick Bank • Life Insurance	• Retirees are permitted to use accumulated sick time to offset the cost of OPEB. • Life Insurance is fully paid by the school Coverage is as follows <sup>9</sup> : \$50,000 to age 65; and \$2,000 age 70 and beyond
<b>Group 3:</b> • Teachers	• Age - 55 • Service - 5	• Individual - 15% • Family - 15%	• Medical • Medicare Part B	

<sup>8</sup> The superintendent is not required to make contributions for individual or family coverage.

<sup>9</sup> There is 1 employee in this group that receive the same life insurance benefits as Group 1

<b>Group 4:</b> <ul style="list-style-type: none"> <li>• Nurses</li> <li>• Clerical</li> <li>• Custodial</li> <li>• Food Service (hired before 07/01/1987)</li> </ul>	<ul style="list-style-type: none"> <li>• Age - 55</li> <li>• Service - 5</li> </ul>	<ul style="list-style-type: none"> <li>• Individual - 15%</li> <li>• Family - 15%</li> </ul>	<ul style="list-style-type: none"> <li>• Medical</li> <li>• Medicare Part B</li> <li>• Sick Bank</li> </ul>	<p>Retirees are permitted to use accumulated sick time to offset the cost of OPEB.</p>
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<b>Group 5:</b> <ul style="list-style-type: none"> <li>• Aides</li> <li>• Monitors</li> <li>• Assistants</li> <li>• Security</li> </ul>	<ul style="list-style-type: none"> <li>• Age - 55</li> <li>• Service - 5</li> </ul>	<ul style="list-style-type: none"> <li>• Individual - 15%</li> <li>• Family - 30%</li> </ul>	<ul style="list-style-type: none"> <li>• Medical</li> <li>• Medicare Part B</li> <li>• Sick Bank</li> </ul>	<p>Retirees are permitted to use accumulated sick time to offset the cost of OPEB.</p>
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<b>Group 6:</b> <ul style="list-style-type: none"> <li>• Food Service (hired on or after 07/01/1987)</li> </ul>	<ul style="list-style-type: none"> <li>• Age - 55</li> <li>• Service - 5</li> </ul>	<ul style="list-style-type: none"> <li>• Individual - 30%</li> <li>• Family - 40%</li> </ul>	<ul style="list-style-type: none"> <li>• Medical</li> <li>• Medicare Part B</li> <li>• Sick Bank</li> </ul>	<p>Retirees are permitted to use accumulated sick time to offset the cost of OPEB.</p>
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## Appendix 1 - Illustration of Per Capita Costs

### Calculating the Annual Per Capita Cost for Group 1 Active Employees

	Employee		Spouse	
	Pre 65	Post 65	Pre 65	Post 65
1. OPEB Benefit:				
2. Medical	\$7,348.08	\$4,412.04	\$15,971.16	\$10,095.76
3. Dental	\$408.36	\$408.36	\$765.36	\$765.36
4. Excess Major Med / Vision	\$137.40	\$137.40	\$337.80	\$337.80
5. Less Cost of Individual Coverage ( 6 )	-	-	\$7,353.84	\$4,936.20
6. Adjusted cost for Coverage ( 2 + 3 + 4 + 10 - 5 )	\$7,893.84	\$4,957.80	\$9,720.48	\$6,262.72
7. Percentage Contributed by Retiree	15%	15%	15%	15%
8. Contribution from Retiree ( 6 * 7 )	\$1,184.08	\$743.67	\$1,458.07	\$939.41
9. Medicare Part B	-	\$1,326.00	-	\$1,326.00
10. Life Insurance Premium	\$540.00	\$21.60	-	-
Net Cost to District ( 6 + 9 - 8 )	\$7,249.76	\$5,561.73	\$8,262.41	\$6,649.31

### Calculating the Annual Per Capita Cost for Group 2 Active Employees

	Employee		Spouse	
	Pre 65	Post 65	Pre 65	Post 65
1. OPEB Benefit:				
2. Medical	\$7,348.08	\$4,412.04	\$15,971.16	\$10,095.76
3. Dental	\$408.36	\$408.36	\$765.36	\$765.36
4. Excess Major Med / Vision	\$137.40	\$137.40	\$337.80	\$337.80
5. Less Cost of Individual Coverage ( 6 )	-	-	\$7,353.84	\$4,936.20
6. Adjusted cost for Coverage ( 2 + 3 + 4 + 10 - 5 )	\$7,893.84	\$4,957.80	\$9,720.48	\$6,262.72
7. Percentage Contributed by Retiree	15%	15%	15%	15%
8. Contribution from Retiree ( 6 * 7 )	\$1,184.08	\$743.67	\$1,458.07	\$939.41
9. Medicare Part B	-	\$1,326.00	-	\$1,326.00
10. Life Insurance Premium	\$270.00	\$10.80	-	-
Net Cost to District ( 6 + 9 - 8 )	\$6,979.76	\$5,550.93	\$8,262.41	\$6,649.31

**Calculating the Annual Per Capita Cost for Group 3 Active Employees**

	<b>Employee</b>		<b>Spouse</b>	
	<b>Pre 65</b>	<b>Post 65</b>	<b>Pre 65</b>	<b>Post 65</b>
1. OPEB Benefit:				
2. Medical	\$7,348.08	\$4,412.04	\$15,971.16	\$10,095.76
3. Dental	-	-	-	-
4. Excess Major Med / Vision	-	-	-	-
5. Less Cost of Individual Coverage ( 6 )	-	-	\$7,348.08	\$4,412.04
6. Adjusted cost for Coverage ( 2 + 3 + 4 + 10 - 5 )	\$7,348.08	\$4,412.04	\$8,623.08	\$5,683.72
7. Percentage Contributed by Retiree	15%	15%	15%	15%
8. Contribution from Retiree ( 6 * 7 )	\$1,102.21	\$661.81	\$1,293.46	\$852.56
9. Medicare Part B	-	\$1,326.00	-	\$1,326.00
10. Life Insurance Premium	-	-	-	-
Net Cost to District ( 6 + 9 - 8 )	<u>\$6,245.87</u>	<u>\$5,076.23</u>	<u>\$7,329.62</u>	<u>\$6,157.16</u>

**Calculating the Annual Per Capita Cost for Group 4 Active Employees**

	<b>Employee</b>		<b>Spouse</b>	
	<b>Pre 65</b>	<b>Post 65</b>	<b>Pre 65</b>	<b>Post 65</b>
1. OPEB Benefit:				
2. Medical	\$7,348.08	\$4,412.04	\$15,971.16	\$10,095.76
3. Dental	-	-	-	-
4. Excess Major Med / Vision	-	-	-	-
5. Less Cost of Individual Coverage ( 6 )	-	-	\$7,348.08	\$4,412.04
6. Adjusted cost for Coverage ( 2 + 3 + 4 + 10 - 5 )	\$7,348.08	\$4,412.04	\$8,623.08	\$5,683.72
7. Percentage Contributed by Retiree	15%	15%	15%	15%
8. Contribution from Retiree ( 6 * 7 )	\$1,102.21	\$661.81	\$1,293.46	\$852.56
9. Medicare Part B	-	\$1,326.00	-	\$1,326.00
10. Life Insurance Premium	-	-	-	-
Net Cost to District ( 6 + 9 - 8 )	<u>\$6,245.87</u>	<u>\$5,076.23</u>	<u>\$7,329.62</u>	<u>\$6,157.16</u>

**Calculating the Annual Per Capita Cost for Group 5 Active Employees**

	<b>Employee</b>		<b>Spouse</b>	
	<b>Pre 65</b>	<b>Post 65</b>	<b>Pre 65</b>	<b>Post 65</b>
1. OPEB Benefit:				
2. Medical	\$7,348.08	\$4,412.04	\$15,971.16	\$10,095.76
3. Dental	-	-	-	-
4. Excess Major Med / Vision	-	-	-	-
5. Less Cost of Individual Coverage ( 6 )	-	-	\$7,348.08	\$4,412.04
6. Adjusted cost for Coverage ( 2 + 3 + 4 + 10 - 5 )	\$7,348.08	\$4,412.04	\$8,623.08	\$5,683.72
7. Percentage Contributed by Retiree	15%	15%	30%	30%
8. Contribution from Retiree ( 6 * 7 )	\$1,102.21	\$661.81	\$2,586.92	\$1,705.12
9. Medicare Part B	-	\$1,326.00	-	\$1,326.00
10. Life Insurance Premium	-	-	-	-
Net Cost to District ( 6 + 9 - 8 )	<u>\$6,245.87</u>	<u>\$5,076.23</u>	<u>\$6,036.16</u>	<u>\$5,304.60</u>

Calculating the Annual Per Capita Cost for Group 6 Active Employees

	Employee		Spouse	
	Pre 65	Post 65	Pre 65	Post 65
1. OPEB Benefit:				
2. Medical	\$7,348.08	\$4,412.04	\$15,971.16	\$10,095.76
3. Dental	-	-	-	-
4. Excess Major Med / Vision	-	-	-	-
5. Less Cost of Individual Coverage ( 6 )	-	-	\$7,348.08	\$4,412.04
6. Adjusted cost for Coverage ( 2 + 3 + 4 + 10 - 5 )	\$7,348.08	\$4,412.04	\$8,623.08	\$5,683.72
7. Percentage Contributed by Retiree	30%	30%	40%	40%
8. Contribution from Retiree ( 6 * 7 )	\$2,204.42	\$1,323.61	\$3,449.23	\$2,273.49
9. Medicare Part B	-	\$1,326.00	-	\$1,326.00
10. Life Insurance Premium	-	-	-	-
Net Cost to District ( 6 + 9 - 8 )	\$5,143.66	\$4,414.43	\$5,173.85	\$4,736.23

## Appendix 2 - Additional Information on GASB 45

**GASB 45 Accounting** - GASB 45 is an accounting regulation that requires the recognition of cost associated with retirement benefits (other than pensions) during the period that an employees works for an organization. Prior to GASB 45, expenses paid for healthcare and other fringe benefits in retirement were recognized in periods for which the employee did not render any services. Consider the following example:

### Two Employees - 2009

<b>Alexandra</b>		<b>James</b>	
Age:	30	Age:	59
Salary:	\$50,000	Salary:	\$50,000
Health Ins:	\$5,000	Health Ins:	\$5,000
Pension:	\$5,000	Pension:	\$5,000
Fringe:	\$5,000	Fringe:	\$5,000
Total:	\$65,000	Total:	\$65,000

### Two Employees - 2010 (James retires)

<b>Alexandra</b>		<b>James</b>	
Age:	31	Age:	60
Salary:	\$50,000	Salary:	\$0
Health Ins:	\$5,000	Health Ins:	\$5,000
Pension:	\$5,000	Pension:	\$0
Fringe:	\$5,000	Fringe:	\$0
Total:	\$65,000	Total:	\$5,000

- 2009 - Both Employees provide services and the cost to the organization is \$130,000.
- 2010 - James provides no services, but costs the system \$5,000. The current accounting practice generates costs after services have been performed and does not recognize the cost of benefits over the employee's active employment period.

Accrual accounting matches services with the cost of those services. Without GASB 45 there is a mismatch and the organization incurs expenditures subsequent to the termination of employment.

GASB 45 accounting provides a basis for acknowledging the full cost of current benefits. In addition, GASB 45 provides a mechanism for measuring and reporting the future obligation. This information can be helpful in determining how to allocate resources, set pricing for services and assessing the demands on future cash flow.

The rules of GASB 45 accomplish the following: 1. recognizes the fact that employees earn retiree healthcare while working; 2. requires the employer to recognize the cost of retiree healthcare while the employee is working (as is done with pension benefits); and 3. recognizes the employers liability for the benefits that are not funded.

**GASB 45 Funding** - presently New York state law does not permit for funding the GASB 45 liability and benefits. During the spring of 2008, Comptroller Thomas DiNapoli proposed legislation that would permit funding, however, the matter remains unresolved. From an economic perspective, the state may have few options; funding may be inevitable.

**Funding Option** - Organizations that have resources available to fund the liability will want to consider the following funding options:

1. Establish a dedicated trust. This trust would receive irrevocable contributions from the entity to be used to pay future benefits.
2. Use insurance contracts such as annuities that can be used to prefund the liability and generate the required cash flow at a future time.
3. Current benefit funding. Continue the current practice of paying the benefits for the retirees as the bills come in.

Earmarking funds for use for GASB 45 benefit payment does not count as funding under the rules of GASB 45. Funding under GASB 45 requires transferring the funds into an irrevocable trust or purchasing insurance contracts.

**Reasons to Fund the Liability -**

1. To provide benefit security for current and future retirees.
2. Reduce the balance sheet liability for the GASB 45 benefits.
3. Lower long run costs.
4. Generate increased investment income on dedicated resources. This may result in the ability to generate portfolio returns (similar to those earned on a funded pension plan) thereby allowing the organization to increase its discount rate assumption and reduce the GASB 45 liability.  
In this report a discount rate of 4.00% resulted in an accrued liability of \$187,917,500. Increasing the discount rate to a portfolio rate of return of 8% would have resulted in an accrued liability of \$107,096,137 decreasing the accrued liability by 43.01%.
5. Positive impact on borrowing costs. Funding the liability reduces liabilities on the balance sheet and has the potential to improve the bond rating of the organization.
6. Reimbursements - some grants or funding sources may require that costs associated with GASB 45 must be paid rather than accrued to qualify for reimbursement.
7. Intergenerational equity - forces the population that will enjoy the benefits in the future to make the adjustments or sacrifices necessary during their working lifetime. The current practice pushes this burden on to employees in the future similar to the practice used to fund social security.

**Reasons Not to Fund the Liability -**

1. Lack of resources<sup>10</sup>.
2. Financial flexibility - setting funds aside in an irrevocable trust lacks flexibility since it requires the use of those funds for employee benefits.
3. Restrictions on terminating the plan - future changes in healthcare could result in organizational funds being indefinitely restricted.

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<sup>10</sup> Raises the issue on why benefits are offered that are not affordable.

The GASB 45 Liability is driven by a variety of factors. These include:

	<b>Cost Driver</b>	<b>Comment with Respect to Huntington Union Free School District</b>
1.	Rich benefits	Employees may receive medical, major medical, vision and life insurance benefits at retirement.
2.	Low retiree contributions	Active employees contribute from 15% to 30% for the cost of OPEB.
3.	Low turnover	Tenured employees tend to remain employed with the organization.
4.	Mature population	43% of the active population is 50 or older.
5.	Generous early retirement	Employees are permitted to retire as early as age 55.
6.	Collective bargaining restraints	Most of the benefits offered are through collective bargaining agreements. In the past, management did not have information to support decisions made with respect to postretirement health benefits. With the implementation of GASB 45, future negotiations should incorporate this cost element.
7.	Unfunded obligation	Currently, NYS does not permit the funding of the GASB 45 liability beyond the payment of the actual expense for employees that are currently retired. This will cause the liability to compound and grow exponentially.

**Sustainability** - This report reflects the following information with respect to the cost and liability for postretirement benefits:

1. Present Value of Future Benefit Payments totaling \$258,323,085. This is the figure that the organization would set aside in an irrevocable trust to pay in a lump sum for the accumulated cost of GASB 45 benefits. This figure is based on a discount rate of 4.00% and a premium growth rate of 5.00% to 12.10%.
2. Unfunded Actuarial Accrued Liability in the amount of \$187,917,500. This figure represents the amount of the other post employment benefits (OPEB) that the retirees and active employees have earned to date. This figure could also be described as the initial liability created upon implementing GASB 45. The accounting regulations allow for the amortization of this figure over a period of 30 years.
3. Annual Required Contribution (30 year amortization) is the amount that the organization would need to set aside if it were to decide to fund the liability over a 30 year period; the maximum period allowed under GASB 45. For this organization the amount would be \$18,310,201 for the year ending 6/30/2011. This figure includes a portion of the initial liability, the cost accrued for active employees an interest.
4. Normal Cost is the amount that is associated with the cost of the postretirement benefits earned in one year by the active employees. The cost associated with offering these benefits for the active employees is \$7,505,314.
5. Amortization of the initial liability of \$187,917,500 will cost the organization \$10,449,315 per year under the rules of GASB 45.
6. Interest is used to recognize the time value of money. This report includes an interest cost of \$355,572.

**Mitigation** - After giving recognition to the costs associated with postretirement benefits under GASB 45 an organization needs to question the sustainability of the benefits that are offered to its future retirees. One way to assist with sustainability would be to mitigate costs. The organization should consider the following opportunities to reduce costs:

- Review plan provision and determine if the benefits offered could be redesigned in way that may be transparent to the retirees and provide savings to the employer.
- Plan design - many organizations offer the same benefits to retired employees that are offered to active employees. This may cause the organization to miss opportunities to utilize plans that take full advantage of Medicare.
- Plan Management - engage the benefactors of the plan so that they can become active consumers. Educating retirees and active employees about health care decisions and the associated costs may go a long way in controlling costs.
- Identify the benefits that are the most costly and consider how these costs can be reduced or redesigned.
- Consider charging retiree specific rates; especially the pre 65 retiree group. Presently contributions from retirees are based on a blended premium charged to active and retirees.

**Changing Plan Provisions** - Some suggestions for changing plan provisions may include:

- Eligibility - employees qualify for benefits at age 55 with 5 years of service. Consider pushing the age and service limits out to reduce costs.
- Benefit Design:
  - Compare the benefits and compensation package offered to employees with those offered by other similar organizations.
  - Evaluate copayments and deductibles. Consider using Health Savings Accounts to mitigate the cost to employees impacted by any changes.
  - Encourage cost efficient behavior among plan participants.
    - Using mail order drug or drug carve outs with incentives for using generic prescriptions.
    - Offer incentives to enroll into Medicare Advantage plans.
- Change Contributions from dollar based or percentage based to age and service based. Grandfather current employees or those nearing retirement.
- Place caps on employer costs.

## Appendix 3 - Glossary of Terms

- GASB 45, or GASB Statement 45, is an accounting and financial reporting provision requiring government employers to measure and report the liabilities associated with other (than pension) postemployment benefits (or OPEB). Reported OPEBs may include post-retirement medical, pharmacy, dental, vision, life, long-term disability and long-term care benefits that are not associated with a pension plan. Government employers required to comply with GASB 45 include all states, towns, education boards, water districts, mosquito districts, public schools and all other government entities that offer OPEB and report under GASB.
- GASB - Acronym that stands for Governmental Accounting Standards Board. This is the accounting board that sets standards for governmental entities. Following GASB standards allows for the preparation of financial statements that are in conformity with Generally Accepted Accounting Principles (GAAP).
- OPEB - Acronym that stands for Other Post-Employment Benefits.
- The Present Value of Future Benefit Payments (PVFBP) The PVFBP is the amount which, if contributed at the valuation date, is expected to pay the employer-provided portion of the retiree health premium for every current plan participant. A contribution equal to the PVFBP will be just enough to pay for these employer-provided health premiums provided the actuarial assumptions in the report are realized. The actuarial assumptions include expected rates of medical premium inflation plus expected rates of participant death, termination of employment, and retirement.  
If the PVFBP is contributed at the valuation date then, provided all actuarial assumptions are realized, and provided that no new participants are hired, no future contributions will be required.

This present value is not used directly in the expense calculation nor is it disclosed. It is, however, a good measure of total exposure.

- The Unfunded Actuarial Accrued Liability (UAAL) is the amount which, if contributed on the plan's first valuation date, makes the plan "well funded" according to a commonly used standard. This standard says that, for participants who are either retired or active but have satisfied the age and service requirements to be eligible for employer-subsidized health benefits at retirement, the UAAL equals the present value of future benefit payments PVFB.

For an active participant who hasn't satisfied these age and service requirements the UAAL is the PVFB multiplied by a ratio. This ratio is the participant's years of service on the valuation date divided by the years of service when the participant satisfies the eligibility requirements.

If the requirement for eligibility is attainment of age 55 with 20 years of service, and a participant is age 45 with 10 years of service on the valuation date, this ratio is 10/20.

- For retired employees and actives who have reached their Full Eligibility Date, the UAAL equals the PVFBP.
- For active employees not yet eligible for full benefits, the UAAL equals a pro rata portion of the PVFBP based on years of service worked prior to the valuation date to those expected to be worked at the Full Eligibility Date.

The UAAL is used in the GASB accounting calculations to establish the plan's funded status, develop the annual required contribution (ARC), and to develop the annual OPEB cost.

- Annual Required Contribution (ARC) / Annual OPEB Cost is an employer's periodic required contribution to an OPEB plan. The ARC is made up of:

Normal Cost	\$7,505,314	(See Below)
Supplemental Cost	\$10,449,315	(See Below)
Interest Cost	<u>\$355,572</u>	(Calculated mid year at 4.00%)
Preliminary ARC	\$18,310,201	
Interest Cost	\$955,049	(on beginning Net OPEB Obligation)
ARC Adjustment	<u>\$1,353,951</u>	(prior year amortization)
Annual OPEB Cost	<u>\$17,911,299</u>	(See Below)

The Annual Required Contribution (ARC) is the amount which, if contributed to a fund each year, will allow the fund to pay for all future employer-provided health premiums.

The ARC has no direct relation to the present value of future benefit payments (PVFBP), but is related to the unfunded actuarial accrued liability (UAAL) in two ways. First the ARC has a supplemental component which amortizes the initial amount of the unfunded actuarial accrued liability (UAAL) as of the first valuation date over a 30 year period. This amortization piece is similar to the payment on a 30 year fixed rate mortgage. In this case the interest rate is the funding interest rate, which is one of the actuarial assumptions.

The second component (normal cost) of the ARC equals one year's worth of benefit accrual for active participants who haven't yet satisfied the age and service requirements.

In the example above the unfunded actuarial accrued liability (UAAL) of the participant age 45 with 10 years of service is 10/20 multiplied by the present value of future benefit payments (PVFBP). In the following year's valuation this unfunded actuarial accrued liability (UAAL) will be 11/20 multiplied by the present value of future benefit payments (PVFBP). This second component pays for this one year of benefit accrual, i.e, the increase in the participant's unfunded actuarial accrued liability (UAAL) due to the 10/20 ratio changing to 11/20.

Annual OPEB Cost - amount is equal to the ARC plus interest on the beginning of the year Net OPEB Obligation (NOO) calculated at 4.00%. The ARC is reduced for amortization amounts recognized in prior periods using the formula below for supplemental cost. This ARC adjustment is based on the prior year NOO of \$23,876,221 as reported in the districts financial statements. *The Annual OPEB Cost will be presented as the post retirement benefit expense in the entity-wide annual financial statements.*

- The Normal Cost is one year's pro rata share of the PVFBP for current active employees. There is no Normal Cost for retirees or active employees who have already met the eligibility conditions for full benefits.
- The Supplemental Cost represents the amortization of the initial unfunded actuarial liability. GASB 45 permits the use of a 10 to 30 year amortization period. This amount is calculated using an annuity due amortization formula.
- The Net OPEB Obligation (NOO) is the cumulative difference since the effective date of GASB 45 between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any.

- The Annual Required Contribution (ARC) is an employer's periodic required contribution to an OPEB plan. The ARC includes the employer's normal cost and a provision for amortizing the total unfunded actuarial accrued liability (UAAL).
- The Annual OPEB Cost is the GASB 45 accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.
- The Net OPEB Obligation is the cumulative difference since the effective date of GASB 45 between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any.
- The Discount Rate is the interest rate selected as of the measurement date to determine the present value of future cash outflow of postemployment payments. GASB suggests that employers should look to the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits.

The disclosures required by GASB 45 include<sup>11</sup>:

- Benefit plan description. *Refer to page 4 for this information.*
- Description of the Employer's funding policy. *Presently, NYS school districts are not permitted to fund GASB 45 Liabilities. The funding policy for this report should be described as Pay - Go.*
- Components of Annual OPEB Cost (ARC, interest on the net OPEB obligation, and adjustment to the ARC). *These amounts are found on page 6 of this report.*
- Increase or decrease in the Net OPEB Obligation. *This can be found on page 6 of this report.*
  - Information about:
    - Funded status of the plan - *The plan is unfunded*
    - Actuarial value of assets - *There are no actuarial assets*
    - Actuarial accrued liability (UAAL) - *This amount is presented on page 6 and 7 of the report.*
    - Plan's funded ratio- *Page 7 shows this as Not applicable due to that fact that the district does not fund the liability.*
    - Annual covered payroll - *This amount if provided by the school district appears on page 7 of this report.*
  - Actuarial methods and significant assumptions used to determine the ARC and Annual OPEB Cost. The disclosures should include:
    - Actuarial cost method. *This report was prepared using the Percentage Unit Credit Method (PUC)*
    - Methods used to determine the actuarial value of assets. *Presently the school district does not fund the GASB 45 liability, therefore, this matter is not applicable.*
    - Assumptions used with respect to projected salary increases and the investment return (including the method used to determine a blended rate for a partially funded plan, if applicable). *Projected salary increases were not used in amortizing amounts in this report.*
    - Assumptions used with respect to initial and ultimate healthcare cost trend rates. *Refer to page 12 for this information.*
- Amortization method (level dollar or level percentage of projected payroll), amortization period, and whether the period is closed or open. *This report is prepared using level dollar amortization.*

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<sup>11</sup> We suggest discussing financial statement presentation and disclosure requirements with your independent financial statement auditor.

**The information supplied by the school district for the preparation of this report has not been audited. We have placed reliance on the school district with respect to completeness and accuracy of the following items:**

- Descriptions of benefits provided at retirement to various classifications of employees.
- The Employee Census as of July 1, 2010. Please note, a census reconciliation has been provided to the School district as part of the completion of this valuation.
- Annual premiums used to develop per capita costs.
- Covered payroll figures used on page 7.
- OPEB Contributions presented in the prior period financial statement used to arrive at the beginning of the year Net OPEB Obligation.
- All assumptions used in this report have been reviewed and approved by management of the school district.

**Auditor's questions regarding this valuation should be directed to:**

- David Grackin of the Huntington Union Free School District; or to
- Raymond Cerrone of Questar III BOCES. Ray can be reached at 518-265-8246 or by email at [Rcerrone@Questar.Org](mailto:Rcerrone@Questar.Org).
- Auditor requests for confirmation of any information used in preparing this valuation must be made in writing by the school district. These requests should be sent to [Rcerrone@Questar.Org](mailto:Rcerrone@Questar.Org).

**Use of Estimates:**

Several estimated figures have been used in this report. The use of estimated numbers is due to the timing of when this report was prepared.

Please consider the following when preparing the year end financial statements:

- a. Due to the timing of this report, Expected Benefit payments have been estimated.
- b. Due to the timing of this report, covered payroll is estimated.