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MARKHOFF LLP**
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ENROLLED ACTUARIES

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Aileen T. Palazzo
Edward A. Echeverria
Timothy O'Connell
Andrea L. Abolafia

VOICE

914-948-1556

FAX

914-948-1706

March 12, 2015

BY E-MAIL & FIRST CLASS MAIL
PERSONAL & CONFIDENTIAL

Mr. Nathan Craddock, County Auditor
Tom Green County
112 W. Beauregard Avenue
San Angelo, TX 76903

Re: Tom Green County - Proposal for GASB #45 Actuarial Consulting
Services/Post-Employment Benefits for Retirees

Dear Nathan:

As requested, we have provided a proposal for Actuarial Services for the post-employment benefit program of Tom Green County.

Thank you for considering Danziger & Markhoff LLP to provide services to your County.

I, Edward Echeverria, have been authorized to represent our firm and provide this response to your request.

We understand the scope of the actuarial services to be performed.

For reference, we have also included (1) a copy of our data request package and (2) a sample copy of our actuarial report. Please note that we will certainly accept data in virtually any electronic format.

Our fee quote can be found on the third page of the proposal.

SERVING CLIENTS SINCE 1960

We represent that all information contained in the proposal is true and correct. We did not, in any way, collude, conspire to agree, directly or indirectly, with any person, firm, corporation or other Proposer in regard to the amount, terms or conditions of this proposal. We acknowledge that the County has the right to make any inquiry it deems appropriate to substantiate or supplement information supplied by the Proposer. Further, the Proposer grants the County permission to make these inquiries, and will provide any and all related documentation in a timely manner.

My contact information is below:

Edward A. Echeverria
Senior Actuary
Danziger & Markhoff LLP
123 Main Street
White Plains, NY 10601
Tel. (914) 948-1556
Fax (914) 948-1706
EECHEVERRIA@DMLAWYERS.COM

Please give me a call if you have any questions or if I can be of further assistance.

Very truly yours,

Edward A. Echeverria, FSPA, MAAA, CPC, EA

EAE:av
Enclosures

TOM GREEN COUNTY
RESPONSE TO RFP FOR ACTUARIAL SERVICES
GOVERNMENT ACCOUNTING STANDARDS BOARD
STATEMENT #45

PREPARED ON: March 12, 2015
Danziger & Markhoff LLP
123 Main Street, 9th Floor
White Plains, NY 10601
Edward A. Echeverria
Senior Actuary
(914) 948-1556 ext. 8026
eecheverria@dmlawyers.com

DANZIGER &
MARKHOFF LLP
Attorneys at Law

Tom Green County
Proposal for Actuarial Services
Response by Danziger & Markhoff LLP
March 12, 2015

Detailed Proposal

#1 - Introduction: Danziger & Markhoff LLP ("D&M") understands that municipalities require high quality, responsive and cost effective service.

We have found that as a result of (i) our willingness to work closely with the client's staff during the data preparation process, (ii) our being able to explain at Board meetings (or by conference call) in laymen's terms how GASB #45 impacts the client's plan, (iii) our flexibility in being able to accept data, and (iv) our recognition of the needs and narrow time frames of the client's auditors, we have been successful in accomplishing this. We respect that everyone is very busy, so to the extent we can make a small investment of time that saves the client or auditor time and/or aggravation, we feel the investment is worthwhile.

#2 – Professional Experience:

Firm Qualifications and Experience: Danziger & Markhoff LLP (D&M), a law firm in White Plains, New York, was founded in 1960. Annexed as Exhibit A is a listing of the partners of the firm. Our firm is licensed to do business in New York.

D&M concentrates in administering, designing, and preparing qualified and non-qualified employee benefit plans. D&M is unique in that it includes 13 attorneys, 5 enrolled actuaries and approximately 15 plan administrators. This actuary/attorney "under one roof" dynamic has meant a lot to D&M's continued success for over five decades. D&M currently administers and provides actuarial services for more than 1,000 employee benefit plans including actuarial services for post-retirement medical and life plans. We have added over 90 GASB #45 clients in the last five years. Five clients have left; three due to plan changes (i.e., adopting State plan), two due to lower fees.

References: Annexed as Exhibit C are references for post-employment benefit plan clients in both the public sector (GASB #45) and the private sector (FASB #106). Included are over 20 references for your information. We trust this will be sufficient for purposes of the RFP process. These clients have been satisfied with our adherence to both schedule and budget. Several of these clients have self-insured health plan which we have serviced for years with the use of premium equivalent rates.

Staff Qualifications and Experience: Annexed as Exhibit B is a list of Enrolled Actuaries and actuarial staff employed by D&M who would be available to service your account. In addition, the firm employs ERISA attorneys who can be available for consultation.

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Attorneys at Law

Our Firm has been engaged by numerous clients to provide GASB #45 valuation and consulting services. Our Firm has also performed numerous valuations in the private sector to comply with Financial Accounting Standards Board Statement Number 106 (FASB #106), including FASB #132 and FASB #158.

D&M's actuaries are familiar with GASB Statement Number 45 (GASB #45), having participated in various lectures/seminars on the topic, and have provided actuarial services to post-employment benefit plans for over fifteen years. Our firm has provided GASB #45 actuarial services to public sector clients since the Statement became effective back in 2007.

Edward A. Echeverria, FSPA, MAAA, CPC, EA, would be the Primary Actuary, Engagement Manager, and Project Manager responsible for your account. He can be reached by telephone at (914) 948-1556, ext. 8026, by e-mail at EECHEVERRIA@DMLAWYERS.COM, and by fax (914) 948-1706. Edward has over fifteen years of experience in the performance of post-retirement benefits valuations and consulting. D&M also has other actuaries on staff with several years of experience in this area. Edward has also performed actuarial services for large clients (500+ participants) for over 20 years.

#3 – Approach to Engagement: It is the intent of D&M to perform an actuarial valuation and prepare appropriate disclosures that will present the County's OPEB position appropriately in compliance with Statement #45.

Our standard timeline includes the preparation of the data request 2-4 weeks prior to the fiscal year-end, discussion with your staff as necessary and the completion of the project within 4-6 weeks of the receipt of full data/materials.

The major tasks that must be completed during the valuation process include A) the preparation of the data request, B) the accumulation of the employee and retiree data and plan information/materials, C) the performance of the actuarial valuation, and the preparation of the actuarial report required disclosures to be incorporated into the financial statements.

We will be happy to discuss the actuarial assumptions and methods to be used (and those which have been used in the past, if applicable) with both you and your auditors in advance of the start of the project, if you wish.

Both our willingness to work closely with the client's staff during the data preparation process, and our flexibility in being able to accept data, minimizes the time spent by our client's staff. Given this, and the fact that this will be the second time your staff will be going through the GASB #45 data process, you should see a decrease in the time your staff will need to devote to the project. In addition, you will find the time spent by your staff to provide data for the interim valuation year will be minimal.

Our firm regularly presents reports separately for defined subgroups, whether it be by bargaining unit, Fund, or other subgroups.

We have found the Projected Unit Credit Method to be effective in most cases; Entry Age Normal in some other cases. We have found Level Dollar/Open Amortization to be effective. Regardless of the method chosen, the liabilities for "retired" participants are identical. GASB #45 is a bit different than its private sector counterpart FASB #106, in that GASB #45 addresses both financial reporting and funding, while FASB #106 only addresses the former. The six funding methods permitted under GASB #45 are six of the same methods that have been permitted under ERISA for funding pension plans for many years. The members of our Firm are very familiar with these various funding methods, probably more so than many actuaries that have worked solely in the public sector, as well as actuaries that have worked solely on post-retirement medical and life plans in the private sector, since FASB#106 permits only one funding method for preparing disclosures. This experience will allow us to provide consulting services that can maximize your flexibility in choosing methods that can meet the County's specific needs.

Regarding "substantive" plan ambiguities, past administrative practices (both written and unwritten), the actual plan language, and the views of the County's legal counsel should all be taken into consideration:

#4 – Compensation:

The fee for the "full valuation" for the fiscal year ended September 30, 2015 will be \$3,900. This is intended to be a "flat all inclusive fee" for the scope of work generally required for GASB #45. The fee also includes the development of the Annual Required Contribution for the fiscal year ended September 30, 2016.

Fees for any additional projects will be discussed and agreed upon prior to the commencement of the project. Hourly fees include \$375 - \$400 for Actuaries, \$195 for Senior Plan Consultants and \$175 for Plan Consultants.

#5 – Additional information:

A sample data request is enclosed. D&M is flexible with regard to the formats of which we can accept census data. Data can be provided in spreadsheet format (i.e., Excel), or in a regular text format (i.e., space delimited). We can prepare a custom data layout if you wish.

A sample copy of our actuarial report is enclosed. All required disclosures are included in the report.

EXHIBIT A

PARTNERS OF THE FIRM

**Joel Danziger
Harris Markhoff
Ira Langer, P.C.
Robert B. Danziger
Michael Markhoff
Joshua S. Levine
Gregory R. Tapfar
Andrew E. Roth
Jay Fenster
David Gesser**

**DANZIGER &
MARKHOFF LLP**

Attorneys at Law

EXHIBIT B

1. **Edward A. Echeverria, FSPA, MAAA, CPC, EA**, is a Senior Actuary with D&M. Mr. Echeverria has over 25 years of experience in employee benefits (defined benefit and defined contribution) administration, with expertise in both small and large plans. Mr. Echeverria also has expertise in post-employment benefit valuation and consulting, nonqualified plan valuation and consulting, as well as controlled group and nondiscrimination test consulting.

Mr. Echeverria graduated from Siena College with a Bachelor's of Science Degree in Finance. Mr. Echeverria is a Fellow of the American Society of Pension Actuaries, a Member of the American Academy of Pension Actuaries, a Certified Pension Consultant as well as an Enrolled Actuary. He has addressed audiences, including the Ohio State University College of Law, The Enrolled Actuaries Meeting and both national and regional American Society of Actuaries meetings, and most recently, on GASB #45 at the Association of Towns of New York Annual Meeting in New York, and at the New York State Society of CPAs conferences in both New York and Albany. He has also written articles on various employee benefits topics, including GASB #45.

Mr. Echeverria has extensive expertise in providing the actuarial and consulting services needed to perform your post-employment benefit plan valuation.

2. **Andrea L. Abolafia, FSA, EA, MAAA** is an Enrolled Actuary with Danziger & Markhoff LLP. Andrea has over 15 years of experience consulting with clients on employee benefit plans, including mid to large-size domestic and international organizations across a broad range of industries.

Andrea consults on the design and operation of qualified and non-qualified defined benefit pension plans (traditional and cash balance), 401(k) and other defined contribution plans and post-retirement benefit plans. She also has extensive experience with expense and disclosure requirements under US GAAP and International Accounting Standards. In addition, Andrea assists public sector employers in complying with GASB #45 requirements.

Education - B.A. in Statistics/Mathematics, *cum laude*, University of Buffalo
Professional Associations - Fellow, Society of Actuaries, Member, American Academy of Actuaries

3. **William Miller, MSPA, MAAA** is the Chief Enrolled Actuary and Technical Director of the Pension Administration Department of D&M. He counsels individuals, professional corporations and business owners in connection with the design and operations of their retirement plans. He works closely with the Firm's pension law attorneys to maximize the tax and financial benefits of retirement plans.

**DANZIGER &
MARKHOFF LLP**

Attorneys at Law

At the plan design stages, he consults with clients to determine tax, financial and business goals relevant to the plan, and formulates alternative models demonstrating the plan costs under a range of options. Mr. Miller also consults with clients who have existing retirement plans to ensure the reliability of the cost projections and evaluate options in structure and contribution levels.

4. **Aileen Palazzo, MSPA** is Director of Pension Administration for D&M. An Enrolled Actuary with over 20 years of experience in the pension plan administration area, she provides actuarial and technical support in connection with the design, adoption and operation of retirement plans. Once plans have been established, Ms. Palazzo supervises D&M's plan administrators in connection with the administration of these plans.

As an Enrolled Actuary certified by the Joint Board for Enrollment of Actuaries (IRS and Department of Labor), Ms. Palazzo also oversees and performs plan actuarial services required under the law including annual certifications of minimum funding requirements, annual pension premium calculations, and certifications of sufficiency at plan termination. She works closely with the Firm's pension staff to maximize the tax and financial benefits of retirement plans.

5. **Timothy O'Connell, ASA, MAAA, EA** is an Enrolled Actuary with Danziger & Markhoff. Tim has over 20 years of experience consulting with pension clients in both the large corporate plan market as well as with small business owners. He has experience in all phases of the design, implementation and administration of defined benefit plans including Cash Balance plans.

As an Enrolled Actuary, he consults with clients on the technical aspects of the operation of their plans and the analysis of valuation results. For larger clients, this will typically involve monitoring of the required minimum contributions, maximum deductible limits and the required accounting disclosures under applicable Financial Accounting Standards. Smaller clients will typically focus on the efficiency of the tax implications and the plan design as well as budgeting of contribution requirements. He also has experience with nonqualified Supplemental Executive Retirement Plans (SERPs) and deferred compensation arrangements, and post-employment benefit plans.

Prior to joining Danziger & Markhoff, LLP, Mr. O'Connell was the Chief Actuary for the Financial Institutions Retirement Fund for nine years where he managed the actuarial and administrative affairs for the 40,000 participant fund with over 250 participating employers. He also has prior experience with Ernst & Young in their Actuarial Benefits & Compensation consulting practice and with Buck Consultants in New York City. Mr. O'Connell is a graduate of SUNY at Stony Brook with a Bachelor of Science Degree in Applied Mathematics and Statistics. He is an Associate of the Society of Actuaries, an Enrolled Actuary and a Member of the American Academy of Actuaries.

6. **Larry Hackel** is a Senior Plan Consultant, with over 25 years of experience in employee benefits.
7. **David Berrios** is a Plan Consultant, with over 20 years of experience in employee benefits.
8. **Mehnaz Chowdhury** is a Plan Consultant, with three years of experience in employee benefits.

EXHIBIT C

- D&M provides services to various government agencies. Below is contact information for over 20 of these agencies for which D&M performs GASB #45 actuarial services:

County of Westchester, New York

Contact – Lawrence Soule
Budget Director
146 Martine Avenue
White Plains, NY 10601
(914) 995-2858

City of New Rochelle

Contact – Mr. Michael Lewis
Deputy Commissioner of Finance
515 North Avenue
New Rochelle, NY 10801
Telephone: (914) 654-2066

City of White Plains

Contact – Mr. Michael Genito
Commissioner of Finance
255 Main Street
White Plains, NY 10601
(914) 422-1233

City of Sebastian

Contact – Mr. Kenneth Kilgore
Finance Director
1225 Main Street
Sebastian, Florida 32958
(772) 388-8205

Barrow County, Georgia

Rose Kisaalita, CPA
Chief Financial Officer
233 E. Broad Street
Winder, GA 30680
Telephone: (770) 307-3141

City of Sea Isle City

Contact – Paula Doll, CFO
4416 Landis Avenue
Sea Isle City, New Jersey 08243
(609) 263-6139

City of North Tonawanda

Contact – Mr. Mark Dotterweich
City Accountant
216 Payne Avenue, City Hall
North Tonawanda, NY 14120
Telephone: (716) 695-8545

Township of Hamilton

Contact – John Barrett
Chief Financial Officer
2090 Greenwood Avenue
Hamilton, NJ 08650
(609) 890-3510

Town of Marblehead

Contact - Mr. John J. McGinn
Finance Director
7 Widger Road
Marblehead, MA 01945
Telephone: (781) 631-1705

Township of Washington

Contact – Robert Smith
Business Administrator/CFO
P. O. Box 1106
Turnersville, New Jersey 08012
(856) 589-0520 ext. 239

Town of Westfield

Contact – James H. Gildea
Town Administrator
425 E. Broad Street
Westfield, New Jersey 07090
(908) 789-4141

Town of Adams

Contact- Mary Beverly
Town Accountant
8 Park Street
Adams, MA 01220
(413) 743-8310

City of Mount Vernon

Contact – Mr. Thomas Rajala
First Deputy Controller
Roosevelt Square, Room One
Mount Vernon, NY 10520
Telephone: (914) 665-2308

Other recent engagements include: East Helena School District (Montana), Richmond Metropolitan Authority (Virginia), Town of Hilliard (Florida).

Other recent Massachusetts engagements include: City of Lawrence, Town of Montague, Franklin County Technical School, Pioneer Valley Regional School District, Mohawk Trail Regional School District, Frontier Regional School District, Gill-Montague Regional School District, Greater Lowell Technical High School and Nashoba Valley Technical School District.

Town of Burrillville

John P. Mainville, Finance Director
Burrillville Town Hall
105 Harrisville Main Street
Harrisville, RI 02830
(401) 568-4300, ext. 117

Town of Yorktown

Contact – Patricia Caporale
Controller
363 Underhill Avenue
Yorktown Heights, NY 10598; (914) 962-5722

City of Middletown

Contact – Ms. Janet Gallo
Deputy Treasurer
16 James Street
Middletown, NY 10940
Telephone: (845) 346-4153

Village of Rockville Centre

Contact – Michael Schussheim
Deputy Administrator / Controller
1 College Plaza
P.O. Box 950
Rockville Centre, New York 11571
(516) 678-9226

City of North Tonawanda

Contact – Mr. Mark Dotterweich
City Accountant
216 Payne Avenue, City Hall
North Tonawanda, NY 14120
Telephone: (716) 695-8545

Township of Hamilton

Contact – John Barrett
Chief Financial Officer
2090 Greenwood Avenue
Hamilton, NJ 08650
(609) 890-3510

Town of Marblehead

Contact - Mr. John J. McGinn
Finance Director
7 Widger Road
Marblehead, MA 01945
Telephone: (781) 631-1705

Township of Washington

Contact – Robert Smith
Business Administrator/CFO
P. O. Box 1106
Turnersville, New Jersey 08012
(856) 589-0520 ext. 239

Town of Westfield

Contact – James H. Gildea
Town Administrator
425 E. Broad Street
Westfield, New Jersey 07090
(908) 789-4141

Town of Adams

Contact- Mary Beverly
Town Accountant
8 Park Street
Adams, MA 01220
(413) 743-8310

Town of Saugus

Contact – Wendy Hatch
Treasurer Collector
298 Central Street
Saugus, MA 01906
(781) 231-4108

Town of Carmel

Contact – Mary Ann Maxwell
Town Comptroller
60 McAlpin Avenue
Mahopac, NY 10541
(845) 628-1500 ext. 145

South Middlesex Regional Vocational School District

Contact – Kirsteen Leveillee
Business Manager
750 Winter Street
Framingham, MA 01702
(508) 416-2240

Greenburgh Central School District

Contact – Jennifer Martinez
Treasurer
475 West Hartsdale Avenue
Hartsdale, NY 10530 - (914) 761-6000

Masconomet Regional Vocational School District

Contact – Susan K. Givens
Chief Financial Officer
20 Endicott Road
Topsfield, MA 01983
(978) 887-2323

Town of Cortlandt

Contact – Glenn Cestaro
Comptroller
One Heady Street
Cortlandt Manor, NY 10567
(914) 734-1072

**DANZIGER &
MARKHOFF LLP**

Attorneys at Law

Town of Uxbridge

Contact- Justin L. Cole
Accounting and Auditing Officer
21 South Main Street
Uxbridge, MA 01569
(508) 498-1210

Village of Dobbs Ferry

Contact – Marcus Serrano
Administrator
112 Main Street
Dobbs Ferry, NY 10522
(914) 231-8502

Village of Irvington

Contact – Brenda Jeselnik
Clerk/Treasurer
85 Main Street
Irvington, NY 10533
(914) 231-3020

Town of Bedford

Contact – Mr. Edward Ritter
Controller
425 Cherry Street
Bedford Hills, NY 10507
(914) 666-8283

Town of Oxford

Contact – James Hliva
Finance Director
486 Oxford Road
Oxford, CT 06478
(203) 888-2543

**DANZIGER &
MARKHOFF LLP**

Attorneys at Law

- Below is contact information for various clients in the private sector for which D&M performs post-retirement benefits actuarial services (FASB#106):

Rolex Watch USA, Inc.

Contact – Mr. Mark Goldberg
Chief Financial Officer
Rolex Watch USA, Inc.
665 Fifth Avenue # 6
New York, NY 10022
Telephone: (212) 758-7700

Source America

Contact – Elizabeth Goodman
Chief Financial Officer
Source America
8401 Old Courthouse Road
Vienna, Virginia 22182
Telephone: (571) 226-4506

Williams & Connolly, LLP

Contact – Mr. Jerry Shulman
Partner
Williams & Connolly, LLP
725 Twelfth Street, NW
Washington, DC, 20005
Telephone: (202) 434-5510

Facility Student Association of
Westchester Community College, Inc.

Contact – David Sklar
Executive Director
75 Grasslands Road
Valhalla, NY 10595
Telephone: (914) 347-3910

E & I Cooperative Service, Inc.

Contact – Mr. John D. Orlando
Senior Vice President and CFO
E & I Cooperative Service, Inc.
2 Jericho Plaza, Suite 309
Jericho, NY 11753

Tom Green County
GASB #45 Valuation for FYE 09/30/2015
Data Checklist to Prepare For Actuary
Page 1

Below is the information needed to perform your GASB 45 actuarial valuation:

I. For Actives:

Name
SSNO (or other employee identification number)
Gender
Birth Date
Hire Date
Marital Status (for medical coverage purposes)
Compensation (if retiree life insurance is based on such)
Employee Classification (i.e., to identify units with different benefits, co-pay %'s etc.)

**Please include all employees who terminated between 10/1/2014 and now on the listing.
[For a 1/1/2015 valuation date rather than 10/1/2014, a "1/1/2015" date will apply]**

II. For Retirees:

Name
SSNO (or other employee identification number)
Gender
Birth Date
Hire Date
Retirement Date
Marital Status (for medical coverage purposes)
Spouse's Birth Date
Life Insurance Face Amount (if retiree life insurance provided)
Employee Classification While Active
Co-Pay %

Tom Green County
GASB #45 Valuation for FYE 09/30/2015
Data Checklist to Prepare For Actuary
Page 2

III. Description of Benefit Provisions:

Documentation supporting benefits (medical, dental, life insurance, other) eligibility (e.g., age 55 and 10 yrs; 20 and out for police, etc.), coverage levels, etc.

Please include information to determine employee co-pay %'s, and descriptions of applicable levels of benefits for different units/classifications.

Specify if benefits continue to surviving spouse/family upon death and/or disability.

IV. Current Premium Rates (i.e., actual rates charged or COBRA rates)

We will use these premium rates to value the benefits of the plan.

Rates should recognize these categories:

Single and Family/Married

Pre-Age 65 and Post-Age65/Medicare (with further breakdown by age if available)

If available from carrier, age adjusted rates to quantify any retiree subsidy.

Rates must be provided to recognize different benefits where appropriate (to differentiate between units/classifications with certain levels of benefit vs. those without).

V. Other:

Please advise if you require financial disclosures broken down specifically by fund, bargaining unit or other classification.

Please provide (1) the last actuarial report, and (2) the notes from your last financial statement that refer to OPEB (which include your 09/30/2014 OPEB Obligation).

Please provide (as applicable) 1) the total covered payroll for the 09/30/2014 FYE, 2) total premiums (medical, dental, life, etc.) paid for retirees by the City during the 09/30/2014 FYE, 3) the total Medicare Part B premiums paid by the City for FYE 09/30/2014, 4) the total reimbursement by the state or CMS for Medicare Part D (retiree drug coverage) for the FYE 09/30/2014.

Optional Benefit Layout for GASB#45 Valuation
Actives

Client Name: Tom Green County

n/a for year 1

<u>Last name</u>	<u>First Name</u>	<u>SSNO or other EE ID#</u>	<u>Gender</u>	<u>Date of Birth</u>	<u>Date of Hire</u>	<u>Termination/ Retirement Date</u>	<u>(optional) Marital Status</u> for medical coverage purposes	<u>(optional for actives), spouse's date of birth</u>	<u>Last Annual Pay (If life insurance coverage)</u>	<u>Employee Classification</u> (if applicable)	<u>Fund Classification</u>
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Optional Benefit Layout for GASB#45 Valuation

Retirees

Client Name: Tom Green County

<u>Last name</u>	<u>First Name</u>	<u>SSNO or other EE ID#</u>	<u>Gender</u>	<u>Date of Birth</u>	<u>Date of Hire</u>	<u>Date of Retirement</u>	<u>Marital Status for medical coverage purposes</u>	<u>Spouse's date of birth</u>	<u>Life Insurance Face Amount (if any)</u>	<u>Employee Classification while active (if applicable)</u>	<u>Employee Co-pay%</u>
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(Fund)

Optional Benefit Layout for GASB#45 Valuation
 Terminated Participants Entitled to Future Benefits*
 Client Name: Tom Green County

*Many plans do not provide benefits to employees that terminate prior to retirement age.
 If your plan does provide such benefits, please don't hesitate to call to discuss)

(Fund)

<u>Last name</u>	<u>First Name</u>	<u>SSNO or other EE ID#</u>	<u>Gender</u>	<u>Date of Birth</u>	<u>Date of Hire</u>	<u>Date of Termination</u>	<u>Date Eligible for Benefits</u>	<u>(optional) Marital Status for medical coverage purposes</u>	<u>Last Annual Pay (if life insurance coverage)</u>	<u>Life Insurance Face Amount (if any)</u>	<u>Employee Classification while active (if applicable)</u>	<u>Employee Co-pay%</u>
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XXXXXXXXXXXXXXXXCENTRAL SCHOOL DISTRICT

RETIREE MEDICAL ACTUARIAL
VALUATION

REPORT ON COMPLIANCE WITH
GOVERNMENT ACCOUNTING STANDARDS BOARD
STATEMENT #45
ACCOUNTING AND FINANCIAL REPORTING BY EMPLOYER
FOR POSTEMPLOYMENT
BENEFITS OTHER THAN PENSIONS
FOR THE FISCAL YEAR ENDING JUNE 30, 2009

PREPARED ON: ZZZZZZ xx, 2009

00512699.

DANZIGER &
MARKHOFF LLP
Attorneys at Law

ZZZZZZZ xx, 2009

XXXXXXXXXXXXXXXXXXXXCentral School District
XXXXXXXXXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXXXXXXXXXX, XX XXXXX

Dear Sir/Madam:

This report was prepared to provide management with the accounting for the Government Accounting Standards Board Statement Number 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45) for the Retiree Health Valuation Under GASB #45 for the fiscal year ended June 30, 2009.

Our results and accompanying disclosures reflect plan provisions in effect for the plan year ended June 30, 2009. The Annual OPEB Cost for the District for the year is \$ XXXX,000.

In conducting the valuation, we relied on information supplied to us by the XXXXXXXXXXXXXXXCentral School District. This information included participant data, the terms of the written and unwritten plan, premium rates and other policies and practices of plan. We have relied on this information as accurate, and applied estimates as necessary.

The discount rate used for this year is 4.5%.

To the best of our knowledge and belief, this valuation was conducted in accordance with generally accepted actuarial principles and practices and in accordance with our understanding of GASB #45 and the implementation guidelines published by the Government Accounting Standards Board. The employer may modify the presentation of these disclosures as needed. I am an Enrolled Actuary who satisfies the Qualifications Standards for Actuaries of the AAA that became effective January 1, 2008.

Very truly yours,


Edward A. Echeverria, FSPA, MAAA, CPC, EA
Senior Actuary

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XXXXXXXXXXXXXXXXCENTRAL SCHOOL DISTRICT
RETIREE HEALTH VALUATION UNDER GASB #45

EXECUTIVE SUMMARY OF RESULTS

Valuation Date	<u>July 1, 2008</u>
Number of Plan Members:	
Active Participants	xxx
Retired Participants	<u>xxx</u>
Total	x,xxx
Average Age of Actives	xx yrs.
Average Credited Service of Actives	xx yrs.
Current Covered Payroll	\$ XXXX 0,000
Market value of assets as of July 1	\$ -0-
Unfunded Accrued Liability	\$ XXXX 0,000
Annual Required Contribution (ARC)	\$ XXXX,000
OPEB Cost for the Year	\$ XXXX,000

XXXXXXXXXXXXXXXXCENTRAL SCHOOL DISTRICT

RETIREE HEALTH VALUATION UNDER GASB #45

RESULTS AND DISCLOSURES

Results have been presented rounded to the nearest \$10,000.

<u>VALUATION RESULTS - (Cost to District)</u>	(EPBO) Projected <u>Benefits</u>	(APBO) Unit Credit Accrued <u>Liability</u>
1. Actuarial present values as of July 1, 2008:		
(a) Actives (xxx)	\$ XXXX 0,000	\$ XXXX,000
(b) Retirees & Beneficiaries (xxx)	<u>\$ XXXX 0,000</u>	<u>\$ XXXXX,000</u>
(c) Total (xxx)	\$ XXXXX,000	\$ XXXXX,000
2. Accrued liability as of July 1, 2008	\$ XXXXX,000	
3. Actuarial value of assets, July 1, 2008	\$ -0-	
4. Unfunded accrued liability, July 1, 2008	\$ XXXXX,000	
5. Normal cost As of July 1, 2008	\$ XXXX,000	
6. Amortization of unfunded accrued liability (percentage of payroll basis/open over 30 years)	\$ XXXX,000	
7. Interest (rounded) on Normal Cost (\$xxxxxx) and Amortization (\$xxxxxx)	\$ XXXX,000	
8. Annual Required Contribution (ARC) (6+7)	\$ XXXX,000	

XXXXXXXXXXXXXXXXX CENTRAL SCHOOL DISTRICT
RETIREE HEALTH VALUATION UNDER GASB#45

RESULTS AND DISCLOSURES

DEVELOPMENT OF THE OPEB COST
FOR THE YEAR ENDING JUNE 30, 2009

Actual contribution information is included below.

<u>Contribution rates:</u>	
Plan Members	Varies by employee class (See Summary of Plan Provisions)
District:	Actuarially determined, equals the balance not paid by plan members
Annual required contribution (ARC)	\$ xxxxxxxx
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	\$ xxxxxxxx
Contributions made*	\$ xxxxxxxx
Increase in net OPEB obligation	\$ xxxxxxxx
Net OPEB obligation-beginning of year	\$ 0
Net OPEB obligation-end of year	\$ xxxxxxxx

*Contributions made include major medical and Medicare Part-B premium payments of \$xxxxxxx and Medicare Part D reimbursement of xxxx.

XXXXXXXXXXXXXXXXX CENTRAL SCHOOL DISTRICT
RETIREE HEALTH VALUATION UNDER GASB#45

RESULTS AND DISCLOSURES

DEVELOPMENT OF UNFUNDED ACTUARIAL ACCRUED LIABILITY
AND FUNDED RATIO (actual)

Actuarial accrued liability (a)	\$ xxxxxxxx
Actuarial value of plan assets (b)	\$ 0
Unfunded actuarial accrued liability (a - b)	\$ xxxxxxxx
Funded ratio (b / a)	0.0%
Covered payroll (c)	\$ xxxxxxxx
Unfunded actuarial accrued liability as percentage of covered payroll [(a - b) / c]	xxx%

Since about xx% of the unfunded actuarial accrued liability relates to retirees (who do not earn a salary), the liability as a percentage of payroll is higher than it would be for a plan with more of the liability attributed to actives (who receive a salary and therefore increase covered payroll).

GREENBURGH CENTRAL SCHOOL DISTRICT
RETIREE HEALTH VALUATION UNDER GASB#45

RESULTS AND DISCLOSURES

DEVELOPMENT OF OPEB COST AND OPEB OBLIGATION
FOR THE LAST THREE YEARS (actual)

<u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2009	XXXXXXXX	xx.x%	XXXXXXXX

(For the first year under GASB#45, FYE 2009, one year is illustrated.)

XXXXXXXXXXXXXXXXX CENTRAL SCHOOL DISTRICT
RETIREE HEALTH VALUATION UNDER GASB#45

RESULTS AND DISCLOSURES

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS (actual)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a) / c] xxx%
7/1/2008	\$0	\$xx.xxM	\$xx.xxM	0.0%	\$xx.xxM	xxx%

(For the first year under GASB#45, FYE 2009, one year is illustrated.)

XXXXXXXXXXXXXXXXCENTRAL SCHOOL DISTRICT
RETIREE HEALTH VALUATION UNDER GASB #45

CONSIDERATIONS

NEW STATEMENT

Government Accounting Standards Board Statement No. 45 (GASB #45) is applicable to the XxxxxxxxxxxxxxCentral School District for the fiscal year ended June 30, 2009.

GASB #45 establishes standards for the measurement, recognition and display of the expense and liabilities of your retiree medical program (Other Post-Employment Benefits; "OPEB"). As a result, reporting of expense and liabilities will no longer be done under the "pay-as-you-go" approach. Instead of expensing the current year premiums paid, a per capita claims cost will be determined, which will be used to determine a "normal cost", an "actuarial accrued liability", and ultimately the Annual Required Contribution (ARC). The ARC is not "required" to be contributed each year, but in your case, will accumulate as a liability on the District's financial statements (called the "OPEB Obligation") to the extent that the ARC exceeds the amount of premiums paid in a year. If and when New York State municipalities and school districts are permitted to pre-fund retiree medical and other OPEB benefits in a Trust, the District will have the option of doing so to reduce/eliminate the accumulated liability. In addition, pre-funding also permits the use of a higher discount rate (to reflect higher returns from an equity/bond mix of a Trust, rather than short term returns of the municipality's funds).

PLAN DESIGN

We received detailed employee and dependent data, information on the plans, past and current employer practices, and medical premium cost data.

XXXXXXXXXXXXXXXXCENTRAL SCHOOL DISTRICT
RETIREE HEALTH VALUATION UNDER GASB #45

CONSIDERATIONS

For FYE 2009, there are XXX retirees plus dependents who are receiving employer subsidized benefits. We reflected known retirements and terminations in our database through June 30, 2008. Where data was missing or inaccurate, we assumed reasonable estimates. In all, we valued XXX active employees plus dependents.

Retiree medical coverage is provided primarily through ZZZZZZZZZZZZ
ZZZZZZZZZZZZZZZZZZZZ.

Future retirees are assumed to be covered by this existing arrangement as outlined in the materials forwarded by the District. Those provisions, as they relate to employer liability, can be found in the Summary of Plan Provisions section of this report.

ASSUMPTIONS/RECOGNITION

To establish the per capita claims cost of medical benefits for your group, we used current premium rates provided by the District as the starting point for our calculations. We then employed a health care trend rate that begins at 10% for the first year, decreases in years 2, 3, 4, 5, 6 and 7 to 9%, 8%, 7%, 6%, 6%, and 5% respectively, and then continues at 5% thereafter. This assumption needs to be reviewed periodically. The health care trend rate is a major contributor to widening the gap between pay-as-you-go recognition and GASB #45 recognition. Adjustments were also required to be made to recognize differences between the average age of the 'full' population and the average age of a 'retiree only' population (to develop "age adjusted" current premium rate equivalents).

XXXXXXXXXXXXXXXXCENTRAL SCHOOL DISTRICT
RETIREE HEALTH VALUATION UNDER GASB #45

SUMMARY OF PLAN PROVISIONS

The following is a summary of the current major provisions of the retiree medical program.

1. **MEDICAL BENEFITS**

The Plan is a fully insured plan. Current retiree premium rates provided to us by the District include:

- | | |
|----------------------------|---|
| a) Individual Pre-age 65: | Generally \$xxx.xx per month. |
| b) Dual Pre-age 65: | Generally \$xxxx.xx per month. |
| c) Individual Post-age 65: | Generally \$xxx.xx per month. |
| d) Dual Post-age 65: | Generally either \$xxxx.xx per month (one person on Medicare) or \$xxx.xx per month (two people on Medicare). |

Adjustments to the premium rates to reflect the difference between the pre-age 65 active/retiree group (for which the current premium rates were based on) and the pre-age 65 retiree group, were required, in accordance with ASOP 6.

2. **MEDICARE PART B PREMIUMS** – Paid by the Village at \$96.40/mo.

XXXXXXXXXXXXXXXXCENTRAL SCHOOL DISTRICT
RETIREE HEALTH VALUATION UNDER GASB #45

SUMMARY OF PLAN PROVISIONS

3. **ELIGIBILITY:**

- a) **Civil Service & Administration:**
An employee must retire after age 55 with at least 10 years of service.
- b) **Teachers:**
An employee must retire after age 55 with at least 15 years of service or with the sum of age and service equal to at least xx.
- c) **Spousal benefit upon retiree's death:**
Coverage continued.
- d) **Active service death benefit:** N/A
- e) **Active service disability benefit:** N/A

4. **DISTRICT SUBSIDY:**

The District will generally contribute xx% of the medical premium amounts for individual coverage plus xx% of dependent coverage (the difference between individual and dual coverage). These percentages vary for certain current retirees, reflective of agreements in place at retirement.

XXXXXXXXXXXXXXXXCENTRAL SCHOOL DISTRICT
RETIREE HEALTH VALUATION UNDER GASB #45

SUMMARY OF PLAN PROVISIONS

5. **FUNDING POLICY:**

The employer's funding policy is to contribute the current annual premium (net of employee contributions) for all retired participants (i.e., pay-as-you-go). Current New York State law prohibits municipalities and school districts from pre-funding retiree medical benefit obligations in a Trust, although pre-funding moneys can arguably be "set aside" on the municipalities balance sheet.

Medicare Part D reimbursement by New York State is also considered an "employer contribution" for GASB #45 purposes. We understand that the District does not directly receive such reimbursement.

XXXXXXXXXXXXXXXXCENTRAL SCHOOL DISTRICT
RETIREE HEALTH VALUATION UNDER GASB #45

ACTUARIAL BASIS

ACTUARIAL FUNDING METHOD: Unit Credit

ACTUARIAL ASSUMPTIONS

1. Valuation Date: July 1, 2008
2. Discount Rate: 4.5% per annum.
3. Salary Scale: Not applicable, although a 3.0% inflation rate has been applied for amortization purposes.
4. Mortality: RP-2000 Combined Table (sex-distinct).
5. Withdrawal: Sarasson T-5 Table.
6. Disability: N/A

XXXXXXXXXXXXXXXXCENTRAL SCHOOL DISTRICT
RETIREE HEALTH VALUATION UNDER GASB #45

ACTUARIAL BASIS

7. Retirement:

The following table illustrates the retirement rates (10 years of service required):

<u>Retirement</u> <u>Age</u>	<u>Retirement</u> <u>Rates</u>
55	10.0%
56	3.0%
57	3.0%
58	3.0%
59	3.0%
60	5.0%
61	5.0%
62	5.0%
63	5.0%
64	5.0%
65	100.0%

XXXXXXXXXXXXXXXXCENTRAL SCHOOL DISTRICT
RETIREE HEALTH VALUATION UNDER GASB #45

ACTUARIAL BASIS

8. Health Care Cost
Trend Rate:

The following table illustrates the assumed health care trend rate for each future year:

<u>Year</u>	<u>Assumed Increase</u>
1	10.0%
2	9.0%
3	8.0%
4	7.0%
5	6.0%
6	6.0%
7+	5.0%

9. Marital - Actives:

Wife is assumed to be same age as the husband.
60% are assumed married.

10. Participation Rate:

100% of eligible retirees expected to participate.

ASSET VALUATION METHOD: Market value.

AMORTIZATION BASIS:

Level percentage of payroll basis/open; over 30 years. (Assumed inflation rate equals 3.0%).