

The School District of Hardee County, Florida

Other Post-Employment Benefits
Actuarial Report as of January 1, 2017
For Fiscal Year Ending June 30, 2017





August 4, 2017

Mr. Greg Harrelson, CPA, CGFO
Director of Finance
Hardee County School District
1009 N. 6th Ave
Wauchula, FL 33873-2008

**Re: GASB Statement No. 45 Actuarial Valuation
Of Other Post-Employment Benefits (OPEB)**

Dear Mr. Harrelson:

Gabriel, Roeder, Smith & Company (GRS) has been engaged by the School District of Hardee County, Florida to perform an Actuarial Valuation of its Other Post-Employment Benefits (OPEB) provided to the District's retiring employees. We are pleased to present the results herein.

The Valuation was performed as of January 1, 2017 with results applicable to the fiscal year ending June 30, 2017 and covers medical (including prescription drug) and life insurance benefits provided to retirees. No other OPEBs were considered in the Valuation.

The actuarial calculations were prepared for the purposes of complying with the requirements of Statement No. 45 of the Governmental Accounting Standards Board (GASB) and have been made on a basis consistent with our understanding of these accounting standards. Determinations of the liability associated with the benefits described in this Report for purposes other than satisfying the District's financial reporting requirements, may produce significantly different results. This Report may be provided to parties other than the School District of Hardee County only in its entirety and only with the permission of the District.

The results presented in this report are determined using the actuarial assumptions and methods disclosed in Section D of this report. This report does not include a robust assessment of the risks of future experience not meeting the actuarial assumptions. Additional assessment of risks is outside the scope of this assignment. We encourage a review and assessment of investment and other significant risks that may have a material effect on the plan's financial condition.

The Actuarial Valuation was performed on the basis of employee, retiree and financial information supplied by District officials. We checked for internal reasonableness and year-to-year consistency, but we did not otherwise audit the data. We are not responsible for the accuracy or completeness of the information provided by officials of the District. All actuarial calculations were performed on the basis of the Substantive Plan Provisions and the Actuarial Assumptions and Methods, as set forth in the respective sections of this Report.

The calculations are based upon assumptions regarding future events, which may or may not materialize. They are also based upon plan provisions outlined in this report. If you have reason to believe that the

Mr. Greg Harrelson

August 4, 2017

Page 2

assumptions that were used are unreasonable, that the plan provisions are incorrectly described, that important plan provisions relevant to this proposal are not described, or that conditions have changed since the calculations were made, you should contact the author of this report prior to relying on information in the report.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law. Due to the limited scope of the actuary's assignment, the actuary did not perform an analysis of the potential range of such future measurements.

To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of the plan as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. If you have reason to believe that the information provided in this report is inaccurate, or is in any way incomplete, or if you need further information in order to make an informed decision on the subject matter of this report, please contact the author of the report prior to making such decision.

Piotr Krekora and Nicolas Lahaye are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

The signing actuaries are independent of the plan sponsor.

Gabriel, Roeder, Smith & Company will be pleased to answer any questions pertaining to the Actuarial Valuation.

Respectfully submitted,

GABRIEL, ROEDER, SMITH AND COMPANY



Piotr Krekora, ASA, MAAA
Senior Consultant & Actuary



Nicolas Lahaye, FSA, MAAA
Consultant & Actuary

TABLE OF CONTENTS

<u>SECTION</u>	<u>TITLE</u>	<u>PAGE</u>
A	EXECUTIVE SUMMARY	A-1
B	SUMMARY OF ACTUARIAL VALUATION RESULTS	
	1. SUMMARY OF ACTUARIAL VALUATION RESULTS	B-1
	2. EFFECT OF THE EXCISE TAX ON HIGH COST HEALTH PLANS	B-2
	3. 20 -YEAR PROJECTION OF UNFUNDED CASH FLOW	B-3
	4. AGE AND SERVICE TABLES	B-4
C	DEVELOPMENT OF INITIAL PER CAPITA COSTS	C-1
D	ACTUARIAL ASSUMPTIONS AND METHODS	
	1. METHODS AND DEMOGRAPHIC/ECONOMIC ASSUMPTIONS	D-1
	2. HEALTH COVERAGE ASSUMPTIONS	D-5
	3. CONSIDERATION OF HEALTH CARE REFORM	D-7
	4. MISCELLANEOUS AND TECHNICAL ASSUMPTIONS	D-9
	5. DEFINITION OF TECHNICAL TERMS	D-10
E	SUMMARY OF SUBSTANTIVE PLAN PROVISIONS	E-1
APPENDIX	GASB DISCLOSURES	F-1

SECTION A

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Management of the School District of Hardee County (District) implemented GASB Statement No. 45 in its financial statements for the year ending June 30, 2009. This is the accounting standard governing reporting on Other Postemployment Benefits (OPEBs). The results presented herein are based on an Actuarial Valuation performed as of January 1, 2017 and are applicable to the year ending June 30, 2017.

This Actuarial Valuation and Report covers the OPEBs provided to the retirees of the School District of Hardee County. The Substantive Plan Provisions for the District's OPEBs are described in Section E of this Report.

GASB'S RATIONALE

Prior to implementation, the costs of OPEBs had been reflected in the majority of governmental financial statements on a pay-as-you-go basis of accounting. The issuance of GASB Statement Nos. 43 and 45 reflected GASB's effort in moving toward full accrual accounting for all governmental entities which issue government-wide financial statements according to generally accepted accounting principles.

The subsidy provided by the District had been recorded as an expense only after employees retire, and then only one year at a time as the subsidy is paid. Statement No. 45 views the subsidy for retiree medical benefits as a form of compensation which must be accrued on the books of the District during an employee's working life, rather than waiting until the employee's service to the District has been completed and he or she has retired. So GASB requires the lifetime value of that subsidy to be expensed over the working career of the employees.

DIRECT SUBSIDIES

The District currently does not offer any form of direct subsidy to retiree coverage.

IMPLICIT RATE SUBSIDY

According to the Summary of Substantive Plan Provisions, retirees and their dependents are permitted to remain covered under the District's respective medical plans as long as they pay a full premium applicable to coverage elected.

As retirees are required to pay the full amount of the insurance company's stated premium in order to remain covered under the medical plan, it may appear, at first glance, that there is no obligation on the part of the District for subsidizing the retiree coverage. However, the premiums charged are based on a blending of the experience among younger active employees and older retired employees. Since older retirees generally have higher costs, this means that the District is actually subsidizing the cost of the retiree and dependent coverage because it pays all or a significant portion of that premium on behalf of the active employees.

GASB No. 45 calls this the "implicit rate subsidy". Even though it appears that there is no District subsidy of retiree and dependent coverage, there really is, and it is not an insignificant amount. A group of 62-year-old retirees or dependents can easily cost over 50% more than the District is collecting from them for coverage. The District, therefore, has assumed an obligation to pay for that implicit subsidy for the covered lifetimes of

the current retirees and their dependents, as well for the covered lifetimes of the current employees after they retire in the future.

Measuring the current year's implicit subsidy and projecting that subsidy for decades into the future and making an allocation of that cost to different years, is the subject of this Actuarial Valuation and Report.

FUNDED AND UNFUNDED PLANS

Currently, the District's OPEB benefits are unfunded. That is, there is no separate Trust Fund or equivalent arrangement into which the District would make contributions to advance-fund the obligation, as it does for its pension plan, the Florida Retirement System (FRS). Therefore, the ultimate subsidies which are provided over time are financed directly by general assets of the District. These assets are invested in very short-term fixed income instruments according to its current investment policy.

Consequently, according to GASB Statement No. 45, the interest discount rate used to calculate the present values and costs of the OPEB must be the long-range expected return on such short-term fixed income instruments. The District selected an interest discount rate of 3.50% for this purpose. If the OPEB Plan were advance-funded with its assets invested in a reasonable mix of stocks and longer bonds and, if the District adopted a Funding Policy to make fully funding cash deposits into a qualifying OPEB Trust, then a much higher interest discount rate may be used, say, 6.0% to 7.0%. This would result in a substantially lower Annual OPEB Cost and a substantially lower Unfunded Actuarial Accrued Liability than if 3.50% were used.

ACTUARIAL ASSUMPTIONS

In any long-term actuarial valuation (such as for Pensions and OPEBs), certain demographic, economic and behavioral assumptions are made concerning the population, the investment discount rates and the benefits provided. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Future determinations of the funded status of the plan and the employer's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. These actuarial assumptions form the basis for the actuarial model which is used to project the future population, the future benefits provided, and the future contributions collected. Then the investment discount rate assumption is used to discount those projected net OPEB benefits to a present value. This and other related present values are used to calculate the Annual OPEB Cost that will be expensed in the District's financial statements and the unfunded actuarial accrued liability disclosed in the statements as well.

Calculations for financial reporting purposes are based on the benefits provided under terms of the substantive plan (the plan as understood by the employer and the plan members) in effect at the valuation date with consideration given to plan provision changes through the reporting date and on the pattern of sharing costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

It would be instructive to review Section D of this Report for details of all the relevant Actuarial Assumptions used in this Actuarial Valuation.

ACTUARIAL COST METHODS

GASB Statement No. 45 allows flexibility to governmental employers in the use of various actuarial cost methods. The results presented herein have been obtained using Entry Age Normal actuarial cost method with an amortization of the unfunded actuarial accrued liability as a level percent of expected payroll. This is the cost method that will be required to be used under the new accounting standard.

UPCOMING CHANGES TO REPORTING STANDARDS

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which is effective for fiscal years beginning after June 15, 2017, will replace GASB Statement No. 45. GASB Statement No. 75 will require governments to report a liability on the face of their financial statements for the OPEB provided. In addition, it requires governments in all types of OPEB plans to provide more extensive note disclosures and RSI about OPEB liabilities.

SUMMARY

Following is a chart that summarizes the results of this Actuarial Valuation for the District's OPEB. More details can be found on following pages. Results applicable to fiscal years ending June 30, 2016 and June 30, 2015 are also shown for your reference, as developed in the January 1, 2015 valuation.

	As of	January 1, 2017	January 1, 2015	January 1, 2015
Actuarial Accrued Liability	\$	3,179,264	\$ 4,395,762	\$ 4,395,762
Actuarial Value of Assets		-	-	-
Unfunded Actuarial Accrued Liability		3,179,264	4,395,762	4,395,762
	For FYE	June 30, 2017	June 30, 2016	June 30, 2015
Annual Required Contribution		400,627	511,536	493,297
Per Covered Active Employee		583	734	708
As % of Expected Payroll		1.6%	2.1%	2.0%
Annual OPEB Cost		315,602	453,521	443,091
Employer Contribution Toward the OPEB Cost		(171,208)	(286,962)	(228,745)
Addition to Net OPEB Obligation		144,394	166,559	214,346
Net OPEB Obligation		1,903,517	1,759,123	1,592,564

ACCRUED LIABILITY AND ANNUAL OPEB COST

The Unfunded Actuarial Accrued Liability represents an actuarial measurement of the obligation attributable to prior years of service, based on the actuarial cost method used. This will be displayed in the Notes to

Financial Statements and Required Supplementary Information within the District's annual financial statement and District's CAFR.

The Annual OPEB Cost is the amount that is expensed for the year. Since the District's OPEB plan is currently unfunded, the offset to that expense comes from actual subsidies paid on behalf of the current retirees and their dependents for the current year. This offset is called the Employer Contribution and equals the total age-adjusted costs paid by the District for coverage for the retirees and their dependents for the year (net of the retiree's own payments for the year). The chart above presents the amount of such Employer Contributions. *Refer to the Appendix for more details on the development of the Employer Contribution to be used for offsetting the Annual OPEB Cost.*

The cumulative difference between the Annual OPEB Cost for the year and the Employer Contribution for the year is called the Net OPEB Obligation. This is the amount of the expense charged for the year (per GASB No. 45) which was not yet offset by Employer Contributions. The Net OPEB Obligation will be reflected as a liability in the Statement of Net Assets of the District's annual financial statement. It flows right to the balance sheet, remains there, and accumulates each year until fully paid off by future Employer Contributions.

CHANGES IN COSTS AND LIABILITIES

Unfunded Accrued Liability and the Annual OPEB Cost have a tendency to grow from one valuation to the next with no benefit decreases and no advance funding in a trust. The detailed analysis of root causes of all changes in costs and liabilities is beyond the scope of this report. Nonetheless below we briefly discuss some of the factors contributing to the decreases in the results from the previous valuation.

- *Population Changes:* The number of retirees currently receiving post-employment health benefits through the District core plan decreased from 27 in the previous valuation to 24 this year. At the same time, the number of active employees eligible for future post-employment benefits decreased from 697 to 687. Combined population changes had a decreasing effect on the valuation results.
- *Initial Cost of Coverage:* The total cost of coverage increased from \$905 per employee per month (as expected for year beginning January 1, 2015) to \$ 1,067 per employee per month for year beginning January 1, 2017. This is higher than the projected \$997 per employee per month projected for 2017 at the time the previous valuation was performed. This change had an increasing effect on the costs and liabilities.
- *Aging Factors:* The age grading factors used in the development of the Per Capita Costs to reflect rates at which medical costs increase with age of the member has been revised to be based on the results of the study published (June 2013) in *Health Care Costs – From Birth the Death* sponsored by the Society of Actuaries and authored by Mr. Dale H. Yamamoto. This change had a decreasing effect on the costs and liabilities.
- *Retiree Contributions for Life Insurance Coverage:* Retiree premium contributions increased from \$8.55 per retiree per month for \$15,000 benefit offered to retirees under the age of 65 to \$12.75 per retiree per month for the same benefit. This change had an effect of decreasing the gap between the costs and premiums collected from retirees for life insurance coverage and as such had a decreasing effect on the costs and liabilities.

- *Retiree Medical Coverage Assumptions:* Coverage acceptance rates have been revised based on the data collected for this valuation. We now assume that 40% of employees who are covered at the time of retirement would continue coverage (35% single and 5% dual coverage) under the core District plan, a decrease from 45% assumed in the previous valuation. This change had a decreasing effect on the costs and liabilities.
- *Medical Trend Assumption:* We made revisions in the assumed trend of Medical/Rx cost and premium increases. In our previous valuation, we assumed the trends for costs and premiums to be 6.50% for the year beginning October 1, 2017, 6.25% for 2018/2019, and 6.0% for 2019/2020. We are revising trend rates for costs and premiums charged to retirees the year beginning October 1, 2017 to be - 6.0% (a decrease, to reflect the actual change in premium rates negotiated for the year), 7.00% for 2018/2019, and 6.75% for 2019/2020. Long term trend rates are assumed to follow a pattern used in the previous valuation. This change had a decreasing effect on the costs and liabilities.

As can be seen from this summary of changes, there may have been offsetting factors at work to change the results from the last full valuation to this one. The net effect was a decrease in the plan's actuarial liabilities and on the plan's accounting expense.

SECTION B

SUMMARY OF ACTUARIAL VALUATION RESULTS

ACTUARIAL VALUATION RESULTS AS OF JANUARY 1, 2017

	Total Medical/Rx Costs	Retirees' Medical/Rx Premiums	Net Life Insurance Costs	Net Employer Costs
Number of Participants Covered				
Active Participants	575	575	687	687
Retired Participants	24	24	202	216
Total Participants	599	599	889	903
Expected Payroll of Active Participants	\$ 20,939,030	\$ 20,939,030	\$ 24,614,404	\$ 24,614,404
Actuarial Present Value of Benefits				
Active Participants	11,727,993	(8,155,170)	461,741	4,034,564
Retired Participants	1,722,571	(1,246,416)	348,940	825,095
Total Participants	13,450,564	(9,401,586)	810,681	4,859,659
Actuarial Accrued Liability (Entry Age Normal Cost Actuarial Method)				
Active Participants	6,652,149	(4,627,487)	329,507	2,354,169
Retired Participants	1,722,571	(1,246,416)	348,940	825,095
Total Participants	8,374,720	(5,873,903)	678,447	3,179,264
Actuarial Value of Assets	-	-	-	-
Unfunded Actuarial Accrued Liability	8,374,720	(5,873,903)	678,447	3,179,264
Annual Required Contribution of the Employer (ARC) for YE 6/30/17 (Entry Age Normal Cost Actuarial Method)				
Normal Cost	389,765	(272,121)	13,448	131,092
12-Year Amortization of UAAL	710,001	(497,984)	57,518	269,535
Interest	-	-	-	-
Total Annual Required Contribution for FYE 6/30/17	\$ 1,099,766	\$ (770,105)	\$ 70,966	\$ 400,627
Per Active Participant	\$ 1,913	\$ (1,339)	\$ 103	\$ 583
As % of Expected Payroll	5.3%	(3.7%)	0.3%	1.6%
Annual OPEB Cost for FYE 6/30/17				
Annual Required Contribution				400,627
Interest on NOO				61,569
Adjustment to ARC				(146,594)
Total Annual OPEB Cost for FYE 6/30/17				\$ 315,602
Net Employer Contr. for FYE 6/30/17 (for crediting against Annual OPEB Cost)	\$ 408,689	\$ (246,052)	\$ 8,571	\$ 171,208
Addition to Net OPEB Obligation at 6/30/17				\$ 144,394
Net OPEB Obligation at the Beginning of the Year				\$ 1,759,123
Net OPEB Obligation at 6/30/17				\$ 1,903,517

EFFECT OF THE EXCISE TAX ON HIGH COST HEALTH PLANS

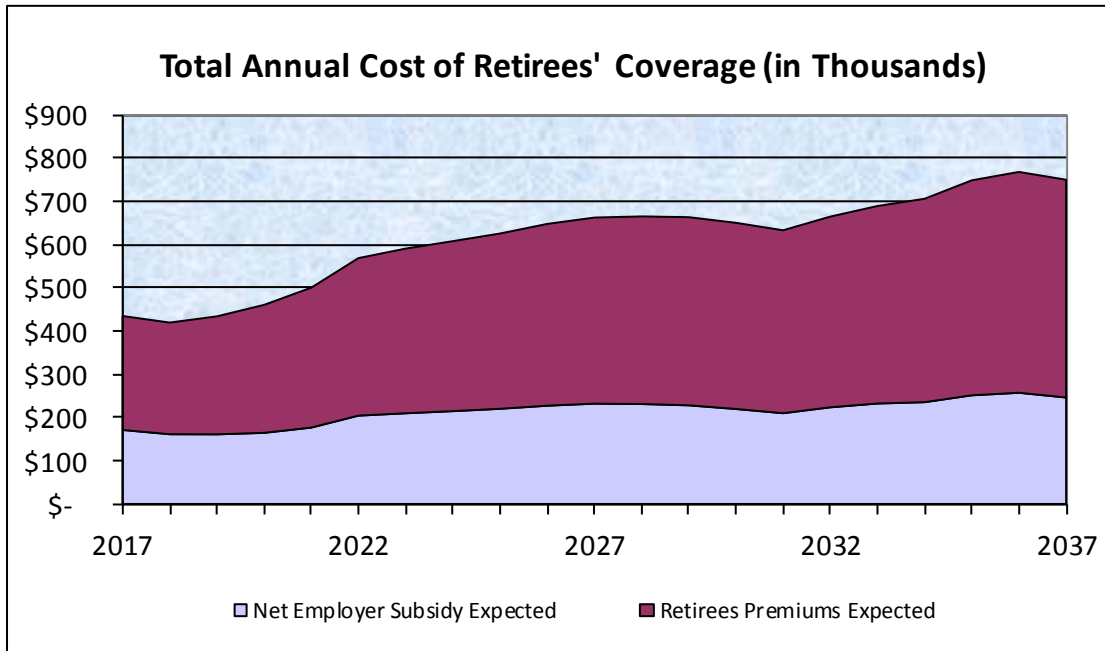
Results presented on the previous page reflect the estimated impact of the excise tax on high cost (Cadillac) health plans. As provided by the Patient Protection and Affordable Care Act of 2010, provisions of the law pertaining to the tax will first take effect in 2020. The excise tax will be 40% of costs above a threshold. Under our valuation assumptions, we anticipate that the Plan will be subject to the excise tax starting in 2020. Additional details can be found on page D-7. The following table illustrates an estimated impact of the tax:

ACTUARIAL VALUATION RESULTS AS OF JANUARY 1, 2017		
	Results Reflecting Expected Impact of Excise Tax	Original Results (Without Provisions for Excise Tax)
Number of Participants Covered		
Active Participants	687	687
Retired Participants and Surviving Spouses	216	216
Total Participants	903	903
Expected Payroll of Active Participants	\$ 24,614,404	\$ 24,614,404
Actuarial Present Value of Benefits		
Active Participants	4,034,564	3,800,277
Retired Participants	825,095	820,464
Total Participants	4,859,659	4,620,741
Actuarial Accrued Liability (Entry Age Normal Cost Actuarial Method)		
Active Participants	2,354,169	2,237,972
Retired Participants	825,095	820,464
Total Participants	3,179,264	3,058,436
Actuarial Value of Assets	-	-
Unfunded Actuarial Accrued Liability (EANC)	3,179,264	3,058,436
Annual Required Contribution of the Employer (ARC) for YE 6/30/17 (Entry Age Normal Cost Actuarial Method)		
Normal Cost	131,092	123,949
12-Year Amortization of UAAL	269,535	259,292
<u>Annual Required Contribution for FYE 6/30/17</u>	<u>\$ 400,627</u>	<u>\$ 383,241</u>
Total Annual OPEB Cost for FYE 6/30/17	<u>\$ 315,602</u>	<u>\$ 298,216</u>
Net Employer Contr. for FYE 6/30/17 (for crediting against Annual OPEB Cost)	<u>\$ 171,208</u>	<u>\$ 171,208</u>
<u>Net OPEB Obligation at 6/30/17</u>	<u>\$ 1,903,517</u>	<u>\$ 1,886,131</u>

TWENTY-YEAR PROJECTION OF UNFUNDED CASH FLOW

Premiums collected from employees and retirees account only for a portion of the cost of the health care provided, with the balance subsidized by the Employer. The table and graph below illustrate, based on a closed group projection, how the cost of the benefits is distributed between the Employer and the retirees.

Fiscal Year Ending 6/30 of Year	Total Benefits Expected	Retirees Premiums Expected	Net Employer Subsidy Expected
2017	\$ 434,761	\$ 263,553	\$ 171,208
2022	568,683	364,331	204,352
2027	662,403	430,344	232,059
2032	664,649	441,104	223,545
2037	749,922	503,724	246,198



AGE/SERVICE DISTRIBUTION FOR PLAN PARTICIPANTS

Age Group	Years of Service to Valuation Date - Active Employees							Total
	0-5	6-9	10-14	15-19	20-24	25-29	30&Up	
0 - 14	-	-	-	-	-	-	-	-
15 - 19	-	-	-	-	-	-	-	-
20 - 24	15	-	-	-	-	-	-	15
25 - 29	45	10	3	-	-	-	-	58
30 - 34	33	20	14	1	-	-	-	68
35 - 39	27	14	29	13	-	-	-	83
40 - 44	18	14	16	15	8	-	-	71
45 - 49	9	8	20	11	26	8	1	83
50 - 54	13	4	22	11	13	30	8	101
55 - 59	11	8	12	12	11	20	32	106
60 - 64	5	2	6	3	6	15	28	65
65 - 69	1	1	4	2	2	2	21	33
70 - 74	-	-	-	-	1	-	-	1
75 - 99	1	1	-	-	1	-	-	3
Total	178	82	126	68	68	75	90	687

The shaded box represents current eligibility for Early or Normal Retirement.

Retirees and Surviving Spouses					
Age Group	Medical/Rx		Life		Any Coverage
	Male	Female	Male	Female	
0 - 44	-	-	-	-	-
45 - 49	-	-	-	-	-
50 - 54	-	-	-	-	-
55 - 59	1	2	2	6	9
60 - 64	3	16	2	23	34
65 - 69	-	-	13	43	56
70 - 74	-	2	14	50	65
75 - 79	-	-	3	27	30
80 - 84	-	-	3	10	13
85 - 89	-	-	-	6	9
90 - 94	-	-	-	-	-
95 - +	-	-	-	-	-
Total	4	20	37	165	216

Note: Number of retirees presented above reflects the number of retirees covered under either Medical/Prescription or Life Insurance or both.

SECTION C

DEVELOPMENT OF INITIAL PER CAPITA COSTS

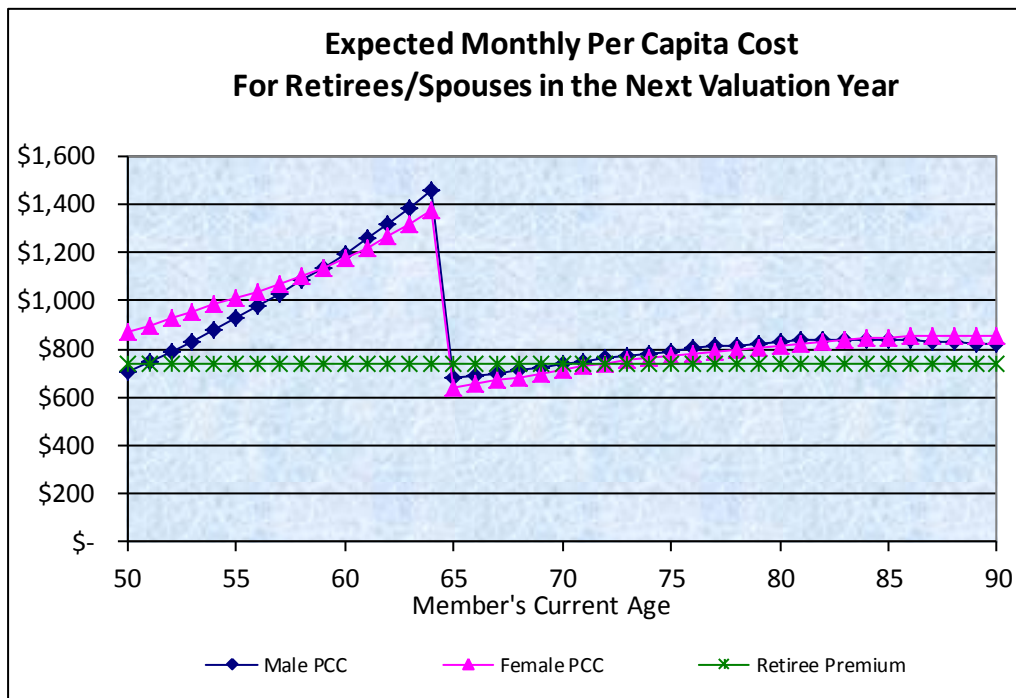
DEVELOPMENT OF INITIAL PER CAPITA COSTS

By offering medical coverage to employees, retirees and their dependents, the Employer assumes the responsibility for the total expected premiums charged by the carriers. These costs are partially offset by contributions from employees and retirees. While the total premium amount charged for covering employees and retirees and their dependents is the same without regard to the age or gender of the member, the true costs of medical and prescription coverage in any given year, depends on these factors. As the ages of employees, retirees and dependents in the covered population increase, so do their costs of benefits.

The table and the graph below illustrate the expected initial monthly Per Capita Costs (PCC) applicable to current retirees in the coming year.

Initial Monthly Per Capita Cost By Age/Sex					
Not Medicare Eligible Retirees			Medicare Eligible Retirees		
Sample Ages	Male	Female	Sample Ages	Male	Female
45	\$ 540.73	\$ 746.27	65	\$ 677.28	\$ 638.81
50	704.09	867.36	70	737.80	713.94
55	926.50	1,011.60	75	792.41	773.22
59	1,139.00	1,139.00	80	831.87	817.33
60	1,196.62	1,178.26	85	837.93	847.80
64	1,455.12	1,373.24	90	822.40	856.29

For comparison, amount of premium contributed by a retiree is also presented on the graph below. The spread between the Per Capita Cost and the premium actually collected from the retiree is the expected monthly cost borne by the Employer when providing medical coverage to a particular retiree.



The amounts of Per Capita Costs illustrated on the previous page have been developed by employing the morbidity tables discussed below. The table shows select values of age grading factors reflecting rates at which medical costs increase with age of the member. The age grading factors have been developed based on the results of the study published (June 2013) in *Health Care Costs – From Birth to Death* sponsored by the Society of Actuaries and authored by Mr. Dale H. Yamamoto. These percentages are separate from the annual Trend, which operates to increase costs independent of and in addition to the Aging Factors. For example, in any single year a group of 61-year old males are expected to cost 5.02% more than a group of 60-year old males.

Medical/Rx Cost Increase By Age					
Sample Ages	Male	Female	Sample Ages	Male	Female
30	4.80%	3.74%	65	1.68%	2.46%
35	4.45%	-0.32%	70	1.72%	1.89%
40	4.42%	0.44%	75	1.07%	1.20%
45	4.89%	2.34%	80	0.62%	0.97%
50	5.81%	3.46%	85	-0.37%	0.36%
55	5.44%	2.84%	90	-0.28%	-0.14%
60	5.02%	3.66%	95	-0.38%	-2.21%

The total cost expected (for the fully-insured health plan) for the entire covered population was allocated by age/sex, based upon the age/sex distribution of all plan members and the morbidity tables above. This procedure resulted in a table of age/sex-specific initial Per Capita Costs for the coming year. These calculations were based upon the benefits provided under the plan options available to employees and retirees as of the Valuation Date.

In the development of the PCC amounts, retirees and dependents age 65 and older are assumed to be Medicare-eligible. The “% of Total Claims Paid by Medicare” is an assumption regarding whether the core plan or Medicare pays as primary for Medicare-eligible retirees and dependents. In our work, we assume that the employer’s cost for a claim incurred by a Medicare eligible retiree is lower than the cost of the same claim incurred by a retiree who is not eligible for Medicare benefits. We are referring to that offset as “% of Total Claims Paid by Medicare” although some of it may be paid by a retiree. According to the Summary of Substantive Plan Provisions, the plan does not require Medicare-eligible members continuing coverage in the core plan to enroll in Medicare Part B. The plan pays as secondary payer for those who enroll in Part B and is the primary payer for claims that would otherwise be covered under Part B. All currently eligible members are enrolled in Part B of Medicare.

Furthermore, we are recognizing the fact, that healthy retirees are less likely to select the medical coverage when required to pay a full blended premium. The impact of this phenomenon is usually less when retirees are offered direct subsidies and continuation of medical coverage is more common among retirees. This adjustment is made through application of the “Anti-selection Load.” These adjustments are summarized on the following page:

Additional Factors used in PCC Development	
Anti-selection Load	15%
% of Claims Paid by Medicare	55%

The Monthly Per Capita Costs (PCC) by age and sex represent the costs of coverage after taking out deductibles, coinsurance, co-pays, and Medicare payments, but before applying any monthly retiree contributions (premiums) charged for coverage. The Medicare Part D subsidy, if any, has not been given any consideration, since it may not be used to offset the OPEB obligation.

Expected Per Capita Costs for disability retirees are assumed to be the same as applicable to similarly situated regular retirees. Although some (but not all) of the disability retirements would qualify for Medicare benefits resulting in lower plan costs, disability retirees tend to incur more claims and effectively offset potential savings from Medicare. Detailed claim analysis would help refine that assumption but given a small incidence of disability retirements, accuracy improvements would be immaterial and as such are not warranting additional costs and efforts.

Amounts for each age/sex combination for this Valuation were developed based on census data for all participants of the Health Care Plan and on the total expected claims and other costs incurred by all members of the plan.

The number of subscribers included in the Actuarial Valuation may be slightly different from the number used to develop the Per Capita Costs. The present distribution of subscribers for the purpose of Per Capita Cost Development is summarized below.

Coverage	Number of Subscribers	
	Active	Retired
Single	358	20
Family/Spouse	217	4

It is assumed that the current election patterns among retirees and employees will continue in the future. Consequently, expected per capita costs for future retirees (currently actively employed) may be lower than for the current retirees as the active members are more likely to elect less expensive options.

SECTION D

ACTUARIAL ASSUMPTIONS AND METHODS

ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial Valuation Date:	January 1, 2017 for employee and retiree population purposes, for development of per capita cost purposes and for valuation purposes.
Actuarial Cost Method:	Individual Entry Age Normal Cost Method with an increasing Normal Cost pattern consistent with the salary increase assumptions used in the FRS pension plan valuation.
Amortization Period and Method:	The Unfunded Actuarial Accrued Liability, as calculated pursuant to the Individual Entry Age Actuarial Cost Method, is amortized in a closed amortization, calculated as a level percent of payroll over a 12 year period. The assumed rate of payroll growth is 3.50%. GASB Statement No. 45 requires that any such payroll growth assumption be based upon no increase in the number of active employees covered by the plan.
Investment Discount Rate	Since there are currently no plan assets held in trust to finance the OPEB obligations, the investment return discount rate is the long-term expectation of investment return on assets held in District funds pursuant to its Investment Policy. The District has selected 3.50% compounded annually.
Price Inflation:	Long term price inflation is assumed to be 2.50% per year.
Florida Retirement System:	<p>Unless noted otherwise, demographic assumptions employed in this Actuarial Valuation were basically the same as those employed in the July 1, 2016 Pension Actuarial Valuation of the Florida Retirement System (FRS). These demographic assumptions were developed by FRS from an Actuarial Experience Study, and therefore are appropriate for use in this OPEB Actuarial Valuation. These include assumed rates of future termination, mortality, disability, and retirement. In addition, salary increase assumptions (for development of the pattern of the Normal Cost increases) were the same as FRS uses. Assumptions used in valuation of benefits for participants of the FRS Investment Plan are the same as for similarly situated participants of the FRS Defined Benefits Pension Plan.</p> <p>In the following pages, we outline assumptions with respect to different employment classes under FRS. Due to composition of the population, only assumptions applicable to Regular Classifications have been used in this valuation.</p>
Mortality Tables:	Mortality tables are used to measure the probabilities of participants dying before and after retirement. Mortality rates employed in this valuation are taken from the RP-2000 Combined Healthy Participant Mortality Table for active members and the RP-2000 Mortality Table for Annuitants for nondisabled inactive members, with mortality improvement projected to all future years from the year 2000 using Projection Scale BB. Rates have been

adjusted to be a blend of 50% White Collar and 50% Blue Collar (male) and 100% White Collar (female).

Mortality rates for impaired (from disability) lives are based on the RP-2000 Disabled Retiree tables and Healthy White Collar tables for males and females. Rates have been adjusted to be 100% Disabled Retiree with setback four years (male) and set forward two years (female).

These are the same rates currently in use for Regular Class members of the Florida Retirement System.

Rates of Disability:

Disability rates are used to measure the probabilities of active participants becoming disabled.

% Becoming Disabled Within Next Year				
Sample Ages	Line-of-Duty		Not-Duty	
	Male	Female	Male	Female
20	0.000%	0.000%	0.000%	0.000%
25	0.001%	0.001%	0.010%	0.010%
30	0.001%	0.001%	0.010%	0.010%
35	0.001%	0.001%	0.020%	0.010%
40	0.001%	0.001%	0.020%	0.020%
45	0.004%	0.001%	0.080%	0.060%
50	0.006%	0.006%	0.160%	0.100%
55	0.006%	0.006%	0.250%	0.160%
60	0.010%	0.013%	0.300%	0.260%
65	0.010%	0.010%	0.100%	0.080%

Rates of Retirement:

Rates of retirement are used to measure the probabilities of an eligible active employee retiring during the next year. The following rates are applicable to employees retiring from active employment without regard to whether employee first entered the DROP program or not.

Unreduced Retirement Rates								
Sample Ages	Regular Class - Tier I				Regular Class - Tier II			
	Male		Female		Male		Female	
	First Eligibility	Subsequent Eligibility	First Eligibility	Subsequent Eligibility	First Eligibility	Subsequent Eligibility	First Eligibility	Subsequent Eligibility
40	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
45	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
50	4.0%	2.0%	4.0%	2.0%	4.0%	2.0%	4.0%	2.0%
55	5.0%	2.0%	5.0%	2.0%	5.0%	2.0%	5.0%	2.0%
60	5.0%	5.0%	7.0%	5.0%	5.0%	5.0%	7.0%	5.0%
65	10.0%	13.0%	15.0%	15.0%	11.0%	11.0%	15.0%	12.0%
70	10.0%	13.0%	10.0%	15.0%	10.0%	13.0%	10.0%	15.0%
75	10.0%	13.0%	10.0%	15.0%	10.0%	13.0%	10.0%	15.0%
80	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
85	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

For the purpose of this valuation, employees entering the DROP program are not considered as retiring. DROP participants are treated as active employees until their DROP exit date, which is assumed to be 3 years after DROP entry. The table below shows applicable retirement rates in the year of assumed DROP exit. The rates were developed utilizing FRS assumptions for DROP entry at first retirement eligibility and the retirement rates described above.

Retirement Annual Rates - Year of DROP Exit				
Sample Ages	Regular Class - Tier I		Regular Class - Tier II	
	Male	Female	Male	Female
40	0.0%	0.0%	0.0%	0.0%
45	0.0%	0.0%	0.0%	0.0%
50	2.0%	2.0%	2.0%	2.0%
55	25.5%	29.6%	25.5%	29.6%
60	60.0%	54.0%	60.0%	54.0%
65	53.1%	57.5%	64.2%	65.2%
70	17.8%	19.7%	17.8%	19.7%
75	17.8%	19.7%	17.8%	19.7%
80	100.0%	100.0%	100.0%	100.0%

Rates of Termination from Active Employment:

These rates do not apply to participants eligible for Normal Retirement and do not include separation on account of death or disability. Termination rates are used to measure the probabilities of participants terminating employment for other reasons. During the select period, the rates are based on the number of years of service regardless of age, thereafter, during the ultimate period, termination rates are based on age. In addition, any employees terminating with at least 6 years of service (8 years of service for those hired after June 30, 2011) and who are within 10 years from Normal Retirement are assumed to commence monthly pension benefits and, thus, become eligible to accept retiree medical coverage.

% Separating Within Next Year - Regular Class										
Years of Service	Male									
	Attained Age									
	20	25	30	35	40	45	50	55	60	65
0	32.8%	27.2%	25.8%	25.8%	24.4%	24.4%	23.4%	27.4%	27.4%	27.4%
1	25.4%	18.5%	15.4%	14.3%	12.6%	12.5%	12.2%	12.2%	12.2%	12.2%
2	22.7%	17.2%	14.0%	12.8%	12.0%	11.6%	10.7%	10.7%	10.7%	10.7%
3	18.4%	14.6%	13.2%	12.6%	10.7%	10.3%	9.4%	9.3%	9.3%	9.3%
4	15.8%	12.7%	11.8%	10.9%	9.0%	8.8%	7.9%	7.8%	7.8%	7.8%
5	11.7%	9.7%	8.8%	8.5%	7.4%	6.8%	6.0%	6.8%	6.8%	6.8%
6	11.1%	8.5%	7.8%	7.5%	6.7%	6.5%	5.5%	5.4%	5.4%	5.4%
7	11.1%	8.4%	7.1%	6.8%	6.2%	6.0%	5.3%	5.2%	5.1%	5.1%
8	11.0%	7.7%	6.4%	6.2%	5.8%	5.1%	4.6%	4.4%	4.3%	4.3%
9	10.0%	6.3%	5.5%	5.3%	5.3%	5.1%	4.6%	4.3%	4.2%	4.2%
10 or more	9.8%	6.2%	4.7%	4.2%	3.0%	2.7%	3.0%	4.5%	5.3%	3.7%

% Separating Within Next Year - Regular Class										
Years of Service	Female									
	Attained Age									
	20	25	30	35	40	45	50	55	60	65
0	30.3%	26.6%	25.4%	25.4%	24.4%	24.4%	23.2%	23.2%	23.2%	23.2%
1	25.8%	19.8%	16.9%	15.9%	14.0%	13.9%	13.4%	13.4%	13.4%	13.4%
2	22.1%	17.1%	14.5%	13.5%	12.1%	11.9%	11.0%	11.0%	11.0%	11.0%
3	17.4%	13.0%	11.6%	11.2%	10.0%	9.8%	8.8%	8.7%	8.7%	8.7%
4	15.4%	12.9%	11.3%	10.9%	9.1%	8.8%	8.4%	8.3%	8.3%	8.3%
5	13.5%	10.7%	9.4%	9.0%	7.0%	6.7%	6.2%	6.1%	6.1%	6.1%
6	11.4%	9.7%	8.7%	8.0%	6.5%	6.5%	5.9%	5.8%	5.8%	5.8%
7	11.3%	9.2%	8.1%	7.8%	6.3%	6.1%	5.5%	5.4%	5.4%	5.4%
8	10.5%	7.8%	7.1%	6.8%	6.1%	5.8%	5.5%	5.4%	5.4%	5.4%
9	10.2%	7.1%	6.5%	6.2%	5.0%	4.7%	4.6%	4.5%	4.5%	4.5%
10 or more	11.6%	5.3%	5.4%	4.6%	3.3%	3.0%	3.0%	3.0%	3.0%	3.0%

Salary Increases:

These Rates are used to measure changes in salary. Salary increase rates are shown in the following table and are the same as used by the actuary for the Florida Retirement System. Rates presented in tables below reflect assumptions pertaining to annual salary increases due to promotion, longevity and general wage inflation.

Salary Increases in the Coming Year								
Combined Years of Service	Regular Class		Combined Years of Service	Regular Class		Combined Years of Service	Regular Class	
	Male	Female		Male	Female		Male	Female
0	7.60%	7.80%	10	4.50%	4.60%	20	4.30%	4.30%
1	5.70%	5.50%	11	4.50%	4.50%	21	4.30%	4.20%
2	5.30%	5.00%	12	4.50%	4.40%	22	4.30%	4.20%
3	5.10%	5.00%	13	4.50%	4.40%	23	4.20%	4.10%
4	5.00%	4.90%	14	4.50%	4.40%	24	4.10%	4.10%
5	4.90%	4.80%	15	4.40%	4.40%	25	4.00%	4.00%
6	4.80%	4.80%	16	4.40%	4.40%	26	4.00%	3.90%
7	4.80%	4.70%	17	4.40%	4.40%	27	4.00%	3.80%
8	4.70%	4.60%	18	4.30%	4.30%	28	3.90%	3.70%
9	4.70%	4.60%	19	4.30%	4.30%	29 & Over	4.40%	4.00%

HEALTH COVERAGE ASSUMPTIONS

Coverage Acceptance Rates: Not everyone who retires will accept coverage and pay the required premium upon retirement. Following are the assumptions as to future Medical Coverage Acceptance Rates among eligible employees. Lapse rates presented below reflect the discontinuation of coverage under the core District plan.

Acceptance and Lapsing rate			
	Ret Only	Ret + 1	Total
At Retirement (before age 65)	35%	5%	40%
At Retirement (age 65 and after)	1.75%	0.25%	2.00%
Lapsing at age of 65	95%	95%	95%
Continuation of Survivors	N/A	N/A	N/A

Future Acceptance Rate among eligible employees for Life Insurance Coverage is assumed at 60% at retirement.

Expenses: Expenses are included in the Per Capita Costs.

Per Capita Costs: As described in a previous section of this Report, expected monthly Per Capita (or per person) Costs were developed for the year following the Actuarial Valuation Date.

Expected Retiree Contributions: Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation a weighted average has been used with weights derived from the current distribution of members among plans offered. Such average expected retiree premium contributions for the first year are shown in the table below. As retirees covered through a Blue Medicare plan are not included in the valuation, premiums for that option are ignored in calculation of the average presented below.

Average Premium (as of Valuation Date)		
Coverage	Non-Medicare	Medicare
Retiree	\$736.00	\$736.00
Spouse	\$787.00	\$787.00

Health Care Cost Trend Rates: Monthly Per Capita Costs (PCC) and Retiree Contributions for Medical and Rx benefits are assumed to increase each year according to the rates set forth in the following table. For example, the Per Capita Costs and premiums for a year beginning on 10/1/2017 are expected to decrease by 6.00% over the rates for the year beginning on 10/1/2016 to reflect actual change in premium rates negotiated for the year.

The trend rate for the cost of benefits and premiums for years after 2020 are based on the forecasting model built and published (December 2007, and updated November 2016) in *Modeling Long-Term Health Care Cost*

Trends sponsored by the Society of Actuaries and authored by Prof. Thomas E. Getzen. The long term rates reflect a 2.5% assumed ultimate inflation rate, 25% resistance level for health care spending as a percent of GDP and a 20-year convergence period.

The rates presented below illustrate assumed medical cost inflation in the absence of the Excise Tax on High-Cost Employer Health Plans:

Annual Increase Rates					
Year of Increase	Medical/Rx	Contribution	Year of Increase	Medical/Rx	Contribution
2017	-6.00%	-6.00%	2030	5.08%	5.08%
2018	7.00%	7.00%	2031	4.94%	4.94%
2019	6.75%	6.75%	2032	4.84%	4.84%
2020	6.50%	6.50%	2033	4.76%	4.76%
2021	6.26%	6.26%	2034	4.71%	4.71%
2022	6.03%	6.03%	2035	4.66%	4.66%
2023	5.79%	5.79%	2036	4.58%	4.58%
2024	5.55%	5.55%	2037	4.49%	4.49%
2025	5.31%	5.31%	2038	4.41%	4.41%
2026	5.08%	5.08%	2039	4.33%	4.33%
2027	5.08%	5.08%	2040	4.24%	4.24%
2028	5.08%	5.08%	2041	4.24%	4.24%
2029	5.08%	5.08%	Thereafter	4.24%	4.24%

CONSIDERATION OF HEALTH CARE REFORM

Summary of Selected Provisions and their effects

Excise Tax on High-Cost Employer Health Plans (aka Cadillac Tax) Effective 1/1/2020 The “Cadillac” tax is a 40% excise tax paid by the coverage provider (employer and/or insurer) on the value of health plan costs in excess of certain thresholds. The thresholds for active employees and Medicare eligible retirees are \$10,200 for single coverage or \$27,500 for family coverage in 2018 and increased with inflation to 2020. Respective thresholds for retirees not eligible for Medicare are \$11,850 and \$30,950 for year 2018 increased with inflation to 2020. Many plans are below the thresholds today, but are likely to exceed them in the next decade. The thresholds will be indexed at CPI-U, which is lower than the medical inflation rates affecting the cost of the plans. There is considerable uncertainty about how the tax would be applied, and considerable latitude in grouping of participants for tax purposes. Combining early retiree and Medicare eligible retiree costs is allowed and can keep plans under the thresholds for a longer period of time.

Since this is a fully insured plan, should the excise tax ever become applicable, carriers will be the coverage providers paying the tax and are expected to pass the cost in the form of premium increases. The District will need to decide whether to reduce benefits to avoid the tax, or how the additional cost will be allocated between the employer and the members. GASB does not permit recognition of future plan changes in a valuation, so the net claims growth assumption (reflected in the long-term trends) will be based on the current plan design.

Based on the assumptions used for this valuation, premiums applicable to retirees are projected to become subject to the excise tax as soon as it becomes effective in 2020. Although the amount of tax initially assessed on the health insurance premiums is not expected to be significant, it will increase over time. We are modeling the impact of the tax by adding 0.50% to the assumed medical trend rates for the 2020 plan year and thereafter.

Comparative Effectiveness Research Fee: PPACA established the Patient-Centered Outcomes Research Institute (the Institute) to conduct research to determine which of two or more treatments works best when applied to actual patients in the “real world.” The work of the Institute is partially funded by a fee on health insurers and self-funded group health plans. This fee is reflected in the cost projected for 2017 and with further increases included in the trend rates.

Health Insurance Industry Fee: This fee on health insurers (including HMOs) starts at \$8 billion in 2014 and increases year over year before reaching \$14.3 billion in 2018. After 2018, it will continue to increase with premium growth. The fee, which applies only to insured business, will be based on each insurer’s share of the taxable health insurance premium base (among all health insurers of U.S. health risks). This is assumed to be reflected in the cost projected for 2017 and with further increases included in the trend rates.

Implementation of the new requirements: Blue Options 3361 legacy plan has been grandfathered under the Affordable Care Act. The other District’s health plans appear to already be in compliance with the provisions of the Act.

We have not identified any other specific provision of health care reform that would be expected to have a significant impact on the measured obligation. As additional guidance on the legislation is issued we will review and monitor the impact.

MISCELLANEOUS AND TECHNICAL ASSUMPTIONS

Pay Increase Timing:	End of (fiscal) year. This is equivalent to assuming that reported pays represent amounts paid to members during the year starting on the valuation date.
Decrement Timing:	Decrements of all types are assumed to occur at the middle of the year.
Eligibility Testing:	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
Decrement Relativity:	Decrement rates are treated as absolute rates of decrement.
Adjustments:	None.
Decrement Operation:	All decrements operate simultaneously. Disability and termination rates cease upon eligibility for normal or early retirement.

DEFINITIONS OF TECHNICAL TERMS

Actuarial Accrued Liability:	Actuarial Accrued Liability is the actuarial present value of projected future benefits that are attributable to an employees' service to date. Sometimes it is expressed as the difference between the actuarial present value of all future benefit payments and the actuarial present value of future normal costs.
Actuarial Assumptions:	These are factors for estimating expected future experience with respect to occurrences of mortality, disability, turnover, retirement, rates of investment income and salary increases, coverage acceptance, trend, aging, etc.
Actuarial Cost Method:	This is a mathematical budgeting procedure for allocating the dollar amount of the "actuarial present value of future benefit payments" between future normal costs and actuarial accrued liabilities. It is often referred to as the "Actuarial Funding Method" or "Actuarial Valuation Cost Method".
Actuarial Present Value:	Actuarial Present Value of a series of payments (or a single payment) is the amount of funds currently required to provide those payments in the future. This amount is determined by discounting future payments at predetermined rates of interest, taking into account the probability of payment. It is also referred to as "Present Value."
Amortization:	Amortization is a process of paying off, or recognizing, an interest-discounted amount with periodic payments of interest and principal, (similar to paying off an installment loan) -- as opposed to paying it off with a single sum.
Annual Required Contribution (ARC):	The ARC is the portion of the present value of projected benefits that is attributable to the current period. Usually it is determined as the normal cost (as defined below) plus the portion of the unfunded actuarial accrued liability amortized in the current period. The ARC is an amount that is actuarially determined to ensure that, if paid on an ongoing basis, it would provide sufficient resources for future benefit payments.
Normal Cost:	Normal Cost is the actuarial cost of a portion of projected future benefits allocated to the current year by the actuarial cost method. It is sometimes referred to as "Current Service Cost."
Unfunded Actuarial Accrued Liability (UAAL):	UAAL is the difference between actuarial accrued liability and the actuarial value of plan assets.

SECTION E

SUMMARY OF SUBSTANTIVE PLAN PROVISIONS

SUMMARY OF SUBSTANTIVE PLAN PROVISIONS AS OF JANUARY 1, 2017

ELIGIBILITY FOR RETIREE BENEFITS

Any employee of the School District of Hardee County who participates in and satisfies the Vesting, Disability, Early or Normal Retirement provisions of the Florida Retirement System (FRS) may be eligible for certain Other Post-Employment Benefits. Currently, the eligibility requirements for retirement under the FRS Defined Benefit Pension Plan are as follows.

VESTING RETIREMENT *Enrolling to FRS prior to July 1, 2011:* Termination after 6 years of creditable service.
Enrolling to FRS on or after July 1, 2011: Termination after 8 years of creditable service.

However, there will be no OPEB benefits available after termination of employment, unless employee satisfies eligibility requirements for any other retirement benefits listed below and starts receiving retirement benefits from FRS.

DISABILITY RETIREMENT Line of Duty: Members are eligible if totally and permanently disabled during the actual performance of duty. There is no service credit requirement.
Non-Duty: Members are eligible if totally and permanently disabled after completing at least 8 years of creditable service.

SURVIVORSHIP Line of Duty: Member died during the actual performance of duty. There is no service credit requirement.
Non-Duty: Employment is terminated by death after 6 years of creditable service for all classes of membership.

EARLY RETIREMENT FRS pension plan employees may elect to retire early with a reduced pension benefit at age 42 and one month upon accrual of 6 years of creditable service (8 years if hired on or after July 1, 2011).

NORMAL RETIREMENT *Enrolling to FRS prior to July 1, 2011:* Age 62 with 6 years of creditable service, or 30 years of creditable service regardless of age; eligible immediately.
Enrolling to FRS on or after July 1, 2011: Age 65 with 8 years of creditable service, or 33 years of creditable service regardless of age; eligible immediately.

DROP PARTICIPANTS DROP Participants are considered active employees while still in the DROP period. Upon actual retirement at the end of or during the DROP period the employee becomes eligible for certain post-employment benefit coverage.

Eligibility requirements for retirement under the FRS Investment Plan are as follows.

RETIREMENT Participants of the FRS Investment Plan are eligible for OPEB's if retiring from the District after attaining the age of 59 ½ with 6 years of credited service, or after meeting the Normal Retirement requirements listed above.

OTHER POST-EMPLOYMENT BENEFITS

The post-employment benefits include continued access to purchase coverage for the retiree and dependents in the Medical/Prescription, Dental, and Life Insurance Plans sponsored by the Employer.

HEALTH-RELATED BENEFITS

Eligible retirees may choose among the same Medical Plan options available for similarly situated active employees of the Employer. Dependents of retirees may be covered at the retirees' option the same as dependents of similarly situated active employees. Prescription Drug coverage is automatically extended to retirees and their dependents who continue coverage under any one of the Medical Plan options. Covered retirees and their dependents are subject to all the same Medical and Prescription benefits and rules for coverage as are similarly situated active employees. Retirees and their dependents are eligible to participate in an Employer-sponsored Dental/Vision Plan. Retirees and their dependents, who are Medicare eligible, are not required to enroll for Part B under Medicare. The plan pays as secondary for claims covered under Part A of the Medicare. For claims otherwise covered under Medicare Part B, the plan pays as secondary only for those participants who have enrolled into Part B.

Results presented in this report are based on the healthcare plan design in effect as of January 1, 2017.

RETIREE CONTRIBUTIONS FOR MEDICAL/PRESCRIPTION BENEFITS

In order to begin and maintain retiree Medical/Prescription coverage, premium contributions are required from the retiree. For dependent coverage, the retiree is required to pay a premium as well. If any required amounts are not paid timely, the coverage for the retiree and/or the dependent(s) will cease. The amount of the contributions required for retiree and dependent coverage may change from time to time.

The chart below summarizes the current total monthly contribution amounts required from retirees and their spouses to maintain medical/prescription coverage. A retiree's FRS Health Insurance Subsidy (HIS) payment provided by the State may be directed toward the payment of these amounts. Coverage for children of retirees is available (until their limiting age). However, for measuring the long term costs, the relatively few children covered by retirees coupled with the short duration of their coverage remaining results in costs that are not material in the long term. Consequently, only spouses are included in the chart below.

Monthly Retiree Premiums as of October 1						
Year	2016/2017			2017/2018*		
	Retiree Only	Spouse**	Retiree + Spouse	Retiree Only	Spouse**	Retiree + Spouse
BCBS 3361	\$735.75	\$787.22	\$1,522.97	\$689.04	\$737.23	\$1,426.27
BCBS HSA 5180/5181	\$715.01	\$584.30	\$1,299.31	\$618.80	\$505.68	\$1,124.48
BCBS HSA 5192/5193	\$631.55	\$582.89	\$1,214.44	\$551.26	\$508.79	\$1,060.05
Blue Medicare***	\$359.05	\$359.05	\$718.10	TBD	TBD	TBD

*Medical coverage provider was changed to Aetna for 2017/2018.

** Coverage for spouse only is not available. Rates applicable to spouses have been derived from the rates applicable to a dual (Retiree + Spouse) coverage.

*** Retirees changing their coverage to Blue Medicare option (or Medicare Advantage alternative) are considered lapsing their coverage under the District plan.

PLAN B PARTICIPANTS

Employees may elect to waive medical coverage with Blue Cross Blue Shield and use their Flexible Spending Account with Total Administrative Services Corp. (TASC) to pay for various types of coverage. Retirees can do the same but must pay all premiums for any of the types of coverage without the benefit of a Board-paid flexible spending account. No retiree has a flexible spending account at TASC.

SURVIVORSHIP BENEFITS

No benefit (other than COBRA) is offered to surviving beneficiaries of active and retired employees. Dependents must be enrolled in plan, prior to death of retiree.

DENTAL AND VISION PLANS

Dental and Vision benefits for active employees and their dependents are voluntary and fully paid by the employee. Consequently, Dental and Vision benefits are not Employer-provided in any sense and are not considered as other post-employment benefits for the purposes of GASB Statement No. 45.

LIFE INSURANCE

Retiring employees may continue the basic life insurance coverage offered by the District into retirement subject to premium payments in the amount of \$12.75 per month. Benefit amount decreases with retiree's age according the following schedule (premiums decrease proportionally):

Age of a Retiree	Benefit Amount	Monthly Premium
Less than 65	\$15,000	\$12.75
65 – 69	\$ 9,750	\$8.29
70 – 74	\$ 7,500	\$6.38
75 +	\$ 3,750	\$3.19

COBRA BENEFITS

Former employees, retirees and dependents may be eligible for an extended benefit under COBRA, regardless of the terms of the employer's other post-employment benefits. COBRA benefits are not considered as other post-employment benefits for the purposes of GASB Statement No. 45.

FUNDING VEHICLE

There is no separate trust through which benefits for retirees are funded. No assets are currently accumulated or earmarked for this purpose. All approved benefits are paid from the Employer's general assets when due.

TERMINATION AND AMENDMENT

The post-employment benefits are extended to retirees and continued at the discretion of the Employer, which reserves the right (subject to State Statute and any collective bargaining agreements) to change or terminate benefits and to change premium contributions required from retirees in the future as circumstances change.

APPENDIX

GASB DISCLOSURES

Required Actuarial Information (GASB STATEMENT NO. 45)			
Employer FYE June 30	2017	2016	2015
Normal Cost (service cost for one year)	\$ 131,092	\$ 180,926	\$ 173,867
Amortization of Unfunded Actuarial Accrued Liability	269,535	330,610	319,430
Interest on Normal Cost and Amortization	-	-	-
Annual Required Contribution (ARC)	400,627	511,536	493,297
Net OPEB Obligation (NOO) at beginning of year	1,759,123	1,592,564	1,378,218
Annual Required Contribution (ARC)	400,627	511,536	493,297
Interest on NOO	61,569	55,740	48,238
Adjustment to ARC	(146,594)	(113,755)	(98,444)
Annual OPEB Cost (Expense)	315,602	453,521	443,091
Employer Contributions Made	(171,208)	(286,962)	(228,745)
Increase (decrease) in NOO	<u>144,394</u>	<u>166,559</u>	<u>214,346</u>
NOO at end of year	1,903,517	1,759,123	1,592,564

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
1/1/2013	\$0	\$5,409,966	\$5,409,966	0.00%	\$24,174,028	22.38%
1/1/2015	\$0	\$4,395,762	\$4,395,762	0.00%	\$24,700,213	17.80%
1/1/2017	\$0	\$3,179,264	\$3,179,264	0.00%	\$24,614,404	12.92%

Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$443,091	\$228,745	51.62%	\$1,592,564
6/30/2016	\$453,521	\$286,962	63.27%	\$1,759,123
6/30/2017	\$315,602	\$171,208	54.25%	\$1,903,517

**Required Actuarial Information
(GASB STATEMENTS NO. 43 & 45)**

Reporting Year	2017	2016	2015
Contribution rate	0.7%	1.2%	0.9%
Actuarial valuation date	01/01/2017	01/01/2015	01/01/2015
Annual OPEB cost	\$315,602	\$453,521	\$443,091
Contributions made	\$171,208	\$286,962	\$228,745
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level % closed	Level % closed	Level % closed
Remaining amortization period	12 years	13 years	14 years
Asset valuation method	Unfunded	Unfunded	Unfunded
Actuarial assumptions:			
Investment rate of return *	3.50%	3.50%	3.50%
Projected salary increases *	3.7% - 7.80%	4% - 7.80%	4% - 7.80%
Payroll growth assumptions	3.5%	3.5%	3.5%
Initial Per Capita Cost trend rate	-6.00%	3.0%	3.0%
2nd Year Per Capita Cost trend rate	7.00%	7.0%	7.0%
3rd Year Per Capita Cost trend rate	6.75%	6.5%	6.5%
Ultimate Per Capita Cost trend rate	4.74%**	4.56%	4.56%
Years Until Ultimate Trend	24	25	25
* Includes general price inflation at	2.5%	2.5%	2.5%
** Includes an additional 0.50% trend representing our estimate of the ultimate effect of the Federal Excise Tax.			

DEVELOPMENT OF ACTUAL EMPLOYER CONTRIBUTION

For the fully insured health and life insurance plans, the Employer Contribution is based on the age/sex-adjusted premiums for covered retirees and their dependents. These two may not be the same if retirees are covered under the same policy as active employees (like in this case).

The total net Employer Contribution reduces the Annual OPEB Cost to obtain the actual Net OPEB Obligation reported in the Statement of Net Assets as a long term liability. The process of developing the Employer Contribution for the year ending June 30, 2017 is illustrated in the following chart.

Development of Employer Contribution for Year Ending June 30, 2017		
1.	Age-Adjusted Premiums Paid on Behalf of Retirees	
	a) Medical/Prescription Benefits	\$ 408,689
	b) Life Insurance Benefits	\$ 26,072
	c) Total Age-Adjusted Premiums Paid on Behalf of Retirees	\$ 434,761
2.	Retiree/Spouse Contributions	
	a) Medical/Prescription Benefits	\$ 246,052
	b) Life Insurance Benefits	\$ 17,501
	c) Total Retiree/Spouse Contributions	\$ 263,553
3.	Total Employer Contribution (1c - 2c)	\$ 171,208