RAMSEY COUNTY

January 1, 2015 Actuarial Valuation of Postemployment Benefits Under GASB Statement No. 45 For Fiscal Years Ending 2015 and 2016

September 28, 2015

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Table of Contents

Introduction and Actuarial Certification

This report presents an actuarial valuation of Other Postemployment Benefits (OPEB) for the Ramsey County. The 'Other' refers to postemployment benefits other than pensions. Accounting for OPEB is required under Governmental Accounting Standards Board Statement No. 45 (GASB 45).

Purpose of the valuation

The purpose of this valuation is to provide the County's GASB 45 accounting information. It is important to recognize that calculations performed for other purposes may yield significantly different results. Other considerations are summarized in the Important Notices section of this report.

Basis for the valuation

In conducting the valuation, we have used the following information as of January 1, 2015:

- the provisions of the substantive OPEB for the medical plan
- census data
- premiums and/or claims experience information

All plan provisions, premiums/claims experience, and census data were provided by the County. The premiums/claims experience and census data used were reviewed and considered to be reasonable, but not formally audited.

A summary of the data, assumptions, methods, and plan provisions used to prepare the results, including changes from the prior valuation, can be found in the Actuarial Basis section of this report.

County Funding

In 2005, the County began appropriating money in its General Fund to segregate it for future OPEB liabilities.

In 2008, the County established an Internal Service Fund (the "OPEB Fund") for future OPEB liabilities separate from the General Fund and allocated previously designated amounts as well as 2008 through 2014 contributions to the OPEB Fund.

On November 20, 2012, the County Board authorized the County Manager to replace the current OPEB Internal Service Fund with a new revocable OPEB Trust Fund. In this action, the County Board authorized administration of this fund to be done by Public Employees Retirement Association (PERA) and the investment of the trust to be administered by the State Board of Investment. $43 million in the OPEB Internal Service Fund was transferred to the trust by December 31, 2012.

In 2014 the county implemented the use of a payroll surcharge to fund post-employment benefits. The surcharge is deposited to the internal service fund and it is used to cover the pay as you go benefits. Any overage in the fund is transferred to the revocable trust. The trust will also be used to fund any shortfalls.

As of December 31, 2014, a total of approximately $56 million is on deposit in the OPEB Fund for future OPEB liabilities.

Introduction and Actuarial Certification (continued)

Changes from the prior valuation

Changes to the plan provisions and actuarial assumptions reflected in this valuation are described at the end of each of those sections in this report. These changes include:

- Retiree premiums were updated to current levels.
- The portion of retiree premiums that members are responsible for were updated to current levels.
- The discount rate was changed from 5.88% to 5.35% to reflect lower capital market outlooks on the County general assets and revocable trust.
- Healthcare trend rates were reset to reflect updated cost increase expectations based on recent survey information.
- Medical per capita claims costs were updated to reflect recent Ramsey County experience.
- A disability assumption was added for Police & Fire and Correctional employees to recognize the probability of being disabled in the line of duty and the resulting statutory mandated benefits.
- Withdrawal, disability, retirement and mortality rates for Correctional employees were updated to use the rates used in the 2014 PERA Correctional Employees Retirement Plan.
- Retirement rates for Police & Fire employees were updated to recognize rates before age 55 to reflect the probability of employees retiring before age 55. The new rates are the rates used in the 2014 PERA Public Employees Police and Fire Retirement Plan that we believe will better reflect the expected future retirement rates.
- Mortality rates for current retirees were updated from the RP-2000 fully generational table to the healthy post-retirement table defined for General Employees. The rates are those used in the 2014 PERA General Employees Retirement Plan.
- Assumed sick leave accruals were changed from 35 hours of sick leave per year to 38 hours per year to reflect current average accruals of benefiting group.

New Accounting Standards

The County will be required to implement newly adopted GASB 75 no later than FYE 2018. GASB Statement 75 will replace GASB statement 45. The primary objective of Statement 75 is to improve accounting and financial reporting by state and local governments for OPEBs.

Under GASB 75, the County will be required to recognize a liability equal to the Net OPEB Liability in the financial statements. The Net OPEB Liability is the total unfunded actuarial accrued liability. Currently GASB 45 requires recognition of the Net OPEB Obligation (NOO). For comparison, as of January 1, 2015 the County NOO is $100,715,358 and the Net OPEB Liability is $235,503,520.

Introduction and Actuarial Certification (continued)

Actuarial certification

To the best of our knowledge, this report is complete and accurate and all costs and liabilities under the plan were determined in accordance with generally accepted actuarial principles and practices. Upon receipt of the valuation report, the County should notify us if you disagree with any information contained in the report or if you are aware of any information that would affect the results that has not been communicated to us. The report will be deemed final and acceptable to the County unless you notify us otherwise.

The actuarial assumptions and methods are the responsibility of the plan sponsor. We have reviewed the assumptions and believe that they are reasonable estimates of future plan experience, both individually and in the aggregate. The calculations reported herein are consistent with our understanding of the provisions of GASB 45.

The undersigned actuaries are Members of the American Academy of Actuaries and meet the Qualification Standards of the Academy to render the actuarial opinion contained herein. We are available to answer questions on the material contained in the report or to provide explanations or further detail, as may be appropriate. We are not aware of any material direct or indirect financial interest or relationship that could create a conflict of interest or impair the objectivity of our work.

Brenda K. Hardy

Brenda K. Hardy, ASA, EA, MAAA
Consulting Actuary

Christopher L. Grabrian

Christopher L. Grabrian, ASA, EA, MAAA
(Health claims and assumptions)

September 28, 2015
L/D/C/R: 4/gg/bh/sb

Summary of Results

	1/1/2013	1/1/2015
A. Participants		
1. Active employees electing coverage	3,176	3,139
2. Actives waiving coverage	441	507
3. Retirees electing coverage	1,832	1,947
4. Total	5,449	5,593
B. Funded Status		
1. Actuarial Accrued Liability (AAL)	$ 220,835,832	$ 235,503,520
2. Market value of assets	0	0
3. Unfunded Actuarial Accrued Liability (UAAL) (1. - 2.)	220,835,832	235,503,520
4. Estimated payroll for the year	220,027,341	227,822,509
5. UAAL as a percentage of payroll	100.4%	103.4%
	FYE 2013	**FYE 2015**
C. Annual Required Contribution (ARC)[1]	$ 20,515,463	$ 20,632,628
D. Reconciliation of Net OPEB Obligation	**FYE 2013**	**FYE 2015**
1. Net OPEB Obligation as of January 1	$ 85,803,717	$ 100,715,358
2. Annual OPEB Cost	19,407,005	19,205,532
3. Estimated employer contributions	12,481,823	13,128,560
4. Net OPEB Obligation as of December 31 (1. + 2. - 3.)	$ 92,728,899	$ 106,792,330
	FYE 2014	**FYE 2016**
5. Net OPEB Obligation as of January 1	$ 92,728,899	$ 106,792,330
6. Annual OPEB Cost	19,648,733	19,377,644
7. Estimated employer contributions	11,662,274	13,725,081
8. Net OPEB Obligation as of December 31 (5. + 6. - 7.)	$ 100,715,358	$ 112,444,893

(1) Note that Annual Required Contribution is a misleading term; no annual cash contribution is required to fund OPEB benefits. The ARC is a component of the Annual OPEB Cost, and the latter is the annual expense the County is required to recognize in its financial statements. See page 12 for more detail on the County's Annual OPEB Cost.

Benefit Liabilities, Assets and Funded Status

	1/1/2013	1/1/2015
A. Benefit Liabilities		
1. Present value of benefits paid by employer	263,047,482	275,113,604
2. Present value of benefits attributed to future service	42,211,650	39,610,084
3. Actuarial Accrued Liability (AAL) (1. - 2.)	$ 220,835,832	$ 235,503,520
B. Market Value of Assets - irrevocable trust	$ 0	$ 0
C. Funded Status		
1. Actuarial Accrued Liability	$ 220,835,832	$ 235,503,520
2. Market value of assets	0	0
3. Unfunded Actuarial Accrued Liability (UAAL) (1. - 2.)	$ 220,835,832	$ 235,503,520
D. Effect of a 1% Increase in Discount Rate (expected asset return)		
1. Percent change in Actuarial Accrued Liability	-10.7%	-11.1%
2. Percent change in Annual OPEB Cost	-3.3%	-3.2%

E. Revocable Trust[1]

Year	Transfers In	Investment Earnings	Early Retiree Reinsurance Program[2]	Total	Investment Rate of Return[3]
2014	$ 2,500,000	$ 4,236,704	$ 0	$ 6,736,704	10.29%
2013	3,705,838	2,506,625	0	6,212,463	7.06%
2012	6,314,755	35,399	0	6,350,154	0.09%
2011	3,027,326	14,534	899,739	3,941,599	0.04%
2010	2,348,428	38,545	548,331	2,935,304	0.12%
2009	1,520,918	39,717	0	1,560,635	0.14%
2008	3,948,904	342,487	0	4,291,391	1.31%
2007	23,290,254	915,652	0	24,205,906	7.86%
Total	$ 46,656,423	$ 8,129,663	$ 1,448,070	$ 56,234,156	

[1]The County also has an internal service fund which held all OPEB assets prior to the establishment of the revocable trust in 2012. The internal service fund has available cash of $3,126,682 as of 12/31/2014.

[2]This funding from the Federal government's Affordable Care Act's Early Retiree Reinsurance Program. The County credits this revenue to the Retiree Insurance Fund.

[3]Investment rate of returns for 2013 and 2014 provided by the County. Rate of returns for 2007 - 2012 were estimated assuming mid-year contributions.

Breakdown of Actuarial Accrued Liability by Fund - Retirees

A. Breakdown of AAL	Pre 65	Post 65	Total
1. Early Retirees			
a. Fund 11101	20,621,646	18,241,261	38,862,907
b. Fund 11102	5,665,267	7,101,404	12,766,671
c. Fund 12101	172,035	252,004	424,039
d. Fund 12202	0	0	0
e. Fund 12302	117,716	198,572	316,288
f. Fund 12401	0	0	0
g. Fund 12901	0	0	0
h. Fund 13301	0	0	0
i. Fund 13901	0	0	0
j. Fund 14001	0	0	0
k. Fund 21101	545,161	533,280	1,078,441
l. Fund 21102	669,576	615,298	1,284,874
m. Fund 22102	349,655	273,247	622,902
n. Fund 22105	0	0	0
o. Fund 22109	0	0	0
p. Fund 22110	0	0	0
q. Fund 22112	153,703	147,299	301,002
r. Fund 22113	263,839	236,159	499,998
s. Fund 31110	0	0	0
t. Total	28,558,598	27,598,524	56,157,122
2. Regular Retirees			
a. Fund 11101	2,460,633	44,122,080	46,582,713
b. Fund 11102	1,035,852	24,279,720	25,315,572
c. Fund 12101	4,403	1,503,347	1,507,750
d. Fund 12202	0	72,064	72,064
e. Fund 12302	134,684	1,419,224	1,553,908
f. Fund 12401	0	0	0
g. Fund 12901	0	41,917	41,917
h. Fund 13301	0	0	0
i. Fund 13901	0	0	0
j. Fund 14001	0	0	0
k. Fund 21101	58,804	2,640,304	2,699,108
l. Fund 21102	74,201	1,446,559	1,520,760
m. Fund 22102	8,267	1,613,313	1,621,580
n. Fund 22105	0	0	0
o. Fund 22109	0	0	0
p. Fund 22110	0	0	0
q. Fund 22112	160,580	1,134,733	1,295,313
r. Fund 22113	0	0	0
s. Fund 31110	0	33,485	33,485
t. Total	3,937,424	78,306,746	82,244,170

Breakdown of Actuarial Accrued Liability by Fund - Actives

	Actuarial Accrued Liability			Service Cost
A. Breakdown of AAL	Pre 65	Post 65	Total	
1. Actives				
a. Fund 11101	31,220,885	25,025,004	56,245,889	2,639,981
b. Fund 11102	9,718,840	10,485,281	20,204,121	954,545
c. Fund 12101	1,133,614	1,468,068	2,601,682	91,893
d. Fund 12202	4,685	49,676	54,361	1,708
e. Fund 12302	1,148,825	1,670,128	2,818,953	76,031
f. Fund 12401	338,014	545,538	883,552	31,582
g. Fund 12501	63,192	49,582	112,774	6,587
h. Fund 12901	457,422	540,141	997,563	37,688
i. Fund 13301	503,998	633,496	1,137,494	60,338
j. Fund 13901	4,434	0	4,434	659
k. Fund 14001	227,267	159,474	386,741	28,117
l. Fund 21101	1,331,971	1,127,402	2,459,373	113,766
m. Fund 21102	1,090,838	923,097	2,013,935	83,733
n. Fund 21104	13,453	11,075	24,528	2,072
o. Fund 21106	571	0	571	951
o. Fund 22101	2,389,362	971,604	3,360,966	165,871
p. Fund 22102	724,395	830,433	1,554,828	70,699
q. Fund 22105	0	0	0	0
r. Fund 22109	30,904	40,119	71,023	4,075
s. Fund 22110	8,758	0	8,758	767
t. Fund 22112	587,547	525,785	1,113,332	37,656
u. Fund 22113	581,937	460,663	1,042,600	48,319
v. Fund 31110	4,750	0	4,750	675
w. Total	51,585,662	45,516,566	97,102,228	4,457,713

Actuarial Accrued Liability

	1/1/2013	1/1/2015
A. By Status and Coverage Period		
1. Actives		
a. Coverage before 65	$ 49,292,007	$ 51,585,662
b. Coverage after 65	46,571,324	45,516,566
c. Total	95,863,331	97,102,228
2. Retirees		
a. Coverage before 65	32,952,720	32,496,022
b. Coverage after 65	92,019,781	105,905,270
c. Total	124,972,501	138,401,292
3. All participants		
a. Coverage before 65	82,244,727	84,081,684
b. Coverage after 65	138,591,105	151,421,836
c. Total	$ 220,835,832	$ 235,503,520
B. By Status and Subsidy Type		
1. Actives		
a. Implicit Subsidy	$ 13,491,508	$ 17,271,587
b. Direct Subsidy	82,371,823	79,830,641
c. Total	95,863,331	97,102,228
2. Retirees		
a. Implicit Subsidy	11,114,461	12,578,345
b. Direct Subsidy	113,858,040	125,822,947
c. Total	124,972,501	138,401,292
3. All participants		
a. Implicit Subsidy	24,605,969	29,849,932
b. Direct Subsidy	196,229,863	205,653,588
c. Total	$ 220,835,832	$ 235,503,520

Change in Unfunded Actuarial Accrued Liability

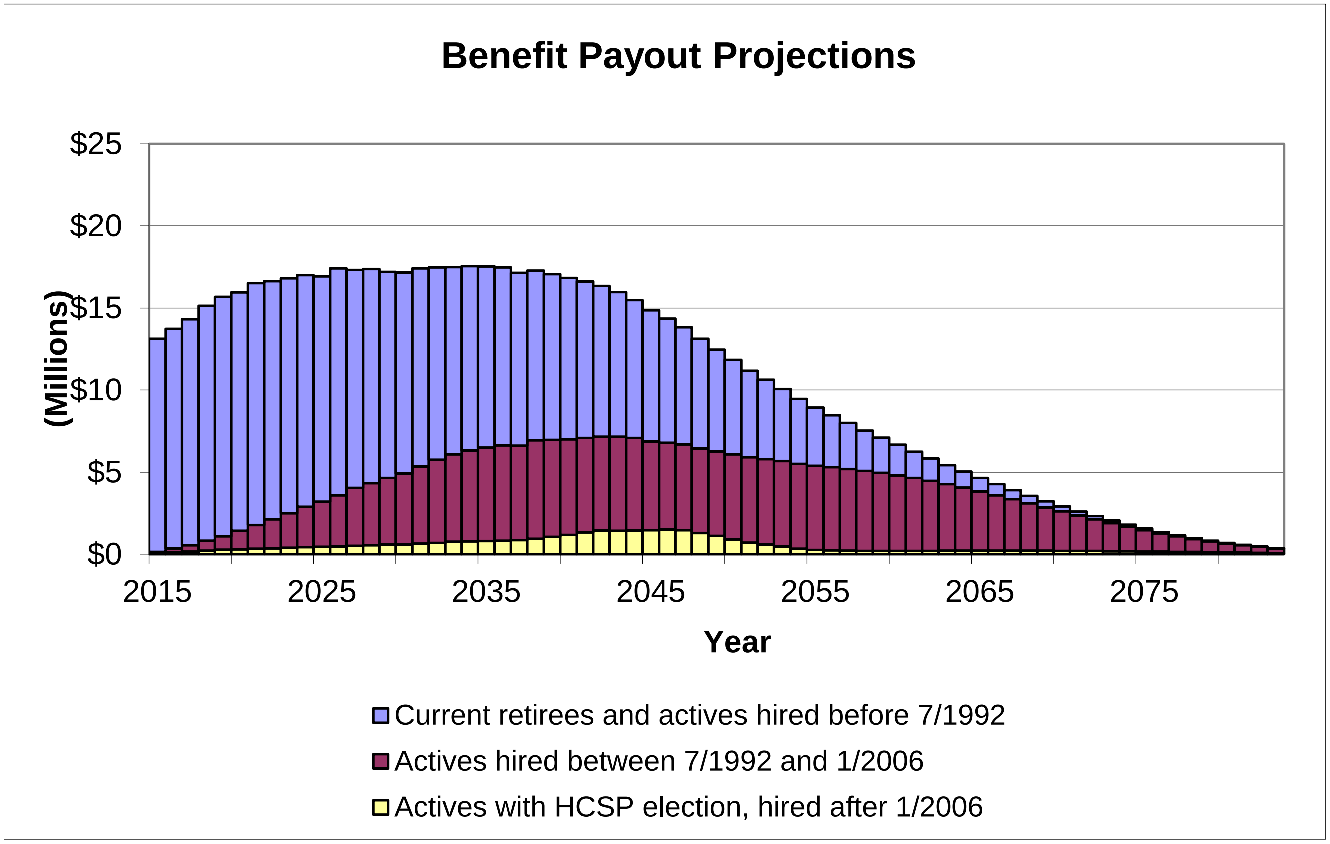
A. Liability changes		
1. Expected Actuarial Accrued Liability as of January 1, 2015		
a. AAL as of January 1, 2013		$ 220,835,832
b. Normal costs for fiscal years ending 2013 and 2014		8,835,360
c. Benefit payments for fiscal years ending 2013 and 2014		(24,144,097)
d. Interest on a., b. and c.		26,063,028
e. Expected AAL as of January 1, 2015 (a. + b. + c. + d.)		231,590,123
2. (Gains)/losses from experience different than expected		
a. Census	$ 5,585,575	
b. Per capita claims costs and premiums	(36,842,017)	
c. Total experience (gains)/losses		(31,256,442)
3. Change in actuarial assumptions and methods		
a. Discount rate	14,502,921	
b. Healthcare trend rates	7,889,173	
c. Demographic rates (withdrawal, disability, retirement and mortality)	12,814,234	
d. Sick leave accrual assumption	(36,489)	
e. Elimination of dental implicit subsidy	0	
f. Actuarial methods	0	
g. Total actuarial assumption and method changes		35,169,839
4. Plan amendments		0
5. Actual AAL as of January 1, 2015 (1.e. + 2.c. + 3.g. + 4.)		$ 235,503,520
B. Asset (gain) or loss		
1. Expected asset value as of January 1, 2015		
a. Asset value as of January 1, 2013		$ 0
b. Contributions for fiscal years ending 2013 and 2014		0
c. Benefit payments for fiscal years ending 2013 and 2014		0
d. Interest to January 1, 2015 on a., b. and c.		0
e. Expected asset value as of January 1, 2015 (a. + b. + c. + d.)		0
2. Gain/(loss)		0
3. Actual assets as of January 1, 2015 (1.e. + 2.)		$ 0
C. Change in Unfunded Actuarial Accrued Liability (UAAL)		
1. UAAL as of January 1, 2013 (A.1.a. - B.1.a.)		$ 220,835,832
2. Expected change in the UAAL		10,754,291
3. Expected UAAL as of January 1, 2015 (A.1.e. - B.1.e.)		231,590,123
4. Change in UAAL due to experience (gains)/losses (A.2. - B.2.)		(31,256,442)
5. Change in UAAL due to actuarial assumptions and methods (A.3.g.)		35,169,839
6. Change in UAAL due to plan amendments (A.4.)		0
7. UAAL as of January 1, 2015 (3. + 4. + 5. + 6.)		$ 235,503,520

Projected Benefit Payments

(a) Fiscal Year Ending	(b) Retiree Claims and Admin Costs	(c) Retiree-Paid Premiums	(d) Employer-Paid Premiums Direct Subsidy (Pay as you go cost)	(e)=(b)-(c)-(d) Implicit Subsidy
2015	$ 15,299,042	$ 2,170,482	$ 10,369,823	$ 2,758,737
2016	16,352,991	2,627,910	11,007,192	2,717,889
2017	17,426,819	3,114,908	11,589,647	2,722,264
2018	18,749,684	3,614,256	12,217,196	2,918,232
2019	19,759,278	4,081,490	12,715,439	2,962,349
2020	20,490,289	4,540,072	13,038,164	2,912,053
2021	21,508,945	4,998,059	13,479,462	3,031,424
2022	21,953,717	5,325,636	13,732,810	2,895,271
2023	22,524,497	5,702,995	13,947,809	2,873,693
2024	23,065,938	6,056,063	14,146,820	2,863,055
2025	23,241,298	6,305,289	14,261,110	2,674,899
2026	24,036,790	6,625,373	14,659,605	2,751,812
2027	24,234,023	6,908,539	14,730,873	2,594,611
2028	24,575,567	7,193,419	14,845,390	2,536,758
2029	24,679,558	7,469,329	14,852,900	2,357,329
2030	24,833,306	7,668,342	14,993,395	2,171,569
2031	25,405,470	7,996,501	15,212,938	2,196,031
2032	25,787,773	8,305,008	15,313,221	2,169,544
2033	26,108,619	8,616,722	15,390,962	2,100,935
2034	26,473,306	8,910,720	15,522,772	2,039,814
2035	26,724,417	9,199,111	15,573,280	1,952,026
2036	26,972,551	9,506,434	15,587,355	1,878,762
2037	26,929,431	9,777,776	15,428,926	1,722,729
2038	27,430,258	10,147,536	15,449,635	1,833,087
2039	27,596,101	10,519,643	15,267,153	1,809,305
2040	27,675,264	10,845,259	15,059,911	1,770,094
2041	27,831,454	11,214,238	14,821,183	1,796,033
2042	27,873,479	11,517,280	14,539,074	1,817,125
2043	27,662,273	11,690,412	14,243,051	1,728,810
2044	27,323,069	11,839,797	13,845,634	1,637,638
2045	26,808,352	11,944,832	13,381,070	1,482,450

Notes: The projections are based on current participants and do not include any future entrants (closed group projections).

Breakdown of Projected Benefit Payments



Annual Required Contribution and Annual OPEB Cost

		FYE 2013		FYE 2015		Projected[(1)] FYE 2016
A. Annual Required Contribution						
1. Normal Cost	$	4,417,680	$	4,457,713	$	4,457,713
2. Amortization of the UAAL		14,958,466		15,127,126		15,372,233
3. Interest to end of fiscal year on 1. and 2.		1,139,317		1,047,789		1,060,902
4. Annual Required Contribution	$	20,515,463	$	20,632,628	$	20,890,848
B. Annual OPEB Cost						
1. Annual Required Contribution (ARC)	$	20,515,463	$	20,632,628	$	20,890,848
2. Interest on the Net OPEB Obligation (NOO)		5,045,259		5,388,272		5,713,390
3. Adjustment to the ARC (NOO amortization)		(6,153,717)		(6,815,368)		(7,226,594)
4. Annual OPEB Cost (1. + 2. + 3.)	$	19,407,005	$	19,205,532	$	19,377,644

(1) FYE 2016 results are projected using current plan provisions, census data and funding presented in this valuation. If significant changes in provisions, census or funding occur, then a new valuation is required under GASB accounting rules.

Valuation Results - Net OPEB Obligation and Schedule of Employer Contributions

	FYE 2015	Projected[1] FYE 2016
A. Net OPEB Obligation (NOO)		
1. Annual Required Contribution (ARC)	$ 20,632,628	$ 20,890,848
2. Interest on NOO	5,388,272	5,713,390
3. Adjustment to ARC	(6,815,368)	(7,226,594)
4. Annual OPEB Cost	19,205,532	19,377,644
5. Estimated employer contributions[2]		
a. OPEB trust	n/a	n/a
b. Implicit subsidy benefits	2,758,737	2,717,889
c. Direct subsidy benefits	10,369,823	11,007,192
d. Total	13,128,560	13,725,081
6. Increase (decrease) in NOO (4. - 5.d.)	6,076,972	5,652,563
7. Net OPEB Obligation at beginning of fiscal year	100,715,358	106,792,330
8. Net OPEB Obligation at end of fiscal year	$ 106,792,330	$ 112,444,893

B. Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Estimated Employer Contributions[2]	% of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	$ 19,205,532	$ 13,128,560	68.4%	$ 106,792,330
2016	19,377,644	13,725,081	70.8%	112,444,893

Valuation Results - Required Supplementary Information

(a)	(b)	(c)	(d)=(c)-(b)	(e)=(b)/(c)	(f)	(g)=(d)/(f)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Estimated Covered Payroll	UAAL as a % of Payroll
1/1/2015	$ 0	$ 235,503,520	$ 235,503,520	0.0%	$ 227,822,509	103.4%

(1) FYE 2016 results are projected using current plan provisions, census data and funding presented in this valuation. If significant changes in provisions, census or funding occur, then a new valuation is required under GASB accounting rules.

(2) These are estimated employer contributions. Financial statements should use actual employer contributions which will change the year-end NOO and subsequent calculations of Interest on NOO and Adjustment to ARC.

Historical Financial Statement Disclosure Information

A. Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Annual Employer Contribution	% of Annual OPEB Cost Contributed	Net OPEB Obligation
2007	$ 29,213,298	$ 9,632,905	33.0%	$ 19,580,393
2008	28,931,009	14,365,487	49.7%	34,145,915
2009	24,384,488	12,337,151	50.6%	46,193,252
2010	24,210,802	12,731,077	52.6%	57,672,977
2011	26,463,298	12,759,080	48.2%	71,377,195
2012	27,086,531	12,660,009	46.7%	85,803,717
2013	19,407,005	12,481,823	64.3%	92,728,899
2014	19,648,733	11,662,274	59.4%	100,715,358

B. Funded Status

(a)	(b)	(c)	(d)=(c)-(b)	(e)=(b)/(c)	(f)	(g)=(d)/(f)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Estimated Covered Payroll	UAAL as a % of Payroll
1/1/2007	$ 0	$ 315,651,119	$ 315,651,119	0.0%	$ 184,854,555	170.8%
1/1/2009	0	272,698,609	272,698,609	0.0%	201,065,043	135.6%
1/1/2011	0	307,634,820	307,634,820	0.0%	216,821,530	141.9%
1/1/2013	0	220,835,832	220,835,832	0.0%	220,027,341	100.4%
1/1/2015	0	235,503,520	235,503,520	0.0%	227,822,509	103.4%

Summary of Plan Participants

This section presents the demographic information for the active employees and retired participants included in the OPEB valuation. The actuarial valuation was based on January 1, 2015 census data provided by the County. The following exhibits summarize the personnel characteristics of the data used for the valuation.

A. Medical[1]

1. Benefits-eligible active employees	Single	Single+1	Family	Total
a. HealthPartners Distinctions (under age 65)	1,813	0	1,326	3,139
b. Total with coverage	1,813	0	1,326	3,139
c. Total without coverage				507
d. Total active employees				3,646
e. Average age				46.9
f. Average service				12.6
g. Average annual pay				$ 62,486

2. Benefits-eligible retirees	Single	Single+1	Family	Total
a. HealthPartners Distinctions (under age 65)	280	0	106	386
b. HealthPartners Major Medical (65+ non-Medicare eligible plan)	20	0	3	23
c. HealthPartners Freedom and HealthPartners National (65+ Medicare eligible plan)	905	554	40	1,499
d. Blue Cross Platinum Blue Plan B w/Rx (65+ Medicare eligible plan)	28	11	0	39
e. Total with coverage	1,233	565	149	1,947
f. Total without coverage				0
g. Total retirees				1,947
h. Average age with coverage				71.9

(1) Participant count summaries only include medical plans available as of January 1, 2015.

Summary of Plan Provisions

A. Eligibility

At retirement, employees of the County receiving a retirement or disability benefit, or eligible to receive a benefit, from a PERA pension plan may continue to participate in the County's group insurance plan. The County does not contribute to any other benefit programs.

County employees are participants in either the PERA Coordinated Plan, PERA Police & Fire Plan or the PERA Correctional Plan. Retirement and disability eligibility for these pension plans are as follows:

PERA Coordinated Plan

Retirement:

- Hired before 7/1/1989: The earlier of 1) age 65 and at least 1 year of service, 2) age 55 and vested, 3) any age and at least 30 years of service, or 4) age plus service total at least 90
- Hired after 6/30/1989: The earlier of 1) the age when first eligible for full Social Security benefits (not to exceed age 66) and at least 1 year of service or 2) age 55 and vested

Disability: Total and permanent disability and vested

Vesting:

- Hired before July 1, 2010: vested after 3 years
- Hired after June 30, 2010: vested after 5 years

PERA Police & Fire Plan and PERA Correctional Plan

Retirement:

- The earlier of 1) age 65 and at least 1 year of service, 2) age 50 and at least partially vested

In the line of duty disability: Any age and any service
Regular disability: Any age and 1 year of service

Vesting:

- Hired before July 1, 2010: 100% vested after 3 years
- Hired after June 30, 2010 and before 7/1/2014: 50% vested after 5 years of service, increasing 10% each year until 100% vested after 10 years of service
- Hired after 6/30/2014: 50% vested after 10 years, increasing 5% each year until 100% vested after 20 years of service[1]

County employees who meet the eligibility requirements upon retirement are eligible for health benefits as described on the following pages.

[1] Applies only to Police & Fire Plan participants

Summary of Plan Provisions (continued)

B. Plan Premiums

Eligible participants and their dependents are allowed access to the health plans and contribute the following plan premiums effective January 1, 2015. Participants meeting additional requirements are eligible for a direct subsidy of the premium paid by the County as described in item D. Direct Subsidy below.

Plan Name	Single	Family (spouse with Medicare A & B)	Family (spouse without Medicare A & B)
HealthPartners Distinctions (under age 65)	$ 762.12	$ 994.32	$ 1,816.30
HealthPartners Major Medical (65+ non-Medicare eligible plan)	677.33	N/A	1,356.59
HealthPartners Freedom and HealthPartners National	232.20	464.40	994.32
Blue Cross Platinum Blue Plan B w/Rx (65+ Medicare eligible plan)	188.50	377.00	N/A
Medicare Part B	104.90	209.80	N/A

C. Implicit Subsidy

The implicit subsidy is provided to all retirees and dependents who elect non-Medicare medical coverage, provided the retiree has satisfied the applicable pension plan requirements described in item A. Eligibility.

The implicit subsidy is the difference between the actual and apparent cost of OPEB coverage. The actual cost for early retirees is usually higher than the average per-person premium for the active/retiree group. Plans in which retirees pay the average active/retiree rate (the apparent cost) give rise to an implicit rate subsidy: the employer pays the difference between the actual and apparent cost.

D. Direct Subsidy

Participants meeting the following eligibility receive a County direct subsidy toward the premium as described below:

Group	Premium Paid by County
Employees hired before July 1, 1992 with 20,800 hours of service or 10,400 hours of service if retiring under PERA disability	County pays full defined county contribution
Employees hired between July 1, 1992 and January 1, 2006 with 41,600 hours of service (excluding those who made a one-time election to participate in Health Care Savings Plan (HCSP))	County pays 50% of the defined county contribution for 20 years of service, plus an additional 4% per year of service beyond 20, up to a maximum of 90% of the defined county contribution
Other eligible participants who do not meet years of service requirements or hired after January 1, 2006 and those electing to participate in HCSP	Retiree may continue medical coverage by paying the full premium

Summary of Plan Provisions (continued)

E. Defined County Contribution

Participants meeting the following eligibility receive a defined County contribution toward the premium as described below:

Group	Premium Paid by County
Retirees under age 65	County pays same contribution as paid for active employees (in 2015 participant pays \$55 per month for single coverage and \$461.60 for family coverage)
Retirees age 65 and over who retired before January 1, 1996	County pays full premium
Retirees age 65 and over who retired on or after January 1, 1996	County pays contribution not exceeding the county contribution for active employees, except member will pay at least \$45 per month for single coverage and at least \$100 per month for family coverage

F. Additional County Benefit

Employees who retired prior to July 1, 1990 are reimbursed for Medicare B premiums by the County.

G. Changes to post-employment medical benefits

Since the last valuation the following changes have been made:

- Retiree premiums were updated to current levels.
- The portion of retiree premiums that members are responsible for were updated to current levels.

Summary of Plan Provisions (continued)

H. Severance

Participants meeting the following eligibility receive a severance from the County as described below:

AFSCME Group	Severance Benefit
General County, Community Human Services, Licensed Practical Nurses, Workforce Solutions, Lake Owasso Residence, Ramsey County Care Center, Parks and Recreation, and Public Health Registered Nurses	Option A: daily pay times one-half of unused sick days* up to a maximum of $13,000 Option B: $210 per year of service for years 1 through 10 plus $280 per year for years 11 through 20 plus $350 per year for years over 20, up to a maximum of $7,000

Eligibility
Option A: 10 years of service with at least 480 hours of unused accumulated sick leave
Option B: 20 years (41,600 hours) of service

* Employees are assumed to accumulate future unused sick leave based on the current average unused sick days of the eligible group. It is assumed each employee would accrue 38 hours of sick leave per year.

Because GASB only applies to severance Option B, we have not included severance liability when Option A is projected to be larger than Option B.

I. Changes to severance benefits

Since the last valuation the following changes have been made:

- None

Summary of Actuarial Methods

A. Actuarial Cost Method OPEB liability and annual costs were calculated using the Projected Unit Credit cost method. This method attributes OPEB linearly to each assumed decrement age based on the ratio of a participant's accrued service on the valuation date to their projected service at each decrement age.

B. Amortization Method GASB accounting rules allow several options for amortizing an OPEB plan's Unfunded Actuarial Accrued Liability (UAAL). The County has chosen to amortize the entire UAAL as a level dollar amount over a 30-year open period (the maximum period allowed). This method will re-amortize the UAAL each year over 30 years. The County should be aware that absent actuarial gains, the UAAL will never be fully recognized under this method.

C. Funding Policy The County has assets designated for OPEB. These assets are not in a GASB 45 qualified irrevocable trust and are not allowed to be used in determining the plan's unfunded actuarial accrued liability (UAAL). As a result, the funding policy is considered to be the pay-as-you-go method under which contributions to the plan are generally made at the same time and in the same amount as retiree benefits and expenses become due.

D. Data Methods The County provided census and financial information for the valuation and we have relied on this data in preparing the results in this report. The data was reviewed for reasonableness and consistency, but we have not performed a complete audit.

To the extent that census data was collected as of a date later than January 1, 2015, we have assumed that it is reasonably representative of the plan census on the valuation date and used it with only minor adjustments.

E. Covered Payroll Covered payroll information for the fiscal year ending December 31, 2015 was provided by the County.

Summary of Healthcare Assumptions and Methods

A. Per Capita Claims Costs

Non-Medicare Eligible

When premiums for non-Medicare (pre-65) retirees are determined using a blend of active employee and pre-65 retiree experience, it creates an implicit subsidy to the pre-65 retirees. The subsidy is equal to the difference between the pre-65 retiree's expected true costs (claims and administration fees) and apparent costs (blended premium charged) of coverage.

Non-Medicare (pre-65) retiree per capita claims costs are developed by first determining the per member per month (PMPM) claims cost using the plan's claims, stop loss fees (if applicable) and membership experience. This average-age PMPM claims cost is then converted to an age 65 retiree claims cost by adjusting for the difference between the age, utilization and Medicare eligibility (if applicable) of the experience group versus non-Medicare age 65 retirees.

PMPM retiree claims costs for all pre-65 non-Medicare retirement ages are developed by applying the pre-65 aging factors (shown in the Summary of Actuarial Assumptions) to the age-65 retiree claims cost. PMPM administrative costs are based on administrative fee data provided to us. Final per capita claims costs are equal to the PMPM administrative cost added to the PMPM retiree claims cost at each individual age. If applicable, administrative costs and/or retiree claims costs are adjusted for medical trend to the valuation month.

Medicare Eligible

We have assumed that premiums for Medicare eligible retirees are based on Medicare eligible retiree experience and equal the expected true cost of retiree coverage. As a result, there is no implicit subsidy for these benefits.

B. Healthcare Cost Trend

Trend is a forecast of per capita claims cost increases due to factors such as price inflation, utilization, government-mandated benefits, and new treatments, therapies and technology. Trend is not the same as annual changes in plan costs which reflect group demographics, changes in plan design, administrative fees, reinsurance costs and changes in participant contributions.

The trend assumption is comprised of three elements: (1) the initial trend rate, (2) the grade-down period to the ultimate trend rate, and (3) the ultimate trend rate itself. The medical trend rates are based on published survey data, medical plan type and long-term expectations. Actual plan sponsor healthcare costs will differ from the assumption since we cannot precisely predict the factors affecting trend and annual plan costs in the future. This assumption is merely one estimate among a wide range of possibilities.

Summary of Actuarial Assumptions

A. General Information

Valuation Date	January 1, 2015
Census Date	January 1, 2015
Benefits Valued	Medical coverage and select severance benefits

B. Economic Assumptions

Discount Rate 5.35%

Investment Return 5.35%

Basis:	Expected Investment Return
General County Assets	4.00%
Revocable Trust Assets	6.75%

Inflation Rate 2.75% (General)

Healthcare Trend Rates: Annual increases in per capita claims costs and plan premiums are as follows:

	Medical	
	Non-Medicare Eligible	Medicare Eligible
Initial year:	7.2%	6.3%
Ultimate year:	5.0%	5.0%
Years to ultimate year:	7	7

Increases in Direct Subsidy and Retiree Premiums: Assumed to increase with healthcare trend rates.

Summary of Actuarial Assumptions (continued)

C. Medical Elections

Current Retirees

• Participation	Current retirees are assumed to continue coverage for life.
• Coverage Level	Current retirees are assumed to elect dependent coverage based on their current elections.
• Plan Election	Current retirees already over age 65 are assumed to continue coverage in their current plan. Current retirees under age 65 are assumed to continue coverage in their current plan until age 65. Upon reaching age 65, retirees are assumed to follow the plan elections outlined below for future retirees.

Future Retirees

• Participation (of those currently electing coverage)	
- Hired before 7/1/1992	100% are assumed to elect coverage at retirement for life.
- Hired between 7/1/1992 and 1/1/2006 with 41,600 hours	75% are assumed to elect coverage at retirement for life.
- Hired between 7/1/1992 and 1/1/2006 with less than 41,600 hours	50% are assumed to elect coverage at retirement for life.
- Hired after 1/1/2006 or made one-time HCSP election	50% are assumed to elect coverage at retirement for life.
• Coverage Level (of those assumed to elect coverage)	
- Hired before 7/1/1992	65% are assumed to elect single coverage 35% are assumed to elect single + spouse coverage
- Hired between 7/1/1992 and 1/1/2006 with 41,600 hours	70% are assumed to elect single coverage 30% are assumed to elect single + spouse coverage
- Hired between 7/1/1992 and 1/1/2006 with less than 41,600 hours	80% are assumed to elect single coverage 20% are assumed to elect single + spouse coverage
- Hired after 1/1/2006 or made one-time HCSP election	80% are assumed to elect single coverage 20% are assumed to elect single + spouse coverage
• Plan Election	Future retirees are assumed to elect coverage in their current plan until age 65. Upon reaching age 65, retirees currently under age 65 and future retirees are assumed to be Medicare eligible and elect plan coverage as outlined below:

Medical Plan	
HealthPartners Distinctions	N/A
HealthPartners Major Medical	N/A
HealthPartners Freedom and National	98%
Blue Cross Platinum Blue Plan B w/Rx	2%

Summary of Actuarial Assumptions (continued)

D. Demographic Assumptions

Withdrawal

- General Employees

Select and ultimate rates used in the July 1, 2014 PERA of Minnesota General Employees Retirement Plan actuarial valuation. Ultimate rates after the third year are shown in the City Rate Tables on page 27. Select rates are as follows:

First Year	Second Year	Third Year
40.0%	15.0%	10.0%

- Police & Fire

Select and ultimate rates used in the July 1, 2014 PERA of Minnesota Public Employees Police & Fire Plan actuarial valuation. Ultimate rates after the third year are shown in the Police & Fire Rate Tables on page 28. Select rates are as follows:

First Year	Second Year	Third Year
8.0%	5.0%	3.5%

- Correctional

Select and ultimate rates used in the July 1, 2014 PERA of Minnesota Local Government Correctional Service Retirement Plan. Ulitmate rates after the third year are shown in the Correctional Rate Summary Table on page 29. Select rates are as follows:

First Year	Second Year	Third Year
25.0%	20.0%	15.0%

Disability

None assumed for General Employees. For Police & Fire and Correctional employees, rates used in the July 1, 2014 PERA of Minnesota Public Employees Police & Fire and Correctional Plans actuarial valuations were assumed. Rates are shown in the table below.

		Correctional	
Age	Police & Fire	Male	Female
20	0.11%	0.04%	0.04%
25	0.13%	0.06%	0.06%
30	0.16%	0.10%	0.08%
35	0.19%	0.18%	0.11%
40	0.29%	0.23%	0.18%
45	0.54%	0.34%	0.39%
50	1.04%	0.55%	0.70%
55	2.03%	0.88%	1.18%
60	0.00%	1.41%	2.41%
65	0.00%	1.67%	2.67%

Summary of Actuarial Assumptions (continued)

D. Demographic Assumptions (continued)

Retirement

- General Employees — Rates used in the July 1, 2014 PERA of Minnesota General Employees Retirement Plan actuarial valuation. Rates are shown in the table below.

- Police & Fire — Rates used in the July 1, 2014 PERA of Minnesota Public Employees Police & Fire Plan actuarial valuation. Rates are shown in the table below.

- Correctional — Rates used in the July 1, 2014 PERA of Minnesota Local Government Correctional Service Retirement Plan actuarial valuation. Rates are shown in the table below.

	General Employees		Police & Fire	Correctional
Age	Rule of 90	Other		
50	n/a	n/a	13%	3%
51	n/a	n/a	10%	2%
52	n/a	n/a	10%	2%
53	n/a	n/a	10%	8%
54	n/a	n/a	13%	5%
55	20%	6%	30%	20%
56	20%	6%	20%	8%
57	20%	6%	20%	8%
58	20%	7%	20%	8%
59	20%	8%	20%	8%
60	20%	8%	25%	15%
61	25%	12%	25%	15%
62	35%	20%	35%	30%
63	25%	16%	35%	30%
64	25%	18%	35%	30%
65	35%	35%	50%	40%
66	25%	25%	50%	40%
67	20%	20%	50%	40%
68	20%	20%	50%	40%
69	20%	20%	50%	40%
70	20%	20%	100%	100%
71+	100%	100%	100%	100%

Summary of Actuarial Assumptions (continued)

D. Demographic Assumptions (continued)

Mortality

- General Employees

Rates used in the July 1, 2014 PERA of Minnesota General Employees Retirement Plan actuarial valuation as described below and shown in the City Rate Tables on page 28.

Healthy Pre-retirement: RP 2000 non-annuitant generational mortality projected fully generational with Scale AA, white collar adjustment, male rates set forward 5 years and female rates set back 3 years.

Healthy Post-retirement: RP 2000 annuitant generational mortality projected fully generational with Scale AA, white collar adjustment, male rates no age adjustment and female rates set back 2 years.

Disabled: RP 2000 disabled retiree mortality, male rates set back 4 years and female rates set forward 7 years.

- Police & Fire

Rates used in the July 1, 2014 PERA of Minnesota Public Employees Police & Fire Plan actuarial valuation as described below and shown in the Police & Fire Rate Tables on page 28.

Healthy Pre-retirement: RP 2000 non-annuitant generational mortality projected fully generational with Scale AA, white collar adjustment, male rates set back 2 years, female rates set back 2 years.

Healthy Post-retirement: RP 2000 annuitant generational mortality projected fully generational with Scale AA, white collar adjustment, without age adjustments.

Disabled: RP 2000 annuitant mortality, white collar adjustment, male rates set forward 8 years and female rates set forward 8 years.

- Correctional

Rates used in the July 1, 2014 PERA of Minnesota Local Government Correctional Service Retirement Plan as described below and shown in the Correctional Rate Rate Tables on page 29.

Healthy Pre-retirement: RP 2000 non-annuitant generational mortality projected fully generational with Scale AA, white collar adjustment, without age adjustments.

Healthy Post-retirement: RP 2000 annuitant generational mortality projected fully generational with Scale AA, white collar adjustment, without age adjustments.

Disabled: RP 2000 disabled retiree mortality, without adjustments.

- Current retirees

Healthy post-retirement table defined above for General Employees.

Summary of Actuarial Assumptions (continued)

D. Demographic Assumptions (continued)

General Employees

Rate Tables

Age	Healthy Pre-Retirement[1] Mortality Rates		Healthy Post-Retirement[2] Mortality Rates	
	Male	Female	Male	Female
20	0.0376%	0.0184%	0.0345%	0.0188%
25	0.0353%	0.0194%	0.0376%	0.0197%
30	0.0591%	0.0223%	0.0353%	0.0235%
35	0.0890%	0.0363%	0.0591%	0.0401%
40	0.1342%	0.0527%	0.0890%	0.0562%
45	0.1978%	0.0763%	0.1342%	0.0837%
50	0.2747%	0.1229%	0.5983%	0.1344%
55	0.4263%	0.1863%	0.5433%	0.2898%
60	0.6725%	0.2832%	0.6606%	0.4685%
65	0.9823%	0.4540%	1.1634%	0.7420%
70	3.3634%	0.7017%	1.9275%	1.2394%
75	5.9412%	1.8784%	3.3634%	2.0903%

Age	Withdrawal Ultimate Rates		Disabled Mortality Rates	
	Male	Female	Male	Female
20	8.40%	8.40%	2.2571%	0.7450%
25	6.90%	6.90%	2.2571%	0.7450%
30	5.40%	5.40%	2.2571%	0.7450%
35	3.90%	4.20%	2.2571%	0.7450%
40	3.00%	3.50%	2.2571%	0.8959%
45	2.50%	3.00%	2.2571%	1.3456%
50	2.00%	2.50%	2.3847%	1.8654%
55	0.00%	0.00%	3.0268%	2.4080%
60	0.00%	0.00%	3.6732%	3.1325%
65	0.00%	0.00%	4.3474%	4.2851%
70	0.00%	0.00%	5.2213%	5.9545%
75	0.00%	0.00%	6.5841%	8.2298%

(1) Rates shown are the base RP 2000 non-annuitant generational mortality, white collar adjustment, male rates set forward 5 years and female rates set back 3 years.

(2) Rates shown are the base RP 2000 annuitant generational mortality, white collar adjustment, male rates no age adjustment and female rates set back 2 years.

Summary of Actuarial Assumptions (continued)

D. Demographic Assumptions (continued)

Police & Fire Rate Tables

	Healthy Pre-Retirement[1] Mortality Rates		Healthy Post-Retirement[2] Mortality Rates	
Age	Male	Female	Male	Female
20	0.0316%	0.0188%	0.0345%	0.0191%
25	0.0373%	0.0197%	0.0376%	0.0207%
30	0.0393%	0.0235%	0.0353%	0.0284%
35	0.0481%	0.0401%	0.0591%	0.0466%
40	0.0766%	0.0562%	0.0890%	0.0645%
45	0.1124%	0.0837%	0.1342%	0.1016%
50	0.1711%	0.1344%	0.5983%	0.2447%
55	0.2398%	0.2015%	0.5433%	0.3489%
60	0.3545%	0.3107%	0.6606%	0.5617%
65	0.5637%	0.4979%	1.1634%	0.9110%
70	0.8525%	0.7591%	1.9275%	1.5185%
75	2.6710%	2.0903%	3.3634%	2.5717%

	Withdrawal Ultimate Rates		Disabled Mortality Rates	
Age	Male	Female	Male	Female
20	6.01%	6.01%	0.0393%	0.0235%
25	3.24%	3.24%	0.0481%	0.0401%
30	1.90%	1.90%	0.0766%	0.0562%
35	1.46%	1.46%	0.1124%	0.0837%
40	1.26%	1.26%	0.1711%	0.1344%
45	0.91%	0.91%	0.5716%	0.2898%
50	0.50%	0.50%	0.5688%	0.4685%
55	0.11%	0.11%	0.9232%	0.7420%
60	0.00%	0.00%	1.5834%	1.2394%
65	0.00%	0.00%	2.6710%	2.0903%
70	0.00%	0.00%	4.7484%	3.4963%
75	0.00%	0.00%	8.3976%	5.9506%

(1) Rates shown are the base RP 2000 non-annuitant generational mortality, white collar adjustment, male rates set back 2 years, female rates set back 2 years.

(2) Rates shown are the base RP 2000 annuitant generational mortality, white collar adjustment, with no age adjustments.

Summary of Actuarial Assumptions (continued)

D. Demographic Assumptions (continued)

Correctional Rate Tables

	Healthy Pre-Retirement[1] Mortality Rates		Healthy Post-Retirement[2] Mortality Rates	
Age	Male	Female	Male	Female
20	0.0345%	0.0191%	0.0345%	0.0191%
25	0.0376%	0.0207%	0.0376%	0.0207%
30	0.0353%	0.0284%	0.0353%	0.0284%
35	0.0591%	0.0466%	0.0591%	0.0466%
40	0.0890%	0.0645%	0.0890%	0.0645%
45	0.1342%	0.1016%	0.1342%	0.1016%
50	0.1978%	0.1589%	0.5983%	0.2447%
55	0.2747%	0.2374%	0.5433%	0.3489%
60	0.4263%	0.3754%	0.6606%	0.5617%
65	0.6725%	0.5943%	1.1634%	0.9110%
70	0.9823%	0.8801%	1.9275%	1.5185%
75	3.3634%	2.5717%	3.3634%	2.5717%

	Withdrawal Ultimate Rates		Disabled Mortality Rates	
Age	Male	Female	Male	Female
20	14.70%	14.20%	2.2571%	0.7450%
25	14.70%	14.20%	2.2571%	0.7450%
30	9.10%	11.40%	2.2571%	0.7450%
35	6.00%	8.60%	2.2571%	0.7450%
40	4.40%	6.90%	2.2571%	0.7450%
45	3.40%	4.30%	2.2571%	0.7450%
50	2.40%	3.10%	2.8975%	1.1535%
55	1.40%	2.20%	3.5442%	1.6544%
60	0.00%	0.00%	4.2042%	2.1839%
65	0.00%	0.00%	5.0174%	2.8026%

(1) Rates shown are the base RP 2000 non-annuitant generational mortality, white collar adjustment, with no adjustments.

(2) Rates shown are the base RP 2000 annuitant generational mortality, white collar adjustment, with no age adjustments.

Summary of Actuarial Assumptions (continued)

D. Demographic Assumptions (continued)

Spouse Age Difference

- Future retirees — Husbands are assumed to be three years older than wives
- Retirees — Actual spouse date of birth

Medicare Eligibility — 100% of current and future retirees under age 65 are assumed to become Medicare eligible at the later of age 65 or retirement. Actual Medicare status was used for retired members currently age 65 or older.

E. Per Capita Claims Costs

Medical — Per capita claims costs were developed using claims, premiums, fees and enrollment information provided by the County. The results contained herein are highly dependent on the accuracy and credibility of the data provided to us. The claims experience was adjusted for aging, plan values, participant status and coordination with Medicare, if applicable. Sample monthly costs by plan and age are below:

Age	Distinctions	Major Medical	Freedom & National	Blue Cross
40	$ 584	$ N/A	$ N/A	$ N/A
45	674	N/A	N/A	N/A
50	778	N/A	N/A	N/A
55	908	N/A	N/A	N/A
60	1,076	N/A	N/A	N/A
64	1,261	N/A	N/A	N/A
65	N/A	782	232.20	188.50
70	N/A	900	232.20	188.50
75	N/A	1,012	232.20	188.50
80	N/A	1,114	232.20	188.50
85	N/A	1,168	232.20	188.50
90+	N/A	1,197	232.20	188.50

Aging Factors — Increases in medical costs from one age to the next are based on the factors shown below:

Age	Aging Factor
18 - 49	3.10%
50 - 54	3.33%
55 - 59	3.60%
60 - 64	4.20%
65 - 69	3.00%
70 - 74	2.50%
75 - 79	2.00%
80 - 84	1.00%
85 - 89	0.50%
90+	0.00%

Summary of Actuarial Assumptions (continued)

F. Assumption Changes

Since the last valuation the following changes have been made:

- The discount rate was changed from 5.88% to 5.35% to reflect lower capital market outlooks on the County general assets and revocable trust.
- Healthcare trend rates were reset to reflect updated cost increase expectations based on recent survey information.
- Medical per capita claims costs were updated to reflect recent Ramsey County experience.
- A disability assumption was added for Police & Fire and Correctional employees to recognize the probability of being disabled in the line of duty and the resulting statutory mandated benefits.
- Withdrawal, disability, retirement and mortality rates for Correctional employees were updated to use the rates used in the 2014 PERA Correctional Employees Retirement Plan.
- Retirement rates for Police & Fire employees were updated to recognize rates before age 55 to reflect the probability of employees retiring before age 55. The new rates are the rates used in the 2014 PERA Public Employees Police and Fire Retirement Plan that we believe will better reflect the expected future retirement rates.
- Mortality rates for current retirees were updated from the RP-2000 fully generational table to the healthy post-retirement table defined for General Employees. The rates are those used in the 2014 PERA General Employees Retirement Plan.
- Assumed sick leave accruals were changed from 35 hours of sick leave per year to 38 hours per year to reflect current average accruals of benefiting group.

Selection of Economic Assumptions

The Actuarial Standards Board (ASB) provides coordinated guidance for measuring pension and retiree group benefit obligations through a series of Actuarial Standards of Practice (ASOPs). A revision of ASOP No. 27, Selection of Economic Assumptions for Measuring Pension Obligations, was adopted in September of 2013 and is effective for any actuarial work product with a measurement date on or after September 30, 2014.

One of the requirements of the revised ASOP No. 27 is that the actuary disclose the rationale used in selecting each non-prescribed economic assumption and any changes to non-prescribed economic assumptions. The table below summarizes the rationale for selecting the non-prescribed economic assumptions. The rationale for assumption changes, along with a description of the assumptions themselves, is included in the Actuarial Assumption and Methods section of the report.

Economic Assumptions (non-prescribed)	
Assumption	Rationale for Selecting Assumption
Discount rate and investment return	Based on blend of expected long-term rate of return of the assets paying retiree health benefits (general fund and revocable OPEB trust) combined with the expected OPEB trust investment return to the extent assets are sufficient to pay future retiree benefits.
Expected return on general fund assets	Based on blend of expected asset class returns using historical market experience, the current investment policy for the general fund and discussions with the County.
Expected return on revocable trust assets	Based on blend of expected asset class returns using historical market experience, the current investment policy for the trust and discussions with the County.
Inflation rate	Based on historical analysis of inflation rates and forward-looking market expectations.
Health care trend rates	Set annually based on review of recent healthcare trend surveys and relevant client-specific experience.

Important Notices

Purpose and Scope of the Valuation

This valuation has been prepared exclusively for the County and solely to provide GASB 45 accounting information. It is important to recognize that calculations performed for other purposes (such as benefit design, investment policy, or plan funding) may yield significantly different results.

A valuation report is only a snapshot of a plan's estimated financial condition at a single point in time. A plan's total cost will depend on many factors and variables that are uncertain and unknowable at the current valuation date.

Actuarial valuations are extremely complex and it's possible that data, computer coding, and mathematical errors could occur during the valuation process. Errors in a valuation discovered after its preparation may be corrected by revising the current valuation or in a subsequent year's valuation.

Assumptions and Methods

Since modeling all possible future outcomes is not possible or practical, the valuation is based on a single set of data, assumptions, methods, and plan provisions which satisfy current GASB 45 accounting requirements. We may also use estimates or simplifications to model future events in an efficient and cost-effective manner, so long as we believe that these simplifying techniques do not affect the reasonableness of the valuation results.

The County is responsible for selecting the assumptions, methods, and funding policies used to prepare the valuation. The selections used in this report are only one of a wide range of possibilities (each of which may be considered reasonable), but have been chosen as a single "best estimate" by the County. If the County is interested in analyzing the effect of different assumption sets on the valuation results, then we suggest a sensitivity analysis to be performed at a later date.

To the extent that actual plan experience differs from the valuation assumptions, actuarial gains and losses will occur and be amortized over future periods. A summary of the actuarial assumptions and methods used in this valuation are summarized in the Actuarial Basis section of the report.

Impact of Amortization Method

GASB 45 accounting rules require selection of a method for amortizing the unfunded actuarial accrued liability (UAAL) when calculating the ARC and Annual OPEB Cost. For the current valuation, the County has elected to amortize the UAAL as a level dollar amount over a 30-year open period (i.e. the entire UAAL is re-amortized over a new 30-year period each year). Amortization over an open period means that, absent actuarial gains, the current UAAL will never be fully recognized.

Important Notices (continued)

Accuracy of Substantive Plan Information and Census Data

For purposes of this valuation, we have assumed that the County has validated our summary of the substantive plan provisions and has provided us with any relevant information regarding interpretation of the plan provisions and changes to the plan terms since the prior valuation.

The County is solely responsible for the validity, accuracy and comprehensiveness of this information. If any data or plan provisions supplied are not accurate and complete, the valuation results may differ significantly. Moreover, different interpretations of the substantive plan may produce substantially different valuation results.

Funding Considerations

The County is solely responsible for selecting funding and investment policies. Actuarial valuations do not affect the ultimate cost of a plan, only the timing of contributions and Annual OPEB Cost. If contributions over time are lower or higher than necessary, then future contribution levels can be adjusted to fund the plan at the desired level.

This report has not been prepared to develop a funding policy for the County's OPEB plan. For example, the Annual Required Contribution (ARC) calculated under GASB rules is an accounting term and may or may not be the appropriate level of funding for the plan. If the County would like to analyze different funding policies, then we suggest a separate funding policy study to be completed at a later date.

Accounting Requirements and Valuation Considerations

This section summarizes the applicable accounting requirements for the plan and describes important considerations and methods used to complete the valuation.

Accounting Information under GASB 43 and GASB 45

The Governmental Accounting Standards Board (GASB) finalized Statements No. 43 (GASB 43 for funded OPEB plans) and 45 (GASB 45 for employers) in 2004. The statements' objectives are to establish uniform standards of financial reporting by state and local governmental entities for postemployment benefit plans other than pension benefits (OPEB plans). This includes benefits such as postemployment medical, dental, vision and life insurance benefits.

For OPEB plans sponsored by governmental entities, these GASB Statements require certain standards and disclosures of plan and fund information including financial reporting of plan assets, liabilities of plan, changes in net assets, funded status and funding progress of the plan, and contributions to the plan in comparison to the annual required contributions of the employer (ARC).

Valuing Postretirement Health Benefits

Determining the value of future healthcare benefits is challenged by the fact that assumptions must be made about many future events that are especially hard to predict. Future increases in healthcare costs are affected by many factors, including:

- OPEB inflation
- Utilization
- Technological advances
- Cost shifting (i.e., increases in private plans' costs in non-managed programs due to uninsured claims, changes in the Medicare payment structure, and increased emphasis on managed care programs)
- Cost leveraging (i.e., erosion of fixed deductibles and out-of-pocket maximums)

OPEB obligations are also heavily influenced by demographic assumptions such as:

- Withdrawal rates (i.e., employees terminating before receiving benefits)
- Retirement rates (i.e., employees retiring at various ages and subsidy levels)
- Mortality rates (i.e., how long employees and spouses will receive benefits)
- Election rates (i.e., retirees electing to participate, electing which plan, and electing spouse coverage or not)

The Summary of Actuarial Assumptions and Methods section outlines the assumptions used in this valuation.

Accounting Requirements and Valuation Considerations (continued)

Estimating Healthcare Costs and Implicit Subsidy

Estimating future healthcare costs involves calculating a starting claims plus administration cost on a per-covered-individual basis, as well as developing an assumption regarding future rate increases in healthcare costs.

For insured plans, the premiums represent a blended average cost of both active and retired individuals. Since older, pre-65 retirees generally incur higher claims than younger active employees, GASB requires employers to value retiree liability based on retirees' estimated true costs rather than anticipated premium costs. Age-adjusted claims are developed and used to value the OPEB liability.

Another important concept is "community rating" where premiums are developed based on a large pool of commingled participating employers. In this case, it is current actuarial practice to not value an implicit subsidy so long as the participating employer in question is a small proportion of the entire pool population and their specific claims experience, good or bad, is assumed to not affect the community-rated premiums. It should be noted, though, that this implicit subsidy exclusion for community-rated plans is under review and may be eliminated upon the issuance of revised actuarial standards of practice in the near future.

Impact of Legislative Changes

The legislative and regulatory environment have many implications for OPEB plans. Changes to current rules and implementation of new legislation are difficult to predict but could have a dramatic impact on the value of future plan benefits. These include:

- Changes to government medical programs, such as Medicare, when applicable. Under the Medicare Modernization Act of 2003 (MMA), a new prescription drug program called Medicare Part D was established. GASB requirements state that the determination of the actuarial accrued liabilities, the annual required contribution, and the annual OPEB cost should be done without reduction for Medicare Part D payments.

- Effect of the Patient Protection Affordable Care Act. Many of the Act's provisions and methods of implementation have not yet been clarified. Effectively estimating specific provisions of the Act at this time is not feasible. As guidance is released we will reflect any potential impact to your plan.

Glossary of Selected Terms

This section provides the definitions of applicable terminology in the actuarial valuation, with references to both the Governmental Accounting Standards Nos. 43 (GASB 43) and 45 (GASB 45).

Actuarial Cost Method - a procedure for determining the actuarial present value of benefits and for developing an allocation of such value to time periods.

Actuarial Present Value of Benefits - the value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a set of actuarial assumptions.

Actuarial Accrued Liability (AAL) - the portion of the actuarial present value which is not provided for by future normal costs, determined under the actuarial cost method.

Annual OPEB Cost - the OPEB expense recognized in the employer's financial statements.

Annual Required Contribution (ARC) - the basis for the annual OPEB cost shown in the employer's financial statements. This term is misleading: no annual cash contribution is actually required to fund OPEB.

Direct Subsidy - OPEB explicitly provided by employer.

Discount Rate - the interest rate used to adjust liabilities and obligations for the time value of money.

GASB Statement No. 43 - the Governmental Accounting Standards Statement Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

GASB Statement No. 45 - the Governmental Accounting Standards Statement Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

Implicit Subsidy or Implicit Rate Subsidy - the difference between the actual and apparent cost of OPEB coverage. The actual cost for early retirees is higher than the average per-person premium for the active/retiree group. Plans in which retirees pay the average active/retiree rate (the apparent cost) give rise to an implicit rate subsidy: the employer pays the difference between the actual and apparent cost.

Net OPEB Obligation (NOO) - the OPEB liability (asset) at transition, if any and the cumulative difference since the effective date of Statement No. 45 between annual OPEB cost and the employer's contributions.

Normal Cost - the portion of the actuarial present value which is allocated to the valuation year by the actuarial cost method.

Valuation Date - the date as of which assets and liabilities are measured for this OPEB valuation.