East Greenwich, Rhode Island
School Department
Postretirement Health Insurance Program

Financial Disclosure Information

in accordance with Statement of Governmental Accounting Standards Board No. 45

for the period beginning July 1, 2010 and ending June 30, 2011

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I. INTRODUCTION

The purpose of this report is to present certain financial information relative to the East Greenwich, Rhode Island School Department Postretirement Health Insurance Program in accordance with the Statement of Governmental Accounting Standards Board No. 45 (GASB45).

The report presents information regarding the East Greenwich, Rhode Island School Department Postretirement Health Insurance Program for the period beginning July 1, 2010 and ending June 30, 2011. This information includes the determination of Annual Required Contribution (ARC) and OPEB cost, disclosure of the Net OPEB Obligation and Funding Progress as well as other Required Supplementary Information. Sensitivity analysis on various financial and demographic assumptions is also provided.

This report was based on information submitted to our firm in the form of census data, medical insurance premiums and rates, and other plan claims information and descriptions of Plan benefits. Although the data has been reviewed for reasonableness, an audit of the data was not performed. We have relied on the information provided, including plan provisions and participant data, as complete and accurate.

Actuarial computations under GASB45 are for purposes of fulfilling employer accounting requirements and require assumptions about future events. We believe that the calculations and assumptions reported herein have been made on a basis consistent with our understanding of GASB45 and are reasonable for this purpose. In addition, no relationship exists with the plan or plan sponsor that impairs the objectivity of our work.

I meet the GASB No. 45 Qualification Standards of the American Academy of Actuaries, based upon my education, experience and continuing education.

David Pratt Ward

David Pratt Ward, A.S.A., E.A., M.A.A.A.
Consulting Actuary

August 3, 2011
Date

II. DESCRIPTIVE INFORMATION

Plan Description:	Single-employer, defined benefit postretirement health insurance program
Groups Covered:	Members of the East Greenwich School Department are eligibile for postretirement health and life insurance coverage after attaining twenty (20) years of service with the School Department. Certain administrative members require only five (5) years of service with the School Department to become eligible. Current paraprofessionals and custodians are excluded from the program. There is one grandfathered retiree currently receiving medical and dental benefits.
Benefit Formula:	Eligible retirees receive full medical and dental insurance coverage for two (2) years following retirement. The eligible retiree may elect individual or family coverage. The retiree contribution rate is 15% for the rate charged to active members for individual or family coverage as applicable. A retiree may elect the buyback amount in lieu of medical and dental coverage. As of July 1, 2010, the buyback amount is $4,375 per year. Eligible retirees are covered under their life insurance policy for an additional two (2) years following retirement. The base amount for life insurance is $30,000 for teachers and $60,000 for administrators.
Pension Members' Retirement Eligiblity:	Members of the East Greenwich School Department are generally members in the Employee Retirement System of Rhode Island ("ERSRI"). ERSRI members that were vested (10 years of service under ERSRI) by July 1, 2005 are eligible for retirement at any age with 28 years of service or at age 60 with 10 years of service. ERSRI members that were not vested by July 1, 2005 are eligible for retirement at age 59 with 29 years of service or age 65 with 10 years of service will full pension benefits or age 55 with 20 years of service and reduced pension benefits.
Significant Events:	None

III. ACTUARIAL METHODS

Measurement Date:	July 1, 2010 for all purposes.
Actuarial Cost Method:	The Annual Required Contribution has been determined utilizing the projected unit credit funding method (with service proration). Under this funding method, projected benefits are assumed to accrue on a straight line basis from date of hire to the date of retirement for each participant. Normal cost for a participant is the present value of the projected benefit which accrues in the current plan year. Normal cost for the Plan is the sum of the normal costs for all participants.
Asset Valuation Method:	Not applicable as plan is currently unfunded. Plan benefits are paid out of Town of East Greenwich, Rhode Island's general assets.
Amortization of Unfunded Liabilities:	The portion of unfunded actuarial liabilities included in the ARC is determined using the level dollar thirty year open amortization basis.
Census Information:	Census data and premium information as of July 1, 2010 were used to calculate the ARC, OPEB cost and Net Obligation.
Net OPEB Obligation at Fiscal Year End:	Based on actual benefit payments, contributions to the Plan trust, and implicit rate subsidy, if any, for the fiscal year ending June 30, 2011

IV. ACTUARIAL ASSUMPTIONS

Actuarial assumptions are estimates as to the occurrence of future events impacting the costs of the plan such as mortality rates, withdrawal rates, medical trend rates, retirement ages, rates of investment earnings, etc. The assumptions have been chosen to anticipate the long-term experience of the plan.

Assumptions for the Current Valuation

Discount Rate: 4.25%

This assumption is set consistent with the bond rates for the school and the Town of East Greenwich where recent bond rates (November, 2008) were 4.25%

Long Term Rate of Return on Assets: N/A - the Plan is unfunded.

Healthy Mortality: RP-2000 Male/Female Combined Healthy Table. No mortality improvement has been assumed in future years.

Turnover: Sarason Crocker Straight Table T-1. Sample rates below:

Age	Rate
20	5.4%
25	4.9%
35	2.3%
45	0.3%
50	0.0%

Health Care Monthly Premium Rates: See Per Capita Medical Costs in Section XII.

Health Care Cost Trend Rates - Medical Costs: 8.50% per year graded off 0.50% per year to an ultimate rate of 5.00% per year.

Health Care Cost Trend Rates - Dental Costs: 4.50% per year graded off 0.25% per year to an ultimate rate of 4.00% per year.

IV. ACTUARIAL ASSUMPTIONS (cont'd)

Marital Status: 75% of future retirees are assumed to be married and elect family medical coverage. Female spouses are assumed to be 3 years younger than males.

Actual spousal information is used for current retirees.

Participation: 100% of eligible future retirees are assumed to elect medical coverage under the Plan and are therefore eligible for either the continued coverage or the buy-back option. It is assumed that 20% of futue retirees choose the buy-back option as they are eligible for retirement. 80% remain covered under the medical plan. 100% of current retirees are assumed to participate.

Retirement Rates:

Age	Rate
50-54	5%
55	15%
56-57	10%
58	25%
59	10%
60	25%
61	10%
62	25%
63-64	15%
65	100%

Aging Assumption: Claims costs under Blue Cross Blue Shield are assumed to increase by 3.0% per year of age, up to 70 years old, to reflect higher healthcare costs for older individuals resulting in an implicit rate subsidy.

V. CHANGES IN ACTUARIAL ASSUMPTIONS

The table below indicates which assumptions, other than the Health Care Premium Rates, have changed from the prior Fiscal Year. In the opinion of the actuary, these changes were made to better reflect current expectations of future experience.

	July 1, 2008	July 1, 2010
Future Retirees Electing Buyback Option:	25%	20%

VI. CALCULATION OF ANNUAL REQUIRED CONTRIBUTION

The Annual Required Contribution (ARC) of the employer is the portion of the present value of future benefits that is to be recognized in the current fiscal year. It is made of the following components:

A. Normal cost, or the portion of the APV attributable to service in the current year
B. Amortization of the unfunded AAL-PUC resulting from plan amendments, actuarial (gains)/losses or initial adoption(s) of the plan
C. Interest Cost, or the expected increase in the AAL attributable to the passage of time (during the year)
D. Expected return on OPEB liability/asset, if any, (may reduce the other costs)

A.	**Normal cost as of July 1, 2010**	$	325,755
B.	**Amortization of Unfunded Liability**		
1.	Amortization of initial unfunded liability	$	235,013
2.	Amortization of UAAL: plan amendments		0
3.	Amortization of UAAL: (gains)/losses		0
4.	Amortization of UAAL, [(1) + (2) + (3)]	$	235,013
C.	**Interest on Normal Cost and Unfunded Liability**		
1.	Normal Cost + Amortization of UAAL, [(A) + (B.4)]	$	560,768
2.	Interest to end of period at 4.25%	$	23,833
D.	**Interest Cost on OPEB liability/(asset)**		
1.	OPEB liability/(asset)	$	0
2.	Interest to end of period at 4.25%	$	0
E.	**Annual Required Contribution [(A) + (B.4) + (C.2) + (D.2)]**	$	584,601
F.	**Expected Benefit Payments**	$	477,899
G.	**Increase in ARC over Pay-as-you-go [(E) - (F)]**	$	106,702

VII. DEVELOPMENT OF NET OPEB OBLIGATION

A. Fiscal Year Ending June 30, 2011

1.	Annual Required Contribution	$	584,601
2.	Interest on net OPEB obligation		14,997
3.	Adjustment to ARC (amortization of OPEB obligation)		(21,030)
4.	Annual OPEB cost [(1) + (2) + (3)]		578,568
5.	Actual Plan Contributions During Fiscal Year		
	a. Contributions for Actual Benefit Payments:		153,577
	b. Additional Contributions to Plan Trust:		0
	c. Allocation for Expected Benefit Payments (implicit subsidy):		122,068
	d. Total Plan Contributions:		275,645
6.	Increase in net OPEB obligation [(4) - (5.d)]		302,923
7.	Net OPEB obligation as of July 1, 2010		352,859
8.	Net OPEB obligation as of June 30, 2011 [(6) + (7)]	$	655,782

B. Recent OPEB Obligation History

Fiscal Year End	Annual OPEB Cost	Plan Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	481,294	254,601	52.9%	226,693
6/30/2010	477,417	351,251	73.6%	352,859
6/30/2011	578,568	275,645	47.6%	655,782

VIII. SCHEDULE OF FUNDING PROGRESS

A. Actuarial Present Value of Total Projected Benefits

Actuarial Present Value of Total Projected Benefits (APV) is the actuarial present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Set forth below are the results of the valuation of the present value of future benefits as of the valuation date, July 1, 2010.

1.	Actuarial Present Value of total projected benefits		
	a. APV, Active participants total	$	8,907,049
	b. APV, Retirees		533,766
	c. Total APV, [(a) + (b)]	$	9,440,815

B. Actuarial Accrued Liability

Actuarial Accrued Liability (AAL-PUC) is defined as the actuarial present value of benefits allocated to all periods prior to the valuation date. The Projected Unit Credit (PUC) Actuarial Cost Method was used to allocate costs to various years. Set forth below are the results of the valuation of the AAL-PUC as of the valuation date, July 1, 2010.

2.	Actuarial Accrued Liability		
	a. AAL-PUC, Active participants total	$	3,577,104
	b. AAL-PUC, Retirees		533,766
	c. Total AAL-PUC, [(a) + (b)]	$	4,110,870
3.	Fair Value of Assets as of July 1, 2010	$	0
4.	Statement of Funded Status as of July 1, 2010		
	a. Actuarial Present Value - total projected benefits, [(1.c)]	$	9,440,815
	b. Future accruals for active participants		5,329,945
	c. Actuarial Accrued Liability, [(2.c)]		4,110,870
	d. Fair Value of Assets, [(3)]		0
	e. Funded status, [(d) - (c)]	$	(4,110,870)
	f. Unfunded Actuarial Accrued Liability (UAAL)		4,110,870
5.	Funding Percentage as of July 1, 2010		0.00%

VIII. SCHEDULE OF FUNDING PROGRESS (cont'd)

C. **Fair Value of Assets - Reconciliation of Plan Assets through June 30, 2011**

The following table projects the reconciliation of the change in the market value of assets over the past plan year based upon financial information provided by the East Greenwich, Rhode Island School Department:

1.	Market Value of Assets July 1, 2010		$ 0
2.	Additions during the year		
	a. Town's contributions expected to fund	$ 153,577	
	b. Town's allocation for implicit rate subsidy	122,068	
	c. Retiree contributions	27,362	
	d. Interest earned	0	
	e. Total additions		$ 303,007
3.	Disbursements during the year		
	a. Actual benefit payments	N/A	
	b. Allocation for expected benefit payments	$ (180,939)	
	c. Allocation for implicit rate subsidy	(122,068)	
	d. Other disbursements from fund	0	
	e. Total disbursements		$ (303,007)
4.	Market Value of Assets June 30, 2011		$ 0
5.	Estimated investment rate of return (net of expenses)		N/A

VIII. SCHEDULE OF FUNDING PROGRESS (cont'd)

D. Funded Ratio and UAAL as a Percentage of Covered Payroll

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2008	N/A	3,336,149	3,336,149	N/A	14,666,895	22.7%
7/1/2010	N/A	4,110,870	4,110,870	N/A	15,151,247	27.1%

IX. AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

Actuarial Accrued Liability is amortized over 30 or fewer years. The 30 year level dollar amortization is presumed to be established on an open amortization basis. This means that the period of amortization is reset each year to be 30 years.

	Initial Amount	Date of First Charge or (Credit)	Amort. Period (years)	Amort. Interest Rate	Outstanding Balance (boy)	Amort. Charge or (Credit)
Initial UAAL	4,110,870	7/1/2010	30.00	4.25%	4,110,870	235,013
UAAL from amendments	0	N/A	N/A	N/A	0	0
UAAL (gain)/loss	0	N/A	N/A	N/A	0	0

X. CASH FLOW PROJECTIONS

The Plan liability will be satisfied through the payment of benefits for current and future retirees. Using the same assumptions for retirement, mortality, and increases in claims costs that were used to perform the valuation, the cash requirements are projected for each of the next fifteen years. The cash requirements are based on projected claims costs, less retiree contributions, if applicable, for both current and future retirees.

The cash flow projections show costs under the current funding (Pay-as-You-Go), compared to the Annual Required Contribution (ARC). The Total ARC equals the sum of the Normal Cost, Interest Cost, and Amortization Payment. The projections show total cash flows for the thirty year open amortization method. This means that the period of amortization is reset each year to be 30 years. Amortization may also be allowed as a percent of payroll under the GASB standards, or may be on a closed basis amortization. This means that the period of amortization decreases each year by one year. The first year amortization period being 30 years, the second being 29 years and so forth until in the thirtieth year the amortization period is 1 year.

The projections below are prepared on a closed group basis, meaning no new employees are added to the existing population for future years.

The cost projection in subsection A below, Projection with No Prefunding, applies only if the plan is not prefunded and contributions are only the Pay-As-You-Go (PAYGO) costs. The ARC for years after June 30, 2011 increases since the plan is not pre-funded.

The cost projection in subsection B below, Projection with Prefunding, applies only if the Plan is prefunded and the employer makes annual contributions to the plan equal to the ARC. If the employer does not make contributions at least equal to or greater than the ARC (on an accumulated basis) for years subsequent to the current fiscal year then the ARC for those later years will be higher than those projected in subsection B.

X. CASH FLOW PROJECTIONS (cont'd)

A. **Projection with No Prefunding (4.25% discount rate)**

Plan Year Ending	Contribution (PAYGO)	Annual Required Contribution	Net OPEB Obligation	Plan Assets	Funding Percentage
6/30/2011	$477,899	$584,601	$655,782	$0	0.00%
6/30/2012	234,000	592,000	1,003,000	0	0.00%
6/30/2013	202,000	617,000	1,401,000	0	0.00%
6/30/2014	182,000	645,000	1,840,000	0	0.00%
6/30/2015	204,000	675,000	2,280,000	0	0.00%
6/30/2016	277,000	699,000	2,663,000	0	0.00%
6/30/2017	284,000	723,000	3,056,000	0	0.00%
6/30/2018	271,000	747,000	3,480,000	0	0.00%
6/30/2019	328,000	769,000	3,861,000	0	0.00%
6/30/2020	320,000	793,000	4,268,000	0	0.00%
6/30/2021	275,000	818,000	4,738,000	0	0.00%
6/30/2022	417,000	834,000	5,074,000	0	0.00%
6/30/2023	641,000	835,000	5,181,000	0	0.00%
6/30/2024	629,000	829,000	5,292,000	0	0.00%
6/30/2025	532,000	824,000	5,494,000	0	0.00%

X. CASH FLOW PROJECTIONS (cont'd)

B. Projection with Full Prefunding (7.50% discount rate)

Plan Year Ending	Contribution (ARC)	Annual Required Contribution	Net OPEB Obligation	Plan Assets	Funding Percentage
6/30/2011	$471,874	$471,874	$349,446	$0	0.00%
6/30/2012	474,000	474,000	346,000	0	0.00%
6/30/2013	478,000	478,000	343,000	258,000	8.18%
6/30/2014	485,000	485,000	340,000	574,000	16.85%
6/30/2015	489,000	489,000	337,000	942,000	25.40%
6/30/2016	488,000	488,000	334,000	1,320,000	32.80%
6/30/2017	492,000	492,000	331,000	1,645,000	38.39%
6/30/2018	495,000	495,000	328,000	1,992,000	43.58%
6/30/2019	495,000	495,000	325,000	2,383,000	48.63%
6/30/2020	499,000	499,000	322,000	2,741,000	52.76%
6/30/2021	504,000	504,000	319,000	3,140,000	56.74%
6/30/2022	496,000	496,000	316,000	3,621,000	60.82%
6/30/2023	481,000	481,000	313,000	3,978,000	63.63%
6/30/2024	474,000	474,000	310,000	4,104,000	64.94%
6/30/2025	469,000	469,000	307,000	4,246,000	66.30%

XI. ASSUMPTION SENSITIVITY ANALYSIS

A. Discount Rate of 4.25% (ARC Not Contributed to Trust)

Normal Cost	$325,755
Actuarial Accrued Liability	$4,110,870
Annual Required Contribution	$584,601
Covered Payroll	$15,151,247
ARC as a Percent of Payroll	3.86%

B. Discount Rate of 7.50% (ARC Contributed to Trust)

Normal Cost	$200,331
Actuarial Accrued Liability	$3,029,584
Annual Required Contribution	$471,874
Increase/(Decrease) to ARC in Section VI	(112,727)
ARC as a Percent of Payroll	3.11%

C. Increase Medical Trend by 1%

Normal Cost	$382,877
Actuarial Accrued Liability	$4,573,717
Annual Required Contribution	$671,735
Increase/(Decrease) to ARC in Section VI	87,134
ARC as a Percent of Payroll	4.43%

D. Decrease Medical Trend by 1%

Normal Cost	$278,496
Actuarial Accrued Liability	$3,716,233
Annual Required Contribution	$511,813
Increase/(Decrease) to ARC in Section VI	(72,788)
ARC as a Percent of Payroll	3.38%

XII. PER CAPITA MEDICAL COSTS

A. Under Age 65 Per Capita Medical Costs, July 1, 2010

1.	Monthly average claims costs per member based on claims data from July 1, 2008 through June 30, 2010:	1,144.03
2.	Annual average claims costs [12 x (1)]:	13,728.39
3.	Midpoint of claims costs data:	7/1/2009
4.	Midpoint of actuarial valuation:	1/1/2011
5.	Duration in years [(4) - (3)]:	1.5000
6.	Adjustment to average claims costs [109% ^ (5)] *Based on 9.00% health care cost trend rate in 2010*	113.80%
7.	Annual claims costs per member for fiscal year beginning July 1, 2010 and ending June 30, 2011 [(2) x (6)]:	15,622.82
8.	People covered under each member [1 + 0.75]: *Based on 75% marriage assumption*	1.75
9.	Annual claims costs <u>per person</u> for fiscal year beginning July 1, 2010 and ending June 30, 2011 [(7) / (8)]:	8,927.32
10.	Average age of covered members under 65:	45.31
11.	Factor to adjust to age 65 per assumptions [1.03 ^ (65.00 - (a))]	178.96%
12.	Estimate fiscal 2010 claims costs adjusted to age 65 basis per person: [(9) x (11)]	15,976.67
13.	Sample projected annual claims costs per age:	

Age	Aging Assumption	Medical Cost Per Person	Dental Cost Individual	Dental Cost Family
50	3.00%	10,254.82	477.49	1,514.91
55	3.00%	11,888.14	553.54	1,756.19
60	3.00%	13,781.62	641.71	2,035.91
65	**3.00%**	**15,976.67**	**743.92**	**2,360.17**
70	3.00%	18,521.34	862.40	2,736.09

XII. PER CAPITA MEDICAL COSTS (cont'd)

B. Historical Medical Premiums/Working Rates - Annual

	7/1/2008	7/1/2009	7/1/2010
1. United Healthcare (fully insured)			
a. Single Coverage	7,713	n/a	n/a
b. Family Coverage	19,512	n/a	n/a
2. Blue Cross Classic (self insured)			
a. Single Coverage	5,641	6,318	6,697
b. Family Coverage	14,652	16,410	17,395
3. Healthmate Coast-to-Coast (self insured)			
a. Single Coverage	5,385	6,032	6,394
b. Family Coverage	14,026	15,710	16,652
4. Dental Coverage (fully insured)			
a. Single Coverage	395	395	416
b. Family Coverage	1,252	1,252	1,319

XIII. PARTICIPANT DATA

A. Reconciliation of Participant Data

	Actives	*Retirees*	*Total*
Total as of July 1, 2008	223	13	236
New Entrants	14	n/a	14
Terminations	-	n/a	0
Active deaths	-	n/a	0
New retirees	(9)	9	0
New beneficiaries	n/a	-	0
Retiree/beneficiary deaths	n/a	-	0
Dropped coverage	n/a	(12)	(12)
Data adjustments	3	4	7
Total as of July 1, 2010	231	14	245

B. Age and Service Distribution of Members

1. Eligible Active Members:

Complete Years of Service as of July 1, 2010

Attained Age	*0-1*	*1-4*	*5-9*	*10-14*	*15-19*	*20-29*	*30+*	*Total*
Under 25	2	-	-	-	-	-	-	2
25-29	1	16	4	-	-	-	-	21
30-34	2	13	15	1	-	-	-	31
35-39	1	6	20	8	3	-	-	38
40-44	2	7	10	5	7	2	-	33
45-49	1	9	8	4	2	5	-	29
50-54	1	2	12	8	2	5	-	30
55-59	1	2	4	4	3	9	1	24
60-64	-	1	4	4	2	4	3	18
65+	1	-	1	-	1	1	1	5
Total	12	56	78	34	20	26	5	231

XIII. PARTICIPANT DATA (cont'd)

2. Retired Members:

Attained Age	*Individual Coverage*	*Family Coverage*	*BuyBack*	*Total*
Under 50	-	-	-	0
50-54	-	-	-	0
55-59	1	2	1	4
60-64	-	5	-	5
65-69	1	1	-	2
70-74	-	1	-	1
75+	1	1	-	2
Total	3	10	1	14

C. **Participant Statistics**

	7/1/2010	7/1/2008
1. Eligible Active Members:		
Count:	231	223
Average age:	44.1	42.2
Average past service:	10.3	10.4
Average future service until retirement:	17.0	17.4
Average age of retirement:	61.1	59.6
2. Retired Members and Spouses:		
Count:	14	13
Average age under 65:	60.1	59.7
Average age over 65:	73.7	N/A
Average age all retirees:	65.0	59.7
Average future coverage:	1.5	1.8
Expected future lifetime:	20.6	24.7
3. All Covered Members Under age 65 - Average Age	45.31	44.06

avg. age

XIV. GLOSSARY FOR OPEB AND GASB 45

Actuarial Accrued Liability (AAL) – That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value (APV) of plan benefits and expenses allocated to all periods prior to the valuation date. This is the amount of the APV not provided by future Normal Costs. For example, AAL-PUC references the fact that the Projected Unit Credit Actuarial Cost Method was used to allocate costs to various years.

a) 100% of the actuarial present value of benefits expected to be paid (APV) to:
   i) Retirees and their dependants
   ii) Active employees who have attained their expected retirement date and their dependants

b) Proportionate amount, based on employee service recognized up to the valuation date, of the actuarial present value of benefits expected to be paid (AAL) for active employees who have not yet attained their expected retirement date.

The AAL is the benefit obligation disclosed in the financial statements representing current plan liability.

Active Plan Participant – Any active employee who has rendered service during the credited service period and is expected to receive benefits, including benefits to or for any beneficiaries and covered dependents, under the Postemployment benefit plan.

Actuarial Cost Method or Funding Method – A procedure for determining the Actuarial Present Value of OPEB plan benefits and expenses and for developing an actuarial equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

Actuarial Present Value of Total Projected Benefits (APV) – The actuarial present value of the cost to finance, as of a specified date, all future benefit costs or a series of benefit costs, with each amount adjusted to reflect (a) the time value of money (through discounts for interest) and (b) the probability of payment (for example, by means of decrements for events such as death, disability, withdrawal or retirement) between the specified date and the expected date of payment. This includes benefits to current active members, terminated employees entitled to benefits but not yet receiving them, if any, retirees, their beneficiaries and any covered dependents pursuant to the terms of the OPEB plan. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.

Amortization Payment – That portion of the plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability (UAAL).

Annual Required Contribution of the Employer (ARC) – The amount recognized in an employer's financial statement as the required annual contribution to a defined benefit OPEB plan. Components include normal cost, interest cost, actual return on OPEB liability/asset, gain and loss, amortization of gains and losses.

Attribution Period – The period of an employee's service to which the actuarial present value of total projected benefits for that employee is assigned. The beginning of that period is generally the employee's date of hire and the end of the attribution period is the full eligibility date.

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Discount Rate – The interest rate used in developing present values to reflect the time value of money. The discount rate is used to determine the present value, as of the valuation date, of future cash flows currently expected to be required to satisfy the OPEB obligation.

Determined as the rate of investment return used to discount future cash flows currently expected to be required to satisfy the Postemployment obligation. The discount rate assumption should be based on the rates of return on high quality, fixed-income investments currently available whose cash flows match the timing and amount of expected payments.

Full Eligibility Date – The date at which an employee has rendered all service necessary to receive full benefits under the plan.

Gains and Losses – Changes in the Unfunded Actuarial Accrued Liability (UAAL) that is the result of actual experience of the plan being different than what was expected.

Health Care Cost Trend Rate (HCCTR) – An assumption about the annual rate(s) of change in the cost of health care benefits which are currently provided by the Postemployment benefit plan, due to factors other than changes in the composition of the plan population by age and dependency status, for each year from the measurement date until the end of the period in which benefits are expected to be paid. The Health Care Cost Trend Rate implicitly considers estimates of health care inflation, changes in health care utilization or delivery patterns, technological advances, and changes in the health status of the plan participants.

Differing types of service, such as hospital care and dental care, may have different trend rates as may service for different portions of the plan population, such as Medicare eligible and non-Medicare eligible members.

Implicit Rate Subsidy – It is a common practice to permit retired employees to continue in the town's group health insurance plan at their own cost once eligibility for town paid benefits is exhausted. This practice creates an OPEB liability based on the theory that retirees have higher utilization of health care benefits than active employees. Therefore, unless the premium rate for retirees is set to fully recover their health costs, the premium for active employees is implicitly overstated to subsidize utilization by retirees. This is called implicit rate subsidy. This rate subsidy is considered a benefit subject to OPEB valuation, included in GASB45.

The OPEB liability normally includes the cost of the implicit rate subsidy for the years in which the retiree is paying the insurance costs for continued coverage. When the retiree is eligible for Medicare, the cost of coverage is generally much closer to the premium cost. Therefore, there is no OPEB liability assumed for Medicare-eligible retirees paying 100% of the premium.

Interest Cost (component of Annual Required Contribution (ARC)) – The accrual of interest on the Normal Cost and Amortization of UAAL for the year of the valuation. It is calculated by applying the beginning of year Discount Rate to the sum of the NC and UAAL as of the beginning of year.

Market Value (or Fair Value) of Plan Assets – The amount that a plan could reasonable expect to receive for an investment in a current sale between a willing buyer and a willing seller.

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Market-Related Value of Plan Assets – A balance used to calculate the Expected Return of Plan Assets. Market-related value can be either fair value or a calculated value that recognizes changes in fair value in a systematic and rational manner over not more than five years.

Normal Cost (component of Annual Required Contribution (ARC)) – The portion of the Actuarial Present Value of Total Projected Benefits (APV) attributed to employee service during a valuation year by the Actuarial Cost Method.

OPEB Assets – The amount recognized by an employer for contributions to an OPEB plan greater than the OPEB expense.

OPEB Expenditures – The amount recognized by an employer in each accounting period for contributions to an OPEB plan on the modified accrual basis of accounting.

OPEB Expense – The amount recognized by an employer in each accounting period for contributions to an OPEB plan on the accrual basis of accounting.

OPEB Liabilities – The amount recognized by an employer in each accounting period for contributions to an OPEB plan less than OPEB expense/expenditures.

Open Group/Closed Group – Terms used to distinguish between two classes of Actuarial Cost Methods. Under an Open Group Actuarial Cost Method, Actuarial Present Values associated with expected future entrants are considered; under a Closed Group Actuarial Cost Method, Actuarial Present Values associated with expected future entrants are not considered.

Pay-As-You-Go (PAYGO) – A method of expensing retiree medical benefits recognizing as an expense the cash currently paid as benefits to retirees, spouses and covered dependents. The minimum method of financing a plan, having no pre-funding until benefits actually become payable.

Per Capita Benefit Cost by Age – The current cost of providing OPEB health care benefits for one year at each age from the youngest age to the oldest age at which plan participants are expected to receive benefits under the plan.

Plan Assets – Assets which have been irrevocably dedicated to the payment of benefits under the plan.

Postemployment – The period between termination of employment and retirement as well as the period after retirement.

Postemployment Benefits – All forms of benefits, other than retirement income (pensions), provided by the employer to the retiree, including, but not limited to, health care, life insurance and legal assistance.

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Projected Unit Credit Actuarial Cost Method -- A method under which the projected benefits of each individual included in an Actuarial Valuation are allocated by a consistent formula to valuation years. The Actuarial Present Value of benefits allocated to a valuation year is called the Normal Cost. The Actuarial Present Value of benefits allocated to all periods prior to a valuation year is called the Actuarial Accrued Liability.

Substantive Plan -- The terms of a postemployment benefit plan as understood by an employer and plan members that provides postemployment benefits to the employees who render services in exchange for those benefits. The substantive plan is the basis for the accounting for this transaction. In some situations an employer's cost-sharing policy, as evidenced by past practice or by communication of intended changes to a plan's cost-sharing provisions, or a past practice of regular increases in certain monetary benefits may indicate that the substantive plan differs from the existing written plan.

Unfunded Actuarial Accrued Liability (UAAL) -- The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.

Valuation Date – The date as of which the plan assets and OPEB obligations are measured.