



**A Postretirement Welfare Benefit
GASB 45 Actuarial Valuation
As of July 1, 2009**

For:

Town of Foster, RI

Revised by:
The USI Consulting Group

March 11, 2011



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Section I

Executive Summary

The section presents the results of the July 1, 2009 valuation. The first section provides a brief summary of the valuation results. The Executive Summary Detail provides a more detailed development of the expenses and liabilities. Items I through V show the development of the Annual Required Contribution (ARC). Items VI through IX show the calculation of the Annual OPEB Cost. Item XII provides a brief summary of the key assumptions used in developing the plan's costs and liabilities.

EXECUTIVE SUMMARY

Introduction

This report details the development of the Annual OPEB Cost for the Fiscal Year ending June 30, 2010. Estimated June 30, 2010 disclosures are included in Section III

The liabilities developed in this report are only valid for purposes of meeting employer accounting requirements as required by Statement of Governmental Accounting Standards Number 45 (GASB 45). Liabilities developed for other purposes could be significantly different than those shown in this report.

Summary of Results

The Actuarial Accrued Liability and Normal Cost are calculated as of the valuation date. The Annual OPEB Cost and Expected Benefit Payments are for the year beginning on the valuation date. Additional detail is developed in the exhibits included in this actuarial valuation report.

<u>Valuation Date</u>	<u>July 1, 2009</u>
<i>Present Value of Future Benefit Payments</i>	\$1,117,981
<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	\$780,502
<i>Annual Required Contribution (30 year amortization)</i>	\$73,806
<i>Expected Benefit Payment</i>	\$60,863
<i>Net OPEB Obligation (NOO)</i>	\$0

Economic Assumptions

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

<u>Assumption Selection Date</u>	<u>July 1, 2009</u>
<i>Funding Interest Rate*</i>	4.00%
<i>2009 Medical Cost Trend Rate</i>	10.00%
<i>Ultimate Medical Cost Trend Rate</i>	5.00%
<i>Year Ultimate Medical Trend Rate Reached</i>	2014
<i>Annual Salary Increases</i>	3.50%
<i>Projected annual increase in payroll</i>	2.50%

* Reflects current funding policy (assumes no funding).

Changes included in current valuation

A fresh start approach was used.

EXECUTIVE SUMMARY (cont)

Accounting for Postretirement Benefits

Government Accounting Standard No. 45 (GAS 45) addresses the accounting and financial reporting requirements by Employers for Postemployment Benefits Other than Pensions (OPEB). Employers that are required to follow Government Accounting Standards are subject to this standard. The statement does not require that the benefits be pre-funded, however, it defines a financial framework for assessing the costs, design, and sustainability of OPEBs offered by employers.

This report presents the annual expense required to be recognized by the plan sponsor for purposes of complying with the accounting requirements of Governmental Accounting Standards Board Statement No. 45. This report also provides the information needed to prepare the footnote in your financial statements related to your postretirement benefit plans.

The Annual Required Contribution (ARC) and Annual OPEB Cost are developed in the Executive Summary Detail included in this section. Section III presents the disclosure information, including the development of the Net OPEB obligation based on expected contributions / benefits to be paid during the fiscal year.

Actuarial Certification

The financial results of the actuarial valuation are summarized in this report. The valuation has been prepared as of July 1, 2009. The detail charts included in this Executive Summary highlight the results of the valuation. Additional information summarizing the census, actuarial assumptions, plan provisions, and a glossary of selected terms used in this study are also included in this report.

The valuation is based on the July 1, 2010 census data and July 1, 2009 plan information as provided by the employer. We have reviewed both the census and financial data for reasonableness, but have not completed an independent audit of the information.

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

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

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



Robert W. Webb, FSA, EA, MAAA
Vice President and Actuary



Adeniyi Olaiya, ASA, MAAA
Associate Vice President and Actuary

EXECUTIVE SUMMARY DETAIL

GASB 45 LIABILITIES, ANNUAL REQUIRED CONTRIBUTION AND ANNUAL OPEB COST

July 1, 2009 COMBINED RESULTS

(Actuarial Cost Method - Entry Age Normal)

<i>I. Present value of Future benefits</i>		
A. Retirees/Disableds		\$306,306
B. Active Employees		<u>\$811,675</u>
C. Total		\$1,117,981
<i>II. Actuarial Accrued Liability</i>		
A. Retirees/Disableds		\$306,306
B. Active Employees		<u>\$474,196</u>
C. Total		\$780,502
<i>III. Actuarial Assets</i>		\$0
<i>IV. Unfunded Actuarial Accrued Liability (UAAL)</i>		\$780,502
<i>V. Annual Required Contribution (ARC)</i>		
A. Normal Cost		\$28,516
B. Supplemental Cost [XI.]		\$43,622
C. Compound Interest to Year End		<u>\$1,668</u>
D. Annual Required Contribution [A. + B. + C.]		\$73,806
<i>VI. Net OPEB Obligation</i>		\$0
<i>VII. Interest on net OPEB Obligation</i>		\$0
<i>VIII. Adjustment to ARC</i>		(\$0)
<i>IX. Annual OPEB Cost (Expense)</i> <i>[V. + VII. - VIII.]</i>		\$73,806
<i>X. Expected Benefit Payments</i>		
A. Retirees/Disableds		\$60,863
B. Active Employees		<u>\$0</u>
C. Total		\$60,863
<i>XI. Supplemental Cost</i>		
A. Unfunded Actuarial Accrued Liability [IV.]		\$780,502
B. Amortization Period		20.5
C. Supplemental Cost		\$43,622
<i>XII. Key Actuarial Assumptions</i>		
A. Interest Rate		4.00%
B. 2009 Medical		10.00%
C. Ultimate Medical Trend Rate		5.00%
D. Year Ultimate Medical Trend Rate Reached		2014
E. Annual Payroll Increase		2.50%

EXECUTIVE SUMMARY DETAIL

GASB 45 LIABILITIES, ANNUAL REQUIRED CONTRIBUTION AND ANNUAL OPEB COST

PLAN RESULTS BY EMPLOYEE GROUP

(Actuarial Cost Method - Entry Age Normal)

	<u>Town</u>	<u>School</u>	<u>Total</u>
<i>I. Present value of Future benefits</i>			
A. Retirees/Disableds	\$143,855	\$162,451	\$306,306
B. Active Employees	<u>\$175,135</u>	<u>\$636,540</u>	<u>\$811,675</u>
C. Total	\$318,989	\$798,992	\$1,117,981
<i>II. Actuarial Accrued Liability</i>			
A. Retirees/Disableds	\$143,855	\$162,451	\$306,306
B. Active Employees	<u>\$88,040</u>	<u>\$386,155</u>	<u>\$474,196</u>
C. Total	\$231,895	\$548,606	\$780,502
<i>III. Actuarial Assets</i>			
	\$0	\$0	\$0
<i>IV. Unfunded Actuarial Accrued Liability (UAAL)</i>			
	\$231,895	\$548,606	\$780,502
<i>V. Annual Required Contribution (ARC)</i>			
A. Normal Cost	\$7,073	\$21,443	\$28,516
B. Supplemental Cost [XI.]	\$21,225	\$22,397	\$43,622
C. Compound Interest to Year End	<u>\$555</u>	<u>\$1,113</u>	<u>\$1,668</u>
D. Annual Required Contribution [A. + B. + C.]	\$28,853	\$44,953	\$73,806
<i>VI. Net OPEB Obligation</i>			
	\$0	\$0	\$0
<i>VII. Interest on net OPEB Obligation</i>			
	\$0	\$0	\$0
<i>VIII. Adjustment to ARC</i>			
	(\$0)	(\$0)	(\$0)
<i>IX. Annual OPEB Cost (Expense) [V. + VII. - VIII.]</i>			
	\$28,853	\$44,953	\$73,806 *
<i>X. Expected Benefit Payments</i>			
A. Retirees/Disableds	\$28,853	\$32,010	\$60,863
B. Active Employees	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
C. Total	\$28,853	\$32,010	\$60,863
<i>XI. Supplemental Cost</i>			
A. Unfunded Actuarial Accrued Liability [IV.]	\$231,895	\$548,606	\$780,502 *
B. Amortization Period	11.8	30.0	20.5
C. Supplemental Cost	\$21,225	\$22,397	\$43,622

Section II

Census Information

This section details statistics related to the participants in the postretirement benefit plan.

CENSUS INFORMATION

EMPLOYEE COUNTS

As of July 1, 2010

	<u>Actives</u>	<u>Retirees</u>	<u>Total</u>
Male	13	4	17
Female	46	8	54
Total	59	12	71

COUNTS BY AGE AND ELIGIBILITY STATUS

ACTIVE EMPLOYEES :

<u>Age</u>	<u>Currently Eligible to Retire</u>	<u>Not Currently Eligible to Retire</u>	<u>Total</u>
29 and under	0	0	0
30 - 34	0	1	1
35 - 39	2	0	2
40 - 44	3	6	9
45 - 49	3	9	12
50 - 54	10	7	17
55 - 59	2	10	12
60 - 64	5	0	5
65 and over	1	0	1
Total	26	33	59

CURRENT RETIREES:

<u>Age</u>	<u>Retirees</u>	<u>Spouse</u>	<u>Total</u>
39 and under	0	0	0
40 - 44	0	0	0
45 - 49	0	0	0
50 - 54	0	0	0
55 - 59	4	3	7
60 - 64	7	0	7
65 - 69	1	2	3
70 - 74	0	0	0
75 - 79	0	0	0
80 and over	0	0	0
Total	12	5	17

CENSUS INFORMATION (cont.)
COUNTS BY AGE AND ELIGIBILITY STATUS

AVERAGE AGE AND SERVICE

As of July 1, 2010

ACTIVE EMPLOYEES:

A. Average Age at Hire

Males	35.2
Females	36.4
Total	36.1

B. Average Service

Males	11.1
Females	16.2
Total	15.1

C. Average Current Age

Males	46.3
Females	52.6
Total	51.2

CURRENT RETIREES

D. Average Current Age

Males	59.9
Females	62.2
Total	61.4

Section III

Financial Statement Disclosure

This section provides the required information and notes to the Financial Statements for the fiscal year ending June 30, 2010.

FINANCIAL STATEMENT DISCLOSURE

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

1.) A BRIEF DESCRIPTION OF THE RETIREE MEDICAL & DENTAL INSURANCE PLAN:

a. Plan Types: Self insured through Blue Cross/Blue Shield Classic

b. Eligibility: Police & Dispatch: Any age with 20 years of service

Labor Union: 58 years of age

School Certified: 62 years of age

School Non Certified: 62 years of age

Note: School Certified can retire early with 10 years of service and School Non Certified can retire early with 58 years of age and 10 years of service. However Non Certified retirees must then pay 100% of medical and dental premiums.

c. Benefit/Cost Sharing: Police: The town pays 40% of the medical premium for 7 years or until the retiree becomes Medicare eligible – whichever comes first. Employees hired after 7/1/2006 will not be eligible for this benefit.

Dispatch: The town pays 40% of the medical premium for 5 years after retirement if date of retirement was prior to 7/1/2007 and for 7 years after retirement if date of retirement was after 7/1/2007.

Labor Union: The town pays 40% of the individual medical premium until retiree is eligible for Medicare.

School Non Certified: The town pays 100% of the medical and dental premiums until retiree is Medicare eligible.

School Certified:

Date of Retirement prior to 7/1/2007: Town pays 100% of medical and dental premiums until retiree is Medicare eligible.

Date of Retirement post 7/1/2007: Town pays 90% of medical and dental premiums until retiree is Medicare eligible.

Special Cases: The town pays 75% of the Labor Union retiree Donald Delaere and Police Officer retiree William Chapman's family medical premiums. Also the town reimburses Police Officer Roy Mumford up to \$5,000 until age 65.

d. Spouse Benefit: Police and Dispatch: medical coverage is the same as retiree coverage. Labor Union & School: Spouse must pay 100% of their premiums.

e. Surviving Spouse Benefit: No.

FINANCIAL STATEMENT DISCLOSURE (cont)

f. *Annual Premiums* Medical 7/1/2010 – 6/30/2011

	<i>Plan</i>	<i>Single</i>	<i>Family</i>
Pre 65		\$4,832.88	\$13,480.44
Post 65		\$1,762.56	

Dental

Individual: \$469.20

FINANCIAL STATEMENT DISCLOSURE (cont.)

2.) GASB 45 DISCLOSURE REQUIREMENTS – ESTIMATED

A. Annual OPEB Cost and Net OPEB Obligation	7/1/2009 - 6/30/2010	7/1/2010 - 6/30/2011	7/1/2011 - 6/30/2012
1. Annual Required Contribution (ARC)	\$73,806	\$76,192	\$78,714
2. Interest on net OPEB Obligation	\$0	\$518	\$916
3. Adjustment to ARC	\$0	(\$544)	(\$1,030)
4. Annual OPEB Cost (Expense)	\$73,806	\$76,165	\$78,599
5. Contribution made (assumed middle of year) *	\$60,863	\$66,217	\$60,513
6. Increase in net OPEB Obligation	\$12,943	\$9,948	\$18,086
7. Net OPEB Obligation - beginning of year	\$0	\$12,943	\$22,891
8. Net OPEB Obligation - end of year	\$12,943	\$22,891	\$40,978

* Contribution made was assumed to equal Expected Benefit Payments

The annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years ending 2010 / 2011 / 2012 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	Covered Payroll	OPEB Cost % of Pay
6/30/2010	\$73,806	82.5%	\$12,943	#N/A	#N/A
6/30/2011	\$76,165	86.9%	\$22,891	#N/A	#N/A
6/30/2012	\$78,599	77.0%	\$40,978	#N/A	#N/A

B. Funded Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of 0 Payroll (AAL) ((b - a) / c)
7/1/2009	\$ -	\$780,502	\$780,502	0.0%	#N/A	#N/A

C. Methods and Assumptions

- Interest Rate	4.00%
- 2009 Medical	10.00%
- Ultimate Medical Trend Rate	5.00%
- Year Ultimate Medical Trend Rate Reached	2014
- Actuarial Cost Method	Entry Age Normal
- The remaining amortization period at 06/30/2010	19.5 years
- Annual Payroll Increase	2.50%

Section IV

Actuarial Assumptions And Methodology

The following pages detail the assumptions used in the calculations.

ACTUARIAL ASSUMPTIONS AND METHODOLOGY

1. **Funding Interest Rate:** An interest rate of 4.00% was used.
2. **Mortality:** Post-retirement mortality rates: Sex distinct rates from the 1994 Group Annuity Mortality Table with male rates set forward 1 year.
Pre-retirement mortality rates: 65% of the post-retirement mortality rates.
3. **Retirement Rates:** **Non-police and non-dispatch:** Separate male and female rates. For members who reach 30 years of service before age 58, service based rates are used. For other members, age-based rates are used. Sample rates are shown below:

30 or more years of service prior to age 58:

<u>Service</u>	<u>Male</u>	<u>Female</u>
30	30.0%	20.0%
31	25.0%	15.0%
32-34	15.0%	7.5%
35	25.0%	15.0%
36-37	25.0%	20.0%
38-39	25.0%	15.0%
40+	100.0%	100.0%

Age 58 and older

<u>Age</u>	<u>Male</u>	<u>Female</u>
58	15.0%	15.0%
59-61	10.0%	10.0%
62	30.0%	20.0%
63-64	25.0%	15.0%
65	25.0%	20.0%
66-69	30.0%	20.0%
70-74	20.0%	20.0%
75	100.0%	100.0%

ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)

3. **Retirement Rates (cont.):** **Police & Dispatch:** Unisex rates based on service are used. Sample rates are shown below:

<u>Service</u>	<u>Rate</u>
20	15.0%
21	10.0%
22-23	5.0%
24	10.0%
25-26	12.0%
27	14.0%
28	16.0%
29	18.0%
30-39	35.0%
40+	100.0%

4. **Disability Rates:** None assumed

5. **Termination Rates:** Base on service:

<u>Service</u>	<u>Non Police</u>		<u>Police</u>
	<u>Male</u>	<u>Female</u>	<u>Rate</u>
0	17.50%	18.00%	10.00%
1	9.59%	10.69%	5.28%
5	5.41%	5.58%	3.54%
10	3.50%	3.18%	1.91%
15	3.19%	2.97%	0.90%
20	2.27%	2.50%	0.00%

6. **Health Care Trend Rates:** It was assumed that health care costs would increase in accordance with the trend rates in the following table:

<u>Year</u>	<u>Medical Rates</u>	<u>Dental Rates</u>
2009	10.0%	5.0%
2010	9.0%	5.0%
2011	8.0%	5.0%
2012	7.0%	5.0%
2013	6.0%	5.0%
2014+	5.0%	5.0%

7. **Participation Rate:** It was assumed that 100% of the current active employees covered under the active plan on the day before retirement would enroll in the retiree medical plan upon retirement.

ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)

8. **Percent Married:** It was assumed that 75% of the male and 75% of the female police and dispatch employees who elect retiree health care coverage for themselves would also elect coverage for their spouse upon retirement. It was assumed that male spouses are three years older than their wives and female spouses are three years younger than the retiree. For current retirees, actual census information was used.
9. **Actuarial Value of Assets:** N/A
10. **Per Capita Claims Cost:** Premiums were age-graded on the current participants in the Medical plan. See below for further details of the annual per capita claims cost.
- | <u>Age</u> | <u>Male</u> | <u>Female</u> |
|------------|-------------|---------------|
| 50 | 4,141 | 4,777 |
| 51 | 4,303 | 4,867 |
| 52 | 4,470 | 4,960 |
| 53 | 4,647 | 5,044 |
| 54 | 4,833 | 5,131 |
| 55 | 5,028 | 5,218 |
| 56 | 5,230 | 5,308 |
| 57 | 5,438 | 5,398 |
| 58 | 5,640 | 5,531 |
| 59 | 5,847 | 5,671 |
| 60 | 6,064 | 5,813 |
| 61 | 6,288 | 5,956 |
| 62 | 6,520 | 6,105 |
| 63 | 6,645 | 6,223 |
| 64 | 6,772 | 6,341 |
11. **Administrative expenses:** Included in premiums used.
12. **Participant Salary Increases:** 3.50% annually
13. **Payroll Growth Rate:** 2.50% annually

ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)

ACTUARIAL COST METHOD

An Actuarial Cost Method develops an orderly allocation of the actuarial present value of benefits payments over the working lifetime of the participants in the plan. The actuarial present value of benefits allocated to a particular fiscal year is called the Normal Cost. The actuarial present value of benefits allocated to all periods prior to a valuation date is called the Actuarial Accrued Liability. The Unfunded Actuarial Accrued Liability is amortized over future years in accordance with the employer's established accounting policy.

The Entry Age Actuarial Cost Method is used in this valuation. Under this method, the Actuarial Present Value of Projected Benefits of each individual included in the Actuarial Valuation is allocated on a level basis over future earnings of the individual between entry age and assumed exit age(s). The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.

The amortization of the unfunded actuarial accrued liability may be determined in level dollar amounts or as a level percentage of projected payroll of active plan members. The total unfunded actuarial accrued liability may be amortized as one amount, or components of the total may be separately amortized. The equivalent single amortization period for all components combined may not exceed the maximum acceptable period of 30 years. The results in Sections I and III are based on a 30 year amortization of the unfunded actuarial accrued liability as a level percentage of payroll. The development of the Annual Required Contribution under alternative amortization methods is provided in Appendix II.

ADDITIONAL COMMENTS

The values in this GASB 45 valuation represent a closed group and do not reflect new entrants after the census collection date.

Section V

Appendices

APPENDIX - I.

ACTIVE EMPLOYEE BY AGE AND SERVICE

AS OF JULY 1, 2010

Age	Service									Total
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40+	
0 - 19	0	0	0	0	0	0	0	0	0	0
20 - 24	0	0	0	0	0	0	0	0	0	0
25 - 29	0	0	0	0	0	0	0	0	0	0
30 - 34	1	0	0	0	0	0	0	0	0	1
35 - 39	0	0	1	1	0	0	0	0	0	2
40 - 44	3	1	1	1	1	0	0	0	0	7
45 - 49	2	2	2	4	4	0	0	0	0	14
50 - 54	0	2	4	2	4	3	0	0	0	15
55 - 59	3	1	4	2	4	0	0	0	0	14
60 - 64	0	0	2	0	1	2	0	0	0	5
65 - 69	0	0	0	1	0	0	0	0	0	1
70 - 74	0	0	0	0	0	0	0	0	0	0
75 - 79	0	0	0	0	0	0	0	0	0	0
80 - 84	0	0	0	0	0	0	0	0	0	0
85 and Over	0	0	0	0	0	0	0	0	0	0
Total	9	6	14	11	14	5	0	0	0	59

APPENDIX – II

PROJECTED BENEFIT PAYMENTS

<u>Year</u>	<u>Amount</u>	<u>Accumulated</u>	<u>Year</u>	<u>Amount</u>	<u>Accumulated</u>
2009	\$ 60,863	\$ 60,863	2029	\$ 73,123	\$ 1,451,928
2010	\$ 66,217	\$ 127,080	2030	\$ 46,051	\$ 1,497,979
2011	\$ 60,513	\$ 187,593	2031	\$ 46,704	\$ 1,544,683
2012	\$ 58,015	\$ 245,608	2032	\$ 52,756	\$ 1,597,439
2013	\$ 48,561	\$ 294,169	2033	\$ 53,237	\$ 1,650,676
2014	\$ 54,679	\$ 348,848	2034	\$ 40,841	\$ 1,691,517
2015	\$ 54,591	\$ 403,439	2035	\$ 44,642	\$ 1,736,159
2016	\$ 66,986	\$ 470,425	2036	\$ 29,307	\$ 1,765,466
2017	\$ 71,255	\$ 541,680	2037	\$ 31,081	\$ 1,796,547
2018	\$ 79,333	\$ 621,013	2038	\$ 32,744	\$ 1,829,291
2019	\$ 85,057	\$ 706,070	2039	\$ 6,265	\$ 1,835,556
2020	\$ 88,659	\$ 794,729	2040	\$ 7,000	\$ 1,842,556
2021	\$ 91,205	\$ 885,934	2041	\$ 2,605	\$ 1,845,161
2022	\$ 66,814	\$ 952,748	2042	\$ 2,517	\$ 1,847,678
2023	\$ 57,010	\$ 1,009,758	2043	\$ 2,362	\$ 1,850,040
2024	\$ 67,435	\$ 1,077,193	2044	\$ 1,609	\$ 1,851,649
2025	\$ 79,497	\$ 1,156,690	2045	\$ 1,618	\$ 1,853,267
2026	\$ 69,734	\$ 1,226,424	2046	\$ 1,079	\$ 1,854,346
2027	\$ 77,890	\$ 1,304,314	2047	\$ 717	\$ 1,855,063
2028	\$ 74,491	\$ 1,378,805	2048	\$ -	\$ 1,855,063

APPENDIX – III
GLOSSARY

Actuarial Accrued Liability. The portion, as determined by a particular Actuarial Cost Method, of the present value of benefits which is not provided for by future Normal Costs.

Actuarial Cost Method. A procedure for determining the Actuarial Present Value of Total Projected Benefits and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

Actuarially Equivalent. Of equal Actuarial Present Value, determined as of a given date with each value based on the same set of Actuarial Assumptions.

Actuarial Present Value of Total Projected Benefits. The present value, as of the valuation date, of the cost of future benefits to be paid to employees, retirees, and covered dependents, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. 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.

Annual OPEB Cost. The accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB Plan.

Annual Required Contributions of the Employer (ARC). The employer's periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the parameters defined in GAS 45.

Investment Return Assumption (Discount Rate). The rate used to adjust a series of future benefit payments to reflect the time value of money.

Healthcare Cost Trend Rate. The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services and technological developments.

Net OPEB Obligation. The cumulative difference since the effective date of GAS 45 between the annual OPEB cost and the employer's contributions to the plan.

Normal Cost. The portion of the Actuarial Present Value of plan benefits which is allocated to a valuation year by the Actuarial Cost Method.

OPEB. Postemployment benefits other than pension benefits.

Pay-As-You-Go. The amount of the benefits paid out to plan participants during the year.

Per Capita Claims Cost. The current average annual cost of providing postretirement health care benefits per individual.

Supplemental Cost. The amount of the Annual Required Contribution attributable to the amortization of the unfunded Actuarial Accrued Liability.