



# **Bertie County, NC**

## **Board of Commissioners Meeting**

**January 31, 2017**

**Beth Wright**

**Managing Director**

**Cavanaugh Macdonald Consulting, LLC**



- Review Current Plan
- Reduce Benefits – Scenario 1
- Reduce Benefits – Scenario 2
- GASB 74/75

# Current Benefits



- Eligibility – Hired before July 1, 2016 and retire from NC LGERS and one of the following:
  - (1) Age 55 or older with at least 15 years of continuous County service, or
  - (2) Any age with at least 20 years of continuous County service, or
  - (3) Any age with at least 25 years of non-continuous County service
  
- Benefit – County pays all or a portion of the premium based on which condition above is met:
  - (1) 50% of Retiree's Premium
  - (2) 100% of Retiree's Premium
  - (3) 100% of Retiree's Premium

# Current Benefits



## ➤ Medical Plan Provides

- Pre-Medicare retirees are provided medical coverage through the BCBS Silver 2500 plan
- Medicare eligible retirees transfer to a Medicare Supplemental Plan plus a Medicare Part D plan
- Dependent coverage is not provided



# 12/31/2015 Accrued Liability

Projected Unit Credit Method	Pre-Medicare	Medicare	Total
Active Accrued Liability	2,369,472	4,141,251	6,510,723
Retiree Accrued Liability	<u>1,087,096</u>	<u>4,369,883</u>	<u>5,456,979</u>
	3,456,568	8,511,134	11,967,702

Entry Age Normal Method	Pre-Medicare	Medicare	Total
Active Accrued Liability	2,836,320	5,131,582	7,967,902
Retiree Accrued Liability	<u>1,087,096</u>	<u>4,369,883</u>	<u>5,456,979</u>
	3,923,416	9,501,465	13,424,881

# Savings from Plan Closure



<b>Entry Age Normal Accrued Liability</b>		
<b>Year</b>	<b>Before Plan Closure</b>	<b>After Plan Closure</b>
2017	14,287,000	14,287,000
2018	15,198,000	15,121,000
2019	16,172,000	15,940,000
2020	17,223,000	16,759,000
2025	23,700,000	20,768,000
2030	32,805,000	24,483,000
2035	45,389,000	27,519,000
2040	62,231,000	29,252,000
2045	84,201,000	29,056,000

# Projection Results for Closed Plan



Year	Actuarial Accrued Liability	Assets	Unfunded Liability	Normal Cost	Expected Benefit Payments
2017	14,287,000	245,000	14,042,000	612,000	320,000
2018	15,121,000	500,000	14,621,000	592,000	354,000
2019	15,940,000	765,000	15,175,000	579,000	390,000
2020	16,759,000	1,041,000	15,718,000	569,000	412,000
2025	20,768,000	2,595,000	18,173,000	520,000	516,000
2030	24,483,000	4,485,000	19,998,000	456,000	693,000
2035	27,519,000	6,785,000	20,734,000	373,000	916,000
2040	29,252,000	9,583,000	19,669,000	256,000	1,174,000
2045	29,056,000	12,987,000	16,069,000	89,000	1,540,000

# Scenario 1



- Eligibility – Hired before July 1, 2016 and retire from NC LGERS and one of the following:
  - (1) Age 55 or older with at least 15 years of continuous County service, or
  - (2) Any age with at least 30 years of County service
  
- Benefit – County pays all or a portion of the premium based on which condition above is met:
  - (1) 50% of Retiree's Premium
  - (2) 100% of Retiree's Premium



# Projection Results for Scenario 1



Year	Actuarial Accrued Liability	Assets	Unfunded Liability	Normal Cost	Expected Benefit Payments
2017	10,510,000	245,000	10,265,000	336,000	317,000
2018	10,909,000	500,000	10,409,000	325,000	341,000
2019	11,308,000	765,000	10,543,000	317,000	365,000
2020	11,682,000	1,041,000	10,641,000	311,000	379,000
2025	13,591,000	2,595,000	10,996,000	284,000	405,000
2030	15,331,000	4,485,000	10,846,000	249,000	494,000
2035	16,633,000	6,785,000	9,848,000	205,000	627,000
2040	17,267,000	9,583,000	7,684,000	153,000	718,000
2045	16,510,000	12,987,000	3,523,000	59,000	841,000

## Scenario 2



- Eligibility – Hired before July 1, 2016 and retire from NC LGERS and one of the following:
  - (1) Age 55 or older with at least 15 years of continuous County service, or
  - (2) Any age with County service under one of the following groups:
    - A. Have accrued at least 10 years of service as of 7/1/2016
    - B. Have accrued at least 5 years of service as of 7/1/2016
    - C. Have accrued less than 5 years of service as of 7/1/2016

# Scenario 2



- Benefit – County pays all or a portion of the premium based on which condition above is met:
  - (1) 50% of Retiree's Premium
  - (2) County paid portion varies based on Group and service:
    - A. 100% of Retiree's Premium if employee has accrued at least 20 years of continuous service or at least 25 years of non-continuous service (current plan)
    - B. 100% of Retiree's Premium if employee has 30 years of service or 75% of Retiree's Premium if employee has 25 years of service or 50% of Retiree's Premium if employee has 20 years of service (employees who retire with less than 20 years of service are ineligible for benefits)
    - C. 75% of Retiree's Premium if employee has 30 years of service or 50% of Retiree's Premium if employee has 25 years of service (employees who retire prior to age 55 with less than 25 years of service are ineligible for benefits)

# Projection Results for Scenario 2



Year	Actuarial Accrued Liability	Assets	Unfunded Liability	Normal Cost	Expected Benefit Payments
2017	13,162,000	245,000	12,917,000	416,000	320,000
2018	13,747,000	500,000	13,247,000	402,000	354,000
2019	14,314,000	765,000	13,549,000	391,000	390,000
2020	14,871,000	1,041,000	13,830,000	381,000	412,000
2025	17,410,000	2,595,000	14,815,000	330,000	516,000
2030	19,409,000	4,485,000	14,924,000	271,000	682,000
2035	20,671,000	6,785,000	13,886,000	205,000	867,000
2040	20,819,000	9,583,000	11,236,000	138,000	989,000
2045	19,721,000	12,987,000	6,734,000	50,000	1,129,000

# Summary of Projection Results



<b>Accrued Liability</b>			
<b>Year</b>	<b>Current Plan</b>	<b>Scenario 1</b>	<b>Scenario 2</b>
2017	14,287,000	10,510,000	13,162,000
2018	15,121,000	10,909,000	13,747,000
2019	15,940,000	11,308,000	14,314,000
2020	16,759,000	11,682,000	14,871,000
2025	20,768,000	13,591,000	17,410,000
2030	24,483,000	15,331,000	19,409,000
2035	27,519,000	16,633,000	20,671,000
2040	29,252,000	17,267,000	20,819,000
2045	29,056,000	16,510,000	19,721,000

# Summary of Projection Results



<b>Unfunded Accrued Liability</b>			
<b>Year</b>	<b>Current Plan</b>	<b>Scenario 1</b>	<b>Scenario 2</b>
2017	14,042,000	10,265,000	12,917,000
2018	14,621,000	10,409,000	13,247,000
2019	15,175,000	10,543,000	13,549,000
2020	15,718,000	10,641,000	13,830,000
2025	18,173,000	10,996,000	14,815,000
2030	19,998,000	10,846,000	14,924,000
2035	20,734,000	9,848,000	13,886,000
2040	19,669,000	7,684,000	11,236,000
2045	16,069,000	3,523,000	6,734,000

# Summary of Projection Results



Expected Benefit Payments			
Year	Current Plan	Scenario 1	Scenario 2
2017	320,000	317,000	320,000
2018	354,000	341,000	354,000
2019	390,000	365,000	390,000
2020	412,000	379,000	412,000
2025	516,000	405,000	516,000
2030	693,000	494,000	682,000
2035	916,000	627,000	867,000
2040	1,174,000	718,000	989,000
2045	1,540,000	841,000	1,129,000

# GASB 74/75



- Effective for fiscal year ending 6/30/2018
- All plans required to use Entry Age Normal (EAN) level percent of pay cost method to develop the Total OPEB Liability (TOL).
- Net OPEB Liability (NOL) moves to balance sheet of employers. NOL is:
  - Actuarial accrued liability (referred to in statements as Total OPEB Liability or TOL), less
  - Plan's Fiduciary Net Position (FNP = market value of assets)



# GASB 74/75



- If current and expected future plan assets related to current members are insufficient to cover future benefit payments, the long-term rate of return cannot be used as the discount rate.
  - Blended rate is developed.
    - Long-term rate of return is used for period where qualified plan assets are available for benefit payments.
    - High quality municipal bond rate is used for projected benefit payments not covered by plan assets (when plan is funded on a pay-as-you-go basis).
  - Blended Rate is referred to as the SEIR (Single Equivalent Interest Rate)

# GASB 74/75



- Annual changes in Net OPEB Liability (NOL) will generally be reported as OPEB expense (OE) as they occur.
  - Individual EAN level percent of pay normal cost
  - Interest on the NOL
  - Immediate recognition of changes in active and inactive liability due to plan amendments
  - Deferred recognition (over average remaining service life) of changes in active and inactive liability due to assumption changes and actual experience
  - Deferred recognition of investment gains and losses over five years

# GASB 74/75



- Will need to track Deferred Outflows of Resources and Deferred Inflows of Resources (DO/I).
  
- Employers are required to provide substantial additional disclosures including:
  - Extensive footnote disclosure and supplementary information required. 10 year schedules of many items.
  - Sensitivity disclosures: +/- 1% discount rate, +/- 1% health trend = 4 additional NOL measurements.

# GASB 74/75



- Additional information will be needed from the County
  - Written Funding Policy
  - Investment Policy
  - Detailed Asset Information
  
- Valuation Date will change to 6/30 (currently it is 12/31) with first GASB 74/75 valuation as of 6/30/2017 (assuming the Trust is established on/after 7/1/2017)

# GASB 74/75



- A “full valuation” will be prepared to provide the disclosure information as of 6/30/2018
  - Collect data and claims early
  - Prepare claims analysis, data file and system programming
  - Collect assets after 6/30/2018 and finalize the report
  
- An “interim report” will be prepared to provide the disclosure information as of 6/30/2019
  - Basis will be the 6/30/2017 valuation work
  - Collect assets after 6/30/2019 and finalize the report