

SUNSHINE CITY
RETIREE HEALTH CARE PLAN

GASB 74 -75 EXAMPLE



STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2015

<u>ASSETS</u>	MARKET VALUE
Cash and Short-Term Investments	1,800,000
Receivables:	
Accounts Receivable	145,000
Accrued Interest	75,000
Prepaid Expenses	3,500
Total Receivable	223,500
Investments:	
Fixed Income Securities	13,000,000
Domestic Equity Securities	16,000,000
International Equity Services	3,900,000
Real Estate Investment Trusts	1,200,000
Total Investments	34,100,000
Total Assets	36,123,500
<u>LIABILITIES</u>	
Payables:	
Accounts Payable	1,000
Unearned Revenue	65,000
Claims Payable	1,100,000
Due to the Primary Government	3,500
Total Liabilities	1,169,500
NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS	34,954,000

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2015
Market Value Basis

ADDITIONS

Contributions:

Employer Contributions	8,100,000	
Total Contributions		8,100,000
Investment Income:		
Net Increase in Fair Value of Investments	370,000	
Interest & Dividends	550,000	
Less Investment Expense ¹	(100,000)	
Net Investment Income		820,000
Total Additions		8,920,000

DEDUCTIONS

Health Insurance Benefits	7,500,000	
Total Distributions		7,500,000
Administrative Expense		15,000
Total Deductions		7,515,000
Net Increase in Net Position		1,405,000

NET POSITION RESTRICTED FOR POSTEMPLOYMENT
BENEFITS OTHER THAN PENSIONS

Beginning of the Year		33,549,000
End of the Year		34,954,000

¹Investment related expenses include investment advisory, custodial and performance monitoring fees.

NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended September 30, 2015)

Plan Description

Plan Administration

The Sunshine City Retiree Health Care Plan is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the City. The Plan, which is administered by the City, allows employees who retire and meet retirement eligibility requirements under one of the City’s retirement plans to continue medical and dental coverage as a participant in the City’s plan.

Plan Membership as of October 1, 2015:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	500
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	950
	1,450

Benefits Provided

The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All employees of the City are eligible to receive postemployment health care benefits. Coverage for retirees and their spouses and dependents is provided for life. The Trust was established to advance fund benefits provided under the Plan.

Eligibility for Insurance Coverage:

Must be eligible to retire under one of the City’s retirement plans.

Health Care Insurance:

Retirees and their dependents who meet the eligibility requirements above are eligible for health benefits payable for life.

Health Contributions:

Retirees hired prior to October 1, 2014 pay a portion of the premium each year based on City policies and Collective Bargaining Agreements. Retirees generally contribute an amount between 23% to 40% of the total premium.

Retirees hired on or after October 1, 2014 pay 100% of the premium.

Disabled Retirees:

For certain disabled employees who qualify under the Public Safety Employee Benefits Act (PSEBA), the City is required to pay 100% of the cost of basic health insurance for retirees and their dependents for their lifetime.

Contributions

Under the terms of the Plan, pursuant to City policy and collective bargaining unit agreements, the Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly toward the cost of health insurance premiums. Retirees generally contribute 22% to 40% of the actuarially determined premium, with the City contributing the remainder of the cost. The City has begun to phase in higher premiums and service requirements for newly hired employees (hired after 10/1/2014). If these new requirements are not met, then a retiree is entitled to coverage but must pay 100% of the premium. At age 65, the medical premium is frozen.

Dental coverage is paid for by the employee/retiree at 100% of the premium.

In future years, contributions are assumed to increase at the same rate as premiums, until a retiree reaches age 65.

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Investments

Investment Policy:

The following was the Board's adopted asset allocation policy as of September 30, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>
US Equity	40%
International Equity	10%
Real Estate	5%
US Fixed Income	45%
<u>Total</u>	<u>100%</u>

Concentrations:

The Plan did not hold investments in any one organization that represent 5 percent or more of the Pension Plan's Fiduciary Net Position.

Rate of Return:

For the year ended September 30, 2015, the annual money-weighted rate of return on investments, net of investment expense, was 2.50 percent.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NET OPEB LIABILITY OF THE SPONSOR

The components of the Net OPEB Liability of the Sponsor on September 30, 2015 were as follows:

Total OPEB Liability	\$ 254,954,000
Plan Fiduciary Net Position	(34,954,000)
Sponsor's Net OPEB Liability	<u>\$ 220,000,000</u>

Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	13.71%
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Actuarial Assumptions:

The Total OPEB Liability was determined by an actuarial valuation as of October 1, 2015 using the following actuarial assumptions:

Inflation	3.00%
Salary Increases	3.80%
Discount Rate	4.60%
Investment Rate of Return	7.70%
Healthcare cost trend rates	4.50% -8.00%

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The date of the most recent actuarial experience study for which significant assumptions are based is not available.

The Long-Term Expected Rate of Return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class.

These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of September 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
US Equity	7.5%
International Equity	8.5%
Real Estate	4.5%
US Fixed Income	2.5%

Discount Rate:

The projection of cash flows used to determine the Discount Rate assumed that current Plan Member and Sponsor contributions will be made at the current contribution rate. Based on those assumptions, the OPEB Plan's Fiduciary Net Position was projected to provide future benefit payments for 25 years.

These payments were discounted using a discount rate of 7.70%. Future benefits payments beyond 25 years were discounted using a high quality municipal bond rate of 3.57%.

The high quality municipal bond rate was based on the week closest to, but not later than, the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve.

The single equivalent discount rate was 4.60%.

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Sensitivity of the net OPEB Liability to changes in the Discount Rate:

The following presents the net OPEB Liability of the Sponsor, as well as what the Sponsor's net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	3.60%	4.60%	5.60%
Net OPEB Liability (asset)	\$ 282,000,000	\$ 220,000,000	\$ 193,000,000

Sensitivity of the net OPEB Liability to changes in the Healthcare Cost Trend Rates:

The following presents the net OPEB Liability of the Sponsor, as well as what the Sponsor's net OPEB Liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
	3.50% - 7.00%	4.50% - 8.00%	5.50% - 9.00%
Net OPEB Liability (asset)	\$ 175,000,000	\$ 220,000,000	\$ 281,000,000

SCHEDULE OF CHANGES IN THE SPONSOR'S NET OPEB LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years

	<u>09/30/2015</u>
Total OPEB Liability	
Service Cost	\$ 6,900,000
Interest	11,475,000
Changes of benefit terms	-
Differences between Expected and Actual Experience	-
Changes of assumptions	-
Benefit Payments	<u>(7,500,000)</u>
Net Change in Total OPEB Liability	\$ 10,875,000
Total OPEB Liability - Beginning	<u>244,079,000</u>
Total OPEB Liability - Ending (a)	<u><u>\$ 254,954,000</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	8,100,000
Net Investment Income	820,000
Benefit Payments	(7,500,000)
Administrative Expense	<u>(15,000)</u>
Net Change in Plan Fiduciary Net Position	\$ 1,405,000
Plan Fiduciary Net Position - Beginning	<u>33,549,000</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 34,954,000</u></u>
Sponsor's Net OPEB Liability - Ending (a) - (b)	<u><u>\$ 220,000,000</u></u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	13.71%
Covered Employee Payroll	\$ 81,000,000
Sponsor's Net OPEB Liability as a percentage of Covered Employee Payroll	271.60%

SCHEDULE OF SPONSOR CONTRIBUTIONS
Last 10 Fiscal Years

	<u>09/30/2015</u>
Actuarially Determined Contribution	14,000,000
Contributions in relation to the Actuarially Determined Contributions	<u>8,100,000</u>
Contribution Deficiency (Excess)	<u><u>\$ 5,900,000</u></u>
Covered Employee Payroll	\$ 81,000,000
Contributions as a percentage of Covered Employee Payroll	10.00%

Notes to Schedule

Valuation Date: 10/01/2014
Actuarially determined contribution rates are calculated as of October 1, prior to the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: The entry age normal actuarial cost method was used for the October 1, 2014 valuation. Under this method, the actuarial present value of the projected benefits of each individual included in the October 1, 2014 valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age.

Interest Rate Assumption: Some assets have been accumulated under a retiree health insurance fund and the plan is partially funded. Therefore, based on the provisions of GASB No.45, an interest rate of 5.5% have been used in performing the actuarial valuation of October 1, 2014.

Medical Trend Rate Assumption: The medical trend rate assumption starts at 7.5% in 2016 and gradually declines to 5.0% by the year 2021 as follows:

Year	Medical Trend
2016	7.5%
2017	7.0%
2018	6.5%
2019	6.0%
2020	5.5%
2021 and later	5.0%

Participation Rate: 100% of current active employees assumed to participate in the retiree health insurance plan.

Mortality Rates: The RP-2000 Combined Mortality Table projected to 2014, was used for IMRF active employees and pensioners. The RP-2000 Mortality Table with Blue Collar Adjustment, projected to 2014, was used for active and retired police officers and firefighters. The RP-2000 Disabled Mortality Table, projected to 2014, was used for disabled police officers and firefighters.

Per Retiree Monthly Costs:

The percent increases in health care costs by age that are shown in Table 4 of the study Aging Curves for Health Care Costs in Retirement, by Jeffrey P. Petertil, published in the July 2005 issue of the North American Actuarial Journal are as follows:

Age Band	Representative One Year Aging Factor
50-54	3.3%
55-59	3.6%
60-64	4.2%
65-69	3.0%
70-74	2.5%
75-79	2.0%
80-84	1.0%
85-89	0.5%
90 and over	0.0%

Applying the above rates of increases in health care costs by age, the costs per retiree were developed by five-year age groups that were equivalent to the above average costs per participant. The costs per retiree by five-year age groups were developed so the total of the age-adjusted costs was equal to the total of the average costs.

Using the above approach and taking into account the number of participants in each plan, the following age adjusted total monthly total costs per retiree under the plan were developed, including the cost of dependent coverage:

Age Band	Age - Adjusted Total Monthly Cost
50-54	\$1,562.76
55-59	\$1,851.58
60-64	\$2,241.87
65-69	\$725.45
70-74	\$830.83
75-79	\$928.59
80-84	\$1,000.29
85 and over	\$1,038.35

Termination Rates:

For IMRF employees higher rates of termination were used during the first 8 years of employment. The following is a sample of the termination rates that were used in the 2014 Valuation:

Rate of Termination			
Years of Service	IMRF Employees		
0	0.1790		
4	0.1158		
7	0.0684		
Age	IMRF Employees	Police	Firefighters
25	0.0530	0.0750	0.0500
30	0.0410	0.0500	0.0250
35	0.3300	0.0300	0.0200
40	0.2700	0.0200	0.0100
45	0.2300	0.0200	0.0100
50	0.0200	0.0350	0.0100

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Retirement Rates:

In the 2014 valuation, for police, rates of retirement for each age from 50 to 70 were used. For firefighters, rates of retirement for each age from 50 to 70 were used. For general employees, rates of retirement for each age from 55 to 70 were used. Higher rates are used for general employees with 35 or more years of service aged 55-59. The following is a sample of the retirement rates that were used:

Age	Rate of Retirement		
	IMRF	Police	Firefighters
50		0.2000	0.1400
55	0.7250	0.2500	0.2000
60	0.1200	0.3300	0.2500
65	0.2500	0.5000	0.5000
70	1.0000	1.0000	1.0000

Disability Rates:

For police and firefighters, rates of disability were used to estimate the probability of becoming disabled. The following is a sample of the disability rates that were used:

Age	Rate of Disability	
	Police	Firefighters
25	0.0005	0.0010
30	0.0022	0.0014
35	0.0026	0.0035
40	0.0040	0.0050
45	0.0065	0.0065
50	0.0095	0.1000
55	0.0130	0.0150

SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years

09/30/2015

Annual Money-Weighted Rate of Return Net of Investment Expense	2.50%
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NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended September 30, 2015)

General Information about the Pension Plan

Plan Description

The Sunshine City Retiree Health Care Plan is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the City. The Plan, which is administered by the City, allows employees who retire and meet retirement eligibility requirements under one of the City’s retirement plans to continue medical and dental coverage as a participant in the City’s plan.

At October 1, 2015 the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	500
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	950
	1,450

Benefits Provided

The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All employees of the City are eligible to receive postemployment health care benefits. Coverage for retirees and their spouses and dependents is provided for life. The Trust was established to advance fund benefits provided under the Plan.

Eligibility for Insurance Coverage:

Must be eligible to retire under one of the City’s retirement plans.

Health Care Insurance:

Retirees and their dependents who meet the eligibility requirements above are eligible for health benefits payable for life.

Health Contributions:

Retirees hired prior to October 1, 2014 pay a portion of the premium each year based on City policies and Collective Bargaining Agreements. Retirees generally contribute an amount between 23% to 40% of the total premium.

Retirees hired on or after October 1, 2014 pay 100% of the premium.

Disabled Retirees:

For certain disabled employees who qualify under the Public Safety Employee Benefits Act (PSEBA), the City is required to pay 100% of the cost of basic health insurance for retirees and their dependents for their lifetime.

Contributions

Under the terms of the Plan, pursuant to City policy and collective bargaining unit agreements, the Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly toward the cost of health insurance premiums. Retirees generally contribute 22% to 40% of the actuarially determined premium, with the City contributing the remainder of the cost. The City has begun to phase in higher premiums and service requirements for newly hired employees (hired after 10/1/2014). If these new requirements are not met, then a retiree is entitled to coverage but must pay 100% of the premium. At age 65, the medical premium is frozen.

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Net OPEB Liability

The measurement date is September 30, 2015.

The measurement period for the pension expense was October 1, 2014 to September 30, 2015.

The reporting period is October 1, 2014 through September 30, 2015.

The Sponsor's Net OPEB Liability was measured as of September 30, 2015.

The Total OPEB Liability used to calculate the Net OPEB Liability was determined as of that date.

Actuarial Assumptions:

The Total OPEB Liability was determined by an actuarial valuation as of October 1, 2015 using the following actuarial assumptions:

Inflation	3.00%
Salary Increases	3.80%
Discount Rate	4.60%
Investment Rate of Return	7.70%

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The date of the most recent actuarial experience study for which significant assumptions are based is not available.

The Long-Term Expected Rate of Return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expenses and inflation) are developed for each major asset class.

These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
US Equity	40%	7.50%
International Equity	10%	8.50%
Real Estate	5%	4.50%
US Fixed Income	45%	2.50%
Total	<u>100%</u>	

Discount Rate:

The projection of cash flows used to determine the Discount Rate assumed that current Plan Member and Sponsor contributions will be made at the current contribution rate. Based on those assumptions, the OPEB Plan's Fiduciary Net Position was projected to provide future benefit payments for 25 years.

These payments were discounted using a discount rate of 7.70%. Future benefits payments beyond 25 years were discounted using a high quality municipal bond rate of 3.57%.

The high quality municipal bond rate was based on the week closest to, but not later than, the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve.

The single equivalent discount rate was 4.60%.

CHANGES IN NET OPEB LIABILITY

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2014	\$ 244,079,000	\$ 33,549,000	\$ 210,530,000
Changes for the Year:			
Service Cost	6,900,000	-	6,900,000
Interest	11,475,000	-	11,475,000
Differences between Expected and Actual Experience	-	-	-
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Contributions - Employer	-	8,100,000	(8,100,000)
Net Investment Income	-	820,000	(820,000)
Benefit Payments	(7,500,000)	(7,500,000)	-
Administrative Expense	-	(15,000)	15,000
Net Changes	10,875,000	1,405,000	9,470,000
Balances at September 30, 2015	\$ 254,954,000	\$ 34,954,000	\$ 220,000,000

Sensitivity of the Net OPEB Liability to changes in the Discount Rate

The following presents the net OPEB Liability of the Sponsor, as well as what the Sponsor's net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	Current Discount		
	1% Decrease	Rate	1% Increase
	3.60%	4.60%	5.60%
Net OPEB Liability (asset)	\$ 282,000,000	\$ 220,000,000	\$ 193,000,000

Sensitivity of the net OPEB Liability to changes in the Healthcare Cost Trend Rates:

The following presents the net OPEB Liability of the Sponsor, as well as what the Sponsor's net OPEB Liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Healthcare Cost		
	1% Decrease	Trend Rates	1% Increase
	3.50% - 7.00%	4.50% - 8.00%	5.50% - 9.00%
Net OPEB Liability (asset)	\$ 175,000,000	\$ 220,000,000	\$ 281,000,000

OPEB Plan Fiduciary Net Position.

Detailed information about the OPEB Plan's Fiduciary Net Position is available in a separately issued Plan financial report.

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OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended September 30, 2015, the Sponsor will recognize OPEB Expense of \$16,986,048.

On September 30, 2015, the Sponsor reported Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	-	-
Changes of assumptions	-	-
Net difference between Projected and Actual Earnings on OPEB Plan investments	583,952	-
Total	<u>\$ 583,952</u>	<u>\$ -</u>

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in OPEB Expense as follows:

Year ended September 30:		
2016	\$	145,988
2017	\$	145,988
2018	\$	145,988
2019	\$	145,988
2020	\$	-
Thereafter	\$	-

SCHEDULE OF CHANGES IN THE SPONSOR'S NET OPEB LIABILITY AND RELATED
RATIOS
Last 10 Fiscal Years

	<u>09/30/2015</u>
Total OPEB Liability	
Service Cost	6,900,000
Interest	11,475,000
Changes of benefit terms	-
Differences between Expected and Actual Experience	-
Changes of assumptions	-
Benefit Payments	<u>(7,500,000)</u>
Net Change in Total OPEB Liability	10,875,000
Total OPEB Liability - Beginning	<u>244,079,000</u>
Total OPEB Liability - Ending (a)	<u><u>\$ 254,954,000</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	8,100,000
Net Investment Income	820,000
Benefit Payments	(7,500,000)
Administrative Expense	<u>(15,000)</u>
Net Change in Plan Fiduciary Net Position	1,405,000
Plan Fiduciary Net Position - Beginning	<u>33,549,000</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 34,954,000</u></u>
Sponsor's Net OPEB Liability - Ending (a) - (b)	<u><u>\$ 220,000,000</u></u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	13.71%
Covered Employee Payroll	\$ 81,000,000
Sponsor's Net OPEB Liability as a percentage of Covered Employee Payroll	271.60%

SCHEDULE OF SPONSOR CONTRIBUTIONS
Last 10 Fiscal Years

	<u>09/30/2015</u>
Actuarially Determined Contribution	14,000,000
Contributions in relation to the Actuarially Determined Contributions	<u>8,100,000</u>
Contribution Deficiency (Excess)	<u><u>\$ 5,900,000</u></u>
Covered Employee Payroll	\$ 81,000,000
Contributions as a percentage of Covered Employee Payroll	10.00%

Notes to Schedule

Valuation Date: 10/01/2014
Actuarially determined contribution rates are calculated as of October 1, prior to the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: The entry age normal actuarial cost method was used for the October 1, 2014 valuation. Under this method, the actuarial present value of the projected benefits of each individual included in the October 1, 2014 valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age.

Interest Rate Assumption: Some assets have been accumulated under a retiree health insurance fund and the plan is partially funded. Therefore, based on the provisions of GASB No.45, an interest rate of 5.5% have been used in performing the actuarial valuation of October 1, 2014.

Medical Trend Rate Assumption: The medical trend rate assumption starts at 7.5% in 2016 and gradually declines to 5.0% by the year 2021 as follows:

Year	Medical Trend
2016	7.5%
2017	7.0%
2018	6.5%
2019	6.0%
2020	5.5%
2021 and later	5.0%

Participation Rate: 100% of current active employees assumed to participate in the retiree health insurance plan.

Mortality Rates: The RP-2000 Combined Mortality Table projected to 2014, was used for IMRF active employees and pensioners. The RP-2000 Mortality Table with Blue Collar Adjustment, projected to 2014, was used for active and retired police officers and firefighters. The RP-2000 Disabled Mortality Table, projected to 2014, was used for disabled police officers and firefighters.

Per Retiree Monthly Costs:

The percent increases in health care costs by age that are shown in Table 4 of the study Aging Curves for Health Care Costs in Retirement, by Jeffrey P. Petertil, published in the July 2005 issue of the North American Actuarial Journal are as follows:

Age Band	Representative One Year Aging Factor
50-54	3.3%
55-59	3.6%
60-64	4.2%
65-69	3.0%
70-74	2.5%
75-79	2.0%
80-84	1.0%
85-89	0.5%
90 and over	0.0%

Applying the above rates of increases in health care costs by age, the costs per retiree were developed by five-year age groups that were equivalent to the above average costs per participant. The costs per retiree by five-year age groups were developed so the total of the age-adjusted costs was equal to the total of the average costs.

Using the above approach and taking into account the number of participants in each plan, the following age adjusted total monthly total costs per retiree under the plan were developed, including the cost of dependent coverage:

Age Band	Age - Adjusted Total Monthly Cost
50-54	\$1,562.76
55-59	\$1,851.58
60-64	\$2,241.87
65-69	\$725.45
70-74	\$830.83
75-79	\$928.59
80-84	\$1,000.29
85 and over	\$1,038.35

Termination Rates:

For IMRF employees higher rates of termination were used during the first 8 years of employment. The following is a sample of the termination rates that were used in the 2014 Valuation:

Rate of Termination

Years of Service	IMRF Employees
0	0.1790
4	0.1158
7	0.0684

Age	IMRF		
	Employees	Police	Firefighters
25	0.0530	0.0750	0.0500
30	0.0410	0.0500	0.0250
35	0.3300	0.0300	0.0200
40	0.2700	0.0200	0.0100
45	0.2300	0.0200	0.0100
50	0.0200	0.0350	0.0100

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Retirement Rates:

In the 2014 valuation, for police, rates of retirement for each age from 50 to 70 were used. For firefighters, rates of retirement for each age from 50 to 70 were used. For general employees, rates of retirement for each age from 55 to 70 were used. Higher rates are used for general employees with 35 or more years of service aged 55-59. The following is a sample of the retirement rates that were used:

Age	<u>Rate of Retirement</u>		
	IMRF Employees	Police	Firefighters
50		0.2000	0.1400
55	0.7250	0.2500	0.2000
60	0.1200	0.3300	0.2500
65	0.2500	0.5000	0.5000
70	1.0000	1.0000	1.0000

Disability Rates:

For police and firefighters, rates of disability were used to estimate the probability of becoming disabled. The following is a sample of the disability rates that were used:

Age	<u>Rate of Disability</u>	
	Police	Firefighters
25	0.0005	0.0010
30	0.0022	0.0014
35	0.0026	0.0035
40	0.0040	0.0050
45	0.0065	0.0065
50	0.0095	0.1000
55	0.0130	0.0150

COMPONENTS OF OPEB EXPENSE
FISCAL YEAR SEPTEMBER 30, 2015

	Net OPEB Liability	Deferred Inflows	Deferred Outflows	OPEB Expense
Beginning balance	\$ 210,530,000	\$ -	\$ -	\$ -
Total OPEB Liability Factors:				
Service Cost	6,900,000	-	-	6,900,000
Interest	11,475,000	-	-	11,475,000
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	-	-	-	-
Current year amortization of experience difference	-	-	-	-
Change in assumptions about future economic or demographic factors or other inputs	-	-	-	-
Current year amortization of change in assumptions	-	-	-	-
Benefit Payments	(7,500,000)	-	-	(7,500,000)
Net change	<u>10,875,000</u>	<u>-</u>	<u>-</u>	<u>10,875,000</u>
Plan Fiduciary Net Position:				
Contributions - Employer	8,100,000	-	-	-
Net Investment Income	1,549,941	-	-	(1,549,941)
Difference between projected and actual earnings on OPEB Plan investments	(729,941)	-	729,941	-
Current year amortization	-	-	(145,989)	145,989
Benefit Payments	(7,500,000)	-	-	7,500,000
Administrative Expenses	(15,000)	-	-	15,000
Net change	<u>1,405,000</u>	<u>-</u>	<u>583,952</u>	<u>6,111,048</u>
Ending Balance	<u>\$ 220,000,000</u>	<u>\$ -</u>	<u>\$ 583,952</u>	<u>\$ 16,986,048</u>