

**VILLAGE OF MAMARONECK  
RETIREE MEDICAL ACTUARIAL  
VALUATION**

**REPORT ON COMPLIANCE WITH  
GOVERNMENT ACCOUNTING STANDARDS BOARD  
STATEMENT #45  
ACCOUNTING AND FINANCIAL REPORTING BY EMPLOYER  
FOR POSTEMPLOYMENT  
BENEFITS OTHER THAN PENSIONS  
FOR THE FISCAL YEAR ENDING MAY 31, 2011**

**PREPARED: October 2011**

00634054

**DANZIGER &  
MARKHOFF LLP**  
Attorneys at Law

October 2011

Village of Mamaroneck  
123 Mamaroneck Avenue  
Mamaroneck, New York 10543

Dear Sir/Madam:

This report was prepared to provide management with the accounting for the Government Accounting Standards Board Statement Number 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45) for the Retiree Health Valuation Under GASB #45 for the fiscal year ended May 31, 2011.


Our results and accompanying disclosures reflect plan provisions in effect for the plan year ended May 31, 2011. The Annual OPEB Cost for the Village for the year is \$4,210,000.

In conducting the valuation, we relied on information supplied to us by the Village of Mamaroneck. This information included participant data, the terms of the written and unwritten plan, premium rates and other policies and practices of plan. We have relied on this information as accurate, and applied estimates as necessary.

The discount rate used for this year is 4.5%.

To the best of our knowledge and belief, this valuation was conducted in accordance with generally accepted actuarial principles and practices and in accordance with our understanding of GASB #45 and the implementation guidelines published by the Government Accounting Standards Board. The employer may modify the presentation of these disclosures as needed. I am an Enrolled Actuary who satisfies the Qualifications Standards for Actuaries of the AAA that became effective January 1, 2008.

Very truly yours,



Edward A. Echeverria, FSPA, MAAA, CPC, EA  
Senior Actuary

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**VILLAGE OF MAMARONECK**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**EXECUTIVE SUMMARY OF RESULTS**

Valuation Date June 1, 2010

Number of Plan Members:

Active Participants 138

Retired Participants 117

Total 255

Average Age of Actives 45 yrs.

Average Credited Service  
of Actives 13 yrs.

Current Covered Payroll \$ 12,880,000

Market value of assets as of  
June 1 \$ -0-

Unfunded Accrued Liability \$ 47,660,000

Annual Required Contribution  
(ARC) \$ 4,250,000

OPEB Cost for the Year \$ 4,210,000

**VILLAGE OF MAMARONECK**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**RESULTS AND DISCLOSURES**

Results have been presented rounded to the nearest \$10,000.

<b><u>VALUATION RESULTS - (Cost to Village)</u></b>		<b>(EPBO)</b> <b>Projected</b>	<b>(APBO)</b> <b>Unit Credit</b>
		<b><u>Benefits</u></b>	<b><u>Accrued</u></b> <b><u>Liability</u></b>
1.	Actuarial present values as of June 1, 2010:		
(a)	Actives (150)	\$ 32,420,000	\$ 16,640,000
(b)	Retirees & Beneficiaries (117)	\$ 31,020,000	\$ 31,020,000
(c)	Total (267)	\$ 63,440,000	\$ 47,660,000
2.	Accrued liability as of June 1, 2010	\$ 47,660,000	
3.	Actuarial value of assets, June 1, 2010	\$ -0-	
4.	Unfunded accrued liability, June 1, 2010	\$ 47,660,000	
5.	Normal cost As of June 1, 2010	\$ 1,270,000	
6.	Amortization of unfunded accrued liability (percentage of payroll basis/open over 30 years)	\$ 2,800,000	
7.	Interest (rounded) on Normal Cost (\$56,167) and Amortization (\$123,833)	\$ 180,000	
8.	Annual Required Contribution (ARC) (5+6+7)	\$ 4,250,000	

**VILLAGE OF MAMARONECK**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**RESULTS AND DISCLOSURES**

**DEVELOPMENT OF THE OPEB COST**  
**FOR THE YEAR ENDING MAY 31, 2011**

Actual contribution information is included below.

<u>Contribution rates:</u>	Varies by employee class
Plan Members	(See Summary of Plan Provisions)
 Village:	 Actuarially determined, equals the balance not paid by plan members
 Annual required contribution (ARC)	 \$ 4,250,000
 Interest on net OPEB obligation	 150,000
 Adjustment to annual required contribution (-)	 190,000
 Annual OPEB cost	 \$ 4,210,000
 Contributions made*	 \$ 1,330,000
 Increase in net OPEB obligation	 \$ 2,880,000
 Net OPEB obligation-beginning of year	 \$ <u>3,190,000</u>
 Net OPEB obligation-end of year	 \$ <u>6,070,000</u>

\*Contributions made include NYSHIP, and Medicare Part B premium payments of \$1,210,000 and Medicare Part D reimbursement of \$120,000.

**VILLAGE OF MAMARONECK**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**RESULTS AND DISCLOSURES**

**DEVELOPMENT OF UNFUNDED ACTUARIAL ACCRUED LIABILITY**  
**AND FUNDED RATIO (actual)**

Actuarial accrued liability (a)	\$ 47,660,000
Actuarial value of plan assets (b)	\$ 0
Unfunded actuarial accrued liability (a – b)	\$ 47,660,000
Funded ratio (b / a)	0.0%
Covered payroll (c)	\$ 12,880,000
Unfunded actuarial accrued liability as percentage of covered payroll [(a – b) / c]	370%

About 68% of the unfunded actuarial accrued liability relates to retirees.

**VILLAGE OF MAMARONECK**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**RESULTS AND DISCLOSURES**

**DEVELOPMENT OF OPEB COST AND OPEB OBLIGATION**  
**FOR THE LAST THREE YEARS (actual)**

<b><u>Year</u></b> <b><u>Ended</u></b>	<b><u>Annual</u></b> <b><u>OPEB Cost</u></b>	<b><u>Percentage of</u></b> <b><u>OPEB Cost</u></b> <b><u>Contributed</u></b>	<b><u>Net OPEB</u></b> <b><u>Obligation</u></b>
5/31/2009	\$2,790,000	44.8%	\$1,540,000
5/31/2010	\$2,880,000	42.7%	\$3,190,000
5/31/2011	\$4,210,000	31.6%	\$6,070,000



**VILLAGE OF MAMARONECK**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**RESULTS AND DISCLOSURES**

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS (actual)**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b - a) / c]</b>
6/1/2008	\$0	\$42.90M	\$42.90M	0.0%	\$12.23M	351%
6/1/2009	\$0	\$43.91M	\$43.91M	0.0%	\$12.33M	356%
6/1/2010	\$0	\$47.66M	\$47.66M	0.0%	\$12.88M	370%

**VILLAGE OF MAMARONECK**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**CONSIDERATIONS**

**NEW STATEMENT**

Government Accounting Standards Board Statement No. 45 (GASB #45) is applicable to the Village of Mamaroneck beginning with the fiscal year ended May 31, 2009. GASB #45 establishes standards for the measurement, recognition and display of the expense and liabilities of your retiree medical program (Other Post-Employment Benefits; "OPEB"). As a result, reporting of expense and liabilities will no longer be done under the "pay-as-you-go" approach. Instead of expensing the current year premiums paid, a per capita claims cost will be determined, which will be used to determine a "normal cost", an "actuarial accrued liability", and ultimately the Annual Required Contribution (ARC). The ARC is not "required" to be contributed each year, but in your case, will accumulate as a liability on the Village's financial statements (called the "OPEB Obligation") to the extent that the ARC exceeds the amount of premiums paid in a year. If and when New York State municipalities are permitted to pre-fund retiree medical and other OPEB benefits in a Trust, the Village will have the option of doing so to reduce/eliminate the accumulated liability. In addition, pre-funding also permits the use of a higher discount rate (to reflect higher returns from an equity/bond mix of a Trust, rather than short term returns of the municipality's funds).

**PLAN DESIGN**

We received detailed employee and dependent data, information on the plans, past and current employer practices, and medical premium cost data.

**VILLAGE OF MAMARONECK**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**CONSIDERATIONS**

For FYE 2010, there are 117 retirees plus dependents who are receiving employer subsidized benefits. We reflected known retirements and terminations in our database through May 31, 2010. Where data was missing or inaccurate, we assumed reasonable estimates. In all, we valued 138 active employees plus dependents.

Retiree medical coverage is provided primarily through NYSHIP (State Empire).

Future retirees are assumed to be covered by this existing arrangement as outlined in the materials forwarded by the Village. Those provisions, as they relate to employer liability, can be found in the Summary of Plan Provisions section of this report.

**ASSUMPTIONS/RECOGNITION**

To establish the per capita claims cost of medical benefits for your group, we used current premium rates provided by the Village as the starting point for our calculations. We then employed a health care trend rate that begins at 9.5% for the first year, decreases by 0.5% per year through year 10 to 5% thereafter. This assumption needs to be reviewed periodically. The health care trend rate is a major contributor to widening the gap between pay-as-you-go recognition and GASB #45 recognition. Due to the Community-Rated Exemption of ASOP 6, adjustments were not required to be made to recognize differences between the average age of the 'full' population and the average age of a 'retiree only' population (to develop age adjusted current premium rates).

**VILLAGE OF MAMARONECK**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**SUMMARY OF PLAN PROVISIONS**

The following is a summary of the current major provisions of the retiree medical program.

**1. MEDICAL BENEFITS**

The Plan is a fully insured plan. Current retiree premium rates provided to us by the Village include:

- |                            |  |
|----------------------------|--|
| ) Individual Pre-age 65:   | Generally \$612 per month.   |
| b) Family Pre-age 65:      | Generally \$1,331 per month.   |
| c) Individual Post-age 65: | Generally \$367 per month.   |
| d) Family Post-age 65:     | Generally either \$1,086 per month (one person on Medicare) or \$841 per month (two people on Medicare). |

For GASB #45 purposes, the plan is deemed "community-rated". Therefore, adjustments to the premium rates to reflect the difference between the pre-age 65 active/retiree group (for which the current premium rates were based on) and the pre-age 65 retiree group, were not required, due to the "community-rated" exception under ASOP 6.

- 2. MEDICARE PART B PREMIUMS** – Paid by the Village at \$96.40/mo. or \$110.50/mo., as appropriate.

## **SUMMARY OF PLAN PROVISIONS**

- a) Non-uniformed:  
An employee must retire after age 55 with at least 10 years of service.
- b) Police Officers:  
An employee must retire with at least 20 years of service (no age requirement).
- c) Spousal benefit upon retiree's death:  
Coverage continued; spouse pays full current premium rate.
- d) Active service death benefit: N/A
- e) Active service disability benefit: N/A

The Village will contribute a percentage of the NYSHIP/State Empire medical premium amounts for individual and family (dependent) coverage as follows:

- |    |               |  |
|----|---------------|--|
| a) | Non-Uniformed | 75% individual/50% dependent<br>(100%/75% if hired before 9/10/1990) |
| b) | Police        | 100% individual/100% dependent.                                      |

In addition, the Village also contributes an additional amount based on the actual number of sick days the employee has accumulated at retirement.

**VILLAGE OF MAMARONECK**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**SUMMARY OF PLAN PROVISIONS**

5. **FUNDING POLICY:**

The employer's funding policy is to contribute the current annual premium (net of employee contributions) for all retired participants (i.e., pay-as-you-go). Current New York State law prohibits municipalities from pre-funding retiree medical benefit obligations in a Trust, although pre-funding moneys can arguably be "set aside" on the municipality's balance sheet.

Medicare Part D reimbursement by New York State is also considered an "employer contribution" for GASB #45 purposes.

**VILLAGE OF MAMARONECK**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**ACTUARIAL BASIS**

**ACTUARIAL FUNDING METHOD:**

Projected Unit Credit

**ACTUARIAL ASSUMPTIONS**

- |                    |   |
|--------------------|---|
| 1. Valuation Date: | June 1, 2010                              |
| 2. Discount Rate:  | 4.5% per annum.                           |
| 3. Salary Scale:   | Not applicable.                           |
| 4. Mortality:      | RP-2007 Combined Table<br>(sex-distinct). |
| 5. Withdrawal:     | Sarasson T-5 Table.                       |
| 6. Disability:     | N/A                                       |

**VILLAGE OF MAMARONECK**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**ACTUARIAL BASIS**

7. Retirement:

The following table illustrates the retirement rates:

A) Non-Uniformed  
(10 years of service required)

<u>Retirement Age</u>	<u>Retirement Rates</u>
55	10.0%
56	3.0%
57	3.0%
58	3.0%
59	3.0%
60	5.0%
61	5.0%
62	5.0%
63	5.0%
64	5.0%
65	100.0%

B) Police  
(20 years of service required)

<u>Retirement Age (Svc)</u>	<u>Retirement Rates</u>
(20 <sup>th</sup> year of service)	50.0%
(21 <sup>st</sup> year, to age 54)	2.0%
55	10.0%
56	3.0%
57	3.0%
58	3.0%
59	3.0%
60	5.0%
61	5.0%
62	5.0%
63	5.0%
64	5.0%
65	100.0%



**VILLAGE OF MAMARONECK**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**ACTUARIAL BASIS**

8. Health Care Cost  
Trend Rate:

The following table illustrates the assumed health care trend rate for each future year:

<u>Year</u>	<u>Assumed Increase</u>
1	9.5%
2	9.0%
3	8.5%
4	8.0%
5	7.5%
6	7.0%
7+	6.5%
8	6.0%
9	5.5%
10+	5.0%

9. Marital - Actives:      Wife is assumed to be same age as the husband.  
70% of males and 50% of females are assumed married.

10. Participation Rate:      100% of eligible retirees expected to participate.

11. Assumed Sick Days at Retirement for Actives:      200 Days

**ASSET VALUATION METHOD:** Market value.

**AMORTIZATION BASIS:**      Level percentage of payroll basis/open; over 30 years, 0% inflation rate (results in a default to level dollar amortization).

APPENDIX

Village of Mamaroneck  
FYE 5/31/2011 Report - Appendix  
Development of Annual Required Contribution  
By Bargaining Unit  
FYE 2011 (current year)

	<u>CSEA</u>	<u>POLICE</u>	<u>Total</u>
Active Accrued Liability	8,740,000	7,900,000	16,640,000
Inactive Accrued Liability	7,470,000	23,550,000	31,020,000
Total Accrued Liability	16,200,000	31,460,000	47,660,000
Assets	0	0	0
Unfunded Accrued Liability	16,200,000	31,460,000	47,660,000
30 year Amortization	950,000	1,850,000	2,800,000
Normal Cost	620,000	650,000	1,270,000
Interest	70,000	110,000	180,000
Annual Required Contribution	1,640,000	2,610,000	4,250,000

Village of Mamaroneck  
FYE 5/31/2011 Report - Appendix  
Development of Annual Required Contribution  
By Bargaining Unit  
FYE 2012 (next year)

	<u>CSEA</u>	<u>POLICE</u>	<u>Total</u>
Active Accrued Liability	9,830,000	8,890,000	18,720,000
Inactive Accrued Liability	7,500,000	23,680,000	31,180,000
Total Accrued Liability	16,970,000	32,930,000	49,900,000
Assets	0	0	0
Unfunded Accrued Liability	16,970,000	32,930,000	49,900,000
30 year Amortization	1,000,000	1,930,000	2,930,000
Normal Cost	650,000	690,000	1,340,000
Interest	80,000	120,000	200,000
Annual Required Contribution	1,720,000	2,750,000	4,470,000

Village of Mamaroneck  
 FYE 5/31/2011 Report - Appendix  
 Active Employee Age/Service Illustration

	<u>Years of Service</u>									<u>Subtotal</u>	<u>% Subtotal</u>
	<u>0 to 4</u>	<u>5 to 9</u>	<u>10 to 14</u>	<u>15 to 19</u>	<u>20 to 24</u>	<u>25 to 29</u>	<u>30 to 34</u>	<u>35 to 39</u>	<u>40+</u>		
<u>Age Band</u>											
Under 25	1	1	0	0	1	0	0	0	0	3	2.2%
25 to 29	10	1	0	0	0	0	0	0	0	11	8.0%
30 to 34	3	6	0	0	0	0	0	0	0	9	6.5%
35 to 39	7	6	3	0	0	0	0	1	0	17	12.3%
40 to 44	4	5	8	10	0	0	0	0	0	27	19.6%
45 to 49	4	3	6	7	7	1	0	0	0	28	20.3%
50 to 54	2	2	0	1	4	3	2	0	0	14	10.1%
55 to 59	4	2	3	1	3	0	2	0	0	15	10.9%
60 to 64	0	0	3	1	2	0	1	1	1	9	6.5%
65 and over	0	0	1	1	1	0	0	0	2	5	3.6%
	35	26	24	21	18	4	5	2	3	138	100.0%

Average Age        45 years  
 Average Service    13 years

Village of Mamaroneck  
FYE 5/31/2011 Report - Appendix  
Ten Year Projection of Expected Benefit Payments  
Current Retirees and Future Retirees

<u>Fiscal Year End</u>	<u>Actives and Retirees</u>
2012	1,460,000
2013	1,580,000
2014	1,700,000
2015	1,820,000
2016	1,930,000
2017	2,030,000
2018	2,110,000
2019	2,190,000
2020	2,240,000
2021	2,270,000

Average age of Current Retirees: 69