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 ENDED MAY 31, 2015

PREPARED: September 2015

00955504

DANZIGER & MARKHOFF LLP
Attorneys at Law

September 2015

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, 2015.

Our results and accompanying disclosures reflect plan provisions in effect for the plan year ended May 31, 2015. The Annual OPEB Cost for the Village for the year is $4,260,000.

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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EXECUTIVE SUMMARY OF RESULTS

Valuation Date	**June 1, 2014**
Number of Plan Members:	
Active Participants	122
Retired Participants	120
Total	242
Average Age of Actives	45 yrs.
Average Credited Service of Actives	14 yrs.
Current Covered Payroll	$ 13,980,000
Market value of assets as of June 1	$ -0-
Unfunded Accrued Liability	$ 50,420,000
Annual Required Contribution (ARC)	$ 4,460,000
OPEB Cost for the Year	$ 4,260,000

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RESULTS AND DISCLOSURES

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

VALUATION RESULTS - (Cost to Village)				(EPBO) Projected Benefits	(APBO) Unit Credit Accrued Liability
1.	Actuarial present values as of June 1, 2014:				
	(a)	Actives	(122)	$ 34,150,000	$ 18,740,000
	(b)	Retirees & Beneficiaries	(120)	$ 31,680,000	$ 31,680,000
	(c)	Total	(242)	$ 65,830,000	$ 50,420,000
2.	Accrued liability as of June 1, 2014			$ 50,420,000	
3.	Actuarial value of assets, June 1, 2014			$ -0-	
4.	Unfunded accrued liability, June 1, 2014			$ 50,420,000	
5.	Normal cost As of June 1, 2014			$ 1,310,000	
6.	Amortization of unfunded accrued liability (level dollar basis/open over 30 years)			$ 2,960,000	
7.	Interest (rounded) on Normal Cost ($58,290) and Amortization ($131,170)			$ 190,000	
8.	Annual Required Contribution (ARC) (5+6+7)			$ 4,460,000	

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RESULTS AND DISCLOSURES

DEVELOPMENT OF THE OPEB COST FOR THE YEAR ENDED MAY 31, 2015

Actual contribution information is included below.

Contribution rates: Plan Members	Varies by employee class (See Summary of Plan Provisions)
Village:	Actuarially determined, equals the balance not paid by plan members
Annual required contribution (ARC)	$ 4,460,000
Interest on net OPEB obligation	670,000
Adjustment to annual required contribution (-)	870,000
Annual OPEB cost	$ 4,260,000
Contributions made*	$ 1,470,000
Increase in net OPEB obligation	$ 2,790,000
Net OPEB obligation-beginning of year	$ 14,810,000
Net OPEB obligation-end of year	$ 17,600,000

***Contributions made include NYSHIP, and Medicare Part B premium payments of $1,470,000.**

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RESULTS AND DISCLOSURES

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

Actuarial accrued liability (a)	$	50,420,000
Actuarial value of plan assets (b)	$	0
Unfunded actuarial accrued liability (a – b)	$	50,420,000
Funded ratio (b / a)		0.0%
Covered payroll (c)	$	13,980,000
Unfunded actuarial accrued liability as percentage of covered payroll [(a – b) / c]		361%

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RESULTS AND DISCLOSURES

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

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
5/31/2013	$4,320,000	35.9%	$11,790,000
5/31/2014	$4,490,000	32.7%	$14,810,000
5/31/2015	$4,260,000	34.5%	$17,600,000

VILLAGE OF MAMARONECK
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RESULTS AND DISCLOSURES

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS (actual)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a) / c]
6/1/2012	$0	$51.14M	$51.14M	0.0%	$12.90M	396%
6/1/2013	$0	$53.644M	$53.644M	0.0%	$12.87M	417%
6/1/2014	$0	$50.42M	$50.42M	0.0%	$13.98M	361%

CONSIDERATIONS

NEW STATEMENT

Government Accounting Standards Board Statement No. 45 (GASB #45) applied 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.

CONSIDERATIONS

For FYE 2015, there are 120 retirees plus dependents who are receiving employer subsidized benefits. We reflected known retirements and terminations in our database through May 31, 2014. Where data was missing or inaccurate, we assumed reasonable estimates. In all, we valued 122 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).

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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 $772 per month.
b) Family Pre-age 65:	Generally $1,715 per month.
c) Individual Post-age 65:	Generally $409 per month.
d) Family Post-age 65:	Generally $989 per month.

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 $104.90/mo.

SUMMARY OF PLAN PROVISIONS

3. **ELIGIBILITY:**

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

4. **VILLAGE SUBSIDY:**

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 (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.

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.

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ACTUARIAL BASIS

ACTUARIAL FUNDING METHOD: Projected Unit Credit

ACTUARIAL ASSUMPTIONS

1.	Valuation Date:	June 1, 2014
2.	Discount Rate:	4.5% per annum.
3.	Salary Scale:	Not applicable.
4.	Mortality:	RP-2000 Combined Table (proj. 27 & 19 yrs.).
5.	Withdrawal:	Sarasson T-5 Table.
6.	Disability:	N/A

ACTUARIAL BASIS

7. Retirement: The following table illustrates the retirement rates:

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

Retirement Age	Retirement Rates
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)

Retirement Age (Svc)	Retirement Rates
(20th year of service)	50.0%
(21st 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%

ACTUARIAL BASIS

8. Health Care Cost Trend Rate: The following table illustrates the assumed health care trend rate for each future year:

Year	Assumed Increase
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.

10. Inflation Rate: 3% per annum

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

ASSET VALUATION METHOD: Market value.

AMORTIZATION BASIS: Level dollar basis/open; over 30 years.