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# The Dynamic World of Post Retirement Benefits: An Actuarial Perspective

STEVE KAPPER, ASA, MAAA | OCTOBER 19, 2015

GFOASC FALL CONFERENCE

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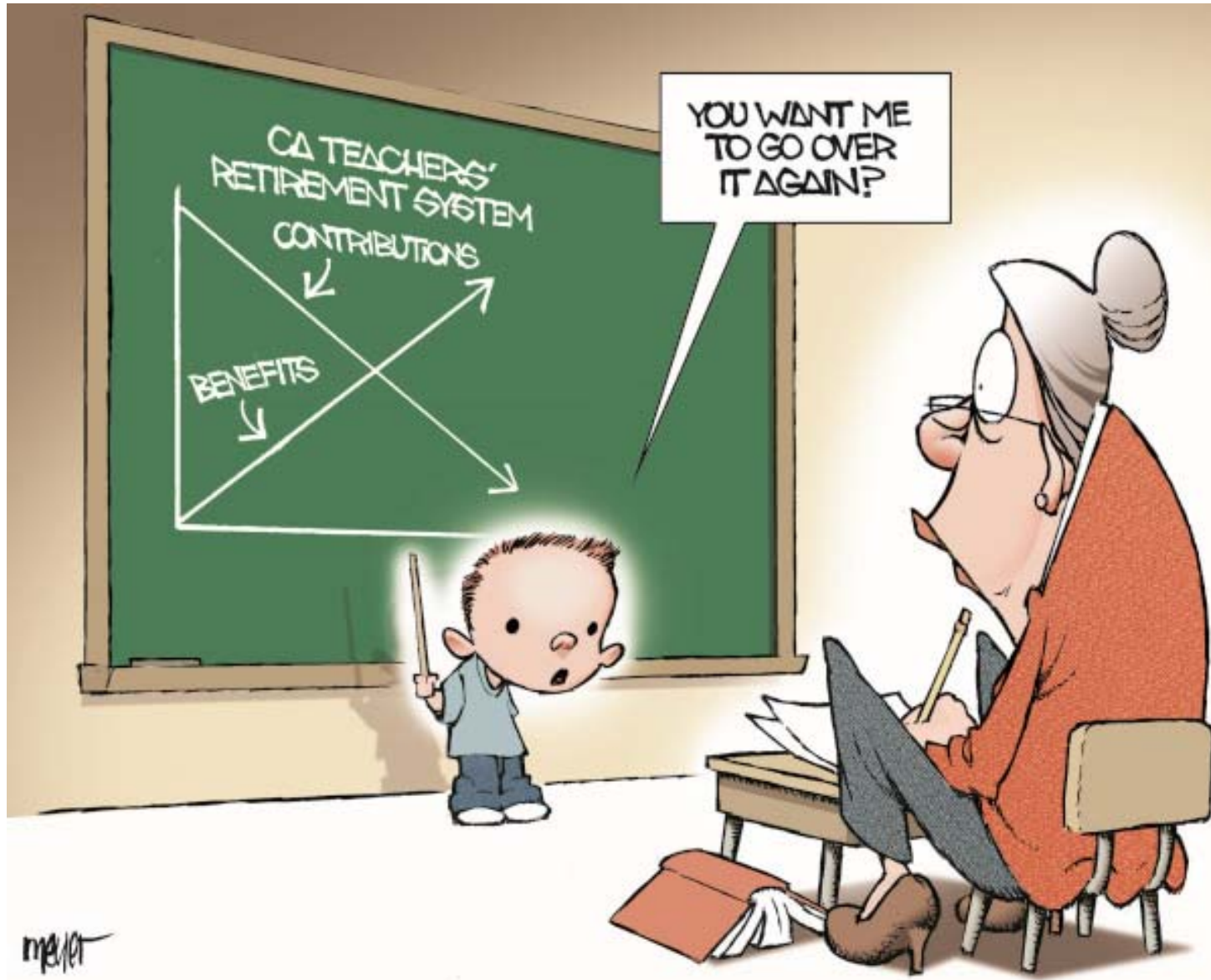
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*The information contained herein is subject to the disclosures and disclaimers within this report.*



# INTRODUCTION AND GENERAL OVERVIEW

# The Current State

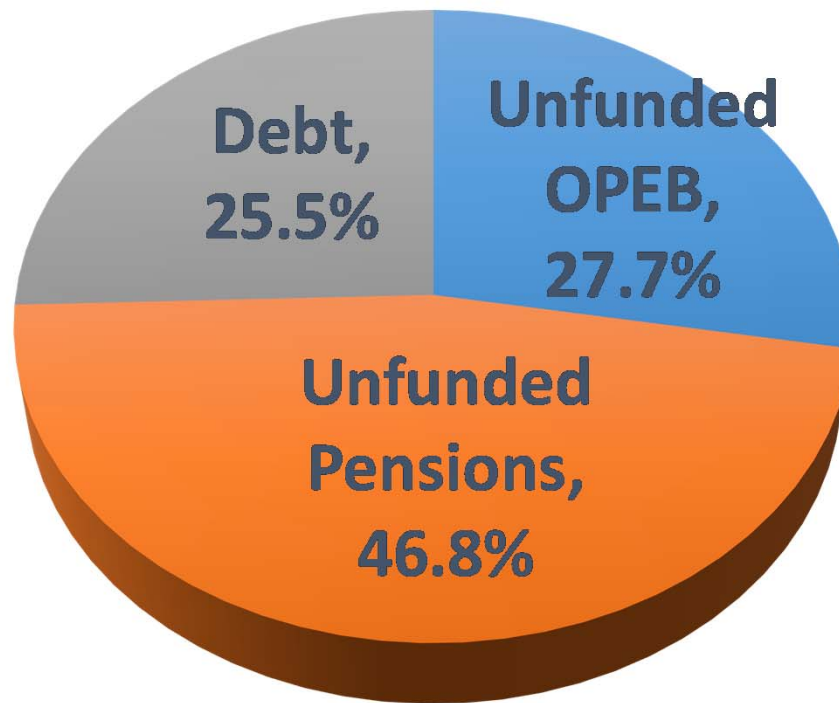


# Pension and OPEB Benefits

- **What are Other Postemployment Benefits (OPEB)?**
  - Simple Answer: Postemployment benefits other than pensions
  - Types of OPEB: Medical/Pharmacy, Dental, Vision, Life Insurance, Long Term Care Insurance
- **Rationale behind Pension and OPEB Accounting**
  - Pension benefits and OPEB are part of the compensation that employees earn each year, even though these benefits are not received until after employment has ended
  - The cost of these future benefits is a part of the cost of providing public services *today*

# Pensions, OPEB and Debt...Oh My!

## States' Total Long-Term Liabilities



Source: Diverging Trends Underlie Stable Overall U.S. OPEB Liability, November 17, 2014, Standard & Poor's Ratings Services



# BACKGROUND ON GASB

# Overview of GASB

- **Governmental Accounting Standards Board (GASB)**
  - Established in 1984
  - Source of generally accepted accounting principles (GAAP) used by state and local governments entities in the U.S.
  - GASB Pronouncements
    - Statements of Governmental Accounting Standards
    - Concepts Statements
    - GASB Interpretations
    - GASB Technical Bulletins
  - Important to Note: GASB Statements pertain to accounting/financial reporting issues only, and not to the actual cash funding of benefits



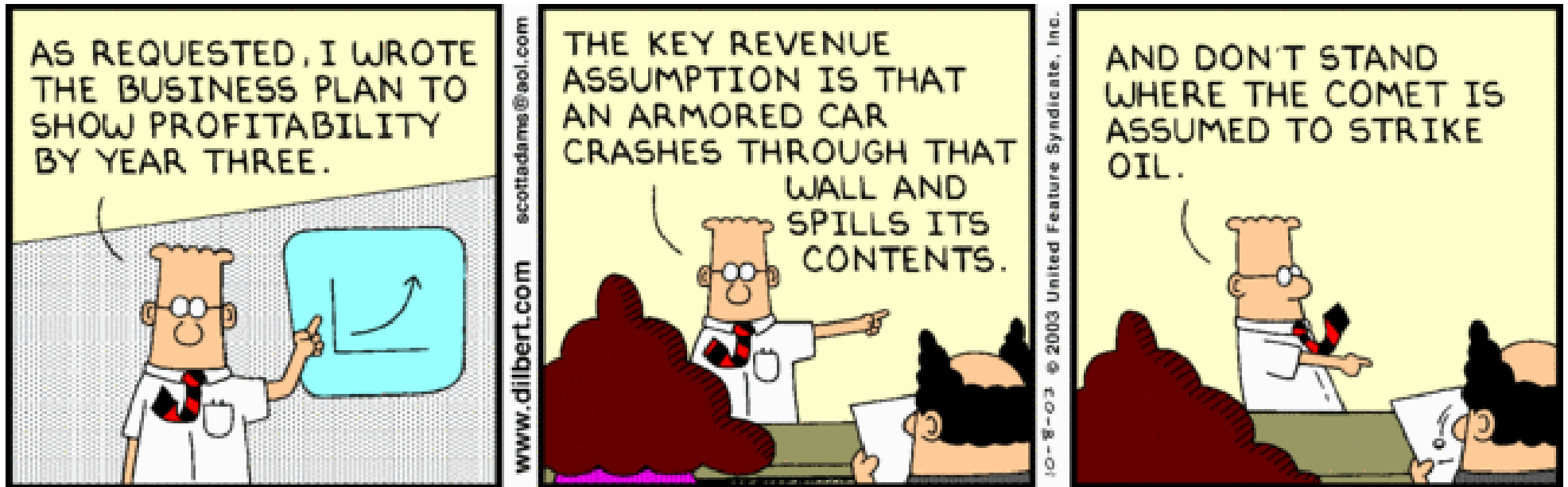
# GASB Statements

Statement	Issue Date	Effective Date Beginning After
No. 25: Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans	11/94	June 15, 1996
No. 27: Accounting for Pensions by State and Local Governmental Employers	11/94	June 15, 1997
No. 43: Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans	4/04	December 15, 2005
No. 45: Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions	6/04	December 15, 2006
No. 67: Financial Reporting for Pension Plans -- an amendment of GASB Statement No. 25	6/12	June 15, 2013
No. 68: Accounting and Financial Reporting for Pension Plans -- an amendment of GASB Statement No. 27	6/12	June 15, 2014
No. 74: Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans	6/15	June 15, 2016
No. 75: Accounting Financial Reporting for Postemployment Benefit Plans Other Than Pensions	6/15	June 15, 2017

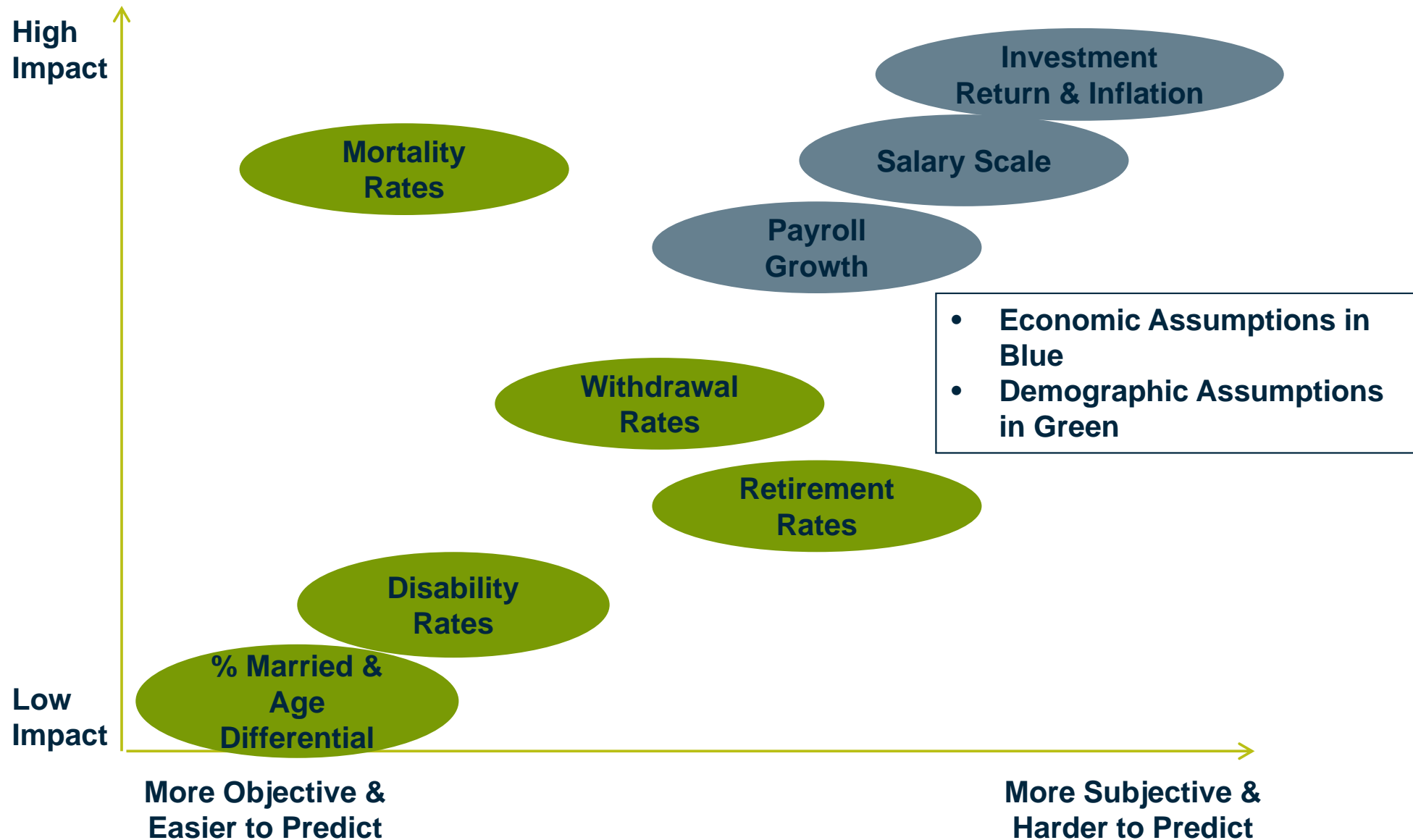


# DETERMINING PENSION LIABILITIES

# GASB Assumptions

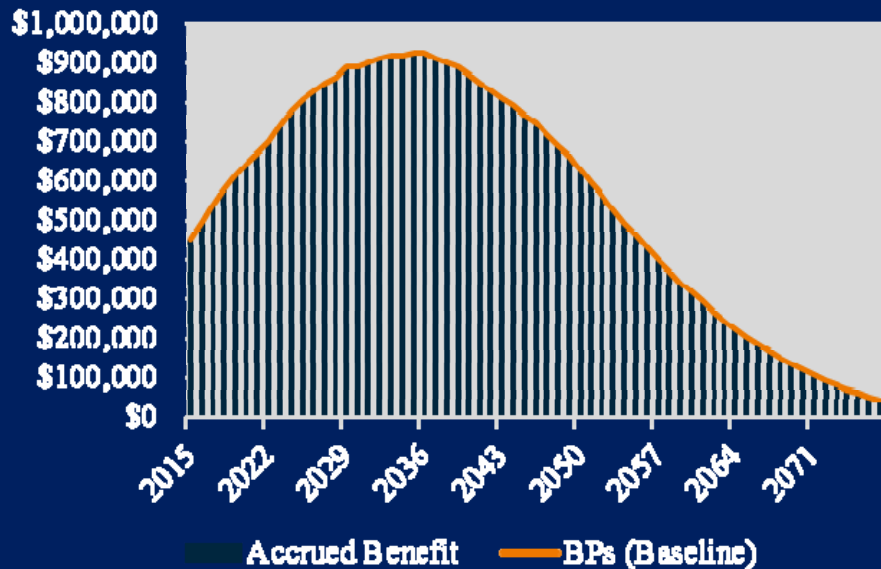


# Pension Assumptions

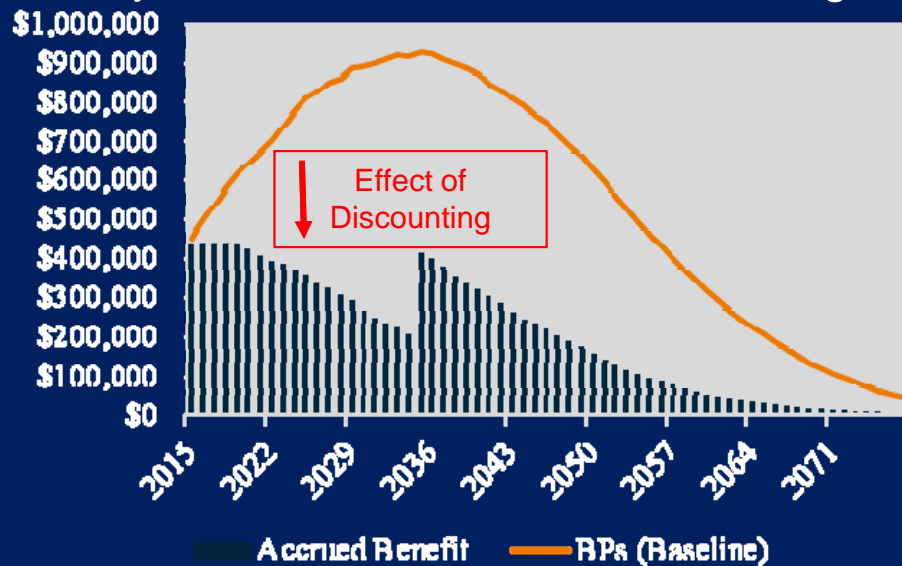


# Projections Are Discounted

Projected Benefits Without Discounting



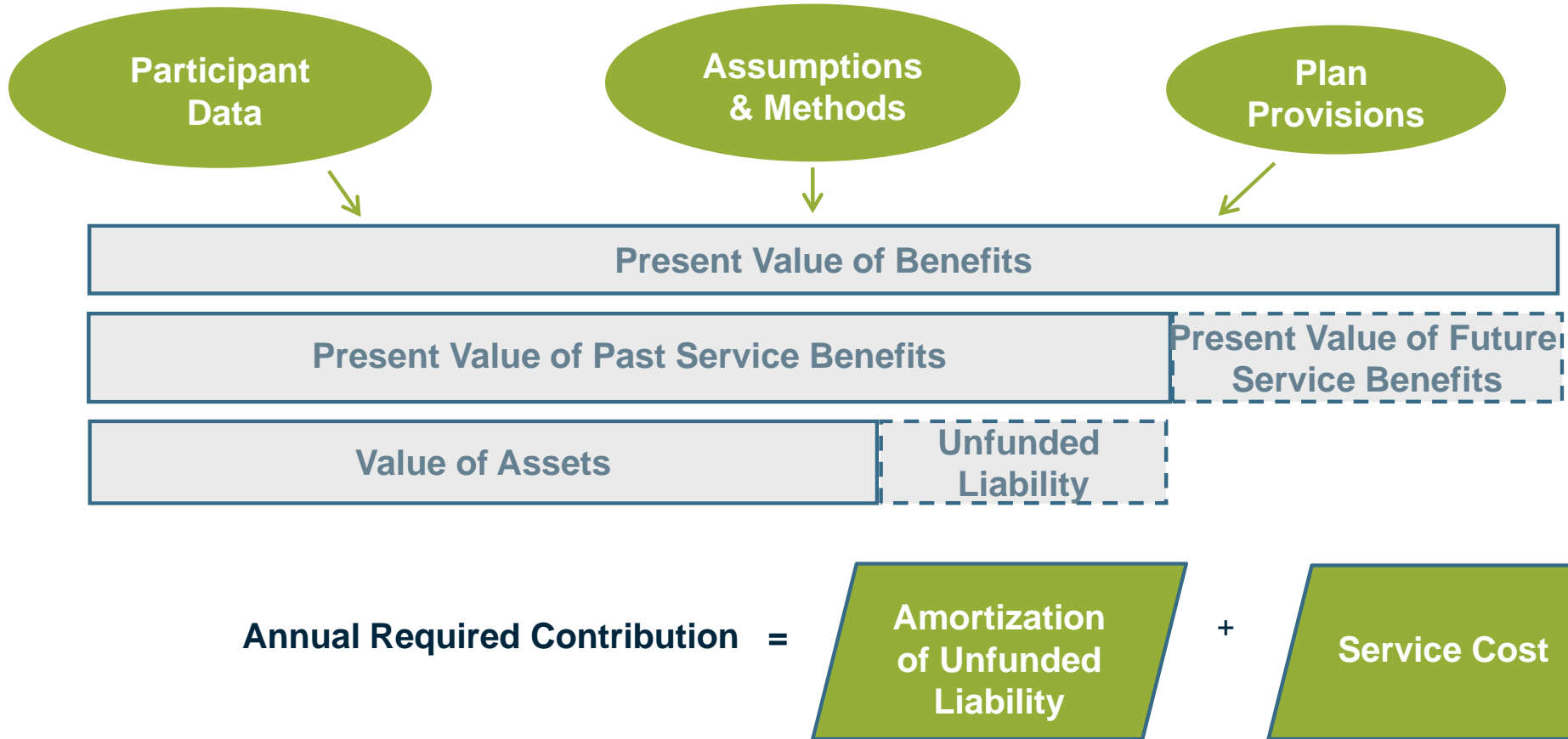
Projected Benefits With Discounting



**Methods and assumptions used to determine contribution rates:**

<b>Actuarial cost method</b>	Entry age normal
<b>Amortization method</b>	Level percentage of payroll
<b>Amortization period</b>	Amortization over an open 30-year period
<b>Asset valuation method</b>	5-year smooth market
<b>Inflation</b>	3.00%
<b>Salary increase</b>	Composed of 3.00% inflation, plus 1.00% productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service
<b>Investment rate of return</b>	8.00%
<b>Retirement age</b>	Experience-based table of rates based on age, service and gender. Adopted by the Board in September 2010 in conjunction with the five year experience study for the period ending June 30, 2009.
<b>Mortality</b>	RP-2000 Combined Mortality Table, projected to 2016 using Scale AA, multiplied by 90% for males and 80% for females

# Costs Attributed to Time Periods



# South Carolina Public Employee Benefit Authority (PEBA)

- **State agency responsible for the administration and management of the state's employee insurance programs and retirement systems**
- **Created July 1, 2012, by the South Carolina General Assembly as part of Act No. 278**

# South Carolina Retirement Systems – Pension Trust Funds

Plan Name	Est. Date	Type of DB Plan	Eligibles	Notes
South Carolina Retirement System (SCRS)	7/1/1945	Multiple-Employer	Public school districts and state employees/subdivisions	--
South Carolina Police Officers Retirement System (PORS)	7/1/1962	Multiple-Employer	Police officers and firemen of state/subdivisions	--
Retirement System for Members of the General Assembly of the State of SC (GARS)	1/1/1966	Single-Employer	Members of SC General Assembly	Closed to those elected after 2012
Retirement System for Judges and Solicitors of State of SC (JSRS)	7/1/1979	Single-Employer	Judges, solicitors and circuit public defenders	--
South Carolina National Guard Supplemental Retirement Plan (SCNG)	7/1/1975	Single-Employer	Certain members who served in SC National Guard	Supplemental Retirement Benefits



# Plan Enrollment (FYE 6/30/14)

	SCRS	PORS	GARS	JSRS	SCNG
Number of Employers*	728	411	1	1	1
Avg. No. of Active Contributing Members	185,355	26,708	116	133	12,222
Avg. No. of Retirees and Beneficiaries Currently Receiving Benefits	131,573	16,217	355	204	4,629
Avg. No. of Terminated Members Entitled to But Not Yet Receiving Benefits	156,792	11,987	56	2	2,137
<b>Total Membership</b>	<b>473,720</b>	<b>54,912</b>	<b>527</b>	<b>339</b>	<b>18,988</b>

\* SCRS: State (35), School (116), Other (577). PORS: State (31), School (57), Other (323)

# Changes in Fiduciary Net Position

## Changes in Fiduciary Net Position

Years Ended June 30  
(Amounts expressed in thousands)

	2015	2014	Increase / (Decrease)	% Increase / (Decrease)
<b>Additions</b>				
Employee contributions	\$ 826,483	\$ 751,467	\$ 75,016	9.98%
Employer contributions	1,203,313	1,132,128	71,185	6.29%
State-appropriated contributions	4,591	4,586	5	0.11%
Net Investment income	435,886	4,083,023	(3,647,137)	-89.32%
Other income	1,883	3,083	(1,200)	-38.92%
<b>Total Additions</b>	<u>2,472,156</u>	<u>5,974,287</u>	<u>(3,502,131)</u>	<u>-58.62%</u>
<b>Deductions</b>				
Annuity benefits	2,943,355	2,803,084	140,271	5.00%
Refunds	112,557	106,475	6,082	5.71%
Death benefits	22,319	21,680	639	2.95%
Administrative & other expenses	15,946	16,150	(204)	-1.26%
<b>Total Deductions</b>	<u>3,094,177</u>	<u>2,947,389</u>	<u>146,788</u>	<u>4.98%</u>
<b>Increase (Decrease) in Fiduciary Net Position</b>	(622,021)	3,026,898	(3,648,919)	-120.55%
Beginning Fiduciary Net Position	29,927,711	26,900,813	3,026,898	11.25%
<b>Ending Fiduciary Net Position Restricted for Pensions</b>	<u>\$ 29,305,690</u>	<u>\$ 29,927,711</u>	<u>\$ (622,021)</u>	<u>-2.08%</u>

# FY 2015 Contribution Rates

System	Employee Rate	Employer Rate
SCRS	8.0%	10.90% <sup>1</sup>
PORS	8.41%	13.41% <sup>2</sup>
GARS	11%	\$4,275,000 <sup>3</sup>
JSRS	10%	47.97% <sup>1</sup>
SCNG	Non-contributory	\$4,590,798

<sup>1</sup> Includes incidental death benefit contribution rate of 0.15%

<sup>2</sup> Includes incidental death benefit and accidental death benefit contribution rate of 0.20% each

<sup>3</sup> Includes incidental death benefit contributions as determined by the Systems' actuary

# Individual Plan Assumptions

## Summary of Actuarial Methods and Significant Assumptions

	SCRS	PORS	GARS	JSRS	SCNG
Valuation date	07/01/14	07/01/14	07/01/14	07/01/14	07/01/14
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level percent open	Level percent open	Level dollar closed	Level percent open	Level dollar closed
Amortization period	30 years	27 years	13 years	28 years	18 years
Asset Valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market
Actuarial assumptions:					
Inflation rate	2.75%	2.75%	2.75%	2.75%	2.75%
Projected salary increases	3.5% to 12.5% (varies by service) <sup>1</sup>	4.0% to 10.0% (varies by service) <sup>1</sup>	None	3.0% <sup>1</sup>	None
Investment rate of return	7.5%	7.5%	7.5%	7.5%	7.5%
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually	None	3.0%	None

<sup>1</sup>Includes inflation at 2.75%.

# Total Pension Liability

	SCRS	
	2015	2014
<b>Total pension liability</b>		
Service Cost	\$ 744,197	\$ 739,021
Interest	3,148,090	3,021,004
Benefit Changes		
Difference between actual and expected experience	(44,636)	638,745
Assumption Changes		
Benefit Payments	(2,705,547)	(2,571,049)
<b>Net Change in Total Pension Liability</b>	<b>1,142,104</b>	<b>1,827,721</b>
<b>Total Pension Liability - Beginning</b>	<b>42,955,206</b>	<b>41,127,485</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 44,097,310</b>	<b>\$ 42,955,206</b>

# Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability	Plan Fiduciary Net Position as a % of the Total Pension Liability
<b>SCRS</b>	\$ 44,097,310	\$ 25,131,828	\$ 18,965,482	57.0%
<b>PORS</b>	6,151,321	3,971,825	2,179,496	64.6%
<b>GARS</b>	73,766	32,482	41,284	44.0%
<b>JSRS</b>	272,624	146,353	126,271	53.7%
<b>SCNG</b>	63,064	23,202	39,862	36.8%

\$50.7 MM      \$29.3 MM      \$21.4 MM      57.8%

# Sensitivity of Net Pension Liability

## Discount Rate Sensitivity Analysis

*(Amounts expressed in thousands)*

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
<b>SCRS</b>	\$ 23,910,054	\$ 18,965,482	\$ 14,821,303
<b>PORS</b>	2,968,983	2,179,496	1,473,738
<b>GARS</b>	47,751	41,284	35,359
<b>JSRS</b>	155,815	126,271	98,926
<b>SCNG</b>	47,681	39,862	32,891

# Impact of GASB 68

- **Effective for fiscal years ending 6/30/2015**
- **Greater disclosure of unfunded pension liabilities**
- **Increase comparability between reporting entities**
- **Disconnect funding from accounting**
- **Change the premise from the Plan needing to fund benefits to Employers needing to fund benefits**



# Impact of GASB 68

Old Approach	New Approach Under GASB No. 68	Comments
Unfunded Actuarial Accrued Liability (UAAL)	Net Pension Liability (NPL)	<ul style="list-style-type: none"> <li>• Employers report proportionate share of NPL               <ul style="list-style-type: none"> <li>• May be based on different discount rates</li> <li>• Market Value replaces Actuarial Value of Assets</li> <li>• Must use Entry Age Normal Cost Method</li> </ul> </li> </ul>
Expense = Annual Required Contribution (ARC)	Pension Expense	<ul style="list-style-type: none"> <li>• Employers report proportional share of               <ul style="list-style-type: none"> <li>• Pension Expense</li> <li>• Deferred Inflow/Outflows</li> </ul> </li> </ul>
No Cost Sharing Employer Reporting	Employer Level Reporting	<ul style="list-style-type: none"> <li>• Net Pension Liability</li> <li>• Net Pension Liability based on +/-1% Discount Rate</li> <li>• Pension Expense</li> <li>• Deferred Outflows and Inflows by Source</li> </ul>

# GASB 68 – Net Pension Liability

- In multiple-employer situation, the NPL will be allocated to all employers and included as a liability on the government-wide financial statements
- Allocation method based on employer's contributions paid in relationship to all employer contributions received

Employer	Contributions Paid	Proportionate Share	Proportionate Share of NPL
Employer A	\$4M	1%	\$54M
Employer B	\$40M	10%	\$542M
Employers C- Z	\$380M	89%	\$4,821M
<b>Total</b>	<b>\$387M</b>	<b>100%</b>	<b>\$5,417M</b>

# Impact of GASB 68

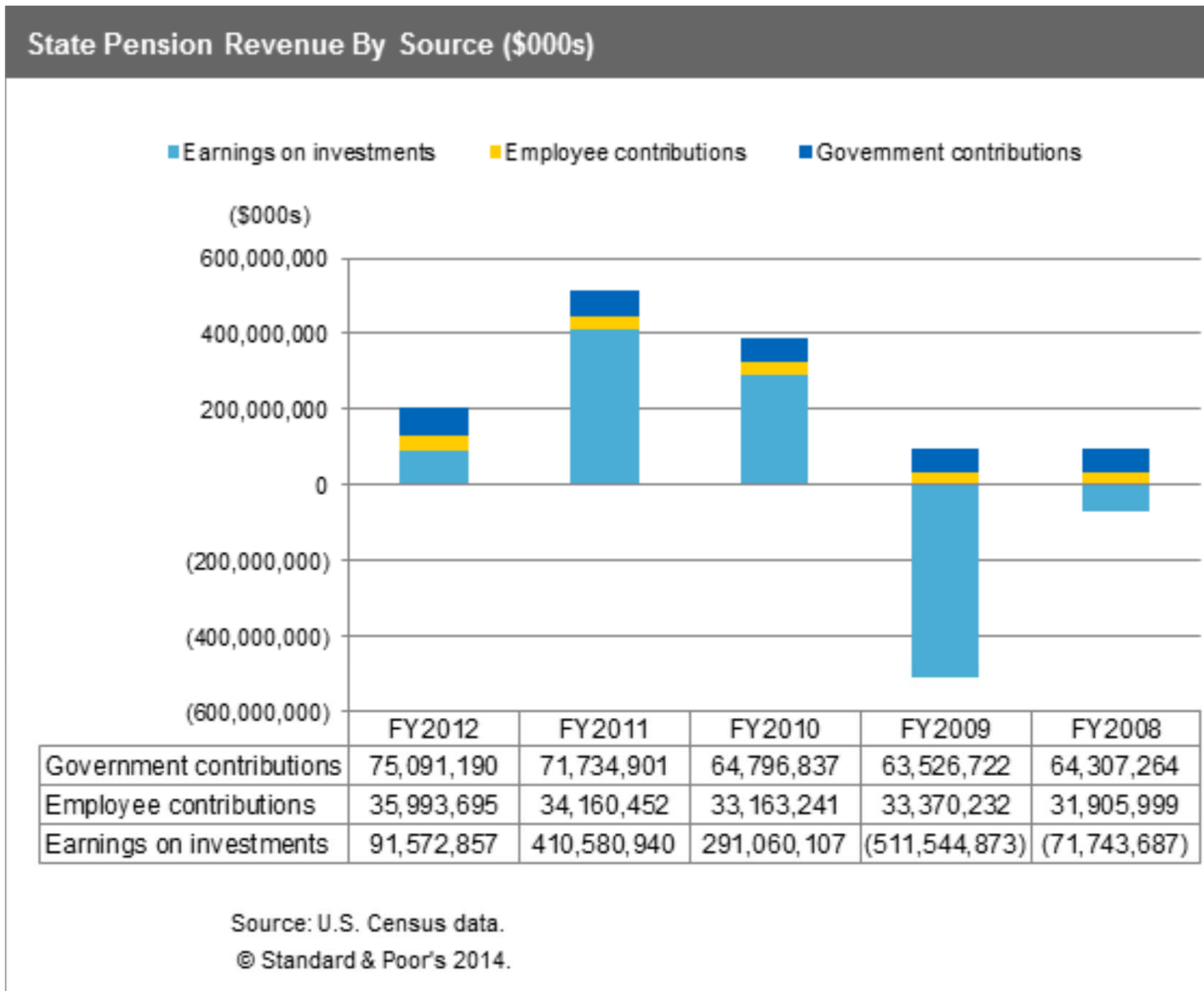
Item	Immediately Recognized Changes
Service Cost	Increase due to benefit accruals
Interest on the Total Pension Liability	Increase due to one less year of discounting
Projected Investment Earnings	Decrease due to assumed investment return
Member Contributions	Decrease
Administrative Costs	Increase
Benefit Provision Changes	Increase or Decrease

Item	Components Deferred and Recognized Later
Difference between actual and projects earnings on investments	5 years
Changes in actuarial assumptions	Closed period equal to the average of the expected lives of all (active, inactive, and retirees)
Difference between actual and assumed actuarial experience (actuarial gains and losses)	Increase or Decrease

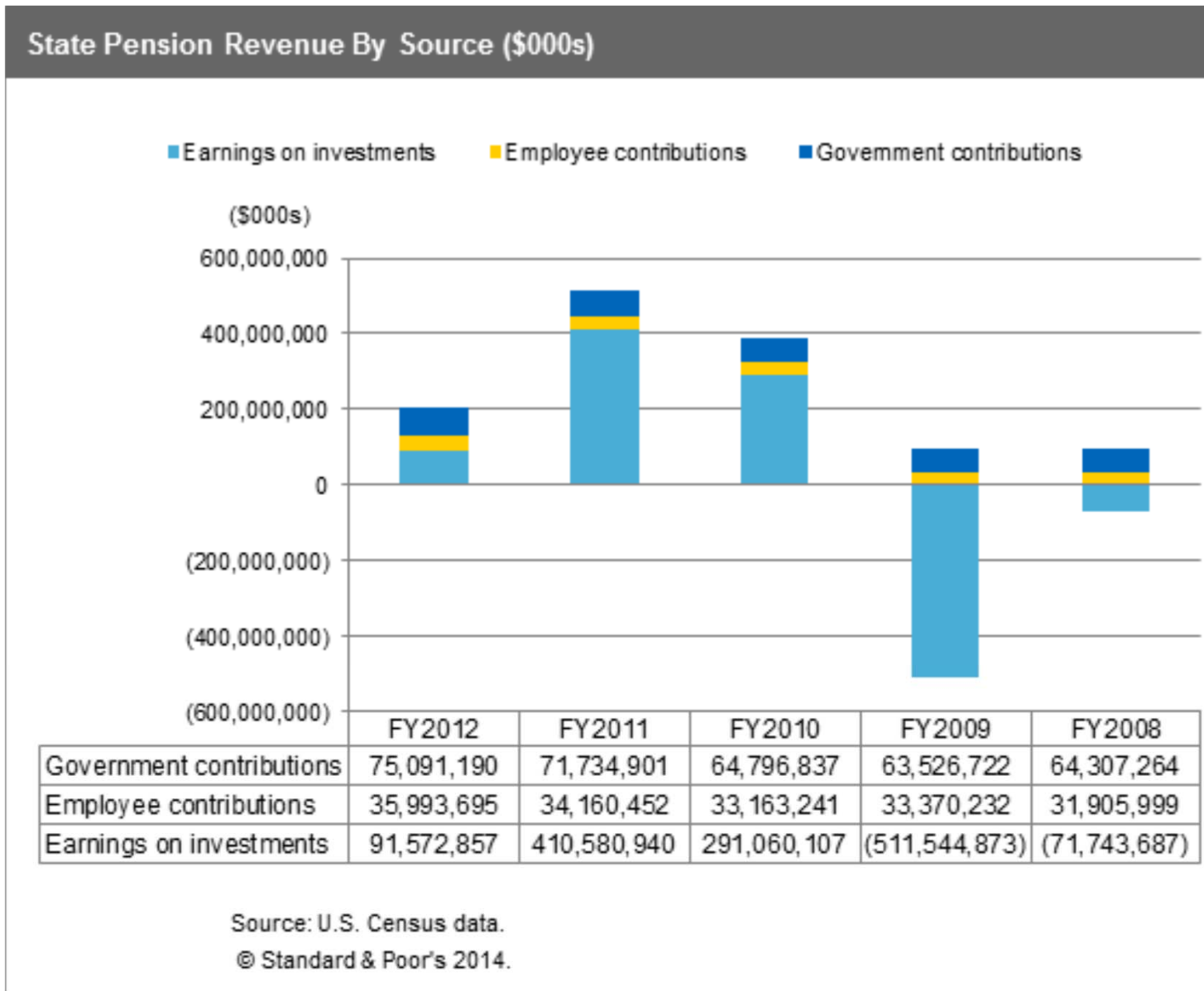
# GASB 67-68 Repercussions

- **Pension Expense:**
  - No longer equal to contributions
  - No longer calculated by employer
  - Larger
  - More volatile
- **Unfunded Liability**
  - Reported on liability on employer's balance sheet
  - Large
  - Volatile

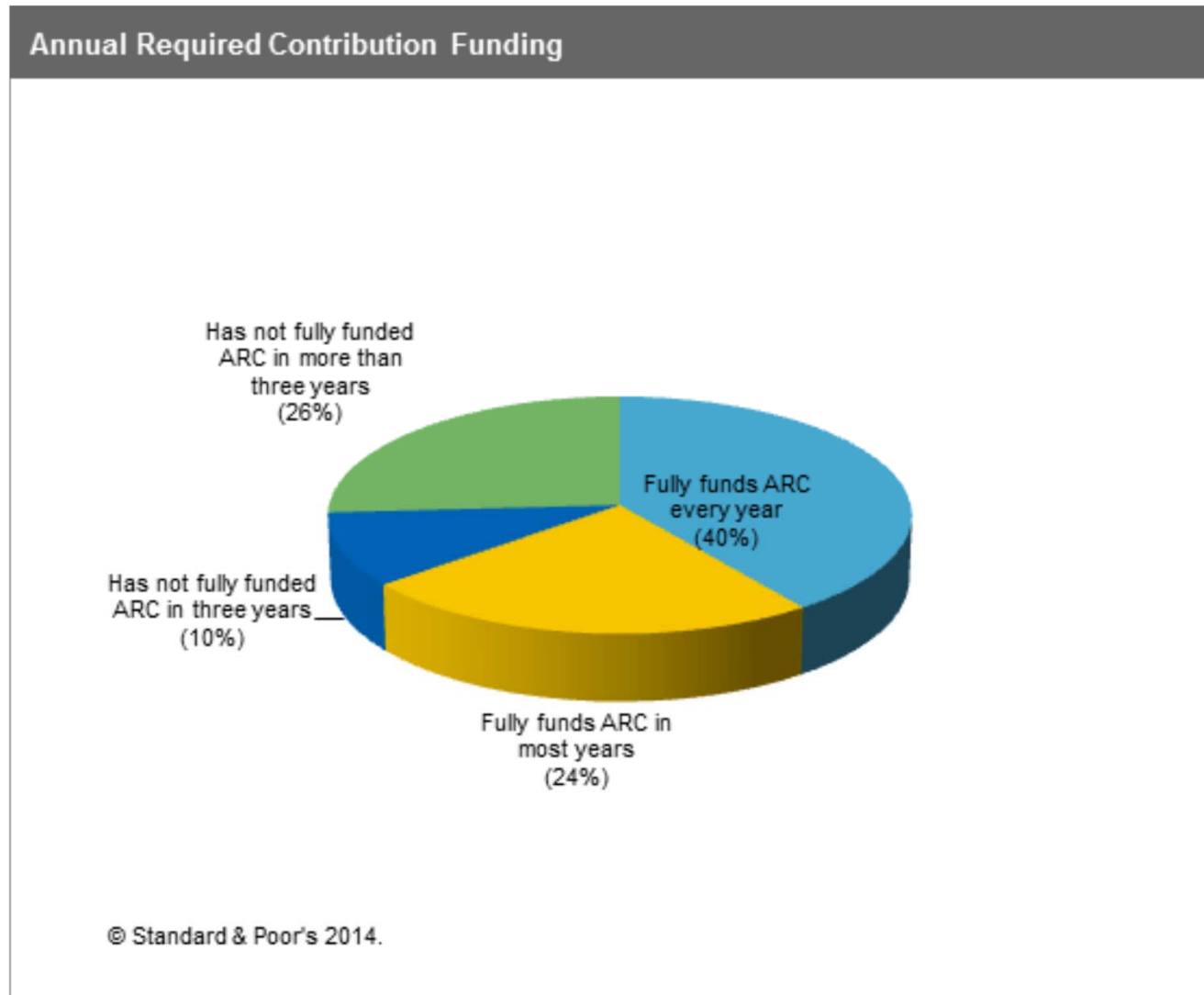
# State Pension Revenue by Source



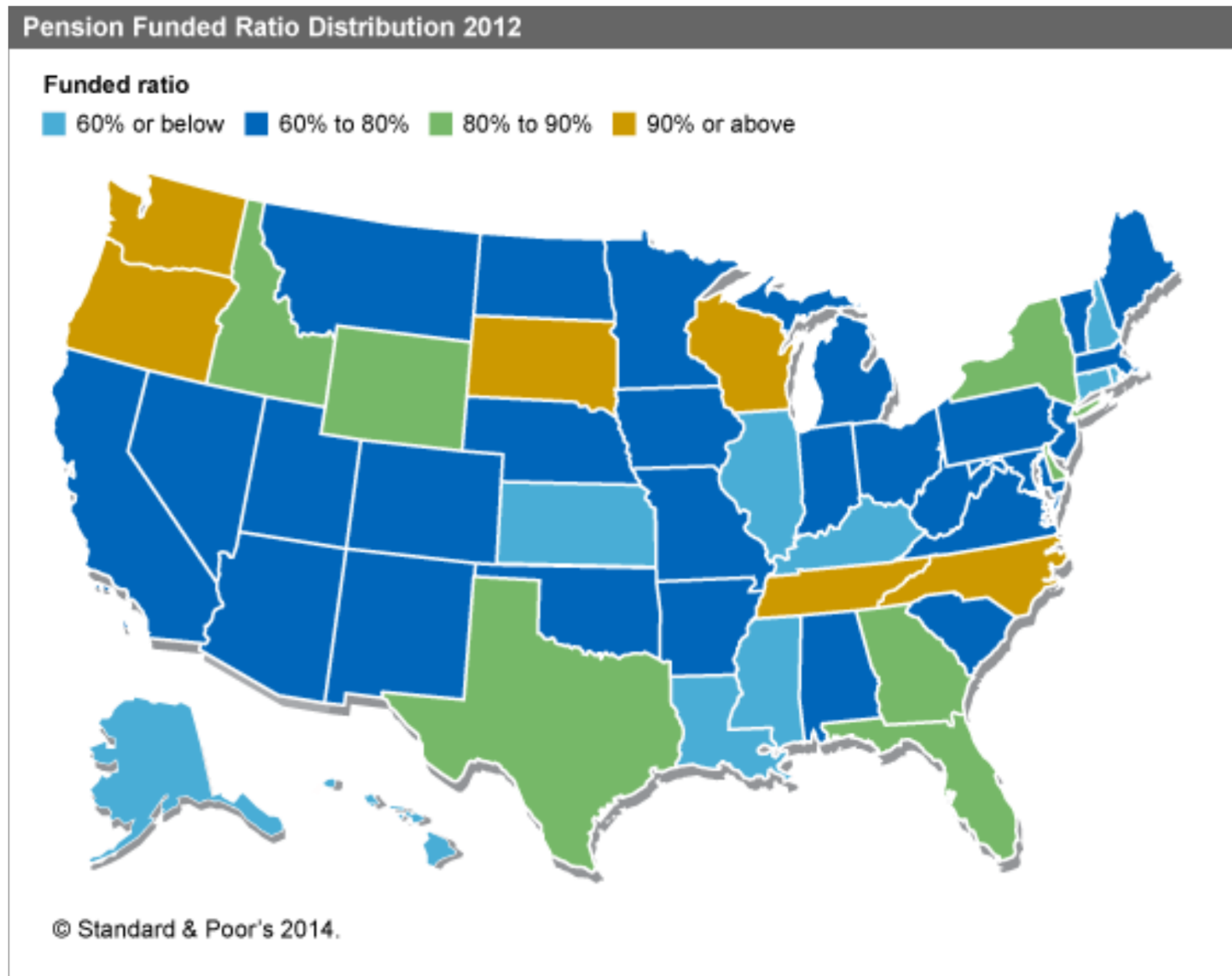
# GASB 67-68 Repercussions



# ARC Funding for States



# Funding Ratios by State







# DETERMINING OPEB LIABILITIES

# Measuring Total OPEB Liability

## 3-Step Process:

1. Projecting benefit payments
2. Discounting the projected benefit payments to their actuarial present value (i.e., their estimated value in today's dollars)
3. Attributing the actuarial present value of projected payments to past and future years during which employees have worked or are expected to work
  - Prior to 74/75, could choose among six methods to attribute the present value of payments to specific years either in level dollar amounts or as a level percentage of projected payroll

# Projecting Benefit Payments

- All assumptions are consistent with Actuarial Standards of Practice as issued by the Actuarial Standards Board, unless otherwise specified by the GASB
- Key assumptions:
  - Mortality – Accounts for death of the active/retired population
  - Termination/Retirement – Based on pension valuation studies
  - Plan Participation – Percentage of actives expected to participate in the employer health plan at retirement
  - Marriage Assumptions – Percentage of actives covering dependents at retirement
  - Per Capita Health Claims Cost – Per capita health claim costs based on the experience of the group and/or plan designs offered to retirees
  - Age Based Claim Curve – Between 3% and 5% for most ages before 70

# A Numerical Example

	January 1, 2013 Liabilities
Present Value of Future Benefits	\$450,000,000
Actuarial Accrued Liability	\$275,000,000
Plan Assets	\$0
Unfunded Actuarial Accrued Liability	\$275,000,000
Normal Cost	\$20,000,000

The **Present Value of Future Benefits** as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value of money and the probabilities of payment

The **Actuarial Accrued Liability** is the present value of future benefits which is attributable to past service

The **Normal Cost** is the portion of the present value of future benefits that is allocated to the current year for active plan members

# A Numerical Example (cont)

	<b>Annual OPEB Cost (CY 2013)</b>
ARC	\$30,000,000
Interest on Net OPEB Obligation	\$4,500,000
Adjustment to ARC	(\$3,900,000)
<b>Total</b>	<b>\$30,600,000</b>

The **Annual Required Contribution ('ARC')** is the sum of the normal cost and the amortization of the unfunded actuarial liability (maximum allowable period of 30 years)

One year's interest on the net OPEB obligation at the beginning of the year

The **Adjustment to the ARC** is the discounted present value of the net OPEB obligation at the beginning of the year

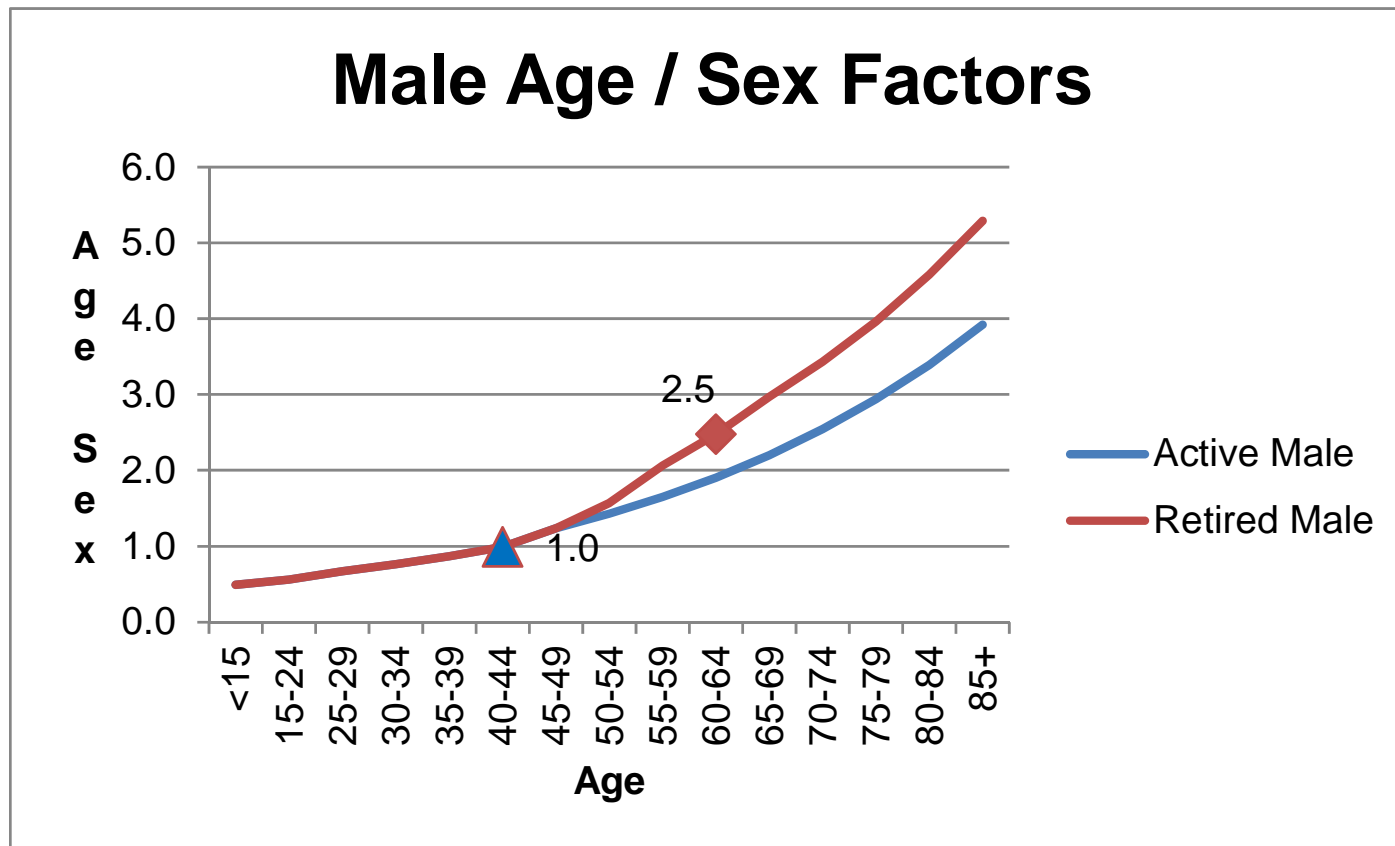
**NOTE: GASB 45 does not require prefunding an amount equal to the ARC. The ARC represents an accounting expense. The OPEB expense for the year – equal to the annual OPEB cost – should be reported.**

# A Numerical Example (cont)

	Postemployment Benefit Plan (CY 2013)
Net OPEB Obligation – Beginning of Year	\$100,000,000
Annual OPEB Cost	<b>\$30,600,000</b>
Employer Contributions: pay-as-you-go	\$10,300,000
Increase in Net OPEB Obligation	<b>\$20,300,000</b>
Net OPEB Obligation – End of Year	<b>\$120,300,000</b>

The **Net OPEB Obligation ('NOO')** is the cumulative difference between the annual OPEB cost and the employer's contributions to the plan since the adoption date of GASB 45. A positive (negative) year-end balance in the Net OPEB Obligation should be recognized as a year-end liability (asset) in the financial statements

# Implicit Rate Subsidy



# Implicit Rate Subsidy (cont)

	Actives	Retirees	Combined
Avg. Age	42	62	44
% of Members	90%	10%	100%
Age / Sex Factor	1.0	2.5	1.15
Claim Cost	\$500	\$1,250	\$575



# GASB 74/75: Changes to 43/45

Item	Description / Impact
Requirement to report a Net OPEB Liability in statement of financial position	Net OPEB liability larger than Net OPEB Obligation under previous standard
Required use of Entry Age Normal (level % of pay)	Younger populations may see 10 to 15 percent increase in total liability; older populations around 5 percent or lower
Discount rate may be lower than return assumption, based on fund's solvency outlook	Not a significant change from current approach
Immediate recognition of additional components of OPEB expense	Significant change from 30-year amortization period previously used; impact on budgets
More footnote disclosures and supplementary info required	Similar to new info required under GASB 67/68
Elimination of community-rated exception to implicit subsidy liability	May increase liability substantially
Actuarial valuation every 2 years	Plans with fewer than 200 members have option of one valuation every 3 years

# An Increasing Liability

	January 1, 2013 Liabilities
Present Value of Future Benefits	\$450,000,000
Actuarial Accrued Liability	\$275,000,000
Plan Assets	\$0
Unfunded Actuarial Accrued Liability	\$275,000,000
Normal Cost	\$20,000,000

Now a balance sheet item

	Annual OPEB Cost (CY 2013)	Postemployment Benefit Plan (CY 2013)
ARC	\$30,000,000	
Interest on Net OPEB Obligation	\$4,500,000	
Adjustment to ARC	(\$3,900,000)	
<b>Total</b>	<b>\$30,600,000</b>	
Net OPEB Obligation – Beginning of Year		\$100,000,000
Annual OPEB Cost		<b>\$30,600,000</b>
Employer Contributions: pay-as-you-go		\$10,300,000
Increase in Net OPEB Obligation		<b>\$20,300,000</b>
<b>Net OPEB Obligation – End of Year</b>		<b>\$120,300,000</b>

# OPEB Expense Factors

Item	Current Expense Amortization	Proposed Expense Amortization
1. Employees work and earn additional benefits	Immediately	Immediately
2. Interest on the outstanding liability	Immediately	Immediately
3. Changes in the measurement of the total OPEB liability due to: <ul style="list-style-type: none"> <li>a) Actual economic and demographic changes differing from what was assumed</li> <li>b) Changes in the assumptions about economic and demographic factors</li> <li>c) Changes in the terms of the OPEB benefits</li> </ul>	<ul style="list-style-type: none"> <li>a) Up to 30 yrs</li> <li>b) Up to 30 yrs</li> <li>c) Up to 30 yrs</li> </ul>	<ul style="list-style-type: none"> <li>a) Avg employment yrs</li> <li>b) Avg employment yrs</li> <li>c) Immediately</li> </ul>
4. Changes in the measurement of plan net position due to: <ul style="list-style-type: none"> <li>a) Expected investment earnings</li> <li>b) The difference between actual investment earnings and what was expected</li> <li>c) Effects other than investment earnings, if any</li> </ul>	<ul style="list-style-type: none"> <li>a) Immediately</li> <li>b) Up to 30 yrs</li> <li>c) Up to 30 yrs</li> </ul>	<ul style="list-style-type: none"> <li>a) Immediately</li> <li>b) 5-year per.</li> <li>c) Immediately</li> </ul>

# South Carolina Retiree Health Insurance Trust Fund

- Trust established by the State on May 1, 2008 to provide for the employer costs of retiree post-employment health and dental insurance benefits for retired state employees and retired employees of public school districts
- Trust administered by PEBA and PEBA Board is the Trustee
- As of June 30, 2013, there were 223 participating employers and 256,015 eligible plan participants (174,200 active, 80,568 retired, and 1,247 vested terminated)
- AAL and ARC funded primarily through surcharge on employer's payroll – 5.0% effective July 1, 2014

# For Year Ending June 30, 2014

## **Additions:**

Contributions	\$ 473,041,970
Investment income ( <i>Note 5</i> )	<u>23,675,054</u>
Securities lending activities income:	
Gross earnings from interest and fees	6,677
Gross borrower rebates	30,944
Bank fees	<u>(5,295)</u>
Net earnings from securities lending activities	<u>32,326</u>
Total additions	<u>496,749,350</u>

## **Deductions:**

Benefits expense	380,673,190
Administrative expenses	<u>78,200</u>
Total deductions	<u>380,751,390</u>

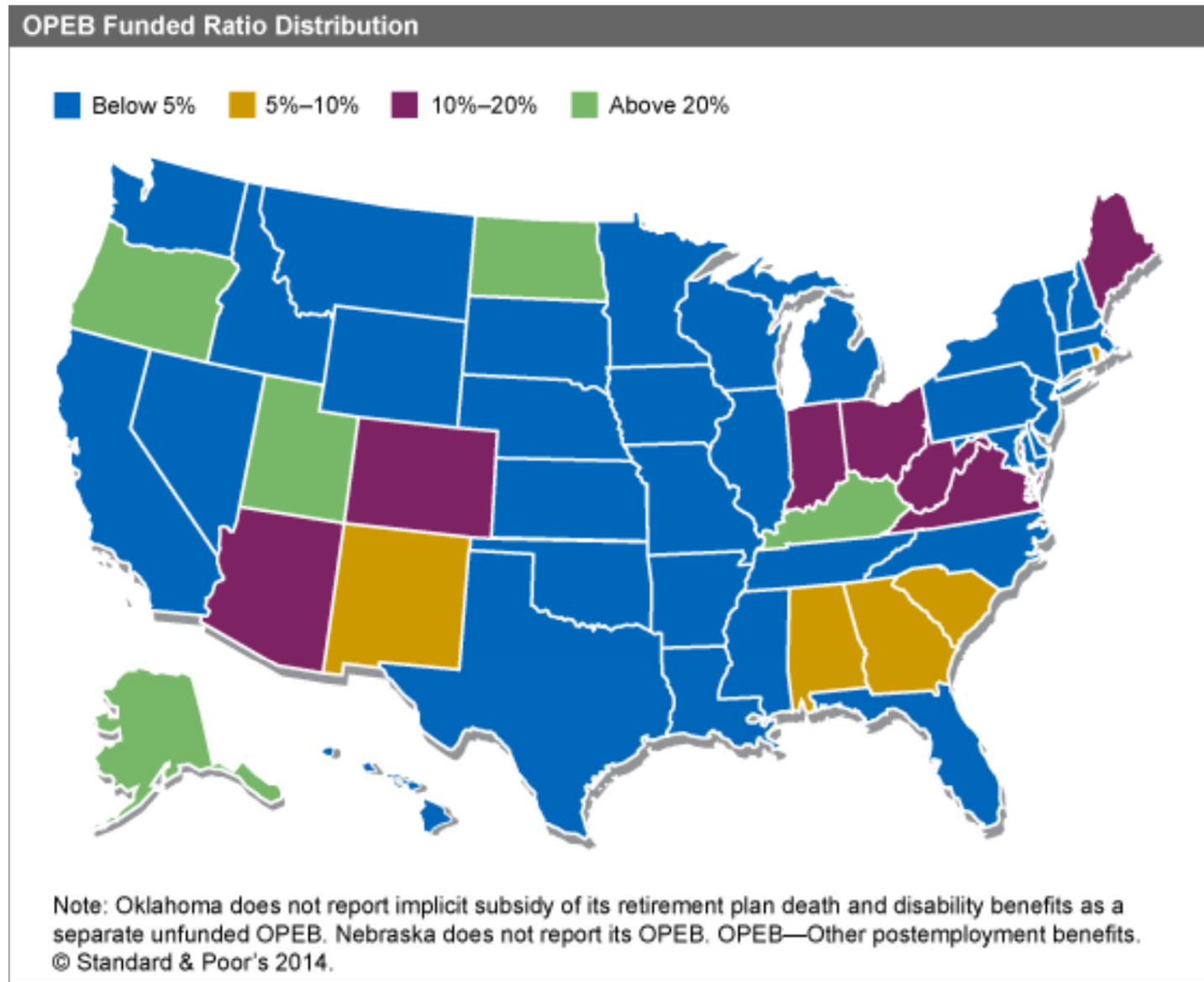
Net increase in net position held in trust for OPEB	115,997,960
Net position held in trust for OPEB, beginning of year	<u>668,971,993</u>
Net position held in trust for OPEB, end of year	<u><u>\$ 784,969,953</u></u>

# Assumptions and Schedule of Funding Progress

Valuation date	June 30, 2013			
Actuarial cost method	Individual entry age			
Amortization method	Level percent open			
Remaining amortization periods	30 years			
Asset valuation method	Market	<b>Year Ended</b>	<b>Actuarially</b>	<b>Percentage</b>
Actuarial assumptions:		<b>June 30</b>	<b>Required</b>	<b>Contributed</b>
Investment rate of return	5.50%	2014	\$778,969	60.73%
Payroll growth rate	3.50%			
Healthcare cost trend rate				
Medical	6.00% - 4.50% Ultimate			
RX	6.00% - 4.50% Ultimate			

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (b)</b>	<b>Unfunded Actuarial Accrued Liability (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>
June 30, 2008	\$ 270,153	\$ 9,279,578	\$ 9,009,425	3%	\$ 7,596,053	119%
June 30, 2009	\$ 439,903	\$ 9,643,577	\$ 9,203,674	5%	\$ 7,736,161	119%
June 30, 2010	\$ 487,496	\$ 9,632,092	\$ 9,144,596	5%	\$ 7,570,126	121%
June 30, 2011	\$ 477,124	\$ 10,625,914	\$ 10,148,790	4%	\$ 7,127,657	142%
June 30, 2012	\$ 592,337	\$ 10,328,465	\$ 9,736,128	6%	\$ 7,161,059	136%
June 30, 2013	\$ 668,972	\$ 10,072,927	\$ 9,403,955	7%	\$ 7,471,142	126%

# OPEB Funded Ratios by State





# **COST-MITIGATION STRATEGIES FOR OPEB LIABILITIES**



# OPEB Cost-Mitigation Strategies

- Changing retiree eligibility requirements
- Increasing employee contributions
- Health care cost management initiatives
- Consumer-directed health plan options / HRAs
- Capping benefits
- Changing actuarial assumptions
- Shift costs to health insurance exchanges
- Shift prescription drug benefits for eligible Medicare retirees to an employer group waiver (EGWP) plan
- Terminating plan

# Case Study

<b>Original APBO</b>	<b>\$33,758,000</b>
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<b>Cost Estimate Scenario - Wage Participants</b>	<b>Group Affected</b>	<b>APBO</b>	<b>Impact</b>	<b>% Change</b>	
Age 55 and 20 Eligibility	All Retirees	\$31,829,000	(\$1,929,000)	-5.7%	<b>Eligibility</b>
Age 60 and 15 Eligibility	All Retirees	\$30,843,000	(\$2,915,000)	-8.6%	
Age 60 and 15 Eligibility	Hired after 1/1/10	\$33,646,000	(\$112,000)	-0.3%	
Age 60 and 15 Eligibility	Hired after 1/1/2005	\$33,264,000	(\$494,000)	-1.5%	
Pre 65 Retirees - \$70 Contribution (Traditional and PPO)	All Retirees	\$33,537,000	(\$221,000)	-0.7%	<b>Pre 65 Benefits</b>
Pre 65 Retirees - \$70 Contribution (Traditional and PPO) 3.5% Index	All Retirees	\$33,390,000	(\$368,000)	-1.1%	
Pre 65 Retirees - \$70 Contribution (Traditional and PPO)	Retired after 1/1/2015	\$33,618,000	(\$140,000)	-0.4%	
Pre 65 Spouse - \$100 Contribution. Retiree remains at current contribution level.	All Retirees	\$33,511,000	(\$247,000)	-0.7%	
Pre 65 Spouse - \$250 Contribution. Retiree remains at current contribution level.	All Retirees	\$32,941,000	(\$817,000)	-2.4%	<b>Post Medicare benefits</b>
Post 65 Retirees - \$50 Retiree and Spouse.	Retired after 1/1/2015	\$32,668,000	(\$1,090,000)	-3.2%	
Post 65 Retirees - \$100 Spouse.	Retired after 1/1/2015	\$32,873,000	(\$885,000)	-2.6%	
Post 65 Retirees - \$50 Retiree and Spouse with 5% inflation	Retired after 1/1/2015	\$30,735,000	(\$3,023,000)	-9.0%	
Post 65 Retirees - \$100 Retiree and Spouse.	Retired after 1/1/2016	\$33,061,000	(\$698,000)	-2.1%	
Post 65 Retirees - \$100 Retiree and Spouse with 3.5% inflation (CPI)	Retired after 1/1/2016	\$32,057,000	(\$1,702,000)	-5.0%	<b>HRA Scenario</b>
Pre 65 Retirees - \$5,000 HRA Used For Exchange Or Outside Plan (CPI Index)*	Retired after 1/1/2015	\$30,460,000	(\$3,298,000)	-9.8%	
Post 65 Retirees - \$2,500 HRA Used For Exchange Or Outside Plan (CPI Index)*	Retired after 1/1/2015	\$28,836,000	(\$4,922,000)	-14.6%	
50% Cost Sharing for Life Insurance (Includes Salary)	All Retirees	\$33,727,000	(\$31,000)	-0.1%	

\*The HRA Scenario Would Involve Eliminating the Current Plans Offered to Post 65 Retirees

<b>Cost Estimate Scenario - Salary Participants</b>	<b>Group Affected</b>	<b>APBO</b>	<b>Impact</b>	<b>% Change</b>
Age 60 and 15 Eligibility or Age 55 and 20	All Retirees	\$33,525,000	(\$233,000)	-0.7%
Replace Pre 65 % Subsidy With Fixed Dollar Amounts, Based on Current Subsidy Level	All Retirees	\$33,537,000	(\$221,000)	-0.7%

*This analysis is for illustrative purposes only, and is not a guarantee of future liabilities. There are many variables that can affect future health care costs including utilization patterns, catastrophic claims, healthcare trend increases, etc. This analysis does not amend, extend, or alter the coverage provided by the actual insurance policies and contracts.*



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# Questions?

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