

Oakland County Retirees' Health Care Trust

Actuarial Valuation Report

September 30, 2024



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April 16, 2025

The Oakland County VEBA Board
Waterford, Michigan

Dear Board Members:

Submitted in this report are the results of the annual actuarial valuation of the liabilities, funded position, and contribution requirements associated with the Oakland County Retiree's Health Care Trust with benefits provided through a VEBA. The purpose of the valuation was to measure the VEBA's funding progress and determine the employer contribution for the 2025-2026 fiscal year. This report should not be relied upon for any other purpose. This report may be provided to parties other than the VEBA Board only in its entirety and only with the permission of the VEBA Board. GRS is not responsible for unauthorized use of this report.

The date of the valuation was September 30, 2024. The valuation was based upon the actuarial assumptions and methods adopted by the Board, information furnished by the Plan, concerning VEBA benefits, financial transactions, individual members, terminated members, retirees, and beneficiaries. Data was checked for internal and year-to-year consistency, but was not audited by us. As a result, we are unable to assume responsibility for the accuracy or completeness of the data provided.

Future actuarial measurements may differ significantly from those presented in this report due to such factors as experience differing from that anticipated by actuarial assumptions, changes in plan provisions, actuarial assumptions/methods, or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

This report was prepared by actuaries with substantial experience in valuing public employee retirement systems. To the best of our knowledge, this report is accurate and fairly presents the actuarial position of the plan. The valuation was conducted in accordance with standards of practice prescribed by the Actuarial Standards Board in compliance with the applicable state statutes. Louise Gates, Heidi G. Barry and Stephanie Sullivan are independent of the plan sponsor and are Members of the American Academy of Actuaries (MAAA) who meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. It is our opinion that the actuarial assumptions used for the valuation produce results which are reasonable.

Respectfully submitted,
Gabriel, Roeder, Smith & Company

A handwritten signature in black ink that reads "Louise Gates".

Louise Gates, ASA, FCA, MAAA

A handwritten signature in black ink that reads "Heidi G. Barry".

Heidi G. Barry, ASA, FCA, MAAA

A handwritten signature in black ink that reads "Stephanie Sullivan".

Stephanie Sullivan, ASA, MAAA

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SECTION A

EXECUTIVE SUMMARY

Executive Summary

1. Computed Employer Contributions – Fiscal Year Beginning October 1, 2025

The computed employer contributions for each employment division are shown in the table below.

<u>Division</u>	<u>Computed Employer Contributions</u>
General	\$ 0
Command Officers	0
Road Deputies	0
Corrections Deputies	0
Total	\$ 0

As of the valuation date, the Retiree Health Care Plan (the Plan) has a funding surplus which was used as a credit against County normal cost contributions, resulting in zero dollar employer contributions for all of the employment groups.

2. Contribution Comparison

The total recommended contribution in the September 30, 2023 valuation was \$0 and is \$0 again this year. The 2024 actuarial valuation is used to determine employer contributions for the County's 2025-2026 fiscal year.

3. Reasons for Change

There are three general reasons why contributions change from one valuation to the next. The first is a change in the benefits or eligibility conditions of the plan. The second is a change in the valuation assumptions used to predict future occurrences. The third is the difference during the year between the plan's actual experience and what the assumptions predicted.

No benefit changes were reported to the actuary in connection with this valuation of the VEBA. This valuation of the System reflects changes made to the medical/prescription drug and Medicare Part B inflation assumptions used in this valuation of the plan to better reflect the anticipated future experience of the VEBA. These assumptions are shown in Section B of this report. These changes increased our assessment of VEBA liabilities by approximately \$17.7 million.

4. Plan Experience

For the year ended September 30, 2024, the experience of the VEBA was, overall, unfavorable. The Investment return was higher than long term expectations during the year. However, the market smoothing techniques used in this valuation of the VEBA recognize both past and present investment experience. As a result, the recognized rate of return for the year was 6.54%. In addition, health care costs increased by more than projected by actuarial assumptions. Additional information about VEBA assets is shown on pages D-5 and D-6.



Executive Summary

5. Funding Position

The Plan's funding percent based on the funding value of Plan assets was 149.4% as of September 30, 2024. If the market value of plan assets were used to determine the plan's funding percent, the result would be a funding percent of 152.1% as of the same date.

Unless otherwise indicated, a funding status measurement presented in this report is based upon the actuarial accrued liability and the funding value of assets. It is important to note that the funding status measurement presented in this report is inappropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligation and the need for or amount of future employer contributions.

6. Other

As of September 30, 2024, there is a funding surplus that is sufficient to eliminate the employer normal cost contribution resulting in a \$0 employer contribution for fiscal year 2025-2026. Given the practice of using any funding surplus to make recommended County contributions, and the volatility of medical and prescription drug benefit costs, the funding surplus may eventually be depleted. Once the surplus is depleted, County contributions to the Plan will once again be needed. These contributions will be at least equal to the employer's normal cost payment which is currently about \$7.8 million.

7. Asset Transfers

Asset transfers totaling approximately \$5.2 million were made between valuation groups in connection with reported plan member transfers between employment divisions. These asset transfers were made to equitably distribute both assets and plan liabilities in connection with participant movement between groups.

8. Looking Ahead

The current VEBA funding policy should be updated to reflect the new actuarial assumptions adopted by the Board in connection with the recent experience study.

SECTION B

VALUATION RESULTS

Financial Objective

The financial objective of the Retirees' Health Care Plan is to establish and receive contributions, which will permit the accumulation of assets to pay for the retirement benefit promises.

Your annual retiree health benefit valuations determine how well the objective is being met.

Contributions

The retiree health benefits are supported by contributions from the County and by the investment income earned on accumulated fund assets. The County provides an actuarially determined contribution needed to meet the financial objective.

The County's contributions cover both (i) normal cost, and (ii) the financing of any unfunded accrued liabilities over a period of future years. The normal cost is the portion of health benefit costs allocated to the current year by the valuation method described in Section E. The unfunded accrued liability is the portion of costs not covered by present fund assets and future normal costs. The contribution requirements for retiree health benefits are presented on page B-2.

Employer Contributions to Provide Benefits for the Fiscal Year Beginning October 1, 2025

Contributions for	General Members	Command Officers	Road Deputies	Corrections Deputies	Total
Normal cost of benefits	\$ 4,316,808	\$ 994,717	\$ 1,515,554	\$ 1,017,701	\$ 7,844,780
Unfunded accrued liability (UAL)	(57,538,094)	(2,049,295)	(8,652,575)	(7,435,404)	(75,675,368)
Employer contribution \$	0	0	0	0	0

The unfunded accrued liabilities for the employment divisions shown above were amortized as a level dollar amount over a period of 10 years. The table above shows the resulting UAL amortization credits and normal cost contributions. The following page shows the UAL by employment division as of September 30, 2024.

Determination of the Plan's Unfunded Accrued Liability as of September 30, 2024

	General Members	Command Officers	Road Deputies	Corrections Deputies	Total
A. Accrued Liability					
1. For retirees and beneficiaries	\$ 491,636,391	\$ 44,709,852	\$ 84,042,012	\$ 59,003,455	\$ 679,391,710
2. For vested terminated members	53,502,805	1,557,564	5,702,679	3,140,084	63,903,132
3. For present active members					
a. Value of expected future benefit payments	216,044,258	45,430,617	61,885,353	41,283,589	364,643,817
b. Value of future normal costs	30,379,040	6,239,267	10,251,993	6,505,856	53,376,156
c. Active member liability: (a) - (b)	185,665,218	39,191,350	51,633,360	34,777,733	311,267,661
4. Total	730,804,414	85,458,766	141,378,051	96,921,272	1,054,562,503
B. Valuation Assets	1,126,573,308	99,554,597	200,893,755	148,064,811	1,575,086,471
C. Unfunded Accrued Liability: (A.4) – (B)	(395,768,894)	(14,095,831)	(59,515,704)	(51,143,539)	(520,523,968)

Retiree Premium Rate Development

Background

The initial per capita health care premiums are an important part of a retiree health valuation. We understand that currently, eligible County retirees (and eligible spouses) receive benefits from a number of health care plans. Prior to January 1, 2024, Non-Medicare retirees had medical coverage with self-insured BCBS and ASR plans, Medicare retirees had medical coverage with a self-insured Trustmark plan, and both Non-Medicare and Medicare retirees had prescription drug coverage with a self-insured Navitus plan.

Effective January 1, 2024, Non-Medicare retirees have self-insured medical coverage through BCBS, Medicare retirees have self-insured medical coverage through Trustmark, and both Non-Medicare and Medicare retirees have self-insured prescription drug coverage through BCBS. Dental benefits are provided through Delta Dental. Vision benefits are provided through Heritage.

Rate Development

For the self-insured medical plans, initial per capita costs were developed separately for pre-65 and post-65 retirees using paid medical claims experience from October 2021 to September 2024 from BCBS, ASR, and Trustmark in conjunction with exposure data for the retired members of the health care program. These medical claims were projected on an incurred claim basis and loaded for administrative and stop loss fees.

For the self-insured drug plans, initial per capita costs were developed using paid drug claims experience from October 2021 to September 2024 from Navitus and BCBS in conjunction with exposure data for the retired members of the health care program. These drug claims were projected on an incurred claim basis.

The initial medical and drug premium rates in the valuation use a weighted cost of the three-year experience period to smooth out any year to year fluctuations, if necessary, with higher weighting given to more recent claim years. Drug claims used are gross of Medicare Part D subsidies and prescription drug rebates.

Age-graded and sex-distinct premiums are utilized by this valuation. The initial costs developed are appropriate for the unique age and sex distribution currently existing. Over the future years covered by this valuation, the age and sex distribution will most likely change. Therefore, our process “distributes” the average premium over all age/sex combinations and assigns a unique premium for each combination. This process more accurately reflects health care costs in the retired population over the projection period.

Retiree Premium Rate Development

The tables below show the resulting combined medical and prescription drug one-person monthly premiums at select ages. The premium (or per capita costs) rates shown below were used in this valuation of the plan and reflect the use of age grading.

Current & Future Retirees

Premiums For Retirees Not Yet Eligible For Medicare		
Age	Males	Females
50	\$ 985.13	\$ 1,213.58
55	1,296.32	1,415.38
60	1,674.26	1,648.57

Premiums For Retirees Receiving Medicare		
Age	Males	Females
70	\$ 732.90	\$ 709.19
75	787.14	768.08
80	826.35	811.90

The dental and vision premium rates used in this valuation of the Plan were not “age graded” since these claims do not vary significantly by age. The monthly one and two-person dental premiums used in this valuation are \$44.62 and \$81.67, respectively. The monthly one and two-person vision premiums used in this valuation are \$3.20 and \$6.39, respectively.

Health Care Cost Trend Assumption

The health care cost trend rate is the rate of change in per capita health care claims over time as a result of factors such as medical inflation, utilization of health care services, plan design, and technological improvements. It is a crucial economic assumption that is required for measuring retiree health care benefit obligations.

Retiree health care valuations use a health care cost trend assumption (trend vector) that changes over the years. The trend vector used in this valuation begins with a near-term trend assumption and declines over a time to an ultimate trend rate. The near-term rates reflect the increases in the current cost of health care goods and services. The process of trending down to a lower ultimate trend relies on the theory that premiums will moderate over the long term; otherwise, the healthcare sector would eventually consume the entire GDP. It is on this basis that we project premium rate increases will continue to exceed wage inflation for the next fifteen years, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in this valuation.



Retiree Premium Rate Development

While experience is often the best starting point for future costs, GRS does not rely on a group's experience in setting the near-term trend assumptions since trends vary significantly from year to year and are not credible for most groups. Therefore, professional judgment, trends from GRS' book of business, and industry benchmarks (e.g., trend reports from various Pharmacy Benefit Management (PBM) organizations and national healthcare benefit consulting firms) are used to establish the trend assumptions.

The combined medical and prescription drug per capita costs are projected to increase as shown in the table below:

Year Beginning Sept. 30	Future Health Cost Increases Medical and Prescription Drugs	
	Pre-65	Age 65+
2025	7.25%	6.50%
2026	7.00	6.25
2027	6.75	6.00
2028	6.50	5.75
2029	6.25	5.75
2030	6.00	5.50
2031	5.75	5.25
2032	5.50	5.00
2033	5.00	4.75
2034	4.75	4.50
2035	4.50	4.25
2036	4.25	4.25
2037	4.00	4.00
2038	3.75	3.75
2039 & After	3.50	3.50

The Medicare Part B and Dental/Vision benefits are projected to increase as shown in the table below:

Year Beginning January 1	Future Health Cost Increases	Year Beginning Sept. 30	Future Health Cost Increases
	Medicare Part B Premium*		Dental & Vision
2025	5.90%	2025	3.50%
2026	5.50	2026	3.50
2027	5.50	2027	3.50
2028	5.50	2028	3.50
2029	5.50	2029	3.50
2030	5.50	2030	3.50
2031	5.25	2031	3.50
2032	5.00	2032	3.50
2033	4.75	2033	3.50
2034	4.50	2034	3.50
2035	4.25	2035	3.50
2036	4.25	2036	3.50
2037	4.00	2037	3.50
2038	3.75	2038	3.50
2039	3.50	2039	3.50
2040 & after	3.50	2040 & after	3.50

* 5.90% is a partial year increase from 9/30/2025 to calendar year 2025



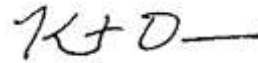
Retiree Premium Rate Development

Actuarial Disclosures

The premium rates used in this valuation were developed using the proprietary Excel models which in Kurt Dosson's professional judgment provide the initial projected costs which are consistent with the purposes of the valuation. We perform tests to ensure that the models, in their entirety, reasonably represent that which is intended to be modeled.

Aging factors used in the premium development models were developed based on the information and data from a 2013 study commissioned by the Society of Actuaries entitled "Health Care Costs – From Birth to Death."

Kurt Dosson is a Member of the American Academy of Actuaries (MAAA) and meets the Qualification Standards of the American Academy of Actuaries to certify the per capita retiree health care rates shown on page B-5 and the healthcare cost trend rates shown on page B-6.



Kurt Dosson, ASA, FCA, MAAA

Development of the Experience Gain/(Loss)

Actual experience will never (except by coincidence) exactly match assumed experience. It is hoped that gains and losses will cancel each other over a period of years, but sizable year-to-year fluctuations are common. Detail on the derivation of the experience gain (loss) is shown below.

	2024
(1) UAAL* at start of year	\$(526,269,215)
(2) Normal cost for year	8,466,430
(3) Actual contributions	0
(4) Net interest accrual on (1), (2) and (3)	(35,237,430)
(5) Expected UAAL before changes: (1) + (2) - (3) + (4)	(553,040,215)
(6) Change from benefit revisions	0
(7) Change from revised assumptions	17,773,091
(8) Other changes	0
(9) Expected UAAL after changes: (5) + (6) + (7) + (8)	(535,267,124)
(10) Actual UAAL at end of year	(520,523,968)
(11) Gain (Loss): (9) - (10)	(14,743,156)
(12) Gain (Loss) as percent of actuarial accrued liabilities at start of year	(1.5)%

* *Unfunded actuarial accrued liability*

SECTION C

SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

(Amounts in Millions)

Valuation Date September 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Valuation Payroll (c)	UAAL as a % of Payroll ((b-a)/c)
2018	\$1,277.3	\$891.8	\$(385.5)	143.2%	\$131.9	0.0%
2019	1,322.3	920.0	(402.3)	143.7	127.2	0.0
2020	1,381.2	919.1	(462.1)	150.3	115.4	0.0
2021	1,470.9	916.1	(554.8)	160.6	107.4	0.0
2022	1,497.1	895.0	(602.1)	167.3	105.1	0.0
2023	1,517.0	990.8	(526.2)	153.1	106.4	0.0
2024	1,575.1	1,054.6	(520.5)	149.4	101.6	0.0

Schedule of Employer Contributions

Valuation Year Ended September 30	Fiscal Year Ended September 30	Required Employer Contributions	Computed Employer Contributions	Percentage Contributed
2018	2020	\$0	\$0	100.0%
2019	2021	0	0	100.0
2020	2022	0	0	100.0
2021	2023	0	0	100.0
2022	2024	0	0	100.0
2023	2025	0		
2024	2026	0		

Summary of Assumptions and Methods

The following assumptions and methods were used in the September 30, 2024 actuarial valuation of the Retiree Health Care Plan:

Valuation Date	September 30, 2024
Actuarial Cost Method	Entry-Age
Amortization Method	Level dollar, open
Remaining Amortization Period	10 years
Asset Valuation Method	5-year smoothed market
Premium Rate Development Method	Please refer to pages B-4 – B-7
Actuarial Assumptions	
Annual rate of return (discount rate)	6.75% per year
Rates of inflation for medical and other benefits	Please refer to page B-6

SECTION D

SUMMARY OF BENEFIT PROVISIONS AND VALUATION DATA

Brief Summary of Health Benefit Provisions (September 30, 2024)

Eligibility	Amount
Employed Until Retirement	
Hired before 9/21/85 and having 8 or more years of service, or hired between 9/20/85 and 1/1/95 and had 15 or more years of service - retired employee or survivor under the Retirement System or the defined contribution plan.	Until age 65 - the same health benefits as are in effect for County employees. Beginning at age 65 - Medicare supplementary coverage. If hired before 1/1/89 there is reimbursement for Medicare Part B premiums. Family coverage provided if needed.
Retired employee or survivor of deceased employee, hired between 9/20/85 and 1/1/95 and had 8 to 14 years of service.	Same as above, for retired member only.

For members hired during 1995 and later, refer to “Accumulation of Health Care Points” below.

Employment Ended Before Retirement

Hired between 9/20/85 and 1/1/95 and 15 to 19 years of service.	Same as above, for retired employee only.
Hired before 9/21/85 and 8 or more years of service or hired between 9/20/85 and 1/1/95 with 20 or more years of service.	Same as above, with family coverage if needed.

Accumulation of Health Care Points

For General members hired on and after 1/1/95 (5/27/95 for Command Officers and Sheriff's Deputies), the portion of the health care costs paid by the Trust will be based on years of service at retirement. If a member has less than 15 years of service, there is no County paid retiree health coverage. If a member has 15 years of service at retirement, 60% of the health care premium will be paid by the Health Care Trust. The percent increases 4% per year of service over 15 with a 100% maximum coverage after 25 years of service. Note, new employees are required to join the County's retiree health savings plan effective 1/1/06 for General Non-Union employees, 3/5/09 for Sheriff Command Officers, 1/1/10 for Sheriff Corrections Deputies, and 2/9/12 for Sheriff Road Patrol Deputies. Closure effective dates vary for General Union members.

Death After Retirement

Benefits may be payable to the spouse at time of retirement under the conditions described above.

Dental and Vision Coverage

Retirees and eligible family members based upon their eligibility for health benefits.

General Division members hired after 2006, Command Officers hired after 3/5/2009, Corrections Deputies hired after 2009 and Road Patrol Deputies hired after 2/9/2012 must join the defined contribution health plan.



Retirees and Beneficiary Benefit Recipients as of September 30, 2024 Tabulated by Attained Age

Attained Age ¹	Number of Contracts ²	Liability ³
Under 40	7	\$ 1,911
40 - 44	0	0
45 - 49	7	3,806
50 - 54	40	23,362
55 - 59	134	64,634
60 - 64	332	112,795
65 - 69	495	143,227
70 - 74	603	155,667
75 - 79	509	102,494
80 - 84	335	46,680
85 - 89	186	18,339
90 & Up	111	6,477
Total	2,759	\$679,392

¹Age of contract holder

²Contract counts associated with any contract type are shown

³Amounts shown have been rounded to the nearest thousand

Inactive Members as of September 30, 2024

Tabulated by Attained Age

Inactive members reported in connection with the September 30, 2024 valuation totaled 199. An inactive member is a person who has left County employment with entitlement to retiree health benefits at a future date. The schedule shows the inactive members by age.

Attained Age	Number*
35 - 39	1
40 - 44	11
45 - 49	30
50 - 54	67
55 - 59	80
60 - 64	9
65 - 69	1
Total	199

** Includes 16 DB Plan members ineligible for benefits.*

Active Members Reported for Valuation Comparative Schedule

Valuation Date September 30,	Active Members				Total	Valuation Payroll	Average		
	General	Road Deputies	Corrections Deputies	Command Officers			Age	Service	Pay
2000	2,836	685	@	90	3,611	\$ 166,503,751	42.5 yrs.	11.7 yrs.	\$46,110
2001	2,935	691	@	92	3,718	172,693,445	42.6	11.7	46,448
2002	2,981	705	@	101	3,787	183,705,032	42.9	12.0	48,509
2003	2,837	715	@	94	3,646	181,772,063	42.7	11.6	49,855
2004	2,903	724	@	101	3,728	192,689,384	43.1	11.9	51,687
2005	2,918	736	@	102	3,756	201,187,290	43.4	12.2	53,564
2006	2,819	732	@	103	3,654	201,019,205	44.2	13.0	55,013
2007	2,654	743	@	104	3,501	200,409,433	44.8	13.8	57,243
2008	2,401	731	@	102	3,234	186,274,882	45.0	14.1	57,599
2009	2,292	708	@	101	3,101	180,539,069	45.9	15.1	58,220
2010	2,185	681	@	95	2,961	175,316,170	46.7	16.0	59,208
2011	2,027	375	329	97	2,828	173,903,452	47.1	16.2	61,493
2012	1,898	376	292	98	2,664	162,819,440	47.9	17.0	61,118
2013	1,806	372	263	98	2,539	154,128,944	48.4	17.6	60,705
2014	1,651	355	219	97	2,322	146,473,723	48.9	18.4	63,081
2015	1,548	335	195	99	2,177	144,715,626	49.5	19.0	66,475
2016	1,450	314	179	107	2,050	141,464,508	50.1	19.6	69,007
2017	1,345	291	158	105	1,899	135,578,345	50.6	20.2	71,395
2018	1,247	276	148	104	1,775	131,945,254	51.0	20.8	74,335
2019	1,174	251	145	103	1,673	127,156,148	51.6	21.4	76,005
2020	1,096	234	139	109	1,578	115,445,020	52.2	22.1	73,159
2021	945	213	122	101	1,381	107,436,074	52.0	22.3	77,796
2022	858	195	114	102	1,269	105,070,863	52.4	22.9	82,798
2023	813	183	112	105	1,213	106,427,114	53.0	23.5	87,739
2024	756	159	99	107	1,121	101,638,126	53.7	24.2	90,667

@ Included in the Road Deputies column.

Summary of Reported Financial Information

Year Ended September 30, 2024

(Market Value)

Revenues and Disbursements

Revenues:

a. Employer Contributions	\$	0	
b. Asset Transfer		0	
c. Investment Income		246,818,274	
d. Payments by Retirees		4,910	
e. Other ¹		<u>8,754,506</u>	
f. Total			\$ 255,577,690

Disbursements:

a. Benefits Paid	48,818,490	
b. Administrative expenses	439,430	
c. Investment expenses	<u>3,591,246</u>	
d. Total		<u>52,849,166</u>

Reserve Increase:

Total Revenues Minus Total Disbursements	\$ 202,728,524
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¹ Includes government revenue, an audit adjustment and miscellaneous reported revenue

Summary of Investments

Assets:

a. Cash & Equivalents ¹	\$ 50,355,274
b. Fixed Income	501,091,251
c. Equities	693,212,653
d. Real Estate	139,046,863
e. Other	<u>220,713,973</u>
Total	\$ 1,604,420,014

¹ Includes receivables and payables



Development of Valuation Assets as of September 30, 2024

	2023	2024	2025	2026	2027	2028
A. Funding Value Beginning of Year	\$1,497,088,162	\$1,517,029,534				
B. Market Value End of Year	1,401,691,490	1,604,420,014				
C. Market Value Beginning of Year	1,342,562,400	1,401,691,490				
D. Non-Investment Net Cash Flow						
D1. Net Benefit Payments ¹	(42,998,394)	(44,329,327)				
D2. Audit Adjustment	0	4,270,253				
E. Investment Income						
E1. Market Total: B - C - D1 - D2	102,127,484	242,787,598				
E2. Assumed Rate (I)	7.00%	6.75%				
E3. Amount for Immediate Recognition I * (A + D2 + D1 / 2)	103,291,228	101,191,621				
E4. Amount for Phased-In Recognition: E1-E3	(1,163,744)	141,595,977				
F. Phased-In Recognition of Investment Income						
F1. Current Year	(232,749)	28,319,195				
F2. First Prior Year	(58,484,308)	(232,749)	\$28,319,195			
F3. Second Prior Year	33,723,623	(58,484,308)	(232,749)	\$28,319,195		
F4. Third Prior Year	(6,401,371)	33,723,623	(58,484,308)	(232,749)	\$28,319,195	
F5. Fourth Prior Year	(8,956,657)	(6,401,371)	33,723,623	(58,484,308)	(232,749)	\$28,319,195
F6. Total Recognized Investment Gain	(40,351,462)	(3,075,610)	3,325,761	(30,397,862)	28,086,446	28,319,195
G. Funding Value End of Year: A + D1 + D2 + E3 + F6	\$1,517,029,534	\$1,575,086,471				
H. Difference between Market & Funding Value	(115,338,044)	29,333,543				
I. Recognized Rate of Return	4.27%	6.54%				
J. Market Value Rate of Return	7.73%	17.55%				
K. Ratio of Funding Value to Market Value	108.23%	98.17%				

¹ Includes other government revenue

SECTION E

VALUATION METHODS AND ASSUMPTIONS

Valuation Methods

The normal cost was computed as follows:

The series of contributions necessary to accumulate the present value at time of retirement of an employee's retired member health benefits was computed so that each contribution in the series, from entry age to retirement, was a constant percentage of the employee's year-by-year projected covered compensation. This is referred to as the individual entry age actuarial cost method.

The accrued liability was computed as follows:

Retirees and Beneficiaries: The discounted value of health benefits likely to be paid to retirees and beneficiaries was computed using the investment return, health cost increase and mortality assumptions.

Active and Inactive Employees: The discounted value of health benefits likely to be paid for active and inactive employees after their retirement was computed using the assumptions outlined on the following pages and was reduced by the value of normal costs to be paid for service after the valuation date.

Financing of Unfunded Actuarial Accrued Liabilities: The Unfunded Accrued Liabilities (UAL) for all groups were amortized by the level (principal & interest combined) dollar payment method.

Valuation Assets - The funding value of assets recognizes assumed investment income fully each year. Differences between actual and assumed investment income are phased-in over a closed 5-year period. During periods when investment performance exceeds the assumed rate, funding value of assets will tend to be lower than market value. During periods when investment performance is less than the assumed rate, funding value of assets will tend to be greater than market value. The actuarial value of assets is not permitted to deviate from the market value of assets by more than 20%.

System assets are reported to the actuary in total. Reported investment income is allocated among the various employment divisions such that the rate of return for each division is the same as the rate of return for the entire System.

Actuarial Assumptions Used for the Valuation

The actuarial assumptions used in this valuation of the VEBA are based upon the results of an experience study covering the period October 1, 2016 through September 30, 2021. A report dated December 30, 2022 presented the results of the study. Actuarial assumptions represent estimates of future experience.

Investment Return (net of expenses): 6.75% per year compounded annually. This assumption is used to equate the value of payments due at different points in time. The investment return assumption was first used for the September 30, 2023 valuation. In addition, the VEBA Board adopted a 6.75% investment return assumption at the October 19, 2024 meeting of the Board.

Net Market Value Rates of Investment Return during the last 5 plan years are shown below:

Rate of Investment Return	For the Year Ending September 30th				
	2024	2023	2022	2021	2020
	17.55%	7.73%	(12.08)%	20.27%	4.93%

Pay Projections: These assumptions are used to project current pays to those upon which future contributions will be based. The merit and longevity assumptions were first used for the September 30, 2010 valuation.

Sample Ages	Annual Rate of Pay Increase for Sample Ages						
	General Members			Years of Service	Sheriff's Department		
	Base ¹ (Economic)	Merit & Longevity	Total		Base ¹ (Economic)	Merit & Longevity	Total
20	3.00%	4.00%	7.00%	1 to 7	3.00%	6.00%	9.00%
25	3.00	3.00	6.00	8 to 15	3.00	3.00	6.00
30	3.00	2.00	5.00	thereafter	3.00	0.00	3.00
35	3.00	2.00	5.00				
40	3.00	1.00	4.00				
45	3.00	1.00	4.00				
50	3.00	0.50	3.50				
55	3.00	0.50	3.50				
60	3.00	0.25	3.25				

¹ First used for the September 30, 2022 valuation of the Plan.

The rates of mortality used to measure the probabilities of members dying before retirement and the probabilities of each benefit payment being made after retirement are based upon the sex distinct Pub-2010 tables, as published by the Society of Actuaries, and include a margin for future mortality improvement. These tables were first used for the September 30, 2022 valuation of the System and are described below:

General and Management

- **Pre-Retirement:** The Pub-2010, Amount-Weighted, General Employee, Male and Female tables, with future mortality improvements projected generationally to 2030 using scale MP-2021.
- **Healthy Post-Retirement:** The Pub-2010, Amount-Weighted, General, Healthy Retiree, Male and Female tables, with future mortality improvements projected generationally to 2030 using scale MP-2021.
- **Disability Retirement:** The Pub-2010, Amount-Weighted, General, Disabled Retiree, Male and Female tables, with future mortality improvements projected generationally to 2030 using scale MP-2021.

General and Management						
Sample Ages	Pre-Retirement Future Life Expectancy ¹ (Years)		Healthy Post-Retirement Future Life Expectancy ¹ (Years)		Disabled Retirement Future Life Expectancy ¹ (Years)	
	Men	Women	Men	Women	Men	Women
50	37.85	40.01	34.02	36.96	24.94	27.79
55	33.12	35.17	29.51	32.33	21.85	24.60
60	28.48	30.39	25.13	27.77	19.00	21.59
65	23.94	25.68	20.91	23.32	16.31	18.56
70	19.49	21.04	16.87	19.01	13.67	15.40
75	15.11	16.50	13.10	14.93	11.03	12.26
80	10.81	12.07	9.72	11.22	8.52	9.40

¹ As of calendar year 2024.

Sheriff's Department

- **Pre-Retirement:** The Pub-2010, Headcount-Weighted, Safety Employee, Male and Female tables, with future mortality improvements projected generationally to 2030 using scale MP-2021.
- **Healthy Post-Retirement:** The Pub-2010, Headcount-Weighted, Safety, Healthy Retiree, Male and Female tables, with future mortality improvements projected generationally to 2030 using scale MP-2021.
- **Disability Retirement:** The Pub-2010, Headcount-Weighted, Safety, Disabled Retiree, Male and Female tables, with future mortality improvements projected generationally to 2030 using scale MP-2021.

Sheriff's Department

Sample Ages	Pre-Retirement Future Life Expectancy¹ (Years)		Healthy Post-Retirement Future Life Expectancy¹ (Years)		Disabled Retirement Future Life Expectancy¹ (Years)	
	Men	Women	Men	Women	Men	Women
50	36.43	39.20	32.99	35.57	31.31	33.05
55	31.67	34.38	28.41	30.89	26.99	28.57
60	26.97	29.63	23.94	26.39	22.84	24.38
65	22.39	24.91	19.75	22.11	18.94	20.45
70	17.96	20.26	15.77	18.04	15.27	16.62
75	13.72	15.76	12.09	14.21	11.85	13.03
80	9.72	11.52	8.85	10.76	8.80	9.95

¹ As of calendar year 2024.

For retiree members of the plan who were reported as receiving two-person coverage but without beneficiary information, we assumed that male retirees had a spouse beneficiary 3 years younger. Female retirees were assumed to have a spouse 3 years older.

Medicare Part B Premiums used in this valuation were provided by the Retiree Health Plan for current benefit recipients. For future benefit recipients, the premium used in this valuation was \$174.70 per person per month during calendar year 2024 and \$185.00 per month during calendar year 2025.

Rates of Separation from Active Membership: The rates do not apply to members eligible to retire and do not include separation on account of death or disability. This assumption measures the probabilities of members remaining in employment.

Sample Ages	% of Active Members Separating within Next Year					
	General-DB	Command-DB	Sheriffs-DB	General-DC	Command-DC	Sheriffs-DC
20	5.00 %	4.00 %	4.00 %	7.00 %	5.00 %	4.00 %
25	5.00	4.00	4.00	7.00	5.00	4.00
30	4.00	3.40	3.40	6.00	3.70	3.40
35	4.00	2.50	2.50	4.40	2.40	2.50
40	3.00	1.80	1.80	3.40	1.70	1.80
45	3.00	1.30	1.30	3.00	1.30	1.30
50	2.00	0.80	0.80	3.00	1.20	0.80
55	1.00	0.40	0.40	3.00	1.20	0.40
60	0.50	0.10	0.10	3.00	1.20	0.10
65	0.50	-	-	3.00	1.20	-

The rates were first used for the September 30, 2010 valuation.

Rates of Disability: These rates represent the probabilities of active members becoming disabled.

Sample Ages	Percent Becoming Disabled within Next Year	
	General	Sheriffs
25	0.02%	0.15%
30	0.04	0.18
35	0.06	0.23
40	0.16	0.30
45	0.19	0.51
50	0.31	1.00
55	0.71	1.55

These rates were first used for the December 31, 1992 valuation.

Rates of Retirement: These rates are used to measure the probabilities of an eligible member retiring during the next year.

Percent of Active Members Retiring within One Year						
Ages	General-DB	General-DC	Sheriff's Department - DB		Sheriff's Department - DC	
	%	%	Service	%	Service	%
55	20%	10%	25	40%	25	20%
56	15	10	26	35	26	15
57	15	10	27	35	27	15
58	15	10	28	35	28	15
59	15	10	29	35	29	15
60	20	10	30	40	30	20
61	15	10	31	40	31	20
62	25	20	32	50	32	20
63	15	15	33	70	33	20
64	15	15	34	70	34	20
65	35	25	35	100	35	100
66	40	30				
67	50	35				
68	70	40				
69	80	45				
70	100	100				

Eligibility for retirement is shown in Section D of this report. The DB plan member rates were first used for the September 30, 2010 valuation. The DC plan member rates were first used in the September 30, 2022 valuation of the plan.

Marital Status at Retirement: 80% of male employees and 60% of female employees deemed eligible for health care benefits were assumed to cover a spouse at the time of retirement.

Glossary

Actuarial Accrued Liability - The difference between (i) the actuarial present value of future plan benefits, and (ii) the actuarial present value of future normal cost. Sometimes referred to as “accrued liability” or “past service liability.” Under the actuarial cost method used the “AAL” differs somewhat from the value of future payments based on benefits earned as of the valuation date.

Accrued Service - The service credited under the plan, which was rendered before the date of the actuarial valuation.

Actuarial Assumptions - Estimates of future plan experience with respect to rates of mortality, disability, retirement, investment income and salary increases. Decrement assumptions (rates of mortality, separation and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate appropriate in an inflation-free environment plus a provision for a long-term average rate of inflation.

Actuarial Cost Method - A mathematical budgeting procedure for allocating the dollar amount of the “actuarial present value of future plan benefits” between the normal costs to be paid in the future and the actuarial accrued liability. Sometimes referred to as the “actuarial funding method.”

Actuarial Present Value - The amount of funds presently required to provide a payment or series of payments in the future. It is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Amortization - Paying off an interest-bearing liability by means of periodic contributions of interest and principal, as opposed to a lump sum payment.

Experience Gain (Loss) - A measure of the difference between actual experience and experience anticipated by a set of actuarial assumptions during the period between two actuarial valuation dates, in accordance with the actuarial cost method being used.

Normal Cost - The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as “current service cost.” An amortization payment toward the unfunded actuarial accrued liability is in addition to the normal cost.

Reserve Account - An account used to indicate that funds have been set aside for a specific purpose and are not generally available for other uses.

Unfunded Actuarial Accrued Liability - The difference between the actuarial accrued liability and valuation assets. Sometimes referred to as “unfunded accrued liability.”

Valuation Assets - The value of current plan assets recognized for valuation purposes.