

Appendix A – Excerpts from Actuarial Valuations

Excerpts from the following governments' actuarial valuations are provided:

Maryland
Anne Arundel
Baltimore
Baltimore City
Carroll
Charles
Dorchester
Frederick
Garrett
Harford
Howard
Montgomery
Prince George's
St. Mary's

Liability and Expense - Discount Rate of 4%, Level Percent of Pay Amortization

Category	Actuarial Accrued Liability (AAL)	Amortized AAL	Annual Required Contribution (ARC)			
			Normal Cost	per capita	Total ARC	per capita
General County	451,652,064	17,681,600	22,641,400	12,461	40,323,000	14,494
Police	336,761,438	13,065,708	13,932,292	23,857	26,998,000	28,783
Fire	311,680,762	12,112,971	13,395,029	19,728	25,508,000	28,564
Detention/Sheriff	95,561,309	3,828,624	6,984,376	22,243	10,813,000	27,100
County Subtotal	1,195,655,573	46,688,903	56,953,097	16,781	103,642,000	20,679
Board of Education	1,033,327,000	39,412,000	25,770,000	3,605	65,182,000	6,187
Community College	70,981,607	2,791,167	3,872,833	6,032	6,664,000	8,768
Library	41,273,975	1,625,494	2,308,506	11,261	3,934,000	13,755
Total	2,341,238,155	90,517,564	88,904,436	7,805	179,422,000	10,812
Trend Sensitivity (1%)						

Liability and Expense - Discount Rate of 6%, Level Percent of Pay Amortization

Category	Actuarial Accrued Liability (AAL)	Amortized AAL	Annual Required Contribution (ARC)			
			Normal Cost	per capita	Total ARC	per capita
General County	317,202,899	16,376,173	14,440,827	7,948	30,817,000	11,077
Police	229,162,883	11,697,260	8,210,740	14,059	19,908,000	21,224
Fire	215,150,341	10,996,528	7,956,472	11,718	18,953,000	21,224
Detention/Sheriff	65,748,116	3,479,747	4,413,253	14,055	7,893,000	19,782
County Subtotal	827,264,239	42,549,708	35,021,292	10,319	77,571,000	15,477
Board of Education	771,765,000	38,660,000	15,417,000	2,157	54,077,000	5,133
Community College	51,002,152	2,641,692	2,462,308	3,835	5,104,000	6,716
Library	29,931,141	1,554,372	1,518,628	7,408	3,073,000	10,745
Total	1,679,962,532	85,405,772	54,419,228	4,778	139,825,000	8,426
Trend Sensitivity (1%)						

Liability and Expense - Discount Rate of 8%, Level Percent of Pay Amortization

Category	Actuarial Accrued Liability (AAL)	Amortized AAL	Annual Required Contribution (ARC)			
			Normal Cost	per capita	Total ARC	per capita
General County	235,251,232	15,463,018	9,774,982	5,380	25,238,000	9,072
Police	166,093,666	10,780,678	5,185,322	8,879	15,966,000	17,021
Fire	157,720,665	10,248,764	5,069,236	7,466	15,318,000	17,153
Detention/Sheriff	48,020,962	3,234,676	2,975,324	9,476	6,210,000	15,564
County Subtotal	607,086,525	39,727,136	23,004,864	6,778	62,732,000	12,516
Board of Education	601,754,000	38,335,000	9,763,000	1,366	48,098,000	4,565
Community College	38,444,554	2,531,524	1,654,476	2,577	4,186,000	5,508
Library	22,739,395	1,502,941	1,054,059	5,142	2,557,000	8,941
Total	1,270,024,474	82,096,601	35,476,399	3,115	117,573,000	7,085
Trend Sensitivity (1%)						

What Other Jurisdictions Are Doing

The following four pages present a comparison of retiree health benefits including public sector jurisdictions both within and outside of Maryland.

The page following the health benefit comparison presents preliminary actuarial valuation results for a number of neighboring jurisdictions. This data was gathered in March of 2006 and represents the actuarial calculations at that time.

3. Plan Expense

Expense

Below is a summary of the calculation of the Plan's expense under the current provisions as of July 1, 2007. This is the year in which Baltimore County is first adopting the provisions of GASB 45. These amounts are calculated as of the beginning of the year and assume that the full expense is funded.

	FY 2008 County	FY 2008 Schools	FY 2008 College	FY 2008 Total
1. Assumptions				
Discount Rate	7.875%	7.875%	7.875%	7.875%
Trend Rates	9.875%/7.0%	9.875%/7.0%	9.875%/7.0%	9.875%/7.0%
Salary Scale	3.00%	3.00%	3.00%	3.00%
Long-Term Trend	7.00%	7.00%	7.00%	7.00%
TV Load Factor	3.00%	3.00%	3.00%	3.00%
2. Amortization of Unfunded Accrued Liability				
Unfunded Accrued Liability	932,012,000	757,666,000	75,875,000	1,765,553,000
Amortization Factor	16.60185	16.60185	16.60185	16.60185
Amortization Amount (BOY)	56,139,000	45,637,000	4,570,000	106,347,000
3. Annual Required Contribution of Employer (ARC)				
	Beg. of Year	Beg. of Year	Beg. of Year	Beg. of Year
Normal Cost	22,003,000	18,542,000	2,001,000	42,546,000
Amortization of Unfunded Accrued Liability	56,139,000	45,637,000	4,570,000	106,347,000
Total ARC	78,142,000	64,179,000	6,571,000	148,893,000
4. Annual OPEB Cost (AOC)				
ARC	78,142,000	64,179,000	6,571,000	148,893,000
Less NOO	0	0	0	0
Plus Interest on NOO	0	0	0	0
Total Cost	78,142,000	64,179,000	6,571,000	148,893,000
5. Estimated Net OPEB Obligation (NOO) at End of Year				
Beginning of Year NOO	0	0	0	0
Current ARC	78,142,000	64,179,000	6,571,000	148,892,000
Expected Cash Payment to Retirees	(38,855,000)	(43,251,000)	(3,577,000)	(85,683,000)
Additional Prefunding*	(39,287,000)	(20,928,000)	(2,994,000)	(63,209,000)
Projected End of Year NOO	0	0	0	0
6. 1% Sensitivity AOC	89,722,000	76,121,000	7,734,000	173,577,000

* In addition, Baltimore County can use anticipated RDS and PDP reimbursements of approximately \$7 million as a funding source.

4. Liabilities

Liabilities

	County	Schools	College	Total
(1) Interest Rate	7.875%	7.875%	7.875%	7.875%
(2) Actuarial Accrued Liabilities				
(a) Actives	382,904,000	289,792,000	34,078,000	706,774,000
(b) Retired and TV	<u>549,108,000</u>	<u>467,874,000</u>	<u>41,797,000</u>	<u>1,058,779,000</u>
(c) Total	932,012,000	757,666,000	75,875,000	1,765,553,000
(3) Normal Cost	22,003,000	18,542,000	2,001,000	42,546,000
(4) Trend Sensitivity				
(a) Actuarial Accrued Liability	1,039,796,000	870,374,000	86,963,000	1,997,133,000
(b) Normal Cost	27,091,000	23,695,000	2,496,000	53,282,000

Plan Expense

Expense

Below is a summary of the calculation of the Plan's Expense under the current provisions as of 7/1/2007.

(1)	Interest Rate	5.20%
(2)	Amortization of Unfunded Accrued Liability	
	(a) Unfunded Accrued Liability	\$130,235,824
	(b) Amortization Factor (Rounded)	22.45
	(c) Amortization Amount	\$ 5,800,370
(3)	Annual Required Contribution of Employer (ARC)	
	(a) Normal Cost	\$ 7,148,960
	(b) Amortization of Unfunded Accrued Liability	\$ 5,800,370
	(c) Total ARC	<u>\$ 12,949,370</u>
(4)	Annual OPEB Cost (AOC)	
	(a) ARC	\$ 12,949,370
	(b) Less Amortization of NOO	\$ 0
	(c) Plus Interest on NOO	\$ 0
	(d) Total Cost	<u>\$ 12,949,370</u>
(5)	1% Sensitivity (AOC)	<u>\$ 16,264,582</u>
(6)	Net OPEB Obligation (NOO)	
	(a) Beginning of Year NOO	\$ 0
	(b) Current ARC	\$ 12,949,370
	(c) Estimated Cash Payment to Retirees	\$ *
	(d) Prefunding	\$ (3,000,000)
	(e) Estimated End of Year NOO [(a) + (b) - (c) - (d)]	<u>\$ *</u>

* To be determined based on actual expenditures from July 1, 2007 to June 30, 2008 including the implicit subsidy.

Bolton Partners, Inc.

Liabilities

Liabilities as of Valuation Date

Below is a summary of the Plan's Liabilities under the current provisions as of 7/1/2007. Item (4) shows the impact of a 1% increase in trend.

(1)	Discount Rate	5.20%
(2)	Actuarial Accrued Liability	
	(a) Actives	\$ 100,438,496
	(b) Retirees in Pay Status	<u>\$ 29,797,328</u>
	(c) Total	\$130,235,824
(3)	Normal Cost	
	(a) Normal Cost for Benefits	\$ 7,148,960
	(b) Expense Load	<u>\$ 0</u>
	(c) Total Normal Cost	<u>\$ 7,148,960</u>
(4)	Trend Sensitivity	
	(a) Actuarial Accrued Liability	\$ 160,930,938
	(b) Total Normal Cost	<u>\$ 9,097,130</u>

Charles County Government
GASB 45 – Accounting for Post-Employment
Benefits Other Than Pension for FY2008

3. Liabilities

Liabilities as of Valuation Date - Funded

Below is a summary of the Plan's Liabilities under the current provisions as of 7/1/2007. Item (4) shows the impact of a 1% increase in trend.

	Total	Sheriff's	Non-Sheriff's
(1) Discount Rate	8.00%	8.00%	8.00%
(2) Actuarial Accrued Liability			
(a) Actives	\$47,057,000	\$25,351,000	\$21,706,000
(b) Retirees in Pay Status	\$26,848,000	\$14,590,000	\$12,258,000
(c) Total	\$73,905,000	\$39,941,000	\$33,964,000
(3) Normal Cost (End of Year)			
(a) Normal Cost for Benefits	\$ 3,618,000	\$ 1,869,000	\$ 1,749,000
(b) Expense Load	\$ 0	\$ 0	\$ 0
(c) Total Normal Cost	\$ 3,618,000	\$ 1,869,000	\$ 1,749,000
(4) Trend Sensitivity			
(a) Actuarial Accrued Liability	\$87,687,000	\$48,042,000	\$39,645,000
(b) Total Normal Cost (End of Year)	\$ 4,566,000	\$ 2,392,000	\$ 2,174,000

3. Liabilities (cont.)

Liabilities as of Valuation Date - Unfunded

Below is a summary of the Plan's Liabilities under the current provisions as of 7/1/2007. Item (4) shows the impact of a 1% increase in trend.

	Total	Sheriff's	Non-Sheriff's
(1) Discount Rate	4.00%	4.00%	4.00%
(2) Actuarial Accrued Liability			
(a) Actives	\$ 113,272,000	\$65,065,000	\$48,207,000
(b) Retirees in Pay Status	\$ 46,022,000	\$26,518,000	\$19,504,000
(c) Total	\$159,294,000	\$91,583,000	\$67,711,000
(3) Normal Cost			
(a) Normal Cost for Benefits	\$ 9,640,000	\$ 5,297,000	\$ 4,343,000
(b) Expense Load	\$ 0	\$ 0	\$ 0
(c) Total Normal Cost	\$ 9,640,000	\$ 5,297,000	\$ 4,343,000
(4) Trend Sensitivity			
(a) Actuarial Accrued Liability	\$200,847,000	\$117,614,000	\$83,233,000
(b) Total Normal Cost (End of Year)	\$ 12,943,000	\$ 7,239,000	\$ 5,704,000

4. Plan Expense

Expense – Funded

Below is a summary of the calculation of the Plan's Expense under the current provisions as of 7/1/2007. Results are shown as of the end of the year.

	Total	Sheriff's	Non-Sheriff's
(1) Interest Rate	8.00%	8.00%	8.00%
(2) Amortization of Unfunded Accrued Liability			
(a) Unfunded Accrued Liability	\$ 73,905,000	\$ 39,941,000	\$ 33,964,000
(b) Amortization Factor (Rounded)	17	17	17
(c) Amortization Amount	\$ 4,362,000	\$ 2,357,000	\$ 2,005,000
(3) Annual Required Contribution of Employer (ARC)			
(a) Normal Cost	\$ 3,618,000	\$ 1,869,000	\$ 1,749,000
(b) Amortization of Unfunded Accrued Liability	\$ 4,362,000	\$ 2,357,000	\$ 2,005,000
(c) Total ARC	\$ 7,980,000	\$ 4,226,000	\$ 3,754,000
(4) Annual OPEB Cost (AOC)			
(a) ARC	\$ 7,980,000	\$ 4,226,000	\$ 3,754,000
(b) Less Amortization of NOO	\$ 0	\$ 0	\$ 0
(c) Plus Interest on NOO	\$ 0	\$ 0	\$ 0
(d) Total Cost	\$ 7,980,000	\$ 4,226,000	\$ 3,754,000
(5) 1% Sensitivity (AOC)	\$ 9,742,000	\$ 5,228,000	\$ 4,514,000
(6) Net OPEB Obligation (NOO)			
(a) Beginning of Year NOO	\$ 0	\$ 0	\$ 0
(b) Current ARC	\$ 7,980,000	\$ 4,226,000	\$ 3,754,000
(c) Expected Cash Payment to Retirees	\$ (2,010,000)	\$ (896,000)	\$ (1,114,000)
(d) Pre-funding	\$ (5,970,000)	\$ (3,330,000)	\$ (2,640,000)
(e) Projected End of Year NOO	\$ 0	\$ 0	\$ 0

Charles County Government
GASB 45 – Accounting for Post-Employment
Benefits Other Than Pension for FY2008

4. Plan Expense (cont.)

Expense – Unfunded

Below is a summary of the calculation of the Plan's Expense under the current provisions as of 7/1/2007. Results are shown as of the end of the year.

	Total	Sheriff's	Non-Sheriff's
(1) Interest Rate	4.00%	4.00%	4.00%
(2) Amortization of Unfunded Accrued Liability			
(a) Unfunded Accrued Liability	\$159,294,000	\$91,583,000	\$67,711,000
(b) Amortization Factor (Rounded)	29	29	29
(c) Amortization Amount	\$ 5,522,000	\$ 3,175,000	\$ 2,347,000
(3) Annual Required Contribution of Employer (ARC)			
(a) Normal Cost	\$ 9,640,000	\$ 5,297,000	\$ 4,343,000
(b) Amortization of Unfunded Accrued Liability	\$ 5,522,000	\$ 3,175,000	\$ 2,347,000
(c) Total ARC	\$ 15,162,000	\$ 8,472,000	\$ 6,690,000
(4) Annual OPEB Cost (AOC)			
(a) ARC	\$ 15,162,000	\$ 8,472,000	\$ 6,690,000
(b) Less Amortization of NOO	\$ 0	\$ 0	\$ 0
(c) Plus Interest on NOO	\$ 0	\$ 0	\$ 0
(d) Total Cost	\$ 15,162,000	\$ 8,472,000	\$ 6,690,000
(5) 1% Sensitivity (AOC)	\$ 19,905,000	\$ 11,317,000	\$ 8,588,000
(6) Net OPEB Obligation (NOO)			
(a) Beginning of Year NOO	\$ 0	\$ 0	\$ 0
(b) Current ARC	\$ 15,162,000	\$ 8,472,000	\$ 6,690,000
(c) Expected Cash Payment to Retirees	\$ (2,010,000)	\$ (896,000)	\$ (1,114,000)
(d) Projected End of Year NOO	\$ 13,152,000	\$ 7,576,000	\$ 5,576,000

Executive Summary

	July 1, 2007
Actuarial Accrued Liability (AAL)	
Actives at Full Attribution Age	357,509
Actives not yet at Full Attribution Age	13,418,834
Retirees and Dependents	<u>5,526,021</u>
Total	\$ 19,302,364
Annual Required Contribution (ARC)	\$ 1,732,488
Assumed Contributions (based on "Pay As You Go" Funding)	\$ 450,403
Estimated Net OPEB Obligation (NOO) at June 30, 2008¹	\$ 1,282,085
Participant Information	
Actives at Full Attribution Age	4
Actives not yet at Full Attribution Age	290
Retirees	57
Dependents	<u>27</u>
Total	378

This report provides the Actuarial Accrued Liability (AAL) and the Annual Required Contribution (ARC) that will be required under Statement of Government Accounting Standards No. 45 as described in Section 8 of this report. The calculations are as of July 1, 2007.

Dorchester County Government is required to implement the provisions of GASB Statement No. 45 for the fiscal year beginning July 1, 2008. This should be confirmed with your auditors.

¹ Assumes implementation for the fiscal year beginning July 1, 2007.

Section 1 – Annual Required Contribution for 2008

The following table summarizes the development of the Annual Required Contribution for 2008 assuming Dorchester County Government funds the obligation using a "pay as you go" approach.

Annual Required Contribution Under GASB No. 45	
Investment Return Assumption: Discount Rate	4.50%
(1) Normal Cost (cost of fiscal year benefit accruals)	\$ 1,014,471
(2) Actuarial Accrued Liability (AAL)	19,302,364
(3) Actuarial Value of Assets	<u>0</u>
(4) Unfunded Actuarial Accrued Liability (UAAL): (2) - (3)	19,302,364
(5) 30-Year Amortization of the UAAL ¹	643,412
(6) Interest Adjustment	74,605
(7) Annual Required Contribution (ARC): (1) + (5) + (6)	\$ 1,732,488

¹ Maximum acceptable amortization period. Other methods for amortizing can be selected.

6. Liabilities

Liabilities as of Valuation Date

Below is a summary of the Plan's Liabilities under the current provisions as of 7/1/2007. Item (5) shows the impact of a 1% increase in trend.

	Funded	Unfunded
(1) Discount Rate	7.75%	4.00%
(2) Actuarial Accrued Liability		
(a) Actives	\$ 94,994,000	\$208,670,000
(b) Retirees in Pay Status	\$ 53,975,000	\$ 83,608,000
(c) Total	\$ 148,969,000	\$292,278,000
(3) Normal Cost		
(a) Normal Cost for Benefits	\$ 4,479,000	\$ 11,994,000
(b) Expense Load	\$ 0	\$ 0
(c) Total Normal Cost	\$ 4,479,000	\$ 11,994,000
(4) Trend Sensitivity		
(a) Actuarial Accrued Liability	\$ 175,421,000	\$364,145,000
(b) Total Normal Cost	\$ 5,733,000	\$ 16,204,000

Montgomery County

7. Plan Expense

Expense

Below is a summary of the calculation of the Plan's Expense under the current provisions for the year ending June 30, 2008. The ARC is presented as of the end of the year. If the county elects to fund the liability and contribute the pre-funded amount to a qualified trust at an earlier date, an offsetting interest adjustment to the amortization payment will reduce the Plan's Expense.

	Funded	Not Funded
(1) Interest Rate	7.75%	4.00%
(2) Amortization of Unfunded Accrued Liability		
(a) Unfunded Accrued Liability	\$148,969,000	\$292,278,000
(b) Amortization Factor (Rounded)	18	28
(c) Amortization Amount	\$ 9,032,000	\$ 10,857,000
(3) Annual Required Contribution of Employer (ARC)		
(a) Normal Cost	\$ 4,826,000	\$ 12,474,000
(b) Amortization of Unfunded Accrued Liability	\$ 9,032,000	\$ 10,857,000
(c) Total ARC (End of the Year) ¹	\$ 13,858,000	\$ 23,331,000
(4) Annual OPEB Cost (AOC)		
(a) ARC	\$ 13,858,000	\$ 23,331,000
(b) Less Amortization of NOO	\$ 0	\$ 0
(c) Plus Interest on NOO	\$ 0	\$ 0
(d) Total Cost	\$ 13,858,000	\$ 23,331,000
(5) 1% Sensitivity (AOC)	\$ 16,813,000	\$ 30,378,000
(6) Net OPEB Obligation (NOO)		
(a) Beginning of Year NOO	\$ 0	\$ 0
(b) Current ARC	\$ 13,858,000	\$ 23,331,000
(c) Expected Cash Payment to Retirees ²	\$ (3,881,000)	\$ (3,881,000)
(d) Prefunding	\$ (9,977,000)	\$ N/A
(e) Projected End of Year NOO	\$ 0	\$ 19,450,000

¹ If 100 Percent of Covered Employees Elect Coverage, the funded ARC is \$14,890,000 and the unfunded ARC is \$26,362,000.

² Hidden Subsidy is approximately \$620,000 of expected payments.



Garrett County Entities
Summary of GASB-45 Valuations
All Garrett County Entities

1. Present Value of Benefits	\$43,698,000	\$38,766,000	\$61,184,000	\$55,086,000
2. Accrued Liability (AL)	31,576,000	27,868,000	40,987,000	36,695,000
3. Normal Cost	1,205,000	1,038,000	1,707,000	1,500,000
4. 30-Year Amortization of AL	<u>1,646,000</u>	<u>1,452,000</u>	<u>2,107,000</u>	<u>1,895,000</u>
5. Total Annual Required Contribution (ARC)	\$2,851,000	\$2,490,000	\$3,814,000	\$3,395,000
6. Pay-as-You-Go Contribution* Part-D	1,524,000 135,000	1,524,000 135,000	1,524,000 135,000	1,524,000 135,000
7. Net First Year Accrual CBIZ's Recommended Additional Funding Level Above Actual Net Costs for Retiree**	1,192,000	831,000	2,155,000	1,736,000
8. Cost per Employee	1,200	850	2,175	1,750
9. Key Assumptions				
Discount Rate	7.00%	7.00%	4.50%	4.50%
Trend	12% - 5%	8% - 5%	12% - 5%	8% - 5%
Amortization	Level Pay	Level Pay	Level Pay	Level Pay
Utilization	Moderate High	Moderate High	Moderate High	Moderate High

3/28/2008

2. Plan Expense

Expense

Below is a summary of the calculation of the Plan's Expense under the current provisions as of July 1, 2007. This is the year in which Harford County is required to apply the provisions of GASB45. These amounts are calculated as of the end of the year.

	Funded 07/01/2007	Not Funded 07/01/2007
(1) Interest Rate	8.0%	4.0%
(2) Amortization of Unfunded Accrued Liability		
(a) Unfunded Accrued Liability	\$126,613,000	\$264,193,000
(b) Amortization Factor (Rounded)	16	27
(c) Amortization Amount	\$7,902,000	\$9,813,000
Annual Required Contribution of Employer (ARC) – As of Beginning of Fiscal Year		
(d) Normal Cost	\$6,296,000	\$16,007,000
(e) Amortization of Unfunded Accrued Liability	\$7,902,000	\$9,813,000
(f) Total ARC	\$14,198,000	\$25,820,000
(3) Annual OPEB Cost (AOC)		
(a) ARC	\$14,198,000	\$25,820,000
(b) Less NOO	\$0	\$0
(c) Plus Interest on NOO	\$0	\$0
(d) Total Cost	\$14,198,000	\$25,820,000
(4) 1% Sensitivity (AOC)	\$17,162,000	\$33,364,000
(5) Net OPEB Obligation (NOO)		
(a) Beginning of Year NOO	\$0	\$0
(b) Current ARC	\$14,198,000	\$25,820,000
(c) Expected Cash Payment	\$14,198,000	\$3,288,000
(d) Projected End of Year NOO (a + b – c)	\$0	\$22,532,000

3. Liabilities

Liabilities as of Valuation Date

Below is a summary of the Plan's Liabilities under the current provisions as of 7/1/2007.
Item (4) shows the impact of a 1% increase in trend.

		Funded 07/01/2007	Not Funded 07/01/2007
(1)	Discount Rate	8.0%	4.00%
(2)	Actuarial Accrued Liability		
	(a) Actives	\$89,369,000	\$205,273,000
	(b) Retirees in Pay Status	<u>\$37,244,000</u>	<u>\$58,920,000</u>
	(c) Total	\$126,613,000	\$264,193,000
(3)	Normal Cost (End of Year)		
	(a) Normal Cost for Benefits	\$6,296,000	\$16,007,000
	(b) Expense Load	<u>\$0</u>	<u>\$0</u>
	(c) Total Normal Cost	<u>\$6,296,000</u>	<u>\$16,007,000</u>
(4)	Trend Sensitivity		
	(a) Actuarial Accrued Liability	\$149,209,000	\$328,848,000
	(b) Total Normal Cost (End of Year)	<u>\$7,851,000</u>	<u>\$21,149,000</u>

ARC (annual costs) of the OPEB benefits for each Howard County entity under the assumption that the County intends to fund the liability.

Funded OPEB Liability and ARC FY 2008 (\$ Millions)					
	County	Schools	College	Library	Total
Employees*	1,766	5,667	357	130	7,920
Retirees*	433	1,169	24	26	1,652
Liability	\$143.0	\$320.0	\$8.0	\$5.6	\$476.6
Normal Cost	\$6.2	\$16.5	\$0.5	\$0.3	\$23.5
ARC	\$15.1	\$36.5	\$1.0	\$0.6	\$53.2
Pay-as-you-go	\$4.0	\$8.3	\$0.2	\$0.2	\$12.7

* With health coverage

If the County decides not to fund the liability and to continue on a pay-as-you-go basis, the total liability will increase to \$897.3 million and the ARC will increase to \$91.5.

To put these numbers in perspective, the County's outstanding long-term debt (principal) is \$660.5 million as of December 31, 2006. At \$897.3 million the non-funded OPEB liability exceeds all other County long term debt.

Credit Rating Agencies – To fund or not to fund

All three major credit rating agencies have stated that they do not anticipate that unfunded OPEB liabilities will result in near-term adjustments to credit ratings. They recognize that the magnitude of the problem and the uncertainty and volatility in the numbers will require time to address. The rating agencies statements make it clear that they expect management to deal with the issue but do not provide specific guidance.

On June 22, 2005, FitchRatings stated "Failure to make actuarially determined OPEB plan contributions . . . are a deferral of financial responsibility. Therefore, over time, a lack of substantive progress in funding and managing OPEB liabilities or a failure to develop a realistic plan to meet annual OPEB contributions could adversely affect an issuer's credit rating."

Standard & Poor's stated "The differences between financing these benefits under the old pay-as-you-go method and the new advance funding method will be significant. As OPEB obligations take on greater urgency, management must respond with thoughtful, long-term solutions."



Executive Summary (continued)

The following tables summarize the valuation results. These results have been calculated based upon assumptions as to current claim cost, projected increases in health care costs, morbidity, turnover, and interest discount.

This table identifies the value of benefits at July 1, 2007 and costs for the 2007/08 Fiscal Year reflecting the Unfunded Liability (UAAL) amortized as a level percentage of pay:

RESULTS AS OF JULY 1, 2007 (\$000s omitted)			
Funding Approach	Full Pre-Funding	No Pre-Funding	Phased-In Funding – 5 Years
Discount Rate	8.00%	4.00%	8.00%
	\$	\$	\$
Present Value of all Projected Benefits (PVPB)	1,461,757	3,188,086	1,461,757
Actuarial Accrued Liability (AAL)	1,086,143	2,080,618	1,086,143
AAL as a Percent of PVPB (AAL / PVPB)	74.3%	65.3%	74.3%
Annual Required Contribution (ARC)			
- Administrative Expenses	150	150	150
- Amortization of Unfunded AAL	59,776	66,806	59,776
- Normal Cost (End-of-Year)	43,475	106,493	43,475
- Total	103,401	173,449	103,401
2007/08 Expected Benefit Payments *	25,390	25,390	25,390
2007/08 Implicit Subsidy	5,500	5,500	5,500
2007/08 Expected Additional Contributions	72,511	0	13,941 ⁺
2007/08 Expected Net OPEB Obligation (NOO)	0	142,559	58,570
* Expected pay-as-you-go benefit payments for 2007/08, provided by the County.			
+ Does not include \$79,000 of additional contributions attributable to participating agencies that opted not to offer other post-employment benefits to current and future retirees.			



Executive Summary (continued)

This table identifies the value of benefits projected to July 1, 2008 (the 2008/09 Fiscal Year) and the expected costs for the 2008/09 Fiscal Year reflecting the Unfunded Liability (UAAL) amortized as a level percentage of pay:

PROJECTED RESULTS AS OF JULY 1, 2008 (\$000s omitted)	
Funding Approach	Phased-In Funding – 5 Years
Discount Rate	8.00%
	\$
Present Value of all Projected Benefits (PVPB)	1,537,938
Actuarial Accrued Liability (AAL)	1,175,749
AAL as a Percent of PVPB (AAL / PVPB)	76.4%
Annual Required Contribution (ARC)	
- Administrative Expenses	150
- Amortization of Unfunded AAL	63,941
- Normal Cost (End-of-Year)	<u>47,586</u>
- Total	111,677
Adjustment to ARC	<u>1,462</u>
Annual OPEB Cost (AOC)	113,139
2008/09 Expected Benefit Payments	27,929
2008/09 Implicit Subsidy	7,400
2008/09 Medicare Part D Subsidy	1,589
2008/09 Expected Additional Contributions	29,917*
2008/09 Expected Net OPEB Obligation (NOO)	104,874
* Additional contributions were calculated based on the ARC. Additional contributions are equal to 5.0% of current payroll.	

The balance of this report provides greater detail for the above results. See the GASB OPEB Summary Section for more details.



PRINCE GEORGE'S COUNTY GOVERNMENTAL AGENCIES
POST-EMPLOYMENT BENEFIT PLANS
ACTUARIAL VALUATION

Executive Summary

Prince George's County Governmental Agencies provide healthcare, prescription drug, dental, vision and life insurance benefits to retirees and their dependents. The County pays a portion of the cost for retirees, disabled retirees, spouses and dependants. All full time active employees who retire or are disabled directly from the County and meet the eligibility criteria can participate.

The following table summarizes the valuation results. These results have been calculated based upon assumptions as to current claims cost, projected increases in health care costs, morbidity, turnover, and interest discount.

Information on plan provisions and participation was provided by the County. The County also provided us with information related to assumptions from the actuarial valuations of eligible employees' pension plans.

This summary identifies the value of benefits at June 30, 2007 and costs for the 2007/08 fiscal year if the County Government and Agencies adopt a funding strategy which phases fully funding the Annual Required Contribution over a five year period:

5-Year Phase-In	June 30, 2007				
	County Non Public Safety	County Public Safety	Library	Housing Authority	Total
Present Value of all Projected Benefits (PVPB)	\$250,278,017	\$573,221,516	\$19,945,303	\$5,926,763	\$849,371,599
Present Value of benefits earned to date (AAL)	214,585,140	471,275,721	17,247,848	5,062,645	708,171,354
2007/08 Annual Required Contribution (ARC)	18,572,967	42,496,062	1,543,776	464,546	63,077,351
2007/08 Annual OPEB Cost (AOC)	18,572,967	42,496,062	1,543,776	464,546	63,077,351
2007/08 Expected Benefit Payments	8,489,050	14,474,290	769,186	101,832	23,834,358
Expected Contribution Including Benefit Payments	10,505,834	20,078,644	924,104	174,375	31,682,957



PRINCE GEORGE'S COUNTY GOVERNMENTAL AGENCIES
POST-EMPLOYMENT BENEFIT PLANS
ACTUARIAL VALUATION

Executive Summary

This summary identifies the value of benefits at June 30, 2007 and costs for the 2007/08 fiscal year if the County Government and Agencies adopt a funding strategy which phases fully funding the Annual Required Contribution over a ten year period:

10-Year Phase-In	June 30, 2007				
	County Non Public Safety	County Public Safety	Library	Housing Authority	Total
Present Value of all Projected Benefits (PVPB)	\$269,822,388	\$627,038,751	\$21,339,111	\$6,408,326	\$924,608,576
Present Value of benefits earned to date (AAL)	229,397,154	509,198,938	18,300,729	5,438,418	762,335,239
2007/08 Annual Required Contribution (ARC)	19,237,106	44,847,672	1,589,780	483,682	66,158,240
2007/08 Annual OPEB Cost (AOC)	19,237,106	44,847,672	1,589,780	483,682	66,158,240
2007/08 Expected Benefit Payments	8,489,050	14,474,290	769,186	101,832	23,834,358
Expected Contribution Including Benefit Payments	9,563,856	17,511,628	851,245	140,017	28,066,746

The balance of this report provides greater detail for the above results.

Please note that if no additional funding occurs other than the actual benefit payments to the eligible group (pay-as-you-go), the ARC and AOC for the 2007/08 fiscal year would be \$95,907,117

Table 1.1 shows the valuation results and Table 1.2 shows the derivation of the Annual Required Contribution.

Table 1.1 Postretirement Medical Benefit Valuation Results for City of Baltimore Liabilities Discounted at 6.70% (Amounts in \$millions)	
Assumptions	July 1, 2007
Healthcare cost trend rates	
• 2008 Medical benefit trend rate	6%
• 2008 Pharmacy benefit trend rate	8%
• Ultimate rate	5%
Valuation Results	
1. Present Value of Future Benefits	\$2,771.8
2. Actuarial Accrued Liability	2,149.8
3. Assets	0.0
4. Unfunded Actuarial Accrued Liability (actuarial accrued liability less assets)	2,149.8
5. Normal Cost	59.2

Annual Required Contribution

The Annual Required Contribution (ARC) is the sum of four parts:

- (i) the Normal Cost,
- (ii) the Amortization payment on the Unfunded Actuarial Accrued Liability,
- (iii) interest on the unfunded ARC (or overfunded ARC), and
- (iv) an adjustment to the ARC to prevent double accrual of principal payments on the unfunded actuarial accrued liability.

For an organization that fully funds the ARC each year, the ARC is simply the sum of (i) and (ii).

The City has decided to amortize the unfunded actuarial accrued liability over 30 years.

Table 1.2 Postretirement Medical Benefit Valuation Results Annual Required Contribution Liabilities Discounted at 6.70% (Amounts in \$millions)	
Annual Required Contribution (ARC)	FY 2008
1 Normal Cost	\$59.2
2 Amortization Cost	105.4
3 Interest on unfunded (overfunded) ARC	0.0
4 ARC adjustment	0.0
5 Total Annual Required Contribution	164.6

6. Liabilities

Liabilities as of Valuation Date

Below is a summary of the Plan's Liabilities under the current provisions as of 7/1/2007.
Item (4) shows the impact of a 1% increase in trend.

	Funded	Unfunded
(1) Discount Rate	7.75%	4.00%
(2) Actuarial Accrued Liability		
(a) Actives	\$ 27,183,000	\$ 65,384,000
(b) Retirees in Pay Status	\$ 32,952,000	\$ 56,461,000
(c) Total	\$ 60,135,000	\$121,845,000
(3) Normal Cost		
(a) Normal Cost for Benefits	\$ 1,577,000	\$ 4,510,000
(b) Expense Load	\$ 0	\$ 0
(c) Total Normal Cost	\$ 1,577,000	\$ 4,510,000
(4) Trend Sensitivity		
(a) Actuarial Accrued Liability	\$ 71,365,000	\$152,925,000
(b) Total Normal Cost	\$ 2,072,000	\$ 6,239,000

7. Plan Expense

Expense

Below is a summary of the calculation of the Plan's Expense under the current provisions for the year ending June 30, 2008. This is the year in which St. Mary's County is required to apply the provisions of GASB45. The ARC is presented as of the end of the year. If the county elects to fund the liability and contribute the pre-funded amount to a qualified trust at an earlier date, an offsetting interest adjustment to the amortization payment will reduce the Plan's Expense.

	Funded	Not Funded
(1) Interest Rate	7.75%	4.00%
(2) Amortization of Unfunded Accrued Liability		
(a) Liabilities	\$ 60,135,000	\$121,845,000
(b) Assets	\$ 10,000,000	\$ 10,000,000
(c) Unfunded Accrued Liability	\$ 50,135,000	\$111,845,000
(d) 30 Year Amortization Factor (Rounded)	16	27
(e) Amortization Amount	\$ 3,040,000	\$ 4,155,000
(3) Annual Required Contribution of Employer (ARC)		
(a) Normal Cost	\$ 1,577,000	\$ 4,510,000
(b) Amortization of Unfunded Accrued Liability	\$ 3,040,000	\$ 4,154,000
(c) Total ARC	\$ 4,617,000	\$ 8,664,000
(4) Annual OPEB Cost (AOC)		
(a) ARC	\$ 4,617,000	\$ 8,664,000
(b) Less Amortization of NOO	\$ 0	\$ 0
(c) Plus Interest on NOO	\$ 0	\$ 0
(d) Total Cost	\$ 4,617,000	\$ 8,664,000
(5) 1% Sensitivity (AOC)	\$ 5,792,000	\$ 11,548,000
(6) Net OPEB Obligation (NOO)		
(a) Beginning of Year NOO	\$ 0	\$ 0
(b) Current ARC	\$ 4,617,000	\$ 8,664,000
(c) Expected Cash Payment to Retirees ¹	\$ (1,862,000)	\$ (1,862,000)
(d) Prefunding	\$ (2,755,000)	\$ 0
(e) Projected End of Year NOO (asset)	\$ 0	\$ 6,802,000

¹ Includes \$377,000 of implicit subsidy.

Appendix B – List of MPIA Request Recipients

County	Recipient	Fulfilled By
Anne Arundel	Director of Communications Arundel Center Box 2700 Annapolis, MD 21404	Lori L. Blair Senior Assistant County Attorney lblair@aacounty.org
Baltimore City	Edward J. Gallagher, Director of Finance Department of Finance 454 City Hall Baltimore, MD 21202	Helene Grady Deputy Director Department of Finance 410-396-4676
Baltimore	Keith Dorsey, Director Office of Budget and Finance 400 Washington Ave., Room 100, Mailstop 2109 Towson, MD 21204	Same
Carroll	Robert Sandlass, Jr., Bureau Chief Bureau of Budget 225 North Center St. Westminster, MD 21157	Kimberly A. Millender County Attorney 410-386-2030
Charles	Deborah Hudson Director of Fiscal and Administrative Services Department of Fiscal Services P.O. Box 2150 La Plata, MD 20646	Same
Frederick	John R. Kroll, Director Finance Division Winchester Hall 12 E Church St. Frederick, MD 21701	Heidi Keeney Office Manager 301-600-1117
Harford	Lorraine Costello, Director Office of the Director of Administration 220 South Main St. Bel Air, MD 21014	Sharon Neil Administrative Specialist 410-638-3315 srneil@harfordcountymd.gov

Howard	Kevin Enright, Director Office of Public Information Carroll Building 3450 Court House Dr. Ellicott City, MD 21043	Sharon F. Greisz, CPA Director of Finance Howard County Government sgreisz@howardcountymd.gov
Montgomery	Director of the Department of Finance Department of Finance 101 Monroe St. Rockville, MD 20850	Karen Q. Hawkins, CPA Chief Operating Officer Department of Finance 240-777-8828
Prince George's	J. Michael Dougherty, Jr., Director Office of Finance 14741 Governor Oden Bowie Dr. Upper Marlboro, MD 20772	Charles M. Curtis 310-952-3879 cmcurtis@co.pg.md.us
St. Mary's	Karen Everett, Public Information Officer Public Information Office P.O. Box 653 Governmental Center 23115 Leonard Hall Dr. Leonardtown, MD 20650	Same