

Key Benefit Concepts, LLC

School District of Amery



Accounting Report of Liabilities for Participants'
Other Post Employment Benefits (OPEB)

Valuation as of June 30, 2018
Liabilities measured as of June 30, 2019

July 2019



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Table of Contents

Background and Certification	Page 2
Introduction	Page 3
District OPEBs	Page 3
Sick Leave Benefit	Page 4
Health Reimbursement Arrangement (HRA) for Deductible Reimbursement	Page 5
Actively-Funded Benefit	Page 5
Actuarial Determined Contribution (ADC)	Page 5
District OPEB Liability	Page 5
Deferred Inflow and Outflow of Resources	Page 6
Discussion of Valuation Methods and Assumptions	Page 6
Pay-As-You-Go (Table VIII)	Page 7
OPEB Tables	
OPEB Technical Appendix	

Background and Certification

The Government Accounting Standards Board (GASB) considers other post-employment benefits, like pension benefits, as part of the compensation employees earn each year although they are not received until after employment ends. GASB has finalized Statement No. 74 (Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans) and Statement No. 75 (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions). These Statements establish standards for the measurement, recognition, and display of Other Post-Employment Benefits (OPEB) expense/expenditures. The District's post-employment benefits require compliance with the new GASB Statements for the fiscal year beginning 7/1/16; therefore, this valuation was performed and this report reflects compliance with these new statements.

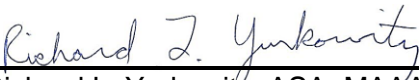
Key Benefit Concepts, LLC (KBC) is an independent actuarial and employee benefits consulting firm providing actuarial services to clients who sponsor qualified retirement and other post-employment benefits. We maintain no relationships with any client that might impair the objectivity of our work. This valuation and report were prepared by KBC based upon:

- Our understanding of GASB's current Statements
- The Summary of Benefits and Eligibility determined by the bargaining and other District agreements, as outlined herein
- The accuracy and completeness of information and data provided by the District.

The calculations of cost and liabilities illustrated were determined according to generally accepted actuarial principles and standards. Specific assumptions and actuarial methodology for the study are defined within the report. Each material assumption is, in the actuaries' opinion, individually reasonable and falls within the best estimate range, taking into account past experience and reasonable future expectations, and is consistent with each other material assumption. Given that actual experience may vary from the actuarial assumptions projected, developing liabilities and costs may differ from those estimated in this report. Furthermore, in the event of any inaccuracies in the information or data provided, upon which these calculations were based, revisions may be needed.

This report was prepared solely for the purposes of providing information required by GASB for the entity's financial reporting. KBC assumes neither responsibility nor any liability for use of this report for any other purposes.

The valuation was prepared in full compliance with the American Academy of Actuaries "Code of Professional Conduct" Precept 7 regarding conflict of interest. The actuary certifying this valuation meets the qualifications of the American Academy of Actuaries required to provide the actuarial opinion detailed in this report. The actuary's opinion and certification are provided in accordance with an agreement with Key Benefit Concepts, LLC.


 Richard L. Yurkowitz, ASA, MAAA

July 16, 2019

Introduction

The actuarial present value of the other post-employment benefit (OPEB) liabilities is the value of all benefits estimated to be payable to plan members discounted at the assumed discount interest rate back to the valuation date. The actuarial present value is comprised of:

- Benefits employees have already earned, and
- Benefits expected to be earned by employees in the future.

Presented in this report are the results of our study of the post-employment benefits and the associated liabilities and costs. The study includes the following:

OPEB GASB 74/75
<ul style="list-style-type: none"> • <u>Total OPEB Liability (TOL)</u>: The portion of the actuarial present value of projected benefit payments attributed to past periods of employee service also known as the accrued benefit. • <u>Service Cost</u>: The portion of the actuarial present value of benefits allocated to the valuation year. • <u>Net OPEB Liability (NOL)</u>: The difference between the Total OPEB Liability and Plan Fiduciary Net Position. This amount may also be negative indicating the presence of a surplus of actuarial assets over TOL. • <u>OPEB Expense</u>: The expected cost of OPEB benefits attributed to the measurement period. • <u>Actuarially Determined Contribution (ADC)</u>: The employer's annual contribution comprised of the service cost plus the portion of the net OPEB liability to be amortized in the valuation year.

District OPEBs

For the School District of Amery (the "District"), the other post-employment benefit liability consists of several interdependent pieces arising from the rules of the plan. The amounts paid by the District for continued health care for all classifications that are entitled to a benefit are briefly outlined below. A full description of the eligibilities and benefits for eligible classifications can be found in the OPEB Technical Appendix.

Administrators & Teachers: At least age 56 with a minimum of 15 years of service and hired prior to July 1, 2004:

The District shall contribute \$9,000 annually (2 payments: one in January and one in July) to retirees Premium Only HRA for 8 years or until Medicare eligibility; whichever occurs first.

Note: *Those hired on or after July 1, 2004 will not be entitled to a District-provided post-employment benefit of any kind. Instead, they shall receive an HRA that is funded in each year of active service with the District.*

In an OPEB valuation, the GASB guidelines require that the OPEB to be based upon the *value* of the health care benefit. Thus, when the benefits are insured, the value above the premium cost of benefits must be determined. This applies to all classifications and arises from the value of benefits in excess of the payments made by the District during the guaranteed period. This amount is determined and incorporated in the determined liability of the medical care benefit.

In addition, since GASB guidelines require the OPEB to be based upon the *value* of the medical care benefit, when an individual self-pays 100% of the premium cost, the valuation also includes the difference between the premium cost and the value cost of the benefit. This is known as the Implicit Rate Subsidy.

Implicit Rate Subsidy exists when an employer's retirees and current employees are covered together as a group wherein the premium rate or premium equivalent rate paid by the retirees may be lower than they would be if the retirees were rated separately. The final GASB Statements declare that even if the retirees pay 100% of the premium, without a contribution from the employer, the employer is required to treat the Implicit Rate Subsidy as an other post-employment benefit (OPEB) liability.

Note that the Implicit Rate Subsidy is only applied when retirees are enrolled in the District's medical plan. It is not applied, however, when retirees participate in the District's dental and/or vision plans. Furthermore, when an individual becomes Medicare-eligible, their premium rates are adjusted, such that these adjusted rates represent the expected cost of coverage, and no Implicit Rate Subsidy is calculated.

Of the active employees eligible for a post-employment benefit and currently covered in the District's health plan, 60% are assumed to remain covered in retirement for the duration of COBRA. The implicit subsidy associated with this assumption was calculated and included in this valuation.

Sick Leave Benefit

The District will provide eligible Administrators and Teachers hired on or after July 1, 2004 with a sick leave contribution of \$1,000 in their HRA for every 50 days of accumulated sick leave. This contribution will be made only the first time the fifty-day increment is reached.

According to GASB guidelines, only the Implicit Rate Subsidy incurred from use of the converted sick leave monies towards continued medical coverage is considered and should be account for as an OPEB. The sick days themselves, whether paid out in cash or applied towards continued medical coverage are considered termination payments and should be accounted for as a compensated absence under GASB Statement 16.

The Implicit Rate Subsidy incurred on behalf of those assumed to convert and use their accumulated sick leave dollars toward continued coverage on the District's group medical plan was calculated and included in this valuation.

Health Reimbursement Arrangement (HRA) for Deductible Reimbursement

It was noted by the District that eligible retirees participating in the District's high deductible health plan also receive an HRA benefit for reimbursement of a portion of the high deductible up to \$1,200 for single and \$2,400 for family coverage. These contributions were included in this OPEB valuation and were assumed not to increase in the future.

Actively-Funded Benefit

For Administrators and Teachers hired on or after July 1, 2004, the District will make contributions into an HRA during active years of service upon completion of the employee's 10th and 15th years of employment. These funds may be used upon retirement to reimbursement premium to remain on the District's plan only for the duration of COBRA or with an outside provider.

This benefit is funded into an irrevocable account identified by individual and such contributions are made annually in the year the benefit is earned. Thus, the benefit is considered an actively funded benefit and was not included in the post-employment valuation.

Actuarial Determined Contribution (ADC)

Since this valuation is based upon a measurement period the same as the reporting period, the ADC shown in Table VII was determined in the current valuation using a 8-year amortization period and the level dollar amortization method.

An amortization schedule is provided based upon the District's Net OPEB Liability measured as of June 30, 2019 so that the District is able to direct the amortization period and method to use in future reporting period ending June 30, 2020.

Level Dollar Amortization Method – The amount to be amortized is divided into equal dollar amounts to be paid over a given number of years; part of each payment is interest and part is principal (similar to a mortgage payment on a building). Since payroll can be expected to increase as a result of inflation, level dollar payments generally represent a decreasing percentage of the payroll over time.

Level Percent Amortization Method – Amortization payments are calculated so that they increase at a constant percentage over a given number of years. The dollar amount of the payments generally will increase over time due to inflation; however, the percentage increases in these payments can be expected to remain level.

District OPEB Liability

Based upon the actuarial assumptions and projections described herein as determined by the census, benefit and premium data provided by the District, the OPEB liabilities measured as of June 30, 2019 are as follows:

Other Post Employment Liability

1	Total OPEB Liability (TOL)	\$	1,801,737
2	Fiduciary Net Position (FNP)	\$	635,705
3	Net OPEB Liability (NOL)	\$	1,166,032

Detailed calculations for the above results can be found in the OPEB Tables.

Deferred Inflow and Outflow of Resources

The Plan's benefit terms have not changed since the prior valuation, therefore no change in benefit terms was calculated.

Differences between expected and actual experience resulted in a decrease in the Total OPEB Liability. Changes of assumptions or other inputs resulted in an increase in the Total OPEB Liability due to the discount rate decreasing from 3.75% to 3.50%. The increase in deferred inflow and outflow of resources from these two sources, respectively, is to be recognized over the average of the expected remaining service lives of active and inactive plan members. The Plan has an average expected remaining service life of 8 years.

The net difference between projected and actual earnings on OPEB plan investments resulted in an actuarial loss due to earnings being less than expected. This loss is to be recognized as an outflow of resources over a 5-year period.

Amounts reported as deferred inflows and outflows will be recognized in the OPEB expense according to Table V.

Discussion of Valuation Methods and Assumptions

The valuation was based upon the data provided by the District. In performing this study, we utilized the premium rate history of the District's medical plan as well as the trends used in the prior valuation and projected a stream of expected premium rates for each year in the future based on the data as of June 30, 2018.

New GASB guidelines require that actuarial valuations of OPEB benefits use the entry-age normal actuarial method in the future. Since this OPEB valuation is based upon compliance with GASB Statement 75, this valuation was performed using the entry-age normal actuarial method for OPEB.

The valuation date is June 30, 2018 and the measurement date is June 30, 2019. This valuation is eligible for reporting periods ending June 30, 2019 and June 30, 2020, though the accompanying exhibits are only valid for the reporting period ending June 30, 2019.

Actuarial assumptions are based upon an experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012-2014. The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates.

Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was based upon the 20-year AA municipal bond rate and applied to all periods of projected benefit payments to determine the Total OPEB Liability.

A discount rate of 3.50% was used in calculating the District's OPEB liabilities (based upon all projected payments discounted at a long-term expected rate of return of 3.50%). This rate is equivalent to the Bond Buyer Go 20-year AA Bond Index published by the Federal Reserve as of the week of the measurement date.

Please note that KBC does not provide legal advice. The scope of the project is clearly defined in our proposal and does not include commentary or accountability for whether such benefits and eligibilities comply with state, federal or other required guidelines. The government entity is responsible for assuring that the benefits it provides are in compliance with all current regulations.

Pay-As-You-Go (Table VIII)

GASB requires all public entities to identify and include their post-employment liability in their financial statements. However, at this time GASB does not require any public entity to fund this liability. Since many public entities currently provide for post-employment benefits on a pay-as-you-go basis, we have included OPEB Table VIII. This table illustrates, based upon the assumptions used in this valuation, the District's annual liability for retiree medical benefits on a pay-as-you-go basis.

The projections illustrated in OPEB Table VIII are for illustrative purposes and pertain only to the OPEB liabilities incurred from those eligible active and retired employees of the District as of June 30, 2018. In other words, it is based upon a closed valuation, such that no new hires are assumed to replace those future retirees expected to receive benefits as noted. The valuation is based upon numerous assumptions as detailed in the technical appendix. Due to these assumptions, the likelihood of actual costs equaling the stated projections decreases for each year projecting further into the future.

OPEB Tables

OPEB Table I

School District of Amery
Projection of Total OPEB Liability

		Discount Rate		
		Baseline - 1%	Baseline	Baseline + 1%
Total OPEB liability	6/30/2018	\$ 1,960,903	\$ 1,893,044	\$ 1,825,928
Service cost		68,908	59,043	50,391
Interest		51,844	67,966	82,697
Benefit Payments		(220,257)	(220,257)	(220,257)
Changes of benefit terms		-	-	-
Differences between expected and actual experience		(20,973)	(19,617)	(18,170)
Changes of assumptions or other input		21,901	21,558	21,122
Total OPEB liability,	6/30/2019	\$ 1,862,326	\$ 1,801,737	\$ 1,741,711

OPEB Table II

School District of Amery
Change in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 6/30/2018	\$ 1,893,044	\$ 615,195	\$ 1,277,849
Changes for the year:			
Service Cost	59,043		59,043
Interest	67,966		67,966
Changes of benefit terms	-		-
Differences between expected and actual experience	(19,617)		(19,617)
Changes of assumptions or other input	21,558		21,558
Contributions - Employer		231,839	(231,839)
Net investment income		8,928	(8,928)
Benefit payments	(220,257)	(220,257)	-
Administrative expense		-	-
Net Changes	(91,307)	20,510	(111,817)
Balances at 6/30/2019	\$ 1,801,737	\$ 635,705	\$ 1,166,032

OPEB Table III

School District of Amery
Sensitivity of Net OPEB Liability to Changes in Discount Rate

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Total OPEB Liability	\$ 1,862,326	\$ 1,801,737	\$ 1,741,711
Fiduciary Net Position	635,705	635,705	635,705
Net OPEB Liability	6/30/2019 \$ 1,226,621	6/30/2019 \$ 1,166,032	6/30/2019 \$ 1,106,006

Sensitivity of Net OPEB Liability to Changes in Healthcare Cost Trend Rates

	1% Decrease (6.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Total OPEB Liability	\$ 1,765,455	\$ 1,801,737	\$ 1,840,916
Fiduciary Net Position	635,705	635,705	635,705
Net OPEB Liability	6/30/2019 \$ 1,129,750	6/30/2019 \$ 1,166,032	6/30/2019 \$ 1,205,211

OPEB Table IV
School District of Amery
Schedule of Changes in Net OPEB Liability and Related Ratios

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Total OPEB Liability</u>			
Service Cost	\$ 59,043	\$ 61,392	\$ 61,392
Interest	67,966	67,084	70,373
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(19,617)	-	-
Changes of assumptions or other input	21,558	(16,913)	-
Benefit payments	(220,257)	(209,022)	(242,427)
Net change in total OPEB liability	\$ (91,307)	\$ (97,459)	\$ (110,662)
Total OPEB liability - beginning	1,893,044	1,990,503	2,101,165
Total OPEB liability - ending (a)	\$ 1,801,737	\$ 1,893,044	\$ 1,990,503
<u>Fiduciary Net Position</u>			
Contributions - Employer	\$ 231,839	\$ 220,847	\$ 175,428
Net investment income	8,928	8,561	9,674
Benefit payments	(220,257)	(209,022)	(242,427)
Administrative expense	-	-	-
Net change in fiduciary net position	\$ 20,510	\$ 20,386	\$ (57,325)
Fiduciary net position - beginning	615,195	594,809	652,134
Fiduciary net position - ending (b)	\$ 635,705	\$ 615,195	\$ 594,809
<u>Net OPEB Liability</u>			
Net OPEB liability -- ending (a) - (b)	\$ 1,166,032	\$ 1,277,849	\$ 1,395,694
Fiduciary net position as a percentage of the total OPEB liability	35.28%	32.50%	29.88%
Covered payroll	\$ 7,253,891	\$ 5,900,977	\$ 5,900,977
Net OPEB liability as a percentage of covered payroll	16.07%	21.65%	23.65%

OPEB Table V

School District of Amery
Schedule of Collective Deferred Inflows and Outflows

Gain/Loss	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 17,165
Changes of assumptions or other input	18,863	13,155
Net difference between projected and actual earnings on OPEB plan investments	<u>18,965</u>	<u>-</u>
Total	<u>\$ 37,828</u>	<u>\$ 30,320</u>

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2020	\$ 3,729
2021	3,729
2022	3,728
2023	1,235
2024	(1,636)
Thereafter	(3,277)

OPEB Table VI

School District of Amery
Calculation of Collective OPEB Expense

Change in Net OPEB Liability	\$	(111,817)
(Increase)/Decrease in Deferred Outflows		(14,702)
Increase/(Decrease) in Deferred Inflows		2,131
Contributions - Employer		231,839
OPEB Expense	\$	107,451
<hr style="border: 1px solid black;"/>		
Operating Expenses		
Service Cost	\$	59,043
Contributions - Employee		-
Administrative expenses		-
Total (a)	\$	59,043
Financing Expenses		
Interest	\$	67,966
Expected return on assets		(23,287)
Total (b)	\$	44,679
Changes		
Benefit changes	\$	-
Recognition of assumption changes		816
Recognition of experience gains and losses		(2,452)
Recognition of investment gains and losses		5,365
Total (c)	\$	3,729
 OPEB Expense (a + b + c)	 \$	 107,451
 OPEB Expense as % of Payroll		 1.48%

OPEB Table VII

School District of Amery
 Schedule of Employer Contributions
 Last 10 Fiscal Years

	2019	2018	2017
Actuarially Determined Contribution (ADC)	\$ 239,680	\$ 178,077	\$ 178,077
Contributions in Relation to the ADC	231,839	220,847	175,428
Contribution Deficiency/(Excess)	\$ 7,841	\$ (42,770)	\$ 2,649
Covered-Employee Payroll	\$ 7,253,891	\$ 5,900,977	\$ 5,900,977
Contributions as a percentage of Covered-Employee Payroll	3.20%	3.74%	2.97%

Key Methods and Assumption Used to Calculate ADC

Actuarial cost method	Entry Age Normal	Entry Age Normal
Asset valuation method	Market Value	Market Value
Amortization method	8 year Level \$	17 year Level \$
Discount rate	3.50%	3.50%
Inflation	2.50%	2.50%

OPEB Table VIII

School District of Amery

The major assumptions and methods used in this valuation are as follows:

1	Valuation Date	June 30, 2018
2	Measurement Date	June 30, 2019
3	Reporting Date	June 30, 2019
4	Actuarial Cost Method	Entry Age Normal (level percent of salary)
5	Medical Care Trend	7.50% decreasing by 0.50% per year down to 6.50%, then by 0.10% per year down to 5.0%, and level thereafter
6	Discount Rate*	3.50% (based upon all years of projected payments discounted at a 3.50% long-term expected rate of return)
7	Actuarial Assumptions	Based on an experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012-14.
8	Mortality Assumptions	Wisconsin 2012 Mortality Table adjusted for future mortality improvements using the MP-2015 fully generated improvement scale (multiplied 50%)

* Implicit in this rate is an assumed rate of inflation of 2.50%

OPEB Table IX

School District of Amery
Pay As You Go
Projection of OPEB (30 Year Projection)

A	B	C	D	E	F
Fiscal Year Beginning	Retiree Plan Premiums	District Benefit Payments	District OPEB Liability (C + E)	Implicit Rate Subsidy	Cost → Value
2019	\$ 145,884	\$ 220,282	\$ 260,790	\$ 40,508	1.2777
2020	74,604	220,079	239,129	19,050	1.2553
2021	58,069	219,970	237,543	17,573	1.3026
2022	43,951	217,553	229,964	12,411	1.2824
2023	51,424	200,499	213,079	12,580	1.2446
2024	64,789	163,050	178,221	15,171	
2025	70,191	134,059	149,062	15,002	
2026	75,814	125,559	142,031	16,471	
2027	89,631	124,174	143,488	19,315	
2028	86,999	92,092	111,056	18,965	
2029	89,553	88,539	110,150	21,611	
2030	96,682	85,769	110,125	24,356	
2031	101,410	82,497	108,552	26,055	
2032	100,824	63,411	89,973	26,562	
2033	90,782	52,802	77,480	24,679	
2034	89,071	50,688	75,472	24,784	
2035	81,788	43,805	66,350	22,545	
2036	78,108	46,230	68,325	22,096	
2037	68,458	40,388	60,096	19,708	
2038	63,655	23,326	40,527	17,202	
2039	63,479	16,135	32,650	16,515	
2040	60,077	4,089	19,512	15,423	
2041	54,093	26	14,632	14,606	
2042	53,955	-	15,076	15,076	
2043	53,780	-	14,829	14,829	
2044	51,009	-	14,286	14,286	
2045	52,306	-	13,580	13,580	
2046	54,545	-	13,384	13,384	
2047	47,798	-	12,466	12,466	
2048	47,375	-	11,318	11,318	

OPEB Table X

School District of Amery
Active Employees as of June 30, 2018

Age	Years of Service								Total
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 or more	
Under 20	-	-	-	-	-	-	-	-	-
20 - 24	2	-	-	-	-	-	-	-	2
25 - 29	5	2	-	-	-	-	-	-	7
30 - 34	2	5	-	-	-	-	-	-	7
35 - 39	9	3	9	-	-	-	-	-	21
40 - 44	7	3	3	9	1	-	-	-	23
45 - 49	10	3	6	6	6	2	-	-	33
50 - 54	3	-	7	10	2	7	-	-	29
55 - 59	4	-	2	3	3	3	6	1	22
60 - 64	-	2	1	-	-	4	2	-	9
65 and over	-	-	-	-	-	-	2	1	3
Total	42	18	28	28	12	16	10	2	156

Averages:
Age: 46.6
Service: 13.5

OPEB Table XI

School District of Amery
All Members by Medical Coverage as of June 30, 2018

	Actives				Retirees			
	Single	Family	Waived	Total	Single	Family	Waived	Total
<i>Administrators</i>	3	8	2	13	-	-	-	-
<i>Teachers</i>	9	76	26	111	8	6	11	25
<i>Support Staff</i>	10	22	-	32	-	-	-	-
Totals	22	106	28	156	8	6	11	25

Note: Retirees waiving coverage are included because they are receiving HRA contributions that may be used outside of the District's plan

OPEB Table XII

School District of Amery
Members by Eligibility as of June 30, 2018

	Actives			Retirees
	Fully Eligible	Not Fully Eligible	Total Eligible	Total Eligible
<i>Administrators</i>	4	7	11	-
<i>Teachers</i>	8	77	85	25
<i>Support Staff</i>	-	-	-	-
<i>Totals</i>	12	84	96	25

Full Eligibility is met if, as of June 30, 2018 , the member has met the age and service requirements as stated in the plan provisions.

OPEB Technical Appendix

School District of Amery

Post Employment Benefit Summary

Administrators & Teachers

Hired Prior to July 1, 2004	
Eligibility	OPEB
At least age 56 with a minimum of 15 years of service with the District	<p><u>HRA Premium Only Contributions:</u> At retirement, the District shall contribute \$9,000 annually (2 payments: one in January and one in July) to retirees Premium Only HRA for 8 years or until Medicare eligibility; whichever occurs first.</p> <p>These HRA funds may be used to remain on the District medical plan <u>only for the duration of COBRA</u> or with an outside provider.</p>
<p>Note: The above HRA contributions shall be paid out as follows: \$ 4,500 payment on or before January 31st and on or before July 31st</p>	
Hired on or After July 1, 2004	
Eligibility	Actively Funded Benefit
Funded during active years of service	<p><u>HRA Contributions:</u> Employees shall receive an HRA that is funded during their active employment. A payment of \$5,000 will be paid into the HRA upon completion of the 10th year and another \$5,000 payment will be paid into the HRA upon completion of the 15th year.</p> <p><i>Note: Should an employee leave in the 11th year or before the 15th year, no additional or prorated contributions will be made into the HRA.</i></p> <p>Upon death of a retiree, the vesting requirement of 15 years of service and at least age 56 will be waived - rather the HRA will be considered vested upon death provided the employee has completed at least 10 years of service. If a deceased eligible HRA employee has not completed 10 years of service, the HRA balance will be retirement to the District. No additional contributions will be made by the District. A retiree's spouse and/or dependents may use these HRA funds to continue medical reimbursements.</p> <p><u>Sick Leave Contribution:</u> An employee shall receive \$1,000 in their HRA for every 50 days of sick leave accumulated. This contribution will be made only the first time the fifty-day increment is reached.</p> <p>Upon retirement, these HRA dollars are available to reimburse premiums to remain on the District's health plan <u>only for the duration of COBRA</u> or with an outside provider.</p>

Notes:

- The District has a high deductible health plan (\$2,700 single/ \$5,400 family) and provides active employees with HRA contributions of up to \$1,200 single/ \$2,400 family. However, retirees are not eligible for these contributions.
- Upon retirement or exhaustion of the District provided benefit, retirees may self-pay the full (100%) amount of required premiums to remain on the District's medical plan only for the duration of COBRA.

OPEB Actuarial Assumptions

1. Valuation Date	June 30, 2018
2. Measurement Date	June 30, 2019
3. Reporting Date	June 30, 2019
4. Actuarial Cost Method	<u>Entry Age Normal – Level % of Salary</u> : Under this method, the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age(s). The normal cost is equal to the valuation salary multiplied by the present value of benefits divided by the present value of future salaries, measured as of the date of hire. The accrued liability is equal to the present value of projected benefits minus the present value of future normal costs, measured as of the valuation date.
5. Interest Rate	Discount rate for valuing liabilities – 3.50% Municipal bond rate – 3.50% Implicit in these rates is a 2.50% assumed rate of inflation
6. Asset Valuation Method	Market Value
7. Average of Expected Remaining Service Lives	8 years

8. Retirement Rates	<i>Early Retirement</i>		
	<u>Age</u>	<u>Male</u>	<u>Female</u>
	55	13.0%	12.0%
	56	13.0	12.0
	57	12.0	12.0
	58	13.0	12.0
	59	14.0	13.0
	60	14.0	17.0
	61	15.0	17.0
	62	21.0	23.0
	63	21.0	23.0
	64	21.0	23.0
	65	100.0	100.0
	<i>Regular Retirement (30 or more years of service)</i>		
	<u>Age</u>	<u>Male</u>	<u>Female</u>
	57	36.0%	28.0%
	58	31.0	28.0
	59	24.0	28.0
	60	30.0	28.0
	61	28.0	28.0
	62	37.0	36.0
	63	32.0	30.0
	64	27.0	27.0
	65	100.0	100.0
	No employees are assumed to retire prior to becoming eligible for benefits		

9. Mortality Rates	<p>Mortality rates at sample ages in 2017:</p> <table border="1"> <thead> <tr> <th><u>Age</u></th> <th><u>Male</u></th> <th><u>Female</u></th> </tr> </thead> <tbody> <tr><td>20</td><td>0.000132</td><td>0.000077</td></tr> <tr><td>25</td><td>0.000159</td><td>0.000085</td></tr> <tr><td>30</td><td>0.000201</td><td>0.000117</td></tr> <tr><td>35</td><td>0.000353</td><td>0.000210</td></tr> <tr><td>40</td><td>0.000474</td><td>0.000295</td></tr> <tr><td>45</td><td>0.000624</td><td>0.000457</td></tr> <tr><td>50</td><td>0.000842</td><td>0.000679</td></tr> <tr><td>55</td><td>0.001982</td><td>0.001216</td></tr> <tr><td>60</td><td>0.002834</td><td>0.001745</td></tr> <tr><td>65</td><td>0.004315</td><td>0.002648</td></tr> <tr><td>70</td><td>0.007097</td><td>0.004478</td></tr> <tr><td>75</td><td>0.012059</td><td>0.008133</td></tr> <tr><td>80</td><td>0.022187</td><td>0.015248</td></tr> </tbody> </table> <p>Wisconsin 2012 Mortality Table adjusted for future mortality improvements using the MP-2015 fully generated improvement scale (multiplied 50%).</p>	<u>Age</u>	<u>Male</u>	<u>Female</u>	20	0.000132	0.000077	25	0.000159	0.000085	30	0.000201	0.000117	35	0.000353	0.000210	40	0.000474	0.000295	45	0.000624	0.000457	50	0.000842	0.000679	55	0.001982	0.001216	60	0.002834	0.001745	65	0.004315	0.002648	70	0.007097	0.004478	75	0.012059	0.008133	80	0.022187	0.015248																																		
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10. Separation Rates	<p>Select and ultimate termination rates at sample ages and years of service are shown below:</p> <table border="1"> <thead> <tr> <th><u>Age</u></th> <th><u>Service</u></th> <th><u>Male</u></th> <th><u>Female</u></th> </tr> </thead> <tbody> <tr><td></td><td>0</td><td>18.3%</td><td>16.0%</td></tr> <tr><td></td><td>1</td><td>11.0</td><td>10.8</td></tr> <tr><td></td><td>2</td><td>7.8</td><td>7.7</td></tr> <tr><td></td><td>3</td><td>5.9</td><td>5.8</td></tr> <tr><td></td><td>4</td><td>4.9</td><td>5.0</td></tr> <tr><td></td><td>5</td><td>3.6</td><td>4.3</td></tr> <tr><td></td><td>6</td><td>3.2</td><td>3.8</td></tr> <tr><td></td><td>7</td><td>2.6</td><td>3.4</td></tr> <tr><td></td><td>8</td><td>2.6</td><td>2.8</td></tr> <tr><td></td><td>9</td><td>2.4</td><td>2.5</td></tr> <tr><td>25</td><td>10 or More</td><td>1.3</td><td>2.2</td></tr> <tr><td>30</td><td></td><td>1.3</td><td>1.9</td></tr> <tr><td>35</td><td></td><td>1.3</td><td>1.6</td></tr> <tr><td>40</td><td></td><td>1.3</td><td>1.3</td></tr> <tr><td>45</td><td></td><td>1.3</td><td>1.1</td></tr> <tr><td>50</td><td></td><td>1.3</td><td>1.0</td></tr> <tr><td>55</td><td></td><td>1.3</td><td>1.0</td></tr> <tr><td>60</td><td></td><td>1.3</td><td>1.0</td></tr> </tbody> </table> <p>No separation rates are assumed after eligibility for retirement</p>	<u>Age</u>	<u>Service</u>	<u>Male</u>	<u>Female</u>		0	18.3%	16.0%		1	11.0	10.8		2	7.8	7.7		3	5.9	5.8		4	4.9	5.0		5	3.6	4.3		6	3.2	3.8		7	2.6	3.4		8	2.6	2.8		9	2.4	2.5	25	10 or More	1.3	2.2	30		1.3	1.9	35		1.3	1.6	40		1.3	1.3	45		1.3	1.1	50		1.3	1.0	55		1.3	1.0	60		1.3	1.0
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<p>11. Disablement Rates</p>	<p>Active participant disability rates at sample ages:</p> <table border="1"> <thead> <tr> <th><u>Age</u></th> <th><u>Male</u></th> <th><u>Female</u></th> </tr> </thead> <tbody> <tr> <td>20</td> <td>0.01%</td> <td>0.01%</td> </tr> <tr> <td>25</td> <td>0.01</td> <td>0.01</td> </tr> <tr> <td>30</td> <td>0.01</td> <td>0.01</td> </tr> <tr> <td>35</td> <td>0.01</td> <td>0.01</td> </tr> <tr> <td>40</td> <td>0.01</td> <td>0.02</td> </tr> <tr> <td>45</td> <td>0.03</td> <td>0.05</td> </tr> <tr> <td>50</td> <td>0.08</td> <td>0.10</td> </tr> <tr> <td>55</td> <td>0.16</td> <td>0.14</td> </tr> <tr> <td>60</td> <td>0.26</td> <td>0.21</td> </tr> </tbody> </table>	<u>Age</u>	<u>Male</u>	<u>Female</u>	20	0.01%	0.01%	25	0.01	0.01	30	0.01	0.01	35	0.01	0.01	40	0.01	0.02	45	0.03	0.05	50	0.08	0.10	55	0.16	0.14	60	0.26	0.21								
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<p>12. Medical Trend (Annual Increases)</p>	<table border="1"> <thead> <tr> <th><u>Year</u></th> <th><u>Medical</u></th> </tr> </thead> <tbody> <tr> <td>1</td> <td>7.5%</td> </tr> <tr> <td>2</td> <td>7.0</td> </tr> <tr> <td>3</td> <td>6.5</td> </tr> <tr> <td>4</td> <td>6.4</td> </tr> <tr> <td>5</td> <td>6.3</td> </tr> <tr> <td>6</td> <td>6.2</td> </tr> <tr> <td>7</td> <td>6.1</td> </tr> <tr> <td>8</td> <td>6.0</td> </tr> <tr> <td>9</td> <td>5.9</td> </tr> <tr> <td>10</td> <td>5.8</td> </tr> <tr> <td>11</td> <td>5.7</td> </tr> <tr> <td>12</td> <td>5.6</td> </tr> <tr> <td>13</td> <td>5.5</td> </tr> <tr> <td>14</td> <td>5.4</td> </tr> <tr> <td>15</td> <td>5.3</td> </tr> <tr> <td>16</td> <td>5.2</td> </tr> <tr> <td>17</td> <td>5.1</td> </tr> <tr> <td>18 & Over</td> <td>5.0</td> </tr> </tbody> </table>	<u>Year</u>	<u>Medical</u>	1	7.5%	2	7.0	3	6.5	4	6.4	5	6.3	6	6.2	7	6.1	8	6.0	9	5.9	10	5.8	11	5.7	12	5.6	13	5.5	14	5.4	15	5.3	16	5.2	17	5.1	18 & Over	5.0
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<p>13. Salary Merit Scale (Annual Increases)</p>	<table border="0"> <thead> <tr> <th style="text-align: center;"><u>Service</u></th> <th style="text-align: center;"><u>Increase</u></th> </tr> </thead> <tbody> <tr><td style="text-align: center;">1</td><td style="text-align: center;">5.6%</td></tr> <tr><td style="text-align: center;">2</td><td style="text-align: center;">5.6</td></tr> <tr><td style="text-align: center;">3</td><td style="text-align: center;">5.2</td></tr> <tr><td style="text-align: center;">4</td><td style="text-align: center;">4.7</td></tr> <tr><td style="text-align: center;">5</td><td style="text-align: center;">4.3</td></tr> <tr><td style="text-align: center;">10</td><td style="text-align: center;">2.6</td></tr> <tr><td style="text-align: center;">15</td><td style="text-align: center;">1.4</td></tr> <tr><td style="text-align: center;">20</td><td style="text-align: center;">0.6</td></tr> <tr><td style="text-align: center;">25</td><td style="text-align: center;">0.3</td></tr> <tr><td style="text-align: center;">30</td><td style="text-align: center;">0.2</td></tr> </tbody> </table> <p>The assumed salary inflation of 3.0% per year is added to these merit increases to get the total assumed increase in salary</p>	<u>Service</u>	<u>Increase</u>	1	5.6%	2	5.6	3	5.2	4	4.7	5	4.3	10	2.6	15	1.4	20	0.6	25	0.3	30	0.2
<u>Service</u>	<u>Increase</u>																						
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<p>14. Age Related Health Care Cost</p>	<p>2018/2019 monthly medical premium rates under the District's plan were \$736.46 and \$1,617.90 (Single and Family, respectively).</p> <p>Health care costs are assumed to increase each year of age separate from trend due to increased cost of older participants, as follows:</p> <table border="0"> <thead> <tr> <th style="text-align: center;"><u>Age</u></th> <th style="text-align: center;"><u>Rate</u></th> </tr> </thead> <tbody> <tr><td style="text-align: center;">Under 40</td><td style="text-align: center;">4.00%</td></tr> <tr><td style="text-align: center;">40-44</td><td style="text-align: center;">3.75%</td></tr> <tr><td style="text-align: center;">45-49</td><td style="text-align: center;">3.50%</td></tr> <tr><td style="text-align: center;">50-54</td><td style="text-align: center;">3.00%</td></tr> <tr><td style="text-align: center;">55-64</td><td style="text-align: center;">3.25%</td></tr> </tbody> </table>	<u>Age</u>	<u>Rate</u>	Under 40	4.00%	40-44	3.75%	45-49	3.50%	50-54	3.00%	55-64	3.25%										
<u>Age</u>	<u>Rate</u>																						
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55-64	3.25%																						
<p>15. Percent with Coverage at Retirement</p>	<p>60% of active employees eligible for a post-employment benefit and currently electing coverage.</p>																						
<p>16. Coverage Tier</p>	<p>70% of future covered retirees are assumed to cover a spouse in retirement</p>																						
<p>17. Spouses' Age</p>	<p>Males are assumed to be three years older than their spouses</p>																						