

Huntington Union Free School District

Actuarial Valuation Post Employment Benefits Other Than Pensions

as of July 1, 2010 under

Governmental Accounting Standards Board Statement No. 45 (GASB 45)

(June 30, 2011 True up report containing actual fiscal year contributions)

Prepared by: Questar III – BOCES

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SECTION I - Preparers Comment

Purpose of following report:

To further illustrate our dedication to excellent service enclosed is an example of how to use the information from our GASB 45 report. It simply uses suggestive language that can be used as a guide for your auditor in preparing the footnotes for the financial statements.

The report contains actual contributions totals that we received from your school at the year's end. These actual contributions replaced our mid-year estimates that were incorporated in the reports as estimates.

Questions regarding this report can be addressed to:

Raymond R. Cerrone, CPA
Internal Audit and GASB 45 Services
(518) 265-8246
RCerrone@Questar.org
10 Empire State Blvd, Castleton, NY 12033

Or to the school business official, David Grackin

SECTION II - Notes to Financial Statements

1. GASB 45 Disclosure Requirements:

Plan Results for GASB 45

Annual OPEB Cost and Net OPEB Obligation		
1. Normal Cost		\$ 7,505,314
2. Supplemental Cost*		10,449,315
3. Interest		355,572
4. Annual Required Contribution (ARC) [1 + 2 + 3]		\$ 18,310,201
5. Interest on Net OPEB Obligation		955,049
6. Adjustment to ARC		1,353,951
7. Annual OPEB Cost (Expense) [4 + 5 - 6]		\$ 17,911,299
8. Actual Contributions		5,392,671
9. Increase in net OPEB Obligation [7 - 8]		\$ 12,518,628
10. Net OPEB Obligation - July 1, 2010		23,876,221
11. Net OPEB Obligation - June 30, 2011 [9 + 10]		\$ <u>36,394,849</u>

Summary of Annual Results:

Huntington Union Free School District's annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending June 30, 2011 is as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$18,000,917	30.8%	\$12,450,197
June 30, 2010	\$16,511,912	30.8%	\$23,876,221
June 30, 2011	\$17,911,299	30.1%	\$36,394,849

Funded Status and Funding Progress:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrual Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b -a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of covered payroll (AAL) ((b-a)/c)</u>
7/1/2008	\$ 0	\$ 164,463,546	\$ 164,463,546	NA	\$ 55,488,404	296.39%
7/1/2009	\$ 0	\$ 165,159,018	\$ 165,159,018	NA	\$ 52,338,096	315.56%
7/1/2010	\$ 0	\$ 187,917,500	\$ 187,917,500	NA	\$ 56,630,230	331.83%

SECTION III - Comments for Auditor and the Preparer of the Financial Statements

The information supplied by the school district for the preparation of this report has not been audited. We have placed reliance on the school district with respect to completeness and accuracy of the following items:

- Descriptions of benefits provided at retirement to various classifications of employees.
- The Employee Census as of July 1, 2010. Please note, a census reconciliation was provided to the school district as part of the completion of this valuation.
- Annual premiums used to develop per capita costs.
- Covered payroll figures.
- OPEB Contributions presented in the prior period financial statement used to arrive at the beginning of the year Net OPEB Obligation.
- All assumptions used in this report have been reviewed and approved by management of the school district.

Auditor's questions regarding this valuation should be directed to:

- David Grackin of the Huntington Union Free School District; or to
- Raymond Cerrone of Questar III BOCES. Ray can be reached at 518-265-8246 or by email at Rcerrone@Questar.Org.
- Auditor requests for confirmation of any information used in preparing this valuation must be made in writing by the school district. These requests should be sent to Rcerrone@Questar.Org.

SECTION IV - Sample Footnotes for financial Statement Preparation

The school district is encouraged to consult with the financial statement auditors in determining the suitability of the notes below

POST EMPLOYMENT BENEFITS

Plan description and annual OPEB cost

The district provides medical, Medicare Part B, major medical, vision and term life insurance benefits to retired employees and their eligible dependents. The benefits provided to employees upon retirement are based on provisions in various contracts that the district has in place with different classifications of employees.

The school district implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions, in the school year ended June 30, 2009. This required the school district to calculate and record a net other post-employment benefit obligation at year end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

Currently, 653 retired employees receive health benefits from the school district.

Retirees contribute 0% to 55% for coverage depending on position held, date of hire, years of service, and fiscal year of retirement.

The school district recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2011, the school district recognized \$5,392,671 for its share of insurance premiums for currently enrolled retirees.

The school district has obtained an actuarial valuation report as of July 1, 2010 which indicates that the total liability for other post-employment benefits is \$187,917,500 (\$75,246,534 related to retirees and \$112,670,966 related to employees).

The school district's annual other post-employment benefit (OPEB) cost (expense) for its plan is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the school district annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the school district's net OPEB obligation:

		For the Year Ended June 30, 2011
Annual required contribution	\$	18,310,201
Interest on Net OPEB Obligation, beginning of period		955,049
Less ARC Adjustment		1,353,951
Annual OPEB Cost		<u>17,911,299</u>
Less Contributions made		<u>5,392,671</u>
Increase in net OPEB obligation		12,518,628
Net OPEB obligation - beginning of year		<u>23,876,221</u>
Net OPEB obligation - end of year		<u><u>36,394,849</u></u>

The school district's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$18,000,917	30.8%	\$12,450,197
June 30, 2010	\$16,511,912	30.8%	\$23,876,221
June 30, 2011	\$17,911,299	30.1%	\$36,394,849

As of July 1, 2010, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$187,917,500 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$187,917,500. The covered payroll (annual payroll of active employees covered by the plan) was \$56,630,230, and the ratio of the UAL to the covered payroll was 331.83%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In July 1, 2010 the actuarial valuation, the Projected Unit Credit cost method was used, The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 12.10% initially, decreased to 9% in the second year and then reduced by decrements to 5.00% after 4 years. The UAAL is being amortized on an open basis. The remaining amortization period at June 30, 2011 was 29 years.

SECTION V - Supplemental Schedule SS-2

Supplemental Schedule SS-2 Statement of Non-Current Governmental Liabilities Huntington Union Free School District

Type of Other Post Employment Benefit Plan	15	Medical / Dental / Vision
Annual Required Contribution(ARC)	16	18,310,201
Interest on Net OPEB Obligation	17	955,049
Adjustment to Annual Required Contribution	18	(1,353,951)
Annual OPEB Expense	19	17,911,299
Less: Actual Contribution Made	20	5,392,671
Increase in Net OPEB Obligation	21	12,518,628
Net OPEB Obligation - beginning of year	22	23,876,221
Net OPEB Obligation - end of year	23	36,394,849
Percentage of Annual OPEB Cost Contributed (Actual Contribution Made/Annual OPEB Cost)	24	30.1%
Funded Status and Funding Process		
Actuarial Accrued Liability (AAL)	25	187,917,500
Less: Actuarial Value of Plan Assets	26	0
Unfunded Actuarial Accrued Liability (UAAL)	27	187,917,500
Funded Ratio (Actuarial Value of Plan Assets/AAL)	28	NA
Annual Covered Payroll(of active employees covered by the plan)	29	56,630,230
UAAL as Percentage of Annual Covered Payroll	30	331.83%
Other OPEB Information		
Date of most recent actuarial valuation(mm/dd/yyyy)	32	July 1, 2010
Actuarial method used	33	PUC
Assumed rate of return on investments discount rate	34	4.00%
Amortization period of UAAL (in years)	35	30