

Lauterbach & Amen, LLP
668 N. River Road
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Actuarial Valuation
as of January 1, 2016



**CHAMBERS COUNTY, TEXAS
POSTRETIREMENT HEALTH
PLAN**

Interim Year Reporting
Reporting under GASB Statement 45

For the December 31, 2017 Financial Statement Reporting

LAUTERBACH & AMEN, LLP



Lauterbach & Amen, LLP

CERTIFIED PUBLIC ACCOUNTANTS

CHAMBERS COUNTY, TEXAS POSTRETIREMENT HEALTH PLAN

Actuarial Valuation Date: January 1, 2016
Utilizing Data as of December 31, 2016

Submitted by:

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January 26, 2018

LAUTERBACH & AMEN, LLP



TABLE OF CONTENTS

DISCLOSURES AND LIMITATIONS	1
MANAGEMENT SUMMARY	2
Summary of Actuarial Valuation.....	3
Notes to the Financial Statements.....	4
Notes to the Financial Statements - Continued.....	5
VALUATION PROCEDURES	6
Actuarial Methods	7
Actuarial Assumptions.....	8
GLOSSARY OF TERMS.....	9
GASB 45 Terminology.....	10
GASB 45 Terminology – Continued	11

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DISCLOSURES AND LIMITATIONS

This report documents the results of the Actuarial valuation of the Chambers County, Texas Postretirement Health Plan. Our calculations are intended to provide you with the Annual Required Contribution, Annual OPEB Cost, and Net OPEB Obligation for fiscal year ended December 31, 2017, based on the methodology for interim year reporting under GASB 45 outlined in the report. Determinations for purposes other than reporting for the financial statements may be significantly different from the results herein

The results in this report are based on a full actuary's report completed previously. An audit of the information was not performed, but high-level reviews were performed for general reasonableness, as appropriate, based on the purpose of the valuation. The accuracy of the results is dependent upon the accuracy and completeness of the underlying information. The results of the actuarial valuation and these supplemental disclosures rely on the information provided.

The valuation results summarized in this report involve actuarial calculations performed previously that require assumptions about future events. The Chambers County, Texas selected certain assumptions, while others were the result of guidance and/or judgment. We believe that the assumptions used are reasonable and appropriate for the purposes for which they have been used.

To the best of our knowledge, all calculations are in accordance with the applicable requirements, and the procedures followed and presentation of results conform to generally accepted actuarial principles and practices. There is no relationship between the Chambers County, Texas and Lauterbach & Amen, LLP that impairs our objectivity.

The information contained in this report was prepared for the use of the Chambers County, Texas in connection with our actuarial valuation. It is not intended or necessarily suitable for other purposes. It is intended to be used in its entirety to avoid misrepresentations.

Respectfully Submitted,

LAUTERBACH & AMEN, LLP

Todd A. Schroeder, EA





MANAGEMENT SUMMARY

Summary of Actuarial Valuation
Notes to the Financial Statements

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MANAGEMENT SUMMARY

SUMMARY OF ACTUARIAL VALUATION

This report details the data, assumptions, and underlying methodology used in the GASB 45 actuarial valuation as of January 1, 2016. The results assume that no significant changes have been made to the retiree medical program and a full Actuarial Valuation is not required. Please confirm with your auditors that interim year reporting is acceptable for fiscal year ended December 31, 2017 before relying on these results. If you made significant changes to the retiree medical plan, a full actuarial valuation may be required.

The following exhibit illustrates the Annual Required Contribution (“ARC”), Annual OPEB Cost, and Net OPEB Obligation.

	As of Actuarial Valuation Date 1/1/2016	
Actuarial Accrued Liability (AAL)		
TOTAL AAL	\$8,643,506	

	Fiscal Year 2016	Fiscal Year 2017
Annual Required Contribution (ARC), Annual OPEB Cost and Net OPEB Obligation		
Annual Required Contribution (ARC)	\$1,492,388	\$1,492,388
Annual OPEB Cost	\$1,377,694	\$1,368,468
Net OPEB Obligation (End of the Year)	\$6,344,036	\$7,069,367

Refer to the “GASB Terminology” section of this report for definitions of the GASB 45 terminology.

The Net OPEB Obligation (“NOO”) at the end of the year is based on expected benefit payments of \$643,137 for retiree medical coverage by the County for the period 1/1/2017 through 12/31/2017. A portion of this amount is based on the cost sharing provisions. In addition, a portion is related to the increase in active premiums due to the presence of retirees in the determination of blended retiree/active premiums. To the extent that actual payments paid through the end of the fiscal year are different, the NOO will change.

The NOO is based on the ending NOO for Fiscal Year 2016 of \$6,344,036 as disclosed in the County’s December 31, 2016 Annual Financial Report. If the starting NOO is different, the results will change.



MANAGEMENT SUMMARY

NOTES TO THE FINANCIAL STATEMENTS

	Fiscal Year 2016	Fiscal Year 2017
Annual OPEB Cost and Net OPEB Obligation		
Annual Required Contribution	\$1,492,388	\$1,492,388
Interest on Net OPEB Obligation	163,698	190,321
Adjustment to Annual Required Contribution	(278,392)	(314,241)
Annual OPEB Cost	\$1,377,694	\$1,368,468
Estimated Employer Contributions (Payments)	(490,266)	(643,137)
Change in Net OPEB Obligation	\$887,429	\$725,331
Net OPEB Obligation – Beginning of the Year	5,456,607	6,344,036
Net OPEB Obligation – End of the Year	\$6,344,036	\$7,069,367
Annual OPEB Cost	\$1,377,694	\$1,368,468
Percentage of Annual OPEB Cost Contributed	36%	47%
Net OPEB Obligation at End of the Year - (Asset)/Liability	\$6,344,036	\$7,069,367

Assumed Health Care Trend Rates		
<u>Medical Plan</u>		
Initial Health Care Cost Trend Rate		2.00%
Second Year Health Care Cost Trend Rate		7.00%
Ultimate Health Care Cost Trend Rate		5.50%
Fiscal Year the Ultimate Rate is Reached		FY 2023
<u>Life Insurance Plan</u>		
Initial Health Care Cost Trend Rate		0.00%
Ultimate Health Care Cost Trend Rate		0.00%
Fiscal Year the Ultimate Rate is Reached		FY 2016
Discount Rate		3.00%
Expected Pay Increases		0.00%

Trend information shown is for County Medical and Life Insurance Plan coverage.



MANAGEMENT SUMMARY

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Additional Information	
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar
Amortization Period (Years)	30
Method Used To Determine Actuarial Value of Assets	Not Applicable

Further details on the data, assumptions, and methods used in the baseline calculations for Fiscal Year 2017 can be found in the last full Actuary’s report dated January 1, 2016.

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VALUATION PROCEDURES

Actuarial Methods
Actuarial Assumptions

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VALUATION PROCEDURES

ACTUARIAL METHODS

Interim Year Reporting Procedures

The results in this report have been determined using interim year reporting procedures under Government Accounting Standards Board Statement 45. Interim reporting is allowable in certain fiscal years, as long as no significant changes have been made to the retiree medical benefits offered. Chambers County, Texas agrees no significant changes have occurred. **Chambers County, Texas and the auditor should confirm that a full actuarial valuation is not required for the current fiscal year prior to relying on these results.**

Interim year reporting procedures include the following methods:

ARC – The Annual Required Contribution for interim reporting purposes is the equal to the prior year Annual Required Contribution, increased at the assumed total payroll increase rate.

AOC – The Annual OPEB Cost is calculated directly as it is during any fiscal year. The ARC is increased for interest at the discount rate on the prior fiscal year Net OPEB Obligation. The ARC is also decreased for an adjustment, based on the Net OPEB Obligation already recognized as of the prior fiscal year end.

NOO – The Net OPEB Obligation is based on the prior year Net OPEB Obligation. It is increased with the current year Annual OPEB Cost. And decreased based on expected contributions from the most recent full actuary's report.

The plan provisions valued are the same as the last full actuary's report completed. Please refer to the prior report for more details.

Nature of Actuarial Calculations

The results documented in this report are estimates based on data that may be imperfect and on assumptions about future events. Certain plan provisions may be approximated or deemed immaterial, and, therefore, are not valued. Assumptions may be made about participant data or other factors. Reasonable efforts were made in this valuation to ensure that significant items in the context of the actuarial liabilities or costs are treated appropriately, and not excluded or included inappropriately.

Actual future experience will differ from the assumptions used in the calculations. As these differences arise, the expense for accounting purposes will be adjusted in future valuations to reflect such actual experience.

A range of results different from those presented in this report could be considered reasonable. The numbers are not rounded, but this is for convenience only and should not imply precision which is not inherent in actuarial calculations.



VALUATION PROCEDURES

ACTUARIAL ASSUMPTIONS

Discount Rate	3.00%		
Salary Increase Rate	0.00%		
Expected Rate of Return on Assets	Not Applicable		
Health Care Trend	<u>Period</u>	<u>Medical</u>	<u>Life Insurance</u>
(FY = Fiscal Year)	FY 16 to FY 17	2.00%	0.00%
	FY 17 to FY 18	7.00%	0.00%
	FY 18 to FY 19	7.00%	0.00%
	FY 19 to FY 20	6.50%	0.00%
	FY 20 to FY 21	6.50%	0.00%
	FY 21 to FY 22	6.00%	0.00%
	FY 22 to FY 23	6.00%	0.00%
	FY 23 to FY 24	5.50%	0.00%
	Ultimate	5.50%	0.00%
Retiree Contribution Trend	Same as Health Care Trend		

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GLOSSARY OF TERMS

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GLOSSARY OF TERMS

GASB 45 TERMINOLOGY

Actuarial Accrued Liability (“AAL”) – The AAL is the actuarial present value of future benefits based on employees’ service rendered to the measurement data using the selected actuarial cost method. It is that portion of the Actuarial Present Value of plan benefits and expenses allocated to prior years of employment. It is not provided for by future Normal Costs.

Retirees & Dependents – Former employees who have satisfied the age and service requirement and are currently receiving postretirement health care benefits

Actives Fully Eligible – Active employees who have satisfied the age and service requirement for postretirement health care benefits

Actives Not Fully Eligible – Active employees who have not yet satisfied the age and service requirement for postretirement health care benefits

Normal Cost – The Normal Cost is the present value of future benefits earned by employees during the current fiscal year. It is that portion of the Actuarial Present Value of benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

Unfunded Actuarial Accrued Liability (“UAAL”) – The excess of the AAL over the Actuarial Value of Assets. The UAAL is amortized over a period either in level dollar amounts or as a level percentage of projected payroll. For an unfunded plan, the UAAL is equal to the AAL.

$$\begin{aligned} \text{UAAL} &= \text{AAL} \\ &\quad - \text{Actuarial Value of Assets} \end{aligned}$$

The maximum amortization period for the UAAL is 30 years. The minimum amortization period for a decrease in liability as a result of a method change is 10 years.

Annual Required Contribution (“ARC”) – The ARC is the “required” cash contribution to the plan in order to keep up with benefit accruals and payments. It is an amount that would be expected to provide sufficient resources to fund both the normal cost for each year and the amortized unfunded liability if paid on an ongoing basis. If the plan were funded, the ARC would equal the employer’s periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the GASB 45 parameters. For non-funded plans, this amount is calculated and used to increase the net unfunded OPEB obligation.

$$\begin{aligned} \text{ARC} &= \text{Normal Cost} \\ &\quad + \text{Amortization of the UAAL} \\ &\quad + \text{Interest Adjustment} \end{aligned}$$



GLOSSARY OF TERMS

GASB 45 TERMINOLOGY – CONTINUED

Net OPEB Obligation (“NOO”) – The NOO is the cumulative difference between past amounts expensed and past amounts actually contributed. If expense is greater than contributions, there will a liability. Conversely, if contributions are greater than the expense, there will be an asset.

$$\begin{aligned} \text{NOO} = & \quad \text{NOO at the Beginning of the Year} \\ & + \quad \text{Annual OPEB Cost} \\ & - \quad \text{Actual Contributions} \end{aligned}$$

The Net OPEB Obligation is represented as a balance sheet liability in the Statement of Net Assets.

Annual OPEB Cost – Also referred to as the “expense” the Annual OPEB Cost is an accrual-basis measure of the periodic cost of an employer’s participation in a defined benefit OPEB plan. The Annual OPEB Cost is recorded as an expense and disclosed in the government-wide financial statement. It is the annual charge to the Income Statement.

$$\begin{aligned} \text{Annual OPEB Cost} = & \quad \text{ARC} \\ & + \quad \text{Interest on Net OPEB Obligation} \\ & - \quad \text{Adjustment to the ARC} \end{aligned}$$

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