



## ***Lake County, FL***

*Interim GASB 45 Actuarial Valuation*

*Fiscal Year Ending September 30, 2015*

***Prepared by:***

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January 14, 2016

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**Lake County, FL**  
**315 West Main Street**  
**Taveres, FL 32778**

This report summarizes the interim GASB actuarial valuation for the Lake County, FL 2014/15 fiscal year. To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statement No. 45 (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions).

The information presented herein is based on the actuarial assumptions and substantive plan provisions summarized in this report and participant information furnished to us by the Plan Sponsor. We have reviewed the employee census provided by the Plan Sponsor for reasonableness when compared to the prior information provided but have not audited the information at the source, and therefore do not accept responsibility for the accuracy or the completeness of the data on which the information is based. When relevant data may be missing, we may have made assumptions we feel are neutral or conservative to the purpose of the measurement. We are not aware of any significant issues with and have relied on the data provided.

The discount rate and other economic assumptions have been selected by the Plan Sponsor. Demographic assumptions have been selected by the Plan Sponsor with the concurrence of Nyhart. In our opinion, the actuarial assumptions are individually reasonable and in combination represent our estimate of anticipated experience of the Plan. All calculations have been made in accordance with generally accepted actuarial principles and practice.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following:

- plan experience differing from that anticipated by the economic or demographic assumptions;
- changes in economic or demographic assumptions;
- increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and
- changes in plan provisions or applicable law.

We did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement.

To our knowledge, there have been no significant events prior to the current year's measurement date or as of the date of this report that could materially affect the results contained herein.

Neither Nyhart nor any of its employees has any relationship with the plan or its sponsor that could impair or appear to impair the objectivity of this report. Our professional work is in full compliance with the American Academy of Actuaries "Code of Professional Conduct" Precept 7 regarding conflict of interest. The undersigned meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Should you have any questions please do not hesitate to contact us.



Randy Gomez, FSA, MAAA  
Consulting Actuary



Suraj Datta, ASA, MAAA  
Valuation Actuary

## Summary of Results

Presented below is the summary of GASB 45 results for the fiscal year ending September 30, 2015 projected from the prior fiscal year valuation. The results provided include the following County agencies: Board of County Commissioners, Clerk's Office, Property Appraiser, Tax Collector, and Supervisor of Elections. The Lake County Sheriff's Office is not included.

The 2013/14 and 2014/15 annual employer contribution below is based on the actual Lake County Board of County Commissioners' (BCC) employer contribution for retiree health benefits provided by the County.

	<i>As of October 1, 2013</i>		<i>As of October 1, 2014</i>	
<b>Actuarial Accrued Liability</b>	\$	6,559,116	\$	6,448,338
<b>Actuarial Value of Assets</b>	\$	0	\$	0
<b>Unfunded Actuarial Accrued Liability</b>	\$	6,559,116	\$	6,448,338
<b>Funded Ratio</b>		0.0%		0.0%

	<i>FY 2013/14</i>		<i>FY 2014/15</i>	
<b>Annual Required Contribution</b>	\$	711,529	\$	716,380
<b>Annual OPEB Cost</b>	\$	697,098	\$	692,646
<b>Annual Employer Contribution</b>	\$	229,530	\$	487,480

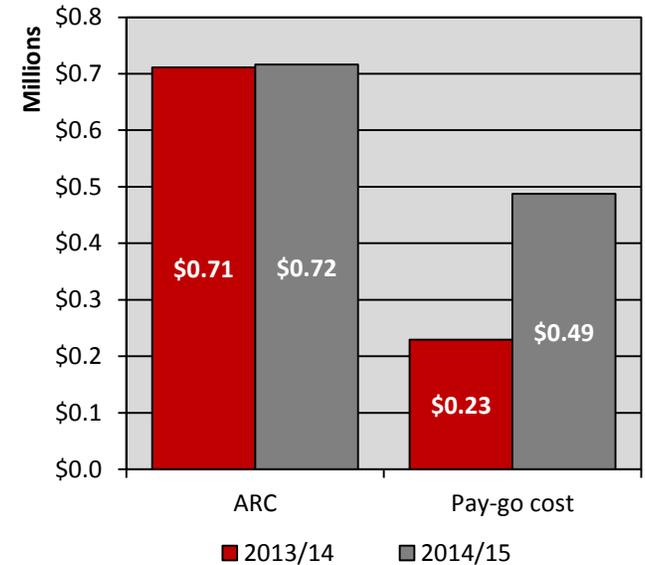
	<i>As of September 30, 2014</i>		<i>As of September 30, 2015</i>	
<b>Net OPEB Obligation</b>	\$	4,165,574	\$	4,370,740

### Development of Annual Required Contribution (ARC)

Required Supplementary Information	FY 2013/14	FY 2014/15
Actuarial Accrued Liability as of beginning of year	\$ 6,559,116	\$ 6,448,338
Actuarial Value of Assets as of beginning of year	0	0
<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>\$ 6,559,116</b>	<b>\$ 6,448,338</b>
Covered payroll <sup>1</sup>	\$ 36,161,988	\$ 37,608,468
UAAL as a % of covered payroll	18.1%	17.1%

Annual Required Contribution	FY 2013/14	FY 2014/15
Normal cost as of beginning of year	\$ 414,537	\$ 412,084
Amortization of the UAAL	270,284	277,406
Total normal cost and amortization payment	\$ 684,821	\$ 689,490
Interest to end of year	26,708	26,890
<b>Total Annual Required Contribution (ARC)</b>	<b>\$ 711,529</b>	<b>\$ 716,380</b>

### Cash vs Accrual Accounting



**Annual Required Contribution (ARC)** is the annual expense recorded in the income statement under GASB 45 accrual accounting. It replaces the cash basis method of accounting recognition with an accrual method. The GASB 45 ARC is higher than the pay-as-you-go cost because it includes recognition of employer costs expected to be paid in future accounting periods.

<sup>1</sup> FY 2014/15 covered payroll is based on the FY 2013/14 covered payroll (\$36,161,988) increased by the salary growth assumption (4.0%).

## Development of Annual OPEB Cost and Net OPEB Obligation

The 2013/14 and 2014/15 annual employer pay-go cost is based on the actual Lake County Board of County Commissioners (BCC) employer contribution for retiree health benefits provided by the County.

<b>Net OPEB Obligation</b>	<b>FY 2013/14</b>		<b>FY 2014/15</b>	
ARC as of end of year	\$	711,529	\$	716,380
Interest on Net OPEB Obligation (NOO) to end of year		144,222		162,457
NOO amortization adjustment to the ARC		(158,653)		(186,191)
Annual OPEB cost	\$	697,098	\$	692,646
Annual employer contribution for pay-go cost <sup>2</sup>		(229,530)		(487,480)
Annual employer contribution for pre-funding		0		0
Change in NOO	\$	467,568	\$	205,166
NOO as of beginning of year		3,698,006		4,165,574
<b>NOO as of end of year</b>	<b>\$</b>	<b>4,165,574</b>	<b>\$</b>	<b>4,370,740</b>

**Pay-as-you-go Cost** is the expected total employer cash cost for the coming period based on all explicit and implicit subsidies. It is also the amount recognized as expense on the Income Statement under pay-as-you-go accounting.

**Net OPEB Obligation** is the cumulative difference between the annual OPEB cost and employer contributions. This obligation will be created if cash contributions are less than the current year expense under GASB 45 accrual rules.

The net obligation is recorded as a liability on the employer's balance sheet which will reduce the net fund balance.

The value of implicit subsidies is considered as part of cash contributions for the current period. Other cash expenditures that meet certain conditions are also considered as contributions for GASB 45 purposes.

<b>Actual Pay-go Costs Breakdown for BCC</b>	<b>FY 2013/14</b>		<b>FY 2014/15</b>	
Actual Claims Paid	\$	317,087	\$	487,041
Adjustment to Incurred (Retired Claims IBNR)		7,547		12,754
Stop Loss Premiums		7,610		8,636
Administration Expenses		14,968		18,134
Stop Loss Reimbursements		0		0
Premiums Paid by Retirees		(200,032)		(235,280)
<b>Total Actual Pay-Go Costs</b>	<b>\$</b>	<b>147,180</b>	<b>\$</b>	<b>291,285</b>

<sup>2</sup> The annual employer contribution for pay-go costs for FY 2014/15 is estimated based on actual BCC pay-go costs (\$291,285) and actuarially determined contributions for non-BCC reporting groups.

## Summary of GASB 45 Financial Results

Presented below is the summary of GASB 45 results for the fiscal year ending September 30, 2015 and prior fiscal years.

### Schedule of Funding Progress

<i>As of</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Actuarial Value of Assets (AVA)</i>	<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>UAAL as % of Covered Payroll</i>
	<i>A</i>	<i>B</i>	<i>C = A - B</i>	<i>D = B / A</i>	<i>E</i>	<i>F = C / E</i>
October 1, 2014	\$ 6,448,338	\$ -	\$ 6,448,338	0.0%	\$ 37,608,468	17.1%
October 1, 2013	\$ 6,559,116	\$ -	\$ 6,559,116	0.0%	\$ 36,161,988	18.1%
October 1, 2012	\$ 6,248,998	\$ -	\$ 6,248,998	0.0%	\$ 35,485,193	17.6%

### Schedule of Employer Contributions

<i>FYE</i>	<i>Employer Contributions</i>	<i>Annual Required Contribution (ARC)</i>	<i>% of ARC Contributed</i>
	<i>A</i>	<i>B</i>	<i>C = A / B</i>
September 30, 2015	\$ 487,480	\$ 716,380	68.0%
September 30, 2014	\$ 229,530	\$ 711,529	32.3%
September 30, 2013	\$ 49,713	\$ 839,103	5.9%

### Historical Annual OPEB Cost

<i>As of</i>	<i>Annual OPEB Cost</i>	<i>% of Annual OPEB Cost Contributed</i>	<i>Net OPEB Obligation</i>
September 30, 2015	\$ 692,646	70.4%	\$ 4,370,740
September 30, 2014	\$ 697,098	32.9%	\$ 4,165,574
September 30, 2013	\$ 832,900	6.0%	\$ 3,698,006

## GASB Results by Group for FYE September 30, 2015

Required Supplementary Information	BCC		Clerk		Supervisor of Elections		Tax Collector <sup>3</sup>		Property Appraiser	
Actuarial Accrued Liability as of beginning of year	\$	4,408,075	\$	1,099,155	\$	33,709	\$	688,232	\$	219,167
Actuarial Value of Assets as of beginning of year		0		0		0		0		0
<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>\$</b>	<b>4,408,075</b>	<b>\$</b>	<b>1,099,155</b>	<b>\$</b>	<b>33,709</b>	<b>\$</b>	<b>688,232</b>	<b>\$</b>	<b>219,167</b>

Annual Required Contribution	BCC		Clerk		Supervisor of Elections		Tax Collector		Property Appraiser	
Normal cost as of beginning of year	\$	291,308	\$	62,617	\$	4,665	\$	37,174	\$	16,320
Amortization of the UAAL		189,634		47,285		1,450		29,608		9,429
Total normal cost and amortization payment	\$	480,942	\$	109,902	\$	6,115	\$	66,782	\$	25,749
Interest to end of year		18,758		4,286		238		2,604		1,004
<b>Total Annual Required Contribution (ARC)</b>	<b>\$</b>	<b>499,700</b>	<b>\$</b>	<b>114,188</b>	<b>\$</b>	<b>6,353</b>	<b>\$</b>	<b>69,386</b>	<b>\$</b>	<b>26,753</b>

Net OPEB Obligation	BCC		Clerk		Supervisor of Elections		Tax Collector		Property Appraiser	
ARC as of end of year	\$	499,700	\$	114,188	\$	6,353	\$	69,386	\$	26,753
Interest on Net OPEB Obligation (NOO) to end of year		115,851		26,548		2,802		11,313		5,943
NOO amortization adjustment to the ARC		(132,775)		(30,426)		(3,212)		(12,966)		(6,812)
Annual OPEB cost	\$	482,776	\$	110,310	\$	5,943	\$	67,733	\$	25,884
Annual employer contribution for pay-go cost <sup>4</sup>		(291,285)		(121,695)		(289)		(60,532)		(13,678)
Annual employer contribution for pre-funding		0		0		0		0		0
Change in NOO	\$	191,491	\$	(11,385)	\$	5,654	\$	7,201	\$	12,206
NOO as of beginning of year		2,970,551		680,720		71,841		290,069		152,393
<b>NOO as of end of year</b>	<b>\$</b>	<b>3,162,042</b>	<b>\$</b>	<b>669,335</b>	<b>\$</b>	<b>77,495</b>	<b>\$</b>	<b>297,270</b>	<b>\$</b>	<b>164,599</b>

<sup>3</sup> Liabilities for the Tax Collector and Property Appraiser groups were estimated based on enrollment provided by Lake County and liabilities for the BCC, Clerk, and Supervisor of Election groups.

<sup>4</sup> Annual employer contribution for BCC is an actual amount provided by the County. The employer contributions for non-BCC groups are actuarial estimates based on BCC actual employer contributions.

**Summary of Key Actuarial Assumptions**

For a more complete summary of assumptions, refer to the GASB 45 Financial Report for fiscal year ending September 30, 2014.

<b>Discount Rate</b>	3.9%
<b>Inflation Rate</b>	3.0% per year
<b>Salary Scale</b>	4.0% + merit scale
<b>Cost Method</b>	Entry Age Normal Level % of Salary
<b>Amortization</b>	Level % of pay over 23 years based on a closed group; prior year used 24 years
<b>Health Care Trend Rates</b>	Annual trend rates are as shown below:

<b>FYE</b>	<b>Rates</b>
2016	8.50%
2017	8.00%
2018	7.50%
2019	7.00%
2020	6.50%
2021	6.00%
2022	5.50%
2023+	5.00%

**Actuary’s Notes**

Interim year valuation results have been projected from prior year’s valuation with adjustments for actual premium rate increases from 2014/15 to 2015/16. Making this change caused a decrease in County liabilities.

**Premium rates**

Comparison of monthly retiree premium rates are as shown below:

Plan	Actual 10/1/2014		Expected 10/1/2015		Actual 10/1/2015	
	Single	Family	Single	Family	Single	Family
Blue Care HMO	\$ 581.98	\$ 1,367.51	\$ 634.36	\$ 1,490.59	\$ 581.98	\$ 1,367.51
Blue Choice PPO	\$ 598.44	\$ 1,406.19	\$ 652.30	\$ 1,532.75	\$ 598.44	\$ 1,406.19