



GASB 75 ACTUARIAL VALUATION

Fiscal Year Ending December 31, 2017

Racine County & Racine County School Office (RCSO)

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May 14, 2018

**Alexandra Tillmann
Racine County
730 Wisconsin Avenue
Racine, WI 53403**

This report summarizes the GASB actuarial valuation for the Racine County & Racine County School Office 2017 fiscal year. To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with and GASB Statement No. 75 (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, other economic assumptions, and 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.

A handwritten signature in black ink that reads "Randy Gomez".

Randy Gomez, FSA, MAAA
Consulting Actuary

A handwritten signature in black ink that reads "Suraj M. Datta".

Suraj M. Datta, ASA, MAAA
Valuation Actuary

Executive Summary

Racine County and RCSO GASB 74/75 Valuation for Fiscal Year Ending December 31, 2017

Summary of Results

Presented below is the summary of GASB 75 results for the fiscal year ending December 31, 2017. Summary includes Racine County School Office (RCSO) results.

	As of December 31, 2017	
Total OPEB Liability	\$	199,281,329
Plan Fiduciary Net Position	\$	0
Net OPEB Liability	\$	199,281,329
Funded Ratio		0.0%

	FY 2017	
OPEB Expense	\$	17,998,993
Annual Employer Contribution	\$	8,672,887

	As of December 31, 2017	
Discount Rate		3.56%
Expected Return on Assets		N/A

	As of December 31, 2017	
Total Active Participants		587
Total Retiree Participants		799 ¹

The active participants' number above may include active employees who currently have no health care coverage. Refer to Summary of Participants section for an accurate breakdown of active employees with and without coverage.

¹ Includes retirees with life insurance benefits only and 15 former RCSO terminated vested employees.

Executive Summary

Racine County and RCSO GASB 74/75 Valuation for Fiscal Year Ending December 31, 2017

Below is a breakdown of total GASB 75 liabilities allocated to past and current service compared to the prior year. The table below also provides a breakdown of the Total OPEB Liability allocated to pre and post Medicare eligibility. The liability shown below includes explicit (if any) and implicit subsidies. Refer to the Substantive Plan Provisions section for complete information on the Plan Sponsor's GASB subsidies.

Present Value of Future Benefits	As of December 31, 2017
Active Employees	\$ 77,187,571
Retired Employees	158,361,923
Total Present Value of Future Benefits	\$ 235,549,494

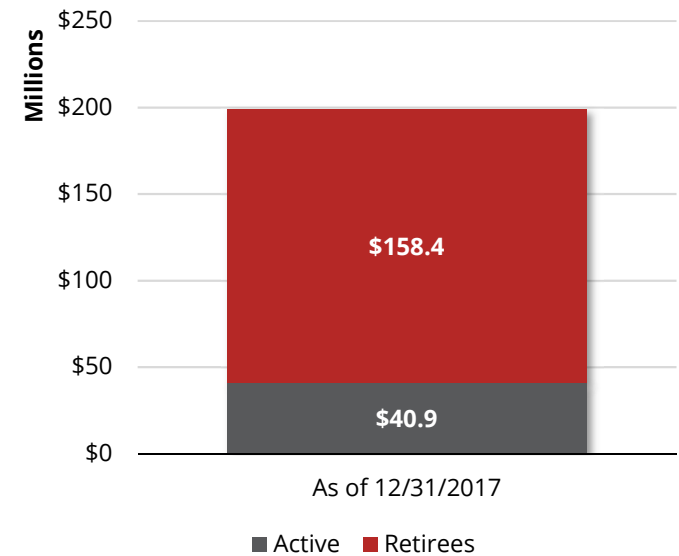
Total OPEB Liability	As of December 31, 2017
Active Pre-Medicare	\$ 21,354,739
Active Post-Medicare	19,564,667
Active Liability	\$ 40,919,406

Retiree Pre-Medicare	\$ 26,295,385
Retiree Post-Medicare	132,066,538
Retiree Liability	\$ 158,361,923

Total OPEB Liability	\$ 199,281,329
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	As of December 31, 2017
Discount Rate	3.56%

Changes in Total OPEB Liability



Present Value of Future Benefits (PVFB) is the amount needed as of December 31, 2017, to fully fund the County and RCSO's retiree health care subsidies for existing and future retirees and their dependents assuming all actuarial assumptions are met.

Total OPEB Liability is the portion of PVFB considered to be accrued or earned as of December 31, 2017. This amount is a required disclosure in the Required Supplementary Information section.

GASB Disclosures

Racine County and RCSO GASB 74/75 Valuation for Fiscal Year Ending December 31, 2017

Schedule of Changes in Net OPEB Liability and Related Ratios

OPEB Liability	FY 2017
Total OPEB Liability	
Total OPEB liability – beginning of year	\$ 198,659,508
Service cost	2,116,911
Interest	7,485,907
Changes of benefit terms	11,297,604
Changes in assumptions	10,985,325
Differences between expected and actual experience	(22,591,039)
Benefit payments	(8,672,887)
Net change in total OPEB liability	\$ 621,821
Total OPEB liability – end of year	\$ 199,281,329
Plan Fiduciary Net Position	
Plan fiduciary net position – beginning of year	\$ 0
Contributions – employer	8,672,887
Contributions – active employees	0
Net investment income	0
Benefit payments	(8,672,887)
Trust administrative expenses	0
Net change in plan fiduciary net position	\$ 0
Plan fiduciary net position – end of year	\$ 0
Net OPEB Liability – end of year	\$ 199,281,329
Plan fiduciary net position as % of total OPEB liability	0.0%
Covered employee payroll	N/A
Net OPEB liability as % of covered payroll	N/A

GASB Disclosures

Racine County and RCSO GASB 74/75 Valuation for Fiscal Year Ending December 31, 2017

OPEB Expense

OPEB Expense	FY 2017
Discount rate as of beginning of fiscal year	3.81%
Discount rate as of end of fiscal year	3.56%
Service cost	\$ 2,116,911
Interest	7,485,907
Changes of benefit terms	11,297,604
Projected earnings on OPEB plan investments	0
Reduction for contributions from active employees	0
OPEB plan administrative expenses	0
Current period recognition of deferred outflows / (inflows) of resources	
Differences between expected and actual experience	\$ (5,647,760)
Changes in assumptions	2,746,331
Net difference between projected and actual earnings on OPEB plan investments	0
Total current period recognition	\$ (2,901,429)
Total OPEB expense	\$ 17,998,993

GASB Disclosures

Racine County and RCSO GASB 74/75 Valuation for Fiscal Year Ending December 31, 2017

Deferred Outflows / (Inflows) of Resources

Deferred Outflows / (Inflows) of Resources represents the following items that have not been recognized in the OPEB Expense:

1. Differences between expected and actual experience of the OPEB plan
2. Changes of assumptions
3. Difference between projected and actual earnings in OPEB plan investments

The initial amortization period for the first two items noted above is based on the average future service to retirement while the difference between projected and actual earnings in OPEB plan investment is amortized over five years. All balances are amortized linearly on a principal only basis and new bases will be created annually for each of the item above.

Differences between expected and actual experience for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of December 31, 2017
December 31, 2017	\$ (22,591,039)	4	\$ (5,647,760)	\$ (16,943,279)

Changes in assumptions for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of December 31, 2017
December 31, 2017	\$ 10,985,325	4	\$ 2,746,331	\$ 8,238,994

Net difference between projected and actual earnings in OPEB plan investments for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of December 31, 2017
December 31, 2017	\$ 0	N/A	\$ 0	\$ 0

As of fiscal year ending December 31, 2017	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 0	\$ (16,943,279)
Changes in assumptions	8,238,994	0
Net difference between projected and actual earnings in OPEB plan investments	N/A	N/A
Total	\$ 8,238,994	\$ (16,943,279)

GASB Disclosures

Racine County and RCSO GASB 74/75 Valuation for Fiscal Year Ending December 31, 2017

Deferred Outflows / (Inflows) of Resources – Continued

Annual Amortization of Deferred Outflows / (Inflows)

The balances of December 31, 2017 of the deferred outflows / (inflows) of resources will be recognized in OPEB expense in the future fiscal years as noted below.

FYE	Balance
2018	\$ (2,901,429)
2019	\$ (2,901,429)
2020	\$ (2,901,427)
2021	\$ 0
2022	\$ 0
Thereafter	\$ 0

Sensitivity Results

The following presents the net OPEB liability as of December 31, 2017, calculated using the discount rate assumed and what it would be using a 1% higher and 1% lower discount rate.

- The current discount rate is 3.56%.
- The 1% decrease in discount rate would be 2.56%.
- The 1% increase in discount rate would be 4.56%.

As of December 31, 2017	Net OPEB Liability
1% Decrease	\$ 230,702,336
Current Discount Rate	\$ 199,281,329
1% Increase	\$ 173,967,456

The following presents the net OPEB liability as of December 31, 2017, using the health care trend rates assumed and what it would be using 1% higher and 1% lower health care trend rates.

- The current health care trend rate starts at an initial rate of 9.0% decreasing by 0.5% annually to an ultimate rate of 5.0%.
- The 1% decrease in health care trend rates would assume an initial rate of 8.0% decreasing by 0.5% annually to an ultimate rate of 4.0%.
- The 1% increase in health care trend rates would assume an initial rate of 10.0% decreasing by 0.5% annually to an ultimate rate of 6.0%.

As of December 31, 2017	Net OPEB Liability
1% Decrease	\$ 173,716,503
Current Health Care Trend Rates	\$ 199,281,329
1% Increase	\$ 230,800,299

Projection of GASB Disclosures

Racine County and RCSO GASB 74/75 Valuation for Fiscal Year Ending December 31, 2017

The Total OPEB Liability (TOL) is expected to change on an annual basis as a result of expected and unexpected events. Under normal circumstances, it is generally expected to have a net increase each year. Below is a list of the most common events affecting the total OPEB liability and whether they increase or decrease the liability.

Expected Events

- Increases in TOL due to additional benefit accruals as employees continue to earn service each year
- Increases in TOL due to interest as the employees and retirees age
- Decreases in TOL due to benefit payments

Unexpected Events

- Increases in TOL when actual premium rates increase more than expected. A liability decrease occurs if the reverse happens.
- Increases in TOL when more new retirements occur than expected or fewer terminations occur than anticipated. Liability decreases occur when the opposite outcomes happen.
- Increases or decreases in TOL depending on whether benefits are improved or reduced.

Projection of Total OPEB Liability (TOL)	FY 2017	FY 2018
TOL as of beginning of year	\$ 198,659,508	\$ 199,281,329
Normal cost as of beginning of year	2,116,911	2,738,854
Exp. benefit payments during the year	(8,672,887)	(7,672,898)
Interest adjustment to end of year	7,485,907	7,056,535
Exp. TOL as of end of year	\$ 199,589,439	\$ 201,403,820
Actuarial Loss/(Gain)	(308,110)	TBD
Actual TOL as of end of year	\$ 199,281,329	\$ TBD

Discount rate as of beginning of year	3.81%	3.56%
Discount rate as of end of year	3.56%	TBD

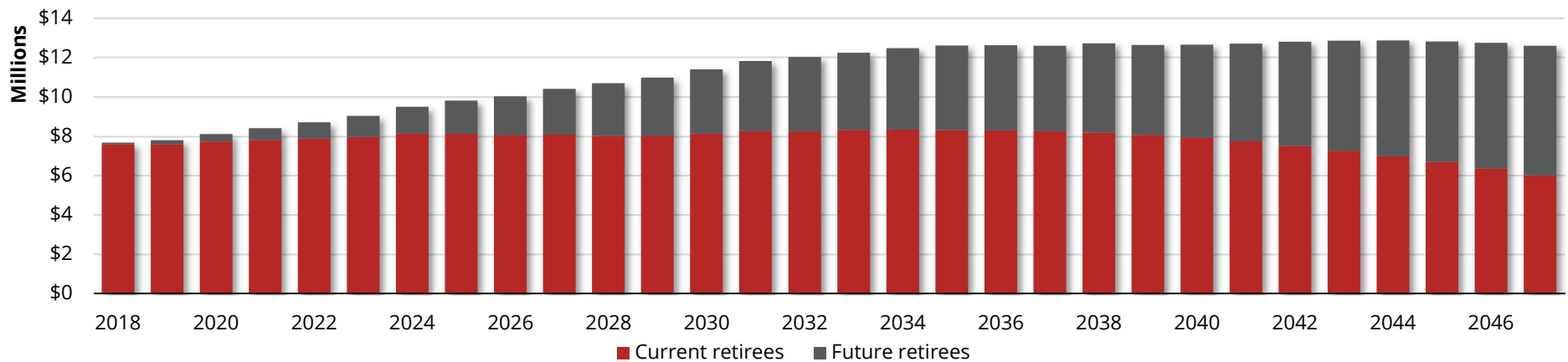
Cash Flow Projections

Racine County and RCSO GASB 74/75 Valuation for Fiscal Year Ending December 31, 2017

The below projections show the actuarially estimated employer-paid contributions for retiree health benefits for the next thirty years. Results are shown separately for a closed group of current / future retirees. These projections include explicit and implicit subsidies.

FYE	Current Retirees	Future Retirees ²	Total	FYE	Current Retirees	Future Retirees ²	Total	FYE	Current Retirees	Future Retirees ²	Total
2018	\$ 7,575,803	\$ 97,095	\$ 7,672,898	2028	\$ 8,010,375	\$ 2,684,675	\$ 10,695,050	2038	\$ 8,190,289	\$ 4,530,913	\$ 12,721,202
2019	\$ 7,575,803	\$ 219,682	\$ 7,795,485	2029	\$ 7,991,890	\$ 2,992,775	\$ 10,984,665	2039	\$ 8,063,547	\$ 4,581,753	\$ 12,645,300
2020	\$ 7,726,575	\$ 383,971	\$ 8,110,546	2030	\$ 8,137,560	\$ 3,259,982	\$ 11,397,542	2040	\$ 7,916,252	\$ 4,741,147	\$ 12,657,399
2021	\$ 7,811,357	\$ 591,108	\$ 8,402,465	2031	\$ 8,248,471	\$ 3,577,436	\$ 11,825,907	2041	\$ 7,737,965	\$ 4,971,316	\$ 12,709,281
2022	\$ 7,873,222	\$ 825,248	\$ 8,698,470	2032	\$ 8,246,399	\$ 3,780,667	\$ 12,027,066	2042	\$ 7,506,656	\$ 5,297,569	\$ 12,804,225
2023	\$ 7,972,608	\$ 1,064,616	\$ 9,037,224	2033	\$ 8,316,938	\$ 3,932,021	\$ 12,248,959	2043	\$ 7,257,006	\$ 5,604,972	\$ 12,861,978
2024	\$ 8,130,896	\$ 1,356,026	\$ 9,486,922	2034	\$ 8,342,829	\$ 4,131,131	\$ 12,473,960	2044	\$ 6,978,723	\$ 5,888,934	\$ 12,867,657
2025	\$ 8,117,108	\$ 1,685,799	\$ 9,802,907	2035	\$ 8,311,820	\$ 4,306,294	\$ 12,618,114	2045	\$ 6,686,419	\$ 6,128,760	\$ 12,815,179
2026	\$ 8,034,108	\$ 1,997,060	\$ 10,031,168	2036	\$ 8,289,085	\$ 4,329,942	\$ 12,619,027	2046	\$ 6,358,836	\$ 6,393,023	\$ 12,751,859
2027	\$ 8,071,272	\$ 2,332,489	\$ 10,403,761	2037	\$ 8,252,037	\$ 4,351,333	\$ 12,603,370	2047	\$ 6,014,608	\$ 6,584,131	\$ 12,598,739

Projected Employer Pay-go Cost



² Projections for future retirees do not take into account future new hires.

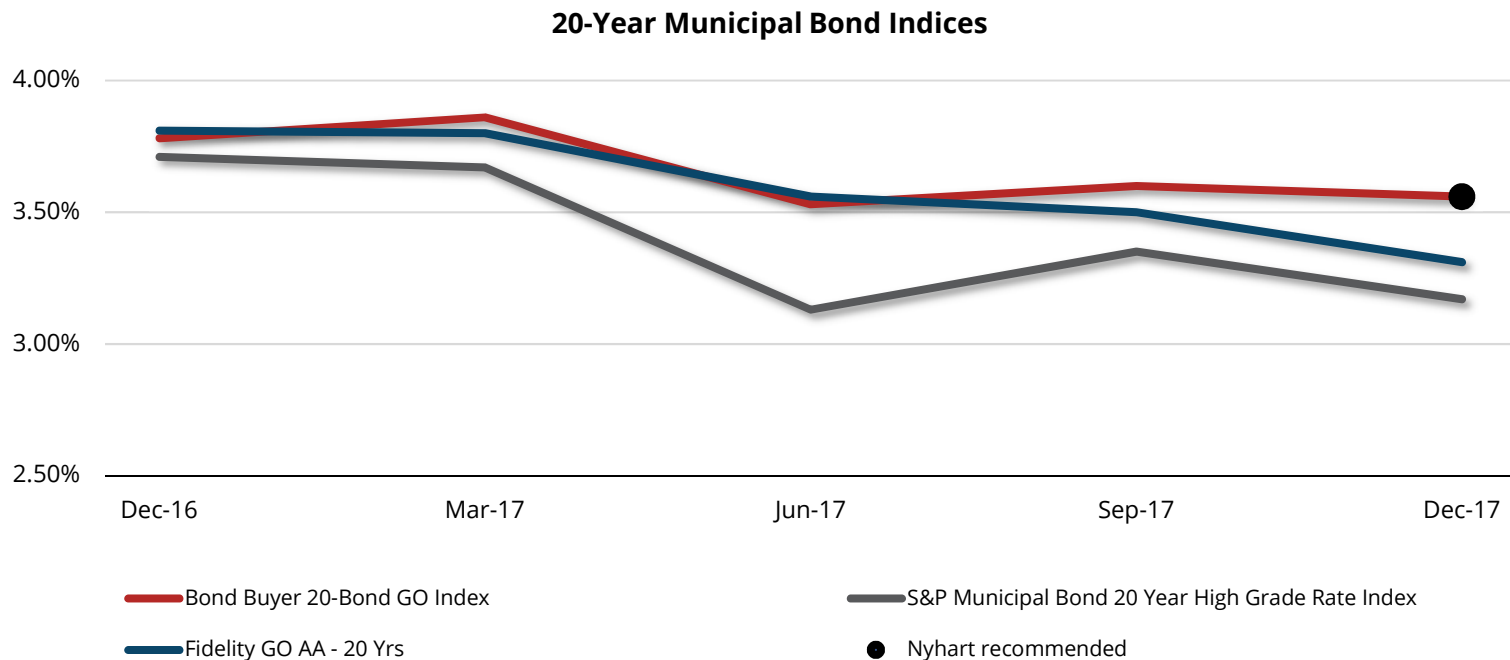
Discussion of Discount Rates

Racine County and RCSO GASB 74/75 Valuation for Fiscal Year Ending December 31, 2017

Under GASB 75, the discount rate used in valuing OPEB liabilities for unfunded plans as of the Measurement Date must be based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA /Aa or higher (or equivalent quality on another rating scale).

For the current valuation, the discount rate was selected from the range of indices as shown in the table below, where the range is given as the spread between the lowest and highest rate shown.

	Bond Buyer Go 20-Bond Municipal Bond Index	S&P Municipal Bond 20-Year High Grade Rate Index	Fidelity 20-Year Go Municipal Bond Index	Bond Index Range	Actual Discount Rate Used
Yield as of January 1, 2017	3.78%	3.71%	3.81%	3.71% - 3.81%	3.81%
Yield as of December 31, 2017	3.56%	3.17%	3.31%	3.17% - 3.56%	3.56%



Summary of Plan Participants

Racine County and RCSO GASB 74/75 Valuation for Fiscal Year Ending December 31, 2017

Active Employees

Actives with coverage	Single	Non-Single ³	Total	Avg. Age	Avg. Svc	Salary
Plan 8	270	317	587	42.7	11.3	N/A
Total actives with coverage	270	317	587	42.7	11.3	N/A

No information was provided on active employees without coverage.

Active Age-Service Distribution

Age	Years of Service										Total
	< 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25	9	4									13
25 to 29	30	47	6								83
30 to 34	18	26	29	10							83
35 to 39	6	21	20	22	2						71
40 to 44	2	4	15	4	31	3					59
45 to 49	2	8	14	13	32	32	1				102
50 to 54	2	12	9	7	20	20	23	3	1		97
55 to 59		2	10	3	9	11	13				48
60 to 64	2	4	2	2	3	6	3	1	1		24
65 to 69		1	1				1				3
70 & up				2	2						4
Total	71	129	106	63	99	72	41	4	2	0	587

³ Includes participants with Employee/Spouse and Family coverage levels.

Summary of Plan Participants

Racine County and RCSO GASB 74/75 Valuation for Fiscal Year Ending December 31, 2017

County Retirees

Retirees with coverage ⁴	Single	Non-Single ⁵	Total	Avg. Age
Plan 6A	193	4	197	77.3
Plan 6B	267	50	317	67.8
Plan 6C	15	13	28	59.7
Plan 8	39	47	86	58.8
Total retirees with coverage	514	114	628	69.2

Retirees without coverage ⁶	Single	Non-Single	Total	Avg. Age
Total retirees without coverage			94	73.9

RCSO Former Employees and Retirees

RCSO retirees with coverage ⁴	Single	Non-Single ⁵	Total	Avg. Age
Plan 6A	18		18	79.7
Plan 6B	35	4	39	71.4
Plan 7	2		2	64.2
Plan 8	1	2	3	64.5
Total retirees with coverage	56	6	62	73.2

RCSO former employees	Single	Non-Single ⁵	Total	Avg. Age
Total	4	11	15	64.5

Retiree Age Distribution

Age	Retirees
< 45	1
45 to 49	3
50 to 54	16
55 to 59	85
60 to 64	150
65 to 69	175
70 to 74	150
75 to 79	98
80 to 84	64
85 to 89	35
90 & up	22
Total	799

⁴ Includes 207 spouses of retirees enrolled in the County's Medicare options with individual coverage.

⁵ Includes participants with Employee/Spouse and Family coverage levels.

⁶ All County retirees without coverage have life insurance benefits. They have been included in the GASB valuation.

Substantive Plan Provisions

Racine County and RCSO GASB 74/75 Valuation for Fiscal Year Ending December 31, 2017

Eligibility

Racine County employees are eligible for retiree health benefits provided they:

1. Are enrolled in the County's health insurance at the time of retirement.
2. Meet the age and other requirements for retirement under Wisconsin Retirement System (WRS)
3. Have at least 15 years of service with Racine County for those retiring on/after January 1, 2013
4. Make the necessary premium contributions as specified by the County.

WRS requirements are as follows:

1. General employees:
 - a. Early retirement – age 55 and vested
 - b. Normal retirement – earlier of age 65 or age 57 with 30 years of service
2. Protective service:
 - a. Early retirement – age 50 and vested
 - b. Normal retirement – earlier of age 54 or age 53 with 25 years of service
3. Elected officials:
 - a. Early retirement – age 55 and vested
 - b. Normal retirement – earlier of age 62 or age 57 with 30 years of service

WRS vesting requirement is immediately for members prior to July 1, 2011 and 5 years of service for members on/after July 1, 2011.

General employees who become disabled in the line of duty are able to retire immediately and be eligible for retiree health benefits if they were hired prior to November 1, 2003. General employees who retire due to disability on/after November 1, 2003 are only eligible for COBRA coverage. All Protective service employees are eligible to retire immediately and be eligible for retiree health benefits in the event of line-of-duty disability.

Length of Coverage

Employees hired prior to the hire date cut off shown below are eligible for lifetime retiree health benefits. Everybody else is eligible for retiree health benefits until Medicare eligibility, which is currently at age 65.

Employee Groups	Hire Date Cut-Off
Non-Represented	September 1, 1998
Deputies and Command Staff	June 1, 1998
Teamsters	September 1, 2000
IAMAW-HSD	March 1, 2000
IAMAW-Courthouse	January 1, 2001
Attorneys Association	January 1, 1999

Substantive Plan Provisions

Racine County and RCSO GASB 74/75 Valuation for Fiscal Year Ending December 31, 2017

Life Insurance

The County provides fully-paid life insurance benefits that vary from \$3,000 to \$5,000 for retirees who retired prior to January 1, 2012. Life insurance benefit is no longer available to all employee groups except for Deputies and Command Staff who are still eligible for a fully-paid \$5,000 life insurance benefit.

Retiree Cost Sharing

Eligible employees who are required to retire due to disability are eligible for lifetime coverage and they will be required to contribute 15% of the premium.

General Employees

Retiree contributions for existing retirees who retired prior to January 1, 2013 vary from 5% to 50% of premium.

Retiree contributions for employees hired prior to January 1, 2012 retiring on/after January 1, 2013 are as follows:

1. Prior to Medicare eligibility – retirees’ share is based on years of service at retirement as shown below:

YOS at Retirement	Retiree Contribution %	Notes
20+	15%	Same premium share as actives, which is 15% of premium effective on January 1, 2014
15 – 19	25%	10% more than actives’ premium share

2. Upon Medicare eligibility – retirees’ share is the greater of (a) the share based listed in item (1) above (based on years of service) and (b) the share listed below (based on retirement year)

Retirement Year	Retiree Contribution %	Retirement Year	Retiree Contribution %
2012	10%	2017	35%
2013	15%	2018	40%
2014	20%	2019	45%
2015	25%	2020 – 2021	50%
2016 ⁷	30%	2022+	100%

Employees hired on/after January 1, 2012 who retire on/after January 1, 2013 are required to pay the full cost of coverage.

⁷ Actives retiring since the prior valuation as of December 31, 2015 are assumed to contribute 30% upon reaching Medicare eligibility since actual retirement date information was not available.

Substantive Plan Provisions

Racine County and RCSO GASB 74/75 Valuation for Fiscal Year Ending December 31, 2017

Retiree Cost Sharing (Continued)

Deputies and Command Staff

For both pre and post-Medicare eligible retirees, retirees' share is based on years of service at retirement as shown below:

YOS at Retirement	Retiree Contribution %
25+	5%
20 - 24	10%
15 - 19	20%

Spouse Benefit

For deaths occurring on/after January 1, 2012, retiree health coverage continues to surviving spouses of retirees until they are eligible for Medicare coverage. County's explicit subsidy will continue to surviving spouses provided that the retirees receive County's explicit subsidy prior to their deaths.

Medical Benefit

Pre-Medicare medical and prescription health plans are self-insured. Post-Medicare plan benefits are fully-insured and experience rated by Humana. Vision is included as part of this benefit. Effective January 1, 2013, future retirees are only able to elect Plan 8 during retirement. Current retirees that are under 65 and retired prior to January 1, 2013 may continue to stay in currently enrolled plans. The combined premium rates effective January 1, 2018 for medical and prescription drug benefits are as shown below.

Plans	Pre-Medicare		Post-Medicare	
	Single	Family	Single	Family
Plan 6A	\$ 1,366.00	\$ 2,935.00	\$ 440.52	\$ 881.04
Plan 6B	\$ 1,331.00	\$ 2,861.00	\$ 427.74	\$ 855.48
Plan 6C	\$ 1,301.00	\$ 2,796.00	\$ 427.74	\$ 855.48
Plan 7	\$ 1,262.00	\$ 2,712.00	\$ 427.74	\$ 855.48
Plan 8	\$ 854.00	\$ 2,065.00	\$ 700.00	\$ 1,491.00

Dental Benefits

There is no GASB 45 liability for dental coverage as retirees pay the full cost of coverage.

Substantive Plan Provisions

Racine County and RCSO GASB 74/75 Valuation for Fiscal Year Ending December 31, 2017

Racine County School Office

The Racine County School Office (RCSO) will continue its contributions towards current retirees' medical premiums at the percentages that were determined at termination. The retiree health benefits coverage duration and continuation of benefits to surviving spouses depend on specific requirements that were implemented between 1999 and 2006. As of the valuation date, there are 62 existing RCSO retirees and 15 former RCSO employees who are eligible for the aforementioned benefits but have not yet started their retiree health benefits. Those who have not elected coverage as of the valuation date have been assigned terminated vested status and benefits will not commence until specific age/service requirements noted below are met. The eligibility, length of coverage, and retiree contribution requirement as a percent of premium for the 15 former RCSO employees are as follows:

Employee Groups	Commencement of Benefits	Length of Coverage	Retiree Contribution
Group 2	WRS Pension eligible	Lifetime	5% or 10%
Group 3	WRS Pension eligible	Lifetime	Between 10% to 40%
Group 4	Age 60	Until age 65	20%

Actuarial Methods and Assumptions

Racine County and RCSO GASB 74/75 Valuation for Fiscal Year Ending December 31, 2017

The actuarial assumptions used in this report represent a reasonable long-term expectation of future OPEB outcomes. As national economic and County experience change over time, the assumptions will be tested for ongoing reasonableness and, if necessary, updated.

There are changes to the actuarial methods and assumptions since the last GASB valuation, which was for the fiscal year ending December 31, 2015. Refer to Actuary's Notes section for complete information on these changes. For the current year GASB valuation, we have also updated the per capita costs. We expect to update discount rate, health care trend rates, and per capita costs again in the next full GASB valuation, which will be for the fiscal year ending December 31, 2019.

Measurement Date For fiscal year ending December 31, 2017, December 31, 2017 measurement date was used.

Actuarial Valuation Date December 31, 2017 with no adjustments to get to the December 31, 2017 measurement date. Liabilities as of January 1, 2017 are based on an actuarial valuation date of December 31, 2015 projected to January 1, 2017 on a "no loss / no gain" basis.

Discount Rate 3.56% as of December 31, 2017 and 3.81% as of January 1, 2017; refer to the Discussion of Discount Rates section for more information on selection of the discount rate.

Payroll Growth Payroll growth including general wage inflation of 3.20% plus merit/productivity increases as shown below, which are based on the Wisconsin Retirement System actuarial valuation as of June 30, 2016. Sample merit/productivity increases are shown in the table below.

YOS	General	Protective Services
0	3.50%	4.80%
5	2.50%	2.80%
10	1.50%	1.10%
15	1.10%	0.80%
20	0.90%	0.70%
25	0.60%	0.60%
30+	0.40%	0.50%

Inflation Rate 2.7% per year

Actuarial Methods and Assumptions

Racine County and RCSO GASB 74/75 Valuation for Fiscal Year Ending December 31, 2017

Cost Method

Allocation of Actuarial Present Value of Future Benefits for services prior and after the Measurement Date was determined using Entry Age Normal Level % of Salary method where:

- service Cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant's benefit at retirement; and
- annual Service Cost is a constant percentage of the participant's salary that is assumed to increase according to the Payroll Growth.

Employer Funding Policy

Pay-as-you-go cash basis

Census Data

Census information was provided by the County and it was provided in February 2018. We have reviewed it for reasonableness and no material modifications were made to the census data.

Experience Study

Best actuarial practices call for a periodic assumption review and Nyhart recommends the County to complete an actuarial assumption review (also referred to as an experience study). The actuarial assumptions have not been updated since at least the 2013 valuation.

Health Care Coverage Election Rate

Active employees with current coverage: 90%
Active employees with no current coverage: 0%
Active employees who retire due to disability: 100%

Inactive employees with current coverage: 100%
Inactive employees with no coverage but with life insurance: 100%
Inactive employees with neither current coverage nor life insurance: 0%

Terminated vested RCSO former employees in Groups 2 and 3: 100%
Terminated vested RCSO former employees in Group 4: 80%

Spousal Coverage

Spousal coverage and ages for current retirees is based on actual data.

75% of male and 50% of female employees are assumed to be married at retirement. Husbands are assumed to be three years older than wives.

Mortality

RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017

Actuarial Methods and Assumptions

Racine County and RCSO GASB 74/75 Valuation for Fiscal Year Ending December 31, 2017

Turnover Rate

Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage. The turnover rates are based on those used in the WRS actuarial valuations as of December 31, 2016. The annual turnover rates for General employees are based on the following select and ultimate tables:

Male											
Years of Service											
Age	0	1	2	3	4	5	6	7	8	9	10+
25	16.8%	12.7%	9.0%	7.3%	7.0%	4.8%	4.3%	4.2%	3.4%	3.1%	2.5%
35	16.8%	12.7%	9.0%	7.3%	7.0%	4.8%	4.3%	4.2%	3.4%	3.1%	2.4%
45	16.8%	12.7%	9.0%	7.3%	7.0%	4.8%	4.3%	4.2%	3.4%	3.1%	1.8%
50	16.8%	12.7%	9.0%	7.3%	7.0%	4.8%	4.3%	4.2%	3.4%	3.1%	1.5%
61+	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Female											
Years of Service											
Age	0	1	2	3	4	5	6	7	8	9	10+
25	20.0%	14.1%	11.0%	8.9%	8.5%	6.7%	5.6%	5.0%	4.7%	4.5%	4.5%
35	20.0%	14.1%	11.0%	8.9%	8.5%	6.7%	5.6%	5.0%	4.7%	4.5%	3.5%
45	20.0%	14.1%	11.0%	8.9%	8.5%	6.7%	5.6%	5.0%	4.7%	4.5%	2.2%
50	20.0%	14.1%	11.0%	8.9%	8.5%	6.7%	5.6%	5.0%	4.7%	4.5%	1.9%
61+	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

The annual turnover rates for Protective Services are based on the following select and ultimate tables:

Unisex											
Years of Service											
Age	0	1	2	3	4	5	6	7	8	9	10+
30	17.0%	8.0%	5.0%	4.3%	3.8%	3.1%	3.0%	2.9%	2.5%	2.2%	1.8%
40	17.0%	8.0%	5.0%	4.3%	3.8%	3.1%	3.0%	2.9%	2.5%	2.2%	1.3%
50	17.0%	8.0%	5.0%	4.3%	3.8%	3.1%	3.0%	2.9%	2.5%	2.2%	1.0%
61+	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Actuarial Methods and Assumptions

Racine County and RCSO GASB 74/75 Valuation for Fiscal Year Ending December 31, 2017

Disability

Assumption used to project disability prior to meeting minimum retirement eligibility for retiree health coverage. The disability rates are based on those used in the WRS actuarial valuations as of December 31, 2016. Sample annual rates by group are as shown below:

Age	General Employees		Protective
	All YOS		All YOS
	Male	Female	Unisex
20	0.01%	0.01%	0.01%
25	0.01%	0.01%	0.01%
30	0.01%	0.02%	0.01%
35	0.01%	0.03%	0.02%
40	0.03%	0.04%	0.02%
45	0.06%	0.06%	0.03%
50	0.13%	0.09%	0.06%
55	0.24%	0.16%	0.87%
60+	0.43%	0.23%	1.46%

Retirement Rate

Retirement rates are based on those used in the WRS actuarial valuation as of December 31, 2016. Sample annual retirements are as shown below:

Age	General Employees				Protective	
	Male		Female		Unisex	
	< 30 YOS	30+ YOS	< 30 YOS	30+ YOS	Age	All YOS
55	9.00%	9.00%	7.00%	7.00%	51	7.00%
56	9.00%	9.00%	7.00%	7.00%	52	9.00%
58	5.80%	18.00%	6.00%	15.00%	53	23.00%
60	8.50%	18.00%	8.50%	15.00%	54	19.00%
62	16.00%	25.00%	16.00%	25.00%	58	18.00%
65	25.00%	25.00%	28.00%	28.00%	64	17.00%
72	19.00%	19.00%	20.00%	20.00%	69	30.00%
75+	100.00%	100.00%	100.00%	100.00%	70+	100.00%

Actuarial Methods and Assumptions

Racine County and RCSO GASB 74/75 Valuation for Fiscal Year Ending December 31, 2017

Health Care Trend Rates

FYE	Medical/Rx	FYE	Medical/Rx
2018	9.0%	2023	6.5%
2019	8.5%	2024	6.0%
2020	8.0%	2025	5.5%
2021	7.5%	2026+	5.0%
2022	7.0%		

The initial trend rate was based on a combination of employer history, national trend surveys, and professional judgment.

The ultimate trend rate was selected based on historical medical CPI information.

Retiree Contributions

Retiree contributions are assumed to increase according to health care trend rates.

Per Capita Costs

Annual per capita costs were calculated based on the County's retiree premium rates effective on January 1, 2016 actuarially increased using health index factors and retiree enrollment. The costs are assumed to increase with health care trend rates. Annual per capita costs are as shown below:

Age	Plan 6A	Plan 6B	Plan 6C	Plan 7	Plan 8
50 - 54	\$ 12,051	\$ 11,672	\$ 11,334	\$ 11,087	\$ 7,659
55 - 59	\$ 14,947	\$ 14,491	\$ 14,083	\$ 13,765	\$ 9,478
60 - 64	\$ 18,002	\$ 17,584	\$ 17,212	\$ 16,711	\$ 11,211
65 - 69	\$ 4,257	\$ 4,133	\$ 4,133	\$ 4,133	\$ 6,764
70 - 74	\$ 5,292	\$ 5,139	\$ 5,139	\$ 5,139	\$ 8,410
75 - 79	\$ 6,213	\$ 6,033	\$ 6,033	\$ 6,033	\$ 9,872
80+	\$ 6,213	\$ 6,033	\$ 6,033	\$ 6,033	\$ 9,872

The per capita costs represent the cost of coverage for a retiree-only population.

Actuarial standards require the recognition of higher inherent costs for a retired population versus an active population.

Explicit Subsidy

The difference between (a) the premium rate and (b) the retiree contribution. Below is an example of the monthly explicit subsidies for a future general retiree enrolled in pre-Medicare Plan 8 who was hired prior to January 1, 2012 and retiring with 20 years of service.

	Premium Rate	Retiree Contribution	Explicit Subsidy
	A	B = 15% x A	C = A - B
Retiree	\$ 854.00	\$ 128.10	\$ 725.90
Spouse	\$ 1,211.00	\$ 181.65	\$ 1,029.35

Actuarial Methods and Assumptions

Racine County and RCSO GASB 74/75 Valuation for Fiscal Year Ending December 31, 2017

Implicit Subsidy

The difference between (a) the per capita cost and (b) the premium rate. Below is an example of the monthly implicit subsidies for a 60 – 64 retiree with spouse of the same age enrolled in Plan 8.

	Per Capita Cost	Premium Rate	Implicit Subsidy
	A	B	C = A - B
Retiree	\$ 934.25	\$ 854.00	\$ 80.25
Spouse	\$ 934.25	\$ 1,211.00	\$ 0.00*

All employers that utilize premium rates based on blended active/retiree claims experience will have an implicit subsidy. There is an exception for Medicare plans using a true community-rated premium rate.

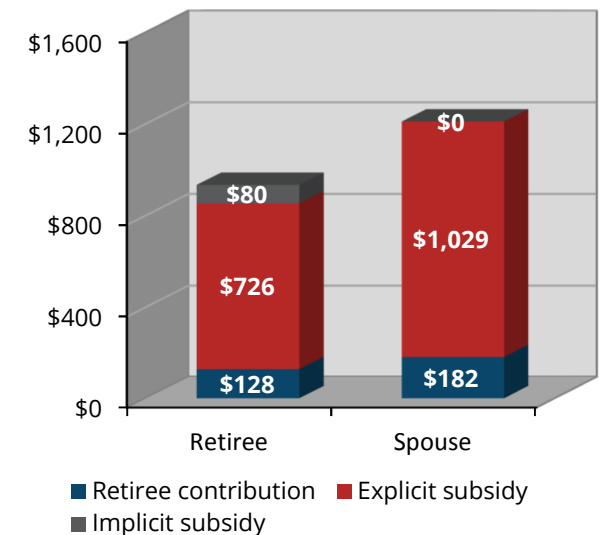
*Limited to \$0

GASB Subsidy Breakdown

Below is a breakdown of the GASB 45 monthly total cost for a 60 – 64 general retiree with a spouse of the same age enrolled in Plan 8 who was hired prior to January 1, 2012 and retiring with 20 years of service.

	Retiree	Spouse
Retiree contribution	\$ 128.10	\$ 181.65
Explicit subsidy	\$ 725.90	\$ 1,029.35
Implicit subsidy	\$ 80.25	\$ 0.00
Total monthly cost	\$ 934.25	\$ 1,211.00

GASB Subsidy Breakdown



APPENDIX

The background features a complex geometric design. The top half is a solid dark gray. Below this, there are several overlapping, semi-transparent shapes in various shades of gray and white, creating a layered effect. A prominent, solid red shape enters from the bottom right corner, extending towards the center of the page.

Appendix

Racine County and RCSO GASB 74/75 Valuation for Fiscal Year Ending December 31, 2017

GASB Results by Group

Below is the summary of the GASB results for fiscal year ending December 31, 2017 based on the Entry Age Normal Level % of Pay cost method with a discount rate of 3.56%.

Union Groups	Net OPEB Liability		OPEB Expense		Unamortized Balance of Deferred Outflows		Unamortized Balance of Deferred Inflows	
	As of December 31, 2017		FY 2017		As of December 31, 2017		As of December 31, 2017	
RCSO	\$	13,454,603	\$	312,187	\$	419,606	\$	(1,113,744)
Development	\$	1,347,566	\$	87,098	\$	46,774	\$	(1,102)
Education and Recreation	\$	1,258,157	\$	76,471	\$	59,050	\$	(3,264)
General Government	\$	31,413,204	\$	(1,967,714)	\$	1,153,126	\$	(13,177,041)
Highway and Streets	\$	17,939,121	\$	379,670	\$	691,802	\$	(2,452,638)
Health and Social Services	\$	36,136,628	\$	1,321,224	\$	1,405,066	\$	(2,622,745)
Public Safety	\$	81,510,129	\$	14,795,879	\$	3,917,263	\$	(4,882,810)
Behavioral Health	\$	1,128,200	\$	282,050	\$	37,080	\$	809,070
Healthcare Center	\$	15,093,721	\$	2,712,128	\$	509,227	\$	6,500,995
Total	\$	199,281,329	\$	17,998,993	\$	8,238,994	\$	(16,943,279)

	Net OPEB Liability		OPEB Expense		Unamortized Balance of Deferred Outflows		Unamortized Balance of Deferred Inflows	
	As of December 31, 2017		FY 2017		As of December 31, 2017		As of December 31, 2017	
Racine County	\$	185,826,726	\$	17,686,807	\$	7,819,388	\$	(15,829,535)
RCSO	\$	13,454,603	\$	312,187	\$	419,606	\$	(1,113,744)
Total	\$	199,281,329	\$	17,998,993	\$	8,238,994	\$	(16,943,279)

Appendix

Racine County and RCSO GASB 74/75 Valuation for Fiscal Year Ending December 31, 2017

Comparison of Participant Demographic Information

The active participants' number below may include active employees who currently have no health care coverage. Refer to Summary of Participants section for an accurate breakdown of active employees with and without coverage.

	As of January 1, 2016	As of January 1, 2018
Active Participants	646	587
Retired Participants	787	799
County ⁸	707	722
RCSO ⁹	80	77
Averages for Active		
Age	43.8	42.7
Service	11.8	11.3
Averages for Inactive		
Age	69.8	69.9

⁸ Includes retirees with life insurance benefits only.

⁹ RCSO counts shown above include 17 RCSO former employees as of January 1, 2016 and 15 RCSO former employees as of January 1, 2018.

Appendix

Racine County and RCSO GASB 74/75 Valuation for Fiscal Year Ending December 31, 2017

Detailed Actuary's Notes

There have been substantive plan provision changes since the last full valuation, which was for the fiscal year ending December 31, 2015.

1. Effective January 1, 2015, Deputies and Command eligible future retiree contribution requirements are as follows:

<u>YOS at Retirement</u>	<u>Retiree Contribution %</u>
25+	5%
20 - 24	10%
15 - 19	20%

In the prior valuation, future Deputy and Command retirees were expected to follow the same retiree share as general employees. The same hire cut-off dates apply as in the prior valuation in determining whether the individual is eligible for post-65 benefits. This change caused an increase in liabilities.

2. The Ridgewood RN group was sold as of September 1, 2017. Liabilities associated with this group are no longer the responsibility of the County. This caused a decrease in liabilities.

The County has opted to disclose OPEB liabilities under GASB 75 for the current valuation. The prior valuation was disclosed under GASB 45. The following assumptions have been updated in accordance with GASB 75.

1. The actuarial cost method has been updated from Projected Unit Credit with linear proration to decrement to Entry Age Normal Level % of Salary. This change has caused an increase in liabilities for the County.
2. Discount rate as of the Measurement Date has been updated to be based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale) tax-exempt, high quality 20-year municipal bonds. The prior full valuation used a discount rate of 4.00%. The current full valuation uses a discount rate of 3.81% as of January 1, 2017 and 3.56% as of December 31, 2017. This change has caused an increase in liabilities. The discount rate will be updated annually to reflect market conditions as of the Measurement Date.
3. The payroll growth assumption has been updated to follow the Wisconsin Retirement System actuarial valuation as of June 30, 2016. This change has led to a decrease in liabilities.

Appendix

Racine County and RCSO GASB 74/75 Valuation for Fiscal Year Ending December 31, 2017

Detailed Actuary's Notes (Continued)

Additionally, the following assumptions have also been updated:

1. Mortality table has been updated from the SOA RPH-2015 Total Dataset Fully Generational Mortality Table using Scale MP-2015 to the SOA RPH-2017 Total Dataset Fully Generational Mortality Table using Scale MP-2017. The impact of this change is a decrease in liabilities.
2. The termination rate, retirement rate, and disability rate assumptions have all been updated to follow the Wisconsin Retirement System actuarial valuation as of December 31, 2016. The net impact of these changes is a slight increase in liabilities.
3. Health care trend rates have been reset to an initial rate of 9.0% decreasing to an ultimate rate of 5.0%. This change led to an increase in liabilities.

GLOSSARY

The background features a complex geometric design. It consists of several overlapping, semi-transparent shapes. A large, solid red shape is prominent in the lower right quadrant. Other shapes in various shades of grey and white are layered on top of each other, creating a sense of depth and movement. The overall aesthetic is modern and minimalist.

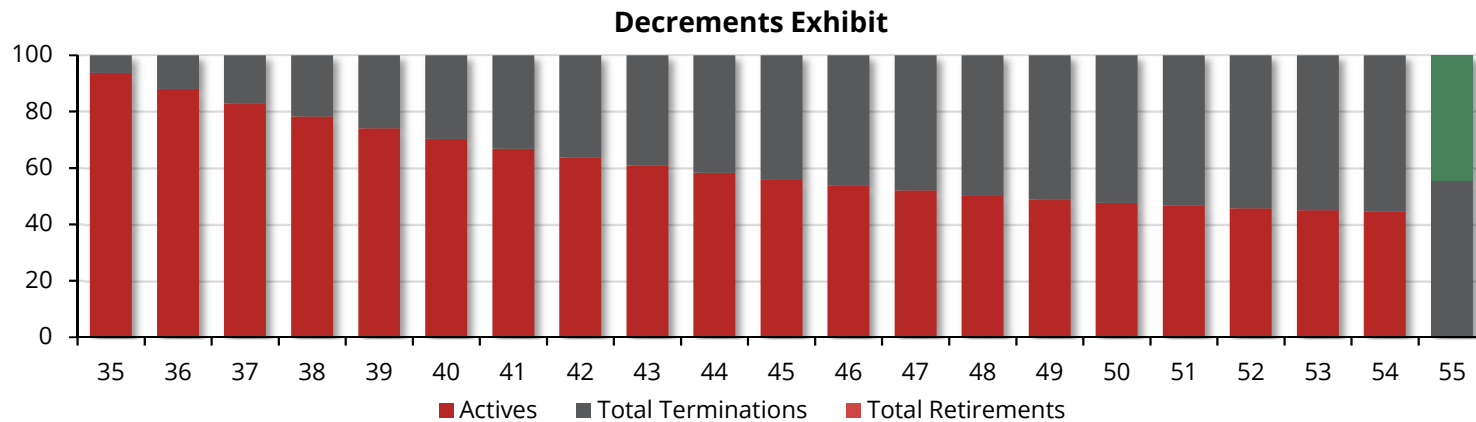
Glossary – Decrements Exhibit

Racine County and RCSO GASB 74/75 Valuation for Fiscal Year Ending December 31, 2017

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. Starting with 100 employees at age 35, the illustrated actuarial assumptions show that 44.43 employees out of the original 100 are expected to retire and could elect retiree health benefits at age 55.

Age	# Remaining Employees	# of Terminations per Year ¹⁰	# of Retirements per Year	Total Decrements
35	100.000	6.276	0.000	6.276
36	93.724	5.677	0.000	5.677
37	88.047	5.136	0.000	5.136
38	82.911	4.648	0.000	4.648
39	78.262	4.209	0.000	4.209
40	74.053	3.814	0.000	3.814
41	70.239	3.456	0.000	3.456
42	66.783	3.131	0.000	3.131
43	63.652	2.835	0.000	2.835
44	60.817	2.564	0.000	2.564
45	58.253	2.316	0.000	2.316

Age	# Remaining Employees	# of Terminations per Year	# of Retirements per Year	Total Decrements
46	55.938	2.085	0.000	2.085
47	53.853	1.866	0.000	1.866
48	51.987	1.656	0.000	1.656
49	50.331	1.452	0.000	1.452
50	48.880	1.253	0.000	1.253
51	47.627	1.060	0.000	1.060
52	46.567	0.877	0.000	0.877
53	45.690	0.707	0.000	0.707
54	44.983	0.553	0.000	0.553
55	44.430	0.000	44.430	44.430



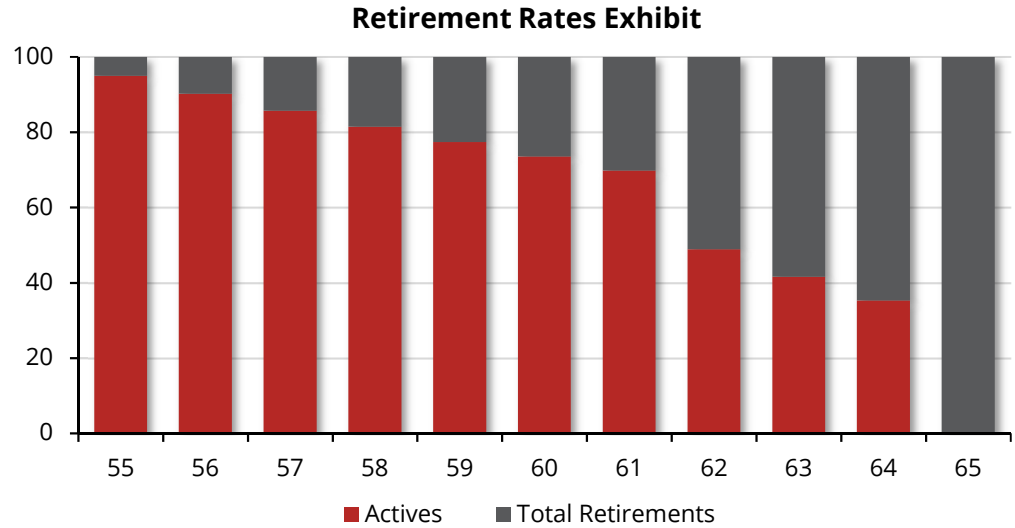
¹⁰ The above rates are illustrative rates and are not used in our GASB calculations.

Glossary – Retirement Rates Exhibit

Racine County and RCSO GASB 74/75 Valuation for Fiscal Year Ending December 31, 2017

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. The illustrated retirement rates show the number of employees who are assumed to retire annually based on 100 employees age 55 who are eligible for retiree health care coverage. The average age at retirement is 62.0.

Age	Active Employees BOY	Annual Retirement Rates*	# Retirements per Year	Active Employees EOY
55	100.000	5.0%	5.000	95.000
56	95.000	5.0%	4.750	90.250
57	90.250	5.0%	4.513	85.738
58	85.738	5.0%	4.287	81.451
59	81.451	5.0%	4.073	77.378
60	77.378	5.0%	3.869	73.509
61	73.509	5.0%	3.675	69.834
62	69.834	30.0%	20.950	48.884
63	48.884	15.0%	7.333	41.551
64	41.551	15.0%	6.233	35.318
65	35.318	100.0%	35.318	0.000



* The above rates are illustrative rates and are not used in our GASB calculations.

Glossary – Definitions

Racine County and RCSO GASB 74/75 Valuation for Fiscal Year Ending December 31, 2017

GASB 75 defines several unique terms not commonly employed in the funding of pension and retiree health plans. The definitions of the terms used in the GASB actuarial valuations are noted below.

1. **Actuarial Assumptions** – Assumptions as to the occurrence of future events affecting health care costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided health care benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.
2. **Actuarial Cost Method** – A procedure for determining the Actuarial Present Value of Future Benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Service Cost and a Total OPEB Liability.
3. **Actuarially Determined Contribution** - A target or recommended contribution to a defined benefit OPEB plan for the reporting period, determined in accordance with the parameters and in conformity with Actuarial Standards of Practice.
4. **Actuarial Present Value** – The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:
 - a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, Social Security, marital status, etc.);
 - b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned; and
 - c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.
5. **Deferred Outflow / (Inflow) of Resources** – represents the following items that have not been recognized in the OPEB Expense:
 - a. Differences between expected and actual experience of the OPEB plan
 - b. Changes in assumptions
 - c. Differences between projected and actual earnings in OPEB plan investments (for funded plans only)
6. **Explicit Subsidy** – The difference between (a) the amounts required to be contributed by the retirees based on the premium rates and (b) actual cash contribution made by the employer.
7. **Funded Ratio** – The actuarial value of assets expressed as a percentage of the Total OPEB Liability.

Glossary – Definitions

Racine County and RCSO GASB 74/75 Valuation for Fiscal Year Ending December 31, 2017

8. **Healthcare Cost Trend Rate** – The rate of change in the per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.
9. **Implicit Subsidy** – In an experience-rated healthcare plan that includes both active employees and retirees with blended premium rates for all plan members, the difference between (a) the age-adjusted premiums approximating claim costs for retirees in the group (which, because of the effect of age on claim costs, generally will be higher than the blended premium rates for all group members) and (b) the amounts required to be contributed by the retirees.
10. **OPEB** – Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.
11. **OPEB Expense** – Changes in the Net OPEB Liability in the current reporting period, which includes Service Cost, interest cost, changes of benefit terms, expected earnings on OPEB Plan investments, reduction of active employees' contributions, OPEB plan administrative expenses, and current period recognition of Deferred Outflows / (Inflows) of Resources.
12. **Pay-as-you-go** – A method of financing a benefit plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.
13. **Per Capita Costs** – The current cost of providing postretirement health care benefits for one year at each age from the youngest age to the oldest age at which plan participants are expected to receive benefits under the plan.
14. **Present Value of Future Benefits** – Total projected benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of total projected benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.
15. **Real Rate of Return** – the rate of return on an investment after adjustment to eliminate inflation.

Glossary – Definitions

Racine County and RCSO GASB 74/75 Valuation for Fiscal Year Ending December 31, 2017

16. **Select and Ultimate Rates** – Actuarial assumptions that contemplate different rates for successive years. Instead of a single assumed rate with respect to, for example, the investment return assumption, the actuary may apply different rates for the early years of a projection and a single rate for all subsequent years. For example, if an actuary applies an assumed investment return of 8% for year 20W0, then 7.5% for 20W1, and 7% for 20W2 and thereafter, then 8% and 7.5% select rates, and 7% is the ultimate rate.
17. **Service Cost** – The portion of the Actuarial Present Value of projected benefit payments that are attributed to a valuation year by the Actuarial Cost Method.
18. **Substantive Plan** – The terms of an OPEB plan as understood by the employer(s) and plan members.
19. **Total OPEB Liability** – That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Benefits which is attributed to past periods of employee service (or not provided for by the future Service Costs).