

# **ROWAN COUNTY**

**North Carolina**



**Other Postemployment Benefits – Healthcare Benefits Plan**

**Fiscal Year Ended June 30, 2011**

**ROWAN COUNTY, NORTH CAROLINA  
OTHER POSTEMPLOYMENT BENEFITS – HEALTHCARE BENEFITS PLAN  
FISCAL YEAR ENDED JUNE 30, 2011**

*Plan Description.* Under the terms of a County resolution, the County administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). As of December 1, 2002, this plan provides postemployment healthcare benefits to retirees of the County, provided they participate in the North Carolina Local Governmental Employees’ Retirement System (LGERS), have at least twenty years of creditable service with the County and are between 55 and 65 years of age at the time of retirement. The County pays the full cost of coverage for these benefits. Also, the County’s retirees can purchase coverage for their dependents at the County’s group rates. The Rowan County Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2010, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	28	15
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	<u>644</u>	<u>103</u>
Total	<u>672</u>	<u>118</u>

*Funding Policy.* The County pays the full cost of healthcare benefits received by qualified retirees under a County resolution that can be amended by the County Board of Commissioners. The County’s members pay \$250 per month for dependent coverage. The County has chosen to fund the HCB Plan on a pay-as-you-go basis.

The current annual required contribution (ARC) rate is 2.2 percent of annual covered payroll. For the current year, the County contributed \$508,751 or 1.8 percent of annual covered payroll. The County’s healthcare plan is self-insured. The County’s required contributions for employees not engaged in law enforcement and for law enforcement officers represented 1.1 percent and 3.4 percent of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$25,660. The County’s obligation to contribute to the HCB Plan is established and may be amended by the County Board of Commissioners.

*Source: Rowan County, North Carolina Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2011  
Pages 2-71, 2-72*

**ROWAN COUNTY, NORTH CAROLINA  
OTHER POSTEMPLOYMENT BENEFITS – HEALTHCARE BENEFITS PLAN  
FISCAL YEAR ENDED JUNE 30, 2011**

*Summary of Significant Accounting Policies:*

Basis of Accounting. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

*Annual Other Postemployment Benefit (OPEB) Cost and Net OPEB Obligation.* The County’s annual OPEB cost (expense) is calculated based on the ARC of the employer, 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 amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County’s net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 530,616
Interest on net OPEB obligation	29,076
Adjustment to annual required contribution	<u>(27,777)</u>
Annual OPEB cost (expense)	531,915
Contributions made	<u>(508,751)</u>
Increase in net OPEB obligation	23,164
Net OPEB obligation, beginning of year	<u>726,899</u>
Net OPEB obligation, end of year	<u>\$ 750,063</u>

*Source: Rowan County, North Carolina Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2011  
Pages 2-72, 2-73*

**ROWAN COUNTY, NORTH CAROLINA  
OTHER POSTEMPLOYMENT BENEFITS – HEALTHCARE BENEFITS PLAN  
FISCAL YEAR ENDED JUNE 30, 2011**

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 were as follows:

<u>For Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 882,662	27.2%	\$ 642,566
June 30, 2010	534,144	84.2%	726,899
June 30, 2011	531,915	95.6%	750,063

*Funding Status and Funding Progress.* As of December 31, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$7,080,631. The covered payroll (annual payroll of active employees covered by the plan) was \$27,562,353 and the ratio of the UAAL to the covered payroll was 25.7 percent. 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 healthcare trends. 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 at 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.

*Source: Rowan County, North Carolina Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2011  
Pages 2-73, 2-74*

**ROWAN COUNTY, NORTH CAROLINA  
OTHER POSTEMPLOYMENT BENEFITS – HEALTHCARE BENEFITS PLAN  
FISCAL YEAR ENDED JUNE 30, 2011**

In the December 31, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is the expected long-term investment return on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend rate that varied between 10.5 to 5.0 percent. The investment rate included a 3.0 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2010 was 30 years.

*Source: Rowan County, North Carolina Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2011  
Page 2-74*

**ROWAN COUNTY, NORTH CAROLINA  
 OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE BENEFITS PLAN  
 SCHEDULE OF FUNDING PROGRESS**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Projected Unit Credit (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 [(b - a) ÷ c]</u>
12/31/07	\$ -	\$ 8,349,720	\$ 8,349,720	0%	\$ 26,629,686	31.4%
12/31/09	-	6,206,170	6,206,170	0%	28,592,753	21.7%
12/31/10	-	7,080,631	7,080,631	0%	27,562,353	25.7%

*Source: Rowan County, North Carolina Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2011  
 Page 2-95*

**ROWAN COUNTY, NORTH CAROLINA  
 OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE BENEFITS PLAN  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2009	\$ 882,662	27.2%
2010	530,616	84.7%
2011	530,616	95.9%

**Notes to the Required Schedules:**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend	10.50 - 5.00%
*Includes inflation at	3.00%

*Source: Rowan County, North Carolina Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2011  
 Page 2-96*