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October 26, 2023

Lisa Okada
HR Benefits Director
San Mateo County

Re: Study of Proposed Retiree Health Benefits for LEU Active Members

Dear Lisa:

As requested, we have estimated costs to San Mateo County (the County) for various benefit changes to the Postemployment Benefits Other than Pension (OPEB) Plan for Law Enforcement Unit (Non-Safety) (LEU) active members.

The results shown in this letter summarize estimated costs to the County of adopting these OPEB plan revisions. We are not advocating either for or against these changes.

The calculations in this letter are for current LEU active employees only. They do not include current retirees. Additionally, consistent with GASB 75, the TOL calculations are "closed group" calculations, meaning that the results do not reflect the impact of future hires.

Executive Summary

As requested by the County, we have studied three scenarios for proposed retiree health benefit changes for current LEU employees. It is our understanding that these benefit changes do not impact current retirees. The proposed changes for future hires would not result in an explicit OPEB liability under GASB 75, however future hires would have an implicit liability under GASB 75. No analysis of changes for future hires was done.

In this letter, we calculate the actuarial present value of benefits, the Total OPEB Liability, the Service Cost, the change in the County's Actuarially Determined Contribution, and projected benefit payments for the proposed benefits under each scenario. These results are compared to the same measures for the current benefits program.

The 'cost neutral' employee contribution rate is determined such that the change in the actuarial present value of benefits is equal to the actuarial present value of employee contributions.

Summary of Retiree Health Benefits Studied

There are four components to the proposed retiree health benefits for current employees hired before the transition date who retire from the County at the time of separation. We based our valuation on sick leave balances and a transition date of June 30, 2023.

1. Lump sum benefits at retirement based on Sick Leave Balances at the transition date.
2. Pre-65 explicit medical benefits.
3. Implicit rate subsidy prior to age 65.
4. Medicare-Eligible contributions payable for 10 years.

The proposed scenarios also include employee contributions based on a percentage of pay, as discussed below.

Lump Sum Benefits at Retirement Based on Sick Leave Balances at the Transition Date

Under the proposal, eligible members would receive a lump sum contribution to their Retiree Health Reimbursement Account (RHRA) at retirement. The County will contribute this lump sum upon retirement if, and only if, the person meets the eligibility requirements to receive a pension benefit through SamCERA and has satisfied the years of service requirements noted below.

We assume that employees will not use the 192 hours of banked Old Sick Leave nor use any additional hours of old sick leave.

Scenario 1: AFSCME Benefit Provisions for LEU Members

For members with 15 or more years of service at retirement, the lump sum amount would be based on 50% of the member's sick leave balance as of the transition date multiplied by the base hourly pay rate at retirement.

For employees with less than 15 years of service at retirement, the lump sum amount would equal a fixed dollar multiplier per eight hours of sick leave balance as of the transition date:

For employees hired by the County before July 10, 2011: $440.00 per eight hours

For employees hired by the County on or after July 10, 2011: $400.00 per eight hours

Scenario 2: 10-Year Threshold for Lump Sum and Pre-65 Benefits, $1,300 Pre-65 at Service of 25+ and Scenario 3: 10-Year Threshold for Lump Sum and Pre-65 Benefits, $1,500 Pre-65 at Service of 25+

For members with 10 or more years of service at retirement, the lump sum amount would be based on 50% of the member's sick leave balance as of the transition date multiplied by the base hourly pay rate at retirement.

For employees with less than 10 years of service at retirement, the lump sum amount would equal a fixed dollar multiplier per eight hours of sick leave balance as of the transition date:

For employees hired by the County before July 10, 2011: $440.00 per eight hours

For employees hired by the County on or after July 10, 2011: $400.00 per eight hours

Pre-65 Explicit Medical Benefits

For retirees not enrolled in County benefit plans, the County would deposit the monthly benefit amount listed in the tables below into the retiree's RHRA. For those enrolled in County plans with premiums less than the monthly benefit amount, the excess of the monthly benefit amount above the premium would be deposited into the retiree's RHRA.

The benefits would be based on the retiree's age, with this benefit payable while the retiree is under age 65 (pre-Medicare). The spouse's age will not influence the amount of the County's maximum payment.

These benefit amounts would not increase.

The benefits in the tables below would be paid as long as the retiree is alive and under age 65. After the retiree has died, the benefits payable to a surviving spouse would be 50% of the amounts in the tables paid until the retiree would have turned 65.

Scenario 1: AFSCME Benefit Provisions for LEU Members

The benefits would be based on years of service at retirement according to the following table:

Years of Service	Monthly Benefit
Less than 15	$0
15-20	$891.95
20 or more	$1,189.27

There would be no explicit monthly benefit paid to retirees with less than 15 years of service.

Scenario 2: 10-Year Threshold for Lump Sum and Pre-65 Benefits, $1,300 Pre-65 at Service of 25+

The benefits would be based on years of service at retirement according to the following table:

Years of Service	Monthly Benefit
Less than 10	$0
10-15	$500.00
15-20	$891.95
20-25	$1,189.27
25 or more	$1,300.00

There would be no explicit monthly benefit paid to retirees with less than 10 years of service.

Scenario 3: 10-Year Threshold for Lump Sum and Pre-65 Benefits, $1,500 Pre-65 at Service of 25+

The benefits would be based on years of service at retirement according to the following table:

Years of Service	Monthly Benefit
Less than 10	$0
10-15	$500.00
15-20	$891.95
20-25	$1,189.27
25 or more	$1,500.00

There would be no explicit monthly benefit paid to retirees with less than 10 years of service.

Implicit Rate Subsidy Prior to Age 65

The County contracts with Kaiser and Aetna Plans to provide health coverage to its actives and pre-Medicare (prior to age 65) retirees. These insurers charge the same premium for actives and retirees without Medicare. Therefore, the County is paying a higher rate for active employees than they otherwise would if the retirees were in a separate plan. This creates an "implicit" subsidy of retiree premiums. GASB requires including the value of this subsidy in the TOL. It is our understanding that, under the proposal, employees will continue to access the subsidized premiums.

Under the current benefits program, everyone under age 65 with a sick leave balance entitled to SamCERA pension benefits is entitled to an explicit subsidy until sick leave is exhausted. In the actuarial valuation, we assume that 95% elect medical coverage until sick leave is exhausted. Under the proposal studied in this letter, we assume the same 95% medical election rate for retirees eligible for explicit pre-65 benefits (members with 15 or more years of service at retirement under Scenario 1, and 10 or more years of service at retirement for scenarios 2 and 3).

It is our understanding that members with $0 monthly benefits (less than 15 years of service under Scenario 1, and less than 10 years of service under Scenarios 2 and 3) will remain eligible to retain health coverage by paying the same premiums charged for actives and retirees without Medicare. This group will have an implicit rate subsidy, and we assume that 57% (60% of 95%) of people in this group will elect coverage.

For the actuarial valuation, we assumed that 40% of retirees would lapse health insurance coverage under the County plans when their sick leave balances have been exhausted. Under the proposal studied in this letter, pre-65 benefits would no longer be tied to sick leave balances. For that reason, we assume that retirees would maintain coverage throughout retirement.

These assumptions represent our best estimate of behavioral changes that would result from the proposed changes.

Medicare-Eligible Contributions Payable for 10 Years

Each member with 15 or more years of service at retirement would be eligible for monthly contributions payable by the County for 10 years. After the retiree turns age 65 and becomes eligible for Medicare, the proposed benefit amounts would be $166.22 per person in 2023. There would be no post-65 benefit paid for those with less than 15 years of service.

In contrast to the pre-65 benefits, the post-65 benefits are expected to grow over time, with benefits based on the standard Medicare Part B premiums for individuals. The County's reimbursement will be adjusted each year in accordance with adjustments made by the Centers for Medicare and Medicaid services, not to exceed an annual adjustment of 5.8% between 2023 and 2026, and not to exceed an annual adjustment of 5.0% in 2027 and beyond. The County's contribution per person will not decline from one year to the next.

For married retirees, the benefit amount would be double the single premium reimbursement. As with the pre-65 benefits, the County's payments would be based on the retiree's age, with this benefit payable while the retiree is age 65 and older. The spouse's age will not influence the amount of the County's maximum payment.

After the member dies, a surviving spouse would receive the reimbursements for one person until the benefit would have expired for the retiree.

The benefits would be payable for 10 years. For someone retiring prior to age 65, this benefit would first be payable at age 65 and continue for 10 years (until age 75). For eligible members retiring after age 65, the benefits would be payable for 10 years after retirement.

Actuarial Present Value of Benefits

The broadest measure of the obligation for current members is the actuarial present value of benefits (PVB). This is the present value of all projected benefits discounted at the investment rate of return assumption and includes benefits allocated to both past and future service for all current members.

Figure 1 shows the PVB as of June 30, 2023, as though the benefit changes had taken effect as of the June 30, 2023 actuarial valuation. The following chart is for all current LEU active members and does not include any amount for future hires.

Figure 1: Actuarial Present Value of Benefits

	Lump Sum at Retirement (A)		Pre-65 Medical Benefit (B)		Medicare-Eligible Contributions (C)		Total Explicit Benefits (D)=(A)+(B)+(C)		Implicit Rate Subsidy (E)		Total PVB (F)=(D)+(E)
Current Plan	N/A		N/A		N/A		$1,486,000	+	$1,811,000	=	$3,297,000
Proposed Plan											
Scenario 1: AFSCME Benefit Provisions for LEU Members	$363,000	+	$769,000	+	$581,000	=	1,713,000	+	2,005,000	=	3,718,000
Scenario 2: 10-Year Threshold for Lump Sum and Pre-65 Benefits, $1300 Pre-65 at Service of 25+	361,000	+	828,000	+	581,000	=	1,770,000	+	2,005,000	=	3,775,000
Scenario 3: 10-Year Threshold for Lump Sum and Pre-65 Benefits, $1500 Pre-65 at Service of 25+	361,000	+	916,000	+	581,000	=	1,858,000	+	2,005,000	=	3,863,000

Total OPEB Liability

The Total OPEB Liability (TOL) represents the value of benefits allocated to past service for the current LEU active members under the actuarial cost method. The Net OPEB Liability is the TOL minus the assets, and that is the amount shown on the balance sheet for the County's financial reporting. It also serves as a funding target for the County's established funding policy.

Figure 2 shows the TOL as of June 30, 2023, as though the benefit changes had taken effect as of the June 30, 2023 actuarial valuation. The following chart is for all current LEU active members and does not include any amount for future hires. Lump sum benefits at retirement do not result in an OPEB Liability under GASB 74/75, so they are not included in the calculation of the TOL.

Figure 2: Total OPEB Liability

	Lump Sum at Retirement (A)		Pre-65 Medical Benefit (B)		Medicare-Eligible Contributions (C)		Total Explicit Benefits (D)=(A)+(B)+(C)		Implicit Rate Subsidy (E)		TOL (F)=(D)+(E)
Current Plan	N/A		N/A		N/A		$1,112,000	+	$1,066,000	=	$2,178,000
Proposed Plan											
Scenario 1: AFSCME Benefit Provisions for LEU Members	N/A		$521,000	+	$332,000	=	853,000	+	1,187,000	=	2,040,000
Scenario 2: 10-Year Threshold for Lump Sum and Pre-65 Benefits, $1300 Pre-65 at Service of 25+	N/A		555,000	+	332,000	=	887,000	+	1,187,000	=	2,074,000
Scenario 3: 10-Year Threshold for Lump Sum and Pre-65 Benefits, $1500 Pre-65 at Service of 25+	N/A		614,000	+	332,000	=	946,000	+	1,187,000	=	2,133,000

Service Cost

The Service Cost represents the value of benefits earned during the year on an on-going basis. This is the portion of the present value of projected benefit payments allocated to the current year of service by the actuarial cost method. It is a component of the expense calculation for financial reporting.

Figure 3 shows the Service Cost attributable to retiree medical benefits for 2023-2024, as though the proposed benefit changes had taken effect as of the June 30, 2023 actuarial valuation. The following chart is for all current LEU active members and does not include any amount for future hires. Lump sum benefits at retirement do not result in an OPEB Liability under GASB 74/75, so they are not included in the calculation of the service cost.

Figure 3: Service Cost

	Lump Sum at Retirement (A)		Pre-65 Medical Benefit (B)		Medicare-Eligible Contributions (C)		Total Explicit Benefits (D)=(A)+(B)+(C)		Implicit Rate Subsidy (E)		Total Service Cost (F)=(D)+(E)
Current Plan	N/A		N/A		N/A		$38,000	+	$64,000	=	$102,000
Proposed Plan											
Scenario 1: AFSCME Benefit Provisions for LEU Members	N/A		$23,000	+	$21,000	=	44,000	+	70,000	=	114,000
Scenario 2: 10-Year Threshold for Lump Sum and Pre-65 Benefits, $1300 Pre-65 at Service of 25+	N/A		25,000	+	21,000	=	46,000	+	70,000	=	116,000
Scenario 3: 10-Year Threshold for Lump Sum and Pre-65 Benefits, $1500 Pre-65 at Service of 25+	N/A		28,000	+	21,000	=	49,000	+	70,000	=	119,000

Actuarially Determined Contribution

The actuarially determined contribution (ADC) is equal to the Service Cost plus an amount to amortize the Net OPEB Liability (NOL). The ADC for the County for the 2024-2025 fiscal year is $25,721,353. This is based upon the June 30, 2023 valuation, rolled forward to June 30, 2024, assuming no actuarial gains or losses. There is a one-year lag between the actuarial valuation date and the beginning of the period for the ADC.

Figure 4 shows the change in the 2024-2025 fiscal year ADC due to the proposed benefit changes using a 14-year amortization. These results value the benefit plan change as though it had taken effect as of the June 30, 2023 actuarial valuation.

Figure 4: Change in Actuarially Determined Contribution

Change in Actuarially Determined Contribution	July 1, 2024 to June 30, 2025
Scenario 1: AFSCME benefit Provisions for LEU Members	$300
Scenario 2: 10-Year Threshold for Lump Sum and Pre-65 Benefits, $1300 Pre-65 at Service of 25+	$5,600
Scenario 3: 10-Year Threshold for Lump Sum and Pre-65 Benefits, $1500 Pre-65 at Service of 25+	$14,400

The current funding policy of the County is to contribute cash to the trust based upon the ADC, minus the estimated implicit rate subsidy.

Employee Contributions and “Cost Neutrality”

It is our understanding that there is a goal for any benefit changes to be “cost neutral.” One method to achieve this goal is to find the employee contribution rate such that the actuarial present value of employee contributions is equal to the change in the actuarial present value of benefits.

Figure 5 shows the actuarial present value of employee contributions based on projected contributions for all active LEU employees as of June 30, 2023 for the rest of their careers, discounted at 5.75%, which is the investment rate of return assumption used for the June 30, 2023 actuarial valuation.

Figure 5: Cost Neutral Employee Contribution Rate

Proposed Plan	Change in PVB from Current Plan (A)	Cost Neutral Employee Contribution Rate (B)
Scenario 1: AFSCME Benefit Provisions for LEU Members	$421,000	0.75%
Scenario 2: 10-Year Threshold for Lump Sum and Pre-65 Benefits, $1300 Pre-65 at Service of 25+	$478,000	0.85%
Scenario 3: 10-Year Threshold for Lump Sum and Pre-65 Benefits, $1500 Pre-65 at Service of 25+	$566,000	1.00%

AFSCME employees hired before the transition date contribute 0.70% of pay.

The change in PVB from the current plan ranges from $421,000 to $566,000, depending on the scenario. There were 42 active LEU members valued. Depending on the scenario this translates to an average increase in benefits from the current plan of $10,000 to $13,500 per member.

Projected Benefit Payments

The following tables illustrate the projected County costs of providing retiree health benefits, as though the proposed benefit changes had taken effect as of the June 30, 2023 actuarial valuation. The following charts are for all current LEU active members and do not include any amounts for future hires.

Figure 6a: Scenario 1 Explicit Projected Benefit Payments

Scenario 1: AFSCME Benefit Provisions for LEU Members

Year	**Current Explicit Benefits**	Proposed Lump Sum at Retirement	Proposed Pre-65 Medical Benefit	Proposed Medicare-Eligible Contributions	**Proposed Total Explicit Benefits**
	(A)	(B)	(C)	(D)	(E)=(B)+(C)+(D)
2023	$1,000	$8,000	$1,000	$0	$9,000
2024	3,000	10,000	5,000	0	15,000
2025	7,000	15,000	10,000	0	25,000
2026	11,000	15,000	16,000	0	31,000
2027	16,000	19,000	23,000	0	42,000
2028	22,000	27,000	31,000	0	58,000
2029	30,000	28,000	41,000	0	69,000
2030	39,000	34,000	52,000	0	86,000
2031	50,000	39,000	66,000	0	105,000
2032	62,000	35,000	79,000	0	114,000
2033	74,000	36,000	91,000	0	127,000
2034	87,000	36,000	94,000	5,000	135,000
2035	101,000	40,000	81,000	15,000	136,000
2036	114,000	38,000	81,000	21,000	140,000
2037	128,000	37,000	80,000	28,000	145,000
2038	143,000	36,000	82,000	35,000	153,000
2039	153,000	21,000	89,000	37,000	147,000
2040	163,000	23,000	73,000	51,000	147,000
2041	172,000	19,000	49,000	72,000	140,000
2042	181,000	23,000	59,000	75,000	157,000

Figure 6b: Scenario 2 Explicit Projected Benefit Payments

Scenario 2: 10-Year Threshold for Lump Sum and Pre-65 Benefits, $1300 Pre-65 at Service of 25+ Benefits

Year	**Current Explicit Benefits**	Proposed Lump Sum at Retirement	Proposed Pre-65 Medical Benefit	Proposed Medicare-Eligible Contributions	**Proposed Total Explicit Benefits**
	(A)	(B)	(C)	(D)	(E)=(B)+(C)+(D)
2023	$1,000	$7,000	$1,000	$0	$8,000
2024	3,000	10,000	5,000	0	15,000
2025	7,000	15,000	10,000	0	25,000
2026	11,000	15,000	16,000	0	31,000
2027	16,000	19,000	24,000	0	43,000
2028	22,000	27,000	32,000	0	59,000
2029	30,000	28,000	43,000	0	71,000
2030	39,000	34,000	56,000	0	90,000
2031	50,000	39,000	69,000	0	108,000
2032	62,000	35,000	84,000	0	119,000
2033	74,000	36,000	98,000	0	134,000
2034	87,000	36,000	101,000	5,000	142,000
2035	101,000	40,000	88,000	15,000	143,000
2036	114,000	38,000	88,000	21,000	147,000
2037	128,000	37,000	87,000	28,000	152,000
2038	143,000	36,000	89,000	35,000	160,000
2039	153,000	21,000	98,000	37,000	156,000
2040	163,000	23,000	81,000	51,000	155,000
2041	172,000	19,000	54,000	72,000	145,000
2042	181,000	23,000	64,000	75,000	162,000

Figure 6c: Scenario 3 Explicit Projected Benefit Payments

Scenario 3: 10-Year Threshold for Lump Sum and Pre-65 Benefits, $1500 Pre-65 at Service of 25+ Benefits

Year	**Current Explicit Benefits**	Proposed Lump Sum at Retirement	Proposed Pre-65 Medical Benefit	Proposed Medicare-Eligible Contributions	**Proposed Total Explicit Benefits**
	(A)	(B)	(C)	(D)	(E)=(B)+(C)+(D)
2023	$1,000	$7,000	$1,000	$0	$8,000
2024	3,000	10,000	5,000	0	15,000
2025	7,000	15,000	10,000	0	25,000
2026	11,000	15,000	17,000	0	32,000
2027	16,000	19,000	24,000	0	43,000
2028	22,000	27,000	33,000	0	60,000
2029	30,000	28,000	45,000	0	73,000
2030	39,000	34,000	59,000	0	93,000
2031	50,000	39,000	75,000	0	114,000
2032	62,000	35,000	91,000	0	126,000
2033	74,000	36,000	107,000	0	143,000
2034	87,000	36,000	113,000	5,000	154,000
2035	101,000	40,000	99,000	15,000	154,000
2036	114,000	38,000	99,000	21,000	158,000
2037	128,000	37,000	97,000	28,000	162,000
2038	143,000	36,000	100,000	35,000	171,000
2039	153,000	21,000	110,000	37,000	168,000
2040	163,000	23,000	91,000	51,000	165,000
2041	172,000	19,000	61,000	72,000	152,000
2042	181,000	23,000	72,000	75,000	170,000

Figure 7: Implicit Projected Benefit Payments

Year	Current Implicit Benefits	Proposed Implicit Benefits*
	(A)	(B)
2023	$1,000	$1,000
2024	5,000	5,000
2025	11,000	10,000
2026	19,000	18,000
2027	29,000	29,000
2028	43,000	43,000
2029	60,000	62,000
2030	83,000	86,000
2031	101,000	109,000
2032	133,000	145,000
2033	160,000	172,000
2034	167,000	180,000
2035	152,000	165,000
2036	168,000	183,000
2037	176,000	192,000
2038	188,000	207,000
2039	221,000	241,000
2040	199,000	225,000
2041	132,000	153,000
2042	168,000	196,000

**Proposed implicit benefits are the same for all three scenarios.*

Data, Assumptions, and Methods

All data, assumptions, and methodology for our calculations match our June 30, 2023 actuarial valuation report dated August 31, 2023 with the following exceptions. These assumptions represent our best estimate of behavioral changes that would result from the proposed changes.

Members Valued: The proposed changes only impact active employees in the LEU bargaining unit. As of June 30, 2023, there were 42 LEU active members covered under the San Mateo County OPEB Plan. Please see Appendix C of our June 30, 2023 actuarial valuation report for a summary of the Membership Data.

In the actuarial valuation, we assumed that 40% of retirees would lapse coverage when sick leave balances were exhausted. Under the proposed benefits studied in this letter, benefits would no longer

be tied to sick leave at retirement. For this reason, the proposed benefits reflect no assumed coverage lapse.

There are people who will be eligible for SamCERA pension benefits who will not be entitled to the proposed pre-65 benefit based on Kaiser premiums due to the 10 years of service requirement. It is our understanding that people in that category will remain eligible to retain health coverage by paying the same premiums charged for actives and retirees without Medicare. We assume that 57% (60% of 95%) of these members will self-pay the premiums for County coverage in retirement.

For the actuarial valuation, we assumed that 55% of married LEU members will elect spousal coverage. The proposed benefits prior to age 65 would be higher than the current benefit in most situations and therefore, the County would be paying for more of the cost of spouse coverage. Under the proposed changes, the benefits will be greater for those with more years of service at retirement. As such, more of the spouses' benefits will be covered for members with more years of service. For that reason, we assume varied rates at which retirees will elect to cover their spouses for pre-65 benefits:

95% of married members with 20 or more years of service at retirement are assumed to elect spousal coverage at retirement for pre-65 benefits.

75% of married members with 15-19 years of service at retirement are assumed to elect spousal coverage at retirement for pre-65 benefits.

55% of all other married members with less than 15 years of service are assumed to elect spousal coverage at retirement for pre-65 benefits.

We assume that 95% of married members who are eligible for Medicare Part B reimbursements elect benefits for their spouses in addition to their own, regardless of their service at retirement.

Caveats

In preparing this letter, we relied, without audit, on information (some oral and some in writing) supplied by the County's staff and labor representatives. This information includes, but is not limited to, statutory provisions, employee data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The study results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different, and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the County have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the County and reasonable expectations); and which, in combination, offer our best estimate of anticipated experience affecting the County. Further, in our opinion, the actuarial assumptions in the aggregate are reasonable and are related to the experience of the Plan and to reasonable expectations and represent our best estimate of anticipated experience under the Plan.

Milliman has developed certain models to estimate the values included in this letter. The intent of the models was to estimate retiree medical annual trends and costs by age and gender. In addition, the valuation results and projections for future results were developed using models employing standard actuarial techniques. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice.

This analysis is only an estimate of the County's liability as of a single date, and a projection of expected costs based on the County's membership and liability as of the valuation date. It can neither predict the County's future condition nor guarantee future financial soundness. Actuarial calculations do not affect the ultimate cost of benefits, only the timing of contributions. While the study is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable, and results based on those assumptions would be different. No one set of assumptions is uniquely correct. Determining results using alternative assumptions is outside the scope of our engagement.

Future actuarial measurements may differ significantly from the current measurements presented in this letter 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 and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. The County has the final decision regarding the appropriateness of the assumptions.

Actuarial computations presented in this letter are for purposes of determining changes to liabilities due to proposed benefit changes for active LEU participants. The calculations in this letter have been made on a basis consistent with our understanding of the Plan's current and proposed benefits. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this letter. Accordingly, additional determinations may be needed for other purposes.

Milliman's work is prepared solely for the internal business use of the County for a specific and limited purpose. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third-party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions:

(a) The County may provide a copy of Milliman's work, in its entirety, to the Fund's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the Fund.

(b) The County may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third-party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

Specifically, we have not explored any legal issues with respect to the proposed plan changes. We are not attorneys and cannot give legal advice on such issues. We suggest that you review this proposal with counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this letter is complete and accurate and has been prepared in accordance with generally recognized and accepted

actuarial principles and practices, which are consistent with the principles prescribed by the Actuarial Standards Board and the *Code of Professional Conduct* and *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States* published by the American Academy of Actuaries.

We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Please let us know if you would like to discuss this further.

Sincerely,

Daniel Wade, FSA, EA, MAAA
Principal and Consulting Actuary

Arthur Rains-McNally, FSA, EA, MAAA
Principal and Consulting Actuary

Jessica M. Gardner, ASA, MAAA
Associate Actuary