

BAY COUNTY RETIREE HEALTH CARE PLAN
ACTUARIAL VALUATION REPORT
AS OF DECEMBER 31, 2011

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March 18, 2013

Bay County Voluntary Employees' Beneficiary
Association – Board of Trustees
Bay City, Michigan 48708

Dear Board Members:

Submitted in this report are the results of an Actuarial Valuation of the assets and liabilities associated with the employer financed retiree health benefits provided by Bay County. The date of the valuation was December 31, 2011. The annual required contributions have been calculated for the fiscal years beginning January 1, 2012 and January 1, 2013.

This report was prepared at the request of the Bay County and is intended for use by the Bay County and those designated or approved by the County. This report may be provided to parties other than the Bay County only in its entirety and only with the permission of the County.

The actuarial calculations were prepared for purposes of complying with the requirements of Statement No. 45 of the Governmental Accounting Standards Board (GASB). In addition, we have included information which may be helpful if there is a trust requiring a GASB Statement No. 43 disclosure. The calculations reported herein have been made on a basis consistent with our understanding of these accounting standards. Determinations of the liability associated with the benefits described in this report for purposes other than satisfying Bay County's financial reporting requirements may be significantly different than the values shown in this report.

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 or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

The valuation was based upon information furnished by Bay County, concerning retiree health benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal and year-to-year consistency with the last valuation, but did not otherwise audit the data. We are not responsible for the accuracy or completeness of the information provided by Bay County.

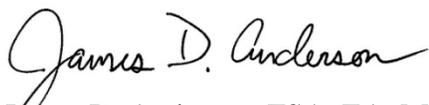
Bay County VEBA Board Members

March 18, 2013

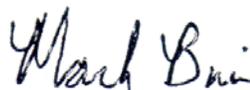
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To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of Bay County as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. The undersigned are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. The signing actuaries are independent of the plan sponsor.

Respectfully submitted,



James D. Anderson, FSA, EA, MAAA



Mark Buis, FSA, EA, MAAA

JDA/MB/ah

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Annual Required Contribution and OPEB Cost

This report presents the Annual Required Contribution (ARC), one component of the annual Other Postemployment Benefits (OPEB) cost required to be recognized by the plan sponsor for purposes of complying with the accounting requirements of the Governmental Accounting Standards Board (GASB) Statement No. 45. In addition, the plan may need to comply with GASB Statement No. 43. Please consult with legal counsel and your auditors to determine whether you have a plan for GASB Statement No. 43 purposes.

We have calculated the Annual Required Contribution (ARC) for the fiscal years beginning January 1, 2012 and January 1, 2013. Below is a summary of the results. In the first year GASB Statement No. 45 is adopted, the annual OPEB cost is equal to the ARC. In subsequent years, if there is a net OPEB obligation (NOO, see below), the annual OPEB cost is equal to the ARC for the fiscal year plus one year's interest on the net OPEB Obligation plus an adjustment to the ARC.

Employer contributions to an OPEB trust act to reduce the NOO. In addition, actual claims and premiums paid on behalf of retirees directly from the employer* might be employer contributions in relation to the ARC and act to reduce the NOO. The ARCs and estimated retiree claims and premiums shown below include an adjustment for any implicit rate subsidy present in your pre-65 rates.

** Claims/Premiums passed through the trust in the same fiscal year might also be treated as contributions for that year. We recommend all such transactions be discussed with your accounting professional prior to their occurrence.*

For additional details please see the Section titled "Valuation Results."

	Annual Required Contribution	Estimated Claims and Premiums Paid for Retirees
Fiscal Year Beginning 2012	\$12,356,339	\$5,208,005
Fiscal Year Beginning 2013	12,402,997	5,733,214

EXECUTIVE SUMMARY

Additional OPEB Reporting Requirements – Net OPEB Obligation

In addition to the annual cost described above, employers will have to disclose a Net OPEB Obligation (or asset). The NOO is the cumulative difference between annual OPEB cost and annual employer contributions in relation to the ARC accumulated from the implementation of Statement No. 45. The NOO is zero as of the beginning of the fiscal year that Statement No. 45 is implemented unless the employer chooses to recognize a beginning balance. The requirements for determining the employer's contributions in relation to the ARC are described in paragraph 13 g. of Statement No. 45. Additional information required to be disclosed in the employer's financial statements is detailed in paragraphs 24 through 27 of Statement No. 45.

Liabilities and Assets

1. Present Value of Future Benefit Payments	\$188,464,073
2. Actuarial Accrued Liability	150,254,602
3. Plan Assets	27,713,223
4. Unfunded Actuarial Accrued Liability (2) – (3)	122,541,379
5. Funded Ratio (3)/(2)	18.4%

The Present Value of Future Benefit Payments (PVFB) is the present value of all benefits projected to be paid from the plan for past and future service to current members. The Actuarial Accrued Liability is the portion of the PVFB allocated to past service by the Plan's funding method (see the Section titled "Actuarial Cost Method and Actuarial Assumptions").



SECTION A
VALUATION RESULTS



**BAY COUNTY - TOTAL
DECEMBER 31, 2011**

DEVELOPMENT OF THE ANNUAL REQUIRED CONTRIBUTION

Contributions for	Development of the Annual Required Contribution
	<u>Fiscal Year Beginning 2012</u>
Employer Normal Cost	\$ 4,065,008
Amortization of Unfunded Actuarial Accrued Liability	<u>8,291,331</u>
Annual Required Contribution (ARC)	\$12,356,339
	<u>Fiscal Year Beginning 2013</u>
Annual Required Contribution (ARC)	\$12,402,997

The ARC shown in this report has been calculated to increase at the same rate as the projected increase in active member payroll (4.00% per year) except for General County, Medical Care Facility (MCF), and Sheriff's Dept because these groups are closed to new hires. The unfunded actuarial accrued liabilities were amortized as a level dollar amount over a period of 30 years for General County and Sheriff's Dept, and 28 years for MCF. Unfunded actuarial accrued liabilities were amortized as a level percent of active member payroll over a period of 30 years for DWS and Library, 26 years for BABH, and 20 years for Road Commission. A 30-year amortization period for unfunded actuarial accrued liabilities is the maximum period that complies with the GASB requirements. The long term rate of investment return used in this valuation is 6.00% for all groups except BABH which uses 7.50%.

DETERMINATION OF UNFUNDED ACCRUED LIABILITY

A. Present Value of Future Benefits	
i) Retirees and Beneficiaries	\$ 78,049,712
ii) Vested Terminated Members	0
iii) Active Members	<u>110,414,361</u>
Total Present Value of Future Benefits	\$188,464,073
B. Present Value of Future Normal Costs	38,209,471
C. Actuarial Accrued Liability (A.-B.)	150,254,602
D. Actuarial Value of Assets	27,713,223
E. Unfunded Actuarial Accrued Liability (C.-D.)	\$122,541,379
F. Funded Ratio (D./C.)	18.4%

The Unfunded Actuarial Accrued Liability (UAAL) is not booked as an expense all in one year and does not appear in the Employer's Statement of Net Assets. Nevertheless, it is reported in the Notes to the Financial Statements and in the Required Supplementary Information. These are information sections within the employer's financial statements.

**ANNUAL REQUIRED CONTRIBUTIONS
COMPARISON BY OPEB REPORT GROUP
AS OF DECEMBER 31, 2011**

OPEB Report Group	Annual Required Contribution for January 01, 2012 - December 31, 2012
General County	\$ 4,257,244
DWS	407,870
Library	160,527
BABH	410,599
Medical Care Facility	3,821,443
Sheriff's Dept	1,197,778
Road Commission	<u>2,100,878</u>
Total	\$12,356,339

OPEB Report Group	Annual Required Contribution for January 01, 2013 - December 31, 2013
General County	\$ 4,212,687
DWS	424,184
Library	166,949
BABH	427,023
Medical Care Facility	3,798,701
Sheriff's Dept	1,188,540
Road Commission	<u>2,184,913</u>
Total	\$12,402,997

BAY COUNTY - GENERAL COUNTY
DECEMBER 31, 2011

DEVELOPMENT OF THE ANNUAL REQUIRED CONTRIBUTION

Contributions for	Development of the Annual Required Contribution
	<u>Fiscal Year Beginning 2012</u>
Employer Normal Cost	\$1,537,764
Amortization of Unfunded Actuarial Accrued Liability	<u>2,719,480</u>
Annual Required Contribution (ARC)	\$4,257,244
	<u>Fiscal Year Beginning 2013</u>
Annual Required Contribution (ARC)	\$4,212,687

The unfunded actuarial accrued liabilities were amortized as a level dollar amount over a period of 30 years. A 30-year amortization period for unfunded actuarial accrued liabilities is the maximum period that complies with the GASB requirements. The long term rate of investment return used in this valuation is 6.00%.

DETERMINATION OF UNFUNDED ACCRUED LIABILITY

A. Present Value of Future Benefits	
i) Retirees and Beneficiaries	\$18,299,500
ii) Vested Terminated Members	0
iii) Active Members	<u>40,547,636</u>
Total Present Value of Future Benefits	\$58,847,136
B. Present Value of Future Normal Costs	13,672,198
C. Actuarial Accrued Liability (A.-B.)	45,174,938
D. Actuarial Value of Assets	6,629,670
E. Unfunded Actuarial Accrued Liability (C.-D.)	\$38,545,268
F. Funded Ratio (D./C.)	14.7%

The Unfunded Actuarial Accrued Liability (UAAL) is not booked as an expense all in one year and does not appear in the Employer's Statement of Net Assets. Nevertheless, it is reported in the Notes to the Financial Statements and in the Required Supplementary Information. These are information sections within the employer's financial statements.

**BAY COUNTY – DWS
DECEMBER 31, 2011**

DEVELOPMENT OF THE ANNUAL REQUIRED CONTRIBUTION

Contributions for	Development of the Annual Required Contribution
	<u>Fiscal Year Beginning 2012</u>
Employer Normal Cost	\$143,008
Amortization of Unfunded Actuarial Accrued Liability	<u>264,862</u>
Annual Required Contribution (ARC)	\$407,870
	<u>Fiscal Year Beginning 2013</u>
Annual Required Contribution (ARC)	\$424,184

The ARC shown in this report has been calculated to increase at the same rate as the projected increase in active member payroll (4.00% per year). The unfunded actuarial accrued liabilities were amortized as a level percent of active member payroll over a period of 30 years. A 30-year amortization period for unfunded actuarial accrued liabilities is the maximum period that complies with the GASB requirements. The long term rate of investment return used in this valuation is 6.00%.

DETERMINATION OF UNFUNDED ACCRUED LIABILITY

A. Present Value of Future Benefits	
i) Retirees and Beneficiaries	\$5,733,777
ii) Vested Terminated Members	0
iii) Active Members	<u>4,529,774</u>
Total Present Value of Future Benefits	\$10,263,551
B. Present Value of Future Normal Costs	1,380,551
C. Actuarial Accrued Liability (A.-B.)	8,883,000
D. Actuarial Value of Assets	2,947,124
E. Unfunded Actuarial Accrued Liability (C.-D.)	\$5,935,876
F. Funded Ratio (D./C.)	33.2%

The Unfunded Actuarial Accrued Liability (UAAL) is not booked as an expense all in one year and does not appear in the Employer's Statement of Net Assets. Nevertheless, it is reported in the Notes to the Financial Statements and in the Required Supplementary Information. These are information sections within the employer's financial statements.

BAY COUNTY – LIBRARY
DECEMBER 31, 2011

DEVELOPMENT OF THE ANNUAL REQUIRED CONTRIBUTION

Contributions for	Development of the Annual Required Contribution
	<u>Fiscal Year Beginning 2012</u>
Employer Normal Cost	\$100,889
Amortization of Unfunded Actuarial Accrued Liability	<u>59,638</u>
Annual Required Contribution (ARC)	\$160,527
	<u>Fiscal Year Beginning 2013</u>
Annual Required Contribution (ARC)	\$166,949

The ARC shown in this report has been calculated to increase at the same rate as the projected increase in active member payroll (4.00% per year). The unfunded actuarial accrued liabilities were amortized as a level percent of active member payroll over a period of 30 years. A 30-year amortization period for unfunded actuarial accrued liabilities is the maximum period that complies with the GASB requirements. The long term rate of investment return used in this valuation is 6.00%.

DETERMINATION OF UNFUNDED ACCRUED LIABILITY

A. Present Value of Future Benefits	
i) Retirees and Beneficiaries	\$756,185
ii) Vested Terminated Members	0
iii) Active Members	<u>2,506,669</u>
Total Present Value of Future Benefits	\$3,262,854
B. Present Value of Future Normal Costs	804,932
C. Actuarial Accrued Liability (A.-B.)	2,457,922
D. Actuarial Value of Assets	1,121,359
E. Unfunded Actuarial Accrued Liability (C.-D.)	\$1,336,563
F. Funded Ratio (D./C.)	45.6%

The Unfunded Actuarial Accrued Liability (UAAL) is not booked as an expense all in one year and does not appear in the Employer's Statement of Net Assets. Nevertheless, it is reported in the Notes to the Financial Statements and in the Required Supplementary Information. These are information sections within the employer's financial statements.

**BAY COUNTY – BABH
DECEMBER 31, 2011**

DEVELOPMENT OF THE ANNUAL REQUIRED CONTRIBUTION

Contributions for	Development of the Annual Required Contribution
	<u>Fiscal Year Beginning 2012</u>
Employer Normal Cost	\$442,708
Amortization of Unfunded Actuarial Accrued Liability	(32,109)
Annual Required Contribution (ARC)	\$410,599
	<u>Fiscal Year Beginning 2013</u>
Annual Required Contribution (ARC)	\$427,023

The ARC shown in this report has been calculated to increase at the same rate as the projected increase in active member payroll (4.00% per year). The unfunded actuarial accrued liabilities were amortized as a level percent of active member payroll over a period of 26 years. The long term rate of investment return used in this valuation is 7.50%.

DETERMINATION OF UNFUNDED ACCRUED LIABILITY

A. Present Value of Future Benefits	
i) Retirees and Beneficiaries	\$2,401,947
ii) Vested Terminated Members	0
iii) Active Members	<u>10,791,134</u>
Total Present Value of Future Benefits	\$13,193,081
B. Present Value of Future Normal Costs	3,962,582
C. Actuarial Accrued Liability (A.-B.)	9,230,499
D. Actuarial Value of Assets	9,779,544
E. Unfunded Actuarial Accrued Liability (C.-D.)	(\$549,045)
F. Funded Ratio (D./C.)	105.9%

The Unfunded Actuarial Accrued Liability (UAAL) is not booked as an expense all in one year and does not appear in the Employer's Statement of Net Assets. Nevertheless, it is reported in the Notes to the Financial Statements and in the Required Supplementary Information. These are information sections within the employer's financial statements.

**BAY COUNTY – MEDICAL CARE FACILITY
DECEMBER 31, 2011**

DEVELOPMENT OF THE ANNUAL REQUIRED CONTRIBUTION

Contributions for	Development of the Annual Required Contribution
	<u>Fiscal Year Beginning 2012</u>
Employer Normal Cost	\$943,735
Amortization of Unfunded Actuarial Accrued Liability	<u>2,877,708</u>
Annual Required Contribution (ARC)	\$3,821,443
	<u>Fiscal Year Beginning 2013</u>
Annual Required Contribution (ARC)	\$3,798,701

The unfunded actuarial accrued liabilities were amortized as a level dollar amount over a period of 28 years. A 30-year amortization period for unfunded actuarial accrued liabilities is the maximum period that complies with the GASB requirements. The long term rate of investment return used in this valuation is 6.00%.

DETERMINATION OF UNFUNDED ACCRUED LIABILITY

A. Present Value of Future Benefits	
i) Retirees and Beneficiaries	\$25,146,327
ii) Vested Terminated Members	0
iii) Active Members	<u>27,711,850</u>
Total Present Value of Future Benefits	\$52,858,177
B. Present Value of Future Normal Costs	8,500,438
C. Actuarial Accrued Liability (A.-B.)	44,357,739
D. Actuarial Value of Assets	4,632,580
E. Unfunded Actuarial Accrued Liability (C.-D.)	\$39,725,159
F. Funded Ratio (D./C.)	10.4%

The Unfunded Actuarial Accrued Liability (UAAL) is not booked as an expense all in one year and does not appear in the Employer's Statement of Net Assets. Nevertheless, it is reported in the Notes to the Financial Statements and in the Required Supplementary Information. These are information sections within the employer's financial statements.

**BAY COUNTY – SHERIFF'S DEPT
DECEMBER 31, 2011**

DEVELOPMENT OF THE ANNUAL REQUIRED CONTRIBUTION

Contributions for	Development of the Annual Required Contribution
	<u>Fiscal Year Beginning 2012</u>
Employer Normal Cost	\$436,735
Amortization of Unfunded Actuarial Accrued Liability	<u>761,043</u>
Annual Required Contribution (ARC)	\$1,197,778
	<u>Fiscal Year Beginning 2013</u>
Annual Required Contribution (ARC)	\$1,188,540

The unfunded actuarial accrued liabilities were amortized as a level dollar amount over a period of 30 years. A 30-year amortization period for unfunded actuarial accrued liabilities is the maximum period that complies with the GASB requirements. The long term rate of investment return used in this valuation is 6.00%.

DETERMINATION OF UNFUNDED ACCRUED LIABILITY

A. Present Value of Future Benefits	
i) Retirees and Beneficiaries	\$5,289,986
ii) Vested Terminated Members	0
iii) Active Members	<u>11,999,325</u>
Total Present Value of Future Benefits	\$17,289,311
B. Present Value of Future Normal Costs	4,538,285
C. Actuarial Accrued Liability (A.-B.)	12,751,026
D. Actuarial Value of Assets	1,964,183
E. Unfunded Actuarial Accrued Liability (C.-D.)	\$10,786,843
F. Funded Ratio (D./C.)	15.4%

The Unfunded Actuarial Accrued Liability (UAAL) is not booked as an expense all in one year and does not appear in the Employer's Statement of Net Assets. Nevertheless, it is reported in the Notes to the Financial Statements and in the Required Supplementary Information. These are information sections within the employer's financial statements.

**BAY COUNTY – ROAD COMMISSION
DECEMBER 31, 2011**

DEVELOPMENT OF THE ANNUAL REQUIRED CONTRIBUTION

Contributions for	Development of the Annual Required Contribution
	<u>Fiscal Year Beginning 2012</u>
Employer Normal Cost	\$460,169
Amortization of Unfunded Actuarial Accrued Liability	<u>1,640,709</u>
Annual Required Contribution (ARC)	\$2,100,878
	<u>Fiscal Year Beginning 2013</u>
Annual Required Contribution (ARC)	\$2,184,913

The ARC shown in this report has been calculated to increase at the same rate as the projected increase in active member payroll (4.00% per year). The unfunded actuarial accrued liabilities were amortized as a level percent of active member payroll over a period of 20 years. The long term rate of investment return used in this valuation is 6.00%.

DETERMINATION OF UNFUNDED ACCRUED LIABILITY

A. Present Value of Future Benefits	
i) Retirees and Beneficiaries	\$20,421,990
ii) Vested Terminated Members	0
iii) Active Members	<u>12,327,973</u>
Total Present Value of Future Benefits	\$32,749,963
B. Present Value of Future Normal Costs	5,350,485
C. Actuarial Accrued Liability (A.-B.)	27,399,478
D. Actuarial Value of Assets	638,763
E. Unfunded Actuarial Accrued Liability (C.-D.)	\$26,760,715
F. Funded Ratio (D./C.)	2.3%

The Unfunded Actuarial Accrued Liability (UAAL) is not booked as an expense all in one year and does not appear in the Employer's Statement of Net Assets. Nevertheless, it is reported in the Notes to the Financial Statements and in the Required Supplementary Information. These are information sections within the employer's financial statements.

COMMENTS

COMMENT A: One of the key assumptions used in any valuation of the cost of postemployment benefits is the rate of return on the assets that will be used to pay Plan benefits. Higher assumed investment returns will result in a lower ARC. Lower returns will tend to increase the computed ARC. As requested by the Plan Sponsor we have calculated the liability and the resulting ARC using an assumed annual rate of investment return of 6.00% for all groups except BABH which uses 7.50% as the assumed annual rate of investment return. 7.50% may be appropriate to develop the liabilities of the plan in the case that the Plan Sponsor chooses to pre-fund the entire ARC and invests the resulting assets in such a way as to anticipate 7.50% return. It is our understanding the BABH has been pre-funding the entire ARC. 6.00% may be appropriate if the Plan Sponsor chooses to pre-fund with contributions less than the ARC. It is our understanding that all groups except BABH are partially pre-funding for these benefits. The assumed rate of investment return is determined by the Plan sponsor in conjunction with the auditor.

COMMENT B: The Annual Required Contribution (ARC) increased since the prior valuation for all groups except DWS as a result of the following:

- Loss on trend update that generally offset favorable premium or claims experience.
- General County and Sheriff amortization of unfunded actuarial accrued liabilities changed from level percent of pay method to level dollar method. This change was made because these groups are now closed to new hires and this method complies with the GASB requirements for groups closed to new hires.

COMMENT C: Based on the number of plan members as of this valuation, the plan sponsor is required by GASB to perform actuarial valuations at least biennially unless there are significant changes in the OPEB. Please verify this with the auditor.

COMMENTS

COMMENT D: The contribution rates shown include amortization of the unfunded actuarial accrued liability over 30 years for certain groups. This is the maximum time period permitted by the GASB Statements No. 43 and No. 45. A shorter amortization period would result in a higher ARC. For BABH we used a 26 year amortization period because they are funding the entire ARC. For the Road Commission we used a 20 year amortization period because of the demographics of the group. For the General County, Medical Care Facility, and Sheriff's Department we used a level dollar amortization because these plans are closed to new hires.

COMMENT E: The asset split between the various groups was provided by the County.

COMMENT F: This valuation covers the retiree health benefits provided by the County. These benefits vary between the various groups but in general include: medical, dental, vision, prescription drug coverage and life insurance.

COMMENT G: Changes related to the Patient Protection and Affordable Care Act (PPACA) are reflected to the extent they are already implemented in the Plan. Rates have not been loaded to reflect expected future excise tax liability due to projected "Cadillac Plan" status; however, based on a preliminary review of projected premiums, for some groups premium rates may exceed future limits provided in the PPACA. Unless premiums are decreased substantially or interpretations of the PPACA on this issue are clarified, a liability may become part of the valuation in 2013.

SECTION B
SENSITIVITY ANALYSIS

POSTEMPLOYMENT HEALTH INSURANCE – SENSITIVITY TESTS

Actuarial valuations deal with the cost of benefits to be paid in the future. The payments considered will range from one month in the future to decades from the valuation date (for a young, newly hired employee who may retire many years from now and live many years after that). In order to establish a present day cost for these future benefit obligations, the actuary bases the valuation on a number of assumptions about future occurrences. The occurrences that must be considered include employee turnover, pay increases, disablement, retirements, deaths and investment income on anticipated plan assets.

When the benefits being valued are health care benefits, a key factor is the future cost of the medical benefits being promised. This is projected using the current cost of the System's health care benefits and an assumed future health care cost increase scenario (trend assumption). The true final cost of providing retiree health care benefits will depend, in part, upon how the charges for health care services actually increase in the future.

In order to demonstrate how the value of benefits can vary depending upon future health care cost increase scenarios, we have performed additional valuations using alternative health care cost increase projections. The schedules on the following pages compare (i) the computed cost of the retiree health care benefits using the valuation assumptions to (ii) results of alternate valuations. One of the alternate valuations is based upon a higher health care cost increase scenario in which rates of increase in the next few years are larger than what is assumed by the valuation assumption. The other is based upon a lower health care cost increase scenario in which rates of increase in the next few years are smaller than what is assumed by the valuation assumption. The schedule on page B-9 lists the health care cost increase assumptions used in each of the scenarios. While many other future cost increase scenarios could be developed, this analysis should provide the reader of this report with an understanding of the sensitivity of the valuation results to variations in future health care increases.

BAY COUNTY
SENSITIVITY ANALYSIS—GENERAL COUNTY

The selection of future health care cost trends is one of the key assumptions in determining plan liabilities. Our health care actuaries have determined a most likely scenario (valuation trend) used to project future costs in the valuation. Actual medical cost increases may differ significantly from the valuation assumptions.

Contributions for	Development of the Annual Required Contribution		
	<u>Fiscal Year Beginning 2012</u>		
	<u>Higher Trend</u>	<u>Valuation Trend</u>	<u>Lower Trend</u>
Employer Normal Cost	\$1,697,771	\$1,537,764	\$1,368,055
Amortization of Unfunded Actuarial Accrued Liability	<u>3,050,873</u>	<u>2,719,480</u>	<u>2,367,994</u>
Annual Required Contribution (ARC)	\$4,748,644	\$4,257,244	\$3,736,049
	<u>Fiscal Year Beginning 2013</u>		
Annual Required Contribution (ARC)	\$4,699,465	\$4,212,687	\$3,696,395

All three scenarios above are based on a 6.00% discount rate.

Determination of the Unfunded Actuarial Accrued Liability

	<u>Higher Trend</u>	<u>Valuation Trend</u>	<u>Lower Trend</u>
A. Present Value of Future Benefits			
i) Retirees and Beneficiaries	\$20,197,291	\$18,299,500	\$16,286,646
ii) Vested Terminated Members	0	0	0
iii) Active Members	<u>44,771,112</u>	<u>40,547,636</u>	<u>36,068,089</u>
Total Present Value of Future Benefits	\$64,968,403	\$58,847,136	\$52,354,735
B. Present Value of Future Normal Costs	15,096,371	13,672,198	12,161,677
C. Actuarial Accrued Liability (A.-B.)	49,872,032	45,174,938	40,193,058
D. Actuarial Value of Assets	6,629,670	6,629,670	6,629,670
E. Unfunded Actuarial Accrued Liability (D.-E.)	\$43,242,362	\$38,545,268	\$33,563,388
F. Funded Ratio (D./C.)	13.3%	14.7%	16.5%

BAY COUNTY SENSITIVITY ANALYSIS—DWS

The selection of future health care cost trends is one of the key assumptions in determining plan liabilities. Our health care actuaries have determined a most likely scenario (valuation trend) used to project future costs in the valuation. Actual medical cost increases may differ significantly from the valuation assumptions.

Contributions for	Development of the Annual Required Contribution		
	<u>Fiscal Year Beginning 2012</u>		
	<u>Higher Trend</u>	<u>Valuation Trend</u>	<u>Lower Trend</u>
Employer Normal Cost	\$157,921	\$143,008	\$127,191
Amortization of Unfunded Actuarial Accrued Liability	<u>306,210</u>	<u>264,862</u>	<u>221,007</u>
Annual Required Contribution (ARC)	\$464,131	\$407,870	\$348,198
	<u>Fiscal Year Beginning 2013</u>		
Annual Required Contribution (ARC)	\$482,696	\$424,184	\$362,126

All three scenarios above are based on a 6.00% discount rate.

Determination of the Unfunded Actuarial Accrued Liability

	<u>Higher Trend</u>	<u>Valuation Trend</u>	<u>Lower Trend</u>
A. Present Value of Future Benefits			
i) Retirees and Beneficiaries	\$6,331,442	\$5,733,777	\$5,099,875
ii) Vested Terminated Members	0	0	0
iii) Active Members	<u>5,002,782</u>	<u>4,529,774</u>	<u>4,028,088</u>
Total Present Value of Future Benefits	\$11,334,224	\$10,263,551	\$9,127,963
B. Present Value of Future Normal Costs	1,524,562	1,380,551	1,227,809
C. Actuarial Accrued Liability (A.-B.)	9,809,662	8,883,000	7,900,154
D. Actuarial Value of Assets	2,947,124	2,947,124	2,947,124
E. Unfunded Actuarial Accrued Liability (D.-E.)	\$6,862,538	\$5,935,876	\$4,953,030
F. Funded Ratio (D./C.)	30.0%	33.2%	37.3%

BAY COUNTY
SENSITIVITY ANALYSIS—LIBRARY

The selection of future health care cost trends is one of the key assumptions in determining plan liabilities. Our health care actuaries have determined a most likely scenario (valuation trend) used to project future costs in the valuation. Actual medical cost increases may differ significantly from the valuation assumptions.

Contributions for	Development of the Annual Required Contribution		
	<u>Fiscal Year Beginning 2012</u>		
	<u>Higher Trend</u>	<u>Valuation Trend</u>	<u>Lower Trend</u>
Employer Normal Cost	\$111,452	\$100,889	\$89,686
Amortization of Unfunded Actuarial Accrued Liability	<u>71,121</u>	<u>59,638</u>	<u>47,460</u>
Annual Required Contribution (ARC)	\$182,573	\$160,527	\$137,146
	<u>Fiscal Year Beginning 2013</u>		
Annual Required Contribution (ARC)	\$189,876	\$166,949	\$142,631

All three scenarios above are based on a 6.00% discount rate.

Determination of the Unfunded Actuarial Accrued Liability

	<u>Higher Trend</u>	<u>Valuation Trend</u>	<u>Lower Trend</u>
A. Present Value of Future Benefits			
i) Retirees and Beneficiaries	\$835,355	\$756,185	\$672,215
ii) Vested Terminated Members	0	0	0
iii) Active Members	<u>2,769,110</u>	<u>2,506,669</u>	<u>2,228,316</u>
Total Present Value of Future Benefits	\$3,604,465	\$3,262,854	\$2,900,531
B. Present Value of Future Normal Costs	889,206	804,932	715,548
C. Actuarial Accrued Liability (A.-B.)	2,715,259	2,457,922	2,184,983
D. Actuarial Value of Assets	1,121,359	1,121,359	1,121,359
E. Unfunded Actuarial Accrued Liability (D.-E.)	\$1,593,900	\$1,336,563	\$1,063,624
F. Funded Ratio (D./C.)	41.3%	45.6%	51.3%

BAY COUNTY
SENSITIVITY ANALYSIS—BABH

The selection of future health care cost trends is one of the key assumptions in determining plan liabilities. Our health care actuaries have determined a most likely scenario (valuation trend) used to project future costs in the valuation. Actual medical cost increases may differ significantly from the valuation assumptions.

Contributions for	Development of the Annual Required Contribution		
	<u>Fiscal Year Beginning 2012</u>		
	<u>Higher Trend</u>	<u>Valuation Trend</u>	<u>Lower Trend</u>
Employer Normal Cost	\$489,058	\$442,708	\$393,548
Amortization of Unfunded Actuarial Accrued Liability	<u>24,408</u>	<u>(32,109)</u>	<u>(92,054)</u>
Annual Required Contribution (ARC)	\$513,466	\$410,599	\$301,494
	<u>Fiscal Year Beginning 2013</u>		
Annual Required Contribution (ARC)	\$534,004	\$427,023	\$313,554

All three scenarios above are based on a 7.50% discount rate.

Determination of the Unfunded Actuarial Accrued Liability

	<u>Higher Trend</u>	<u>Valuation Trend</u>	<u>Lower Trend</u>
A. Present Value of Future Benefits			
i) Retirees and Beneficiaries	\$2,653,424	\$2,401,947	\$2,135,223
ii) Vested Terminated Members	0	0	0
iii) Active Members	<u>11,920,933</u>	<u>10,791,134</u>	<u>9,592,835</u>
Total Present Value of Future Benefits	\$14,574,357	\$13,193,081	\$11,728,058
B. Present Value of Future Normal Costs	4,377,452	3,962,582	3,522,558
C. Actuarial Accrued Liability (A.-B.)	10,196,905	9,230,499	8,205,500
D. Actuarial Value of Assets	9,779,544	9,779,544	9,779,544
E. Unfunded Actuarial Accrued Liability (D.-E.)	\$417,361	(\$549,045)	(\$1,574,044)
F. Funded Ratio (D./C.)	95.9%	105.9%	119.2%

BAY COUNTY
SENSITIVITY ANALYSIS—MEDICAL CARE FACILITY

The selection of future health care cost trends is one of the key assumptions in determining plan liabilities. Our health care actuaries have determined a most likely scenario (valuation trend) used to project future costs in the valuation. Actual medical cost increases may differ significantly from the valuation assumptions.

Contributions for	Development of the Annual Required Contribution		
	<u>Fiscal Year Beginning 2012</u>		
	<u>Higher Trend</u>	<u>Valuation Trend</u>	<u>Lower Trend</u>
Employer Normal Cost	\$1,042,109	\$943,735	\$839,396
Amortization of Unfunded Actuarial Accrued Liability	<u>3,211,429</u>	<u>2,877,708</u>	<u>2,523,754</u>
Annual Required Contribution (ARC)	\$4,253,538	\$3,821,443	\$3,363,150
	<u>Fiscal Year Beginning 2013</u>		
Annual Required Contribution (ARC)	\$4,228,432	\$3,798,701	\$3,342,916

All three scenarios above are based on a 6.00% discount rate.

Determination of the Unfunded Actuarial Accrued Liability

	<u>Higher Trend</u>	<u>Valuation Trend</u>	<u>Lower Trend</u>
A. Present Value of Future Benefits			
i) Retirees and Beneficiaries	\$27,749,133	\$25,146,327	\$22,385,712
ii) Vested Terminated Members	0	0	0
iii) Active Members	<u>30,602,663</u>	<u>27,711,850</u>	<u>24,645,766</u>
Total Present Value of Future Benefits	\$58,351,796	\$52,858,177	\$47,031,478
B. Present Value of Future Normal Costs	9,387,227	8,500,438	7,559,883
C. Actuarial Accrued Liability (A.-B.)	48,964,569	44,357,739	39,471,595
D. Actuarial Value of Assets	4,632,580	4,632,580	4,632,580
E. Unfunded Actuarial Accrued Liability (D.-E.)	\$44,331,989	\$39,725,159	\$34,839,015
F. Funded Ratio (D./C.)	9.5%	10.4%	11.7%

BAY COUNTY
SENSITIVITY ANALYSIS—SHERIFF'S DEPT

The selection of future health care cost trends is one of the key assumptions in determining plan liabilities. Our health care actuaries have determined a most likely scenario (valuation trend) used to project future costs in the valuation. Actual medical cost increases may differ significantly from the valuation assumptions.

Contributions for	Development of the Annual Required Contribution		
	<u>Fiscal Year Beginning 2012</u>		
	<u>Higher Trend</u>	<u>Valuation Trend</u>	<u>Lower Trend</u>
Employer Normal Cost	\$482,460	\$436,735	\$388,238
Amortization of Unfunded Actuarial Accrued Liability	<u>855,230</u>	<u>761,043</u>	<u>661,144</u>
Annual Required Contribution (ARC)	\$1,337,690	\$1,197,778	\$1,049,382
	<u>Fiscal Year Beginning 2013</u>		
Annual Required Contribution (ARC)	\$1,327,485	\$1,188,540	\$1,041,170

All three scenarios above are based on a 6.00% discount rate.

Determination of the Unfunded Actuarial Accrued Liability

	<u>Higher Trend</u>	<u>Valuation Trend</u>	<u>Lower Trend</u>
A. Present Value of Future Benefits			
i) Retirees and Beneficiaries	\$5,843,831	\$5,289,986	\$4,702,560
ii) Vested Terminated Members	0	0	0
iii) Active Members	<u>13,255,618</u>	<u>11,999,325</u>	<u>10,666,862</u>
Total Present Value of Future Benefits	\$19,099,449	\$17,289,311	\$15,369,422
B. Present Value of Future Normal Costs	5,013,430	4,538,285	4,034,332
C. Actuarial Accrued Liability (A.-B.)	14,086,019	12,751,026	11,335,090
D. Actuarial Value of Assets	1,964,183	1,964,183	1,964,183
E. Unfunded Actuarial Accrued Liability (D.-E.)	\$12,121,836	\$10,786,843	\$9,370,907
F. Funded Ratio (D./C.)	13.9%	15.4%	17.3%

BAY COUNTY
SENSITIVITY ANALYSIS—ROAD COMMISSION

The selection of future health care cost trends is one of the key assumptions in determining plan liabilities. Our health care actuaries have determined a most likely scenario (valuation trend) used to project future costs in the valuation. Actual medical cost increases may differ significantly from the valuation assumptions.

Contributions for	Development of the Annual Required Contribution		
	<u>Fiscal Year Beginning 2012</u>		
	<u>Higher Trend</u>	<u>Valuation Trend</u>	<u>Lower Trend</u>
Employer Normal Cost	\$508,024	\$460,169	\$409,412
Amortization of Unfunded Actuarial Accrued Liability	<u>1,815,406</u>	<u>1,640,709</u>	<u>1,455,421</u>
Annual Required Contribution (ARC)	\$2,323,430	\$2,100,878	\$1,864,833
	<u>Fiscal Year Beginning 2013</u>		
Annual Required Contribution (ARC)	\$2,416,367	\$2,184,913	\$1,939,426

All three scenarios above are based on a 6.00% discount rate.

Determination of the Unfunded Actuarial Accrued Liability

	<u>Higher Trend</u>	<u>Valuation Trend</u>	<u>Lower Trend</u>
A. Present Value of Future Benefits			
i) Retirees and Beneficiaries	\$22,545,569	\$20,421,990	\$18,169,658
ii) Vested Terminated Members	0	0	0
iii) Active Members	<u>13,610,684</u>	<u>12,327,973</u>	<u>10,967,490</u>
Total Present Value of Future Benefits	\$36,156,253	\$32,749,963	\$29,137,148
B. Present Value of Future Normal Costs	5,907,394	5,350,485	4,759,810
C. Actuarial Accrued Liability (A.-B.)	30,248,859	27,399,478	24,377,338
D. Actuarial Value of Assets	638,763	638,763	638,763
E. Unfunded Actuarial Accrued Liability (D.-E.)	\$29,610,096	\$26,760,715	\$23,738,575
F. Funded Ratio (D./C.)	2.1%	2.3%	2.6%

BAY COUNTY SENSITIVITY ANALYSIS

Health care cost trend rates used in the sensitivity analysis are shown below.

Year After Valuation	Medical and Drug Valuation Trend Rate
	All Groups
1	9.00%
2	8.25%
3	7.50%
4	7.00%
5	6.50%
6	6.00%
7	5.50%
8	5.00%
9	4.50%
10	4.00%
11	4.00%
12+	4.00%

Year After Valuation	Medical and Drug Higher Trend Rate
	All Groups
1	11.00%
2	10.00%
3	9.25%
4	8.50%
5	7.75%
6	7.00%
7	6.25%
8	5.50%
9	4.75%
10	4.00%
11	4.00%
12+	4.00%

Year After Valuation	Medical and Drug Lower Trend Rate
	All Groups
1	7.00%
2	6.50%
3	6.00%
4	5.50%
5	5.00%
6	4.50%
7	4.25%
8	4.00%
9	4.00%
10	4.00%
11	4.00%
12+	4.00%

SECTION C
BENEFIT PROJECTIONS

20-YEAR BENEFIT PROJECTIONS

Until a retirement program reaches a mature state, the number of members receiving benefits will continue to increase, generating increases in the amount of plan benefit disbursements. Health costs are also expected to increase as the result of medical care inflation, changes in utilization and Medicare cost shifting. When all of these forces apply, as they do for the Bay County Retiree Health Plan, it is expected that the amount of the Plan's annual health disbursements will increase for years to come.

In the following exhibits, we have projected for each group Plan health disbursements for current and future retirees and beneficiaries over the next 20 years. The projections are based upon the same assumptions used in the actuarial calculations. They also include the effect of any subsidy implicit in the pre-65 retiree rates and the effect of any retiree cost-sharing provisions; however, they do not include projected life insurance disbursements.

**GENERAL COUNTY
20-YEAR BENEFIT PROJECTIONS**

Benefit Projections

Fiscal Year Beginning January 01,	Projected Benefit Disbursements*
2012	\$1,221,015
2013	1,396,036
2014	1,620,545
2015	1,864,505
2016	2,116,411
2017	2,374,768
2018	2,644,317
2019	2,859,241
2020	3,077,192
2021	3,336,392
2022	3,498,460
2023	3,646,515
2024	3,854,889
2025	4,074,687
2026	4,249,110
2027	4,380,688
2028	4,569,798
2029	4,797,368
2030	4,977,573
2031	5,143,144

* *These projections exclude retirees who are currently opted-out of the retiree health program.*

DWS
20-YEAR BENEFIT PROJECTIONS

Benefit Projections

Fiscal Year Beginning January 01,	Projected Benefit Disbursements
2012	\$311,593
2013	336,150
2014	376,318
2015	416,793
2016	459,010
2017	480,513
2018	510,496
2019	520,387
2020	545,846
2021	577,313
2022	594,788
2023	623,429
2024	664,849
2025	708,186
2026	752,109
2027	791,352
2028	825,175
2029	853,686
2030	874,977
2031	896,790

LIBRARY
20-YEAR BENEFIT PROJECTIONS

Benefit Projections

Fiscal Year Beginning January 01,	Projected Benefit Disbursements
2012	\$ 51,259
2013	62,468
2014	76,416
2015	89,768
2016	104,583
2017	118,058
2018	128,143
2019	145,352
2020	164,458
2021	180,373
2022	191,209
2023	204,810
2024	227,650
2025	245,129
2026	260,590
2027	274,501
2028	289,770
2029	306,966
2030	317,500
2031	326,741

BABH
20-YEAR BENEFIT PROJECTIONS

Benefit Projections

Fiscal Year Beginning January 01,	Projected Benefit Disbursements
2012	\$ 229,950
2013	282,101
2014	326,719
2015	395,898
2016	443,540
2017	508,426
2018	593,197
2019	706,619
2020	798,336
2021	869,870
2022	935,138
2023	997,977
2024	1,052,313
2025	1,104,000
2026	1,164,680
2027	1,235,098
2028	1,307,930
2029	1,379,135
2030	1,462,724
2031	1,566,530

**MEDICAL CARE FACILITY
20-YEAR BENEFIT PROJECTIONS**

Benefit Projections

Fiscal Year Beginning January 01,	Projected Benefit Disbursements
2012	\$1,752,976
2013	1,919,928
2014	2,082,274
2015	2,189,011
2016	2,282,637
2017	2,494,116
2018	2,694,109
2019	2,834,455
2020	3,034,320
2021	3,202,622
2022	3,365,628
2023	3,476,552
2024	3,575,048
2025	3,676,848
2026	3,733,082
2027	3,811,932
2028	3,914,731
2029	3,959,407
2030	3,975,712
2031	4,050,758

SHERIFF'S DEPT
20-YEAR BENEFIT PROJECTIONS

Benefit Projections

Fiscal Year Beginning January 01,	Projected Benefit Disbursements*
2012	\$ 337,955
2013	387,934
2014	405,413
2015	448,903
2016	506,982
2017	568,155
2018	615,723
2019	681,341
2020	700,984
2021	754,765
2022	849,936
2023	945,635
2024	1,028,142
2025	1,109,527
2026	1,170,807
2027	1,250,264
2028	1,320,894
2029	1,401,262
2030	1,490,362
2031	1,588,681

* *These projections exclude retirees who are currently opted-out of the retiree health program.*

ROAD COMMISSION
20-YEAR BENEFIT PROJECTIONS

Benefit Projections

Fiscal Year Beginning January 01,	Projected Benefit Disbursements
2012	\$1,303,257
2013	1,348,597
2014	1,428,000
2015	1,510,314
2016	1,592,678
2017	1,659,468
2018	1,699,779
2019	1,702,107
2020	1,799,098
2021	1,888,256
2022	1,985,172
2023	2,117,619
2024	2,256,695
2025	2,327,997
2026	2,404,515
2027	2,482,240
2028	2,544,791
2029	2,560,472
2030	2,584,866
2031	2,644,408

SECTION D

RETIREE PREMIUM RATE DEVELOPMENT

RETIREE PREMIUM RATE DEVELOPMENT

Initial retiree premiums rates were developed for two classes of retirees (pre-65 and post-65), and for each of the following Bay County Divisions:

1. Library (fully-insured)
2. Bay-Arenac Behavioral Health (fully-insured)
3. Bay Medical Care Facility (self-insured)
4. Road Commission (self-insured)
5. Department of Water and Sewer (self-insured)
6. General and Sheriff's Divisions (partially fully insured and self insured)

Fully-Insured Rate Development

Library

Initial premium rates were developed for the two classes of retirees (pre-65 and post-65). The fully-insured rates provided by Bay County Library were utilized to determine the appropriate premium rates. The pre-65 fully-insured premiums are blended rates based on the combined experience of active and pre-65 retired members; therefore, there is an implicit employer subsidy for the non-Medicare eligible retirees since the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees. The true per capita cost for the pre-65 retirees is developed by adjusting the demographic differences between the active employees and retirees to reflect this implicit rate subsidy for the retirees. For the post-65 retirees, the fully-insured premium rate was used as the basis of the initial per capita cost without adjustments since the rate reflects the demographics of the post-65 retiree group.

For the current active employees, the only suffix available upon retirement is BCBS Suffix 007000251-0001. We have developed separate premium rates for future retirees in order to reflect the benefit differences between active and retirees.

Behavioral Health

Initial premium rates were developed for the two classes of retirees (pre-65 and post-65). The fully-insured rates provided by Bay County Behavioral Health were utilized to determine the appropriate premium rates. The pre-65 fully-insured premiums are blended rates based on the combined experience of active and pre-65 retired members; therefore, there is an implicit employer subsidy for the non-Medicare eligible retirees since the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees. The true per capita cost for the pre-65 retirees is developed by adjusting the demographic differences between the active employees and retirees to reflect this implicit rate subsidy for the retirees. For the post-65 retirees, the fully-insured premium rate was used as the basis of the initial per capita cost without adjustments since the rate reflects the demographics of the post-65 retiree group.

RETIREE PREMIUM RATE DEVELOPMENT

Self-Insured Premium Development

Medical Care Facility

Initial premium rates were developed separately for each class (pre-65 and post-65). The rates were calculated by using actual claims and exposure data for the period of January 2009 through December 2011 adjusted for catastrophic claims, plus the load for administration, network access fee, and stop loss premiums. The self-insured medical and prescription drug data were provided by the Medical Care Facility. The Medical data was analyzed for the pre-65 and post-65 participants separately since Medicare is available for the post-65 participants and has a significant impact on the claim experience. Since the prescription drug claims and the medical claims exhibit different trends and claim payment patterns, we analyzed these claims separately as well. As of 2012, BCBS is the drug carrier. We used claims from the prior carrier and assumed no cost savings from the switch to the new provider.

Road Commission

Initial premium rates were developed separately for each class (pre-65 and post-65) of retirees. The rates were calculated by using incurred claims and exposure data for the period of January 2009 through December 2011 paid through June 30, 2012 adjusted for catastrophic claims, plus the load for administration, network access fee, and stop loss premiums. The self-insured medical and prescription drug data were provided by the Road Commission. The medical data was analyzed for the pre-65 and post-65 participants separately since Medicare is available for the post-65 participants and has a significant impact on the claim experience. Furthermore, since the prescription drug claims and the medical claims exhibit different trends and claim payment patterns, we analyzed these claims separately as well.

For current active employees, the only plans available upon retirement are suffixes 908, 916, and 917. We have developed separate premium rates for future retirees to reflect the benefit differences.

Department of Water and Sewer

Initial premium rates were developed separately for each class (pre-65 and post-65) of retirees. The rates were calculated by using actual incurred claims and exposure data for the period of January 2009 through December 2011 paid through June 30, 2012 adjusted for catastrophic claims, plus the load for administration, network access fee, and stop loss premiums. The self-insured medical and prescription drug data were provided by the Department of Water and Sewer. The medical data was analyzed for the pre-65 and post-65 participants separately since Medicare is available for the post-65 participants and has a significant impact on the claim experience. Furthermore, since the prescription drug claims and the

RETIREE PREMIUM RATE DEVELOPMENT

medical claims exhibit different trends and claim payment patterns, we analyzed these claims separately as well.

For current active employees, the only plans available upon retirement are suffixes 918, 919, 920 and 921. We have developed separate premium rates for future retirees to reflect the benefit differences.

Blended Rate Development

Bay County General and Sheriff

Premium rates for Bay County General and Sheriff were developed separately for the self-insured and the fully-insured portions and then combined to create one premium rate.

The self-insured initial premium rates were developed separately for each class (pre-65 and post-65). The rates were calculated by using incurred claims and exposure data for the period of January 2009 through December 2011 paid through June 30, 2012 adjusted for catastrophic claims, plus the load for administration, network access fee, and stop loss premiums. The self-insured medical and prescription drug data were provided by the County. The medical data was analyzed for the pre-65 and post-65 participants separately since Medicare is available for the post-65 participants and has a significant impact on the claim experience. Furthermore, since the prescription drug claims and the medical claims exhibit different trends and claim payment patterns, we analyzed these claims separately as well.

The initial fully-insured premium rates were developed for the two classes of retirees (pre-65 and post-65). The fully-insured rates provided by the County were utilized to determine the appropriate premium rates. The fully-insured and self-insured rates were then blended based on the retiree elections.

All Groups

Age graded and sex distinct premiums are utilized in this valuation. The premiums developed by the preceding processes are appropriate for the unique age and sex distribution currently existing. Over the future years covered by this valuation, the age and sex distribution will most likely change. Therefore, our process “distributes” the average premium over all age/sex combinations and assigns a unique premium for each specific age/sex combination. The age/sex specific premiums more accurately reflect the health care utilization and cost at that age.

RETIREE PREMIUM RATE DEVELOPMENT

Future Retirees

Expected Health Care Cost by Age for Medical and Prescription Drugs								
	General		DWS		Library		BABH	
Age	Male	Female	Male	Female	Male	Female	Male	Female
45	\$406.18	\$531.75	\$266.17	\$348.46	\$ 318.22	\$ 416.61	\$361.47	\$473.23
50	549.52	622.64	360.10	408.01	430.52	487.81	489.04	554.11
55	718.21	738.25	470.64	483.78	562.68	578.39	639.16	657.00
60	902.28	867.29	591.26	568.33	706.89	679.48	802.97	771.83
64	1,050.21	973.44	688.20	637.89	822.79	762.65	934.62	866.30
65	432.46	398.24	379.90	349.83	469.31	432.17	272.13	250.60
70	498.84	448.56	438.21	394.04	541.34	486.78	313.90	282.26
75	553.80	491.48	486.49	431.75	600.98	533.36	348.49	309.27

Expected Health Care Cost by Age for Medical and Prescription Drugs						
	Medical Care Facility		Sheriff's Department		Road Commission	
Age	Male	Female	Male	Female	Male	Female
45	\$ 428.50	\$560.99	\$406.18	\$531.75	\$433.93	\$568.08
50	579.73	656.87	549.52	622.64	587.06	665.18
55	757.69	778.84	718.21	738.25	767.28	788.69
60	951.88	914.97	902.28	867.29	963.92	926.54
64	1,107.94	1,026.96	1,050.21	973.44	1,121.96	1,039.95
65	383.00	352.70	432.46	398.24	408.98	376.61
70	441.79	397.26	498.84	448.56	471.75	424.20
75	490.47	435.28	553.80	491.48	523.72	464.79

Current Retirees

Expected Health Care Cost by Age for Medical and Prescription Drugs								
	General		DWS		Library		BABH	
Age	Male	Female	Male	Female	Male	Female	Male	Female
45	\$401.65	\$525.84	\$330.14	\$432.21	N/A	N/A	\$361.47	\$473.23
50	543.40	615.71	446.64	506.07	N/A	N/A	489.04	554.11
55	710.22	730.04	583.75	600.05	N/A	N/A	639.16	657.00
60	892.24	857.64	733.36	704.92	N/A	N/A	802.97	771.83
64	1,038.52	962.61	853.60	791.20	N/A	N/A	934.62	866.30
65	434.95	400.53	475.18	437.58	\$ 735.49	\$ 677.29	272.13	250.60
70	501.71	451.14	548.11	492.86	848.38	762.86	313.90	282.26
75	556.98	494.31	608.50	540.03	941.85	835.87	348.49	309.27

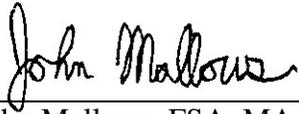
Expected Health Care Cost by Age for Medical and Prescription Drugs						
	Medical Care Facility		Sheriff's Department		Road Commission	
Age	Male	Female	Male	Female	Male	Female
45	\$ 428.50	\$560.99	\$401.65	\$525.84	\$471.07	\$616.71
50	579.73	656.87	543.40	615.71	637.31	722.11
55	757.69	778.84	710.22	730.04	832.95	856.20
60	951.88	914.97	892.24	857.64	1,046.43	1,005.85
64	1,107.94	1,026.96	1,038.52	962.61	1,217.99	1,128.96
65	383.00	352.70	434.95	400.53	517.11	476.19
70	441.79	397.26	501.71	451.14	596.48	536.36
75	490.47	435.28	556.98	494.31	662.20	587.69

RETIREE PREMIUM RATE DEVELOPMENT

The dental and vision premium rates were not “age graded” for this valuation because dental and vision claims do not vary significantly by age. The monthly dental and vision premium rates used in this valuation are shown below.

Group	Dental		Vision	
	One-Person	Two-Person	One-Person	Two-Person
BABH	\$20.52	\$38.03	\$4.77	\$ 7.28
Road Commission	34.90	83.76	4.65	11.16
Group	Pre-65	Post-65	Pre-65	Post-65
DWS	\$34.90	\$34.04	\$4.65	\$ 3.81
Medical Care Facility	17.04	16.36	7.45	6.09

The undersigned is a Member of the American Academy of Actuaries (MAAA) and meets the Qualification Standards of the American Academy of Actuaries to certify the per capita retiree health care rates shown above.



John Mallows, FSA, MAAA

SECTION E
SUMMARY OF BENEFITS

BAY COUNTY RETIREE HEALTH CARE PLAN—GENERAL COUNTY SUMMARY OF THE BENEFIT PROVISIONS AS OF DECEMBER 31, 2011

Leaving Employment as a Result of	Eligibility for Pension Benefit	Eligibility for Retiree Health Benefit	When do retiree health benefits commence?	Coverage Provided by Employer		Retiree Health Care Provider(s)	Type of Insurance	Third Party Administrator	Retiree Share of Cost for		
				Retiree	Spouse				Retiree	Spouse (while Retiree is alive)	Spouse (after Retiree's death)
Normal/Early Retirement ***	Dispatchers: 25 yrs of svc regardless of age 30 yrs of svc regardless of age Age 55 with 8/10* yrs of svc ** Age 55 with 25 yrs of svc Age 60 with 8/10* yrs of svc Nurses: Age 55 with 8/10* yrs of svc ** Age 55 with 30 yrs of svc Age 60 with 8/10* yrs of svc Circuit Court G.E.L.C.: Age 55 with 8/10* yrs of svc ** Age 55 with 30 yrs of svc Age 60 with 8/10* yrs of svc Probate Court USWA: Age 55 with 8 yrs of svc ** Age 55 with 30 yrs of svc Age 60 with 8 yrs of svc Remaining General Groups: Age 55 with 8/10* yrs of svc ** Age 55 with 30 yrs of svc Age 60 with 8/10* yrs of svc	Dispatchers: Age 55 with 8/10* yrs of svc 25 yrs of svc regardless of age Age 60 with 8/10* yrs of svc Age 55 with 25 yrs of svc 30 yrs regardless of age Nurses: Age 55 with 8/10* yrs of svc Age 60 with 8/10* yrs of svc Circuit Court G.E.L.C.: Age 55 with 8/10* yrs of svc Age 60 with 8/10* yrs of svc Probate Court USWA: Age 55 with 8 yrs of svc Age 60 with 8 yrs of svc Remaining General Groups: Age 55 with 8/10* yrs of svc Age 60 with 8/10* yrs of svc	Immediately	Medical Prescription drug Life Insurance	Medical Prescription drug N/A	BCBS BCBS UNUM	self-insured self-insured TERM	BCBS BCBS	See Schedule A See Schedule A See Schedule F	See Schedule A See Schedule A N/A	See Schedule A See Schedule A N/A
Deferred Vested Termination	Dispatchers: 8/10* yrs of svc Nurses: 8/10* yrs of svc Circuit Court G.E.L.C.: 8/10* yrs of svc Probate Court USWA: 8 yrs of svc Remaining General Groups: 8/10* yrs of svc	Dispatchers: N/A Nurses: N/A Circuit Court G.E.L.C.: N/A Probate Court USWA: N/A Remaining General Groups: N/A	N/A	Medical Prescription drug Life Insurance	Medical Prescription drug N/A	N/A N/A N/A			N/A N/A N/A	N/A N/A N/A	N/A N/A N/A
Non-Duty Disability	10 or more yrs of credited svc	10 or more yrs of credited svc	Immediately	Medical Prescription drug Life Insurance	Medical Prescription drug	BCBS BCBS UNUM	self-insured self-insured TERM	BCBS BCBS	See Schedule A See Schedule A See Schedule F	See Schedule A See Schedule A N/A	See Schedule A See Schedule A N/A
Duty Disability	No age or svc requirement	No age or svc requirement	Immediately	Medical Prescription drug Life Insurance	Medical Prescription drug	BCBS BCBS UNUM	self-insured self-insured TERM	BCBS BCBS	See Schedule A See Schedule A See Schedule F	See Schedule A See Schedule A N/A	See Schedule A See Schedule A N/A
Non-Duty Death-in-svc	10 or more yrs of credited svc	10 or more yrs of credited svc	Immediately		Medical Prescription drug	BCBS BCBS	self-insured self-insured	BCBS BCBS			See Schedule A See Schedule A
Duty Death-in-svc	No age or svc requirement Benefits begin upon termination of Worker's Compensation	No age or svc requirement	Immediately		Medical Prescription drug	BCBS BCBS	self-insured self-insured	BCBS BCBS			See Schedule A See Schedule A

Medicare Reimbursement is not offered to any members.
 @ 10 yrs of svc for members hired after 1/1/2006
 * 10 yrs of svc for members hired after 1/1/2007
 # 10 yrs of svc for members hired after 3/1/2007
 ** Eligible for retirement with a reduced pension

General County part-time members do not qualify for retiree health care. They do not have access to the plan. Employees hired after 1/1/2012 are not eligible for health care in retirement.

BAY COUNTY RETIREE HEALTH CARE PLAN—DWS

SUMMARY OF THE BENEFIT PROVISIONS AS OF DECEMBER 31, 2011

Leaving Employment as a Result of	Eligibility for Pension Benefit	Eligibility for Retiree Health Benefit	When do retiree health benefits commence?	Coverage Provided by Employer		Retiree Health Care Provider(s)	Type of Insurance	Third Party Administrator	Retiree Share of Cost for		
				Retiree	Spouse				Retiree	Spouse (while Retiree is alive)	Spouse (after Retiree's death)
Normal/Early Retirement	30 yrs of svc regardless of age Age 55 with 8/10 [^] yrs of svc ** Age 60 with 8/10 [^] yrs of svc	30 yrs of svc regardless of age Age 55 with 8/10 [^] yrs of svc Age 60 with 8/10 [^] yrs of svc	Immediately	Medical Prescription drug Dental Vision Life Insurance	Medical Prescription drug Dental Vision *Salary Only	BCBS BCBS BCBS BCBS LINCOLN	self-insured self-insured self-insured self-insured Life	BCBS BCBS BCBS BCBS LINCOLN	Hourly See Schedule B, Salary See Schedule C Hourly See Schedule B, Salary See Schedule C Hourly - 100% , Salary See Schedule C Hourly - 100% , Salary See Schedule C See Schedule I	Hourly See Schedule B, Salary See Schedule C Hourly See Schedule B, Salary See Schedule C Hourly - N/A, Salary See Schedule C Hourly - N/A, Salary See Schedule C N/A	Hourly See Schedule B, Salary See Schedule C Hourly See Schedule B, Salary See Schedule C Hourly - N/A, Salary See Schedule C Hourly - N/A, Salary See Schedule C N/A
Deferred Vested Termination	8/10 [^] yrs of svc	n/a		Medical Prescription drug Dental Vision Life Insurance	Medical Prescription drug Dental Vision N/A	N/A N/A N/A N/A N/A			N/A N/A N/A N/A N/A	N/A N/A N/A N/A N/A	N/A N/A N/A N/A N/A
Non-Duty Disability	8/10 [^] yrs of svc	8/10 [^] yrs of svc	Immediately	Medical Prescription drug Dental Vision Life Insurance	Medical Prescription drug Dental Vision *Salary Only	BCBS BCBS BCBS BCBS LINCOLN	self-insured self-insured self-insured self-insured Life	BCBS BCBS BCBS BCBS LINCOLN	Hourly See Schedule B, Salary See Schedule C Hourly See Schedule B, Salary See Schedule C Hourly - 100% , Salary See Schedule C Hourly - 100% , Salary See Schedule C See Schedule I	Hourly See Schedule B, Salary See Schedule C Hourly See Schedule B, Salary See Schedule C Hourly - N/A, Salary See Schedule C Hourly - N/A, Salary See Schedule C N/A	Hourly See Schedule B, Salary See Schedule C Hourly See Schedule B, Salary See Schedule C Hourly - N/A, Salary See Schedule C Hourly - N/A, Salary See Schedule C N/A
Duty Disability	No age or svc requirement	No age or svc requirement	Immediately	Medical Prescription drug Dental Vision Life Insurance	Medical Prescription drug Dental Vision N/A	BCBS BCBS BCBS BCBS LINCOLN	self-insured self-insured self-insured self-insured Life	BCBS BCBS BCBS BCBS LINCOLN	Hourly See Schedule B, Salary See Schedule C Hourly See Schedule B, Salary See Schedule C Hourly - 100% , Salary See Schedule C Hourly - 100% , Salary See Schedule C See Schedule I	Hourly See Schedule B, Salary See Schedule C Hourly See Schedule B, Salary See Schedule C Hourly - N/A, Salary See Schedule C Hourly - N/A, Salary See Schedule C N/A	Hourly See Schedule B, Salary See Schedule C Hourly See Schedule B, Salary See Schedule C Hourly - N/A, Salary See Schedule C Hourly - N/A, Salary See Schedule C N/A
Non-Duty Death-in-svc	8/10 [^] yrs of svc	8/10 [^] yrs of svc	Immediately		Medical Prescription drug Dental Vision	BCBS BCBS	self-insured self-insured	BCBS BCBS			Hourly See Schedule B, Salary See Schedule C Hourly See Schedule B, Salary See Schedule C
Duty Death-in-svc	No age or svc requirement Benefits begin upon termination of Worker's Compensation	No age or svc requirement	Immediately		Medical Prescription drug Dental Vision	BCBS BCBS	self-insured self-insured	BCBS BCBS			Hourly See Schedule B, Salary See Schedule C Hourly See Schedule B, Salary See Schedule C

Medicare Reimbursement is not offered to any members.
[^] 10 yrs of svc for members hired after 7/1/2008
^{**} Eligible for retirement with a reduced pension

DWS part-time members do not qualify for retiree health care. They do not have access to the plan.

BAY COUNTY RETIREE HEALTH CARE PLAN—LIBRARY

SUMMARY OF THE BENEFIT PROVISIONS AS OF DECEMBER 31, 2011

Leaving Employment as a Result of	Eligibility for Pension Benefit	Eligibility for Retiree Health Benefit	When do retiree health benefits commence?	Coverage Provided by Employer		Retiree Health Care Provider(s)	Type of Insurance	Retiree Share of Cost for			
				Retiree	Spouse			Retiree	Spouse (while Retiree is alive)	Spouse (after Retiree's death)	
Normal/Early Retirement	ICEA/PERA 1203 and ICEA/PERA 612: Age 55 with 8/10! yrs of svc ** Age 55 with 30 yrs of svc Age 60 with 8/10! yrs of svc Remaining Library Groups: Age 55 with 8 yrs of svc ** Age 55 with 30 yrs of svc Age 60 with 8 yrs of svc	ICEA/PERA 1203 and ICEA/PERA 612: Age 55 with 8/10! yrs of svc Age 60 with 8/10! yrs of svc Remaining Library Groups: Age 55 with 8/10! yrs of svc Age 60 with 8/10! yrs of svc	Immediately	Medical	Medical	BCBS	fully-insured	Retired between age 60 and 65 - 50%, Retired after age 65 - 0%	100%	100%	
				Prescription drug	Prescription drug	BCBS	fully-insured	Retired between age 60 and 65 - 50%, Retired after age 65 - 0%	100%	100%	
				Dental	Dental	N/A	N/A	N/A	N/A	N/A	N/A
				Vision	Vision	N/A	N/A	N/A	N/A	N/A	N/A
				Life Insurance		N/A	N/A	N/A	N/A	N/A	
Deferred Vested Termination	ICEA/PERA 1203 and ICEA/PERA 612: 8/10! yrs of svc Remaining Library Groups: 8 yrs of svc	ICEA/PERA 1203 and ICEA/PERA 612: N/A Remaining Library Groups: N/A		Medical	Medical	N/A		N/A	N/A	N/A	
				Prescription drug	Prescription drug	N/A		N/A	N/A	N/A	
				Dental	Dental	N/A		N/A	N/A	N/A	N/A
				Vision	Vision	N/A		N/A	N/A	N/A	N/A
				Life Insurance		N/A	N/A	N/A	N/A	N/A	
Non-Duty Disability	10 or more yrs of credited svc	ICEA/PERA 1203 and ICEA/PERA 612: 10 or more yrs of credited svc Remaining Library Groups: 10 or more yrs of credited svc	Immediately	Medical	Medical	BCBS	fully-insured	10 or more yrs of credited svc - 50 %	100%	100%	
				Prescription drug	Prescription drug	BCBS	fully-insured	10 or more yrs of credited svc - 50 %	100%	100%	
				Dental	Dental	N/A		N/A	N/A	N/A	N/A
				Vision	Vision	N/A		N/A	N/A	N/A	N/A
				Life Insurance		N/A	N/A	N/A	N/A	N/A	
Duty Disability	No age or svc requirement	ICEA/PERA 1203 and ICEA/PERA 612: No age or svc requirement Remaining Library Groups: 10 or more yrs of credited svc	Immediately	Medical	Medical	BCBS	fully-insured	No age or svc requirement - 50%	100%	100%	
				Prescription drug	Prescription drug	BCBS	fully-insured	No age or svc requirement - 50%	100%	100%	
				Dental	Dental	N/A		N/A	N/A	N/A	N/A
				Vision	Vision	N/A		N/A	N/A	N/A	N/A
				Life Insurance		N/A	N/A	N/A	N/A	N/A	
Non-Duty Death-in-svc	10 or more yrs of credited svc	ICEA/PERA 1203 and ICEA/PERA 612: 10 or more yrs of credited svc Remaining Library Groups: 10 or more yrs of credited svc	Immediately		Medical	BCBS	fully-insured			100%	
					Prescription drug	BCBS	fully-insured			100%	
					Dental	N/A			N/A	N/A	
					Vision	N/A			N/A	N/A	
Duty Death-in-svc	No age or svc requirement Benefits begin upon termination of Worker's Compensation	ICEA/PERA 1203 and ICEA/PERA 612: No age or svc requirement Remaining Library Groups: 10 or more yrs of credited svc	Immediately		Medical	BCBS	fully-insured			100%	
					Prescription drug	BCBS	fully-insured			100%	
					Dental	N/A			N/A	N/A	
					Vision	N/A			N/A	N/A	

Medicare Reimbursement is not offered to any members.
! 10 yrs of svc for members hired after 3/1/2008
** Eligible for retirement with a reduced pension

BAY COUNTY RETIREE HEALTH CARE PLAN—BABH

SUMMARY OF THE BENEFIT PROVISIONS AS OF DECEMBER 31, 2011

Leaving Employment as a Result of	Eligibility for Pension Benefit	Eligibility for Retiree Health Benefit	When do retiree health benefits commence?	Coverage Provided by Employer		Retiree Health Care Provider(s)	Type of Insurance	Retiree Share of Cost for		
				Retiree	Spouse			Retiree	Spouse (while Retiree is alive)	Spouse (after Retiree's death)
Normal/Early Retirement	Age 55 with 8 yrs of svc Age 55 with 30 yrs of svc Age 60 with 8 yrs of svc	Age 55 with 30 yrs of svc Age 60 with 8 yrs of svc	Immediately	Medical Prescription drug Dental Vision	Medical Prescription drug Dental Vision	Health Plus Health Plus Health Plus	self-insured self-insured self-insured	See Schedule D See Schedule D Zero cost for Retiree with at least 20 yrs svc. Zero cost for Retiree with at least 20 yrs svc.	See Schedule D See Schedule D See Schedule D See Schedule D	See Schedule D See Schedule D See Schedule D See Schedule D
Deferred Vested Termination	8 yrs of svc	None		Medical Prescription drug Dental Vision	Medical Prescription drug Dental Vision	N/A N/A N/A N/A		N/A N/A N/A N/A	N/A N/A N/A N/A	N/A N/A N/A N/A
Non-Duty Disability	10 or more years of credited svc	10 or more years of credited svc	Immediately	Medical Prescription drug Dental Vision	Medical Prescription drug Dental Vision	Health Plus Health Plus Health Plus		See Schedule D See Schedule D	See Schedule D See Schedule D	See Schedule D See Schedule D
Duty Disability	No age or svc requirement	No age or svc requirement	Immediately	Medical Prescription drug Dental Vision	Medical Prescription drug Dental Vision	Health Plus Health Plus Health Plus		See Schedule D See Schedule D	See Schedule D See Schedule D	See Schedule D See Schedule D
Non-Duty Death-in-svc	10 or more years of credited svc	10 or more years of credited svc	Immediately -Surviving Spouse		Medical Prescription drug Dental Vision	Health Plus Health Plus Health Plus				
Duty Death-in-svc	No age or svc requirement Benefits begin upon termination of Worker's Compensation	No age or svc requirement Benefits begin upon termination of Worker's Compensation	Immediately -Surviving Spouse		Medical Prescription drug Dental Vision	Health Plus Health Plus Health Plus				

Medicare Reimbursement is not offered to any members.

** Eligible for retirement with a reduced pension

BABH part-time members do not qualify for retiree health care. They do not have access to the plan.

BAY COUNTY RETIREE HEALTH CARE PLAN—MEDICAL CARE FACILITY

SUMMARY OF THE BENEFIT PROVISIONS AS OF DECEMBER 31, 2011

Leaving Employment as a Result of	Eligibility for Pension Benefit	Eligibility for Retiree Health Benefit	When do retiree health benefits commence?	Coverage Provided by Employer		Retiree Health Care Provider(s)	Type of Insurance	Third Party Administrator	Retiree Share of Cost for		
				Retiree	Spouse				Retiree	Spouse (while Retiree is alive)	Spouse (after Retiree's death)
Normal/Early Retirement	30 yrs of svc regardless of age Age 55 with 8 yrs of svc ** Age 55 with 25 yrs of svc Age 60 with 8 yrs of svc	Members Hired Before April 19, 2007: Age 55 with 8 yrs of svc Age 60 with 8 yrs of svc 30 yrs of svc regardless of age Members Hired After April 19, 2007: Age 55 with 25 yrs of svc 30 yrs of svc regardless of age Members Hired after January 15,2010: Not eligible for health insurance	Immediately To be eligible for health insurance employee must have been FT at time of retirement.	Medical Prescription drug Dental Vision Life Insurance	Medical Prescription drug Dental Vision	BCBSM 4D BCBSM BCBSM	self-insured self-insured self-insured	BCBSM 4D BCBSM BCBSM	<u>Medical and Prescription Drug</u> If retired before 1/15/2010 - None If retired after 1/15/2010 - See Below <u>Dental and Vision</u> If retired before 1/1/2001 - N/A, If retired 1/1/2001 - 1/15/2010 - 0% If retired after 1/15/2010 - See Below	Medical and Prescription Drug If retired before 1/15/2010 - None If retired after 1/15/2010 - See Below Dental and Vision If retired before 1/1/2001 - N/A, If retired 1/1/2001 - 1/15/2010 - 0% If retired after 1/15/2010 - See Below	Medical and Prescription Drug If retired before 1/15/2010 - None If retired after 1/15/2010 - See Below Dental and Vision If retired before 1/1/2001 - N/A, If retired 1/1/2001 - 1/15/2010 - 0% If retired after 1/15/2010 - See Below
						Unum	Term	UNUM	See Schedule H	N/A	N/A
Deferred Vested Termination	8 yrs of svc **	N/A	N/A	Medical Prescription drug Dental Vision Life Insurance	Medical Prescription drug Dental Vision N/A	N/A N/A N/A N/A N/A			N/A N/A N/A N/A N/A	N/A N/A N/A N/A N/A	N/A N/A N/A N/A N/A
Non-Duty Disability	10 or more yrs of credited svc	10 or more yrs of credited svc Members Hired after January 15,2010: Not eligible for health insurance	Immediately	Medical Prescription drug Dental Vision Life Insurance	Medical Prescription drug Dental Vision	BCBSM 4D BCBSM BCBSM UNUM	self-insured self-insured self-insured Term	BCBSM 4D BCBSM BCBSM UNUM	<u>Medical, Prescription Drug, Dental, and Vision</u> Same as described above N/A	<u>Medical, Prescription Drug, Dental, and Vision</u> Same as described above N/A	<u>Medical, Prescription Drug, Dental, and Vision</u> Same as described above N/A
Duty Disability	No age or svc requirement	No age or svc requirement Members Hired after January 15,2010: Not eligible for health insurance	Immediately	Medical Prescription drug Dental Vision Life Insurance	Medical Prescription drug Dental Vision	BCBSM 4D BCBSM BCBSM UNUM	self-insured self-insured self-insured Term	BCBSM 4D BCBSM BCBSM UNUM	<u>Medical, Prescription Drug, Dental, and Vision</u> Same as described above N/A	<u>Medical, Prescription Drug, Dental, and Vision</u> Same as described above N/A	<u>Medical, Prescription Drug, Dental, and Vision</u> Same as described above N/A
Non-Duty Death-in-svc	10 or more yrs of credited svc	10 or more yrs of credited svc Members Hired after January 15,2010: Not eligible for health insurance	Immediately		Medical Prescription drug Dental Vision	BCBSM 4D BCBSM BCBSM	self-insured self-insured self-insured	BCBSM 4D BCBSM BCBSM			<u>Medical, Prescription Drug, Dental, and Vision</u> Same as described above
Duty Death-in-svc	No age or svc requirement Benefits begin upon termination of Worker's Compensation	Immediately Members Hired after January 15,2010: Not eligible for health insurance	Immediately		Medical Prescription drug Dental Vision	BCBSM 4D BCBSM BCBSM	self-insured self-insured self-insured	BCBSM 4D BCBSM BCBSM			<u>Medical, Prescription Drug, Dental, and Vision</u> Same as described above

Medicare Reimbursement is not offered to any members.
** Eligible for retirement with a reduced pension

For pre-Medicare eligible retirees after 1/15/2010, coverage is equivalent to that provided to active employee, including co-pays, deductibles, premium sharing, etc.

Medical Care Facility part-time members do not qualify for retiree health care. They do not have access to the plan; they are only eligible as provided by COBRA.

BAY COUNTY RETIREE HEALTH CARE PLAN—SHERIFF'S DEPT SUMMARY OF THE BENEFIT PROVISIONS AS OF DECEMBER 31, 2011

Leaving Employment as a Result of	Eligibility for Pension Benefit	Eligibility for Retiree Health Benefit	When do retiree health benefits commence?	Coverage Provided by Employer		Retiree Health Care Provider(s)	Type of Insurance	Retiree Share of Cost for		
				Retiree	Spouse			Retiree	Spouse (while Retiree is alive)	Spouse (after Retiree's death)
Normal/Early Retirement	Road Patrol: Age 55 with 8/10* yrs of svc ** 25 yrs of svc regardless of age Age 60 with 8/10* yrs of svc Road Patrol Supervisory Unit: Age 55 with 8/10* yrs of svc ** 25 yrs of svc regardless of age Age 60 with 8/10* yrs of svc Correction Facility Officers: Age 55 with 8/10* yrs of svc ** Age 55 with 25 yrs of svc 25 yrs of svc regardless of age ** Age 60 with 8/10* yrs of svc	Road Patrol: Age 55 with 8/10* yrs of svc 25 yrs of svc regardless of age Age 60 with 8/10* yrs of svc Road Patrol Supervisory Unit: Age 55 with 8/10* yrs of svc 25 yrs of svc regardless of age Age 60 with 8/10* yrs of svc Correction Facility Officers: Age 55 with 8/10* yrs of svc 25 yrs of svc regardless of age Age 60 with 8/10* yrs of svc	Immediately	Medical Prescription drug Life Insurance	Medical Prescription drug	BCBS BCBS N/A	self-insured self-insured N/A	See Schedule A See Schedule A N/A	See Schedule A See Schedule A N/A	See Schedule A See Schedule A N/A
Deferred Vested Termination	Road Patrol: 8/10* yrs of svc Road Patrol Supervisory Unit: 8/10* yrs of svc Correction Facility Officers: 8/10* yrs of svc	Road Patrol: N/A Road Patrol Supervisory Unit: N/A Correction Facility Officers: N/A	N/A	Medical Prescription drug Life Insurance	Medical Prescription drug	N/A N/A N/A		N/A N/A N/A	N/A N/A N/A	N/A N/A N/A
Non-Duty Disability	10 or more yrs of credited svc	Road Patrol: 10 or more yrs of credited svc Road Patrol Supervisory Unit 10 or more yrs of credited svc Correction Facility Officers 10 or more yrs of credited svc	Immediately	Medical Prescription drug Life Insurance	Medical Prescription drug	BCBS BCBS N/A	self-insured self-insured	See Schedule A See Schedule A N/A	See Schedule A See Schedule A N/A	See Schedule A See Schedule A N/A
Duty Disability	No age or svc requirement	Road Patrol: No age or svc requirement Road Patrol Supervisory Unit No age or svc requirement Correction Facility Officers No age or svc requirement	Immediately	Medical Prescription drug Life Insurance	Medical Prescription drug	BCBS BCBS N/A	self-insured self-insured	See Schedule A See Schedule A N/A	See Schedule A See Schedule A N/A	See Schedule A See Schedule A N/A
Non-Duty Death-in-svc	10 or more yrs of credited svc	Road Patrol: 10 or more yrs of credited svc Road Patrol Supervisory Unit 10 or more yrs of credited svc Correction Facility Officers 10 or more yrs of credited svc	Immediately		Medical Prescription drug	BCBS BCBS	self-insured self-insured			See Schedule A See Schedule A
Duty Death-in-svc	No age or svc requirement Benefits begin upon termination of Worker's Compensation	Road Patrol: No age or svc requirement Road Patrol Supervisory Unit No age or svc requirement Correction Facility Officers No age or svc requirement	Immediately		Medical Prescription drug	BCBS BCBS	self-insured self-insured			See Schedule A See Schedule A

Medicare Reimbursement is not offered to any members.

@ 10 yrs of svc for members hired after 1/1/2006

* 10 yrs of svc for members hired after 1/1/2007

** Eligible for retirement with a reduced pension

Employees hired after 1/1/2012 are not eligible for health care in retirement.

BAY COUNTY RETIREE HEALTH CARE PLAN—ROAD COMMISSION

SUMMARY OF THE BENEFIT PROVISIONS AS OF DECEMBER 31, 2011

Leaving Employment as a Result of	Eligibility for Pension Benefit	Eligibility for Retiree Health Benefit	When do retiree health benefits commence?	Coverage Provided by Employer		Retiree Health Care Provider(s)	Type of Insurance	Third Party Administrator	Retiree Share of Cost for		
				Retiree	Spouse				Retiree	Spouse (while Retiree is alive)	Spouse (after Retiree's death)
Normal/Early Retirement	30 yrs of svc regardless of age Age 55 with 8 yrs of svc ** Age 60 with 8 yrs of svc	30 yrs of svc regardless of age Age 60 with 8/10* yrs of svc	Immediately	Medical Prescription drug Dental Vision Life Insurance	Medical Prescription drug Dental Vision	BCBS BCBS BCBS UNUM	self-insured self-insured self-insured Whole Life	BCBS BCBS BCBS	See Schedule E See Schedule E Yes Yes See Schedule G	See Schedule E See Schedule E Yes Yes N/A	See Schedule E See Schedule E Yes Yes N/A
Deferred Vested Termination	8 yrs of svc	N/A	N/A	Medical Prescription drug Dental Vision Life Insurance	Medical Prescription drug Dental Vision	N/A N/A N/A N/A N/A	N/A	N/A	N/A N/A N/A N/A N/A	N/A N/A N/A N/A N/A	N/A N/A N/A N/A N/A
Non-Duty Disability	8/10 or more yrs of credited svc*	8/10 or more yrs of credited svc*	Immediately	Medical Prescription drug Dental Vision Life Insurance	Medical Prescription drug Dental Vision	BCBS BCBS BCBS UNUM	self-insured self-insured self-insured Whole Life	BCBS BCBS BCBS	See Schedule E See Schedule E Yes Yes See Schedule G	See Schedule E See Schedule E Yes Yes N/A	See Schedule E See Schedule E Yes Yes N/A
Duty Disability	No age or svc requirement	No age or svc requirement	Immediately	Medical Prescription drug Dental Vision Life Insurance	Medical Prescription drug Dental Vision	BCBS BCBS BCBS UNUM	self-insured self-insured self-insured Whole Life	BCBS BCBS BCBS	See Schedule E See Schedule E Yes Yes See Schedule G	See Schedule E See Schedule E Yes Yes N/A	See Schedule E See Schedule E Yes Yes N/A
Non-Duty Death-in-svc	8/10 or more yrs of credited svc*	8/10 or more yrs of credited svc*	Immediately		Medical Prescription drug Dental Vision	BCBS BCBS BCBS BCBS	self-insured self-insured self-insured self-insured	BCBS BCBS BCBS BCBS			See Schedule E See Schedule E Yes Yes
Duty Death-in-svc	No age or svc requirement Benefits begin upon termination of Worker's Compensation	No age or svc requirement	Immediately		Medical Prescription drug Dental Vision	BCBS BCBS BCBS BCBS	self-insured self-insured self-insured self-insured	BCBS BCBS BCBS BCBS			See Schedule E See Schedule E Yes Yes

Medicare Reimbursement is not offered to any members.

* 10 yrs of svc for members hired after 1/1/2007

** Eligible for retirement with a reduced pension

Road Commission part-time members do not qualify for retiree health care. They do not have access to the plan

BAY COUNTY RETIREE HEALTH CARE PLAN

SUMMARY OF THE BENEFIT PROVISIONS AS OF DECEMBER 31, 2011

Schedule A—General County and Sheriff’s Department For those hired on or after January 1, 2006

<u>#</u>	<u>Division Name</u>	<u>#</u>	<u>Division Name</u>
14	Circuit Court G.E.L.C	32	Road Patrol Supervisory Unit

For those hired on or after January 1, 2007

<u>#</u>	<u>Division Name</u>	<u>#</u>	<u>Division Name</u>
1	Elected Officials and Dept. Heads	8	USWA General
2	Judges	10	Nurses
3	General County	11	Sheriff’s-Road Patrol
4	General Circuit Court	12	Sheriff’s Correctional Facility Officers
5	General District Court	13	Dispatchers
6	General Probate Court	15	District Court AFSCME
7	BCAMPS	16	Probate Court USWA

Retiree Health Insurance Premium Contribution

Retiree Health Insurance Coverage - % paid by the employer based on years of service at retirement
(Subject to eligibility)

Years of Service	Hired Before Effective Date				Hired On or After Effective Date			
	Employer Paid (%)	Retiree Paid (%)	Employer Paid Spousal Coverage	Retiree Paid Spousal Coverage	Employer Paid (%)	Retiree Paid (%)	Employer Paid Spousal Coverage	Retiree Paid Spousal Coverage
8	85%	15%	50%	50%	N/A	N/A	N/A	N/A
9	85%	15%	50%	50%	N/A	N/A	N/A	N/A
10	85%	15%	50%	50%	55%	45%	0%	100%
11	85%	15%	50%	50%	55%	45%	0%	100%
12	85%	15%	50%	50%	55%	45%	0%	100%
13	85%	15%	50%	50%	55%	45%	0%	100%
14	85%	15%	50%	50%	55%	45%	0%	100%
15	85%	15%	50%	50%	80%	20%	0%	100%
16	85%	15%	50%	50%	80%	20%	0%	100%
17	85%	15%	50%	50%	80%	20%	0%	100%
18	85%	15%	50%	50%	80%	20%	0%	100%
19	85%	15%	50%	50%	80%	20%	0%	100%
20	85%	15%	50%	50%	85%	15%	15%	85%
21	85%	15%	50%	50%	85%	15%	15%	85%
22	85%	15%	50%	50%	85%	15%	15%	85%
23	85%	15%	50%	50%	85%	15%	15%	85%
24	85%	15%	50%	50%	85%	15%	15%	85%
25	85%	15%	50%	50%	85%	15%	40%	60%
26	85%	15%	50%	50%	85%	15%	40%	60%
27	85%	15%	50%	50%	85%	15%	40%	60%
28	85%	15%	50%	50%	85%	15%	40%	60%
29	85%	15%	50%	50%	85%	15%	40%	60%
30	85%	15%	50%	50%	85%	15%	50%	50%
31	85%	15%	50%	50%	85%	15%	50%	50%
32	85%	15%	50%	50%	85%	15%	50%	50%
33	85%	15%	50%	50%	85%	15%	50%	50%
34	85%	15%	50%	50%	85%	15%	50%	50%
35	85%	15%	50%	50%	85%	15%	50%	50%
36	85%	15%	50%	50%	85%	15%	50%	50%
37	85%	15%	50%	50%	85%	15%	50%	50%
38	85%	15%	50%	50%	85%	15%	50%	50%
39	85%	15%	50%	50%	85%	15%	50%	50%
40	85%	15%	50%	50%	85%	15%	50%	50%

BAY COUNTY RETIREE HEALTH CARE PLAN
SUMMARY OF THE BENEFIT PROVISIONS AS OF DECEMBER 31, 2011

Schedule B
Department of Water Sewer-Hourly Employees – Division 28
Retiree Health Insurance Premium Contribution

Retiree Health Insurance Coverage - % paid by the employer based on years of service at retirement (Subject to eligibility)

Years of Service	Hired Before January 1, 2003				Hired Between January 1, 2003 and January 1, 2008				Hired After January 1, 2008			
	Employer Paid (%)	Retiree Paid (%)	Employer Paid Spousal Coverage	Retiree Paid Spousal Coverage	Employer Paid (%)	Retiree Paid (%)	Employer Paid Spousal Coverage	Retiree Paid Spousal Coverage	Employer Paid (%)	Retiree Paid (%)	Employer Paid Spousal Coverage	Retiree Paid Spousal Coverage
8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
9	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
10	100%	0%	100%	0%	50%	50%	0%	100%	25%	75%	0%	100%
11	100%	0%	100%	0%	50%	50%	0%	100%	25%	75%	0%	100%
12	100%	0%	100%	0%	50%	50%	0%	100%	25%	75%	0%	100%
13	100%	0%	100%	0%	50%	50%	0%	100%	25%	75%	0%	100%
14	100%	0%	100%	0%	50%	50%	0%	100%	25%	75%	0%	100%
15	100%	0%	100%	0%	100%	0%	0%	100%	50%	50%	0%	100%
16	100%	0%	100%	0%	100%	0%	0%	100%	50%	50%	0%	100%
17	100%	0%	100%	0%	100%	0%	0%	100%	50%	50%	0%	100%
18	100%	0%	100%	0%	100%	0%	0%	100%	50%	50%	0%	100%
19	100%	0%	100%	0%	100%	0%	0%	100%	50%	50%	0%	100%
20	100%	0%	100%	0%	100%	0%	50%	50%	75%	25%	0%	100%
21	100%	0%	100%	0%	100%	0%	50%	50%	75%	25%	0%	100%
22	100%	0%	100%	0%	100%	0%	50%	50%	75%	25%	0%	100%
23	100%	0%	100%	0%	100%	0%	50%	50%	75%	25%	0%	100%
24	100%	0%	100%	0%	100%	0%	50%	50%	75%	25%	0%	100%
25	100%	0%	100%	0%	100%	0%	100%	0%	100%	0%	0%	100%
26	100%	0%	100%	0%	100%	0%	100%	0%	100%	0%	0%	100%
27	100%	0%	100%	0%	100%	0%	100%	0%	100%	0%	0%	100%
28	100%	0%	100%	0%	100%	0%	100%	0%	100%	0%	0%	100%
29	100%	0%	100%	0%	100%	0%	100%	0%	100%	0%	0%	100%
30	100%	0%	100%	0%	100%	0%	100%	0%	100%	0%	0%	100%
31	100%	0%	100%	0%	100%	0%	100%	0%	100%	0%	0%	100%
32	100%	0%	100%	0%	100%	0%	100%	0%	100%	0%	0%	100%
33	100%	0%	100%	0%	100%	0%	100%	0%	100%	0%	0%	100%
34	100%	0%	100%	0%	100%	0%	100%	0%	100%	0%	0%	100%
35	100%	0%	100%	0%	100%	0%	100%	0%	100%	0%	0%	100%
36	100%	0%	100%	0%	100%	0%	100%	0%	100%	0%	0%	100%
37	100%	0%	100%	0%	100%	0%	100%	0%	100%	0%	0%	100%
38	100%	0%	100%	0%	100%	0%	100%	0%	100%	0%	0%	100%
39	100%	0%	100%	0%	100%	0%	100%	0%	100%	0%	0%	100%
40	100%	0%	100%	0%	100%	0%	100%	0%	100%	0%	0%	100%

BAY COUNTY RETIREE HEALTH CARE PLAN
SUMMARY OF THE BENEFIT PROVISIONS AS OF DECEMBER 31, 2011

Schedule C
Department of Water Sewer-Salary Employees – Division 29
Retiree Health Insurance Premium Contribution

Retiree Health Dental and Vision Insurance Coverage - % paid by the employer based on years of service at retirement
 (Subject to eligibility)

Years of Service	Hired Before June 1, 2007				Hired After June 1, 2007			
	Employer Paid (%)	Retiree Paid (%)	Employer Paid Spousal Coverage	Retiree Paid Spousal Coverage	Employer Paid (%)	Retiree Paid (%)	Employer Paid Spousal Coverage	Retiree Paid Spousal Coverage
8	100%	0%	100%	0%	N/A	N/A	N/A	N/A
9	100%	0%	100%	0%	N/A	N/A	N/A	N/A
10	100%	0%	100%	0%	25%	75%	0%	100%
11	100%	0%	100%	0%	25%	75%	0%	100%
12	100%	0%	100%	0%	25%	75%	0%	100%
13	100%	0%	100%	0%	25%	75%	0%	100%
14	100%	0%	100%	0%	25%	75%	0%	100%
15	100%	0%	100%	0%	50%	50%	0%	100%
16	100%	0%	100%	0%	50%	50%	0%	100%
17	100%	0%	100%	0%	50%	50%	0%	100%
18	100%	0%	100%	0%	50%	50%	0%	100%
19	100%	0%	100%	0%	50%	50%	0%	100%
20	100%	0%	100%	0%	75%	25%	0%	100%
21	100%	0%	100%	0%	75%	25%	0%	100%
22	100%	0%	100%	0%	75%	25%	0%	100%
23	100%	0%	100%	0%	75%	25%	0%	100%
24	100%	0%	100%	0%	75%	25%	0%	100%
25	100%	0%	100%	0%	100%	0%	0%	100%
26	100%	0%	100%	0%	100%	0%	0%	100%
27	100%	0%	100%	0%	100%	0%	0%	100%
28	100%	0%	100%	0%	100%	0%	0%	100%
29	100%	0%	100%	0%	100%	0%	0%	100%
30	100%	0%	100%	0%	100%	0%	0%	100%
31	100%	0%	100%	0%	100%	0%	0%	100%
32	100%	0%	100%	0%	100%	0%	0%	100%
33	100%	0%	100%	0%	100%	0%	0%	100%
34	100%	0%	100%	0%	100%	0%	0%	100%
35	100%	0%	100%	0%	100%	0%	0%	100%
36	100%	0%	100%	0%	100%	0%	0%	100%
37	100%	0%	100%	0%	100%	0%	0%	100%
38	100%	0%	100%	0%	100%	0%	0%	100%
39	100%	0%	100%	0%	100%	0%	0%	100%
40	100%	0%	100%	0%	100%	0%	0%	100%

BAY COUNTY RETIREE HEALTH CARE PLAN
SUMMARY OF THE BENEFIT PROVISIONS AS OF DECEMBER 31, 2011

Schedule D
Bay-Arenac Behavioral Health
Retiree Health Insurance Premium Contribution
For those who retire on or after January 16, 2004

Retiree Health Insurance Coverage - % paid by the employer based on years of service at retirement
 (Subject to eligibility)

Years of Service	Employer Paid (%)	Retiree Paid (%)	Employer Paid Spousal Coverage	Retiree Paid Spousal Coverage
8	40%	60%	0%	100%
9	45%	55%	0%	100%
10	50%	50%	0%	100%
11	55%	45%	0%	100%
12	60%	40%	0%	100%
13	65%	35%	0%	100%
14	70%	30%	0%	100%
15	75%	25%	0%	100%
16	80%	20%	0%	100%
17	85%	15%	0%	100%
18	90%	10%	0%	100%
19	95%	5%	0%	100%
20	100%	0%	0%	100%
21	100%	0%	5%	95%
22	100%	0%	10%	90%
23	100%	0%	15%	85%
24	100%	0%	20%	80%
25	100%	0%	25%	75%
26	100%	0%	30%	70%
27	100%	0%	35%	65%
28	100%	0%	40%	60%
29	100%	0%	45%	55%
30	100%	0%	50%	50%
31	100%	0%	55%	45%
32	100%	0%	60%	40%
33	100%	0%	65%	35%
34	100%	0%	70%	30%
35	100%	0%	75%	25%
36	100%	0%	80%	20%
37	100%	0%	85%	15%
38	100%	0%	90%	10%
39	100%	0%	95%	5%
40	100%	0%	100%	0%

BAY COUNTY RETIREE HEALTH CARE PLAN
SUMMARY OF THE BENEFIT PROVISIONS AS OF DECEMBER 31, 2011

Schedule E
Road Commission
Retiree Health Insurance Premium Contribution
Effective January 1, 2007

Retiree Health Insurance Coverage - % paid by the employer based on years of service at retirement
(Subject to eligibility)

Years of Service	Hired Before Effective Date				Hired After Effective Date			
	Employer Paid (%)	Retiree Paid (%)	Employer Paid Spousal Coverage	Retiree Paid Spousal Coverage	Employer Paid (%)	Retiree Paid (%)	Employer Paid Spousal Coverage	Retiree Paid Spousal Coverage
8	100%	0%	100%	0%	N/A	N/A	N/A	N/A
9	100%	0%	100%	0%	N/A	N/A	N/A	N/A
10	100%	0%	100%	0%	75%	25%	75%	25%
11	100%	0%	100%	0%	80%	20%	80%	20%
12	100%	0%	100%	0%	85%	15%	85%	15%
13	100%	0%	100%	0%	90%	10%	90%	10%
14	100%	0%	100%	0%	95%	5%	95%	5%
15	100%	0%	100%	0%	100%	0%	100%	0%
16	100%	0%	100%	0%	100%	0%	100%	0%
17	100%	0%	100%	0%	100%	0%	100%	0%
18	100%	0%	100%	0%	100%	0%	100%	0%
19	100%	0%	100%	0%	100%	0%	100%	0%
20	100%	0%	100%	0%	100%	0%	100%	0%
21	100%	0%	100%	0%	100%	0%	100%	0%
22	100%	0%	100%	0%	100%	0%	100%	0%
23	100%	0%	100%	0%	100%	0%	100%	0%
24	100%	0%	100%	0%	100%	0%	100%	0%
25	100%	0%	100%	0%	100%	0%	100%	0%
26	100%	0%	100%	0%	100%	0%	100%	0%
27	100%	0%	100%	0%	100%	0%	100%	0%
28	100%	0%	100%	0%	100%	0%	100%	0%
29	100%	0%	100%	0%	100%	0%	100%	0%
30	100%	0%	100%	0%	100%	0%	100%	0%
31	100%	0%	100%	0%	100%	0%	100%	0%
32	100%	0%	100%	0%	100%	0%	100%	0%
33	100%	0%	100%	0%	100%	0%	100%	0%
34	100%	0%	100%	0%	100%	0%	100%	0%
35	100%	0%	100%	0%	100%	0%	100%	0%
36	100%	0%	100%	0%	100%	0%	100%	0%
37	100%	0%	100%	0%	100%	0%	100%	0%
38	100%	0%	100%	0%	100%	0%	100%	0%
39	100%	0%	100%	0%	100%	0%	100%	0%
40	100%	0%	100%	0%	100%	0%	100%	0%

BAY COUNTY RETIREE HEALTH CARE PLAN
SUMMARY OF THE BENEFIT PROVISIONS AS OF DECEMBER 31, 2011

Schedule F
General
Life Insurance Benefits

Division	Member Retired	Life Insurance Amount
Elected Officials Department Heads Judges General County General Circuit Court General District Court General Probate Court BCAMPS	3/1/1998 to Present	\$10,000

Schedule G
Road Commission
Life Insurance Benefits

Division	Member Retired	Life Insurance Amount
AFSCME	Prior to 1/31/1989	\$ 1,000
	2/1/1989 to 1/31/1998	2,500
	2/1/1998 to 1/31/2008	5,000
	2/1/2008 to Present	10,000
Administrative Employees	Prior to 1/1/2007	5,000
	1/1/2007 to Present	10,000
Commissioners	1/1/2007 to Present	10,000

BAY COUNTY RETIREE HEALTH CARE PLAN
SUMMARY OF THE BENEFIT PROVISIONS AS OF DECEMBER 31, 2011

Schedule H
Medical Care Facility
Life Insurance Benefits

Member Retired	Life Insurance Amount
Prior to 1/1/1975	\$ 0
1/1/1975 to 12/31/1995	2,500
1/1/1996 to 12/31/1998	3,500
1/1/1999 to Present	5,000

Schedule I
DWS Salaried Members Only
Life Insurance Benefits

Member Retired	Life Insurance Amount
Prior to 3/13/2008	\$ 5,000
On 3/13/2008	20,000
3/14/2008 to Present	10,000

SECTION F

SUMMARY OF PARTICIPANT DATA

BAY COUNTY - TOTAL
TOTAL ACTIVE MEMBERS AS OF DECEMBER 31, 2011
BY ATTAINED AGE AND YEARS OF SERVICE*

Attained Age	Years of Service to Valuation Date							Totals
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.
20-24	10							10
25-29	45	9	1					55
30-34	53	33	14					100
35-39	41	20	30	10	1			102
40-44	30	28	44	21	8			131
45-49	21	28	34	29	29	20	2	163
50-54	25	32	34	20	31	32	14	188
55-59	14	24	29	24	31	16	12	150
60-64	13	18	10	15	7	7	6	76
65 & Over	1	1	1	7	1	2	1	14
Totals	253	193	197	126	108	77	35	989

* Excludes 151 part-time employees.

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 46.3 years
Service: 12.5 years

**BAY COUNTY - GENERAL COUNTY
ACTIVE MEMBERS AS OF DECEMBER 31, 2011
BY ATTAINED AGE AND YEARS OF SERVICE***

Attained Age	Years of Service to Valuation Date							Totals
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.
20-24	2							2
25-29	6	3	1					10
30-34	20	12	2					34
35-39	6	5	11	1				23
40-44	2	15	21	6	1			45
45-49	9	8	12	10	10	6	2	57
50-54	5	7	19	9	9	15	5	69
55-59	2	12	8	11	10	5	6	54
60-64	4	6	3	8	3	3	3	30
65 & Over		1		5	1	1	1	9
Totals	56	69	77	50	34	30	17	333

* Excludes 45 part-time employees.

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 48.0 years
Service: 13.8 years

BAY COUNTY – DWS
ACTIVE MEMBERS AS OF DECEMBER 31, 2011
BY ATTAINED AGE AND YEARS OF SERVICE

Attained Age	Years of Service to Valuation Date							Totals
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.
20-24								
25-29	2							2
30-34	3							3
35-39	3	1		1				5
40-44	1				3			4
45-49	1	3	2		3			9
50-54	1	1	1			1	1	5
55-59	1		1		4	2	1	9
60-64	1							1
65 & Over								
Totals	13	5	4	1	10	3	2	38

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 46.4 years
Service: 13.0 years

BAY COUNTY - LIBRARY
ACTIVE MEMBERS AS OF DECEMBER 31, 2011
BY ATTAINED AGE AND YEARS OF SERVICE

Attained Age	Years of Service to Valuation Date							Totals
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.
20-24								
25-29	2							2
30-34	3		1					4
35-39	1							1
40-44	3		2					5
45-49	1	1	1	1		1		5
50-54	1	4	2				1	8
55-59	1		6	1	2		2	12
60-64	1	1		1	1	1	1	6
65 & Over						1		1
Totals	13	6	12	3	3	3	4	44

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 50.7 years
Service: 12.7 years

BAY COUNTY - BABH
ACTIVE MEMBERS AS OF DECEMBER 31, 2011
BY ATTAINED AGE AND YEARS OF SERVICE*

Attained Age	Years of Service to Valuation Date							Totals
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.
20-24	1							1
25-29	17	1						18
30-34	18	8	2					28
35-39	20	10	5					35
40-44	18	8	9	2				37
45-49	6	6	8	6	8	3		37
50-54	16	9	5	1	10	7		48
55-59	7	7	9	5	4	6	2	40
60-64	5	7	4	2	2	1		21
65 & Over				1				1
Totals	108	56	42	17	24	17	2	266

* Excludes 8 part-time employees.

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 45.6 years
Service: 9.7 years

**BAY COUNTY - MEDICAL CARE FACILITY
ACTIVE MEMBERS AS OF DECEMBER 31, 2011
BY ATTAINED AGE AND YEARS OF SERVICE***

Attained Age	Years of Service to Valuation Date							Totals
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.
20-24	6							6
25-29	9	4						13
30-34	5	6	6					17
35-39	6	1	8	8	1			24
40-44	4		4	1	2			11
45-49	4	6	7	4	5	6		32
50-54	1	7	7	6	4	4	6	35
55-59	2	5	1	5	8	2	1	24
60-64	2	4	3	1	1		1	12
65 & Over			1					1
Totals	39	33	37	25	21	12	8	175

* Excludes 98 part-time employees, 2 ineligible employees, and an additional 23 hired after 1/15/2010.

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 45.0 years
Service: 13.3 years

BAY COUNTY - SHERIFF'S DEPT
ACTIVE MEMBERS AS OF DECEMBER 31, 2011
BY ATTAINED AGE AND YEARS OF SERVICE

Attained Age	Years of Service to Valuation Date							Totals
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.
20-24								
25-29	7							7
30-34	4	7	3					14
35-39	3	2	6					11
40-44		3	8	5	1			17
45-49			1	4	3	1		9
50-54		1			3	2	1	7
55-59			3	1	2	1		7
60-64				1		2	1	4
65 & Over				1				1
Totals	14	13	21	12	9	6	2	77

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 42.0 years
Service: 13.3 years

BAY COUNTY - ROAD COMMISSION
ACTIVE MEMBERS AS OF DECEMBER 31, 2011
BY ATTAINED AGE AND YEARS OF SERVICE

Attained Age	Years of Service to Valuation Date							Totals
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.
20-24	1							1
25-29	2	1						3
30-34								
35-39	2	1						3
40-44	2	2		7	1			12
45-49		4	3	4		3		14
50-54	1	3		4	5	3		16
55-59	1		1	1	1			4
60-64				2				2
65 & Over	1							1
Totals	10	11	4	18	7	6		56

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 46.8 years
Service: 14.0 years

BAY COUNTY
TOTAL INACTIVE MEMBERS AS OF DECEMBER 31, 2011
BY ATTAINED AGE

Number of Retiree and Beneficiary Contracts

	Opt-Out/ Ineligible	One Person Coverage	Two Person Coverage*	Total
Male	75	67	113	255
Female	185	206	94	485
Total	260	273	207	740

* Includes family coverage

Age	Current Retirees							
	Number of Those Covered							
	General County	DWS	Library	BABH	Medical Care Facility	Sheriff's Dept	Road Commission	Total
0-44					1	3		4
45-49	2					1		3
50-54	4				9	1	4	18
55-59	18	6		5	15	5	12	61
60-64	27	7		10	39	11	16	110
65-69	33	5	1	8	26	7	11	91
70-74	23	2	3	4	15	4	11	62
75-79	18	1	2	1	15	5	11	53
80-84	14	1	1	1	10	3	9	39
85-89	11	1	1	1	8	1	6	29
90-94	1				3		3	7
95 +	3							3
Totals	154	23	8	30	141	41	83	480

There are no terminated members eligible for deferred Plan benefits.

SECTION G

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS

**ACTUARIAL METHODS FOR
BAY COUNTY
AS OF DECEMBER 31, 2011**

Actuarial Cost Method. Normal cost and the allocation of benefit values between service rendered before and after the valuation date was determined using an **Individual Entry-Age Actuarial Cost Method** having the following characteristics:

- (i) the annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement;
- (ii) each annual normal cost is a constant percentage of the member's year by year projected covered pay.

Actuarial gains (losses), as they occur, reduce (increase) the Unfunded Actuarial Accrued Liability.

Financing of Unfunded Actuarial Accrued Liabilities. Unfunded actuarial accrued liabilities (UAAL) (full funding credit if assets exceed liabilities) were amortized as a level percent of payroll if the divisions are open to new hires and as a level dollar if the divisions are closed to new hires. The UAAL was determined using the actuarial value of assets and actuarial accrued liability calculated as of the valuation date and projected to the beginning of the fiscal year at the assumed rate of investment return.

Actuarial Value Assets. The Actuarial Value of Assets is set equal to the reported market value of assets.

**ACTUARIAL METHODS FOR
BAY COUNTY
AS OF DECEMBER 31, 2011**

The following amortization factors were used in developing the Annual Required Contribution for the fiscal years shown:

	Fiscal Year Beginning January 01,	
	2012	2013
General County (Level Dollar)	14.1738	13.9945
DWS (Level Percent of Pay)	22.4112	21.8521
Library (Level Percent of Pay)	22.4112	21.8521
BABH (Level Percent of Pay)	17.0992	16.6775
Medical Care Facility (Level Dollar)	13.8044	13.6030
Sheriff's Dept (Level Dollar)	14.1738	13.9945
Road Commission (Level Percent of Pay)	16.3105	15.6340

**ACTUARIAL ASSUMPTIONS FOR
BAY COUNTY
AS OF DECEMBER 31, 2011**

Investment Return (net of investment expenses)

BABH – 7.50% a year, compounded annually

All Other Groups – 6.00% a year, compounded annually

Pay Projections. These assumptions are used to project current pays to those upon which future contributions will be based.

Years of Service	Annual Rate of Pay Increase for Merit & Longevity						
	General	DWS	Library	BABH	MCF	Sheriff's	Road Commission
1	5.00 %	5.00 %	5.00 %	5.00 %	1.00 %	8.00 %	8.00 %
2	4.00	4.00	4.00	4.00	1.00	7.00	5.00
3	3.00	3.00	3.00	3.00	1.00	7.00	5.00
4	3.00	3.00	3.00	3.00	1.00	6.00	5.00
5	1.00	1.00	1.00	1.00	1.00	5.00	1.00
6+	1.00	1.00	1.00	1.00	1.00	1.00	1.00

If the number of active members remains constant, the total active member payroll will increase by about the level of pay inflation (assumed to be 4.0% per year). This increasing payroll was recognized in amortizing unfunded actuarial accrued liabilities for the active employees.

**ACTUARIAL ASSUMPTIONS FOR
BAY COUNTY
AS OF DECEMBER 31, 2011**

Mortality. The 1994 Group Annuity Mortality Table with ages set back one year for both men and women. Sample values follow:

Sample Ages	Actuarial Present Value of \$1 Monthly for Life*		Future Life Expectancy (Years)	
	Men	Women	Men	Women
50	\$272.13	\$298.99	31.62	35.84
55	241.47	269.47	27.04	31.11
60	209.78	238.13	22.67	26.49
65	178.21	206.15	18.60	22.11
70	148.18	174.63	14.97	18.08
75	119.69	142.99	11.72	14.31
80	93.21	112.72	8.87	10.93

* Calculated using a 6.00% interest rate assumption, includes annual increases of 4.0% compounded for life.

This assumption is used to measure the probabilities of employees dying before retirement and the probabilities of each health insurance benefit being paid after retirement.

The membership size in this group is not sufficiently large to determine if there is a margin for mortality improvements. However, based upon our experience with a broad cross section of public sector plans similar in nature to this plan, it is our opinion that there is no provision for future mortality improvement in the current mortality assumption. The mortality assumption will be reviewed with the next experience study.

The 1994 Group Annuity Mortality Table with a two-year set forward was used for disabled lives.

**ACTUARIAL ASSUMPTIONS FOR
BAY COUNTY
AS OF DECEMBER 31, 2011**

The rates of retirement used to measure the probability of eligible members retiring during the next year were as follows:

Retirement Ages	Percent of Active Members Retiring Within Next Year						Road
	General	DWS	Library	BABH	MCF	Sheriff's	Commission
50					10 %		10 %
51					10		10
52					10		20
53					10		20
54					10		20
55	15 %	15 %	15 %	15 %	20		20
56	10	10	10	10	30		10
57	10	10	10	10	40		10
58	10	10	10	10	40		10
59	10	10	10	10	40		10
60	25	25	25	25	20	15 %	10
61	20	20	20	20	20	15	10
62	10	10	10	10	40	30	30
63	10	10	10	10	15	15	30
64	10	10	10	10	15	15	30
65	25	25	25	25	100	100	100
66	10	10	10	10			
67	10	10	10	10			
68	10	10	10	10			
69	10	10	10	10			
70	100	100	100	100			

The following table shows the rates used for the Road Patrol and Road Patrol Supervisory Unit 25 & Out provision and the Correctional Facility Officers 55 & 25 provision.

25 & Out		55 & 25	
Years of Service	Sheriff's Road Patrol and Road Patrol Supervisory Unit	Age	Correctional Facility Officers
25	40.0 %	55	40.0 %
26	40.0	56	40.0
27	40.0	57	40.0
28	25.0	58	25.0
29	25.0	59	25.0
30	25.0	60	25.0
31	25.0	61	25.0
32	25.0	62	25.0
33	25.0	63	25.0
34	100.0	64	100.0

**ACTUARIAL ASSUMPTIONS FOR
BAY COUNTY
AS OF DECEMBER 31, 2011**

The following table shows the rates for the 55 & 8 and/or 55 & 10 Early Retirement provision:

<u>55 & 8 and/or 55 & 10 Early Retirement</u>	
Retirement	
<u>Ages</u>	<u>All</u>
55	5.0%
56	5.0
57	5.0
58	5.0
59	5.0

**ACTUARIAL ASSUMPTIONS FOR
BAY COUNTY
AS OF DECEMBER 31, 2011**

Rates of disability were as follows:

Sample Ages	Percent Becoming Disabled within Next Year
20	0.08 %
25	0.08
30	0.08
35	0.08
40	0.20
45	0.27
50	0.49
55	0.89
60	1.41

Rates of separation from active membership were as shown below (rates do not apply to members eligible to retire and do not include separation on account of death or disability). This assumption measures the probabilities of members remaining in employment.

Sample Ages	Years of Service	% of Active Members Separating within Next Year						
		General County	DWS	Library	BABH	Med. Care Facility	Sheriff's Department	Road Commission
ALL	0	15.00%	15.00%	15.00%	15.00%	20.00%	*	*
	1	9.00	9.00	9.00	9.00	20.00	*	*
	2	9.00	9.00	9.00	9.00	12.00	*	*
	3	8.00	8.00	8.00	8.00	10.00	*	*
	4	8.00	8.00	8.00	8.00	7.00	*	*
20	5 & Over	7.50	7.50	7.50	7.50	6.00	6.00%	4.50%
25		7.50	7.50	7.50	7.50	6.00	6.00	4.50
30		7.00	7.00	7.00	7.00	4.00	5.00	3.90
35		7.00	7.00	7.00	7.00	4.00	3.00	2.30
40		4.00	4.00	4.00	4.00	3.00	2.00	0.90
45		3.00	3.00	3.00	3.00	2.00	2.00	0.50
50		2.00	2.00	2.00	2.00	1.50	1.50	0.50
55		2.00	2.00	2.00	2.00	1.50	1.00	0.50
60		2.00	2.00	2.00	2.00	1.50	1.00	0.50

* Rates as shown below, based on age.

**ACTUARIAL ASSUMPTIONS FOR
BAY COUNTY
AS OF DECEMBER 31, 2011 (CONCLUDED)**

Health care cost trend rates are displayed in the following table:

Year After Valuation	Medical and Drug Valuation Trend Rate
	All Groups
1	9.00%
2	8.25%
3	7.50%
4	7.00%
5	6.50%
6	6.00%
7	5.50%
8	5.00%
9	4.50%
10	4.00%
11	4.00%
12+	4.00%

DWS, BABH, Medical Care Facility, and Road Commission dental and vision trends are 4% for all subsequent years after the valuation.

**MISCELLANEOUS AND TECHNICAL ASSUMPTIONS FOR
BAY COUNTY
AS OF DECEMBER 31, 2011**

Administrative Expenses	No explicit assumption has been made for administrative expenses.
Decrement Operation	Disability and death-in-service decrements do not operate during the first 5 years of service. Disability and withdrawal do not operate during retirement eligibility.
Decrement Timing	Decrements of all types are assumed to occur mid-year.
Eligibility Testing	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
Incidence of Contributions	Contributions are assumed to be received continuously throughout the year based upon the contributions shown in this report.
Marriage Assumption	100% of males and 100% of females are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses.
Medicare Coverage	Assumed to be available for all covered employees on attainment of age 65. Disabled retirees were assumed to be eligible for Medicare coverage at age 65.
Part-Time Employees	Part-time employees are not eligible for retiree health care benefits even if they are eligible for benefits from the Retirement System. Part-time employees were excluded from the valuation.
Opt-In Assumption	Certain General and Sheriff retirees opted out of the retiree health care program. These retirees may opt back into the program at a future date. We assumed that 10% of these retirees would opt back into the program.
Health Care Coverage at Retirement	The table below shows the assumed portion of future retirees electing one-person or two-person/family coverage, or opting out of coverage entirely. For those that elect two-person coverage, the assumption regarding the percentage of retirees that would continue coverage to the spouse upon death of the retiree is also shown.

Group	One-Person		Two-Person/Family		Opt-Out		Percentage to Spouse	
	Males	Females	Males	Females	Males	Females	Males	Females
General County	15.00%	15.00%	85.00%	85.00%	0.00%	0.00%	80.00%	80.00%
DWS	15.00%	15.00%	85.00%	85.00%	0.00%	0.00%	100.00%	100.00%
Library	15.00%	50.00%	85.00%	50.00%	0.00%	0.00%	80.00%	80.00%
BABH	12.75%	42.50%	72.25%	42.50%	15.00%	15.00%	80.00%	80.00%
Medical Care Facility	15.00%	15.00%	85.00%	85.00%	0.00%	0.00%	100.00%	100.00%
Sheriff's Dept	15.00%	15.00%	85.00%	85.00%	0.00%	0.00%	80.00%	80.00%
Road Commission	15.00%	15.00%	85.00%	85.00%	0.00%	0.00%	100.00%	100.00%

APPENDIX A
OVERVIEW

GASB BACKGROUND

The purpose of this valuation is to provide information on the cost associated with providing postemployment benefits other than pensions, or OPEB, to current and former employees. The information is designed to assist you in complying with Governmental Accounting Standards Board (GASB) Statements No. 43 and No. 45. OPEB benefits are most often associated with postemployment health care, but cover almost any benefit not provided through a pension plan, including life insurance, dental and vision benefits. It is important to note that OPEB benefits, by definition, do not include benefits *currently* being provided to active employees – however, this report includes the liabilities for benefits expected to be paid to current active employees in the future when they retire.

GASB Statements No. 43 and No. 45 were released in the spring of 2004. GASB Statement No. 43 covers the accounting rules for OPEB *plans* while GASB Statement No. 45 describes the rules for *employers* sponsoring OPEB plans. Your auditor can assist you in determining which statements apply to your particular situation.

The specific items required to be disclosed on an OPEB sponsor's financial statements are described in detail in GASB Statements No. 43 and No. 45.

GASB Statement No. 45

Among the requirements of Statement No. 45 are recognition each year of an expense called the Annual OPEB Cost, and the accumulation of a liability to be disclosed on the employer's Statement of Net Assets called the Net OPEB Obligation (NOO).

The fundamental items required to determine the Annual OPEB Cost and the NOO are:

- the Annual Required Contribution (ARC)
- the Employer's Contributions in relation to the ARC

Although GASB does not require OPEB contributions, it has chosen to call the base component of the annual OPEB cost the Annual Required Contribution. The ARC is provided in this report.

GASB BACKGROUND (CONTINUED)

Paragraph 13g. of Statement No. 45 states:

“An employer has made a contribution in relation to the ARC if the employer has:

1. made payments of benefits directly to or on behalf of a retiree or beneficiary,
2. made premium payments to an insurer, or
3. irrevocably transferred assets to a trust, or equivalent arrangement in which Plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the Plan and are legally protected from creditors of the employer(s) or plan administrator.”

For each fiscal year shown in this report, we have provided the ARC and the estimated benefits and/or premiums (based on valuation assumptions).

The NOO is the cumulative difference between the Annual OPEB Cost each year and the Employer’s Contribution in relation to the ARC. The Annual OPEB Cost for a year is equal to:

- the ARC, plus
- interest on the prior year’s NOO, plus
- amortization of the prior year’s NOO.

The Annual OPEB Cost and NOO are generally developed by the Plan Sponsor’s auditor based on information contained herein and elsewhere.

GASB Statement No. 43

If the Plan has assets for Statement No. 43 purposes, then certain additional information useful in complying with the Statement is contained in this report.

OPEB PRE-FUNDING

Many employers fund retiree health care benefits using the pay-as-you-go (or cash disbursement) method. Under this method, the employer's annual contribution is equal to the actual disbursements during the year for OPEB for retired employees. This method of funding will result in increasing contributions over time. First, per capita cash disbursements will tend to increase from year to year as the cost of health care services, or the utilization of these services, increases. Second, the number of retired members is likely to increase for years to come. The more retirees, the greater the disbursements as a percentage of employee payroll.

A retiree health care plan is similar to a defined benefit pension plan in that promises are made to employees to provide them with a benefit payable at some future date. For defined benefit pension plan sponsors, a common funding objective is to contribute to a fund, annual amounts which will i) remain level as a percentage of active member payroll, and ii) when combined with present assets and future investment return be sufficient to meet the financial obligations of the Plan to current and future retirees.

The GASB statements are not funding requirements. They are accounting standards that require plan sponsors to calculate the annual expense associated with OPEB using certain methods.

The ultimate determination as to the level of pre-funding will be the result of decisions made in an attempt to support benefit security for members and the fiscal management needs of the employer.

APPENDIX B

GLOSSARY

Accrued Service. The service credited under the plan which was rendered before the date of the actuarial valuation.

Actuarial Accrued Liability. The difference between (i) the actuarial present value of future plan benefits, and (ii) the actuarial present value of future normal cost. Sometimes referred to as "accrued liability" or "past service liability".

Actuarial Assumptions. Estimates of future plan experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

Actuarial Cost Method. A mathematical budgeting procedure for allocating the dollar amount of the "actuarial present value of future plan benefits" between the actuarial present value of future normal cost and the actuarial accrued liability. Sometimes referred to as the "actuarial funding method".

Actuarial Equivalent. A single amount or series of amounts of equal value to another single amount or series of amounts, computed on the basis of the rate(s) of interest and mortality tables used by the plan.

Actuarial Present Value. The amount of funds presently required to provide a payment or series of payments in the future. It is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Amortization. Paying off an interest-bearing liability by means of periodic payments of interest and principal, as opposed to paying it off with a lump sum payment.

GLOSSARY

Annual Required Contribution (ARC). The ARC is the normal cost plus the portion of the unfunded actuarial accrued liability to be amortized in the current period. The ARC is an amount that is actuarially determined in accordance with the requirements so that, if paid on an ongoing basis, it would be expected to provide sufficient resources to fund both the normal cost for each year and the amortized unfunded actuarial accrued liability.

Governmental Accounting Standards Board (GASB). GASB is the private, nonpartisan, nonprofit organization that works to create and improve the rules U.S. state and local governments follow when accounting for their finances and reporting them to the public.

Implicit Rate Subsidy. It is common practice for employers to allow retirees to continue in the employer's group health insurance plan (which also covers active employees), often charging the retiree some portion of the premium charged for active employees. Under the theory that retirees have higher utilization of services, the difference between the true cost of providing retiree coverage and what the retiree is being charged is known as the implicit rate subsidy.

Medical Trend Rate (Health Care Inflation). The increase in the cost of providing health care benefits over time. Trend includes such elements as pure price inflation, changes in utilization, advances in medical technology, and cost shifting.

Normal Cost. The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as "current service cost." Any payment toward the unfunded actuarial accrued liability is not part of the normal cost.

Other Postemployment Benefits (OPEB). OPEB are postemployment benefits other than pensions. OPEB generally takes the form of health insurance, dental, vision, prescription drugs, life insurance or other health care benefits.

Reserve Account. An account used to indicate that funds have been set aside for a specific purpose and are not generally available for other uses.

GLOSSARY

Unfunded Actuarial Accrued Liability. The difference between the actuarial accrued liability and valuation assets. Sometimes referred to as "unfunded actuarial accrued liability."

Valuation Assets. The value of current plan assets recognized for valuation purposes.

March 15, 2013

Ms. Danean Wright, Staff Accountant
Bay County Employees' Retirement System
515 Center Avenue, Suite 706
Bay City, Michigan 48708

Re: Bay County Retiree Health Care Plan

Dear Ms. Wright:

Enclosed are 20 copies of our report of the actuarial valuation of Bay County Retiree Health Care Plan.

Should you have any questions on the enclosed report, please feel free to call me.

Respectfully submitted,


James D. Anderson

JDA:ah
Enclosures