

Sussex County

Other Postemployment Benefits Actuarial Valuation Report as of July 1, 2021

**Produced by Cheiron
October 2021**

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Letter of Transmittal

October 4, 2021

Ms. Gina A. Jennings, MBA, MPA
Finance Director
Sussex County
Administrative Office Building
2 The Circle, Second Floor
Georgetown, Delaware 19947

Re: Sussex County Postemployment Benefit Plan Actuarial Valuation Report

Dear Gina:

As requested, we have performed an actuarial valuation of the post-employment benefits provided by the Sussex County Postemployment Benefit Plan as of July 1, 2021 for the fiscal year July 1, 2021 through June 30, 2022. The following report contains our findings on funding the Postemployment Benefit Plan and additional disclosures required by the Governmental Accounting Standards Board (GASB) Statement Nos. 74 and 75.

This year's valuation results indicate that program obligations as of July 1, 2021, have increased to \$61.5 million from last year's \$58.0 million. The Actuarially Determined Contribution for the 12 months ending June 30, 2021 decreased to \$1.48 million, compared to last year's \$1.95 million. The percent funded increased from 82% as of July 1, 2020 to 98% as of July 1, 2021.

The purpose of this report is to present the annual actuarial valuation of the post-employment benefits provided by Sussex County. This report is for the use of Sussex County and its auditors in preparing financial reports in accordance with applicable law and accounting requirements. Other users of this valuation report are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

Appendix A describes the Member Data, Assumptions, and Methods used in calculating the figures throughout the report. In preparing our report, we relied without audit, on information (some oral and some written) supplied by the Plan administrators. This information includes, but is not limited to, the plan provisions, employee data, and financial information. The demographic assumptions used in this report are the same as those used to fund the Sussex County Pension Plan. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Appendix B contains our understanding of the substantive plan provisions based on the information provided by the Sussex County's Finance Department.

Ms. Gina A. Jennings
Sussex County Postemployment Benefit Plan
October 4, 2021

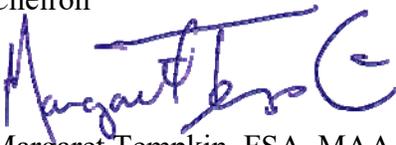
The results of this report depend on the future experience conforming to the actuarial assumptions used. The results will change to the extent that future experience differs from the assumptions. Actuarial computations are calculated based on our understanding of GASB 74 and 75 and are for purposes of fulfilling employer financial accounting requirements. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results in this report.

The report does not reflect the extension of the Patient-Centered Outcome Research Institute (PCORI) fees to 2029.

This report does not contain any adjustments for the potential impact of COVID-19. We anticipate the virus will impact both mortality and claims in the short term, as well as potentially other demographic experience. However, the net impact is not determinable at this time.

This report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we collectively meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

Sincerely,
Cheiron



Margaret Tempkin, FSA, MAAA, EA
Principal Consulting Actuary



Ryan Benitez, ASA, MAAA
Associate Actuary



Gaëlle Gravot, FSA, MAAA
Principal Consulting Actuary

**SUSSEX COUNTY POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL VALUATION REPORT AS OF JULY 1, 2021**

SECTION I – SUMMARY

Sussex County engaged Cheiron to provide an analysis of its post-employment benefit liabilities as of July 1, 2021. The primary purposes of performing this actuarial valuation are to:

- Estimate the Actuarially Determined Contribution (ADC) and the Net OPEB Liability (NOL) of the retiree health and life benefits using GASB 74 and 75 methodology under the current funding strategy,
- Provide disclosures for financial statements, and
- Provide projections for ADC, Net OPEB Liability (NOL), and actuarial liabilities.

We have determined costs, liabilities, and trends for the substantive plan using actuarial assumptions and methods that we consider reasonable.

GASB’s OPEB Requirements

GASB’s Statement 74 refers to the financial reporting for post-employment benefit plans other than pension plans, and Statement 75 refers to the employer accounting for these plans. Statement 74 is generally applicable where an entity has a separate trust or fund for OPEB benefits. We understand that the County has a trust used to fund future OPEB obligations. The GASB No. 74 and 75 Statements are effective for the plan year ending June 30, 2017 and June 30, 2018, respectively. The GASB 74 and 75 valuation report will be provided in a separate document.

Statement 75, which was adopted in the fiscal year ending (FYE) June 30, 2017, requires the Plan sponsor to book the actuarial cost (net of employee, retiree, and their dependents’ contributions) of the plan as an expense on its financial statements. Additional disclosures required by GASB 74 and 75 include a description of the substantive plan, a summary of significant accounting policies (which we have not included in this report), contributions, and a statement of funding progress, along with the methods and assumptions used for these disclosures.

Funding Policy

Sussex County has a funding policy to contribute to the Actuarially Determined Contribution (ADC). For this purpose, the ADC is calculated as the normal cost determined under the Entry Age Normal Actuarial Cost Method, plus the amortization of the unfunded actuarial liability over a 30-year closed period, as of July 1, 2018, level percent of pay, plus anticipated administrative expenses.

**SUSSEX COUNTY POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL VALUATION REPORT AS OF JULY 1, 2021**

SECTION I – SUMMARY

Valuation Results

Below is a summary of the key results of our calculations.

- The County’s contribution was \$3.06 million, while the benefits paid were \$2.61 million.
- The County contribution was \$1.11 million larger than the actuarially determined contribution of \$1.95 million.
- There was a \$0.05 million increase in liability due to population changes.
- Assets increased by \$12.7 million from \$47.76 as of July 1, 2020 to \$60.49 as of July 1, 2021.
- The unfunded liability decreased from \$10.2 million as of July 1, 2020 to \$0.4 million as of July 1, 2021.
- The actuarially determined contribution decreased from \$1.95 million payable as of June 30, 2021 to \$1.45 million as of June 30, 2022.
- The GASB 75 expense decreased from \$2.0 million as of June 30, 2020 to \$0.2 million as of June 30, 2021, due to a much higher than expected return on assets.

Table I-1 Summary of Key Valuation Results		
	July 1, 2020	July 1, 2021
Actuarial Liability (AL)	\$ 57,965,311	\$ 60,922,730
Assets	<u>47,761,963</u>	<u>60,494,601</u>
Unfunded Actuarial Liability (UAL)	\$ 10,203,348	\$ 428,129
	June 30, 2021	June 30, 2022
Fiscal Year Ending		
Actuarially Determined Contribution (ADC)	\$ 1,951,745	\$ 1,444,950
GASB 75 Expense	\$ 206,606	\$ (167,611)
Actual/Expected Contribution	\$ 3,063,250	\$ 1,444,950
Actual/Expected Net Benefit Payments	\$ 2,606,916	\$ 2,517,784
Actual/Expected Net Impact on Statement of Net Position	\$ 6,847,688	\$ 6,805,369

The figures provided in this report are highly sensitive to the assumptions used.

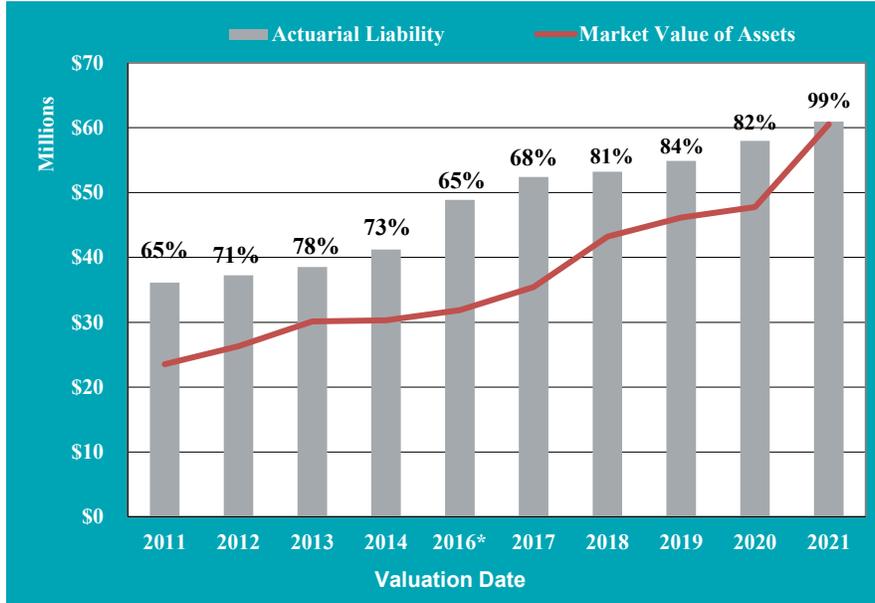
The change in liabilities from the prior valuation reflects a number of factors, including a change in the claim curves and trend assumptions, and updated census since the prior valuation.

**SUSSEX COUNTY POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL VALUATION REPORT AS OF JULY 1, 2021**

SECTION I – SUMMARY

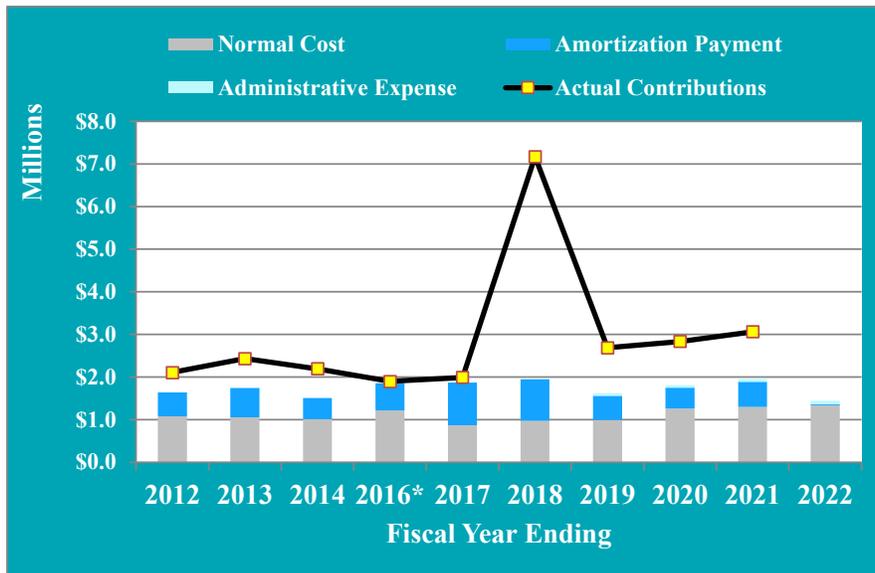
Historical Trends

This chart shows the historical trend of assets and the actuarial liability for the Sussex County post-employment benefits. The percentages above the grey bars represent the ratio of the market value of assets over the actuarial liability, i.e., funding percentage.



* In 2016, the valuation date was changed from January 1 to July 1.

This chart shows the historical trend of contributions compared to the actuarially determined contributions (normal cost plus amortization payments) for the Sussex County post-employment benefits. Overall, the County has paid more than the actuarially determined contributions since 2009.



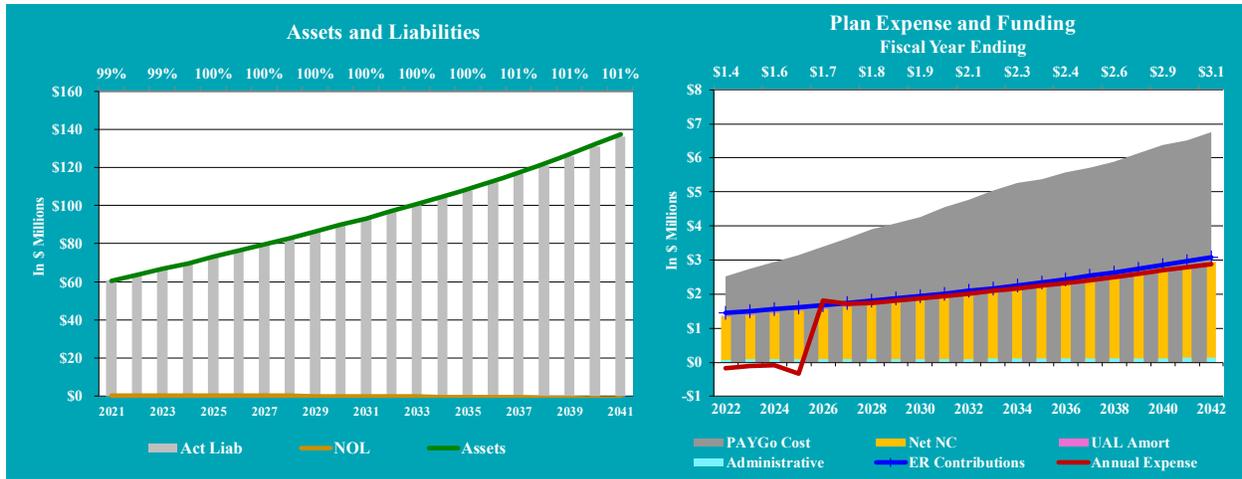
* In 2016, the valuation date was changed from January 1 to July 1.

**SUSSEX COUNTY POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL VALUATION REPORT AS OF JULY 1, 2021**

SECTION I – SUMMARY

Projected Trends – Actuarial Funding

Looking beyond 2021, the expense and liability on the financial statement increases under the actuarial funding method, due to the nature of an open plan. The charts below project the assets, liabilities, and funding costs for the next 20 years assuming the County pays the Actuarially Determined Contribution.



The left-hand chart shows the projected actuarial liability (grey bars) increasing from \$62 million to \$136 million over the next 20 years. The gold line on the same chart projects the NOL, Net OPEB Liability, decreasing from \$0.4 million in 2021 to below zero by 2029, under the current assumptions and accounting requirements. The green line projects the assets in the Plan increasing from \$60.5 million to approximately \$137.4 million under the current funding method. The funding percentage is expected to grow from 98% to 101% over the next 20 years.

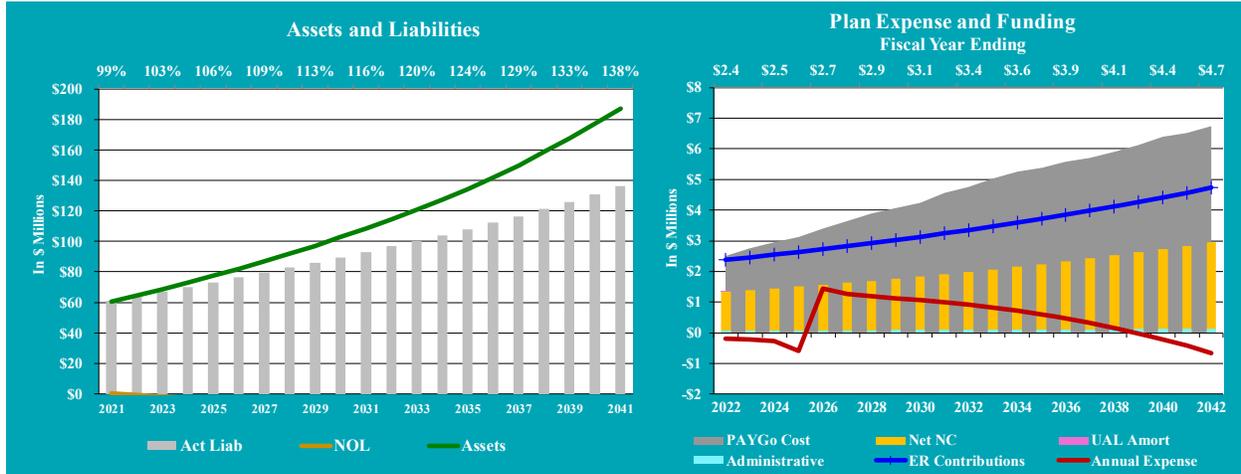
The right-hand chart shows the annual costs. Benefit payments, net of retiree contributions, are shown by the grey area and are projected to increase from \$2.5 million to \$6.8 million. The blue line represents the County’s assumed contributions. Under actuarial funding, they match the ADC. The annual expense, under GASB 75, shown by the red line is projected to increase from (\$0.2) million in the fiscal year beginning July 1, 2021 to \$2.9 million for the fiscal year beginning July 1, 2041, if all assumptions are met.

**SUSSEX COUNTY POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL VALUATION REPORT AS OF JULY 1, 2021**

SECTION I – SUMMARY

Projected Trends – Budgeted Funding

Using the County’s budgeted funding, 9.5% of payroll, the County achieves 138% funding over the next 20 years, as shown in the graphs below.



The left-hand chart shows the gold line, the NOL, decreasing from \$0.4 million in 2021 to \$0 over the next 3 years. The green line projects the assets in the Plan increasing from \$60.5 million to approximately \$187.3 million under the budgeted 9.5% of payroll funding method.

The right-hand chart shows the annual costs. Benefit payments, net of retiree contributions, are shown by the grey area and are projected to increase from \$2.6 million to \$6.8 million. The blue line represents the County’s assumed contributions. The annual expense, under GASB 75, shown by the red line is projected at (\$0.2) million in the fiscal year beginning July 1, 2021, and is expected to increase in 2026 after this year’s investment gains have been recognized, then steadily decline over the remaining period.

**SUSSEX COUNTY POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL VALUATION REPORT AS OF JULY 1, 2021**

SECTION II – ASSETS

The last valuation of liabilities was performed as of June 30, 2020. Table II-1 below shows the value of assets for the fiscal years ending June 30, 2020 and June 30, 2021, respectively. The market value of assets had a 25.76% return over the past fiscal year.

Table II-1 Reconciliation of Assets		
	Valuation Date	
	June 30, 2020	June 30, 2021
Plan assets at prior valuation date	\$ 46,138,833	\$ 47,761,963
Adjustment to prior year assets	\$ -	\$ -
Income		
Employer Contributions	\$ 2,835,463	\$ 3,063,250
Employee Contributions	-	-
Net Investment Growth	<u>1,727,777</u>	<u>12,353,584</u>
Total Income	\$ 4,563,240	\$ 15,416,834
Benefit Payments	(2,880,064)	(2,606,916)
Expenses	(60,046)	(77,280)
Plan assets at valuation date	\$ 47,761,963	\$ 60,494,601

Table II-2 Statement of Assets		
	Valuation Date	
	June 30, 2020	June 30, 2021
Cash and cash equivalents	\$ 651,285	\$ 671,875
Investments		
U.S. Treasuries	\$ 5,417,025	\$ 3,683,721
Government Agencies	707,679	180,011
Corporate Obligations	6,201,748	13,152,672
Real Estate Investment Trusts	2,460,221	2,645,850
Mutual funds	<u>32,256,064</u>	<u>40,126,132</u>
Total Investments	\$ 47,042,737	\$ 59,788,386
Accounts Receivable	\$ 22,807	\$ 24,089
Accrued Interest	\$ 78,026	\$ 46,682
Liabilities		
Accounts Payable	\$ 21,019	\$ 23,779
Due to general fund	<u>11,873</u>	<u>12,652</u>
Total Liabilities	\$ 32,892	\$ 36,431
Net Assets Held in Trust	\$ 47,761,963	\$ 60,494,601

The County's funding policy is to fully fund the ADC with a combination of benefit payments and cash contributions to the Trust.

**SUSSEX COUNTY POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL VALUATION REPORT AS OF JULY 1, 2021**

SECTION III – VALUATION RESULTS

This section of the report calculates the current and expected future contribution requirements under the County’s funding policy. This valuation calculates contributions for FYE 2022. Information about the actuarial liabilities as of July 1, 2020 and July 1, 2021 compared to the Plan assets is shown in Table III-1 below.

Table III-1		
Actuarial Liability		
Valuation Date		
Discount Rate	July 1, 2020	July 1, 2021
	7.00%	7.00%
Actives	\$ 29,339,717	\$ 30,685,580
Retirees	\$ 28,625,594	30,237,150
Total	\$ 57,965,311	\$ 60,922,730
Assets	47,761,963	60,494,601
UAL	\$ 10,203,348	\$ 428,129

The ADC consists of three parts: (1) the *normal cost*, which represents the annual cost attributable to service earned in a given year, (2) amortization of the UAL, which is based on a closed 30-year level percentage of pay as of July 1, 2018, and (3) the anticipated administrative expenses. Under the current funding method of actuarial funding, the County’s funding policy is to contribute the entire ADC.

In Table III-2 below, we show the computed FYE 2021 and 2022 ADC under the County’s funding policy and per annum assumed discount rates of 7.00% (based on a long-term view of returns using the OPEB Trust’s asset allocation).

Table III-2		
Actuarially Determined Contribution		
Fiscal Year Ending		
Discount Rate	June 30, 2021	June 30, 2022
	7.00%	7.00%
Normal Cost*	\$ 1,273,239	\$ 1,326,789
UAL Amortization	550,822	23,632
<u>Interest</u>	<u>127,684</u>	<u>94,529</u>
Total	\$ 1,951,745	\$ 1,444,950

* Normal Cost includes anticipated administrative expenses.

**SUSSEX COUNTY POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL VALUATION REPORT AS OF JULY 1, 2021**

SECTION III – VALUATION RESULTS

Tables III-3 shows the expected benefit payments net of retiree contributions for the next 15-calendar years. In calculating the liabilities, we project these figures for the life of each existing member.

Table III-3					
Expected Net Benefit Payments					
Fiscal Year Ending June 30,	Expected Net Benefit Payments	Fiscal Year Ending June 30,	Expected Net Benefit Payments	Fiscal Year Ending June 30,	Expected Net Benefit Payments
2022	\$ 2,517,784	2027	\$ 3,643,810	2032	\$ 4,769,927
2023	2,748,501	2028	3,900,141	2033	5,034,291
2024	2,946,971	2029	4,080,020	2034	5,264,508
2025	3,138,356	2030	4,252,756	2035	5,382,411
2026	3,393,770	2031	4,556,158	2036	5,571,599

The expected benefit payments will not equal the actual premiums charged for the retirees due to the implicit subsidy. An implicit subsidy measures the actual cost per member against the charged cost, or premium. An implicit subsidy occurs when a plan includes pre-Medicare retirees in their active plan rates. The plan then blends the claims using younger actives and older retirees to develop a premium. Typically, this produces a much lower premium for the retiree than their “true cost of care” by averaging many healthy actives with a few unhealthy retirees. The County’s postretirement medical plan is subsidized by the active premiums.

**SUSSEX COUNTY POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL VALUATION REPORT AS OF JULY 1, 2021**

SECTION III – VALUATION RESULTS

Reconciliation

Table III-4 provides an estimate of the major factors contributing to the change in regular OPEB liability since the last actuarial valuation report (AVR). Liability shown below for projection is based on the Entry Age Normal Cost Method.

Table III-4 Reconciliation of Actuarial Liability (\$ in thousands)			
	Actuarial Accrued Liability July 1, 2021	Normal Cost June 30, 2021	Actuarially Determined Contribution June 30, 2022
Expected Values for July 1, 2021 based on the 1/1/2020 AVR	\$ 60,874.2	\$ 1,264.6	\$ 2,020.9
<u>Changes due to:</u>			
Asset (Gain) / Loss	N/A	N/A	(545.6)
Population (Gain) / Loss	48.6	(11.8)	(30.3)
Total Changes	\$ 48.6	\$ 62.2	\$ (575.9)
July 1, 2021 Valuation Results	\$ 60,922.7	\$ 1,326.8	\$ 1,445.0

Below is a brief description of each of the above components:

- *Asset (Gain) / Loss* refers to the difference in the expected value of assets and the actual value of assets at June 30, 2021. There was a gain on assets due to the higher than expected return on plan investments.
- *Population Changes* refer to the difference in the July 1, 2020 and July 1, 2021 data census. There was a slight loss on the population changes due to retirement elections and ages of dependents for new retirees differing from expectation.

**SUSSEX COUNTY POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL VALUATION REPORT AS OF JULY 1, 2021**

SECTION IV – SENSITIVITY OF ASSUMPTIONS

The liabilities and ADC produced in this report are sensitive to the assumptions used. The tables below show the impact of a 1% increase or decrease in the healthcare trend rates on the actuarial liability using the 7.00% discount rate and the ADC to provide some measure of sensitivity.

Table IV-1			
Actuarial Liability			
As of July 1, 2021			
	1%	Healthcare Cost	1%
	Decrease	Trend Rates	Increase
Actuarial Liability			
Actives	\$ 25,463,194	\$ 30,685,580	\$ 37,425,935
Retirees	27,622,800	30,237,150	33,290,445
Total	\$ 53,085,994	\$ 60,922,730	\$ 70,716,380
Assets	60,494,601	60,494,601	60,494,601
UAL	\$ (7,408,607)	\$ 428,129	\$ 10,221,779

Table IV-2			
Actuarially Determined Contribution – FYE 2022			
	1%	Healthcare Cost	1%
	Decrease	Trend Rates	Increase
Normal Cost*	\$ 1,051,598	\$ 1,326,789	\$ 1,719,266
UAL Amortization	(408,944)	23,632	564,227
Interest	44,986	94,529	159,844
Total	\$ 687,640	\$ 1,444,950	\$ 2,443,336

* Normal Cost includes anticipated administrative expenses.

**SUSSEX COUNTY POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL VALUATION REPORT AS OF JULY 1, 2021**

SECTION IV – SENSITIVITY OF ASSUMPTIONS

The tables below show the impact of a 1% increase or decrease in the discount rates on the actuarial liability using the assumed healthcare trends and the ADC to provide some measure of sensitivity.

Table IV-3			
Actuarial Liability			
As of July 1, 2021			
	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Actuarial Liability			
Actives	\$ 36,373,509	\$ 30,685,580	\$ 26,129,110
<u>Retirees</u>	<u>33,408,608</u>	<u>30,237,150</u>	<u>27,564,110</u>
Total	\$ 69,782,117	\$ 60,922,730	\$ 53,693,220
Assets	<u>60,494,601</u>	<u>60,494,601</u>	<u>60,494,601</u>
UAL	\$ 9,287,516	\$ 428,129	\$ (6,801,381)

Table IV-4			
Actuarially Determined Contribution – FYE 2022			
	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Normal Cost*	\$ 1,745,365	\$ 1,326,789	\$ 1,028,298
UAL Amortization	512,657	23,632	(375,426)
<u>Interest</u>	<u>135,481</u>	<u>94,529</u>	<u>52,230</u>
Total	\$ 2,393,503	\$ 1,444,950	\$ 705,102

* Normal Cost includes anticipated administrative expenses.

**SUSSEX COUNTY POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL VALUATION REPORT AS OF JULY 1, 2021**

SECTION IV – SENSITIVITY OF ASSUMPTIONS

The table below shows the expected contributions, net benefits, assets, actuarial liability and net OPEB liability that we anticipate for the next 15 years under Actuarial Funding.

Table IV-5					
Expected Contributions, Expected Net Benefit Payments, Assets, Actuarial Liability and NOL					
(\$ in thousands)					
Fiscal Year Ending June 30,	Expected Contributions	Expected Net Benefit Payments	Expected Assets	Expected Actuarial Liability	Expected NOL
2022	\$ 1,445.0	\$ 2,517.8	\$ 63,537.5	\$ 63,923.4	\$ 385.8
2023	1,499.0	2,748.5	66,608.7	66,949.4	340.7
2024	1,555.0	2,947.0	69,745.3	70,038.1	292.8
2025	1,613.0	3,138.4	72,961.4	73,203.4	242.1
2026	1,673.1	3,393.8	76,198.4	76,387.0	188.6
2027	1,735.5	3,643.8	79,465.5	79,598.0	132.5
2028	1,800.0	3,900.1	82,760.7	82,834.5	73.8
2029	1,866.9	4,080.0	86,167.3	86,179.9	12.6
2030	1,936.1	4,252.8	89,702.8	89,652.0	(50.7)
2031	2,011.7	4,556.2	93,247.6	93,127.5	(120.1)
2032	2,091.2	4,769.9	96,899.2	96,702.2	(197.0)
2033	2,174.0	5,034.3	100,615.9	100,333.9	(282.0)
2034	2,260.1	5,264.5	104,441.0	104,065.2	(375.8)
2035	2,349.6	5,382.4	108,501.7	108,022.5	(479.2)
2036	2,442.6	5,571.6	112,744.4	112,151.5	(593.0)

**SUSSEX COUNTY POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL VALUATION REPORT AS OF JULY 1, 2021**

SECTION V – ACCOUNTING DISCLOSURES

GASB Statements No. 74 and 75 establish standards for disclosure of OPEB information by governmental employers and plans in notes to financial statements and supplementary information. In accordance with those statements, we have prepared the following disclosures. Relevant disclosures under GASB 74 and 75 will be provided in a separate document.

Schedule of Funding Progress

The schedule of funding progress, Table V-1, compares the assets used for funding purposes to the comparable liabilities to determine how well the Plan is funded and how this status has changed over the past several years. The actuarial liability is compared to the actuarial value of assets to determine the funding ratio. The Actuarial Liability (AL) under GASB is determined assuming that the post-employment benefits are ongoing and members continue to terminate employment, retire, etc., in accordance with the actuarial assumptions.

Table V-1 Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liabilities (b)	Unfunded Actuarial Liabilities (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll [(b-a)/c]
07/01/2021	\$ 60,494,601	\$ 60,922,730	\$ 428,129	99.30%	\$ 25,039,079	1.71%
07/01/2020	47,761,963	57,965,311	10,203,348	82.40%	24,696,338	41.32%
07/01/2019	46,138,833	54,869,840	8,731,007	84.09%	24,181,316	36.11%
07/01/2018	43,178,804	53,176,067	9,997,263	81.20%	23,067,300	43.34%
07/01/2017	35,418,689	52,374,960	16,956,271	67.63%	22,608,597	75.00%
07/01/2016*	31,854,230	48,837,970	16,983,740	65.22%	21,721,478	78.19%
12/31/2014	30,290,649	41,215,121	10,924,472	73.49%	21,081,346	51.82%
12/31/2013	30,120,575	38,498,966	8,378,391	78.24%	20,383,465	41.10%
12/31/2012	26,289,375	37,234,965	10,945,590	70.60%	20,168,544	54.27%
12/31/2011	23,502,151	36,087,572	12,585,421	65.13%	21,698,701	58.00%

* Reporting changed to 7/1 from 12/31. Funding method change to Entry Age Normal from Projected Unit Credit.

**SUSSEX COUNTY POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL VALUATION REPORT AS OF JULY 1, 2021**

SECTION V – ACCOUNTING DISCLOSURES

Schedule of Employer Contributions

The schedule of employer contributions, Table V-2, shows whether the employer has made contributions that are consistent with an actuarially sound method of funding the benefits to be provided.

Table V-2 Schedule of Employer Contributions			
Fiscal Year Ended June 30	Actuarially Determined Contribution (ADC)	Percentage of ADC Contributed	Net OPEB Obligation
2022	\$ 1,444,950	TBD	N/A
2021	1,951,745	157%	N/A
2020	1,808,053	157%	N/A
2019	1,564,364	172%	N/A
2018	1,944,316	369%	N/A
2017	1,870,754	106%	(5,684,840)
2016	1,857,254	102%	(5,453,295)
2015	1,507,556	146%	(5,307,428)
2014	1,744,289	140%	(4,528,823)
2013	1,863,189	113%	(3,755,921)

Table V-3 below shows the development of the Net OPEB Liability (NOL) under GASB 74. The measurement date for Sussex County contained in this report is June 30, 2021. This measurement date is used for the Plan’s GASB 74 reporting as of the June 30, 2021 reporting date and for the County’s GASB 75 reporting as of the June 30, 2021 reporting date. Measurements are based on the fair value of assets as of June 30, 2021 and the total OPEB liability as of the valuation date, also June 30, 2021.

Table V-3 Development of Net OPEB Liability (7.00% assumed discount)	
	Measurement Date June 30, 2021
Total OPEB Liability	\$ 60,922,730
Plan Fiduciary Net Position	60,494,601
Net OPEB Liability	<u>\$ 428,129</u>
Deferred Outflows	1,966,553
Deferred Inflows	8,386,112
Net Impact on Statement of Net Position	<u>\$ 6,847,688</u>

SUSSEX COUNTY POSTEMPLOYMENT BENEFIT PLAN
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SECTION V – ACCOUNTING DISCLOSURES

We have also provided a *Note to Required Supplementary Information* for the financial statements in Table V-4.

Table V-4	
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION	
The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.	
Valuation Date	July 1, 2021
Actuarial Cost Method	Entry Age Normal
Amortization Method	Closed Level Percentage of Pay
Remaining Amortization Period	27 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Total Payroll Growth	3.50%
Ultimate Rate of Per Person Cost Trends	4.00%
Years to Ultimate Rate	19

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APPENDIX A - MEMBER DATA, ASSUMPTIONS AND METHODS

Participant Data as of July 1, 2021:

Census Date	7/1/2020	7/1/2021	% Change
Active Employees:			
Count	480	474	-1.25%
Average Age	46.2	46.3	0.04%
Average Service	12.0	12.1	0.44%
Covered Payroll	\$ 24,696,338	\$ 25,039,079	1.39%
Inactives:			
Retired	186	195	4.84%
Disabled	12	12	0.00%
Survivor	20	22	10.00%
Total	218	229	5.05%

Member Data as of July 1, 2021:

Age Group	Eligible Active Employees								Total
	Years of Service								
	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 & up	
Under 25	12	0	0	0	0	0	0	0	12
25 to 29	42	4	0	0	0	0	0	0	46
30 to 34	20	19	3	0	0	0	0	0	42
35 to 39	25	14	9	18	0	0	0	0	66
40 to 44	13	6	7	12	9	0	0	0	47
45 to 49	12	9	5	18	7	7	0	0	58
50 to 54	11	3	8	12	11	11	6	1	63
55 to 59	15	9	9	16	12	11	6	1	79
60 to 64	6	3	12	6	2	6	0	3	38
65 & Over	5	5	5	5	1	0	0	2	23
Total	161	72	58	87	42	35	12	7	474

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APPENDIX A - MEMBER DATA, ASSUMPTIONS AND METHODS

Retirees, Disabled and Survivors			
Age Group	Males	Females	Total
Under 50	0	0	0
50 to 54	9	3	12
55 to 59	4	4	8
60 to 64	8	18	26
65 to 69	28	38	66
70 to 74	30	25	55
75 to 79	16	15	31
80 to 84	5	11	16
85 to 89	4	6	10
90 & Over	1	4	5
Total	105	124	229

Plan Elections			
	Retirees	Spouses	Total
Gold	43	18	61
Silver	<u>3</u>	<u>12</u>	<u>15</u>
Pre-Medicare Medical Election	46	30	76
Medicare Medical Election	<u>147</u>	<u>33</u>	<u>180</u>
Total Medical Election	193	63	256
Dental	193	66	259
Vision	194	67	261
Life	175	N/A	175

	Status Reconciliation				Total
	Active	Survivors	Disabled	Retired	
Members on July 1, 2020	480	20	12	186	698
New Hires	39				39
Retired	(12)			12	0
Disabled	0		0		0
Termination	(33)				(33)
Death w/Survivor		3		(3)	0
Death w/o Survivor		(1)	0	(3)	(4)
Data Corrections	0	0	0	3	3
Members on June 30, 2021	474	22	12	195	703

**SUSSEX COUNTY POSTEMPLOYMENT BENEFIT PLAN
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APPENDIX A - MEMBER DATA, ASSUMPTIONS AND METHODS

Economic Assumptions

1. **Expected Return on Plan Assets:** 7.00% per year
2. **Discount Rate:** 7.00% per year
3. **Per Person Cost Trends:**

Medical Trend assumptions used were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The SOA model was released in December 2007, and version 2019_b was used for this valuation. The following assumptions were used as input variables into this model:

Trend Assumption Inputs	
Variable	Rate
Rate of Inflation	2.50%
Rate of Growth in Real Income/GDP per capita 2028+	1.50%
Extra Trend due to Taste/Technology 2028+	1.20%
Expected Health Share of GDP 2028	20.5%
Health Share of GDP Resistance Point	25.0%
Year for Limiting Cost Growth to GDP Growth	2040

The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of the SOA Project Oversight Group. Sample medical trends are listed in the table below. The initial health cost trend was 6.5% beginning in 2020 and declines gradually to an ultimate rate of 4.0% starting in 2040.

Plan Year Ending June 30,	Pre-Medicare Medical & Drug	Post-Medicare Medical & Drug	Dental & Vision
2020	6.5%	4.0%	4.0%
2021	6.0	4.0	4.0
2022	5.5	4.0	4.0
2023	5.5	4.0	4.0
2025	5.4	4.0	4.0
2030	5.3	4.0	4.0
2035	4.5	4.0	4.0
2040+	4.0	4.0	4.0

4. **Administrative Expenses:** Administrative expenses are assumed to grow at 2.5% each year. These expenses are not the same administrative expenses included in the claims, but those related to the administration of the Plan.

**SUSSEX COUNTY POSTEMPLOYMENT BENEFIT PLAN
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APPENDIX A - MEMBER DATA, ASSUMPTIONS AND METHODS

- 5. Member Contributions:** The following annual premium rates are applied for the fiscal year ending June 30, 2020. The County Rate represents the maximum monthly premium contribution by the County towards the total premium. The Retiree Rate represents the member contribution per month.

July 1, 2020 County and Retiree Premium Rates					
	Total	City	Retiree	Retiree 50% Cost Sharing (15 - 25 years of service)	Retiree 100% Cost Sharing (less than 15 years of service)
<i>Gold</i>					
Retiree	\$ 811.88	\$ 767.17	\$ 44.71	\$ 405.94	\$ 811.88
Retiree + 1	1,489.55	1,348.07	141.48	744.775	1,489.55
Family	2,234.71	1,996.36	238.35	1,117.36	2,234.71
<i>Silver</i>					
Retiree	\$ 714.04	\$ 714.04	\$ 0.00	\$ 357.02	\$ 714.04
Retiree + 1	1,293.98	1,209.91	84.07	646.99	1,293.98
Family	1,941.29	1,773.07	168.22	970.65	1,941.29
<i>Medicare Coverage</i>					
Individual	\$ 540.53	\$ 540.53	\$ 0.00	\$ 270.27	\$ 540.53
Retiree + 1	1,254.58	1,187.41	67.17	627.29	1,254.58
Family	2,481.82	2,323.62	158.20	1,240.91	2,481.82
<i>Dental Coverage</i>					
Individual	\$ 32.00	\$ 25.00	\$ 7.00	\$ 16.00	\$ 32.00
Retiree + 1	67.00	52.00	15.00	33.50	67.00
Family	115.00	85.00	30.00	57.70	115.00
<i>Vision Coverage</i>					
Individual	\$ 9.00	\$ 5.00	\$ 4.00	\$ 4.50	\$ 9.00
Retiree + 1	18.00	10.00	8.00	9.00	18.00
Family	33.00	17.00	16.00	16.50	33.00

- 6. Changes Since Last Valuation:** The trend assumptions were updated based on the Getzen 2019_b model to be consistent with other economic assumptions.

**SUSSEX COUNTY POSTEMPLOYMENT BENEFIT PLAN
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APPENDIX A - MEMBER DATA, ASSUMPTIONS AND METHODS

Demographic Assumptions

1. Rates of Retirement:

The following retirement rates have been used for Non-Elected and Elected Officials.

Age	< 30 Years of Service (%)	30+ Years of Service (%)
<55	0	15
56-59	0	8
60	20	8
61	20	40
62	20	30
63	25	30
64	10	10
65	25	50
66-67	10	10
68	15	10
69	15	100
70+	100	100

The following retirement rates have been used for Paramedics and Dispatchers (updated based on February 2019 experience study adopted by the board).

Age	< 25 Years of Service (%)	25-29 Years of Service (%)	30+ Years of Service (%)
<55	0	30	100
55-59	0	50	100
60-64	50	50	100
65+	100	100	100

2. Rates of Withdrawal: Percent of eligible active members terminating employment (not due to retirement, death, or disability) within the next year (updated based on February 2019 experience study adopted by the board).

Service	Termination Rates (%)
0	10.0
1	9.0
2	8.0
3	7.0
4	12.0
5-9	3.0
10	10.0
11-14	5.0
15-24	1.0
25-29	0.5
30+	0.0

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APPENDIX A - MEMBER DATA, ASSUMPTIONS AND METHODS

- 3. Rate of Mortality:**
 - a. Pre- and Postretirement:** RP-2014 Total (Employee and Healthy Annuitant) Mortality Table projected generationally using Scale MP-2018 (updated based on February 2019 experience study adopted by the board).
 - b. Disabled Mortality:** RP-2014 Total (Employee and Healthy Annuitant) Mortality Table projected generationally using Scale MP-2018 (updated based on February 2019 experience study adopted by the board).
- 4. Rate of Disability:** No disability was assumed.
- 5. Payroll Growth:** 3.50% per year
- 6. Percent of Retirees Electing Coverage:**

Employee Group	Pre-Medicare	Medicare Eligible
Elected Officials		
At least Age 60 and 5 Years of Service	0%	0%
At least Age 55 and 10 Years of Service	50%	20%
At least Age 60 and 15 Years of Service	85%	85%
At least Age 55 and 20 Years of Service	90%	90%
All Other Employees		
At least Age 18 and 8 Years of Service	0%	0%
At least Age 60 and 15 Years of Service	50%	20%
At least Age 18 and 25 Years of Service	90%	90%

- 7. Medical Plan Enrollment:** Future retirees are assumed to enroll in the Gold if Pre-Medicare and the Silver plan if Medicare Eligible.
- 8. Spousal Medical Plan Enrollment:** Spouses of male employees are assumed to enroll in medical coverage 55% of the time. Spouses of female employees are assumed to elect medical coverage 60% of the time.
- 9. Marital Status:** 65% of employees are assumed to be married upon retirement.
- 10. Family Composition:** Male retirees are assumed three years older than their wives, and female retirees are assumed to be three years younger than their husbands. Where dates of birth were missing for current spouses, we assumed an age difference as described above.
- 11. Rationale for Demographic and Economic Assumptions:** The actuarial assumptions were adopted by the County in February 2019 based on recommendations from Cheiron following an experience study performed for the period July 1, 2015 through June 30, 2018.
- 12. Changes Since Last Valuation:** None

**SUSSEX COUNTY POSTEMPLOYMENT BENEFIT PLAN
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APPENDIX A - MEMBER DATA, ASSUMPTIONS AND METHODS

Claim and Expense Assumptions

- 1. Average Adult Annual Claims and Expense Assumptions:** The following claim and expense assumptions are applicable from July 1, 2020 to June 30, 2021. Subsequent years' costs are based on the first-year cost adjusted with trend.

Average Claim and Expense Assumptions						
Age	Medical Gold & Rx		Medical Silver & Rx		Dental & Vision	
	Male	Female	Male	Female	Male	Female
40	\$6,976	\$9,983	\$6,320	\$5,479	\$570	\$570
45	\$8,511	\$10,833	\$9,101	\$7,890	\$570	\$570
50	\$10,511	\$12,399	\$11,550	\$10,013	\$570	\$570
55	\$13,263	\$14,594	\$12,658	\$10,973	\$570	\$570
60	\$17,147	\$16,688	\$11,934	\$10,346	\$570	\$570
64	\$21,385	\$17,368	\$10,039	\$8,703	\$570	\$570
65	\$6,082	\$5,365	\$6,082	\$5,365	\$482	\$482
70	\$6,459	\$5,470	\$6,459	\$5,470	\$482	\$482
75	\$7,423	\$6,152	\$7,423	\$6,152	\$482	\$482
80	\$8,429	\$6,976	\$8,429	\$6,976	\$482	\$482
85	\$9,103	\$7,624	\$9,103	\$7,624	\$482	\$482

- 2. Annual Administrative Expenses:** Administrative Expenses are built into the Claim Expense Assumptions.
- 3. Medicare Eligibility:** Age 65 for future retirees and current enrollees.
- 4. Annual Limits:** Assumed to increase at the same rate as trend. Most are unlimited.
- 5. Lifetime Maximums:** Unlimited.
- 6. Geography:** Implicitly assumed to remain the same as current retirees.
- 7. Retiree and Spouse Cost:** Retiree and spouse cost depends on the year of hire. For those retirees who were hired before 7/1/2001; retirees in the Gold plan are expected to contribute \$44.71 per month with an 8.7% load for children, or \$48.59 per month. Retiree spouses in the Gold plan are expected to contribute \$96.77 per month with an 8.7% load for children, or \$105.17 per month. Retirees in Medicare are assumed to contribute \$0 per month and their spouses are assumed to contribute \$67.17 per month.

For those retirees who were hired after 7/1/2001, their cost is assumed to be the cost-sharing premium with an 8.7% child load.

**SUSSEX COUNTY POSTEMPLOYMENT BENEFIT PLAN
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APPENDIX A - MEMBER DATA, ASSUMPTIONS AND METHODS

Methodology

The Entry Age Actuarial Cost Method was used to value the Plan's actuarial liabilities and to set the normal cost. Under this method, the normal cost rate is the percentage of pay contribution which would be sufficient to fund the Plan benefits if it were paid from each member's entry into the Plan until termination or retirement. The unfunded liability is amortized over a closed 30-year period, as of July 1, 2018. The amortization method is a level percentage of pay.

The medical and pharmacy claims and expenses costs were developed using actual May 1, 2019 to April 30, 2020 paid claims experience, 2020 stop-loss premiums, and the fiscal year ending 2020 premiums developed for Sussex. From this data, we developed per person per month (PPPM) costs under the GOLD plan for actives and retiree non-Medicare Eligible (NME), and under the SILVER plan for retiree Medicare Eligible (ME). We then adjusted those using age curves. Medical and pharmacy claims and expenses costs include an 8.7% load for anticipated children of pre-Medicare retirees.

The dental and vision claims and expenses costs were developed using the fiscal year ending 2020 premiums developed for Sussex. From this data, we developed PPPM costs; and added an 18.2% load to the dental costs for anticipated children of pre-Medicare retirees.

Actuarial Value of Assets

The actuarial value of assets is set equal to the market value of assets.

Disclosure of Models Used

ProVal

Cheiron utilizes ProVal, an actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate the liabilities, normal costs, and projected benefit payments. We have relied on WinTech as the developer of ProVal. We have reviewed ProVal and have a basic understanding of it and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this actuarial valuation.

Getzen Trend Model

Medical Trend assumptions were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model version 2019_b. We have relied on the Society of Actuaries as the developer of the Model. We have reviewed the Model and have a basic understanding of the Model and have used the Model in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of the Model that would affect this report.

**SUSSEX COUNTY POSTEMPLOYMENT BENEFIT PLAN
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APPENDIX A - MEMBER DATA, ASSUMPTIONS AND METHODS

Projection Model

Projections in this report were developed using H-Scan, our proprietary tool for developing deterministic projections to illustrate the impact of changes in assumptions, methods, plan provisions, or actual experience (particularly investment experience) on the future financial status of the Plan.

The H-Scan projection uses projected benefit payments for current members but does not include projected benefit payments for new members. This limitation is not material for the next 20 years, but longer projection periods should be viewed with caution.

The H-Scan projection uses standard roll-forward techniques that implicitly assume a stable active population. Changes in the demographic characteristics of the active population will lead to different results.

Changes Since Last Valuation

Average adult annual claim, expense assumptions, retiree and spouse cost assumptions, and child loads were updated to reflect updated data as described in the above methodology section.

The report does not reflect the extension of the temporary Patient-Centered Outcome Research Institute (PCORI) fees to 2029.

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APPENDIX B – SUBSTANTIVE PLAN PROVISIONS

Eligibility

Full-time employees are eligible to retire and receive post-employment medical, dental, vision and life insurance benefits when they are eligible to retire from the County Pension Plan. These eligibilities are as follows:

General Employees:

1. Age 62 with at least eight years of service
2. Age 60 with 15 years of service
3. 30 years of service with no age requirement

Elected Officials:

1. Age 60 with at least five years of service
2. Age 55 with at least 10 years of service

Paramedics and Dispatchers Employees:

1. Age 62 with at least eight years of service
2. Age 60 with 15 years of service
3. 25 years of service with no age requirement

Benefits

Retirees continue to be able to select medical coverage under the GOLD or SILVER plans offered to current active employees and retirees. Other post-employment benefits may include group hospital coverage and/or vision benefits and dental benefits approximately equivalent to the benefits provided to current County employees and pensioners. The guidelines that apply to cost-sharing for current and retired County employees also apply to cost-sharing for pensioners who are receiving County post-employment benefits under Chapter 27.

County employees, or former employees, requesting benefits under the County Pension Plan, are only eligible to apply for other post-employment benefits when they apply for County pension benefits.

Spouses Covered: Spouses of former employees who meet eligibility requirements are covered. Spouse coverage continues at the same level after the member's death.

Integration with Medicare: Medicare benefits are covered based on "Coordination of Benefits" (COB). The Plan pays the remainder of the benefit not paid by Medicare, up to the amount it would normally pay as a primary payer.

Dental and Vision: Retirees are covered by Delta Dental PPO and VSP Vision plan.

Life: Up to age 70: \$5,000. Age 70 and over: \$2,500.

**SUSSEX COUNTY POSTEMPLOYMENT BENEFIT PLAN
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APPENDIX B – SUBSTANTIVE PLAN PROVISIONS

Benefits Covered

Medical and Drug Benefits

Sussex County Health Plan		
Plan:	PPO Gold Summary of Benefits	PPO Silver Summary of Benefits
<u>In-Network (INN) Benefits</u>		
Deductible (Ded) (Individual/Family)	\$0 / \$0	\$500/\$1,000
Coinsurance	0%	0%
Out-of-Pocket Max (Individual/Family)	N/A	N/A
Preventive Care	No Charge	No Charge
Office Visit (OV) - Primary Care (PCP)/ Urgent Care/Chiro/PT	\$15/\$20/\$15/\$15 Copay	\$25 Copay
OV - Specialist Care Provider (SCP)	\$15 Copay	\$25 Copay
Hospital Emergency Room (ER)	\$50 copay per visit (waived if admitted)	\$100 Copay per day, then covered at 100%. Not subject to deductible.
Outpatient Surgery	\$50 Copay per Surgery	\$125 Copay per day, then 100% covered after deductible.
Hospital Inpatient	\$50 Copay (Inpatient Copay limit of \$150 per benefit period)	\$125 Copay per day, then 100% covered after deductible.
<u>Out-of-Network (OON) Benefits</u>		
Deductible (Individual/Family)	\$0 / \$0	\$1,000/\$2,000
Coinsurance	0% Coins	10% Coins
Out-of-Pocket Max (Individual/Family)	\$4,000/\$8,000	\$4,000/\$8,000
Office Visits (PCP) & (SCP)	\$25/\$25 Copay	Deductible/Coinsurance
<u>Prescription Drugs</u>		
Deductible (Rx Only)	N/A	N/A
Out-of-Pocket Max (Rx Only)	N/A	N/A
Retail (30 Days) - Generic/Formulary /Non-Form. Copay	\$10/\$25/\$35 Copay	\$10/\$25/\$35 Copay
Mail Order (90 Days) - Generic/Form. /Non-Form. Copay	\$20/\$50/\$70 Copay	\$20/\$50/\$70 Copay
<u>Selected INN Detail Benefits</u>		
Skilled Nursing Facility	0% Coins	\$125 Copay per day, then 100% covered after deductible.
Virtual Medicine	No Charge	No Charge
Advanced Imagines (CT, MRI, PET)	No Charge	\$50 Copay
Physical Therapy	\$15 Copay	\$25 Copay
Home Health	No Charge/Limited to 100 visits per benefit period	\$50 Copay/Limited to to 100 visits per benefit period
Ambulance	No Charge	Covered After Deductible
DME	\$15 Copay	\$50 Copay

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APPENDIX B – SUBSTANTIVE PLAN PROVISIONS

Cost Sharing

Elected Officials:

(1) Retired County employees, with less than 10 years of employment and who are receiving benefits under the County Pension Plan, are eligible to apply for benefits under this Plan and if such application is approved, the former employee would be responsible for paying 100% of the cost of the benefits.

(2) Retired County employees with 10 to 15 years of employment and who are receiving benefits under the County Pension Plan, are eligible to apply for benefits under this Plan and, if such application is approved, the County is authorized to pay 50% of the former employee's benefit costs.

(3) Retired County employees with 15 to 20 years of employment and who are receiving benefits under the County Pension Plan, are eligible to apply for benefits under this Plan and, if such application is approved, the County is authorized to pay 75% of the former employee's benefit costs.

(4) Retired County employees with 20, or greater, years of employment and who are receiving benefits under the County Pension Plan, are eligible to apply for benefits under this Plan and, if such application is approved, the County is authorized to pay 100% of the former employee's benefits.

All Other Employees Hired Before July 1, 2001: As to any former employee who began employment with the County prior to July 1, 2001, and receives a pension immediately upon leaving County employment, the County is authorized to pay up to 100% of the other post-employment cost of benefits.

All Other Employees Hired On or After July 1, 2001: Any employee who begins employment with the County after June 30, 2001, and subsequently completes such years of employment as are necessary to qualify for the receipt of benefits under the County Pension Plan, shall be entitled to apply for the following other post-employment benefits when he or she applies for a County pension:

(1) Retired County employees, with less than 15 years of employment and who are receiving benefits under the County Pension Plan, are eligible to apply for benefits under this Plan and if such application is approved, the former employee would be responsible for paying 100% of the cost of the benefits.

(2) Retired County employees with 15 to 25 years of employment and who are receiving benefits under the County Pension Plan, are eligible to apply for benefits under this Plan and, if such application is approved, the County is authorized to pay 50% of the former employee's benefit costs.

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APPENDIX B – SUBSTANTIVE PLAN PROVISIONS

(3) Retired County employees with 25, or greater, years of employment and who are receiving benefits under the County Pension Plan, are eligible to apply for benefits under this Plan and, if such application is approved, the County is authorized to pay 100% of the former employee's benefits.

Spouses: When a former County employee receives a pension and subsequently dies, if the pensioner had his or her spouse listed as a dependent covered by the County group health insurance plan, the County will, following the death of the pensioner, grant the surviving spouse the same benefits the pensioner received during his or her lifetime, except for group life insurance coverage. If the pensioner was also receiving other post-employment benefits, and his or her spouse is an eligible survivor as defined in the County Pension Plan under Chapter 26, the surviving spouse shall also be eligible to apply for the other post-employment benefits authorized by Chapter 27.

The spouse of a deceased employee or pensioner is eligible to apply for benefits at the time of the employee's or pensioner's death if the spouse was eligible for survivor's benefits under the County Pension Plan.

The spouse of a pensioner who is receiving group hospital coverage from the County is eligible for coverage if the spouse does not have or loses other coverage.

**SUSSEX COUNTY POSTEMPLOYMENT BENEFIT PLAN
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APPENDIX C – GLOSSARY OF TERMS

1. Actuarial Assumptions

Assumptions as to the occurrence of future events affecting OPEB costs, such as mortality, withdrawal, and retirement; changes in compensation; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the actuarial value of assets; and other relevant items.

2. Actuarial Cost Method

A procedure for determining the actuarial present value of OPEB plan benefits and expenses and for developing an allocation of such value to each year of service, usually in the form of a normal cost and an actuarial liability.

3. Actuarial Gain (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

4. Actuarial Liability

The portion of the actuarial present value of projected benefits will not be paid by future normal costs. It represents the value of the past normal costs with interest to the valuation date.

5. Actuarial Present Value (Present Value)

The value as of a given date of a future amount or series of payments. The actuarial present value discounts the payments to the given date at the assumed investment return and includes the probability of the payment being made. As a simple example: assume you owe \$100 to a friend one year from now. Also, assume there is a 1% probability of your friend dying over the next year, in which case you will not be obligated to pay him. If the assumed investment return is 10%, the actuarial present value is:

$$\frac{\text{Amount}}{\$100} \times \frac{\text{Probability of Payment}}{(1 - .01)} \times \frac{1/}{(1+\text{Discount Rate})} = \frac{\text{Present Value}}{\$90}$$

6. Actuarial Valuation

The determination, as of a specified date, of the normal cost, actuarial liability, actuarial value of assets, and related actuarial present values for an OPEB plan.

7. Actuarial Value of Assets

The value of cash, investments, and other property belonging to an OPEB plan as used by the actuary for the purpose of an actuarial valuation. The purpose of an actuarial value of assets is to smooth out fluctuations in market values. This way long-term costs are not distorted by short-term fluctuations in the market.

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APPENDIX C – GLOSSARY OF TERMS

8. Amortization Payment

The portion of the OPEB plan contribution which is designed to pay interest and principal on the unfunded actuarial liability in order to pay for that liability in a given number of years.

9. Entry Age Normal Actuarial Cost Method

A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit ages.

10. Normal Cost

That portion of the actuarial present value of OPEB plan benefits and expenses which is allocated to a valuation year by the actuarial cost method.

11. Unfunded Actuarial Liability

The excess of the actuarial liability over the actuarial value of assets.

12. Funded Percentage

The ratio of the actuarial value of assets to the actuarial liabilities.

13. Mortality Table

A set of percentages which estimate the probability of death at a particular point in time. Typically, the rates are annual and based on age and sex.

14. Discount Rate

The assumed interest rate used for converting projecting dollar related values to a present value as of the valuation date.

15. Medical Trend

The assumed increase in dollar related values in the future due to the increase in the cost of health care.

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APPENDIX D – ABBREVIATION LIST

Actuarial Liability (AL)
Actuarially Determined Contribution (ADC)
Actuarial Valuation Report (AVR)
Coordination of Benefits (COB)
Deductible and Coinsurance (DC)
Durable Medical Equipment (DME)
Employee Assistance Program (EAP)
Employee Benefits Division (EBD)
Fiscal Year Ending (FYE)
Governmental Accounting Standards Board (GASB)
Hospital Emergency Room (ER)
In-Network (INN)
Inpatient (IP)
Medicare Eligible (ME)
Net Other Postemployment Benefit Liability (NOL)
Non-Medicare Eligible (NME)
Not Applicable (NA)
Office Visit (OV)
Other Postemployment Benefit (OPEB)
Out-of-Network (OON)
Out-of-Pocket (OOP)
Outpatient (OP)
Pay-as-you-go (PAYGo)
Per Person Per Month (PPPM)
Pharmacy (Rx)
Preferred Provider Organization (PPO)
Primary Care Physician (PCP)
Specialist Care Provider (SCP)
Summary Plan Description (SPD)
Unfunded Actuarial Accrued Liability (UAAL)
Unfunded Actuarial Liability (UAL)
Urgent Care (UC)



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