TOWN OF HAMBURG

Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions

GASB 45 VALUATION

FOR THE FISCAL YEAR ENDING

DECEMBER 31, 2008

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SECTION I - INTRODUCTION

A. Summary

This report presents the results of a valuation of the Town of Hamburg postemployment medical plan in accordance with Governmental Accounting Standards Board Statement No. 45 (GASB 45).

The sections which follow develop the GASB 45 disclosures required for the accounting period January 1, 2008 through December 31, 2008. A summary of the key results for the fiscal period ending December 31, 2008 is as follows:

		2008
Funded Status and Funding Progress		
Actuarial Accrued Liability (AAL)	$	37,942,700
Actuarial Value of Assets	$	0
Unfunded Actuarial Accrued Liability (UAAL)	$	37,942,700
Annual OPEB Cost and Net OPEB Obligation		
1. Annual Required Contribution (ARC)	$	2,110,585
2. Interest on net OPEB obligation	$	0
3. Adjustment to annual required contribution	$	0
4. Annual OPEB Cost	$	2,110,585
5. Expected Contributions*	$	1,471,225
6. Increase in net OPEB obligation = 4. - 5.	$	639,360
7. Net OPEB obligation as of January 1, 2008	$	0
8. Net OPEB obligation as of December 31, 2008*	$	639,360

* Amounts are estimated and should be reconciled with actual benefit payments following the end of the fiscal year.

Assumptions

Discount Rate	5.0%
Initial Medical Trend Rate	10.0%
Ultimate Medical Trend Rate	5.0%

B. Actuarial Certification

The results presented herein are based upon the following:

- Financial information provided to us by the plan sponsor
- Employee data submitted by the plan sponsor
- Provisions of the plan as summarized herein, and
- Actuarial methods and assumptions as described in this report

Actuarial computations under Governmental Accounting Standards Series Statement No. 45 (GASB 45) are for purposes of fulfilling employer accounting requirements. The calculations reported herein have been made on a basis consistent with our understanding of GASB 45. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results reported herein.

The undersigned are available to answer any questions you may have with respect to this report.

Irene Burke 7/27/09

Irene Burke E.A., M.A.A.A., F.C.A. Date

James Brahm 7/24/08

James Brahm A.S.A., M.A.A.A. Date

SECTION II - OVERVIEW

GASB 45 Accounting

In addition to pension benefits, many governmental employers provide other postemployment benefits (OPEBs) as part of the total compensation offered to attract and retain the services of qualified employees. OPEBs include postemployment healthcare benefits and other benefits (e.g. life insurance) that are provided separately from a pension plan. The Governmental Accounting Standards Board (GASB) views a postemployment benefit plan as a deferred compensation arrangement whereby an employer promises to exchange future benefits for employees' current services. GASB 45 specifies that accounting for these benefits should be determined under an accrual basis where the expected value of the benefit is calculated and recognized as a cost over the working lifetime of the employees. Currently, the cost of these benefits has been determined on a pay-as-you-go basis, i.e. the net cash payments made during the fiscal year were considered to be the cost of the benefits for the year.

Measurement of Liabilities

The starting point in an actuarial valuation for determining an employer's expenses under GASB 45 is the estimation of the actuarial present value of all employer-provided postemployment benefits. These calculations look at the expected benefits to be paid over the lifetime of all active employees, retirees, and dependents covered under the plan. They take into account the probability that benefits will be paid, the expected amount of benefit to be paid, and the time value of money. The parameters chosen for each of these items are called actuarial assumptions.

The actuarial present value of all employer-provided postemployment benefits can also be viewed as the amount of money that, if invested today in a lump sum, would allow the plan sponsor to pay for all benefits to current plan participants. The amount of benefits to be paid is based on the plan design, the anticipated claim experience under the plan, and expectations as to future changes in medical cost. The actuarial present value calculations must be based on the "substantive plan," which is the plan as understood by the employer and the employees. The substantive plan reflects the design as written in the plan document(s), past practices with regard to plan changes such as consistent modifications to the level of retiree contributions or deductibles, and formal policy with regard to ongoing changes.

SECTION II – OVERVIEW

Actuarial Cost Method

Once the actuarial present value of all employer-provided postemployment benefits is calculated, the lifetime value of the benefits must be spread or "attributed" over the employee's working career. This attribution generally divides the actuarial present value of employer-provided postemployment benefits into three segments:

1. A segment that represents prior benefit accruals based on past service, known as the Actuarial Accrued Liability.

2. A segment to be accrued in the current year (representing the value of the benefits charged to the current year), called the Normal Cost.

3. A remaining segment, reflecting the value of amounts which will be accrued in future years.

An employer may use any one of the following six actuarial cost methods when valuing OPEB obligations: Aggregate, Attained Age, Entry Age Normal, Frozen Attained Age, Frozen Entry Age, and Unit Credit. A brief description of these methods can be found in Appendix I – Glossary of Terms.

Annual OPEB Cost

Employers are required to measure and disclose an amount for annual OPEB cost on the accrual basis of accounting. Annual OPEB cost is equal to the employer's annual required contribution (ARC) to the plan, with adjustments if the employer has a net OPEB obligation as a result of past under or over contributions. The ARC is an actuarially determined amount that, if paid on an ongoing basis, it would be expected to provide sufficient resources to fund both (a) the Normal Cost for the year, and (b) amortization any unfunded actuarial accrued liabilities (or funding excesses) over a period not to exceed 30 years. Despite the term Annual Required Contribution, GASB 45 does not require the funding of OPEB benefit plans.

SECTION III - DISCLOSURES

A. Development of Annual Required Contribution (ARC)

The Annual Required Contribution (ARC) of an employer represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Annual Required Contribution:

Annual Required Contribution (ARC)

1. Normal Cost		
a. Normal Cost	$ 461,999	
b. Interest on Normal Cost	$ 0	
c. Total Normal Cost		$ 461,999
2. Amortization of Unfunded Actuarial Accrued Liability		
a. Actuarial Accrued Liability	$ 37,942,700	
b. Less Actuarial Value of Assets	$ 0	
c. Unfunded Actuarial Accrued Liability	$ 37,942,700	
d. Amortization Period	30 years	
e. Discount Rate	1.94175%	
f. Amortization Factor	23.0153	
g. Annual Amortization = c. / f.	$ 1,648,586	
h. Interest on Amortization Payment	$ 0	
i. Total Amortization Payment = g. + h.		$ 1,648,586
3. Annual Required Contribution (ARC) = 1.c. + 2.i.		$ 2,110,585

SECTION III - DISCLOSURES

B. Annual OPEB Cost

Annual OPEB cost is equal to the employer's Annual Required Contribution to the plan (ARC), with certain adjustments if the employer has a net OPEB obligation for past under or over contributions. As noted earlier, GASB 45 requires the calculation of the ARC, but it does not require employers to fund the ARC. A Net OPEB obligation exists when an employer contributes something different than the ARC. When a Net OPEB Obligation exists, there are adjustments to the ARC to determine the Annual OPEB Cost to reflect the amounts already accumulated on the employer's books. The following table shows the components of Annual OPEB Cost:

1. Annual Required Contribution		$ 2,110,585
2. Interest on net OPEB Obligation		
a. Net OPEB Obligation	$ 0	
b. Discount Rate	5.00%	
c. Interest on net OPEB Obligation		$ 0
3. Adjustment to ARC		
a. Net OPEB Obligation	$ 0	
b. Amortization Factor	22.5769	
c. Adjustment to ARC		$ 0
4. Annual OPEB Cost = 1. + 2.c. - 3.c.		$ 2,110,585

Section III - Disclosures

C. Net OPEB Obligation

The Net OPEB Obligation is the cumulative difference between the Annual OPEB Cost and the employer's contributions to the plan since the adoption of GASB 45. The following table calculates the Net OPEB Obligation for the fiscal year:

1. Net OPEB obligation as of January 1, 2008	$	0
2. Annual OPEB Cost	$	2,110,585
3. Expected Contributions*	$	1,471,225
4. Net OPEB obligation as of December 31, 2008* = 1. + 2. - 3.	$	639,360

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the Net OPEB obligation at the end of the year is as follows:

Annual OPEB Cost	$	2,110,585
Percentage of Annual OPEB Cost Contributed*		69.71%
Net OPEB Obligation as of 12/31/08*	$	639,360

* Amounts are estimated and should be reconciled with actual benefit payments following the end of the fiscal year.

Note: The Net OPEB obligation as of 01/01/08 is zero because GASB Statement No. 45 was implemented prospectively.

D. Schedule of Funding Progress

Employers are required to disclose required schedule of funding progress (RSI) that includes multi-year trend information about the unfunded actuarial accrued liability and progress made in funding the plan. Disclosure items include: actuarial accrued liability, actuarial value of assets, unfunded actuarial accrued liability, funded ratio, and the ratio of unfunded actuarial accrued liability to covered payroll. The following exhibit illustrates the funded status and funding progress to date.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll* (c)	UAAL as a Percentage of Covered Payroll* ((b-a) / c)
12/31/2008	$ 0	$37,942,700	$37,942,700	0.00%	$11,154,663	340.15%

* Amounts are estimated and should be reconciled with actual payroll following the end of the fiscal year.

SECTION III - DISCLOSURES

E. Expected Cash Flows

An actuarial valuation under GASB 45 requires the projection of expected benefits to be paid over the lifetime of all active employees, retirees, and dependents covered under the plan. The following chart illustrates the next 20 years of future net employer costs expected in our valuation, based upon the closed group population as of the beginning of the fiscal year and the assumptions and methods disclosed in our report.

Year ending December 31st	Benefits
2009	$ 1,580,476
2010	1,721,110
2011	1,824,448
2012	1,883,216
2013	2,032,448
2014	2,118,258
2015	2,204,135
2016	2,350,390
2017	2,414,618
2018	2,448,219
2019	2,449,009
2020	2,514,339
2021	2,583,580
2022	2,652,463
2023	2,620,449
2024	2,624,490
2025	2,645,759
2026	2,666,846
2027	2,681,690
2028	2,641,960

F. Participant Data

Medical plan participants as of December 31, 2008

A. Participant Counts

	Male	Female	Total
Active	148	50	198
Retired	110	35	145
Spouses of Retirees	13	89	102
Total	271	174	445

Table 1, which follows, shows the distribution of active participants by age and service

B. Retired Employees

Age	Retirees
Under 55	6
55-59	15
60-64	35
65-69	22
70-74	26
75-79	15
80+	26
Total	145

Table 1

Service Groups by Age Groups

AGE GROUP	SERVICE GROUPS 0-4	5-9	10-14	15-19	20-24	25-29	30+	TOTAL
Under 25	1	0	0	0	0	0	0	1
25-29	6	0	0	0	0	0	0	6
30-34	9	10	1	0	0	0	0	20
35-39	4	7	15	4	0	0	0	30
40-44	6	4	5	5	1	0	0	21
45-49	5	7	3	1	10	7	0	33
50-54	2	5	8	6	4	4	5	34
55-59	1	2	10	8	4	7	6	38
60-64	1	3	0	1	6	1	0	12
65+	0	1	0	1	0	0	1	3
TOTAL	35	39	42	26	25	19	12	198

SECTION IV - ACTUARIAL BASIS

A. Actuarial Methods

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Valuation Method:	The method used for this Retiree Medical Plan is called the Entry Age Normal Method, over a level percent of pay.
Valuation of Assets:	There are no assets that have been set aside to fund the liabilities for this plan. This plan is funded on a pay-as-you-go basis.
Eligible Plan Participants:	All active employees and retired employees who are participants in the Medical Plan as of the date this valuation was performed are included in the calculations in this report.
Amortization Method:	Level Percent of Pay, Open Group
Amortization Period for Actuarial Accrued Liability (AAL):	30 Years
Valuation Date:	December 31, 2008
Claims Rate:	Town of Hamburg offers employees coverage under experience rated plans under 65 and community rate plans upon Medicare eligibility.

B. Actuarial Assumptions

These are the actuarial assumptions used for the valuation of the Retiree Medical Plan.

Interest Rate: 5.00%

Salary Scale: 4.00%

Inflation Rate: 3.00%

Mortality Table: RP-2000 Projected to 2010, 60% Blue Collar, 40% White Collar; separate for males and females.

Sample rates as follows:

	Active Mortality			Retiree Mortality	
Age	Male	Female	Age	Male	Female
20	0.000285	0.000163	55	0.003169	0.002502
25	0.000340	0.000180	60	0.006123	0.004603
30	0.000549	0.000262	65	0.011940	0.009225
35	0.000845	0.000446	70	0.020431	0.016411
40	0.001087	0.000675	75	0.034160	0.026595
45	0.001415	0.001054	80	0.059773	0.043442
50	0.001866	0.001528	85	0.103389	0.074892

Termination Rates: 2003 Society of Actuaries small plan withdrawal rates.

Sample rates as follows:

Age	Withdrawal
20	0.243
25	0.195
30	0.155
35	0.121
40	0.094
45	0.073
50	0.056
55	0.042

SECTION IV - ACTUARIAL BASIS

Retirement Rates:

Age	Police/Fire	All Other
40-54	3.0%	-
55-61	10.0%	10.0%
62-69	30.0%	30.0%
70	100.0%	100.0%

Healthcare Cost Trend Rates:

Year	Medical Trend Rate
2008	10.0%
2009	9.5%
2010	9.0%
2011	8.5%
2012	8.0%
2013	7.5%
2014	7.0%
2015	6.5%
2016	6.0%
2017	5.5%
2018 & Beyond	5.0%

Spousal Ages: Actual age, if reported for retirees. Otherwise males were assumed to be three years older than females.

Marriage Percentages: 70% of both male and female employees are assumed to be married at retirement. Actual spousal information was used for retirees.

Plan Costs: All employees are assumed to continue their current coverage.

At age 65, retirees are assumed to be covered by Medicare Advantage plans as follows:

Pre-65	Post-65
$10 POS	S180
$20 POS	S180
PPO	S180
Traditional OTO1	S190
Traditional OTO4	S230
Traditional OTO7	S190
Traditional OTO8	S190
Traditional OTO9	S230

SECTION IV - ACTUARIAL BASIS

Under 65 Medical Monthly Premiums:	**$10 POS:**	**2008**
	Single	$ 393.17
	Family	1102.15
	$20 POS:	
	Single	$ 356.12
	Family	998.25
	PPO:	
	Single	$ 425.24
	Family	1,192.09
	Traditional OTO1:	**2009**
	Single	$ 968.04
	Family	2,577.99
	Traditional OTO4:	
	Single	$ 959.39
	Family	2,537.97
	Traditional OTO7:	
	Single	$ 948.14
	Family	2,442.34
	Traditional OTO8:	
	Single	$ 1,004.73
	Family	2,601.73
	Tradtional OTO9:	
	Single	$ 1,005.84
	Family	2,668.12
Over-65 Medical Premiums:	**S180**	**2009**
	Single	$ 278.50
	S190	
	Single	$ 293.80
	S230	
	Single	$ 312.60
	OOA1	
	Single	$ 393.55
	OA20	
	Single	$ 412.35

SECTION IV - ACTUARIAL BASIS

Aging:

Age	Rate
20-44	2.0%
45-54	3.5
55-59	4.0
60-64	4.5
65-69	3.5
70-74	3.0
75-79	2.5
80-84	1.5
85-89	1.0
90+	0.0

Per Capita Claim Costs: Annual cost per capita at age 64 is as follows:

	Pre-Medicare
$10 POS	$10,376
$20 POS	9,401
PPO	11,216
Traditional OTO1	16,460
Traditional OTO4	16,313
Traditional OTO7	16,122
Traditional OTO8	17,084
Traditional OTO9	17,103

The Town cost is developed as the difference between the average expected per capita costs and the premiums used to determine retiree contributions.

Section V - PLAN PROVISIONS

Medical Benefit Provisions

New York State and Local Employees Retirement System (NYSLERS / NYSERS) eligibility requirements:

Tier 1 (Member before July 1, 1973)
a. For reduced pension benefits: Age 55 with 5 years of service
b. For full pension benefits: Age 55 with 20 years of service

Tiers 2, 3, and 4 (Became a member after July 1, 1973)
c. For reduced pension benefits: Age 55 with 5 years of service.
d. For full pension benefits: Age 55 with 30 years of service or age 62 with 20 years of service

New York State Police and Fire Retirement System (NYSPFRS) eligibility requirements:

All Tiers
a. 20 years of service at any age.

White Collar

Eligibility: Must meet NYSERS eligibility requirements.

Benefit Cost:

Hired prior to January 1, 1986
The Town pays 100% of medical premiums.

Hired between January 1, 1986 and December 1, 2004
The Town pays 90% of medical premiums.

Hired after December 1, 2004
The Town pays 85% of medical premiums with less than 20 years of service, and 90% of medical premiums with 20 or more years of service.

At age 65, the retiree must choose a Medicare Advantage plan with the exception of any "grand fathered" retirees.

Surviving Spouses: Surviving spouses may continue health insurance coverage at the same employer contribution rate that existed the time of retirement for the retiree.

Section V - PLAN PROVISIONS

Blue Collar

Eligibility:	Must meet NYSERS eligibility requirements.
Benefit Cost:	*Hired prior to January 1, 1986* The Town pays 100% of medical premiums. *Hired between January 1, 1986 and April 1, 2004* The Town pays 90% of medical premiums. *Hired after April 1, 2004* The Town pays 85% of medical premiums with less than 20 years of service, and 90% of medical premiums with 20 or more years of service. At age 65, the retiree must choose a Medicare Advantage plan with the exception of any "grand fathered" retirees.
Surviving Spouses:	Surviving spouses may continue health insurance coverage at the same employer contribution rate that existed the time of retirement for the retiree.

Managerial

Eligibility:	Must meet NYSERS eligibility requirements.
Benefit Cost:	*Hired prior to January 1, 1997* The Town pays 100% of medical premiums. *Hired between January 1, 1997 and January 1, 2004* The Town pays 90% of medical premiums. *Hired after January 1, 2004* The Town pays 85% of medical premiums. At age 65, the retiree must choose a Medicare Advantage plan with the exception of any "grand fathered" retirees.
Surviving Spouses:	Surviving spouses may continue health insurance coverage at the same employer contribution rate that existed the time of retirement for the retiree.

Section V - Plan Provisions

P.B.A.

Eligibility:	Must meet eligibility requirements of New York State Police & Fire Retirement System.
Benefit Cost:	Hired prior to March 13. 1995 The Town pays 100% of medical premiums. Hired after March 13, 1995 The Town pays 90% of medical premiums. At age 65, the retiree must choose a Medicare Advantage plan with the exception of any "grand fathered" retirees.
Surviving Spouses:	Surviving spouses may continue health insurance coverage at the same employer contribution rate that existed the time of retirement for the retiree.

Command

Eligibility:	Must meet the eligibility requirements of NYSERS or the New York State Police & Fire Retirement System.
Benefit Cost:	The Town pays 100% of medical premiums except for employees promoted from the PBA, whose contribution will continue as per the PBA contract. At age 65, the retiree must choose a Medicare Advantage plan with the exception of any "grand fathered" retirees.
Surviving Spouses:	Surviving spouses may remain in the plan at their own expense.

I.A.F.F.

Eligibility:	Must meet eligibility requirements of New York State Police & Firemens' Retirement System.
Benefit Cost:	*Hired prior to January 1, 1995* The Town pays 100% of medical premiums. *Hired after January 1, 1995* The Town pays 85% of medical premiums. At age 65, the retiree must choose a Medicare Advantage plan with the exception of any "grand fathered" retirees.
Surviving Spouses:	Surviving spouses may remain in the plan at their own expense.

APPENDIX I - GLOSSARY OF TERMS

Actuarial Accrued Liability – The portion of the Actuarial Present Value of benefits attributed to employee service rendered prior to the valuation date. Under the Aggregate Actuarial Cost Method, the Actuarial Accrued Liability is equal to the Actuarial Value of Assets.

Actuarial Present Value - The value, as of a specified date, of a future benefit cost or series of benefit costs, where each amount:

a. is adjusted for the probable effect of events (such as changes in price levels, compensation levels, Medicare, marital status, etc.);
b. reflects the probability of the occurrence of the event (such as survival, death, disability, termination of employment, utilization of services, etc.) on which payment is conditioned, and
c. is discounted according to an assumed rate (or rates) to reflect the time value of money.

Actuarial Value of Assets – The value of cash, investments and other property belonging to the OPEB plan.

Aggregate Actuarial Cost Method – A method under which the excess of the Actuarial Present Value of projected benefits of the group included in an actuarial valuation over the Actuarial Value of Assets is allocated on a level basis over the earnings or service of the group between the valuation date and assumed exit. This allocation is performed for the group as a whole, not as a sum of individual allocations.

Amortization Payment – That portion of the plan contribution which is designed to pay interest on and to amortize the unfunded Actuarial Accrued Liability or the unfunded frozen Actuarial Accrued Liability. The amortization period may not exceed thirty years.

Annual OPEB Cost - Annual OPEB cost is equal to the employer's Annual Required Contribution to the plan (ARC), with adjustments if the employer has a net OPEB obligation for past under or over contributions.

Annual Required Contribution (ARC) - The ARC is an actuarially determined amount that, if paid on an ongoing basis, it would be expected to provide sufficient resources to fund both (a) the Normal Cost for the year, and (b) amortization any unfunded actuarial accrued liabilities (or funding excesses) over a period not to exceed 30 years. Despite the term, GASB 45 does not require the funding of OPEB plans.

Attained Age Actuarial Cost Method – A method under which the excess of the Actuarial Present Value of projected benefits over the Actuarial Accrued Liability in respect to each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between the valuation date and assumed exit.

Discount Rate – Under GASB 45, the discount rate is the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits. If no pre-funding is established, the discount rate is the rate that would be earned in cash deposits.

APPENDIX I - GLOSSARY OF TERMS

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 or service of the individual between entry age and assumed exit ages.

Frozen Attained Age Actuarial Cost Method – A method under which the excess of the Actuarial Present Value of projected benefits of the group included in an actuarial valuation, over the sum of the Actuarial Value of Assets plus the unfunded frozen actuarial accrued liability, is allocated on a level basis over the earnings or service of the group between the valuation date and assumed exit. This allocation is performed for the group as a whole, not as a sum of individual allocations.

Frozen Entry Age Actuarial Cost Method – A method under which the excess of the Actuarial Present Value of projected benefits of the group included in an actuarial valuation, over the sum of the Actuarial Value of Assets plus the unfunded frozen actuarial accrued liability, is allocated on a level basis over the earnings or service of the group between the valuation date and assumed exit. This allocation is performed for the group as a whole, not as a sum of individual allocations.

Health Care Cost Trend Rate - An assumption about the annual rate(s) of change in the cost of health care benefits currently provided by the postemployment benefit plan, due to factors other than changes in the composition of the plan population by age and dependency status, for each year from the measurement date until the end of the period in which benefits are expected to be paid. The trend rate implicitly considers estimates of health care inflation, changes in health care utilization or delivery patterns, technological advances, and changes in the health status of the plan participants

Level Dollar Amortization Method – The amount to be amortized is divided into equal dollar amounts to be paid over a given number of years; part of each payment is interest and part is principle.

Level Percentage of Projected Payroll Amortization Method – Amortization payments are calculated so that they are a constant percentage of projected payroll of active plan participants over a given number of years.

Market Value of Assets – The value of cash, investments and other property belonging to the OPEB plan.

Net OPEB Obligation – The cumulative difference since the adoption of GASB 45 between the annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.

Normal Cost - The portion of the Actuarial Present Value attributed to employee service during the valuation year.

APPENDIX I - GLOSSARY OF TERMS

Other Postemployment Benefits (OPEB) – Postemployment benefits other than pension benefits. These include (a) postemployment healthcare benefits and (b) other types of postemployment benefits like life insurance, if provided separately from the pension plan.

Pay-as-You-Go – A method of financing a benefit plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses are becoming due.

Plan Participant - Any employee or former employee who has rendered service in the credited service period and is expected to receive employer-provided benefits under the postemployment benefits plan, including benefits to or for any beneficiaries and covered dependents.

Unit Credit Actuarial Cost Method – A method under which the benefits (projected or unprojected) of each individual included in an Actuarial Valuation are allocated by a consistent formula to valuation years.