MONTGOMERY COUNTY GOVERNMENT

Post-Employment Benefits Other than Pension Actuarial Valuation

Actuarial Valuation as of July 1, 2007

February 22, 2008

AON CONSULTING

February 22, 2008

Montgomery County
100 Monroe St
Rockville, MD 20850

This report presents the July 1, 2007 Actuarial Valuation results for the ***Montgomery County Government and its Participating Agencies (the County)*** Post-Employment Benefit (Other than Pension) Plans. The purposes of this report are to:

(1) Determine the Plan's July 1, 2007 obligations;

(2) Determine the County's 2007/08 Fiscal Year accrual for the *Governmental Accounting Standards Board (GASB)* Standard Statement 45;

(3) Determine the County's additional contributions for the 2008/09 Fiscal Year (Year 2 of a 5-year phase-in to Full Funding); and

(4) Provide information that may be helpful in future planning for the Post-Employment Benefit Plans.

A summary of the major results is shown in the Executive Summary, while the Principal Valuation Results Section provides more detail.

The Accounting Information Section summarizes GASB *Other Post-Employment Benefit (OPEB)* accounting treatment including the 2007/08 accrual, projected 2008/09 accrual and projected June 30, 2008 and June 30, 2009 reserves.

This report's costs and liabilities are based upon the data and plan provisions provided by the County, as summarized in the Demographic Information and Plan Provisions Sections, respectively, and the funding method and actuarial assumptions outlined in the Methods and Assumptions Section of this report. This report presents our best estimate of the costs of the Post-Employment Benefit Plans in accordance with accepted actuarial principles and our understanding of GASB Statement 45.

ACTUARIAL CERTIFICATION

Aon Consulting, Inc., a firm of independent actuarial consultants, was retained by Montgomery County Government (the County) to prepare this information. Chet Andrzejewski and Merson R. Bartlett are the principal authors of this report and are responsible for its content. They are Members of the American Academy of Actuaries, and meet the Academy's education and experience requirements for preparing this report.

The valuation is based on participant data and plan provisions as of July 1, 2007, provided by the County, and on claims information provided by the County's vendors. We have accepted the data without audit and have relied upon the sources for the accuracy of the data; however, we did review the information for reasonableness. On the basis of our review of the data, we believe that the information is sufficiently complete and reliable, and that it is appropriate for the purposes intended.

To the best of our knowledge, this report is complete and accurate and conforms to generally accepted actuarial principles and methodology.

This report is intended for the sole use of the addressee. It is intended only to supply sufficient information for the County to comply with the stated purposes of the report, and may not be appropriate for other business purposes. Reliance on information contained in the report by anyone for other than the intended purposes puts the relying entity at risk of being misled because of confusion or failure to understand applicable assumptions, methodologies, or limitations of the report's conclusions.

Respectfully submitted,

Chet Andrzejewski, F.S.A., E.A., M.A.A.A., F.C.A.
Senior Vice President
Consulting Actuary

Merson R. Bartlett, A.S.A., M.A.A.A.
Assistant Vice President
Associate Actuary

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Executive Summary

Montgomery County Government (the County) provides healthcare, prescription drug and life insurance benefits to retirees and their dependents. The County pays a portion of the cost for retirees, disabled retirees, spouses and dependents. All full time active employees who retire under a normal, early, disability or discontinued service retirement are eligible for benefits.

Information on Plan Provisions and participation was provided by the County. Where information provided was incomplete, we have made assumptions. Please see the Methods and Assumptions Section for a full list of the assumptions used.

We have utilized the Phase–In Funding Approach.

This method is based on the proposed argument that, if a written policy is adopted by a Plan Sponsor to phase-in full funding of the Annual Required Contribution (ARC) over a period of years, then it is reasonable to utilize a discount rate based on the weighting of the present value of benefits using applicable discount rates throughout the phase-in period.

Since the majority of future benefits become payable after the phase-in period, the majority of liabilities are based on the discount rate after fully funding the ARC is in place. The discount rate under this phased-in funding approach is equal to the full-funding discount rate.

This report presents results under the No Pre-Funding (4.00% discount rate) and Full Pre-Funding approaches for comparison purposes only.

Executive Summary (continued)

The following tables summarize the valuation results. These results have been calculated based upon assumptions as to current claim cost, projected increases in health care costs, morbidity, turnover, and interest discount.

This table identifies the value of benefits at July 1, 2007 and costs for the 2007/08 Fiscal Year reflecting the Unfunded Liability (UAAL) amortized as a level percentage of pay:

RESULTS AS OF JULY 1, 2007 ($000s omitted)			
Funding Approach	**Full Pre-Funding**	**No Pre-Funding**	**Phased-In Funding – 5 Years**
Discount Rate	8.00%	4.00%	8.00%
	$	$	$
Present Value of all Projected Benefits (PVPB)	1,461,757	3,188,086	1,461,757
Actuarial Accrued Liability (AAL)	1,086,143	2,080,618	1,086,143
AAL as a Percent of PVPB (AAL / PVPB)	74.3%	65.3%	74.3%
Annual Required Contribution (ARC)			
- Administrative Expenses	150	150	150
- Amortization of Unfunded AAL	59,776	66,806	59,776
- Normal Cost (End-of-Year)	43,475	106,493	43,475
- Total	103,401	173,449	103,401
2007/08 Expected Benefit Payments *	25,390	25,390	25,390
2007/08 Implicit Subsidy	5,500	5,500	5,500
2007/08 Expected Additional Contributions	72,511	0	13,941+
2007/08 Expected Net OPEB Obligation (NOO)	0	142,559	58,570

* **Expected pay-as-you-go benefit payments for 2007/08, provided by the County.**

\+ **Does not include $79,000 of additional contributions attributable to participating agencies that opted not to offer other post-employment benefits to current and future retirees.**

Executive Summary (continued)

This table identifies the value of benefits projected to July 1, 2008 (the 2008/09 Fiscal Year) and the expected costs for the 2008/09 Fiscal Year reflecting the Unfunded Liability (UAAL) amortized as a level percentage of pay:

PROJECTED RESULTS AS OF JULY 1, 2008 ($000s omitted)	
Funding Approach	**Phased-In Funding – 5 Years**
Discount Rate	8.00%
	$
Present Value of all Projected Benefits (PVPB)	1,537,938
Actuarial Accrued Liability (AAL)	1,175,749
AAL as a Percent of PVPB (AAL / PVPB)	76.4%
Annual Required Contribution (ARC)	
- Administrative Expenses	150
- Amortization of Unfunded AAL	63,941
- Normal Cost (End-of-Year)	47,586
- Total	111,677
Adjustment to ARC	1,462
Annual OPEB Cost (AOC)	113,139
2008/09 Expected Benefit Payments	27,929
2008/09 Implicit Subsidy	7,400
2008/09 Medicare Part D Subsidy	1,589
2008/09 Expected Additional Contributions	29,917*
2008/09 Expected Net OPEB Obligation (NOO)	104,874

* **Additional contributions were calculated based on the ARC. Additional contributions are equal to 5.0% of current payroll.**

The balance of this report provides greater detail for the above results.
See the GASB OPEB Summary Section for more details.

Principal Valuation Results

This section presents detailed valuation results for the County's retiree Post-Employment Benefits Programs.

- The Present Value of all Projected Benefits (PVPB) is the total present value of all expected future benefits, based on certain actuarial assumptions. The PVPB is a measure of total liability or obligation. Essentially, the PVPB is the value (on the valuation date) of the benefits promised to current and future retirees.
- The Actuarial Accrued Liability (AAL) is the liability or obligation for benefits earned through the valuation date, based on certain actuarial methods and assumptions.
- Normal Cost is the value of benefits expected to be earned during the year, again based on certain actuarial methods and assumptions.

This report develops the AAL and Normal Cost using the Projected Unit Credit Actuarial Cost Method.

The following highlights the County's recognition of the above amounts:

- The July 1, 2007 assets are $0.*
- The 2007/08 Annual Required Contribution (ARC) is equal to the Annual OPEB Cost (AOC) in the first year the Standard is adopted.
- Expected 2007/08 benefit payments are $25,390,000.

The tables on the following pages show results by actives and retirees for the 2008 Fiscal Year, and projected results for the 2009 Fiscal Year.

* Under the GASB Standard, only funds set aside exclusively to pay Plan benefits are considered Plan assets.

Principal Valuation Results (continued)

RESULTS AS OF JULY 1, 2007 ($000s omitted) 8.00% - Phased-In Funding (5 Years)	Assessment & Taxation $	Circuit Court Judges $	County (Public Safety) $	County (Non-Public Safety) $	Credit Union $	Dist 100% to St $	Dist Ee-Ee, Er Ins. Fund $
Present Value of Projected Benefits (PVPB)							
Actives	246	1,459	382,137	506,358	1,946	82	404
Retirees	2,215	555	236,604	285,415	0	631	80
Total PVPB	**2,461**	**2,014**	**618,741**	**791,773**	**1,946**	**713**	**484**
Actuarial Accrued Liability (AAL)							
Actives	147	871	226,766	302,301	1,162	49	242
Retirees	2,215	555	236,604	285,415	0	631	80
Total AAL	**2,362**	**1,426**	**463,370**	**587,716**	**1,162**	**680**	**322**
Assets at July 1, 2007 *	0	0	0	0	0	0	0
Unfunded AAL at July 1, 2007	2,362	1,426	463,370	587,716	1,162	680	322
Normal Cost (End of Year)	11	68	17,930	23,668	91	4	19

* **Under the GASB Standard, only funds set aside exclusively to pay Plan benefits are considered Plan assets.**

Principal Valuation Results (continued)

RESULTS AS OF JULY 1, 2007 ($000s omitted) 8.00% - Phased-In Funding (5 Years)							
	Dist St - Er, Cty, Ee $	Housing Opportunities Comm $	Revenue Authority $	Strathmore Hall $	Village of Friendship Heights $	Washington Suburban T C $	Total $
Present Value of Projected Benefits (PVPB)							
Actives	0	27,676	4,787	2,596	650	323	928,664
Retirees	317	6,010	949	80	0	237	533,093
TOTAL PVPB	**317**	**33,686**	**5,736**	**2,676**	**650**	**560**	**1,461,757**
Actuarial Accrued Liability (AAL)							
Actives	0	16,523	2,858	1,550	388	193	553,050
Retirees	317	6,010	949	80	0	237	533,093
TOTAL AAL	**317**	**22,533**	**3,807**	**1,630**	**388**	**430**	**1,086,143**
Assets at July 1, 2007 *	0	0	0	0	0	0	0
Unfunded AAL at July 1, 2007	317	22,533	3,807	1,630	388	430	1,086,143
Normal Cost (End of Year)	0	1,294	224	121	30	15	43,475

* **Under the GASB Standard, only funds set aside exclusively to pay Plan benefits are considered Plan assets.**

Principal Valuation Results (continued)

PROJECTED RESULTS AS OF JULY 1, 2008 - FISCAL YEAR 2009 ($000s omitted) 8.00% - Phased - In Funding (5 Years)	Assessment & Taxation $	Circuit Court Judges $	County (Public Safety) $	County (Non-Public Safety) $	Credit Union $	Dist 100% to St $	Dist Ee-Ee, Er Ins. Fund $
Present Value of Projected Benefits (PVPB)							
Actives	264	1,568	410,979	544,139	2,091	88	434
Retirees	2,230	558	241,159	287,346	0	636	81
TOTAL PVPB	**2,494**	**2,126**	**652,138**	**831,485**	**2,091**	**724**	**515**
Actuarial Accrued Liability (AAL)							
Actives	169	1,001	261,108	347,426	1,335	56	277
Retirees	2,230	558	241,159	287,346	0	636	81
TOTAL AAL	**2,399**	**1,559**	**502,267**	**634,772**	**1,335**	**692**	**358**
Assets at July 1, 2008 *	5	12	5,771	7,487	0	5	1
Unfunded AAL at July 1, 2008	2,394	1,547	496,496	627,285	1,335	687	357
Normal Cost (End of Year)	13	74	19,723	25,816	99	4	21

* Under the GASB Standard, only funds set aside exclusively to pay Plan benefits are considered Plan assets.

Principal Valuation Results (continued)

PROJECTED RESULTS AS OF JULY 1, 2008 - FISCAL YEAR 2009
($000s omitted)
8.00% - Phased-In Funding (5 Years)

	Dist St - Er, Cty, Ee $	Housing Opportunities Comm $	Revenue Authority $	Strathmore Hall $	Village of Friendship Heights $	Washington Suburban T C $	Total $
Present Value of Projected Benefits (PVPB)							
Actives	0	29,742	5,145	2,789	699	346	998,284
Retirees	319	6,050	955	81	0	239	539,654
TOTAL PVPB	**319**	**35,792**	**6,100**	**2,870**	**699**	**585**	**1,537,938**
Actuarial Accrued Liability (AAL)							
Actives	0	18,990	3,285	1,781	446	221	636,095
Retirees	319	6,050	955	81	0	239	539,654
TOTAL AAL	**319**	**25,040**	**4,240**	**1,862**	**446**	**460**	**1,175,749**
Assets at July 1, 2008 *	0	524	68	50	13	5	13,941
Unfunded AAL at July 1 2008	319	24,516	4,172	1,812	433	455	1,161,808
Normal Cost (End of Year)	0	1,411	244	132	33	16	47,586

* **Under the GASB Standard, only funds set aside exclusively to pay Plan benefits are considered Plan assets.**

Accounting Information

The effective date for the new GASB OPEB Accounting Standard is the fiscal year beginning July 1, 2007. Adoption before this fiscal year is optional. The following shows the Annual Required Contribution (ARC), Annual OPEB Cost (AOC), and July 1, 2007 Net OPEB Obligation (NOO), assuming the Accounting Standard is first adopted for fiscal year 2007/08.

Annual Required Contribution (ARC)

The proposed Standard sets the method for determining the County's retiree Post-Retirement Benefits accrual to include both the value of benefits earned during the year (Normal Cost) and an amortization of the Unfunded Actuarial Accrued Liability (AAL). Accordingly, the following table shows the County's 2007/08 accrual based on an open-period 30-year amortization of the Unfunded AAL as a level percentage of pay.

ARC FOR FISCAL YEAR ENDING JUNE 30, 2008 ($000s omitted)					
Funding Approach	Discount Rate %	Administrative Expenses $	Normal Cost $	Unfunded AAL Amortization $	Total Accrual $
Full Pre-Funding	8.00	150	43,475	59,776	103,401
No Pre-Funding	4.00	150	106,493	66,806	173,449
Phased-In Funding - 5 Years	8.00	150	43,475	59,776	103,401

The following table shows the County's projected 2008/09 accrual based on an open-period 30-year amortization of the Unfunded AAL as a level percentage of pay.

ARC PROJECTED TO FISCAL YEAR ENDING JUNE 30, 2009 ($000s omitted)					
Funding Approach	Discount Rate %	Administrative Expenses $	Normal Cost $	Unfunded AAL Amortization $	Total Accrual $
Phased-In Funding - 5 Years	8.00	150	47,586	63,941	111,677

Accounting Information (continued)

Annual OPEB Cost (AOC)

If there is no OPEB obligation on the County's financials at transition, then the Annual OPEB Cost (AOC) is equal to the ARC. However, if there is an initial obligation at transition, the AOC should reflect an adjustment for the transition obligation. Note that the GASB OPEB Statement in general directs sponsors to set their initial OPEB obligation to zero at transition. However, this may result in awkward accounting results. We recommend you discuss this issue with your auditors if an obligation is currently recorded.

FISCAL YEAR ENDING JUNE 30, 2008 ($000s omitted)				
Funding Approach	Discount Rate %	ARC $	Adjustment to ARC $	Total AOC $
Full Pre-Funding	8.00	103,401	0	103,401
No Pre-Funding	4.00	173,449	0	173,449
Phased-In Funding – 5 Years	8.00	103,401	0	103,401

ARC PROJECTED TO FISCAL YEAR ENDING JUNE 30, 2009 ($000s omitted)				
Funding Approach	Discount Rate %	ARC $	Adjustment to ARC $	Total AOC $
Phased-In Funding – 5 Years	8.00	111,677	1,462	113,139

Accounting Information (continued)

AOC Summary (After adoption, a multiple year display will be shown):

FISCAL YEAR ENDING JUNE 30, 2008 ($000s omitted)						
Funding Approach	Discount Rate %	AOC $ (a)	2007/08 Expected Benefit Payments $ (b)	2007/08 Implicit Subsidy $ (c)	2007/08 Expected Additional Contributions $ (d)	2007/08 Expected Net OPEB Obligation (NOO) $ (a) – (b) – (c) - (d)
Full Pre-Funding	8.00	103,401	25,390	5,500	72,511	0
No Pre-Funding	4.00	173,449	25,390	5,500	0	142,559
Phased-In Funding - 5 Years	8.00	103,401	25,390	5,500	13,941	58,570

AOC Summary (Projected to 2009 Fiscal Year):

PHASED-IN FUNDING ($000s omitted)							
Fiscal Year Ending	Discount Rate %	AOC $ (a)	Expected Benefit Payments $ (b)	Implicit Subsidy $ (c)	Medicare Part D Subsidy $ (d)	Expected Additional Contributions * $ (e)	Expected Net OPEB Obligation (NOO) $ Prior Year NOO + (a) – (b) – (c) – (d) – (e)
June 30, 2008	8.00	103,401	25,390	5,500	0	13,941	58,570
June 30, 2009 (Projection)	8.00	113,139	27,929	7,400	1,589	29,917	104,874

* Additional contributions were calculated based on the ARC.

Accounting Information (continued)

The ARC, AOC and NOO by agency are as follows:

AOC Summary (Projected to 2009 Fiscal Year):

RESULTS AS OF JULY 1, 2007 ($000s omitted) 5-Year Phase-In to Full Funding (8.00% Discount Rate)	Assessment & Taxation $	Circuit Court Judges $	County (Public Safety) $	County (Non-Public Safety) $	Credit Union $	Dist 100% to St $	Dist Ee-Ee, Er Ins. Fund $
Annual Required Contributions (ARC)							
Administrative Expenses	0	0	64	82	0	0	0
Amortization of Unfunded AAL	130	78	25,502	32,345	64	37	18
Normal Cost	11	68	17,930	23,668	91	4	19
Total ARC	141	146	43,496	56,095	155	41	37
Adjustment to ARC	0	0	0	0	0	0	0
Annual OPEB Cost (AOC)	141	146	43,496	56,095	155	41	37
2007/08 Expected Benefit Payments	112	33	9,679	15,130	0	33	3
2007/08 Expected Implicit Subsidy	28	7	2,096	3,277	0	8	1
2007/08 Expected Additional Contributions	5	12	5,771	7,487	0	5	1
2007/08 Net OPEB Obligation (NOO)	(4)	94	25,950	30,201	155	(5)	32

Accounting Information (continued)

RESULTS AS OF JULY 1, 2007 ($000s omitted)
5-Year Phase-In to Full Funding (8.00% Discount Rate)

	Dist St - Er, Cty, Ee $	Housing Opportunities Comm $	Revenue Authority $	Strathmore Hall $	Village of Friendship Heights $	Washington Suburban T C $	Total $
Annual Required Contributions (ARC)							
Administrative Expenses	0	3	1	0	0	0	150
Amortization of Unfunded AAL	17	1,240	210	90	21	24	59,776
Normal Cost	0	1,294	224	121	30	15	43,475
Total ARC	17	2,537	435	211	51	39	103,401
Adjustment to ARC	0	0	0	0	0	0	0
Annual OPEB Cost (AOC)	17	2,537	435	211	51	39	103,401
2007/08 Expected Benefit Payments	17	318	52	4	0	9	25,390
2007/08 Expected Implicit Subsidy	4	66	9	1	0	3	5,500
2007/08 Expected Additional Contributions	0	524	68	50	13	5	13,941*
2007/08 Net OPEB Obligation (NOO)	(4)	1,629	306	156	38	22	58,570

* **Does not include $79,000 of additional contributions attributable to participating agencies that opted not to offer other post-employment benefits to current and future retirees.**

Accounting Information (continued)

PROJECTED RESULTS AS OF JULY 1, 2008 - 2008/09 FISCAL YEAR
($000s omitted)
5-Year Phase-In to Full Funding (8.00% Discount Rate)

Funding Approach	Assessment & Taxation $	Circuit Court Judges $	County (Public Safety) $	County (Non-Public Safety) $	Credit Union $	Dist 100% to St $	Dist Ee-Ee, Er Ins. Fund $
Annual Required Contributions (ARC)							
Administrative Expenses	0	0	64	82	0	0	0
Amortization of Unfunded AAL	132	85	27,325	34,522	73	38	20
Normal Cost	13	74	19,723	25,816	99	4	21
Total ARC	145	159	47,112	60,420	172	42	41
Adjustment to ARC	0	2	648	752	4	0	1
Annual OPEB Cost (AOC)	145	161	47,760	61,172	176	42	42
2008/09 Expected Benefit Payments	123	36	10,647	16,644	0	36	3
2008/09 Expected Implicit Subsidy	34	9	2,844	4,385	0	10	1
2008/09 Expected Medicare Part D Subsidy	7	2	611	942	0	2	0
2008/09 Expected Additional Contributions *	**0**	**45**	**13,204**	**15,380**	**69**	**0**	**15**
2008/09 Net OPEB Obligation (NOO) - Estimate	(23)	163	46,404	54,022	262	(11)	55

* **Additional contributions were calculated based on the ARC.**

Accounting Information (continued)

PROJECTED RESULTS AS OF JULY 1, 2008 - 2008/09 FISCAL YEAR ($000s omitted) 5-Year Phase-In to Full Funding (8.00% Discount Rate)							
Funding Approach	Dist St - Er, Cty, Ee $	Housing Opportunities Comm $	Revenue Authority $	Strathmore Hall $	Village of Friendship Heights $	Washington Suburban T C $	Total $
Annual Required Contributions (ARC)							
Administrative Expenses	0	3	1	0	0	0	150
Amortization of Unfunded AAL	18	1,349	230	100	24	25	63,941
Normal Cost	0	1,411	244	132	33	16	47,586
Total ARC	18	2,763	475	232	57	41	111,677
Adjustment to ARC	0	41	8	4	1	1	1,462
Annual OPEB Cost (AOC)	18	2,804	483	236	58	42	113,139
2008/09 Expected Benefit Payments	19	350	57	5	0	9	27,929
2008/09 Expected Implicit Subsidy	5	92	15	1	0	4	7,400
2008/09 Expected Medicare Part D Subsidy	1	20	3	0	0	1	1,589
2008/09 Expected Additional Contributions *	**0**	**920**	**160**	**90**	**23**	**11**	**29,917**
2008/09 Net OPEB Obligation (NOO) - Estimate	(11)	3,051	554	296	73	39	104,874

* Additional contributions were calculated based on the ARC.

Accounting Information (continued)

Required Supplementary Information

Below is the Projected Schedule of Funding Progress (000s omitted):

FISCAL YEAR ENDING JUNE 30, 2008 ($000s omitted)							
Funding Approach	Discount Rate %	Actuarial Value of Assets $ (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit $ (b)	Unfunded AAL (UAAL) $ (b) - (a)	Funded Ratio % (a) / (b)	Covered Payroll $ (c)	UAAL as a Percentage of Covered Payroll % [(b) - (a)] / (c)
Full Pre-Funding	8.00	0	1,086,143	1,086,143	0.00%	602,006*	180.4*
No Pre-Funding	4.00	0	2,080,618	2,080,618	0.00%	602,006*	345.6*
Phased-In Funding - 5 Years	8.00	0	1,086,143	1,086,143	0.00%	602,006*	180.4*

*Required disclosure at adoption of standard.

Payout Projection

Annual Payments expected based on assumptions and contributions detailed in the Methods and Assumptions Section.

Year Ending	($000s omitted) $
06/30/2007	39,192
06/30/2008	45,612
06/30/2009	51,997
06/30/2010	58,689
06/30/2011	64,183
06/30/2012	68,921
06/30/2013	73,863
06/30/2014	78,941
06/30/2015	83,620
06/30/2016	87,799
06/30/2017	92,264

Demographic Information

The following table summarizes active and retiree Demographic Information.

Number of Employees				
	Actives*	Retirees	Retiree Spouses	Total
Medical	9,700	3,624	2,560	15,884
Prescription	9,700	2,455	1,797	13,952
Dental	9,700	3,836	2,517	16,053
Life	9,700	3,905	N/A	13,605

* **Assumed that 88% of these active employees will have medical, prescription and dental coverage at retirement and that 100% will have life insurance coverage at retirement.**

Methods and Assumptions

Actuarial Method

Projected Unit Credit Cost Method.

Normal Cost

Determined for each active employee as the Actuarial Present Value of benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the Plan's benefit formula. This allocation is based on each individual's service between date of hire and date of exit.

Actuarial Accrued Liability (AAL)

The Actuarial Present Value of Benefits allocated to all periods prior to the valuation year.

Discount Rate

The discount rate varies depending on the assumption for funding:

	%
Full Funding	8.00
No Funding	4.00
Phased-In Funding Over 5 Year Period	8.00

Salary Scale

4.25%.

Allocation of Costs to Entities

Allocations to County (Non-Public Safety) and participating agencies were based on headcounts in each entity. Aggregate liabilities and contributions were determined for this group, and were then allocated to each individual entity based on the ratio of the number of members in each entity, to the sum of members in the groups. Allocations were done separately for actives and retirees. County (Public Safety) was valued separately.

Methods and Assumptions (continued)

Medical, Prescription Drug and Dental Trends

ANNUAL RATE OF INCREASE %					
Fiscal Year Beginning in	Dental	Prescription Drugs	Medical		Indemnity (w/Rx)
			Pre-65	65 +	
2007	6.0	11.0	11.0	9.0	12.0
2008	5.5	10.0	10.0	8.5	11.0
2009	5.0	9.0	9.0	8.0	10.0
2010	4.5	8.0	8.0	7.5	9.0
2011	4.5	7.0	7.0	7.0	8.0
2012	4.5	6.5	6.5	6.5	7.0
2013	4.5	6.0	6.0	6.0	6.5
2014	4.5	5.5	5.5	5.5	6.0
2015	4.5	5.0	5.0	5.0	5.5
2016 & Later	4.5	5.0	5.0	5.0	5.0

Mortality

Pre-Retirement; Healthy Retirees and Beneficiaries — RP-2000 Mortality Table, projected 9 years, with separate tables for males and females.

Disabled Retirees — RP-2000 Mortality Table set forward 5 years, with separate tables for males and females.

Turnover — Sample rates are shown below:

ASSUMED ANNUAL TERMINATIONS PER 1,000 MEMBERS		
Years of Service	Non-Public Safety, Non-RSP %	Public Safety, Non-RSP %
0 - 4	35	80 - 29
5 - 9	35	22 - 14
10 - 14	17	13 - 6
15 - 19	17 - 11	5 - 3
20 - 25	11 - 6	2
26+	6	0

Methods and Assumptions (continued)

Retirement

Sample rates are shown below:

Non-Public Safety, Non-RSP

Age	First Eligibility for Normal Retirement %	Ultimate Retirement Rate %
45 - 49	1	1
50 - 54	5	5
55 - 59	20	8
60 - 64	15	15
65 - 66	50	40
67	75	40
68 - 69	100	40
70+	100	100

Public Safety, Non-RSP

Age	Group G First Eligibility for Normal Retirement %	Public Safety Except Group G First Eligibility for Normal Retirement %	Ultimate Retirement Rate* %
Under 45	30	3	3
46 - 49	30	20	10
50 - 51	30	30	15
52 - 54	30	30	30
55- 59	75	75	75
60+	100	100	100

* Group G retirees are assumed to retire at a rate that is the larger of 20% and the rates shown above when they reach 25 years of service.

Methods and Assumptions (continued)

Retirement (continued)

Non-Public Safety & Public Safety RSP

Years of Service	Assumed Annual Retirements %
0 - 4	7
5 - 9	4
10 - 14	4
15 - 19	4
20 - 25	25
26+	40

Disability Sample rates are shown below:

ANNUAL DISABILITIES PER 1,000 MEMBERS AT SAMPLE AGES				
Age	Non-Public Safety		Public Safety	
	Male	Female	Male	Female
20	1	1	1	1
25	2	1	3	3
30	2	2	6	8
35	3	3	8	12
40	3	3	10	16
45	6	3	19	22
50	7	5	32	29
55	5	6	39	31
60	9	6	47	32
65	0	0	0	0

Age Difference/ % Married Males are assumed to be 3 years older than females; 60% of active members are assumed to be married at retirement.

Methods and Assumptions (continued)

Coverage

We assumed that 88% of current active employees will be covered at retirement, and that they will elect the benefit plans in the same proportion as current retirees. For current retirees, we have valued only those who have current coverage elections, with the assumption that retirees without coverage will not elect coverage in the future.

Morbidity

Expected claims are assumed to increase as participants age as follows:

Medical

Age	Annual Increase %
To 34	2.7
35 - 39	5.4
40 - 44	1.8
45 - 49	4.3
50 - 54	2.8
55 - 59	2.6
60 - 64	4.0
65 - 69	3.5
70 - 74	3.3
75 and Older	0.0

Prescription Drugs

Age	Annual Increase %
To 54	5.0
55 - 74	1.0
75	0.0
76	-1.0
77	-2.0
78 - 84	-3.0
85 and Older	-2.0

Methods and Assumptions (continued)

Initial Baseline Costs (Fiscal Year 2008)	See Page 25.
Annual Baseline Retiree Contributions (Fiscal Year 2008)	See Pages 26 and 27.
Valuation Methodology and Terminology	We have used proposed GASB accounting methodology to determine the post-retirement medical benefit obligations.
Amortization Period	The period used to determine amortization costs for the initial Unfunded Actuarial Accrued Liability is an open period of 30 years.
Life Insurance Coverage	All participants are assumed to have life insurance coverage upon retirement.

Methods and Assumptions (continued)

Initial Baseline Cost (Fiscal Year 2008)

Age	Optimum Choice HMO $	Kaiser $	CareFirst Indemnity $	CareFirst POS $	Actives Medical* $	Dental $	Prescription Drugs $
40	2,699	3,708	4,938	3,540	3,388	410	1,181
45	3,332	4,577	6,096	4,370	4,183	410	1,507
50	3,832	5,264	7,010	5,026	4,810	410	1,923
55	4,365	5,997	7,985	5,725	5,479	410	2,361
60	5,298	7,278	9,692	6,949	6,651	410	2,481
65	2,535	2,875	3,170	2,273	2,358	410	2,608
70	3,071	3,483	3,840	2,753	2,856	410	2,741
75	3,607	4,091	4,511	3,234	3,354	410	2,852

* **Weighted average reflecting health plan elections of current retirees.**

Methods and Assumptions (continued)

Average Annual Baseline Retiree Contributions (Fiscal Year 2008)

Current Retirees

For current retirees, we applied individual cost-sharing percentages to the following total premium rates:

	Optimum Choice HMO $	Kaiser $	CareFirst Indemnity $	CareFirst POS $	Prescription Drugs $	Dental $
Pre-65	3,506	5,025	8,716	4,556	1,780	410
Post-65	3,083	3,554	4,500	2,455	2,202	410

Methods and Assumptions (continued)

Average Annual Baseline Retiree Contributions (Fiscal Year 2008) (continued)

Future Retirees

For purposes of this valuation, we applied the following service-based, cost-sharing percentages to the costs below for future retirees:

Service at Retirement	Retiree Contribution %
Less than 5 Years	100
Up to 9 years	46
Up to 14 Years	36
15 Years and over	30
Or if hired prior to 01/01/87	20

	Medical $	Prescription Drugs $	Dental $
Pre-65	4,381	1,780	410
65 +	2,639	2,202	410