OTHER POST EMPLOYMENT BENEFITS

INTRODUCTION

The Governmental Accounting Standards Board (GASB) establishes generally accepted accounting principles (GAAP) for public institutions, including school systems. These are the rules used by independent auditors as they attest to the fair presentation of our annual financial statements. Statements 43 and 45 relate to the financial presentation of other post employment benefits (OPEB). The main thrust of GASB Statement No. 45 is to require for the first time that public sector employers recognize the cost of other post employment benefits (OPEB) over the active service life of their employees rather than on a pay-as-you-go basis. In simple terms:

> An employee earns retiree health care and other benefits while working and the employer should accrue that cost while the employee is working (similar to pension). If the employer has not established a fund for the future benefits, the employer has a liability. An actuarial valuation is required to determine the future liability. The future liability or plan includes the cost of benefits (health, dental and life premiums) plus expenses less a projected return on investment. An actuarial valuation is an estimate of the cost of the plan. Information needed to complete the actuarial valuation is current demographics and benefit costs, an estimate of future retirees (and dependents), demographic assumptions, an estimate of future benefit costs, and trends of current costs and claims. The end result would be to discount the future costs to the valuation date using a discount rate determined by whether the Plan is funded or not funded.

OTHER POST EMPLOYMENT BENEFITS – HARFORD COUNTY PUBLIC SCHOOLS

Other post employment benefits are health, dental, and life insurance benefits paid by HCPS on behalf of retirees. In general 90% of the cost is paid by HCPS when an employee retires with ten years of continuous service. An exception applies to active employees and retirees enrolled in the traditional health plan in which case HCPS pays 80% of the cost. The benefits may be different for other organizations. GASB requires that the cost of OPEB be matched to the period in which the benefits are earned, just as we are required to do for pension costs. This means that future benefits costs for active employees upon retirement must be accrued and reported along with those costs for retirees.

To determine the amount that must be reported, we are required to employ actuarial services. In 2005 we retained the services of a benefits consulting company to perform actuarial services for HCPS in order to determine the size of the financial issue we would face.

A report was issued in September 2005 and updated in June 2007. Prior to completion of the 2007 Actuarial Report, the Board completed some changes to the enrollment for health and dental insurance plans.

The first change established a tiered eligibility system for enrollment.

1. Effective for employees hired after July 1, 2006, a tiered eligibility for retiree OPEB was established as follows:

Years of continuous service upon retirement	Benefit paid compared to active employees
Ten	One-third
Twenty	Two-thirds
Thirty or more	Full benefit

2. Until such time as legislative authority to invest OPEB trust funds in a manner consistent with pension trust funds and/or an ability to pool trust funds is granted, HCPS will hold, as designated for OPEB, monies from Medicaid Part D reimbursements and excess rate stabilization amounts in the Harford County Health Care Consortium.

On October 23, 2006 the Board approved additional changes for enrollment.

1. Eliminate open enrollment for retirees and require they make a one-time health plan selection upon retirement and only permit "life style changes" subsequent to this selection for retirees enrolled in a HCPS health plan. Current retirees were identified and a special open enrollment was held for them in April, 2007 so that they could make a one-time decision as well.

2. Implement a tiered rate structure to eliminate the '"hidden subsidy" effective July 1, 2007. Revised rate charts were issued prior to July 1, 2007.

In addition, on December 17, 2007 the board approved the following:

1. The Superintendent is authorized to create the Harford County Public Schools OPEB Trust Fund and to participate in the MABE[1] OPEB Investment Trust upon its creation.

2. The Superintendent is authorized to execute any legal documents pertaining to the establishment and participation of the aforementioned Trusts.

3. Monies in excess of funding requirements in the Harford County Health Care Consortium Rate Stabilization accounts, Medicare Part D reimbursements, and unspent funds from the Harford County Public Schools flexible spending plan are to be transferred to the MABE OPEB Investment Trust as they become available and will be designated for this purpose in the future.

1. The Actuarial Report

With the above changes in place the update to the actuarial valuation was updated for the year ended June 30, 2008. The discount rate used to determine the liabilities under GASB 45 depends upon the funding policy. Harford County Public Schools contributed $12,126,000 to an

[1] MABE is the Maryland Association of Boards of Education

OPEB trust in FY 2008. The OPEB trust was not used to pay any retiree medical benefits in the fiscal year. The report[2] produced the following results:

The Annual Expense (ARC)

The annual cost of OPEB benefits under GASB 45 is called the Annual Required Contribution or ARC. Harford County Public Schools' ARC is shown in Section 2. The ARC for the fiscal year ending June 30, 2008 is $34.9 million. This amount is as of the end of the fiscal year. The estimated pay as you go cost for OPEB benefits during the same period is $13.5 million. The end of year balance sheet liability is estimated to be $9.3 million, which is equal to the unfunded ARC ($34.9 million) minus pay as you go payments ($13.5 million) and the trust contribution ($12.1 million) plus interest to the end of the year. The actual end of year balance sheet liability cannot be determined until the pay as you go costs are known. The ARC was determined using a discount rate of 6.75 percent.

The Funding Target

Section 3 shows the determination of the Funding Target. This calculation is similar to the ARC determination in Section 2, except that it assumes a discount rate of 8 percent. If the sum of Harford County's OPEB trust contributions and Pay go medical benefits to retirees is equal to or greater than the Funding Target than the funding target and the ARC are the same. The funding Target is $31.2 million. The difference between the funding target and PAYGO and trust fund contributions to OPEB is $5.5 million and is shown in Section 3.

It is important to note that, even if all the assumptions materialize, the Funding Target is expected to increase by between 4% and 5% per year, since the cost of annual accruals will increase with healthcare inflation and given the amortization method used for the Unfunded Accrued Liability (i.e., benefits earned to date). In addition, an increase in the work force will also increase the Funding Target in future years. Finally, there is considerable volatility associated with future funding targets because of the uncertainty of future health care cost trends.

Plan Provisions

Retirees can continue the same medical and dental coverage they had (including family coverage) as active employees. A subsidy of 80% or 90% for Pre-Medicare retirees is provided based on the plan chosen. A 90% subsidy is provided to Medicare eligible retirees and for dental coverage. The subsidy is also provided for dependent coverage. However, no subsidy is provided to surviving spouses. Life Insurance is also provided and partially paid for by the retiree. See section 4 for details.

Demographic Data

Demographic data as of March 1, 2007 was provided to us by the Schools. This data

[2] Bolton Partners, Inc. Post-Retirement Medical and Life Insurance Actuarial Valuation Report dated June 30, 2008.

included current medical coverage for current employees and retirees. Because the census data is less than 24 months before the first day of fiscal year 2008, it can be relied on to comply with GASB 45 for FYE 2008. Although Bolton Partners, Inc. has not audited this data they have no reason to believe that it is inaccurate.

Claims Data

Monthly paid claims, administrative expenses and enrollment for retirees from January 2004 through December 2006 were supplied by the carrier. Claims were divided into pre and post 65 age retirees. Although Bolton Partners, Inc. has not audited the claims data they have no reason to believe that it is inaccurate.

Implicit Subsidy

The published insurance rates (for persons prior to Medicare eligibility) have historically been based primarily on the healthcare usage of active employees. Since retirees use healthcare at a rate much higher than employees, using blended rates created an implicit subsidy for the retiree group. GASB 45 requires that the claims assumption we use for this valuation be based on the actual per-capita retiree cost. Beginning with FY08, the published rates for retirees were based solely on retiree healthcare usage, effectively eliminating the implicit subsidy.

Medicare Part D

This report has not incorporated the Medicare Part D Federal Subsidy Amount for this program. GASB issued Staff Technical Bulletin No. 2006-1 on June 30, 2006, providing guidance that would not allow for plans or employers to reduce Annual OPEB Cost for anticipated Medicare Part D reimbursements. GASB deems the payments from the federal government to the County to be a *voluntary non-exchange transaction* as discussed in paragraph 7 of statement 33.

Demographic Assumptions

Demographic assumptions mirror those used for the pension plan, with adjustments made for actual experience of County employees. All employees are assumed to participate in the Maryland State Retirement System. Section 7 details the assumptions for electing coverage.

Economic Assumptions

The discount rate assumption is tied to the return expected on the funds used to pay these benefits. If the combination of PAYGO benefits and Trust Contributions is at least as great as the funding target then the ARC is determined using a discount rate of 8 percent. However, Since Harford County Public Schools trust contribution in FY 2008 is less than the funding target GASB requires the use of partially funded discount rate somewhere between the funded discount rate and the unfunded discount rate. The determination of the discount rate of 6.75% is shown in the following table.

OTHER POST EMPLOYMENT BENEFITS

1. Funding Target	$31.2 million
2. PAYGO	$13.5 million
3. Fully Funded Net Trust Contribution [(1)-(2)]	$17.7 million
4. Actual Net Trust Contribution	$12.2 million
5. Percent Funded	70 percent
6. Funded Discount Rate	8 percent
7. Unfunded Discount Rate	4 percent
8. Partially Funded Discount Rate [(5)x(6)+{100%-(5)}x(7)]	6.75 Percent

Medical claims are assumed to increase 9.5% from 2006 to 2007, decreasing 1% per year to an ultimate rate of 5.5%. While medical costs have increased by a rate well in excess of 5.5% in recent years, prevailing practice is to assume that these increases will slow in the future. This is based on the macroeconomic assumption that if they do not moderate, medical expenses will consume an unacceptable percentage of the gross national product. Payroll is assumed to increase at 3% per annum. This assumption is used to determine the level percentage of payroll amortization factor.

Actuarial Certification by Bolton Partners, Inc.

In preparing the valuation we relied on demographic and claims data provided by Harford County Public Schools. We reviewed the data for reasonableness, but did not audit the data. The actuarial methods and assumptions used in this report comply with GASB 45 and the actuarial standards of practice promulgated by the American Academy of Actuaries.

The healthcare cost trend rate selected is consistent with prevalent practices. The 2005 to 2006 increase is consistent with recent experience. As discussed above, increases of this magnitude cannot be sustained indefinitely. Accordingly, standard actuarial practice (and GASB 43 Paragraph 34.g.) is to assume an “ultimate trend” which is consistent with the best estimate of GNP growth. However, the number of years until the ultimate trend is attained and the rate of decrease are not known. There is a significant probability, that between now and the next actuarial valuation we will not observe the anticipated amelioration of medical trends. If this is the case, typical practice is to reset the initial trend and to defer the year that the ultimate trend rate is attained. If this occurs annual actuarial losses of 5% to 15% of liabilities due to the revised trend rate can be expected.

Kevin Binder is a Member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

OTHER POST EMPLOYMENT BENEFITS

2. Plan Expense

Expense

Below is a summary of the calculation of the Plan's Expense for FY 2008 under the current provisions. This is the year in which the Harford County Public Schools is required to apply the provisions of GASB45. These amounts are calculated as of the end of the year.

(1)	Interest Rate	6.75%
(2)	Amortization of Unfunded Accrued Liability	
	(a) Unfunded Accrued Liability	$361,962,000
	(b) 30 Year Amortization Factor (Rounded)	18
	(c) Amortization Amount	$20,630,000
(3)	Annual Required Contribution of Employer (ARC)	
	(a) Normal Cost	$14,275,000
	(b) 30 Year Amortization of Unfunded Accrued Liability	$20,630,000
	(c) Total ARC	$34,905,000
(4)	Annual OPEB Cost (AOC)	
	(a) ARC	$34,905,000
	(b) Less NOO Amortization	$0
	(c) Plus Interest on NOO	$0
	(d) Total Cost	$34,905,000
(5)	1% Sensitivity (AOC)	$41,723,000
(6)	Projected Net OPEB Obligation (NOO)	
	(a) Beginning of Year NOO	$0
	(b) Current ARC	$34,905,000
	(c) Estimated PAYGO	$13,525,000
	(d) Trust Contribution	$12,126,000
	(e) Projected End of Year NOO (a + b – c –d)	$9,254,000

OTHER POST EMPLOYMENT BENEFITS

3. Funding Target

Below is a summary of the calculation of the Funding Target for FY 2008 under the current provisions. The Funding Target is similar to ARC determined in Section 2 except that it is determined using a discount rate of 8 percent. The funding shortfall can used to compare Harford School's funding progress to other jurisdictions.

(1) Interest Rate	8.00%
(2) Amortization of Unfunded Accrued Liability	
(a) Unfunded Accrued Liability	$305,466,000
(b) 30 Year Amortization Factor (Rounded)	15
(c) Amortization Amount	$20,129,000
(3) Preliminary Funding Target	
(a) Normal Cost	$11,051,000
(b) 30 Year Amortization of Unfunded Accrued Liability	$20,129,000
(d) Preliminary Funding Target (a)+(b)]	$31,180,000
(4) Funding Target	
(a) Preliminary Funding Target	$31,180,000
(c) Less Amortization of Funding Shortfall	$0
(c) Plus Interest on Funding Shortfall	$0
(d) Funding Target	$31,180,000
(5) Projected Funding Shortfall	
(a) Beginning of Year Funding Shortfall	$0
(b) Funding Target	$31,180,000
(c) Estimated PAYGO	$13,525,000
(d) Trust Contribution	$12,126,000
(e) Projected End of Year Funding Shortfall (a + b – c –d)	$5,529,000

OTHER POST EMPLOYMENT BENEFITS

4. Liabilities

Liabilities as of Valuation Date

Below is a summary of the Plan's Liabilities under the current provisions. Item (4) shows the impact of a 1% increase in trend.

			Funding Target FY2008	ARC FY2008
(1)	Discount Rate		8.00%	6.75%
(2)	Actuarial Accrued Liability			
	(a)	Actives	$148,022,000	$184,576,000
	(b)	Retirees in Pay Status	$157,444,000	$177,386,000
	(c)	Total	$305,466,000	$361,962,000
(3)	Normal Cost (as of the end of the year)			
	(a)	Normal Cost for Benefits	$11,051,000	$14,275,000
	(b)	Expense Load	$0	$0
	(c)	Total Normal Cost	$11,051,000	$14,275,000
(4)	Trend Sensitivity			
	(a)	Actuarial Accrued Liability	$348,184,979	$417,967,000
	(b)	Total Normal Cost	$13,632,000	$17,901,000

5. Summary of Principal Plan Provisions

The following summary describes principal plan provisions assumed in calculating the cost of your plan.

General Eligibility Rules

Eligible participants are assumed to be employees, former employees, and beneficiaries of Harford County Public Schools who had health coverage as an active employee.

Maryland State Teachers' Pension System normal retirement eligibility is age 62 with 5 years of service, or age 63 with 4 years of service, or age 64 with 3 years of service, or age 65 with 2 years of service, or 30 years of service regardless of age. Early retirement eligibility is age 55 with 15 years of service.

Surviving Spouses can stay in the plan, but must pay the full cost to participate.

Underlying Plan Description

Pre-Medicare Retirees have the option of choosing between three medical plans (an HMO Plan, PPO Plan or Traditional Plan) all of which are packaged with a prescription drug program. Post-Medicare Retirees have two plan options both of which are packaged with a prescription drug program.

Retiree Contribution

Participants with less than 10 years of service receive no subsidy from Harford County Public Schools. Participants with 10 or more years of service receive an employer subsidy detailed below:

	CareFirst Traditional	CareFirst PPO	OCI HMO	Dental
Under Medicare Age	80%	90%	90%	90%
Over Medicare Age	90%	90%	90%	90%

Harford County Public Schools also subsidizes the cost of Life Insurance Coverage. Retirees pay $0.024 per month per $1,000 of coverage per month.

Life Insurance

At retirement, retirees receive $20,000 of Life Insurance coverage. This amount decreases by $2,000 each July 1 to a floor of $10,000. Retirees pay $0.024 per month per $1,000 of coverage per month.

OTHER POST EMPLOYMENT BENEFITS

6. Funding Target

Counts

The following table summarizes the counts, ages and coverage as of 3/1/2007, for those currently enrolled in Medical/Drug coverage:

			Total
(1)	Number of Participants		
	(a)	Active Employees	4,360
	(b)	Retirees (Pre- Medicare)	713
	(c)	Retirees (Medicare Age)	1,193
(2)	Active Statistics		
	(a)	Average Age	43.65
	(b)	Average Service	10.75
(3)	Inactive Statistics		
	(a)	Average Age (Pre-Medicare)	60.45
	(b)	Average Age (Medicare Age)	73.54

OTHER POST EMPLOYMENT BENEFITS

Active Age - Service Distribution

Shown below is a distribution based on age and service of active participants who are currently receiving medical and drug benefits from the School as of the valuation date.

	Years of Service as of 03/01/2007								
Age	**Under 1**	**01-04**	**05-09**	**10-14**	**15-19**	**20-24**	**25-29**	**30+**	**Total**
Under 25	108	139	1	0	0	0	0	0	248
25 - 29	72	363	118	0	0	0	0	0	553
30 - 34	29	145	226	65	0	0	0	0	465
35 - 39	44	119	124	154	46	0	0	0	487
40 - 44	43	117	105	88	75	30	2	0	460
45 - 49	24	123	142	107	69	63	33	2	563
50 - 54	15	82	131	143	85	49	93	55	653
55 - 59	10	70	75	80	103	69	53	143	603
60 - 64	4	30	43	38	40	34	26	57	272
65 - 69	0	4	12	6	6	3	5	8	44
70 & Up	0	0	2	3	2	1	1	3	12
Totals	349	1,192	979	684	426	249	213	268	4,360

The following table shows averages in total for the above participants.

	Averages
Age:	43.65
Service:	10.75

7. Valuation Methods and Assumptions

Cost Method

This valuation uses the Projected Unit Credit method, with linear pro-ration to assumed benefit commencement.

Amortization of Unfunded Liability

The unfunded liability was amortized over a period of 30 years as a level percentage of payroll.

Coverage Status and Age of Spouse

Actual coverage status is used; females are assumed to be 3 years younger than their male spouse. Employees with individual coverage are assumed to elect individual coverage upon retirement; those with spouse/family coverage are assumed to continue this coverage upon retirement.

95% of Active Employees with 10 or more years of service at retirement are assumed to elect medical coverage; 5% of active employees with less than 10 years of service are assumed to elect medical coverage.

Interest Assumptions

	Funding Target	ARC
Discount Rate	8.00%	6.75%
Payroll Growth	3.00%	3.00%

Trend Assumptions

	Base	Sensitivity
Medical and Drug		
06/30/2007	9.50%	10.50%
06/30/2008	8.50%	9.50%
06/30/2009	7.50%	8.50%
06/30/2010	6.50%	7.50%
06/30/2011 and after	5.50%	6.50%
Dental (flat per year increase)	5.00%	6.00%

OTHER POST EMPLOYMENT BENEFITS

Decrement Assumptions

Below is a summary of the decrements used in this valuation. Sample Retirement, Disability, and Termination rates are illustrated in the tables below.

Mortality Decrements	Description
(1) Healthy	RP 2000 Combined Healthy Table
Disabled	RP 2000 Combined Disabled Table

	Retirement			
	Female		Male	
	Years of Service		Years of Service	
Age	20	30	20	30
50	0.00%	15.00%	0.00%	15.00%
55	5.00%	25.00%	3.00%	25.00%
60	8.00%	40.00%	4.00%	30.00%
65	25.00%	25.00%	22.00%	22.00%
70	22.00%	22.00%	22.00%	22.00%
75	100.00%	100.00%	100.00%	100.00%

	Termination									
	Years of Service									
Age	0-1	2	3	4	5	6	7	8	9	10
30	14.90%	11.60%	9.90%	8.10%	7.80%	5.60%	5.40%	4.50%	3.90%	3.90%
35	14.90%	11.60%	9.90%	8.10%	7.80%	5.60%	5.40%	4.50%	3.90%	2.70%
40	14.90%	11.60%	9.90%	8.10%	7.80%	5.60%	5.40%	4.50%	3.90%	1.60%
45	14.90%	11.60%	9.90%	8.10%	7.80%	5.60%	5.40%	4.50%	3.90%	1.10%
50	14.90%	11.60%	9.90%	8.10%	7.80%	5.60%	5.40%	4.50%	3.90%	1.40%
55	14.90%	11.60%	9.90%	8.10%	7.80%	5.60%	5.40%	4.50%	3.90%	2.40%

	Disability	
Age	Male	Female
15	0.03%	0.03%
25	0.03%	0.03%
35	0.03%	0.06%
45	0.20%	0.22%
55	0.41%	0.56%
65	0.41%	0.56%

OTHER POST EMPLOYMENT BENEFITS

Claims Assumption

The plan is self-insured. To determine the assumed cost and the retiree contributions, we weighted the 2006 premium rates by the current enrollment.

Gross claims are based on enrollment and paid medical claims and prescription for employees and pre age 65 retirees paid from January 1, 2004 to December 31, 2006. Pre 65 prescription drug claims in the Traditional plan were loaded 10% and post 65 prescription drug claims were loaded by 20% because of the introduction of a prescription drug card. Previously participants had to pay for benefits then request reimbursement. The claims were projected to Fiscal Year 2008. Medical claims were projected assuming 8% for pre 65 and post age 65 claims; pre 65 prescription drug claims were projected assuming 12% annual increases and post 64 by 15% annual increases. The projected 2004 claims were weighted 20%, the projected 2005 claims were weighted 30%, and the projected 2006 claims were weighted 50%.

The resulting average pre age 65 and post age 64 claims were age adjusted.

Fixed costs (administrative fees and stop-loss charges) were assumed to be $67 per month for retirees less than age 65 and $27 per month for retirees older than age 64. Family coverage pre-65 is assumed to be 2.10 times the cost of individual coverage for the same age band. Family coverage for retirees age 65 or older was assumed to be 2.0 times the cost of individual coverage.

The following Chart shows the total costs including medical and prescription drug as well as the assumed costs for July 1, 2007 through June 30, 2008.

	Single	Family
1. Total Costs		
a. Under 50	5,231	10,984
b. Age 50-54	6,257	13,139
c. Age 55-59	7,212	15,144
d. Age 60-64	8,424	17,691
e. Age 65-69	3,788	7,577
f. Age 70-74	4,470	8,941
g. Age 75-79	4,721	9,442
h. Age 80-84	5,089	10,178
i. Age 85 and over	5,123	10,247
2. Assumed Costs		
a. Under 65	8,009	16,818
b. Age 65 and older	4,472	8,943

The assumed cost for dental benefits is $267/year for single coverage and $534/year for family coverage.

OTHER POST EMPLOYMENT BENEFITS

6. Glossary

Annual OPEB Cost (AOC):	An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan adjusted for interest on any past under or over payments.
Annual Required Contributions **of the Employer(s) (ARC):**	An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan
Covered Group:	Plan members included in an actuarial valuation.
Defined Benefit OPEB Plan:	An OPEB plan having terms that specify the amount of benefits to be provided at or after separation from employment. The benefits may be specified in dollars (for example, a flat dollar payment or an amount based on one or more factors such as age, years of service, and compensation), or as a type or level of coverage (for example, prescription drugs or a percentage of healthcare insurance premiums).
Employer's Contributions:	Contributions made in relation to the annual required contributions of the employer (ARC). An employer has made a contribution in relation to the ARC if the employer has (a) made payments of benefits directly to or on behalf of a retiree or beneficiary, (b) made premium payments to an insurer, or (c) irrevocably transferred assets to a trust, or an equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) or plan administrator.
Funding Shorftfall:	The cumulative difference since the effective date of this Statement between annual Funding Target and the employer's contributions to the plan, including PAYGO.
Funding Target:	The ARC determined at a discount rate similar to a pension plan.
Healthcare Cost Trend Rate:	The rate of change in per capita health claim costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.
Implicit Subsidy	The difference between the actual per retiree cost and the blended premium based on employees and retirees charged by the Carrier.
Investment Return Assumption (Discount Rate):	The rate used to adjust a series of future payments to reflect the time value of money.
Level Percentage of Projected Payroll Amortization Method:	Amortization payments are calculated so that they are a constant percentage of the projected payroll of active plan members over a given number of years. The dollar amount of the payments generally will increase over time as payroll increases due to inflation; in dollars adjusted for inflation, the payments can be expected to remain level. This method cannot be used if the plan is closed to new entrants.

OTHER POST EMPLOYMENT BENEFITS

Net OPEB Obligation:	The cumulative difference since the effective date of this Statement between 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 or Normal Actuarial **Cost:**	That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.
Other Post-employment Benefits:	Post-employment benefits other than pension benefits. Other post-employment benefits (OPEB) include post-employment healthcare benefits, regardless of the type of plan that provides them, and all post-employment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits.
Pay-as-you-go (PAYGO):	Benefit payments and expenses, including implicit subsidy payments.
Payroll Growth Rate:	An actuarial assumption with respect to future increases in total covered payroll attributable to inflation; used in applying the level percentage of projected payroll amortization method.
Plan Liabilities:	Obligations payable by the plan at the reporting date, including, primarily, benefits and refunds due and payable to plan members and beneficiaries, and accrued investment and administrative expenses. Plan liabilities do not include actuarial accrued liabilities for benefits that are not due and payable at the reporting date.
Plan Members:	The individuals covered by the terms of an OPEB plan. The plan membership generally includes employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits.
Post-employment:	The period between termination of employment and retirement as well as the period after retirement.
Post-employment Healthcare Benefits:	Medical, dental, vision, and other health-related benefits provided to terminated or retired employees and their dependents and beneficiaries.
Select and Ultimate Rates:	Actuarial assumptions that contemplate different rates for successive years. Instead of a single assumed rate with respect to, for example, the investment return assumption, the actuary may apply different rates for the early years of a projection and a single rate for all subsequent years. For example, if an actuary applies an assumed investment return of 8% for year 20W0, 7.5% for 20W1, and 7% for 20W2 and thereafter, then 8% and 7.5% are select rates, and 7% is the ultimate rate.

OTHER POST EMPLOYMENT BENEFITS

Plan of Action in funding the Annual Required Contribution

Harford County Public Schools plan of action in funding the Annual Required Contribution is as follows:

> Harford County Public Schools will request funding from Harford County Government for 6.7% of the Annual Required Contribution in FY 2010 and increase the request by an additional 6.7% each year until the Annual Required Contribution is fully funded. Any excess funds in the Harford County Consortium Plan that belong to Harford County Public Schools, reimbursements from Medicaid Part D received by HCPS and the excess funds left unspent by employees in the Flexible Spending Accounts will be transferred to the Trust Fund which could reduce the current year Annual Required Contribution.

Estimates of the Annual Required Contributions[3] are displayed in the chart below along with an annual inflation adjustment[3].

1/ Funded ARC Used for Determining Funding Policy Contribution, the Actual ARC will be based on a partially funded discount rate and will be higher.

2/ Increasing 6 percent

3/ Increasing 10 Percent

4/ 6.7 percent in the first year, increasing 6.7 percent for 15 Years

Harford County Public Schools
Other Post Retirement Benefits (GASB 45)
Estimated OPEB Trust Accumulation and Annual OPEB Cash Requirements

(1)	(2)	(3)	(4)	(5)={(2)-(3)}x(4)	(6)	(7)	(8)=(3)+(5)
Fiscal Year	***Funded*** [1] Annual Required Contribution ARC[2]	Estimated PayGO Cost[3]	% Phase In Request From County[4]	Plan of Action Requested Funding from County Government	Initial Funding	Value Of OPEB Funds at 6 percent	Total OPEB Cash Requirement
2008	$31,180,000	$13,525,000	0.00%	$ -	$12,125,933	$ 12,125,933	$25,650,933
2009	$33,050,800	$14,877,500	0.00%	$ -	0	$ 12,853,489	$14,877,500
2010	$35,033,848	$16,365,250	6.67%	$ 1,244,573	0	$ 14,869,272	$17,609,823
2011	$37,135,879	$18,001,775	13.33%	$ 2,551,214	0	$ 18,312,642	$20,552,989
2012	$39,364,032	$19,801,953	20.00%	$ 3,912,416	0	$ 23,323,816	$23,714,368
2013	$41,725,874	$21,782,148	26.67%	$ 5,318,327	0	$ 30,041,572	$27,100,475
2014	$44,229,426	$23,960,363	33.33%	$ 6,756,354	0	$ 38,600,421	$30,716,717
2015	$46,883,191	$26,356,399	40.00%	$ 8,210,717	0	$ 49,127,163	$34,567,116
2016	$49,696,183	$28,992,039	46.67%	$ 9,661,934	0	$ 61,736,727	$38,653,973
2017	$52,677,954	$31,891,243	53.33%	$ 11,086,246	0	$ 76,527,176	$42,977,489
2018	$55,838,631	$35,080,367	60.00%	$ 12,454,959	0	$ 93,573,766	$47,535,325
2019	$59,188,949	$38,588,403	66.67%	$ 13,733,697	0	$ 112,921,889	$52,322,101
2020	$62,740,286	$42,447,244	73.33%	$ 14,881,564	0	$ 134,578,766	$57,328,808
2021	$66,504,703	$46,691,968	80.00%	$ 15,850,188	0	$ 158,503,680	$62,542,156
2022	$70,494,985	$51,361,165	86.67%	$ 16,582,644	0	$ 184,596,545	$67,943,809
2023	$74,724,684	$56,497,281	93.33%	$ 17,012,243	0	$ 212,684,581	$73,509,524
2024	$79,208,166	$62,147,010	100.00%	$ 17,061,156	0	$ 242,506,811	$79,208,166

[3] Plan of action assumes 6.7% funding level in year 1 and increasing by 6.7% each year until fully funded in year 15.

OTHER POST EMPLOYMENT BENEFITS

Harford County Public Schools had created an OPEB Trust Fund and has funds set aside approved by the Board of Education to fund the Other Post Employment Benefits Liability as follows for FY 2008:

FY 2008 HCPS Funds to be applied to OPEB Annual Required Contribution.			
Consortium			
Projected Health Insurance for FY 2009			$55,128,000
			$55,128,000
	10% reserve in Consortium		$5,512,800
Dec. 31, 2007	Balance in Consortium		$17,362,996
	Amount Available to transfer		**$11,850,196**
Medicare Part D Refunds			
	Balance available		**$170,092**
Unspent Flexible Spending Accounts			
	Balance Available		**$105,645**
	FY 2006	$6,641	
	FY 2007	$66,868	
	FY 2008	$32,136	
Total Funds available for FY 2008			**$12,125,933**