This RFP issued on 07/31/2018

Orange County Comptroller

REQUEST FOR PROPOSAL

ACTUARIAL VALUATION AND REPORTING FOR POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS

RFP #2018-001-FIS

PURPOSE

The Orange County Comptroller, Orange County, Florida (Comptroller), as Trustee of the irrevocable trust agreement for other postemployment benefits for the Orange County, Florida Board of County Commissioners (County) and certain county constitutional officers, is soliciting proposals for provision of annual actuarial valuation and reporting services in compliance with the Governmental Accounting Standards Board's Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other Than Pension Plans*, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The intent of the Comptroller is to enter into a one-year contract for services, with an option for four one-year renewals for the contracted services.

INSTRUCTIONS TO PROPOSERS

A firm or company desiring to provide services (Proposer), as described in this Request for Proposal (RFP) and Attachments A-E, must submit one (1) signed original proposal and six (6) additional copies in paper form plus one (1) electronic copy on CD or USB drive, no later than **3:00 p.m. Eastern Time on Tuesday, August 28, 2018.** All copies must be received by the time stated. A copy of the RFP documents may be requested by phoning Robin Ragaglia at (407) 836-5715, and they are also available for downloading from the Internet at: https://apps.ocfl.net/orangebids/bidopen.asp. **To be considered, a signed original in paper form must be received by the above date and time. A proposal received solely by e-mail, telephone, fax, or telegram shall be rejected as non-responsive regardless of when and where it is received.**

Proposals must be submitted to:

Orange County Comptroller
c/o Comptroller's Clerk to the BCC Office
201 S. Rosalind Avenue, 4th Floor
Orlando, Florida 32801
Telephone Number: 407-836-7300

Proposers are cautioned that they are responsible for delivery to the specific location cited above. If your proposal is delivered by an express mail carrier or by any other means, it is your responsibility to ensure delivery to the above address. The Comptroller shall not be responsible for deliveries made to any place other than the specified address.

All proposals will be opened publicly, and the names of all Proposers will be read aloud. **Proposals received after the specified time will not be considered.** The time/date stamp clock located in the Comptroller's Clerk's Office will serve as the official authority to determine lateness of any proposal. Proposals shall be sealed and proposers should indicate on their proposal the following:

A. Request for Proposal Name and Number
B. Date of Opening
C. Name of Proposer

TERMS AND CONDITIONS

1. The Comptroller reserves the right to accept or reject any or all proposals, in whole or in part, with or without cause, to waive technicalities, or to accept the proposal which, in the Comptroller's sole judgment, best serves the interests of the Comptroller, or to award a contract to the next most qualified Proposer if a successful Proposer does not execute a contract within 30 working days after the approval of the selection by the Comptroller.

2. The Comptroller reserves the right to request clarification of information submitted and to request additional information of one or more Proposers.

3. Any proposal may be withdrawn until the date and time set above for the submission of the proposals. Any proposals not withdrawn shall constitute an irrevocable offer, for a period of 60 working days, to provide the services set forth in this RFP to the Comptroller, unless released earlier by the Comptroller.

4. Costs for preparation of a response to this RFP are solely those of the Proposer. The Comptroller assumes no responsibility for any such costs incurred by the Proposer. All proposals become the property of the Comptroller and are subject to Florida public records law.

5. A Proposer may wish to subcontract a portion of the work. If so, any subcontractor must be disclosed by the Proposer on **Attachment D** when responding to this RFP, including the work to be performed by the subcontractor.

6. The contract that the Comptroller intends to use for award is enclosed as **Exhibit A** for reference. Any exceptions to this standard contract must be clearly indicated by return of the standard contract with the proposal, with exceptions clearly noted.

The Comptroller has the right to require the selected Proposer to sign the attached contract or to negotiate revisions to the contract language prior to execution of the contract, at its sole discretion. The Comptroller also reserves the right to reject any contract that does not conform to the RFP and any Comptroller requirements for contracts. Once the contract is executed, the contracted Proposer (Consultant) shall not assign any interest in the contract and shall not transfer any interest in the same without prior written consent of the Comptroller.

7. The Proposer receiving the award, prior to execution of the contract, will obtain or possess the following insurance coverage, and will provide Certificates of Insurance to the Comptroller to verify such coverage.

At its sole expense, the Consultant agrees to maintain on a primary basis and at all times throughout the duration of the contract, the following types of insurance coverage with limits and on forms (including endorsements) as described herein. These requirements, as well as the Comptroller's review or acceptance of insurance maintained by Consultant is not intended to and shall not in any manner limit or qualify the liabilities or obligations assumed by Consultant under the contract.

The Consultant shall require and ensure that each of its sub-contractors providing services hereunder (if any) procures and maintains until the completion of their respective services, insurance of the types and to the limits specified herein.

Insurance carriers providing coverage required herein must be licensed to conduct business in the State of Florida and must possess a current A.M. Best's Financial Strength Rating of A- VIII Class or better. ***(Note: State licenses can be checked via www.floir.com/companysearch/ and A.M. Best Ratings are available at www.ambest.com)***

Required Coverage:

- Commercial General Liability - The Consultant shall maintain coverage issued on **the most recent version of the ISO form as filed for use in Florida or its equivalent**, with a limit of liability of not less than $500,000 per occurrence. Consultant further agrees coverage shall not contain any endorsement(s) excluding or limiting Product/Completed Operations, Contractual Liability, or Separation of Insureds. The General Aggregate limit shall either apply separately to the contract or shall be at least twice the required occurrence limit.

- Professional Liability - The Consultant shall maintain professional liability (errors and omissions) coverage with limits of not less than $1,000,000 per occurrence.

By entering into the contract, Consultant agrees to provide a waiver of transfer of rights of recovery in favor of the Comptroller for general liability policies as required herein. When required by the insurer or should a policy

condition not permit the Consultant to enter into a pre-loss agreement to waive subrogation without an endorsement, then Consultant agrees to notify the insurer and request the policy be endorsed with a Waiver of Subrogation or a Waiver of Transfer of Rights of Recovery Against Others endorsement.

Consultant agrees to endorse the Comptroller as an Additional Insured with a CG 20 26 Additional Insured – Designated Person or Organization endorsement, or its equivalent to all commercial general liability policies. The additional insured shall be listed in the name of the Orange County Comptroller.

Any request for an exception to these insurance requirements must be submitted in writing to the Comptroller for approval.

Prior to execution and commencement of any operations/services provided under the contract, the Consultant shall provide the Comptroller with current certificates of insurance evidencing all required coverage. **In addition to the certificate(s) of insurance, the Consultant shall also provide a blanket (Exhibit D-1) or specific (Exhibit D-2) Additional Insured Endorsement and (Exhibit D-3) Waiver of Transfer of Rights of Recovery endorsements for each policy as required above.** Renewal certificates shall be submitted upon request by the Comptroller. The certificates shall clearly indicate that the Consultant has obtained insurance of the type, amount and classification as required for strict compliance with this insurance section. No material change or cancellation of the insurance shall be effective without thirty (30) days prior written notice to the Comptroller. Certificates shall specifically reference the respective contract number.

The certificate holder shall read:

Orange County Comptroller
Attn: Finance and Accounting Department
201 South Rosalind Avenue
Orlando, Florida 32801

8. The Consultant shall maintain complete and accurate books, records, and documents to justify all services performed and all charges pursuant to the contract in accordance with standard and acceptable accounting practices. Such records and documents shall be maintained for a minimum of five years after completion of all services under contract. The Comptroller and/or his authorized employees or designees shall have reasonable access to such books, records, and documents of the proposer as needed for the purpose of inspection or audit during normal business hours at the Consultant's facility.

9. The contract from this RFP shall commence effective upon execution by the Consultant and Comptroller through August 31, 2019. The contract may be renewed annually for four (4) additional twelve (12) month periods, upon mutual

agreement of both parties. Any contract renewal and/or in changes in contract terms and conditions shall be reduced to writing as an amendment to the contract and such amendment shall be executed by both parties.

10. The Comptroller's obligation to pay under the contract is contingent upon an annual appropriation for its purpose by the County, or available OPEB trust agreement funds for its purpose.

11. In accordance with Section 287.133, Florida Statutes, a person or affiliate who has been placed on the convicted vendor list following a conviction for a public entity crime: 1) may not submit a bid or proposal to provide any goods or services to a public entity; 2) may not submit a bid or proposal with a public entity for the construction or repair of a public building or public work; 3) may not submit bid or proposal on leases of real property to a public entity; 4) may not be awarded or perform work as a contractor, supplier, subcontractor or consultant under a contract with any public entity; and 5) may not transact business with any public entity in excess of the threshold amount provided in Section 287.017, Florida Statutes, for CATEGORY TWO ($35,000) for a period of 36 months from the date of being placed on the convicted vendor list.

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QUESTIONS REGARDING THIS RFP

Except as specified below, a Proposer shall not direct any queries or statements concerning its proposal to the Comptroller, his staff, or County staff during the selection process, from the time of release of this RFP until the execution of a contract, unless contact is initiated by an employee of the Comptroller. Failure to comply with this provision may result in the disqualification of the Proposer.

All questions or concerns regarding this RFP must be submitted in writing to Robin Ragaglia , 201 S. Rosalind Avenue, Orlando, FL 32801, or by fax to Robin Ragaglia at 407-836-5753, or by email to robin.ragaglia@occompt.com **no later than Wednesday, August 15, 2018,** referencing the RFP number.

The Comptroller may issue an addendum to the RFP for distribution to all known prospective Proposers, either by mail, fax, email, or posting on our web site.

The Comptroller may provide clarifying information in response to questions or concerns regarding this RFP for distribution to all known prospective Proposers, either by mail, fax, email, or posting on our web site.

The Comptroller is bound by statements made or information given during the procurement consideration and award ONLY when such statements or information are written and executed under authority of Robin Ragaglia, who is the Director of Finance and Accounting for the Comptroller. This provision exists solely for the convenience and administrative efficiency of the Comptroller. No Proposer or other third party gains any rights by virtue of this provision or the application thereof, nor shall any Proposer or third party have any standing to sue or cause of action arising from this section.

PROPOSAL FORMAT

The Comptroller reserves the right to award a contract pursuant to this RFP without further discussion with Proposers. Therefore, it is important that each proposal is complete, adheres to the format and instructions contained herein, and is submitted in the most favorable manner possible.

Deliver the proposal in a sealed envelope or box clearly marked as a Proposal for Actuarial Valuation and Reporting for Postemployment Benefit Plans Other Than Pension Plans RFP #2018-001-FIS.

The following information shall be submitted with your proposal. Proposers must respond in the format delineated below and tabbed as applicable:

1. Qualifications of Firm

   Provide an overview of the history, structure and ownership of the firm, with an additional focus on previous experience and emphasis on OPEB valuations. Include a description of the firm's available resources for completion of OPEB valuations, with a brief overview of the firm's available staffing and technical resources at the office in which the work will be conducted. Also, indicate the location of the firm's headquarters and the office at which the work will be performed.

2. Qualifications of Staff

   Provide an organization chart that lists all staff to be assigned to provide the required services, resumes for key staff describing experience, training and education in the required consulting services, and tenure with the firm. Provide documentation as to specific degrees and professional designations held by each person and any professional societies of which they are members. Identify staff experience working with governmental entities and list those projects.

3. Technical Approach

   Describe the actuarial approach(es) that will be used in performing this work in compliance with GASB Statement No.'s 74 and 75. Identify key assumptions and methodology underlying the valuation, and state to which actuarial standards of practice they conform to. Describe the firm's data collection and assimilation process, and briefly identify the key steps for producing the valuation, including testing and quality control/assurance procedures.

   Confirm the firm's agreement to meet the minimum requirements of this RFP as specified in the Scope of Work **(Attachment A).**

4. References

   List at least five references, with a minimum of three from city or county entities, for which the firm has performed similar work, including the contact name, address, e-mail address, telephone number and date of the contract. The contact person listed as a reference shall be someone who has personal knowledge of the firm's performance during the referenced contract. Contact persons must have been informed that they are being used as a reference and that the Comptroller may be calling them. More than one person can be listed, but all must have knowledge of the work performed. Beyond specific references in this prescribed format, Proposers may also include a listing of additional entities for which they have prepared OPEB actuarial valuation reports.

5. Fee Proposal and Hours **(Attachment B)**

   Each Proposer must complete and submit the Fee Proposal Form included herein as **Attachment B**. The Comptroller is requiring a fixed fee for the completion of the annual actuarial valuation reports, which shall include ALL costs, including travel and out-of-pocket expenses. One annual onsite meeting is required of the Consultant to discuss the completed draft valuation reports and resolve all issues. Estimated hours by each classification are also required. In addition, state hourly fees associated with performance of additional services, if any, which shall include ALL costs including travel and out-of-pocket expenses that may arise. If contract renewals are executed for years two through five, then the annual fixed fee will be based on the prior year fee with a cost-of-living index adjustment as described in the standard contract **(Exhibit A)**.

6. Additional Forms to Be Submitted **(Attachments C-1, C-2 and D)**

   The Conflict/Non-Conflict of Interest and Litigation form **(Attachment C-1)** must be submitted with the proposal. Proposer may attach pages to that form as necessary. This form also serves to acknowledge receipt of any addenda subsequently issued for this RFP. The Authorized Signatories/Negotiators and Acknowledgement of Addenda form (**Attachment C-2**) must be submitted with the proposal. If the Proposer intends to sub-contract any portion of the work, the Schedule of Subcontracting form **(Attachment D)** must be submitted with the proposal.

7. Optional Drug-Free Workplace **(Attachment E)**

   Section 287.087, Florida Statutes, provides that whenever two or more bids, proposals, or replies that are equal with respect to price, quality, and service are received by the state or by any political subdivision for the procurement of commodities or contractual services, a bid, proposal, or reply received from a Proposer that certifies that it has implemented a drug-free workplace program shall be given preference in the award process. The Drug-Free Workplace form (**Attachment E**) contains the statements required by Section 287.087, Florida Statutes.

8. Standard Contract Review **(Exhibit A)**

   The contract that the Comptroller intends to use for award is enclosed for reference as **Exhibit A**. Proposers shall review this exhibit and any exceptions to this standard contract must be clearly indicated by return of the standard contract with the proposal, with exceptions clearly noted. The Comptroller has the right to require the selected Proposer to sign the standard contract or to negotiate revisions to the contract language prior to its execution of the contract, at its sole discretion. The Comptroller also reserves the right to reject any contract that does not conform to the RFP and any Comptroller requirements for contracts.

9. Insurance Coverage Requirements

   Consultant insurance requirements stated in Section 7 of the RFP Terms and Conditions, together with insurance **Exhibits D-1 through D-3** as may be applicable, are informational and only required to be submitted by the successful Proposer at the time of contract award.

(Remainder of this page intentionally left blank)

SELECTION CRITERIA FOR PROPOSERS

CRITERIA	WEIGHT
Qualifications of Firm	20
Qualifications of Staff	20
Technical Approach	20
References	10
Fee Proposal and Hours	30
TOTAL	**100**

A selection team made up of representatives from the Comptroller, County and Orange County Sheriff's office will evaluate all submitted proposals based on the above criteria within approximately ten working days. The Comptroller reserves the right to request clarification of information submitted and additional information of one or more Proposers.

ATTACHMENTS

Attachment A	Scope of Work
Attachment B	Fee Proposal Form
Attachment C-1	Conflict/Non-Conflict of Interest and Litigation
Attachment C-2	Authorized Signatories/Negotiators and Acknowledgement of Addenda
Attachment D	Schedule of Subcontracting
Attachment E	Drug-Free Workplace (optional)

EXHIBITS

Exhibit A	Standard Contract
Exhibit B	Actuarial Valuation Reports for Fiscal Year 2018
Exhibit C	Orange County Retiree Health Care Benefit Trust Agreement
Exhibit D	Insurance Coverage Forms Exhibit Forms D-1 through D-3 are related to Consultant insurance requirements stated in Section 7 of the RFP Terms and Conditions

SCOPE OF WORK

Objective

The Orange County Comptroller (Comptroller), a constitutional officer of the State of Florida acting as Trustee for the Orange County Retiree Health Care Benefit Trust created by the Orange County Board of County Commissioners (County) for other postemployment benefits (OPEB), is seeking to engage a qualified actuarial firm (Consultant) on a continuing contractual basis to perform annual actuarial valuations and issue reports in compliance with the Governmental Accounting Standards Board's (GASB) Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

On an annual basis, beginning with the fiscal year ending September 30, 2019, the Consultant will prepare two separate actuarial valuations, one (County Report) covering the County and four of its constitutional officers (Comptroller, Property Appraiser, Supervisor of Elections, Tax Collector), and the second (Sheriff Report) covering the Sheriff's Office. The County Report will also require a supplemental allocation page to provide information for distribution of OPEB contribution charges in its annual operating budget. These reports and the supplemental allocation page shall contain the information required by GASB No. 74 and GASB No. 75, as they may be amended, and be in a similar format as the most recent actuarial valuation reports for Fiscal Year 2018, which are included as **Exhibit B**.

County Profile

Orange County is in the approximate center of the State of Florida and encompasses an area of about 1,000 square miles. Orlando, the County seat, is its principal city. Including Orlando, there are 13 incorporated municipalities throughout the County. The County's population growth rate for 2017 was nearly three percent as compared to approximately two percent for the State as a whole. The 2017 population estimate was 1,313,880, making Orange County the fifth largest County in the State. Nearly two-thirds of the County's population resides in its unincorporated areas.

Orange County was established in 1824 and currently operates under a charter that was originally enacted by the voters effective January 1, 1987 and subsequently amended by the voters in 1988, 1992, 1996, 1998, 2004, 2008, 2012, 2014 and 2016. Charter powers address self-government and cannot conflict with general law or special law approved by the voters. The established legislative body of the County is the Board of County Commissioners, which consists of the County Mayor elected at-large and six single-member district Commissioners. Specifically designated governmental functions are performed by separately elected constitutional officers, who are elected Countywide. The constitutional officers are the Clerk of the Circuit and County Courts, Comptroller, Property Appraiser, Sheriff, Supervisor of Elections, and Tax Collector. All elected officials serve four-year terms.

The County provides its citizens with a wide range of services that include law enforcement, corrections facilities, civil and criminal justice, fire and EMS services, health and social services, housing assistance, animal services, parks and recreation operations, children's programs, environmental regulation and protection, road, bridge and drainage maintenance and construction, and other general and administrative support services. Additionally, the County owns and operates a water and wastewater utility, a solid waste landfill and recycling program, and the Orange County Convention Center.

Background

In 2004, the GASB issued Statement No. 43 (GASB 43), together with Statement No. 45 (GASB 45), to establish new requirements for reporting and disclosing information about OPEB plans. In general, employers must account for and report the costs and obligations of OPEB in a similar manner as what is required for pensions. The County elected to implement the requirements of GASB 45 in the fiscal year ended September 30, 2007.

The County approved an irrevocable trust agreement, with the Comptroller as Trustee, on September 18, 2007 with an effective date of October 1, 2006. The irrevocable trust agreement was created for the sole purpose of providing funding for and payment of OPEB to beneficiaries. The County made an initial deposit for Fiscal Year 2007 that represented the annual required contribution as determined by an actuarial firm. The County has also appropriated funds for deposit in subsequent fiscal years that approximate the annual OPEB cost.

In 2015, the GASB issued Statement No. 74 (GASB 74), and Statement No. 75 (GASB 75), which, together, replaced GASB Statements No. 43 and No. 45. The County implemented the requirements of GASB 74 in the fiscal year ended September 30, 2017, and will implement the requirements of GASB 75 in its fiscal year ending September 30, 2018. The County intends to continue appropriating funds for deposit in an amount that approximates the annual actuarially determined contribution.

Plan Description

For a full plan description, see **Exhibit C** which is the County's approved irrevocable trust agreement. In summary, benefits offered by the County, Sheriff's Office, and other constitutional officers that are subject to GASB 75 include: 1) the right of certain retired employees to continue in the County's health insurance plan (Sheriff's Office maintains a separate health insurance plan) at the same group rate as for active employees (as required per Section 112.0801, Florida Statutes), and 2) payment of a defined monthly health insurance subsidy to certain retirees who have met a specified combined term of service with the County and/or one or more of its constitutional officers, with the exception of the Clerk of Courts.

Performance

Consultant shall perform actuarial valuations and reports on the OPEB plan as follows. By mid-October of each year, the County and the five constitutional officers will each provide to the Consultant, in their own respective formats, all necessary data to complete the County Report, Sheriff Report, and the supplemental allocation page. Data provided by the County will be at the level of detail needed to produce the supplemental allocation page. Preliminary draft reports must be made available to the Comptroller three weeks after the Consultant receives all necessary data from the County and the five constitutional officers. The Comptroller will schedule an onsite meeting with the Consultant to discuss the draft County Report and Sheriff Report, and to resolve all outstanding issues. The Consultant must then provide five bound final reports and an electronic PDF file of each report, together with an electronic PDF file of the supplemental allocation page, to the Comptroller no later than December 15th of each year. The final reports shall include an Actuarial Certification from the principal of the firm affirming the findings of the actuarial valuations.

All of the above constitutes the required Scope of Work included in the fixed fee described in paragraph 5 of the Proposal Format Section and **Attachment B** of this RFP. Additional services, if any, will be subject to negotiation as described in paragraph 5 of the Proposal Format Section of this RFP.

(Remainder of this page intentionally left blank)

FEE PROPOSAL FORM

The Consultant shall provide all, labor, equipment, manpower and other resources necessary to provide all services in strict accordance with the Scope of Work defined in this RFP for the amounts specified in this Fee Proposal Form. Fixed fee and hourly rates shall include ALL costs associated with performance of the contract, including lodging, travel and out-of-pocket expenses. This includes all onsite meetings.

I. Firm Fixed Fee for Fiscal Year 2019 Actuarial Valuations and Supplemental Allocation Page: $_______________

II. Estimated Hours by Classification:

Provide an estimate of the number of hours of work by classification to complete the annual actuarial valuations and supplemental allocation page under the fixed fee stated above.

CLASSIFICATION/TITLE	HOURS
________________________	__________
________________________	__________
________________________	__________
________________________	__________
________________________	__________

III. Schedule of Hourly Rates by Classification for additional services, if any:

CLASSIFICATION/TITLE	RATE
________________________	$__________
________________________	$__________
________________________	$__________
________________________	$__________
________________________	$__________

CONFLICT/NON-CONFLICT OF INTEREST

CHECK ONE

[ ] To the best of our knowledge, the undersigned Proposer has no conflict or potential conflict of interest due to any other clients, contracts, or property interest for this proposal/project.

OR

[ ] The Proposer, **BY ATTACHMENT TO THIS FORM**, submits information, which may be a potential conflict of interest due to other clients, contracts, or property interest for this proposal/project.

LITIGATION

CHECK ONE

[ ] The undersigned Proposer has not been involved in any litigation during the past five (5) years involving its provision of materials or services under a contract or for a project.

OR

[ ] The undersigned Proposer, **BY ATTACHMENT TO THIS FORM**, submits a summary and disposition of individual cases of litigation during the past five years involving its provision of materials or services under a contract or on a project and any actions against it by any Federal, State, or local agency.

____
PROPOSER NAME

____
AUTHORIZED SIGNATURE

____
NAME (PRINT OR TYPE)

____
TITLE

Failure to check the appropriate blocks above may result in disqualification of your proposal. Likewise, failure to provide documentation of a possible conflict of interest, or a summary of litigation, may result in disqualification of your proposal.

AUTHORIZED SIGNATORIES/NEGOTIATORS

The Proposer represents that the following persons are authorized to sign and/or negotiate contracts and related documents to which the Proposer will be duly bound:

Name Title Telephone Number Email

____

____

____

____
(Signature on behalf of Proposer)

____
(Title)

____
(Name of Business)

The Proposer shall complete and submit the following information with the proposal:

Type of Proposer

____ Sole Proprietorship ____ Partnership

____ Joint Venture ____ Corporation

State of Organization or Incorporation: __________________

ACKNOWLEDGEMENT OF ADDENDA

The Proposer shall acknowledge receipt of any addenda issued (if any) to this RFP by completing the blocks below or by completion of the applicable information on the addendum and returning it not later than the date and time for receipt of the proposal. Failure to acknowledge an addendum that has a material impact on this RFP may negatively impact the responsiveness of your proposal. Material impacts include but are not limited to changes to specifications, scope of work, delivery time, performance period, insurance, or qualifications.

Addendum No.______, Date_____________ Addendum No._____, Date___________

SCHEDULE OF SUBCONTRACTING

As specified in Section 5 of the RFP Terms and Conditions, Proposers are to present the details of subcontractor participation, if any.

NAME OF SUBCONTRACTOR	ADDRESS	TYPE OF WORK TO BE PERFORMED

DRUG-FREE WORKPLACE (OPTIONAL)

The undersigned Proposer, in accordance with Section 287.087, Florida Statutes, hereby certifies that ______________________________________ does:
Name of Proposer

1. Publish a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the workplace and specifying the actions that will be taken against employees for violations of such prohibition.

2. Inform employees about the dangers of drug abuse in the workplace, the Proposer's policy of maintaining a drug-free workplace, any available drug counseling or rehabilitation, employee assistance programs, and the penalties that may be imposed upon employees for drug abuse violations.

3. Give each employee, engaged in providing the commodities or contractual services that are under proposal, a copy of the statement specified in Paragraph 1.

4. In the statement specified in Paragraph 1, notify the employees that, as a condition of working on the commodities or contractual services that are under proposal, the employee will abide by the terms of the statement and will notify the employer of any conviction of, or plea of guilty or nolo contendere to, any violation of Chapter 893, Florida Statutes, or of any controlled substance law of the United States or any state, for a violation occurring in the workplace no later than five (5) days of such conviction.

5. Impose a sanction on, or require the satisfactory participation in a drug abuse assistance or rehabilitation program if such is available in the employee's community, by any employee who is so convicted.

6. Make a good faith effort to continue to maintain a drug-free workplace through implementation of Paragraphs 1 through 5.

As the person authorized to sign this statement, I certify that this firm complies fully with above requirements.

____
Proposer’s Signature

____
Date

REQUEST FOR PROPOSALS

EXHIBITS

EXHIBIT A	Standard Contract
EXHIBIT B	Actuarial Valuation Reports for Fiscal Year 2018
EXHIBIT C	Orange County Retiree Health Care Benefit Trust Agreement
EXHIBIT D	Insurance Coverage Forms

Exhibit Forms D-1 through D-3 are related to Consultant insurance requirements stated in Section 7 of the RFP Terms and Condition

EXHIBIT A

STANDARD CONTRACT

STANDARD CONTRACT FOR
RFP # 2018-001-FIS

This Contract is made as of the ___ day of October, 2018 by and between the Orange County Comptroller, a constitutional officer of the State of Florida, hereinafter referred to as the COMPTROLLER, acting as Trustee for the Orange County Retiree Health Care Benefit Trust as created by Orange County, Florida through its Board of County Commissioners, hereinafter referred to as the COUNTY, and ________________, [ ] an individual, [ ] a partnership, [ ] a corporation authorized to do business in the State of Florida, hereinafter referred to as the CONSULTANT, whose Federal I.D. or Social Security number is ____________.

In consideration of the mutual promises contained herein, the COMPTROLLER and the CONSULTANT agree as follows:

ARTICLE 1 - SERVICES

The CONSULTANT'S responsibility under this Contract is to provide professional/consultation services in the area of actuarial valuation reports and related services for other postemployment benefits, as more specifically set forth in the **Scope of Work** set forth in **Exhibit "A"**, attached hereto and incorporated herein by reference. Payment for work performed shall be in accordance with the **Fee Schedule** set forth in **Exhibit "B"**, attached hereto and incorporated herein by reference.

The COMPTROLLER'S representative/liaison during the performance of this Contract shall be the Director of Finance and Accounting, telephone no. 407-836-5715.

ARTICLE 2 - SCHEDULE

The CONSULTANT shall commence services on October __, 2018 and complete all services by August 31, 2019.

Reports and other items shall be delivered or completed in accordance with the schedule set forth in **Exhibit "A"**.

This Contract may be renewed, by mutual agreement, for four (4) additional annual periods up to a cumulative total of five (5) years at the same terms and conditions. Any change in price, terms or conditions shall be accomplished by written amendment to this Contract.

If this Contract is renewed, the Contract amount for the Fiscal Year 2019 actuarial valuation reports, including the hourly rates stated in **Exhibit "B"**, will be adjusted each subsequent year by the percentage change in the U.S. Department of Labor Consumer Price Index for All Urban Consumers ("CPI-U"), U.S. City Average, All Items for June 2019 as compared to June 2018 for the first contract year renewal, June 2020 as compared to June 2019 for the second contract year renewal, June 2021 as compared to June 2020 for the third contract year renewal, and June 2022 as compared to June 2021 for the fourth contract year renewal. Notwithstanding the previous sentence, in no event shall a percentage increase or decrease exceed five (5) percent for any annual adjustment. The COMPTROLLER may request additional services within the scope of this engagement, or other entities either related to the COUNTY or participating in the COUNTY'S medical insurance plan may request actuarial services related to other postemployment benefits, in accordance with the CONSULTANT'S schedule of hourly rates by classification. Any such additional services shall commence only after execution of a Contract amendment or a letter of engagement.

Any order issued during the effective date of this Contract, but not completed within that period, shall be completed by the CONSULTANT within the time specified in the order. The Contract shall govern the CONSULTANT and the COMPTROLLER'S rights and obligations with respect to the extent as if the order were completed during the Contract's performance period.

ARTICLE 3 - PAYMENTS TO CONSULTANT

A. The total amount to be paid under this Contract in the initial contractual period for the Scope of Work described in **Exhibit "A"** shall be _______________ Dollars ($_________). The CONSULTANT will notify the COMPTROLLER, in writing, when 90% of the estimated Contract amount has been reached. The CONSULTANT will bill the COMPTROLLER on a monthly basis, or as otherwise provided, at the hours and rates set forth in the Fee Schedule detailed in **Exhibit "B"** for services rendered toward the completion of the Scope of Work. Where incremental billing for partially completed items is permitted, the total incremental billings shall not exceed the percentage of estimated completion as of the billing date.

B. Invoices received from the CONSULTANT pursuant to this Contract will be reviewed and approved by the COMPTROLLER'S representative, indicating that services have been rendered in conformity with the Contract and then will be sent to the COMPTROLLER'S Finance and Accounting Department for payment. Invoices must reference this Contract number. Invoices will be paid in accordance with the State of Florida Prompt Payment Act.

C. Final Invoice: In order for both parties herein to close their books and records, the CONSULTANT will clearly state "final invoice" on the CONSULTANT'S final/last billing. This certifies that all services have been properly performed and all charges and costs have been invoiced to the COMPTROLLER. Since this account will thereupon be closed, any and other further charges if not properly included on this final invoice are waived by the CONSULTANT.

ARTICLE 4 - TRUTH IN NEGOTIATION CERTIFICATE

Signature of this Contract by the CONSULTANT shall act as the execution of the truth-in-negotiation certificate certifying that the wage rates and costs used to determine the compensation provided for in this Contract are accurate, complete and current as of the date of the Contract and no higher than those charged the CONSULTANT'S most favored customer for the same or substantially similar service.

The said rates and costs shall be adjusted to exclude any significant sums should the COMPTROLLER determine that the rates and costs were increased due to inaccurate, incomplete or non-current wage rates or due to inaccurate representations of fees paid to outside consultants. The COMPTROLLER shall exercise its right under this "Certificate" within one (1) year following final payment.

ARTICLE 5 – TERMINATION

A. Termination for Default:

The COMPTROLLER may, by written notice to the CONSULTANT, terminate this Contract for default in whole or in part (delivery orders, if applicable) if the CONSULTANT fails to:

1. provide services that comply with the specifications herein or fails to meet the COMPTROLLER'S performance standards

2. perform the services within the time specified in this Contract or any extension.

3. perform any of the other provisions of this Contract.

Prior to termination for default, the COMPTROLLER will provide adequate written notice to the CONSULTANT, affording it the opportunity to cure the deficiencies or to submit a specific plan to resolve the deficiencies within ten (10) days (or the period specified in the notice) after receipt of the notice. Failure to adequately cure the deficiency may result in termination of the Contract. Such termination may also result in suspension or debarment of the CONSULTANT in accordance with the COUNTY'S Procurement Ordinance. The CONSULTANT and its sureties (if any) shall be liable for any damage to the COMPTROLLER resulting from the CONSULTANT's default of the Contract. This liability includes any reasonable increased costs incurred by the COMPTROLLER in completing Contract performance.

In the event of termination by the COMPTROLLER for any cause, the CONSULTANT will not have any claim against the COMPTROLLER for lost profits or compensation for lost opportunities. After a receipt of a Termination Notice and except as otherwise directed by the COMPTROLLER the CONSULTANT shall:

A. Stop work on the date and to the extent specified.

B. Terminate and settle all orders relating to the performance of the terminated work.

C. Transfer all work in process, completed work, and other materials related to the terminated work as directed by the COMPTROLLER.

D. Continue and complete all parts of that work that have not been terminated.

Neither CONSULTANT nor COMPTROLLER shall be liable, nor may cancel this Contract for default, when delays or failures in performance arise out of causes beyond the control of CONSULTANT or COMPTROLLER. Such causes may include but are not restricted to acts of God, acts of the COMPTROLLER or COUNTY in sovereign capacity, fires, floods, lightning strikes, epidemics, quarantine restrictions, labor disputes, strikes, wars, civil disturbances, work stoppage, power failures, laws, regulations, ordinances, acts or orders of any governmental agency or official thereof, and unusually severe weather. In every case, the delay must be beyond the control of the claiming party and without their fault or negligence. If CONSULTANT is delayed in its performance as a result of the above causes, COMPTROLLER, shall upon written request of CONSULTANT, agree to equitably adjust the provisions of this Contract, including price and delivery, as may be affected by such delay. However, this provision shall not be interpreted to limit COMPTROLLER'S right to terminate for convenience.

B. Termination for Convenience

The COMPTROLLER, by written notice, may terminate this Contract, in whole or in part, when it is in the COMPTROLLER'S interest. If this Contract is terminated, the COMPTROLLER shall be liable only for goods or services delivered and accepted. The COMPTROLLER Notice of Termination shall provide the CONSULTANT thirty (30) days prior notice before it becomes effective. **A termination for convenience may apply to individual delivery orders, purchase orders or to the Contract in its entirety.**

ARTICLE 6 - PERSONNEL

The CONSULTANT represents that it has, or will secure at its own expense, all necessary personnel required to perform the services under this Contract. Such personnel shall not be employees of or have any contractual relationship with the COMPTROLLER or COUNTY.

All of the services required hereinunder shall be performed by the CONSULTANT or under its supervision, and all personnel engaged in performing the services shall be fully qualified and, if required, authorized or permitted under state and local law to perform such services.

Any changes or substitutions in the CONSULTANT'S key personnel must be made known to the COMPTROLLER'S representative and written approval must be granted by the COMPTROLLER before said change or substitution can become effective.

The CONSULTANT warrants that all services shall be performed by skilled and competent personnel to the highest professional standards in the field. The COMPTROLLER may require, in writing, that the CONSULTANT remove from this Contract any employee the COMPTROLLER deems incompetent, careless, or otherwise objectionable.

ARTICLE 7 - FEDERAL AND STATE TAX

The COMPTROLLER and COUNTY are exempt from payment of Florida State Sales and Use Taxes. The COMPTROLLER will sign an exemption certificate submitted by the CONSULTANT. The CONSULTANT shall not be exempted from paying sales tax to its suppliers for materials used to fulfill contractual obligations with the COMPTROLLER, nor is the CONSULTANT authorized to use the COMPTROLLER'S or COUNTY'S Tax Exemption Number in securing such materials.

The CONSULTANT shall be responsible for payment of its own and its share of its employee FICA and Social Security benefits with respect to this Contract.

ARTICLE 8 - AVAILABILITY OF FUNDS

The COMPTROLLER'S performance and obligation to pay under this Contract is contingent upon an annual appropriation for its purpose by the Board of County Commissioners of the COUNTY, or available Trust funds for its purpose.

ARTICLE 9 – INSURANCE REQUIREMENTS

A. Prior to execution of the Contract by the COMPTROLLER and commencement of the operations and/or services to be provided, and during the duration of the Contract, the CONSULTANT shall file with the COMPTROLLER current certificates of all required insurance on forms acceptable to the COMPTROLLER, with the Certificate Holder listed as Orange County Comptroller, which shall include the following provisions:

1. All insurance policies shall be issued by companies authorized to do business under the laws of the State of Florida and acceptable to the COMPTROLLER.

2. The Certificates shall clearly indicate that the CONSULTANT has obtained insurance of the type, amount and classification as required for strict compliance with this insurance section.

3. No material change or cancellation of the insurance shall be effective without thirty (30) days prior written notice to the COMPTROLLER.

B. Coverages Required:

1. Commercial General Liability - The CONSULTANT shall maintain coverage issued **on the most recent version of the ISO form as filed for use in Florida or its equivalent**, with a limit of liability of not less than $500,000 per occurrence. CONSULTANT further agrees coverage shall not contain any endorsement(s) excluding or limiting Product/Completed Operations, Contractual Liability, or Separation of Insureds. The General Aggregate limit shall either apply separately to this Contract or shall be at least twice the required occurrence limit.

2. Professional Liability - The CONSULTANT shall maintain professional liability (errors and omissions) coverage with limits of not less than $1,000,000 per occurrence.

3. The COMPTROLLER shall be specifically included as an additional insured on the general liability policy.

C. All such insurance required of the CONSULTANT shall be at its sole expense and primary to, and not contribute with, any insurance or self-insurance maintained by the COMPTROLLER. These requirements, as well as the COMPTROLLER'S review or acceptance of insurance maintained by CONSULTANT is not intended to and shall not in any manner limit or qualify the liabilities or obligations assumed by CONSULTANT under the Contract.

D. Insurance carriers providing coverage required herein must be licensed to conduct business in the State of Florida and must possess a current A.M. Best's Financial Strength Rating of A- VIII Class or better. **(Note: State licenses can be checked via www.floir.com/companysearch/ and A.M. Best Ratings are available at www.ambest.com).** Any exceptions to the insurance requirements in this section must be approved in writing by the COMPTROLLER.

E. Renewal certificates shall be submitted upon request by the COMPTROLLER. Failure of the COMPTROLLER to demand such certificate or other evidence of full compliance with these insurance requirements or failure of the COMPTROLLER to identify a deficiency from evidence provided will not be construed as a waiver of the CONSULTANT'S obligation to maintain such insurance.

F. By entering into the Contract, CONSULTANT agrees to provide a waiver of transfer of rights of recovery in favor of the COMPTROLLER for general liability policies as required herein. When required by the insurer or should a policy condition not permit the CONSULTANT to enter into a pre-loss agreement to waive subrogation without an endorsement, then CONSULTANT agrees to notify the insurer and request the policy be endorsed with a Waiver of Subrogation or a Waiver of Transfer of Rights of Recovery Against Others endorsement.

CONSULTANT agrees to endorse the COMPTROLLER as an Additional Insured with a CG 20 26 Additional Insured – Designated Person or Organization endorsement, or its equivalent to all commercial general liability policies. The additional insured shall be listed in the name of the Orange County Comptroller.

G. The CONSULTANT shall require and ensure that each of its subcontractors providing services hereunder (if any) procures and maintains until the completion of their respective services, insurance of the types and to the limits specified herein.

ARTICLE 10 - INDEMNIFICATION

To the fullest extent permitted by law, the CONSULTANT shall defend, indemnify, and hold harmless the COMPTROLLER and COUNTY, its officials, agents, and employees from and against any and all claims, suits, judgments, demands, liabilities, damages, cost and expenses (including attorney's fees) of any kind or nature whatsoever arising directly or indirectly out of or caused in whole or in part by any act or omission of the CONSULTANT or its subcontractors (if any), anyone directly or indirectly employed by them, or anyone for whose acts any of them may be liable; excepting those acts or omissions arising out of the sole negligence of the COMPTROLLER or COUNTY.

ARTICLE 11 - SUCCESSORS AND ASSIGNS

The COMPTROLLER and the CONSULTANT each binds itself and its partners, successors, executors, administrators and assigns to the other party of this Contract and to the partners, successors, executors, administrators and assigns of such other party, in respect to all covenants of this Contract. Except as above, neither the COMPTROLLER nor the CONSULTANT shall assign, sublet, convey or transfer its interest in this Contract without the written consent of the other. Nothing herein shall be construed as creating any personal liability on the part of any officer or agent of the COMPTROLLER which may be a party hereto, nor shall it be construed as giving any rights or benefits hereunder to anyone other than the COMPTROLLER and the CONSULTANT.

ARTICLE 12 - REMEDIES

This Contract shall be governed by the laws of the State of Florida. Venue for any litigation involving this Contract shall be the Circuit Court in and for Orange County, Florida. No remedy herein conferred upon any party is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or at equity or by statute or otherwise. No single or partial exercise by any party of any right, power, or remedy hereunder shall preclude any other or further exercise thereof.

ARTICLE 13 - CONFLICT OF INTEREST

The CONSULTANT represents that it presently has no interest and shall acquire no interest, either direct or indirect, which would conflict in any manner with the performance or services required hereunder, as provided for in Florida Statutes 112.311. The CONSULTANT further represents that no person having any interest shall be employed for said performance.

The CONSULTANT shall promptly notify the COMPTROLLER in writing by certified mail of all potential conflicts of interest for any prospective business association, interest or other circumstance, which may influence or appear to influence the CONSULTANT'S judgment or quality of services being provided hereunder. Such written notification shall identify the prospective business association, interest or circumstance, the nature of work that the CONSULTANT may undertake and request an opinion of the COMPTROLLER as to whether the association, interest or circumstance would, in the opinion of the COMPTROLLER, constitute a conflict of interest if entered into by the CONSULTANT. The COMPTROLLER agrees to notify the CONSULTANT of its opinion by certified mail within thirty (30) days of receipt of the notification by the CONSULTANT. If, in the opinion of the COMPTROLLER, the prospective business association, interest or circumstance will constitute a conflict of interest by the CONSULTANT, the COMPTROLLER will so state in the notification. If, in the opinion of the COMPTROLLER, the prospective business association, interest or circumstance would not constitute a conflict of interest by the CONSULTANT, the COMPTROLLER shall so state in the notification and the CONSULTANT shall, at its option, enter into said association, interest or circumstance and it shall be deemed not in conflict of interest with respect to services provided to the COMPTROLLER by the CONSULTANT under the terms of this Contract. The CONSULTANT will have no claim for damages, costs, expenses, lost profits or income of any nature whatsoever as a result of the COMPTROLLER'S determination of a conflict of interest.

ARTICLE 14 - EXCUSABLE DELAYS

The CONSULTANT shall not be considered in default by reason of any failure in performance if such failure arises out of causes reasonably beyond the control of the CONSULTANT or its sub-consultants and without their fault or negligence. Such causes include, but are not limited to: acts of God; natural or public health emergencies; labor disputes; freight embargoes; and abnormally severe and unusual weather conditions.

Upon the CONSULTANT'S request, the COMPTROLLER shall consider the facts and extent of any failure to perform the work and, if the CONSULTANT'S failure to perform was without it or its sub-consultant's fault or negligence, the Contract schedule and/or any other affected provision of this Contract shall be revised accordingly; subject to the COMPTROLLER'S right to change, terminate, or stop any or all work at any time.

ARTICLE 15 - ARREARS

The CONSULTANT shall not pledge the COMPTROLLER'S or COUNTY'S credit or make it a guarantor of payment or surety for any contract, debt, obligation, judgment, lien, or any form of indebtedness. The CONSULTANT further warrants and represents that it has no obligation or indebtedness that would impair its ability to fulfill the terms of this Contract.

ARTICLE 16 - DISCLOSURE AND OWNERSHIP OF DOCUMENTS

The CONSULTANT shall deliver to the COMPTROLLER for approval and acceptance, and before being eligible for final payment or any amounts due, all documents and materials prepared by and for the COMPTROLLER under this Contract.

All oral and written information not in the public domain or not previously known, and all information and data obtained, developed or supplied by the COUNTY, COMPTROLLER or other county constitutional officer, or at their expense, will be kept confidential by the CONSULTANT and will not be disclosed to any other party, directly or indirectly, without the COMPTROLLER'S prior written consent unless required by a lawful order. All programs, data bases, reports and other data developed or purchased under this Contract for or at the COMPTROLLER'S or COUNTY'S expense shall be and remain the COMPTROLLER'S and COUNTY'S property and may be reproduced at the discretion of the COMPTROLLER and COUNTY.

The COMPTROLLER, COUNTY and the CONSULTANT shall comply with the provisions of Chapter 119, Florida Statutes (Public Records Law).

All covenants, agreements, representations and warranties made herein, or otherwise made in writing by any party pursuant hereto, including but not limited to any representations made herein relating to disclosure or ownership of documents, shall survive the execution and delivery of this Contract and the consummation of the transactions contemplated hereby.

ARTICLE 17 - INDEPENDENT CONTRACTOR RELATIONSHIP

The CONSULTANT is, and shall be, in the performance of all work services and activities under this Contract, an Independent Contractor, and not an employee, agent or servant of the COMPTROLLER. All persons engaged in any of the work or services performed pursuant to this Contract shall at all times, and in all places, be subject to the CONSULTANT'S sole direction, supervision, and control. The CONSULTANT shall exercise control over the means and manner in which it and its employees perform the work, and in all respects the CONSULTANT'S relationship and the relationship of its employees to the COMPTROLLER shall be that of an Independent Contractor and not as employees or agents of the COMPTROLLER.

The CONSULTANT does not have the power or authority to bind the COMPTROLLER in any promise, agreement or representation other than as specifically provided for in this Contract.

ARTICLE 18 - CONTINGENT FEES

The CONSULTANT warrants that it has not employed or retained any company or person, other than a bona fide employee working solely for the CONSULTANT to solicit or secure this Contract and that it has not paid or agreed to pay any person, company, corporation, individual, or firm, other than a bona fide employee working solely for the CONSULTANT, any fee, commission, percentage, gift, or any other consideration contingent upon or resulting from the award or making of this Contract.

ARTICLE 19 - ACCESS AND AUDITS

The CONSULTANT shall establish and maintain a reasonable accounting system, which enables ready identification of CONSULTANT'S cost of goods and use of funds. Such accounting system shall also include adequate records and documents to justify all prices for all items invoiced as well as all charges, expenses and costs incurred in providing the goods for at least five (5) years after completion of this Contract. The COMPTROLLER or its designee shall have access to such books, records, financial operations, and documents of the CONSULTANT as required to comply with this Article for the purpose of inspection or audit anytime during normal business hours at the CONSULTANT'S place of business. This right to audit shall include the CONSULTANT'S sub-consultants used to procure goods or services under the contract with the COMPTROLLER. CONSULTANT shall ensure the COMPTROLLER has these same rights with sub-consultant(s) and suppliers.

ARTICLE 20 - ENTIRETY OF CONTRACTUAL AGREEMENT

The COMPTROLLER and the CONSULTANT agree that this Contract sets forth the entire agreement between the parties, and that there are no promises or understandings other than those stated herein. None of the provisions, terms and conditions contained in this Contract may be added to, deleted, modified, superseded or otherwise altered, except by written instrument executed by the parties hereto.

ARTICLE 21 – ENFORCEMENT COSTS

If any legal action or other proceeding is brought for the enforcement of this Contract, or because of an alleged dispute, breach, default or misrepresentation in connection with any provisions of this Contract, the successful or prevailing party or parties shall be entitled to recover reasonable attorney's fees, court costs and all expenses (including taxes) even if not taxable as court costs (including, without limitation, all such fees, costs and expenses incident to appeals), incurred in that action or proceeding, in addition to any other relief to which such party or parties may be entitled.

ARTICLE 22 - AUTHORITY TO PRACTICE

The CONSULTANT hereby represents and warrants that it has and will continue to maintain all licenses and approvals required to conduct its business, and that it will at all times conduct its business activities in a reputable manner. Proof of such licenses and approvals shall be submitted to the COMPTROLLER upon request.

ARTICLE 23 - SEVERABILITY

If any term or provision of this Contract, or the application thereof to any person or circumstances shall, to any extent, be held invalid or unenforceable, the remainder of this Contract, or the application of such terms or provision, to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected, and every other term and provision of this Contract shall be deemed valid and enforceable to the extent permitted by law.

ARTICLE 24 - MODIFICATIONS OF WORK

The COMPTROLLER reserves the right to make changes in the Scope of Work, including alterations, reductions therein or additions thereto. Upon receipt by the CONSULTANT of the

COMPTROLLER’S notification of a contemplated change, the CONSULTANT shall (1) if requested by COMPTROLLER, provide an estimate for the increase or decrease in cost due to the contemplated change, (2) notify the COMPTROLLER of any estimated change in the completion date, and (3) advise the COMPTROLLER in writing if the contemplated change shall affect the CONSULTANT’S ability to meet the completion dates or schedules of this Contract.

If the COMPTROLLER so instructs in writing, the CONSULTANT shall suspend work on that portion of the work affected by a contemplated change, pending the COMPTROLLER’S decision to proceed with the change.

If the COMPTROLLER elects to make the change, the COMPTROLLER shall issue a Contract Amendment and the CONSULTANT shall not commence work on any such change until such written amendment has been issued and signed by each of the parties.

ARTICLE 25 - CONTRACT CLAIMS

“Claim” as used in this provision means a written demand or written assertion by one of the contracting parties seeking as a matter of right, the payment of a certain sum of money, the adjustment or interpretation of Contract terms, or other relief arising under or relating to this Contract.

Claims made by the CONSULTANT against the COMPTROLLER relating to this Contract shall be submitted to the Chief Deputy Comptroller in writing clearly labeled “Contract Claim” requesting a final decision. The CONSULTANT also shall provide with the claim a certification as follows: “I certify that the claim is made in good faith; that the supporting data are accurate and complete to the best of my knowledge and belief; that the amount requested accurately reflects the contract adjustment for which the CONSULTANT believes the COMPTROLLER is liable; and that I am duly authorized to certify the claim on behalf of the CONSULTANT.”

Failure to document a claim in this manner shall render the claim null and void. Moreover, no claim shall be accepted after final payment of the Contract.

The decision of the Chief Deputy Comptroller shall be issued in writing and shall be furnished to the CONSULTANT. The decision shall state the reasons for the decision reached. The Chief Deputy Comptroller shall render the final decision within sixty (60) days after receipt of CONSULTANT’S written request for a final decision. The Chief Deputy Comptroller’s decision shall be final and conclusive.

The CONSULTANT shall proceed diligently with performance of this Contract pending final resolution of any request for relief, claim, appeal or action arising under the Contract and shall comply with any final decision rendered by the Chief Deputy Comptroller.

ARTICLE 26 – ADDENDA

All requirements contained in any addenda to the solicitation for this procurement are part of and hereby incorporated into this Contract.

ARTICLE 27 - LAWS AND REGULATIONS

All applicable Federal and State laws, municipal and County ordinances shall apply to the solicitation and Contract.

ARTICLE 28 – USE OF CONTRACT BY OTHER GOVERNMENT AGENCIES

At the option of the CONSULTANT, the use of this Contract may be extended to other governmental agencies, including the State of Florida, its agencies, political subdivisions, counties and cities.

Each governmental agency allowed by the CONSULTANT to use this Contract shall do so independent of any other governmental agency. Each agency shall be responsible for its own purchases and shall be liable only for services received and accepted. No agency receives any liability by virtue of this Contract

ARTICLE 29 - NOTICE

All notices required in this Contract shall be sent by certified mail, return receipt requested, and if sent to the COMPTROLLER or COUNTY shall be mailed to:

___Orange County Comptroller________________________

___Attn: Chief Deputy Comptroller_____________________

___P. O. Box 38____________________________________

___Orlando, FL 32802-0038__________________________

and if sent to the CONSULTANT shall be mailed to:

____

____

____

____

IN WITNESS WHEREOF, the Orange County Comptroller has made and executed this Contract **#2018-001-FIS** on behalf of the COMPTROLLER and CONSULTANT has hereunto set its hand the day and year above written.

CONSULTANT:

____
Company Name

____
Signature

____
Typed Name

____
Title

__October , 2018
Date

ORANGE COUNTY COMPTROLLER

By: ___________________________________
Phil Diamond
County Comptroller

_____October , 2018_________________
Date

EXHIBIT "A"
TO CONTRACT # 2018-001-FIS

SCOPE OF WORK

Objective

The Orange County Comptroller, a constitutional officer of the State of Florida, hereinafter referred to as the "Comptroller", acting as Trustee for the Orange County Retiree Health Care Benefit Trust created by the Orange County Board of County Commissioners, hereinafter referred to as the "County", for other postemployment benefits (OPEB), has engaged ________________, a qualified actuarial firm, hereinafter referred to as the "Consultant", on a continuing contractual basis to perform annual actuarial valuations and issue reports in compliance with the Governmental Accounting Standards Board's (GASB) Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

On an annual basis, beginning with the fiscal year ending September 30, 2019, the Consultant will prepare two separate actuarial valuations, one (County Report) covering the County and four of its constitutional officers (Comptroller, Property Appraiser, Supervisor of Elections, Tax Collector), and the second (Sheriff Report) covering the Sheriff's Office. The County Report will also require a supplemental allocation page to provide information for distribution of OPEB contribution charges in its annual operating budget. These reports and the supplemental allocation page shall contain the information required by GASB No. 74 and GASB No. 75, as they may be amended, and be in a similar format as the most recent actuarial valuation reports for Fiscal Year 2018, which are included as **Exhibit B** in the Request for Proposal document, and incorporated herein by reference.

County Profile

Orange County is in the approximate center of the State of Florida and encompasses an area of about 1,000 square miles. Orlando, the County seat, is its principal city. Including Orlando, there are 13 incorporated municipalities throughout the County. The County's population growth rate for 2017 was nearly three percent as compared to approximately two percent for the State as a whole. The 2017 population estimate was 1,313,880, making Orange County the fifth largest County in the State. Nearly two-thirds of the County's population resides in its unincorporated areas.

Orange County was established in 1824 and currently operates under a charter that was originally enacted by the voters effective January 1, 1987 and subsequently amended by the voters in 1988, 1992, 1996, 1998, 2004, 2008, 2012, 2014 and 2016. Charter powers address self-government and cannot conflict with general law or special law approved by the voters. The established legislative body of the County is the Board of County Commissioners, which consists of the County Mayor elected at-large and six single-member district Commissioners. Specifically designated governmental functions are performed by separately elected constitutional officers, who are elected Countywide. The constitutional officers are the Clerk of the Circuit and County Courts, Comptroller, Property Appraiser, Sheriff, Supervisor of Elections, and Tax Collector. All elected officials serve four-year terms.

The County provides its citizens with a wide range of services that include law enforcement, corrections facilities, civil and criminal justice, fire and EMS services, health and social services, housing assistance, animal services, parks and recreation operations, children's programs, environmental regulation and protection, road, bridge and drainage maintenance and construction, and other general and administrative support services. Additionally, the County owns and operates a water and wastewater utility, a solid waste landfill and recycling program, and the Orange County Convention Center.

Background

In 2004, the GASB issued Statement No. 43, together with Statement No. 45, to establish new requirements for reporting and disclosing information about OPEB plans. In general, employers must account for and report the costs and obligations of OPEB in a similar manner as what is required for pensions. The County elected to implement the requirements of GASB Statement No. 45 in the fiscal year ended September 30, 2007.

The County approved an irrevocable trust agreement, with the Comptroller as Trustee, on September 18, 2007 with an effective date of October 1, 2006. The irrevocable trust agreement was created for the sole purpose of providing funding for and payment of OPEB to beneficiaries. The County made an initial deposit for Fiscal Year 2007 that represented the annual required contribution as determined by an actuarial firm. The County has also appropriated funds for deposit in subsequent fiscal years that approximate the annual OPEB cost.

In 2015, the GASB issued Statement No. 74 (GASB 74), and Statement No. 75 (GASB 75), which, together, replaced GASB Statements No. 43 and No. 45. The County implemented the requirements of GASB 74 in the fiscal year ended September 30, 2017, and will implement the requirements of GASB 75 in its fiscal year ending September 30, 2018. The County intends to continue appropriating funds for deposit in an amount that approximates the annual actuarially determined contribution.

Plan Description

For a full plan description, see **Exhibit C** in the Request for Proposal document, incorporated herein by reference, which is the County's approved irrevocable trust agreement. In summary, benefits offered by the County, Sheriff's Office, and other constitutional officers that are subject to GASB Statement No. 75 include: 1) the right of certain retired employees to continue in the County's health insurance plan (Sheriff's Office maintains a separate health insurance plan) at the same group rate as for active employees (as required per Section 112.0801, Florida Statutes), and 2) payment of a defined monthly health insurance subsidy to certain retirees who have met a specified combined term of service with the County and/or one or more of its constitutional officers, with the exception of the Clerk of Courts.

Performance

Consultant shall perform actuarial valuations and reports on the OPEB plan as follows. By mid-October of each year, the County and the five constitutional officers will each provide to the Consultant, in their own respective formats, all necessary data to complete the County Report, Sheriff Report, and the supplemental allocation page. Data provided by the County will be at the level of detail needed to produce the supplemental allocation page. Preliminary draft reports must be made available to the Comptroller three weeks after the Consultant receives all necessary data from the County and the five constitutional officers. The Comptroller will schedule an onsite meeting with the Consultant to discuss the draft County Report and Sheriff Report, and to resolve all outstanding issues. The Consultant must then provide five bound final reports and an electronic PDF file of each report, together with an electronic PDF file of the supplemental allocation page, to the Comptroller no later than December 15th of each year. The final reports shall include an Actuarial Certification from the principal of the firm affirming the findings of the actuarial valuations.

All of the above constitutes the required Scope of Work included in the fixed fee identified in Article 3 and **Exhibit "B"** of this Contract. Additional services, if any, will be subject to negotiation as described in Article 2 of this Contract.

(Remainder of this page intentionally left blank)

EXHIBIT "B"
TO CONTRACT # 2018-001-FIS

FEE SCHEDULE

The CONSULTANT shall provide all plant, labor, equipment, manpower and other resources necessary to provide all services in strict accordance with the Scope of Work defined in Exhibit "A" of this Contract for the amounts specified in this Fee Schedule. The below fixed fee includes all costs associated with performance of the required scope of services in this Contract, including lodging, travel and out-of-pocket expenses. This includes all onsite meetings.

I. Firm Fixed Fee for Fiscal Year 2019 Actuarial Valuations: $____________

II. Estimated Hours by Classification

Estimated number of hours of work by classification to complete the annual actuarial valuations under the fixed fee stated above.

CLASSIFICATION/TITLE	**HOURS**
__________________________	__________
__________________________	__________
__________________________	__________
__________________________	__________
__________________________	__________

III. Schedule of hourly rates by classification for additional services, if any:

CLASSIFICATION/TITLE	**RATE**
__________________________	$__________
__________________________	$__________
__________________________	$__________
__________________________	$__________
__________________________	$__________

EXHIBIT B

ACTUARIAL VALUATION REPORTS FOR FISCAL YEAR 2018

Aon
Retirement & Investment

Proprietary and Confidential

Actuarial Valuation Report

Orange County Government

GASB 43 and 45 OPEB For the Fiscal Year Ending September 30, 2017

GASB 75 OPEB For the Fiscal Year Ending September 30, 2018

Measurement Date September 30, 2017

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Introduction

This report documents the results of the actuarial valuation for the fiscal year ending September 30, 2018 of Orange County's Postretirement Medical Plan for the Orange County Government. The plan is a single-employer plan and does not issue a separate financial statement. As a result, all reporting requirements are included in the employer's financial statement. These results are based on a Measurement Date of September 30, 2017. The information provided in this report is intended strictly for documenting information relating to company and plan disclosure and reporting requirements.

Determinations for purposes other than the financial accounting requirements may be significantly different from the results in this report. Thus, the use of this report for purposes other than those expressed here may not be appropriate.

This valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board. In addition, the valuation results are based on our understanding of the financial accounting and reporting requirements under U.S. Generally Accepted Accounting Principles as set forth in Government Accounting Standards Board Statements 45 (GASB 45), 74 (GASB 74), and 75 (GASB 75) including any guidance or interpretations provided by the Company and/or its audit partners prior to the issuance of this report. The information in this report is not intended to supersede or supplant the advice and interpretations of Orange County's auditors.

Future actuarial measurements may differ significantly from the current measurements presented in this report due (but not limited to) to such factors as the following:

- Plan experience differing from that anticipated by the economic or demographic assumptions;
- Changes in actuarial methods or in economic or demographic assumptions;
- Increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and
- Changes in plan provisions or applicable law.

Due to the limited scope of our assignment, we did not perform an analysis of the potential range of such future measurements.

Funded status measurements shown in this report are determined based on various measures of plan assets and liabilities. For entity and plan disclosure and reporting purposes, funded status is determined using plan assets measured at market value. Plan liabilities are measured based on the interest rates and other assumptions summarized in the Actuarial Assumptions and Methods section of this report.

These funded status measurements may not be appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations, and funded status measurements for Orange County and plan disclosure and reporting purposes may not be appropriate for assessing the need for or the amount of future contributions. In conducting the valuation, we have relied on personnel, plan design, health care claim cost, and asset information supplied by Orange County as of the valuation date. While we cannot verify the accuracy of all the information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy or completeness of the information and believe that it has produced appropriate results.

The actuarial assumptions and methods used in this valuation are described in the Actuarial Assumptions and Methods section of this report. Orange County selected the economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB 45, GASB 74, and GASB 75. Aon provided guidance with respect to the mortality, health claims, medical trend, plan participation, and spousal assumptions, and it is our belief that these assumptions represent reasonable expectations of anticipated plan experience. All other assumptions were selected by Orange County and align with the Florida Retirement System (FRS) Pension valuation. We are not able to evaluate the reasonability of these assumptions because such an evaluation would require significant additional work beyond the scope of our assignment.

The undersigned are familiar with the near-term and long-term aspects of OPEB valuations and collectively meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. The information provided in this report is dependent upon various factors as documented throughout this report, which may be subject to change. Each section of this report is considered to be an integral part of the actuarial opinions.

To our knowledge, no colleague of Aon providing services to the Orange County Government has any material direct or indirect financial interest in Orange County. Thus, we believe there is no relationship existing that might affect our capacity to prepare and certify this actuarial report for Orange County.

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December 15, 2017

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Accounting Requirements GASB 45

Net OPEB Obligation at Fiscal Year End

The chart below shows the development of the Net OPEB Obligation (NOO) under GASB 45:

	Fiscal Year Ending	
	09/30/2016	**09/30/2017**
(1) Net OPEB Obligation as of the Beginning of Fiscal Year	$ (19,381,254)	$ (23,848,668)
(2) Annual OPEB Cost (AOC) for the Fiscal Year	$ 3,947,994	$ 4,164,161
(3) Contributions Made During the Fiscal Year:		
(a) Trust		
(i) Contributions to the Trust	$ 8,236,307	$ 6,974,440
(ii) Less Reimbursement for Implicit Subsidy	$ 5,289,555	$ 3,895,711
(iii) Total Trust Addition	$ 2,946,752	$ 3,078,729
(b) Premium Subsidy Payments Outside the Trust		
(i) Board of County Commissioners	$ 0	$ 0
(ii) Comptroller	$ 0	$ 0
(iii) Property Appraiser	$ 57,490	$ 59,160
(iv) Supervisor of Elections	$ 6,948	$ 7,508
(v) Tax Collector	$ 114,662	$ 127,684
(vi) Total	$ 179,100	$ 194,352
(c) Claim Payments Outside the Trust	$ 8,962,069	$ 7,808,343
(d) Administrative Expenses and Stop Loss Premium	$ 214,561	$ 197,018
(e) Less Retiree Premiums Paid During the Fiscal Year	$ 3,887,074	$ 4,109,651
(f) Total	$ 8,415,407	$ 7,168,791
(4) Net OPEB Obligation as of the End of the Fiscal Year	$ (23,848,668)	$ (26,853,298)

Liabilities and Normal Cost

The following table illustrates the liabilities and normal cost used for the development of the financial information and funding policy.

	October 1, 2016			October 1, 2017		
	Funded	**Not Funded**	**Total**	**Funded**	**Not Funded**	**Total**
(1) Accrued Liability						
(a) Active						
(i) Medical and Drug	19,546,222	0	19,546,222	19,719,924	0	19,719,924
(ii) Premium Subsidy	12,265,899	395,115	12,661,014	13,015,261	422,455	13,437,716
(iii) Total	31,812,121	395,115	32,207,236	32,735,185	422,455	33,157,640
(b) Inactive						
(i) Medical and Drug	14,958,910	0	14,958,910	14,972,765	0	14,972,765
(ii) Premium Subsidy	17,620,531	620,380	18,240,911	18,809,981	699,614	19,509,595
(iii) Total	32,579,441	620,380	33,199,821	33,782,746	699,614	34,482,360
(c) Total						
(i) Medical and Drug	34,505,132	0	34,505,132	34,692,689	0	34,692,689
(ii) Premium Subsidy	29,886,430	1,015,495	30,901,925	31,825,242	1,122,069	32,947,311
(iii) Total	64,391,562	1,015,495	65,407,057	66,517,931	1,122,069	67,640,000
(2) Normal Cost						
(i) Medical and Drug	1,991,714	0	1,991,714	1,371,531	0	1,371,531
(ii) Premium Subsidy	749,356	26,973	776,329	579,328	22,016	601,344
(iii) Total	2,741,070	26,973	2,768,043	1,950,859	22,016	1,972,875
(3) Expected Net Claims						
(a) Medical and Drug	2,690,557	0	2,690,557	2,620,424	0	2,620,424
(b) Premium Subsidy	1,805,203	67,417	1,872,620	1,994,548	78,414	2,072,962
(c) Total	4,495,760	67,417	4,563,177	4,614,972	78,414	4,693,386

Calculation Details

The following table illustrates the development of the Annual Required Contribution and Annual OPEB Costs. Due to the transition to GASB 74 and 75, the last year the Annual OPEB Cost is reported is fiscal year end September 30, 2017.

		Fiscal Year End September 30, 2017			Fiscal Year End September 30, 2018		
		Funded	**Not Funded**	**Total**	**Funded**	**Not Funded**	**Total**
(1)	Unfunded Accrued Liability	16,457,281	1,015,495	17,472,776	8,899,510	1,122,069	10,021,579
(2)	Annual Required Contribution (ARC)						
	(a) Amortization Amount	1,442,053	86,940	1,528,993	1,121,172	96,636	1,217,808
	(b) Normal Cost	2,741,070	26,973	2,768,043	1,950,859	22,016	1,972,875
	(c) Interest	292,819	7,974	300,793	215,042	8,306	223,348
	(d) Total	4,475,942	121,887	4,597,829	3,287,074	126,958	3,414,031
(3)	Less Amortization of NOO	(1,252,111)	16,372	(1,235,739)	N/A	N/A	N/A
(4)	Plus Interest on NOO	(1,691,525)	22,118	(1,669,407)	N/A	N/A	N/A
(5)	Annual OPEB Costs (AOC)	4,036,528	127,633	4,164,161	N/A	N/A	N/A

Actuarial (Gain)/Loss

Below is the development of the Actuarial (gain)/loss.

	Valuation Date	
	10/01/2016	**10/01/2017**
(1) Unfunded Accrued Liability as of Prior Valuation Date	$ 20,094,759	$ 17,472,776
(2) Amortization Payment	$ 1,641,701	$ 1,528,993
(3) Prior Year Funding Rate	7.50%	7.00%
(4) Interest: $[(1) - (2)] \times (3)$	$ 1,383,980	$ 1,116,065
(5) Expected Unfunded Accrued Liability as of Valuation Date: $(1) - (2) + (4)$	$ 19,837,038	$ 17,059,848
(6) Actual Unfunded Accrued Liability as of Valuation Date		
(a) Accrued Liability	$ 65,407,057	$ 67,640,000
(b) Asset Value	47,934,281	57,618,421
(c) Unfunded Accrued Liability: (a) – (b)	$ 17,472,776	$ 10,021,579
(7) Actuarial (Gain)/Loss: (c) – (5)	$ (2,364,262)	$ (7,038,269)

Amortization of Unfunded Liability

The table below lists the amortization bases included in the calculation of the ARC as of October 1, 2017.

Date		Period		Balance		Annual
Established	**Type of Base**	**Original**	**Remaining**	**Original**	**Remaining**	**Payment**
10/01/2006	Initial Unfunded	30	19	$ 48,475,359	$ 53,391,622	$ 3,728,455
10/01/2007	Gain	30	20	$ (424,612)	$ (467,820)	$ (31,500)
10/01/2008	Gain	30	21	$ (1,791,535)	$ (1,969,603)	$ (128,181)
10/01/2009	Gain	30	22	$ (4,685,652)	$ (5,129,434)	$ (323,354)
10/01/2010	Gain	30	23	$ (12,608,814)	$ (13,717,449)	$ (839,280)
10/01/2011	Gain	30	24	$ (302,166)	$ (326,118)	$ (19,401)
10/01/2012	Gain	30	25	$ (6,613,928)	$ (7,069,814)	$ (409,611)
10/01/2013	Loss	30	26	$ 8,319,729	$ 8,794,969	$ 497,024
10/01/2014	Gain	30	27	$ (5,121,316)	$ (5,346,754)	$ (295,133)
10/01/2015	Gain	30	28	$ (8,449,435)	$ (8,701,073)	$ (469,723)
10/01/2016	Gain	30	29	$ (2,364,261)	$ (2,398,678)	$ (126,794)
10/01/2017	Gain	30	30	$ (7,038,269)	$ (7,038,269)	$ (364,694)
	Total Charges				$ 10,021,579	$ 1,217,808

Funding Progress

The following table illustrates the funding progress required by GASB.

	Actuarial Valuation Date	
	09/30/2016	**09/30/2017**
(1) Interest Rate	7.0%	7.0%
(2) Covered Payroll	$ 385,083,380	$ 412,667,585
(3) Assets	$ 47,934,281	$ 57,618,421
(4) Accrued Liability at Fiscal Year End		
(a) Active	$ 32,207,236	$ 33,157,640
(b) Inactive	$ 33,199,821	$ 34,482,360
(c) Total	$ 65,407,057	$ 67,640,000
(5) Unfunded Actuarial Accrued Liability	$ 17,472,776	$ 10,021,579
(6) Funded Ratio	73.3%	85.2%
(7) Unfunded as a Percent of Covered Payroll	4.5%	2.4%

Funding Progress History

The following table illustrates the funding progress history required by GASB.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Actuarial Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded as a Percent of Covered Payroll
09/30/2007	$ 4,217,718	$53,050,128	$48,832,410	8.0%	$357,612,371	13.7%
09/30/2008	$ 8,723,127	$56,497,553	$47,774,426	15.4%	$373,049,153	12.8%
09/30/2009	$16,386,518	$60,132,462	$43,745,944	27.3%	$370,472,428	11.8%
09/30/2010	$21,504,757	$53,170,382	$31,665,625	40.4%	$358,483,231	8.8%
09/30/2011	$19,296,672	$50,928,612	$31,631,940	37.9%	$357,036,143	8.9%
09/30/2012	$26,029,275	$51,257,306	$25,228,031	50.8%	$359,937,850	7.0%
09/30/2013	$32,655,038	$66,246,236	$33,591,198	49.3%	$350,449,094	9.6%
09/30/2014	$40,312,681	$68,898,711	$28,586,030	58.5%	$366,329,236	7.8%
09/30/2015	$41,065,643	$61,160,402	$20,094,759	67.1%	$380,711,771	5.3%
09/30/2016	$47,934,281	$65,407,057	$17,472,776	73.3%	$385,083,380	4.5%
09/30/2017	$57,618,421	$67,640,000	$10,021,579	85.2%	$412,667,585	2.4%

Annual OPEB Cost and Net OPEB Obligation

The following table illustrates the development of the Annual OPEB Cost and the fiscal year end Net OPEB Obligation required by GASB.

	Fiscal Year Ending	
	09/30/2016	**09/30/2017**
(1) Interest Rate	7.50%	7.00%
(2) Annual OPEB Cost (AOC)		
(a) Annual Required Contribution of Employer (ARC)	$ 4,340,126	$ 4,597,829
(b) Less Amortization of NOO	$ (1,061,462)	$ (1,235,739)
(c) Plus Interest on NOO	$ (1,453,594)	$ (1,669,407)
(d) Total AOC	$ 3,947,994	$ 4,164,161
(3) End of Year Net OPEB Obligation (NOO)		
(a) Actual Beginning of Year NOO	$ (19,381,254)	$ (23,848,668)
(b) Plus Actual AOC	$ 3,947,994	$ 4,164,161
(c) Minus Contributions	$ 8,415,407	$ 7,168,791
(d) End of Year NOO	$ (23,848,668)	$ (26,853,298)

Asset Reconciliation

Below is the reconciliation of Assets.

	Valuation Date	
	10/01/2016	**10/01/2017**
(1) Assets as of Prior Valuation Date	$ 41,065,643	$ 47,934,281
(2) Income	$ 5,613,131	$ 8,419,056
(3) Contributions	$ 8,236,307	$ 6,974,440
(4) Benefit Payments (Implicit Subsidy)	$ (5,289,555)	$ (3,895,711)
(5) Benefit Payments (HIS Payments)	$ (1,691,245)	$ (1,813,645)
(6) Assets as of the Valuation Date	$ 47,934,281	$ 57,618,421

Accounting Requirements GASB 74 and 75

Development of GASB 75 Net OPEB Expense

Calculation Details

The following table illustrates the Net OPEB Liability under GASB 75.

	Fiscal Year Ending 09/30/2017	Fiscal Year Ending 09/30/2018
(1) OPEB Liability		
(a) Retired Participants and Beneficiaries Receiving Payment	$ 37,280,873	$ 37,355,968
(b) Active Participants	$ 41,106,250	$ 37,828,715
(c) Total	$ 78,387,123	$ 75,184,683
(2) Plan Fiduciary Net Position	$ 47,934,281	$ 57,618,421
(3) Net OPEB Liability	$ 30,452,842	$ 17,566,262
(4) Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	61.15%	76.64%
(5) Deferred Outflow of Resources for Contributions Made After Measurement Date	$ 7,168,791	TBD

GASB 75 Transition

(1) Net OPEB Obligation at Last Day of 2017 Fiscal Year	$ (26,853,298)
(2) Amount for Transition to GASB 75	$ 57,306,140
(3) Liability Under GASB 75 at First Day of 2018 Fiscal Year	$ 30,452,842

Expense

The following table illustrates the OPEB expense under GASB 75.

	Fiscal Year Ending 09/30/2018
(1) Service Cost	$ 2,891,141
(2) Interest Cost	4,344,756
(3) Expected Investment Return	(3,403,864)
(4) Employee Contributions	0
(5) Administrative Expense	0
(6) Plan Changes	0
(7) Amortization of Unrecognized	
(a) Liability (Gain)/Loss	352,324
(b) Asset (Gain)/Loss	(979,116)
(c) Assumption Change (Gain)/Loss	(795,586)
(8) Total Expense	$ 2,409,655

Shown below are details regarding the calculation of Service, Interest Cost and Expected Investment Return components of the Expense.

	Fiscal Year Ending 09/30/2018
(1) Development of Service Cost:	
(a) Normal Cost at Beginning of Measurement Period	$ 2,891,141
(2) Development of Interest Cost:	
(a) Total OPEB Liability at Beginning of Measurement Period	$ 78,387,123
(b) Normal Cost at Beginning of Measurement Period	$ 2,891,141
(c) Actual Benefit Payments	$ 5,784,094
(d) Discount Rate	5.54%
(e) Interest Cost	$ 4,344,756
(3) Development of Expected Investment Return:	
(a) Plan Fiduciary Net Position at Beginning of Measurement Period	$ 47,934,281
(b) Actual Contributions—Employer	$ 7,168,791
(c) Actual Contributions—Employee	$ 0
(d) Actual Benefit Payments	$ 5,784,094
(e) Administrative Expenses	$ 0
(f) Other	$ 0
(g) Expected Return on Assets	7.00%
(h) Expected Return	$ 3,403,864

The following table illustrates the Actual Contributions-Employer and Actual Benefit Payments under GASB 75.

	Fiscal Year Ending 09/30/2018
(1) Contributions Made by Employer	
(a) To a Trust	$ 6,974,440
(b) Claim Payments Outside the Trust	$ 7,808,343
(c) Retiree Premiums	$ (4,109,651)
(d) Less Reimbursement for Implicit Subsidy	$ (3,895,711)
(e) Health Insurance Subsidy Initially Paid Outside the Trust	$ 194,352
(f) Administrative Expenses and Stop Loss Premiums	$ 197,018
(g) Contributions—Employer	$ 7,168,791
(2) Gross Benefit Payments	
(a) Claim Payments Outside the Trust	$ 7,808,343
(b) Health Insurance Subsidy Initially Paid From Trust	$ 1,694,031
(c) Health Insurance Subsidy Initially Paid Outside the Trust	$ 194,352
(d) Administrative Expenses and Stop Loss Premiums	$ 197,019
(e) Total Gross Benefit Payments	$ 9,893,745
(3) Retiree Premiums	$ 4,109,651
(4) Actual Benefit Payments	$ 5,784,094

Reconciliation of Net OPEB Liability

Shown below are details regarding the Total OPEB Liability, Plan Fiduciary Net Position, and Net OPEB Liability for the Measurement Period from September 30, 2016 to September 30, 2017:

	Increase (Decrease)		
	Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability (c) = (a) – (b)**
Balance Recognized at September 30, 2017 (Based on September 30, 2016 Measurement Date)	$ 78,387,123	$ 47,934,281	$ 30,452,842
Changes Recognized for the Fiscal Year:			
Service Cost	2,891,141	N/A	2,891,141
Interest on the Total OPEB Liability	4,344,756	N/A	4,344,756
Changes of Benefit Terms	0	N/A	0
Differences Between Expected and Actual Experience	3,699,405	N/A	3,699,405
Changes of Assumptions	(8,353,648)	N/A	(8,353,648)
Benefit Payments	(5,784,094)	(5,784,094)	0
Contributions From the Employer	N/A	7,168,791	(7,168,791)
Contributions From the Employee	N/A	0	0
Net Investment Income	N/A	8,299,443	(8,299,443)
Administrative Expense	N/A	0	0
Net Changes	(3,202,440)	9,684,140	(12,886,580)
Balance Recognized at September 30, 2018 (Based on September 30, 2017 Measurement Date)	$ 75,184,683	$ 57,618,421	$ 17,566,262

Liability (Gain)/Loss

The following table illustrates the liability gain/loss under GASB 75.

		Fiscal Year Ending 09/30/2018
(1)	OPEB Liability at Beginning of Measurement Period	$ 78,387,123
(2)	Service Cost	2,891,141
(3)	Interest on the Total OPEB Liability	4,344,756
(4)	Changes of Benefit Terms	0
(5)	Changes of Assumptions	(8,353,648)
(6)	Benefit Payments	(5,784,094)
(7)	Expected OPEB Liability at End of Measurement Period	71,485,278
(8)	Actual OPEB Liability at End of Measurement Period	75,184,683
(9)	OPEB Liability (Gain)/Loss	$ 3,699,405
(10)	Average Future Working Life Expectancy	10.50
(11)	OPEB Liability (Gain)/Loss Amortization	$ 352,324

Asset (Gain)/Loss

The following table illustrates the asset gain/loss under GASB 75.

		Fiscal Year Ending 09/30/2018
(1)	OPEB Asset at Beginning of Measurement Period	$ 47,934,281
(2)	Contributions—Employer	7,168,791
(3)	Contributions—Employee	0
(4)	Expected Investment Income	3,403,864
(5)	Benefit Payments	(5,784,094)
(6)	Administrative Expense	0
(7)	Other	0
(8)	Expected OPEB Asset at End of Measurement Period	52,722,842
(9)	Actual OPEB Asset at End of Measurement Period	57,618,421
(10)	OPEB Asset (Gain)/Loss	$ (4,895,579)
(11)	Amortization Factor	5.00
(12)	OPEB Asset (Gain)/Loss Amortization	$ (979,116)

Deferred Outflows/Inflows

The following table illustrates the Deferred Inflows and Outflows as of September 30, 2018 under GASB 75.

	Deferred Outflows	Deferred Inflows
(1) Difference Between Actual and Expected Experience	$ 3,347,081	$ 0
(2) Net Difference Between Expected and Actual Earnings on OPEB Plan Investments	$ 0	$ (3,916,463)
(3) Assumption Changes	$ 0	$ (7,558,062)
(4) Sub Total	$ 3,347,081	$ (11,474,525)
(5) Contributions Made in Fiscal Year Ending 2018 After Measurement Date	$ 0	$ N/A
(6) Total	$ 3,347,081	$ (11,474,525)

Amortization of Deferred Inflows/Outflows

The table below lists the amortization bases included in the deferred inflows/outflows as of September 30, 2018.

Date		Period		Balance		Annual
Established	**Type of Base**	**Original**	**Remaining**	**Original**	**Remaining**	**Payment**
09/30/2017	Liability (Gain)/Loss	10.50	9.50	$ 3,699,405	$ 3,347,081	$ 352,324
09/30/2017	Asset (Gain)/Loss	5.00	4.00	$ (4,895,579)	$ (3,916,463)	$ (979,116)
09/30/2017	Assumptions	10.50	9.50	$ (8,353,648)	$ (7,558,062)	$ (795,586)
	Total Charges				$ (8,127,444)	$(1,422,378)

Amounts Recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

Year End September 30:

2019	$ (1,422,378)
2020	$ (1,422,378)
2021	$ (1,422,378)
2022	$ (1,422,378)
2023	$ (443,262)
Total Thereafter	$ (1,994,671)

Plan Fiduciary Net Position Projection[1]

The following table illustrates the projection of the fiduciary net position for use in the calculation of the discount rate as of September 30, 2018.

($ in thousands)

Year Ending September 30	Beginning Fiduciary Net Position (a)	Total Contributions (b)	Benefit Payments (c)	Administrative Expenses (d)	Investment Earnings (e)	Ending Fiduciary Net Position[2] (f)
2017	$68,157	$5,308	$7,133	$0	$4,526	$70,858
2018	70,858	5,216	7,424	0	4,705	73,355
2019	73,355	5,153	7,603	0	4,873	75,778
2020	75,778	5,156	7,786	0	5,037	78,184
2021	78,184	5,178	8,141	0	5,193	80,414
2022	80,414	5,207	8,491	0	5,337	82,467
2023	82,467	5,246	8,817	0	5,469	84,365
2024	84,365	5,256	9,213	0	5,589	85,997
2025	85,997	5,259	9,550	0	5,691	87,396
2026	87,396	5,237	9,870	0	5,778	88,541
2027	88,541	5,064	10,007	0	5,854	89,452
2028	89,452	5,066	10,240	0	5,909	90,187
2029	90,187	5,059	10,386	0	5,956	90,816
2030	91,170	5,058	10,693	0	5,989	91,170
2031	91,170	4,984	11,017	0	6,003	91,140
2032	91,140	4,998	11,291	0	5,991	90,839
2033	90,839	5,001	11,542	0	5,962	90,260
2034	90,260	4,989	11,701	0	5,916	89,464
2035	89,464	5,010	11,853	0	5,855	88,475
2036	88,475	5,027	11,982	0	5,781	87,301
2037	87,301	4,961	12,127	0	5,694	85,829
2038	85,829	4,881	12,365	0	5,583	83,927
2039	83,927	4,883	12,573	0	5,442	81,680
2040	81,680	4,816	12,995	0	5,270	78,771
2041	78,771	4,771	13,219	0	5,059	75,382
2042	75,382	4,762	13,393	0	4,816	71,567
2043	71,567	4,734	13,780	0	4,536	67,057
2044	67,057	4,712	13,473	0	4,230	62,526
2045	62,526	4,739	13,533	0	3,911	57,642
2046	57,642	4,758	13,336	0	3,576	52,641

[1] The combined cash flows for the County and Sheriff have been used to determine the discount rate.
[2] (f) = (a) + (b) – (c) – (d) + (e)

Year Ending September 30	Beginning Fiduciary Net Position (a)	Total Contributions (b)	Benefit Payments (c)	Administrative Expenses (d)	Investment Earnings (e)	Ending Fiduciary Net Position[1] (f)
2047	$52,641	$4,784	$13,272	$0	$3,228	$47,381
2048	47,381	4,813	13,410	0	2,855	41,639
2049	41,639	4,843	13,260	0	2,458	35,681
2050	35,681	4,739	13,498	0	2,033	28,956
2051	28,956	4,726	13,462	0	1,564	21,784
2052	21,784	4,690	13,250	0	1,069	14,293
2053	14,293	4,559	13,080	0	550	6,323
2054	6,323	4,582	12,047	0	28	0

Plan Fiduciary Net Position

The last year in which projected benefit payments are due from the Plan is 2115.

The Plan's projected fiduciary net position at the end of 2054 is $0, based on the valuation completed for the fiscal year ending September 30, 2018.

As such, the Plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current Plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2054. Therefore, the long-term expected rate of return on Plan investments of 7.00% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of September 30, 2018 shown earlier in this report, pursuant to paragraph 48 of GASB Statement No. 74.

In projecting the Plan's fiduciary net position the following assumptions were made:

1. Interest rate for discounting was 7.00% per annum.
2. Projected total contributions are employer contributions to amortize the unfunded actuarial accrued liability and cover annual normal costs (including administrative expenses). Contributions are assumed to be paid at year end.
3. Assumed contributions are based on the contribution policy of the Orange County Government as communicated by the Comptroller's Office on August 29, 2017. The Orange County Government will annually contribute the Actuarially Determined Contribution (ADC). The ADC is equal to the ARC for the current fiscal year.
4. Projected benefit payments have been determined in accordance with Paragraphs 30-35 of GASB Statement No. 75, and are based on the closed group of active, retired members and beneficiaries as of September 30, 2018. Benefit payments are assumed to be paid mid-year.
5. Administrative expenses are $0 for 2017. Expenses are assumed to be paid mid-year.
6. Projected investment earnings are based on the assumed investment rate of return of 7.00% per annum.

[1] (f) = (a) + (b) – (c) – (d) + (e)

Interest Rate Sensitivity

The following table illustrates the impact of interest rate sensitivity on the Net OPEB Liability for fiscal year ending September 30, 2017:

	1% Decrease (4.54%)	Current Rate (5.54%)	1% Increase (6.54%)
(1) Total OPEB Liability	$ 87,068,518	$ 78,387,123	$ 71,000,740
(2) Plan Fiduciary Net Position	$ 47,934,281	$ 47,934,281	$ 47,934,281
(3) Net OPEB Liability	$ 39,134,237	$ 30,452,842	$ 23,066,459

The following table illustrates the impact of interest rate sensitivity on the Net OPEB Liability for fiscal year ending September 30, 2018:

	1% Decrease (4.90%)	Current Rate (5.90%)	1% Increase (6.90%)
(1) Total OPEB Liability	$ 83,274,159	$ 75,184,683	$ 68,274,611
(2) Plan Fiduciary Net Position	$ 57,618,421	$ 57,618,421	$ 57,618,421
(3) Net OPEB Liability	$ 25,655,738	$ 17,566,262	$ 10,656,190

Healthcare Cost Trend Sensitivity

The following table illustrates the impact of healthcare cost trend sensitivity on the Net OPEB Liability for fiscal year ending September 30, 2017:

	1% Decrease	Trend Rate	1% Increase
(1) Total OPEB Liability	$ 73,589,291	$ 78,387,123	$ 84,374,458
(2) Plan Fiduciary Net Position	$ 47,934,281	$ 47,934,281	$ 47,934,281
(3) Net OPEB Liability	$ 25,655,010	$ 30,452,842	$ 36,440,177

The following table illustrates the impact of healthcare cost trend sensitivity on the Net OPEB Liability for fiscal year ending September 30, 2018:

	1% Decrease	Trend Rate	1% Increase
(1) Total OPEB Liability	$ 70,938,613	$ 75,184,683	$ 80,411,989
(2) Plan Fiduciary Net Position	$ 57,618,421	$ 57,618,421	$ 57,618,421
(3) Net OPEB Liability	$ 13,320,192	$ 17,566,262	$ 22,793,568

Disclosure—Changes in the Net OPEB Liability and Related Ratios

Changes in the Net OPEB Liability and Related Ratios[1]

	Fiscal Year Ending 2017	2018
Total OPEB Liability		
Service Cost	N/A	$ 2,891,141
Interest Cost	N/A	$ 4,344,756
Changes of Benefit Terms	N/A	$ 0
Differences Between Expected and Actual Experiences	N/A	$ 3,699,405
Changes of Assumptions	N/A	$ (8,353,648)
Benefit Payments	N/A	$ (5,784,094)
Net Change in Total OPEB Liability	N/A	$ (3,202,440)
Total OPEB Liability (Beginning)	N/A	$ 78,387,123
Total OPEB Liability (Ending)	$ 78,387,123	$ 75,184,683
Plan Fiduciary Net Position		
Contributions—Employer	N/A	$ 7,168,791
Contributions—Member	N/A	$ 0
Net Investment Income	N/A	$ 8,299,443
Benefit Payments	N/A	$ (5,784,094)
Administrative Expense	N/A	$ 0
Other	N/A	$ 0
Net Change in Plan Fiduciary Net Position	N/A	$ 9,684,140
Plan Fiduciary Net Position (Beginning)	N/A	$ 47,934,281
Plan Fiduciary Net Position (Ending)	$ 47,934,281	$ 57,618,421
Net OPEB Liability (Ending)	$ 30,452,842	$ 17,566,262
Net Position as a Percentage of OPEB Liability	61.15%	76.64%
Covered-Employee Payroll	$ 385,083,380	$ 412,667,585
Net OPEB Liability as a Percentage of Payroll	7.91%	4.26%

[1] GASB 75 was effective first for employer fiscal years beginning after June 15, 2017.

Disclosure—Contribution Schedule

Contributions

	Fiscal Year Ending	
	2017	2018
Actuarially Determined Contribution	$ 4,597,829	$ 3,414,031
Contributions Made in Relation to the Actuarially Determined Contribution	N/A	TBD
Contribution Deficiency (Excess)	N/A	TBD
Covered-Employee Payroll	N/A	$ 412,667,585
Contributions as a Percentage of Payroll	N/A	TBD

Notes to Schedule:

Valuation Date: Actuarially determined contribution rates are calculated as of September 30, one year prior to the end of the fiscal year in which contributions are reported.

The Actuarially Determined Contribution is equal to the Annual Required Contribution (ARC). Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal with 30.00-year closed amortization period for initial unfunded and subsequent actuarial gains/losses.
Asset Valuation Method	Fair Value
Salary Increases	4.50%
Investment Rate of Return	7.00%, net of OPEB plan investment expense, including inflation.
Retirement Age	Varies by age and service, see rates in Actuarial Assumptions and Methods.
Mortality	RP-2006 Fully Generational Healthy Mortality Table with Scale MP-2017

Appendix

Participant Data

The actuarial valuation was based on personnel information from Orange County records as of October 1, 2017. Following are some of the pertinent characteristics from the personnel data as of that date. Prior year characteristics are also provided for comparison purposes. Both age and service have been determined using years and months as of the valuation date.

	October 1, 2016	October 1, 2017
Health Care Participants		
Active Participants		
Number	7,285	7,493
Average Age	45.3	45.1
Average Service	10.5	10.4
Inactive Participants		
Retirees and Surviving Spouses	2,390	2,526
Average Age	67.7	68.1
Covered Spouses	117	104
Average Age	55.0	56.2
Total Participants[1]		
Number	9,792	10,123

[1] Participant counts include covered spouses of retirees who elected spousal or family medical coverage.

Asset Allocation

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30 are summarized in the following table[1]:

Asset Class	Expected Nominal Rate of Return	Expected Real Rate of Return	Allocation
Large Cap U.S. Equity	6.50%	4.11%	45.40%
Small Cap U.S. Equity	7.00%	4.59%	4.60%
International (Non-U.S.) Equity (Developed)	7.30%	4.89%	26.50%
Emerging Markets Equity	7.80%	5.38%	6.50%
Non-US Developed Bond (100% Hedged)	2.90%	0.59%	5.00%
Intermediate Duration Bonds - Gov't	2.80%	0.49%	7.70%
Intermediate Duration Bonds - Credit	3.80%	1.47%	4.30%
Total Portfolio	6.69%	4.29%	100.00%

The expected return rate of 7.00% used in the prior year is still considered a reasonable assumption based on the 50th percentile expectations illustrated above. The blended discount rate used to measure the total OPEB liability is 5.90%. The projection of cash flows used to determine the discount rate assumed employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on these assumptions, the OPEB Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through 2054.

[1] These rates of return reflect the Orange County's best estimate based on market expectations as of September 30, 2017.

Health Care Claims Development

The following documents the assumptions to be used in the valuation of Orange County's postretirement healthcare plan in accordance with GASB 45, GASB 74, GASB 75, and Actuarial Standards of Practice No. 6 and No. 41. The assumptions documented are applicable for the valuation as of October 1, 2017.

Per-Capita Costs for the Time Period October 1, 2017–September 30, 2018

The sample per capita claims cost assumptions shown below by age, benefit, and plan represent the true underlying baseline experience estimated for Orange County's sponsored postretirement benefits and costs. These rates are used in the expense calculation for the period October 1, 2017–September 30, 2018.

Age	With Medicare Part B	Without Medicare Part B
45	$ 7,438	$ 7,438
50	$ 8,863	$ 8,863
55	$ 10,825	$ 10,825
60	$ 13,309	$ 13,309
65	$ 5,847	$ 10,910
70	$ 6,745	$ 12,642
75	$ 7,440	$ 13,982
80	$ 7,946	$ 14,958

Medical and Rx Per-Capitas: The medical and Rx per capitas were developed using pre65 retiree experience blended with active experience. The experience was age-adjusted based on the demographics and trended to the valuation period.

In order to improve the credibility of a single projection estimate, a combination of estimates from the distinct historical periods was used, placing 34% credibility on the most recent period, 33% on the next most recent, and 33% on the oldest period. Finally, average medical and Rx per capita claims costs were then age-adjusted based on the demographics of the population, and the assumed health care aging factors shown in the table below.

Per capita administration and other fixed costs were developed and added onto the per capita claims cost assumptions using information supplied by Orange County. These per capita assumed administrative costs and stop-loss insurance fees were based on actual 2017 per employee rates, which were converted from a per employee basis to a per member basis using the most recent census file rates provided. For 2017, $486 annually per person was added for pre-65 retirees and spouses while $402 annually per person was added for post-65 retirees and spouses for the County claims.

Health Care Aging (Morbidity) Factors

Since health care costs increase with age, and an OPEB valuation is by its nature an analysis of a closed group that will age throughout the measurement, the effect that this aging of the population will have on claims costs must be reflected in the valuation. The claim costs for medical and prescription drugs were assumed to increase with age according to the table below.

Age Band	Medical/Rx
20–44	3.3%
45–49	3.8%
50–54	4.3%
55–59	4.4%
60–64	3.8%
65–69	3.1%
70–74	2.1%
75–79	1.4%
80–84	1.3%
85–89	0.6%
90+	0.0%

The aging factor assumptions shown above were based on normative data analyses, along with consideration of the results from the 2013 Society of Actuaries sponsored study "Health Care Costs—From Birth to Death" prepared by Dale H. Yamamoto, reporting on the effect of age on claims costs. In addition to age, this study shows the effect of service type (medical vs. pharmacy) and gender on claims costs.

Trend

The health care cost trend assumptions shown below were based on national average information from a variety of sources, including S&P Healthcare Economic Index, NHCE data, plan renewal data, and vendor Rx reports, with adjustments based on the provisions of the benefits sponsored by Orange County.

Year	Pre-65	Post-65
2017–2018	7.9%	9.4%
2018–2019	7.3%	8.6%
2019–2020	7.1%	8.2%
2020–2021	6.8%	7.7%
2021–2022	6.5%	7.3%
2022–2023	6.2%	6.9%
2023–2024	5.9%	6.4%
2024–2025	5.6%	5.9%
2025–2026	5.3%	5.5%
2026–2027	5.0%	5.0%

Health Care Reform

The impact of the Patient Protection and Affordable Care Act on the provisions and cost of the retiree medical plan was evaluated. The cost of any future excise tax will be passed onto the retiree, so it is not reflected in the valuation. Based on the following, it was concluded that no adjustments for Health Care Reform are required.

- The County provides a fixed dollar premium subsidy.
- No lifetime or annual maximums are valued in the calculations.
- The employer allows dependent children to stay on the plan until age 26.
- Medicare Part D reimbursements and the Early Retiree Reinsurance program do not fall under GASB 45, 74, or 75.
- Plan participation rates were not adjusted due to the requirement for individuals to maintain minimum essential health care coverage.

Actuarial Assumptions and Methods

Cost Method	Entry Age cost method was used.
Amortization Method for GASB 45	Past service liability and annual actuarial gains/losses are amortized over a closed 30 year period as a level percentage of projected payroll.
Asset Method	Fair Value.
Employees Included in the Calculations	Participants who have 10 years of service (seven years of service for Property Appraiser) are eligible to receive the premium subsidy. Retirees who have at least 6 years of service (8 years for disability retirement) or terminated with 20 years may participate in the County's medical plan. Below are the assumed participation rates:

	Service <10	Service 10 +
Pre 65		
Medical Plan	35%	35%
Subsidy	0%	85%
Continuation at Medicare Eligible	15%	15%
Medicare Eligible		
Medical Plan	10%	10%
Subsidy	0%	100%

Marital Status and Age of Spouse	The following marriage, family coverage and spouse's age difference assumptions have been made for active participants:

	Male	Female
Married	85%	65%
Elect Spouse Coverage	60%	30%
Spouse Age Difference	3 years younger	3 years older

Future Medical Plan Election	Future retirees who elect medical coverage are expected to elect between available options at.

	HDHP	LDHP
10/01/2016 Medical Plan Election	50%	50%
10/01/2017 Medical Plan Election	50%	50%

Discount Rate at September 30, 2017 for GASB 74/75	5.90%
Discount Rate at September 30, 2016 for GASB 74/75	5.54%

20 Year Municipal Bond Rate at September 30, 2017	3.64%
20 Year Municipal Bond Rate at September 30, 2016	3.06%
Municipal Bond Rate Basis	Bond Buyer GO 20-Bond Municipal Bond Index
Expected Return on Assets	7.00%
Salary Increases	4.50%
General Inflation	2.50%

Claims

The chart below shows the expected medical and drug claim level per person (used for the 12-month period beginning October 1, 2017), divided by whether retirees are enrolled in Part B. The plans were blended for valuation purposes based on current retiree plan elections.

Individual Coverage	With Medicare Part B	Without Medicare Part B
Age 52	N/A	$ 9,599
Age 57	N/A	$11,755
Age 62	N/A	$14,301
Age 67	$6,190	$11,571
Age 72	$7,014	$13,160
Age 77	$7,639	$14,364

Trend Assumptions

The health care trend assumption was based on national average information from a variety of sources, including S&P Healthcare Economic Index, NHCE data plan renewal data and vendor Rx report with adjustments based on the provisions of the benefits offered by Orange County.

	Pre-65	Post-65
10/01/2017–09/30/2018	7.90%	9.40%
10/01/2018–09/30/2019	7.30%	8.60%
10/01/2019–09/30/2020	7.10%	8.20%
10/01/2020–09/30/2021	6.80%	7.70%
10/01/2021–09/30/2022	6.50%	7.30%
10/01/2022–09/30/2023	6.20%	6.90%
10/01/2023–09/30/2024	5.90%	6.40%
10/01/2024–09/30/2025	5.60%	5.90%
10/01/2025–09/30/2026	5.30%	5.50%
Ultimate	5.00%	5.00%

Mortality Decrements

Healthy

Aggregate 2006 base rates from the RP-2014 Mortality Study generationally projected with Scale MP-2017

Disabled

Aggregate 2006 base rates from the RP-2014 Mortality Study generationally projected with Scale MP-2017

Decrement Assumptions

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

Retirement (Regular Tier I—Male)

Decrement	**Service**			
Age	**6**	**10**	**30**	**33**
45	0.0%	0.0%	0.0%	0.0%
52	5.5%	3.0%	4.0%	25.0%
55	5.4%	4.5%	5.0%	25.0%
60	5.4%	5.3%	5.0%	60.0%
62	11.0%	11.0%	11.0%	66.0%
65	10.0%	54.0%	54.0%	54.0%
70	10.0%	13.0%	13.0%	13.0%
80	100.0%	100.0%	100.0%	100.0%

Retirement (Regular Tier I—Female)

Decrement	**Service**			
Age	**6**	**10**	**30**	**33**
45	0.0%	0.0%	0.0%	0.0%
52	5.9%	3.0%	4.0%	29.0%
55	5.8%	3.0%	5.0%	29.0%
60	5.8%	3.0%	7.0%	53.0%
62	9.0%	9.0%	9.0%	67.0%
65	15.0%	60.5%	60.5%	60.5%
70	10.0%	15.0%	15.0%	15.0%
80	100.0%	100.0%	100.0%	100.0%

Retirement (Regular Tier II—Male)

Decrement Age	Service 8	10	33	36
45	0.0%	0.0%	0.0%	0.0%
52	4.6%	3.0%	4.0%	25.0%
55	4.4%	4.5%	5.0%	25.0%
60	4.3%	5.3%	5.0%	60.0%
62	4.3%	5.3%	11.0%	60.0%
65	10.0%	10.0%	10.0%	66.0%
70	10.0%	13.0%	13.0%	13.0%
80	100.0%	100.0%	100.0%	100.0%

Retirement (Regular Tier II—Female)

Decrement Age	Service 8	10	33	36
45	0.0%	0.0%	0.0%	0.0%
52	5.5%	3.0%	4.0%	29.0%
55	5.4%	3.0%	5.0%	29.0%
60	5.4%	3.0%	7.0%	53.0%
62	5.4%	3.0%	9.0%	60.0%
65	15.0%	15.0%	15.0%	67.0%
70	10.0%	15.0%	15.0%	15.0%
80	100.0%	100.0%	100.0%	100.0%

Retirement (Special Risk Tier I—Male)

Decrement Age	Service 6	10	30	33
45	0.0%	0.0%	0.0%	0.0%
52	3.6%	1.8%	7.0%	35.0%
55	3.2%	1.8%	6.0%	55.0%
60	3.2%	1.8%	6.0%	12.0%
62	15.0%	15.0%	15.0%	25.0%
65	30.0%	25.0%	25.0%	25.0%
70	100.0%	100.0%	100.0%	100.0%
80	100.0%	100.0%	100.0%	100.0%

Retirement (Special Risk Tier I—Female)

Decrement	Service			
Age	6	10	30	33
45	0.0%	0.0%	0.0%	0.0%
52	5.9%	1.6%	7.0%	25.0%
55	5.1%	4.0%	7.0%	25.0%
60	5.1%	4.0%	6.0%	12.0%
62	15.0%	15.0%	15.0%	25.0%
65	30.0%	25.0%	25.0%	25.0%
70	100.0%	100.0%	100.0%	100.0%
80	100.0%	100.0%	100.0%	100.0%

Retirement (Special Risk Tier II—Male)

Decrement	Service			
Age	8	10	33	36
45	0.0%	0.0%	0.0%	0.0%
52	2.9%	1.8%	7.0%	35.0%
55	2.9%	1.8%	6.0%	55.0%
60	2.9%	1.8%	6.0%	57.0%
62	2.9%	1.8%	15.0%	70.0%
65	30.0%	30.0%	30.0%	25.0%
70	100.0%	100.0%	100.0%	100.0%
80	100.0%	100.0%	100.0%	100.0%

Retirement (Special Risk Tier II—Female)

Decrement	Service			
Age	8	10	33	36
45	0.0%	0.0%	0.0%	0.0%
52	4.1%	1.6%	7.0%	25.0%
55	4.1%	4.0%	7.0%	25.0%
60	4.1%	4.0%	6.0%	27.0%
62	4.1%	4.0%	15.0%	40.0%
65	30.0%	30.0%	30.0%	25.0%
70	100.0%	100.0%	100.0%	100.0%
80	100.0%	100.0%	100.0%	100.0%

Termination (Regular—Male)

Decrement	Service		
Age	1	6	10
20	25.4%	11.1%	9.8%
25	18.5%	8.5%	6.2%
30	15.4%	7.8%	4.7%
35	14.3%	7.5%	4.2%
40	12.6%	6.7%	3.0%
45	12.5%	6.5%	2.7%
50	12.2%	5.5%	3.0%

Termination (Regular—Female)

Decrement	Service		
Age	1	6	10
20	25.8%	11.4%	11.6%
25	19.8%	9.7%	5.3%
30	16.9%	8.7%	5.4%
35	15.9%	8.0%	4.6%
40	14.0%	6.5%	3.3%
45	13.9%	6.5%	3.0%
50	13.4%	5.9%	3.0%

Termination (Special Risk—Male)

Decrement	Service		
Age	1	6	10
20	10.3%	5.2%	2.3%
25	9.8%	5.2%	2.3%
30	9.5%	5.2%	2.1%
35	8.8%	5.1%	2.0%
40	8.0%	4.6%	1.9%
45	7.3%	4.1%	1.8%
50	6.5%	3.6%	1.8%

Termination (Special Risk—Female)

Decrement	Service		
Age	1	6	10
20	15.5%	5.9%	1.9%
25	14.2%	5.9%	1.9%
30	13.2%	5.9%	1.7%
35	12.2%	5.9%	1.5%
40	11.2%	5.9%	2.5%
45	10.2%	5.9%	2.5%
50	9.2%	5.9%	1.6%

Disability (Regular)

Decrement Age	Male	Female
20	0.01%	0.01%
25	0.01%	0.01%
30	0.01%	0.01%
35	0.02%	0.02%
40	0.02%	0.02%
45	0.08%	0.06%
50	0.16%	0.10%
55	0.25%	0.16%
60	0.30%	0.26%

Disability (Special Risk)

Decrement Age	Male	Female
20	0.02%	0.02%
25	0.02%	0.02%
30	0.03%	0.02%
35	0.03%	0.03%
40	0.03%	0.03%
45	0.03%	0.06%
50	0.08%	0.11%
55	0.05%	0.11%
60	0.05%	0.11%

Changes in Financial Accounting Methods/Assumptions Since the Prior Year

Method Changes
The financial accounting valuation reflects the following method changes:

- Effective for the Fiscal Year ending September 30, 2018, the Plan will report under GASB 75

Assumption Changes
The financial accounting valuation reflects the following assumption changes:

- A change in the discount rate from 7.00% under GASB 45 to 5.54% at September 30, 2016 under GASB 75 and to 5.90% at September 30, 2017.
- A change in the mortality improvement projection scale from Scale MP-2016 to Scale MP-2017.
- Health care claims rates and trend rates were updated to reflect the latest available information.

The rationales for selecting each of the assumptions used in the financial accounting valuation and for the assumption changes summarized above are to best reflect the current market conditions and recent plan experience.

Plan Provisions

General Eligibility Rules

Former employees and beneficiaries of the Orange County's Board of County Commissioners, Convention Center, Utilities Water, Utilities Solid Waste, Comptroller, Property Appraiser, Supervisor of Elections and Tax Collector Offices satisfy retirement eligibility if (1) they commence FRS benefits immediately upon termination or deferred benefits with 20 years of service AND (2) under any one of the following conditions:

(1) Disabled with at least eight years of service;

(2) In the FRS Pension Plan with at least six years of service (eight, if hired on or after July 1, 2011);

(3) In the FRS Investment Plan with at least six years of service (eight, if hired on or after July 1, 2011) and at least age 59½; or

(4) In the FRS Investment Plan with at least 30 years of service.

Retiree must show proof medical and drug coverage to receive the Health Insurance Subsidy, the chart below shows a full detail of the benefit conditions:

	Healthy Retirement	**Disability Retirement**	**Subsidy Amount**
Medical	6 years	8 years	N/A
Health Insurance Subsidy			
Standard in Trust	10 years	10 years	\$5.00
County Fire Fighters and Battalion Chiefs in Trust	N/A	8 FRS years	Additional \$2.00
Deferred Vested in Trust	20 years	20 years	\$3.00
Outside of Trust			
Property Appraiser Who Were Hired Prior to October 1, 2006	7 years	7 years	Additional \$2.00
Tax Collector	10 FRS years	10 FRS years	Additional \$2.00

Medical and Drug Benefits Covered

Eligible retirees are covered by one of two self-funded comprehensive medical program from Cigna with the following design:

	HDHP		LDHP	
Network	In	Out	In	Out
Deductible	$1,500	$3,000	$750	$1,000
Coinsurance	80%	60%	80%	60%
Copayment	$0	Varies	$0	Varies
Out-Of-Pocket Limit	$2,750	$6,000	$1,850	$6,000

For the HDHP, employees receive up to $750 into a Health Savings Account (HSA) for single tier, and up to $1,250 for other tiers upon completion of WFL screening, HRA and Non-tobacco use affidavit. Retirees do not receive any contributions into the HSA.

Integration With Medicare

Effective January 1, 2008, any Medicare eligible retiree who either retired or turned age 65 after January 1, 2002 will coordinate benefits with Medicare on a "Coordination of Benefits" basis. That is, the plan pays up to the amount it would pay as primary payer, except that it will not pay benefits already paid by Medicare (which is actually the primary payer). Retiree premiums are reduced by the Medicare Part B premium when eligible for Medicare. The County is giving an addition premium reduction for 2002–2004 Medicare eligible retirees who did not elect coverage immediately. Retirees who are Medicare eligible prior to 2002 are not required to participate in Medicare Part B and do not receive any reduction in premiums if not enrolled in Medicare Part B.

Spouses Covered

Spouses of employees, former employees, or beneficiaries of the County who meet the above conditions and started receiving pension benefits at termination may elect medical coverage.

Employee Costs

The chart below shows the monthly retiree cost of medical and drug:

	01/01/2016 – 12/31/2016		01/01/2017 – 12/31/2017	
Plan	**HDHP**	**LDHP**	**HDHP**	**LDHP**
Pre 65 or Medicare Eligible Prior to 2002				
Individual	\$527.61	\$564.33	\$569.81	\$609.48
Retiree Plus Spouse	\$1,152.06	\$1,192.10	\$1,244.22	\$1,287.47
Medicare Eligible From 2002 Through 2004				
Individual	\$418.86	\$455.58	\$461.06	\$500.73
Retiree Plus Spouse	\$934.56	\$974.60	\$1,026.72	\$1,069.97
Medicare Eligible From 2005 Through 2009				
Individual	\$427.61	\$464.33	\$469.81	\$509.48
Retiree Plus Spouse	\$952.06	\$992.10	\$1,044.22	\$1,087.47
Medicare Eligible in 2010 or Later				
Individual	\$427.61	\$464.33	\$469.81	\$509.48
Retiree Plus Spouse	\$952.06	\$992.10	\$1,044.22	\$1,087.47

Retirees receive \$3.00 per month for each year of service up to 30 years towards their medical premium.

Dental and Vision

Retirees pay the full cost of dental and vision and do not commingle the experience with active employees

Life

None.

Allocation by Agency

The following table illustrates the expected Cash Outlay, Accrued Liability, Annual OPEB Cost (AOC) and Net OPEB Obligation (NOO) for fiscal year ending September 30, 2017 and the expected Cash Outlay, Accrued Liability and Annual Required Contribution for fiscal year ending September 30, 2018.

	For 09/30/2017 Fiscal Year End				*For 09/30/2018 Fiscal Year End*			
Agency	Cash Outlay (Actual)	Accrued Liability (FiscalBegin)	Annual OPEB Cost (AOC) (Actual)	End of Year Net OPEB Obligation (NOO) (Actual)		Cash Outlay (Expected)	Accrued Liability (FiscalBegin)	*Annual Required Contribution (ARC)*
County Commissioners								
10001	$2,970,786	$26,225,720	$1,489,292	($1,481,494)	10001	$1,227,694	$27,523,216	$1,227,694
10230	$29,165	$182,580	$14,621	($14,544)	10230	$11,692	$179,704	$11,692
11002	$477,264	$4,575,982	$239,258	($238,006)	11002	$198,825	$4,523,315	$198,825
11009	$1,248,989	$11,029,959	$626,133	($622,856)	11009	$463,162	$11,558,712	$463,162
11010	$13,132	$129,153	$6,583	($6,549)	11010	$5,902	$134,346	$5,902
11011	$131,844	$1,385,898	$66,095	($65,749)	11011	$61,055	$1,334,869	$61,055
11050	$281,581	$2,318,797	$141,160	($140,421)	11050	$115,962	$2,390,614	$115,962
11054	$5,438	$46,709	$2,726	($2,712)	11054	$2,608	$50,048	$2,608
11142	$41,585	$352,870	$20,847	($20,738)	11142	$16,208	$348,838	$16,208
11232	$1,859	$13,748	$932	($927)	11232	$943	$10,236	$943
11241	$10,213	$106,791	$5,120	($5,093)	11241	$3,567	$95,441	$3,567
11247	$18,717	$173,440	$9,383	($9,334)	11247	$7,723	$176,531	$7,723
11249	$642	$851	$322	($320)	11249	$323	$1,637	$323
11251	$14,953	$118,561	$7,496	($7,457)	11251	$6,115	$128,349	$6,115
11254	$1,636	$4,115	$820	($816)	11254	$682	$4,355	$682
11660	$10,359	$123,492	$5,193	($5,166)	11660	$3,634	$112,168	$3,634
15510	$21,268	$173,853	$10,662	($10,606)	15510	$8,942	$193,805	$8,942
15530	$67,068	$620,176	$33,622	($33,446)	15530	$28,511	$630,641	$28,511
17007	$240,256	$2,191,170	$120,443	($119,813)	17008	$103,610	$2,387,055	$103,610
17016	$11,929	$107,593	$5,980	($5,949)	17017	$3,429	$64,592	$3,429
17026	$13,485	$116,686	$6,760	($6,725)	17027	$5,440	$100,628	$5,440
17035	$1,394	$13,140	$699	($695)	17037	$484	$16,308	$484
17057	$6,904	$43,721	$3,461	($3,443)	17057	$3,190	$46,701	$3,190
17172	$2,707	$22,066	$1,357	($1,350)	17172	$1,036	$20,166	$1,036
17190	$0	$0	$0	$0	17496	$7,179	$0	$7,179
17407	$10,949	$93,872	$5,489	($5,460)	17408	$4,320	$91,419	$4,320
17499	$9,651	$15,390	$4,838	($4,813)	17499	$0	$0	$0
17700	$1,309	$17,925	$656	($653)	17700	$502	$18,137	$502
17702	$17,993	$172,866	$9,020	($8,973)	17702	$7,832	$179,926	$7,832
17709	$952	$7,772	$477	($475)	17709	$0	$0	$0
17805	$3,176	$24,721	$1,592	($1,584)	17806	$1,772	$28,811	$1,772
17870	$17,532	$202,893	$8,789	($8,743)	17871	$8,313	$221,586	$8,313
18005	$32,515	$283,817	$16,300	($16,215)	18005	$13,646	$294,297	$13,646
	$0	$0	$0	$0	17577	$379	$2,782	$379
18025	$10,177	$77,728	$5,102	($5,075)	18025	$0	$0	$0
18113	$0	$0	$0	$0	18290	$587	$23,346	$587
18133	$7,315	$67,231	$3,667	($3,648)	18133	$0	$0	$0
18317	$812	$2,902	$407	($405)	18318	$293	$3,612	$293
Total	$5,735,555	$51,044,188	$2,875,302	($2,860,253)		$2,325,560	$52,896,191	$2,325,560
Convention Center	$197,589	$2,320,347	$166,204	($31,385)		$114,290	$2,475,908	$114,290
Utilities Water	$571,735	$5,147,564	$465,144	($106,591)		$389,972	$5,194,016	$389,972
Utilities Solid Waste	$68,917	$883,298	$9,620	($59,297)		$0	$902,447	$0
Comptroller	$147,570	$1,460,534	$147,570	$0		$145,832	$1,855,986	$145,832
Property Appraiser	$142,327	$1,527,294	$157,836	$15,509		$91,705	$1,252,432	$129,184
Supervisor of Elections	$24,715	$439,544	$24,715	$0		$10,552	$325,522	$10,552
Tax Collector Offices	$280,383	$2,584,288	$317,770	$37,387		$209,163	$2,737,498	$298,641
Total	$7,168,791	$65,407,057	$4,164,161	($3,004,630)		$3,287,074	$67,640,000	$3,414,031

Allocation by Agency

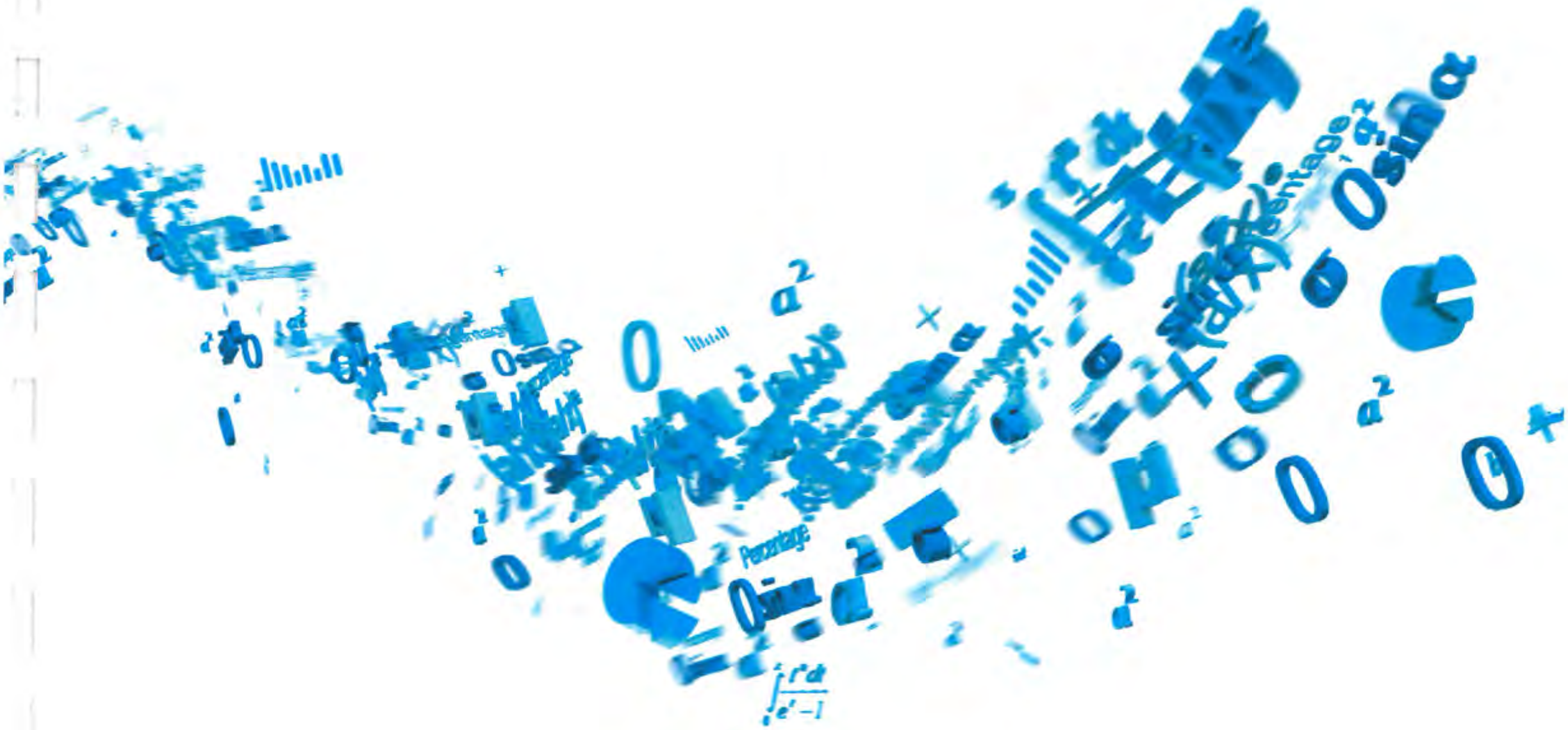
The following table illustrates the GASB 75 Expense for Fiscal Year ending September 30,

Agency	09/30/2018 Fiscal Year End Total Expense
County Commissioners	
10001	$837,962
11002	$161,238
11009	$422,139
11010	$4,316
11011	$43,091
11050	$97,110
11054	$2,167
11142	$14,129
11232	$846
11241	$3,134
11247	$6,298
11251	$5,174
11254	$824
11660	$2,524
15510	$7,437
15530	$22,556
17702	$6,157
10230	$11,489
11249	$350
17700	$250
18005	$10,990
17057	$2,669
17172	$937
17008	$80,055
17017	$4,200
17027	$4,571
17037	$271
17408	$3,853
17496	$10,479
17577	$442
17806	$1,285
17871	$5,179
18290	$263
18318	$316
Total	$1,774,701
Convention Center	$141,491
Utilities Water	$239,570
Utilities Solid Waste	$44,498
Comptroller	$57,832
Property Appraiser	$45,589
Supervisor of Elections	$12,967
Tax Collector Offices	$93,007
Total	**$2,409,655**

Expense

The following table illustrates the OPEB expense under GASB 75 for the fiscal year ending September 30,2018.

			BOCC	Convention Center	Water	Waste	Comptroller	Property Appraiser	Supervisor of Elections	Tax Collector	Total
1	Service Cost		2,151,141	159,194	276,465	50,899	71,142	54,442	15,356	112,502	2,891,141
2	Interest Cost		3,396,853	159,753	332,924	57,759	120,101	79,887	21,548	175,931	4,344,756
3	Expected Investment Return		(2,661,237)	(125,157)	(260,827)	(45,251)	(94,092)	(62,587)	(16,882)	(137,831)	(3,403,864)
4	Employee Contributions		0	0	0	0	0	0	0	0	0
5	Administrative Expense		0	0	0	0	0	0	0	0	0
6	Plan Changes		0	0	0	0	0	0	0	0	0
7	Amortization of Unrecognized										
a		Liability (Gain)/Loss	275,457	12,955	26,997	4,684	9,739	6,478	1,747	14,267	352,324
b		Asset (Gain)/Loss	(765,501)	(36,001)	(75,026)	(13,016)	(27,066)	(18,003)	(4,856)	(39,647)	(979,116)
c		Assumption Change (Gain)/Loss	(622,012)	(29,253)	(60,963)	(10,577)	(21,992)	(14,628)	(3,946)	(32,215)	(795,586)
8	Total Expense		1,774,701	141,491	239,570	44,498	57,832	45,589	12,967	93,007	2,409,655



Actuarial Valuation Report

Orange County Sheriff's Office

GASB 75 OPEB

For the Fiscal Year Ending September 30, 2018

Measurement Date September 30, 2017

Introduction

This report documents the results of the actuarial valuation for the fiscal year ending September 30, 2018 of the Orange County Sheriff's Office Postretirement Medical Plan for the Orange County Sheriff's Office. The plan is a single-employer plan and does not issue a separate financial statement. As a result, all reporting requirements are included in the employer's financial statement. These results are based on a Measurement Date of September 30, 2017. The information provided in this report is intended strictly for documenting information relating to company and plan disclosure and reporting requirements.

Determinations for purposes other than the financial accounting requirements may be significantly different from the results in this report. Thus, the use of this report for purposes other than those expressed here may not be appropriate.

This valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board. In addition, the valuation results are based on our understanding of the financial accounting and reporting requirements under U.S. Generally Accepted Accounting Principles as set forth in Government Accounting Standards Board Statements 45 (GASB 45), 74 (GASB 74), and 75 (GASB 75) including any guidance or interpretations provided by the Company and/or its audit partners prior to the issuance of this report. The information in this report is not intended to supersede or supplant the advice and interpretations of the Sheriff's Office's auditors.

Future actuarial measurements may differ significantly from the current measurements presented in this report due (but not limited to) to such factors as the following:

- Plan experience differing from that anticipated by the economic or demographic assumptions;
- Changes in actuarial methods or in economic or demographic assumptions;
- Increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and
- Changes in plan provisions or applicable law.

Due to the limited scope of our assignment, we did not perform an analysis of the potential range of such future measurements.

Funded status measurements shown in this report are determined based on various measures of plan assets and liabilities. For entity and plan disclosure and reporting purposes, funded status is determined using plan assets measured at market value. Plan liabilities are measured based on the interest rates and other assumptions summarized in the Actuarial Assumptions and Methods section of this report.

These funded status measurements may not be appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations, and funded status measurements for Orange County Sheriff's Office and plan disclosure and reporting purposes may not be appropriate for assessing the need for or the amount of future contributions. In conducting the valuation, we have relied on personnel, plan design, health care claim cost, and asset information supplied by the Orange County Sheriff's Office as of the valuation date. While we cannot verify the accuracy of all the information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy or completeness of the information and believe that it has produced appropriate results.

The actuarial assumptions and methods used in this valuation are described in the Actuarial Assumptions and Methods section of this report. Orange County Sheriff's Office selected the economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB 45, GASB 74, and GASB 75. Aon provided guidance with respect to the mortality, health claims, medical trend, plan participation, and spousal assumptions, and it is our belief that these assumptions represent reasonable expectations of anticipated plan experience. All other assumptions were selected by Orange County Sheriff's Office and align with the Florida Retirement System (FRS) Pension valuation. We are not able to evaluate the reasonability of these assumptions because such an evaluation would require significant additional work beyond the scope of our assignment.

The undersigned are familiar with the near-term and long-term aspects of OPEB valuations and collectively meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. The information provided in this report is dependent upon various factors as documented throughout this report, which may be subject to change. Each section of this report is considered to be an integral part of the actuarial opinions.

To our knowledge, no colleague of Aon providing services to the Orange County Sheriff's Office has any material direct or indirect financial interest in Orange County Sheriff's Office. Thus, we believe there is no relationship existing that might affect our capacity to prepare and certify this actuarial report for the Orange County Sheriff's Office.

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December 22, 2017

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Accounting Requirements GASB 45

Net OPEB Obligation at Fiscal Year End

The chart below shows the development of the Net OPEB Obligation (NOO) under GASB 45:

	Fiscal Year Ending	
	09/30/2016	**09/30/2017**
(1) Net OPEB Obligation as of the Beginning of Fiscal Year	$ 1,472,174	$ 1,730,400
(2) Annual OPEB Cost (AOC) for the Fiscal Year	$ 3,299,865	$ 3,532,791
(3) Contributions Made During the Fiscal Year:		
(a) To the Trust	$ (988,448)[1]	$ 691,046
(b) Premium Subsidy Payments Outside the Trust	944,970	770,242
(c) Medical and Drug Claim Payments Outside the Trust	4,644,341	3,332,086
(d) Retiree Death Benefits Made Outside the Trust	50,000	140,000
(e) Administrative Expenses and Stop Loss Premium	211,319	230,888
(f) Less Retiree Medical and Drug Premiums Paid During the Fiscal Year	1,811,514	2,024,407
(g) Less Retiree Life Insurance Premiums Paid During the Fiscal Year	9,029	10,584
(h) Total	$ 3,041,639	$ 3,129,271
(4) Net OPEB Obligation as of the End of the Fiscal Year	$ 1,730,400	$ 2,133,920

[1] Annual contribution to trust is equal to fiscal year ARC, reduced by medical and claim payments as well as 60% of premium subsidies. Net contribution for fiscal 2016 is negative due to the large volume of medical and drug claim payments during the year.

Liabilities and Normal Cost

The following table illustrates the liabilities and normal cost used for the development of the financial information and funding policy.

	October 1, 2016			October 1, 2017		
	Funded	**Not Funded**	**Total**	**Funded**	**Not Funded**	**Total**
(1) Accrued Liability						
(a) Active						
(i) Medical and Drug	9,695,034	0	9,695,034	12,782,071	0	12,782,071
(ii) Life Insurance	940,905	0	940,905	1,006,917	0	1,006,917
(iii) Premium Subsidy	4,079,917	2,719,944	6,799,861	4,329,371	2,886,248	7,215,619
(iv) Total	14,715,856	2,719,944	17,435,800	18,118,359	2,886,248	21,004,607
(b) Inactive						
(i) Medical and Drug	7,469,526	0	7,469,526	9,734,318	0	9,734,318
(ii) Life Insurance	2,593,829	0	2,593,829	2,665,524	0	2,665,524
(iii) Premium Subsidy	6,704,107	4,469,404	11,173,511	7,141,343	4,760,895	11,902,238
(iv) Total	16,767,462	4,469,404	21,236,866	19,541,185	4,760,895	24,302,080
(c) Total						
(i) Medical and Drug	17,164,560	0	17,164,560	22,516,389	0	22,516,389
(ii) Life Insurance	3,534,734	0	3,534,734	3,672,441	0	3,672,441
(iii) Premium Subsidy	10,784,023	7,189,349	17,973,372	11,470,714	7,647,143	19,117,857
(iv) Total	31,483,317	7,189,349	38,672,666	37,659,544	7,647,143	45,306,687
(2) Normal Cost						
(a) Medical and Drug	801,795	0	801,795	806,534	0	806,534
(b) Life Insurance	59,244	0	59,244	52,487	0	52,487
(c) Premium Subsidy	225,931	150,621	376,552	185,060	123,373	308,433
(d) Total	1,086,970	150,621	1,237,591	1,044,081	123,373	1,167,454
(3) Expected Net Claims						
(a) Medical and Drug	1,038,279	0	1,038,279	1,261,345	0	1,261,345
(b) Life Insurance	133,900	0	133,900	134,614	0	134,614
(c) Premium Subsidy	658,792	439,196	1,097,988	707,040	471,360	1,178,400
(d) Total	1,830,971	439,196	2,270,167	2,102,999	471,360	2,574,359

Calculation Details

The following table illustrates the development of the Annual Required Contribution and Annual OPEB Costs. Due to the transition to GASB 74 and 75, the last year the Annual OPEB Cost is reported is fiscal year end September 30, 2017.

	Fiscal Year End September 30, 2017			Fiscal Year End September 30, 2018		
	Funded	**Not Funded**	**Total**	**Funded**	**Not Funded**	**Total**
(1) Unfunded Accrued Liability	22,713,485	7,189,349	29,902,834	27,120,500	7,647,143	34,767,643
(2) Annual Required Contribution (ARC)						
(a) Amortization Amount	1,549,642	485,033	2,034,675	1,835,765	546,542	2,362,308
(b) Normal Cost	1,086,970	150,621	1,237,591	1,044,081	123,373	1,167,454
(c) Interest	184,563	44,496	229,059	201,589	45,494	247,083
(d) Total	2,821,175	680,150	3,501,325	3,081,435	695,409	3,776,845
(3) Less Amortization of NOO	0	89,662	89,662	N/A	N/A	N/A
(4) Plus Interest on NOO	0	121,128	121,128	N/A	N/A	N/A
(5) Annual OPEB Costs (AOC)	2,821,175	711,616	3,532,791	N/A	N/A	N/A

Actuarial (Gain)/Loss

Below is the development of the Actuarial (gain)/loss.

	Valuation Date	
	10/01/2016	**10/01/2017**
(1) Unfunded Accrued Liability as of Prior Valuation Date	$ 28,611,913	$ 29,902,834
(2) Amortization Payment	$ 1,975,558	$ 2,034,675
(3) Prior Year Funding Rate	7.50%	7.00%
(4) Interest: [(1) – (2)] × (3)	$ 1,997,727	$ 1,950,771
(5) Expected Unfunded Accrued Liability as of Valuation Date: (1) – (2) + (4)	$ 28,634,082	$ 29,818,930
(6) Actual Unfunded Accrued Liability as of Valuation Date		
(a) Accrued Liability	$ 38,672,666	$ 45,306,687
(b) Asset Value	8,769,832	10,539,044
(c) Unfunded Accrued Liability: (a) – (b)	$ 29,902,834	$ 34,767,643
(7) Actuarial (Gain)/Loss: (6)(c) – (5)	$ 1,268,752	$ 4,948,713

Amortization of Unfunded Liability

The table below lists the amortization bases included in the calculation of the ARC as of October 1, 2017.

Date		Period		Balance		Annual
Established	Type of Base	Original	Remaining	Original	Remaining	Payment
10/01/2006	Initial Unfunded	30	19	$ 33,533,665	$ 36,934,553	$ 2,579,221
10/01/2007	Loss	30	20	$ 3,282,309	$ 3,616,173	$ 243,487
10/01/2008	Gain	30	21	$ (6,471,699)	$ (7,114,941)	$ (463,037)
10/01/2009	Loss	30	22	$ 1,683,914	$ 1,843,403	$ 116,206
10/01/2010	Gain	30	23	$ (11,774,594)	$ (12,809,875)	$ (783,751)
10/01/2011	Gain	30	24	$ (2,789,205)	$ (3,010,275)	$ (179,080)
10/01/2012	Loss	30	25	$ 1,381,544	$ 1,476,770	$ 85,561
10/01/2013	Loss	30	26	$ 9,399,099	$ 9,935,999	$ 561,506
10/01/2014	Loss	30	27	$ 3,202,842	$ 3,343,829	$ 184,574
10/01/2015	Gain	30	28	$ (5,519,552)	$ (5,683,930)	$ (306,844)
10/01/2016	Loss	30	29	$ 1,268,752	$ 1,287,224	$ 68,043
10/01/2017	Loss	30	30	$ 4,948,713	$ 4,948,713	$ 256,422
	Total Charges				$ 34,767,643	$ 2,362,308

Funding Progress

The following table illustrates the funding progress required by GASB.

	Actuarial Valuation Date	
	09/30/2016	**09/30/2017**
(1) Interest Rate	7.0%	7.0%
(2) Covered Payroll	$ 130,888,724	$ 128,462,816
(3) Assets	$ 8,769,832	$ 10,539,044
(4) Accrued Liability		
(a) Active	$ 17,435,800	$ 21,004,607
(b) Inactive	$ 21,236,866	$ 24,302,080
(c) Total	$ 38,672,666	$ 45,306,687
(5) Unfunded Actuarial Accrued Liability	$ 29,902,834	$ 34,767,643
(6) Funded Ratio	22.7%	23.3%
(7) Unfunded as a Percent of Covered Payroll	22.8%	27.1%

Funding Progress History

The following table illustrates the funding progress history required by GASB.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Actuarial Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded as a Percent of Covered Payroll
09/30/2007	$ 2,003,636	$ 39,360,339	$ 37,356,703	5.1%	$ 102,340,301	36.5%
09/30/2008	$ 3,371,001	$ 34,821,116	$ 31,450,115	9.7%	$ 103,203,005	30.5%
09/30/2009	$ 4,766,189	$ 38,325,074	$ 33,558,885	12.4%	$ 115,992,821	28.9%
09/30/2010	$ 6,528,123	$ 28,728,601	$ 22,200,478	22.7%	$ 114,671,125	19.4%
09/30/2011	$ 6,488,022	$ 26,083,306	$ 19,595,284	24.9%	$ 114,789,725	17.1%
09/30/2012	$ 7,757,080	$ 28,834,907	$ 21,077,827	26.9%	$ 114,058,130	18.5%
09/30/2013	$ 7,936,107	$ 38,495,982	$ 30,559,875	20.6%	$ 118,097,131	25.9%
09/30/2014	$ 8,808,621	$ 42,759,642	$ 33,951,021	20.6%	$ 119,412,096	28.4%
09/30/2015	$ 9,083,648	$ 37,695,561	$ 28,611,913	24.1%	$ 126,175,504	22.7%
09/30/2016	$ 8,769,832	$ 38,672,666	$ 29,902,834	22.7%	$ 130,888,724	22.8%
09/30/2017	$ 10,539,044	$ 45,306,687	$ 34,767,643	23.3%	$ 128,462,816	27.1%

Annual OPEB Cost and Net OPEB Obligation

The following table illustrates the development of the Annual OPEB Cost and the fiscal year end Net OPEB Obligation required by GASB.

	Fiscal Year Ending	
	09/30/2016	**09/30/2017**
(1) Interest Rate	7.50%	7.00%
(2) Annual OPEB Cost (AOC)		
(a) Annual Required Contribution of Employer (ARC)	$ 3,270,079	$ 3,501,325
(b) Less Amortization of NOO	$ 80,627	$ 89,662
(c) Plus Interest on NOO	$ 110,413	$ 121,128
(d) Total AOC	$ 3,299,865	$ 3,532,791
(3) End of Year Net OPEB Obligation (NOO)		
(a) Actual Beginning of Year NOO	$ 1,472,174	$ 1,730,400
(b) Plus Actual AOC	$ 3,299,865	$ 3,532,791
(c) Minus Contributions	$ 3,041,639	$ 3,129,271
(4) End of Year NOO	$ 1,730,400	$ 2,133,920

Accounting Requirements GASB 74 and 75

Development of GASB 75 Net OPEB Expense

Calculation Details

The following table illustrates the Net OPEB Liability under GASB 75.

	Fiscal Year Ending 9/30/2017	Fiscal Year Ending 9/30/2018
(1) OPEB Liability		
(a) Retired Participants and Beneficiaries Receiving Payment	$ 24,008,498	$ 26,703,181
(b) Active Participants	$ 22,743,884	$ 24,334,671
(c) Total	$ 46,752,382	$ 51,037,852
(2) Plan Fiduciary Net Position	$ 8,769,832	$ 10,539,044
(3) Net OPEB Liability	$ 37,982,550	$ 40,498,808
(4) Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.76%	20.65%
(5) Deferred Outflow of Resources for Contributions Made After Measurement Date	$ 3,129,271	TBD

GASB 75 Transition

(1) Net OPEB Obligation at Last Day of 2017 Fiscal Year	$ 2,133,920
(2) Amount for Transition to GASB 75	$ 35,848,630
(3) Liability Under GASB 75 at First Day of 2018 Fiscal Year	$ 37,982,550

Expense

The following table illustrates the OPEB expense under GASB 75.

	Fiscal Year Ending 9/30/2018
(1) Service Cost	$ 1,393,687
(2) Interest Cost	2,600,664
(3) Expected Investment Return	(638,075)
(4) Employee Contributions	0
(5) Administrative Expense	0
(6) Plan Changes	0
(7) Amortization of Unrecognized	
(a) Liability (Gain)/Loss	92,911
(b) Asset (Gain)/Loss	(88,018)
(c) Assumption Change (Gain)/Loss	149,913
(8) Total Expense	$ 3,511,082

Shown below are details regarding the calculation of Service, Interest Cost and Expected Investment Return components of the Expense.

	Fiscal Year Ending 9/30/2018
(1) Development of Service Cost:	
(a) Normal Cost at Beginning of Measurement Period	$ 1,393,687
(2) Development of Interest Cost:	
(a) Total OPEB Liability at Beginning of Measurement Period	$ 46,752,382
(b) Normal Cost at Beginning of Measurement Period	$ 1,393,687
(c) Actual Benefit Payments	$ 2,438,225
(d) Discount Rate	5.54%
(e) Interest Cost	$ 2,600,664
(3) Development of Expected Investment Return:	
(a) Plan Fiduciary Net Position at Beginning of Measurement Period	$ 8,769,832
(b) Actual Contributions—Employer	$ 3,129,271
(c) Actual Contributions—Employee	$ 0
(d) Actual Benefit Payments	$ 2,438,225
(e) Administrative Expenses	$ 0
(f) Other	$ 0
(g) Expected Return on Assets	7.00%
(h) Expected Return	$ 638,075

Reconciliation of Net OPEB Liability

Shown below are details regarding the Total OPEB Liability, Plan Fiduciary Net Position, and Net OPEB Liability for the Measurement Period from September 30, 2016 to September 30, 2017:

	Increase (Decrease)		
	Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability (c) = (a) – (b)**
Balance Recognized at 9/30/2017 (Based on 9/30/2016 Measurement Date)	$ 46,752,382	$ 8,769,832	$ 37,982,550
Changes Recognized for the Fiscal Year:			
Service Cost	1,393,687	N/A	1,393,687
Interest on the Total OPEB Liability	2,600,664	N/A	2,600,664
Changes of Benefit Terms	0	N/A	0
Differences Between Expected and Actual Experience	1,044,321	N/A	1,044,321
Changes of Assumptions	1,685,023	N/A	1,685,023
Benefit Payments	(2,438,225)	(2,438,225)	0
Contributions From the Employer	N/A	3,129,271	(3,129,271)
Contributions From the Employee	N/A	0	0
Net Investment Income	N/A	1,078,166	(1,078,166)
Administrative Expense	N/A	0	0
Net Changes	4,285,470	1,769,212	2,516,258
Balance Recognized at 9/30/2018 (Based on 9/30/2017 Measurement Date)	$ 51,037,852	$ 10,539,044	$ 40,498,808

Liability (Gain)/Loss

The following table illustrates the liability gain/loss under GASB 75.

		Fiscal Year Ending 9/30/2018
(1)	OPEB Liability at Beginning of Measurement Period	$ 46,752,382
(2)	Service Cost	1,393,687
(3)	Interest on the Total OPEB Liability	2,600,664
(4)	Changes of Benefit Terms	0
(5)	Changes of Assumptions	1,685,023
(6)	Benefit Payments	(2,438,225)
(7)	Expected OPEB Liability at End of Measurement Period	49,993,531
(8)	Actual OPEB Liability at End of Measurement Period	51,037,852
(9)	OPEB Liability (Gain)/Loss	$ 1,044,321
(10)	Average Future Working Life Expectancy	11.24
(11)	OPEB Liability (Gain)/Loss Amortization	$ 92,911

Asset (Gain)/Loss

The following table illustrates the asset gain/loss under GASB 75.

		Fiscal Year Ending 9/30/2018
(1)	OPEB Asset at Beginning of Measurement Period	$ 8,769,832
(2)	Contributions—Employer	3,129,271
(3)	Contributions—Employee	0
(4)	Expected Investment Income	638,075
(5)	Benefit Payments	(2,438,225)
(6)	Administrative Expense	0
(7)	Other	0
(8)	Expected OPEB Asset at End of Measurement Period	10,098,953
(9)	Actual OPEB Asset at End of Measurement Period	10,539,044
(10)	OPEB Asset (Gain)/Loss	$ (440,091)
(11)	Amortization Factor	5.00
(12)	OPEB Asset (Gain)/Loss Amortization	$ (88,018)

Deferred Outflows/Inflows

The following table illustrates the Deferred Inflows and Outflows as of September 30, 2018 under GASB 75.

	Deferred Outflows	Deferred Inflows
(1) Difference Between Actual and Expected Experience	$ 951,410	$ 0
(2) Net Difference Between Expected and Actual Earnings on OPEB Plan Investments	$ 0	$ (352,073)
(3) Assumption Changes	$ 1,535,110	$ 0
(4) Sub Total	$ 2,486,520	$ (352,073)
(5) Contributions Made in Fiscal Year Ending 2018 After Measurement Date	$ 0	$ N/A
(6) Total	$ 2,486,520	$ (352,073)

Amortization of Deferred Inflows/Outflows

The table below lists the amortization bases included in the deferred inflows/outflows as of September 30, 2018.

Date		Period		Balance		Annual
Established	Type of Base	Original	Remaining	Original	Remaining	Payment
9/30/2017	Liability (Gain)/Loss	11.24	10.24	$ 1,044,321	$ 951,410	$ 92,911
9/30/2017	Asset (Gain)/Loss	5.00	4.00	$ (440,091)	$ (352,073)	$ (88,018)
9/30/2017	Assumptions	11.24	10.24	$ 1,685,023	$ 1,535,110	$ 149,913
	Total Charges				$ 2,134,447	$ 154,806

Amounts Recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

Year End September 30:

2019	$ 154,806
2020	$ 154,806
2021	$ 154,806
2022	$ 154,806
2023	$ 242,823
Total Thereafter	$ 1,272,400

Plan Fiduciary Net Position Projection[1]

The following table illustrates the projection of the fiduciary net position for use in the calculation of the discount rate as of September 30, 2018.

($ in thousands)

Year Ending September 30	Beginning Fiduciary Net Position (a)	Total Contributions (b)	Benefit Payments (c)	Administrative Expenses (d)	Investment Earnings (e)	Ending Fiduciary Net Position[2] (f)
2017	$68,157	$5,308	$7,133	$0	$4,526	$70,858
2018	70,858	5,216	7,424	0	4,705	73,355
2019	73,355	5,153	7,603	0	4,873	75,778
2020	75,778	5,156	7,786	0	5,037	78,184
2021	78,184	5,178	8,141	0	5,193	80,414
2022	80,414	5,207	8,491	0	5,337	82,467
2023	82,467	5,246	8,817	0	5,469	84,365
2024	84,365	5,256	9,213	0	5,589	85,997
2025	85,997	5,259	9,550	0	5,691	87,396
2026	87,396	5,237	9,870	0	5,778	88,541
2027	88,541	5,064	10,007	0	5,854	89,452
2028	89,452	5,066	10,240	0	5,909	90,187
2029	90,187	5,059	10,386	0	5,956	90,816
2030	91,170	5,058	10,693	0	5,989	91,170
2031	91,170	4,984	11,017	0	6,003	91,140
2032	91,140	4,998	11,291	0	5,991	90,839
2033	90,839	5,001	11,542	0	5,962	90,260
2034	90,260	4,989	11,701	0	5,916	89,464
2035	89,464	5,010	11,853	0	5,855	88,475
2036	88,475	5,027	11,982	0	5,781	87,301
2037	87,301	4,961	12,127	0	5,694	85,829
2038	85,829	4,881	12,365	0	5,583	83,927
2039	83,927	4,883	12,573	0	5,442	81,680
2040	81,680	4,816	12,995	0	5,270	78,771
2041	78,771	4,771	13,219	0	5,059	75,382
2042	75,382	4,762	13,393	0	4,816	71,567
2043	71,567	4,734	13,780	0	4,536	67,057
2044	67,057	4,712	13,473	0	4,230	62,526
2045	62,526	4,739	13,533	0	3,911	57,642
2046	57,642	4,758	13,336	0	3,576	52,641

[1] The combined cash flows for the County and Sheriff have been used to determine the discount rate.
[2] (f) = (a) + (b) – (c) – (d) + (e)

Year Ending September 30	Beginning Fiduciary Net Position (a)	Total Contributions (b)	Benefit Payments (c)	Administrative Expenses (d)	Investment Earnings (e)	Ending Fiduciary Net Position[1] (f)
2047	$52,641	$4,784	$13,272	$0	$3,228	$47,381
2048	47,381	4,813	13,410	0	2,855	41,639
2049	41,639	4,843	13,260	0	2,458	35,681
2050	35,681	4,739	13,498	0	2,033	28,956
2051	28,956	4,726	13,462	0	1,564	21,784
2052	21,784	4,690	13,250	0	1,069	14,293
2053	14,293	4,559	13,080	0	550	6,323
2054	6,323	4,582	12,047	0	28	0

Plan Fiduciary Net Position

The last year in which projected benefit payments are due from the Plan is 2115.

The Plan's projected fiduciary net position at the end of 2054 is $0, based on the valuation completed for the fiscal year ending September 30, 2018.

As such, the Plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current Plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2054. Therefore, the long-term expected rate of return on Plan investments of 7.00% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of September 30, 2018 shown earlier in this report, pursuant to paragraph 48 of GASB Statement No. 74.

In projecting the Plan's fiduciary net position the following assumptions were made:

1. Interest rate for discounting was 7.00% per annum.
2. Projected total contributions are employer contributions to amortize the unfunded actuarial accrued liability and cover annual normal costs (including administrative expenses). Contributions are assumed to be paid at year end.
3. Assumed contributions are based on the contribution policy of the Orange County Sheriff's Office as communicated by the Comptroller's Office onAugust 29, 2017. The Orange County Sheriff's Office will annually contribute the Actuarially Determined Contribution (ADC). The ADC is equal to the ARC for the current fiscal year.
4. Projected benefit payments have been determined in accordance with Paragraphs 30–35 of GASB Statement No. 75, and are based on the closed group of active, retired members and beneficiaries as of September 30, 2018. Benefit payments are assumed to be paid mid-year.
5. Administrative expenses are $0 for 2017. Expenses are assumed to be paid mid-year.
6. Projected investment earnings are based on the assumed investment rate of return of 7.00% per annum.

[1] (f) = (a) + (b) – (c) – (d) + (e)

Interest Rate Sensitivity

The following table illustrates the impact of interest rate sensitivity on the Net OPEB Liability for fiscal year ending September 30, 2017:

	1% Decrease (4.54%)	Current Rate (5.54%)	1% Increase (6.54%)
(1) Total OPEB Liability	$ 52,459,911	$ 46,752,382	$ 41,949,815
(2) Plan Fiduciary Net Position	$ 8,769,832	$ 8,769,832	$ 8,769,832
(3) Net OPEB Liability	$ 43,690,079	$ 37,982,550	$ 33,179,983

The following table illustrates the impact of interest rate sensitivity on the Net OPEB Liability for fiscal year ending September 30, 2018:

	1% Decrease (4.90%)	Current Rate (5.90%)	1% Increase (6.90%)
(1) Total OPEB Liability	$ 57,283,601	$ 51,037,852	$ 45,785,242
(2) Plan Fiduciary Net Position	$ 10,539,044	$ 10,539,044	$ 10,539,044
(3) Net OPEB Liability	$ 46,744,557	$ 40,498,808	$ 35,246,198

Healthcare Cost Trend Sensitivity

The following table illustrates the impact of healthcare cost trend sensitivity on the Net OPEB Liability for fiscal year ending September 30, 2017:

	1% Decrease	Trend Rate	1% Increase
(1) Total OPEB Liability	$ 44,273,904	$ 46,752,382	$ 49,826,487
(2) Plan Fiduciary Net Position	$ 8,769,832	$ 8,769,832	$ 8,769,832
(3) Net OPEB Liability	$ 35,504,072	$ 37,982,550	$ 41,056,655

The following table illustrates the impact of healthcare cost trend sensitivity on the Net OPEB Liability for fiscal year ending September 30, 2018:

	1% Decrease	Trend Rate	1% Increase
(1) Total OPEB Liability	$ 47,937,597	$ 51,037,852	$ 54,907,736
(2) Plan Fiduciary Net Position	$ 10,539,044	$ 10,539,044	$ 10,539,044
(3) Net OPEB Liability	$ 37,398,553	$ 40,498,808	$ 44,368,692

Disclosure—Changes in the Net OPEB Liability and Related Ratios

Changes in the Net OPEB Liability and Related Ratios[1]

	Fiscal Year Ending	
	2017	**2018**
Total OPEB Liability		
Service Cost	N/A	$ 1,393,687
Interest Cost	N/A	$ 2,600,664
Changes of Benefit Terms	N/A	$ 0
Differences Between Expected and Actual Experiences	N/A	$ 1,044,321
Changes of Assumptions	N/A	$ 1,685,023
Benefit Payments	N/A	$ (2,438,225)
Net Change in Total OPEB Liability	N/A	$ 4,285,470
Total OPEB Liability (Beginning)	N/A	$ 46,752,382
Total OPEB Liability (Ending)	$ 46,752,382	$ 51,037,852
Plan Fiduciary Net Position		
Contributions—Employer	N/A	$ 3,129,271
Contributions—Member	N/A	$ $0
Net Investment Income	N/A	$ 1,078,166
Benefit Payments	N/A	$ (2,438,225)
Administrative Expense	N/A	$ $0
Other	N/A	$ $0
Net Change in Plan Fiduciary Net Position	N/A	$ 1,769,212
Plan Fiduciary Net Position (Beginning)	N/A	$ 8,769,832
Plan Fiduciary Net Position (Ending)	$ 8,769,832	$ 10,539,044
Net OPEB Liability (Ending)	$ 37,982,550	$ 40,498,808
Net Position as a Percentage of OPEB Liability	18.76%	20.65%
Covered-Employee Payroll	$ 130,888,724	$ 128,462,816
Net OPEB Liability as a Percentage of Payroll	29.02%	31.53%

[1] GASB 75 was effective first for employer fiscal years beginning after June 15, 2017.

Disclosure—Contribution Schedule

Contributions

	Fiscal Year Ending 2017	Fiscal Year Ending 2018
Actuarially Determined Contribution	$ 3,501,325	$ 3,776,845
Contributions Made in Relation to the Actuarially Determined Contribution	N/A	TBD
Contribution Deficiency·(Excess)	N/A	TBD
Covered-Employee Payroll	N/A	$ 128,462,816
Contributions as a Percentage of Payroll	N/A	TBD

Notes to Schedule:

Valuation Date: Actuarially determined contribution rates are calculated as of September 30, one year prior to the end of the fiscal year in which contributions are reported.

The Actuarially Determined Contribution is equal to the Annual Required Contribution (ARC). Methods and assumptions used to determine contribution rates are below:

Actuarial Cost Method	Entry Age Normal with 30.00-year closed amortization period for initial unfunded and subsequent actuarial gains/losses.
Asset Valuation Method	Fair Value
Salary Increases	4.50%
Investment Rate of Return	7.00%, net of OPEB plan investment expense, including inflation.
Retirement Age	Varies by age and service, see rates in Actuarial Assumptions and Methods.
Mortality	RP-2006 Fully Generational Healthy Mortality Table with Scale MP-2017

Appendix

Participant Data

The actuarial valuation was based on personnel information from Orange County Sheriff's Office records as of October 1, 2017. Following are some of the pertinent characteristics from the personnel data as of that date. Prior year characteristics are also provided for comparison purposes. Both age and service have been determined using years and months as of the valuation date.

	October 1, 2016	October 1, 2017
Health Care Participants		
Active Participants		
Number	2,052	2,117
Average Age	42.5	42.0
Average Service	12.0	11.6
Inactive Participants		
Retirees and Surviving Spouses	857	883
Average Age	64.3	64.6
Covered Spouses	56	64
Average Age	57.5	57.9
Total Participants[1]		
Number	2,965	3,064
Life Insurance Participants		
Active Participants		
Number	2,052	2,117
Average Age	42.5	42.0
Average Service	12.0	11.6
Inactive Participants		
Number	842	865
Average Age	64.4	64.7

[1] Participant counts include covered spouses of retirees who elected spousal or family medical coverage.

Asset Allocation

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates (50th percentile rates) of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30 are summarized in the following table[1]:

Asset Class	Expected Nominal Rate of Return	Expected Real Rate of Return	Allocation
Large Cap U.S. Equity	6.50%	4.11%	45.40%
Small Cap U.S. Equity	7.00%	4.59%	4.60%
International (Non-U.S.) Equity (Developed)	7.30%	4.89%	26.50%
Emerging Markets Equity	7.80%	5.38%	6.50%
Non-US Developed Bond (100% Hedged)	2.90%	0.59%	5.00%
Intermediate Duration Bonds - Gov't	2.80%	0.49%	7.70%
Intermediate Duration Bonds - Credit	3.80%	1.47%	4.30%
Total Portfolio	6.69%	4.29%	100.00%

The expected return rate of 7.00% used in the prior year is still considered a reasonable assumption based on the 50th percentile expectations illustrated above. The blended discount rate used to measure the total OPEB liability is 5.90%. The projection of cash flows used to determine the discount rate assumed employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on these assumptions, the OPEB Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through 2054.

[1] These rates of return reflect the Orange County Sheriff's Office's best estimate based on market expectations as of September 30, 2017.

Health Care Claims Development

The following documents the assumptions to be used in the valuation of Orange County's postretirement healthcare plan in accordance with GASB 45, GASB 74, GASB 75, and Actuarial Standards of Practice No. 6 and No. 41. The assumptions documented are applicable for the valuation as of October 1, 2017.

Per-Capita Costs for the Time Period October 1, 2017–September 30, 2018

The sample per capita claims cost assumptions shown below by age, benefit, and plan represent the true underlying baseline experience estimated for Orange County's sponsored postretirement benefits and costs. These rates are used in the expense calculation for the period October 1, 2017–September 30, 2018.

Age	With Medicare Part B	Without Medicare Part B
45	$ 7,933	$ 7,933
50	$ 9,457	$ 9,457
55	$11,557	$ 11,557
60	$14,213	$ 14,213
65	$ 6,135	$ 11,645
70	$ 7,064	$ 13,480
75	$ 7,784	$ 14,902
80	$ 8,308	$ 15,939

Medical and Rx Per-Capitas: The medical and Rx per capitas were developed using pre65 retiree experience blended with active experience. The experience was age-adjusted based on the demographics and trended to the valuation period.

In order to improve the credibility of a single projection estimate, a combination of estimates from the distinct historical periods was used, placing 34% credibility on the most recent period, 33% on the next most recent, and 33% on the oldest period. Finally, average medical and Rx per capita claims costs were then age-adjusted based on the demographics of the population, and the assumed health care aging factors shown in the table below.

Per capita administration and other fixed costs were developed and added onto the per capita claims cost assumptions using information supplied by Orange County. These per capita assumed administrative costs and stop-loss insurance fees were based on actual 2017 per employee rates, which were converted from a per employee basis to a per member basis using the most recent census file rates provided. For 2017, $496 annually was added per member for both pre/post 65 retirees' claims.

Health Care Aging (Morbidity) Factors

Since health care costs increase with age, and an OPEB valuation is by its nature an analysis of a closed group that will age throughout the measurement, the effect that this aging of the population will have on claims costs must be reflected in the valuation. The claim costs for medical and prescription drugs were assumed to increase with age according to the table below.

Age Band	Medical/Rx
20–44	3.3%
45–49	3.8%
50–54	4.3%
55–59	4.4%
60–64	3.8%
65–69	3.1%
70–74	2.1%
75–79	1.4%
80–84	1.3%
85–89	0.6%
90+	0.0%

The aging factor assumptions shown above were based on normative data analyses, along with consideration of the results from the 2013 Society of Actuaries sponsored study "Health Care Costs—From Birth to Death" prepared by Dale H. Yamamoto, reporting on the effect of age on claims costs. In addition to age, this study shows the effect of service type (medical vs. pharmacy) and gender on claims costs.

Trend

The health care cost trend assumptions shown below were based on national average information from a variety of sources, including S&P Healthcare Economic Index, NHCE data, plan renewal data, and vendor Rx reports, with adjustments based on the provisions of the benefits sponsored by Orange County.

Year	Pre-65	Post-65
2017–2018	7.9%	9.4%
2018–2019	7.3%	8.6%
2019–2020	7.1%	8.2%
2020–2021	6.8%	7.7%
2021–2022	6.5%	7.3%
2022–2023	6.2%	6.9%
2023–2024	5.9%	6.4%
2024–2025	5.6%	5.9%
2025–2026	5.3%	5.5%
2026–2027	5.0%	5.0%

Health Care Reform

The impact of the Patient Protection and Affordable Care Act on the provisions and cost of the retiree medical plan was evaluated. The cost of any future excise tax will be passed onto the retiree, so it is not reflected in the valuation. Based on the following, it was concluded that no adjustments for Health Care Reform are required.

- The Sheriff's Office provides a fixed dollar premium subsidy.
- No lifetime or annual maximums are valued in the calculations.
- The employer allows dependent children to stay on the plan until age 26.
- Medicare Part D reimbursements and the Early Retiree Reinsurance program do not fall under GASB 45, 74, or 75.
- Plan participation rates were not adjusted due to the requirement for individuals to maintain minimum essential health care coverage.

Actuarial Assumptions and Methods

Cost Method	Entry Age cost method was used.
Amortization Method for GASB 45	Past service liability and annual actuarial gains/losses are amortized over a closed 30 year period as a level percentage of projected payroll.
Asset Method	Fair Value.
Employees Included in the Calculations	Participants who have 10 years of service are eligible to receive the premium subsidy. Retirees who have at least 6 years of service (8 years for disability retirement) or terminated with 20 years may participate in the county's medical plan. Below are the assumed participation rates:

	Under 10 Year of Service	10 or More Years of Service
Pre 65		
Medical Plan	50%	50%
Subsidy	0%	100%
Continuation at Medicare Eligible	15%	15%
Medicare Eligible		
Medical Plan	8%	8%
Subsidy	0%	100%

Marital Status and Age of Spouse — The following marriage, family coverage and spouse's age difference assumptions have been made for active participants:

	Male	Female
Married	85%	65%
Elect Spouse Coverage	60%	30%
Spouse Age Difference	3 years younger	3 years older

Future Medical Plan Election — Future retirees who elect medical coverage are expected to elect between available options as follows.

	Green	Gold
10/01/2016 Medical Plan Election	85%	15%
10/01/2017 Medical Plan Election	85%	15%

Discount Rate at September 30, 2017 for GASB 74/75	5.90%

Discount Rate at September 30, 2016 for GASB 74/75	5.54%
20 Year Municipal Bond Rate at September 30, 2017	3.64%
20 Year Municipal Bond Rate at September 30, 2016	3.06%
Municipal Bond Rate Basis	Bond Buyer GO 20-Bond Municipal Bond Index
Expected Return on Assets	7.00%
Salary Increases	4.50%
General Inflation	2.50%

Claims

The chart below shows the expected medical and drug claim level per person (used for the 12-month period beginning October 1, 2017). The plans were blended for valuation purposes based on current retiree plan elections.

Individual Coverage	Claims
Age 52	$ 10,245
Age 57	$ 12,551
Age 62	$ 15,275
Age 67	$ 6,490
Age 72	$ 7,343
Age 77	$ 7,989

Trend Assumptions

The health care trend assumption was based on national average information from a variety of sources, including S&P Healthcare Economic Index, NHCE data plan renewal data and vendor Rx report with adjustments based on the provisions of the benefits offered by Orange County.

	Pre-65	Post-65
10/01/2017–09/30/2018	7.90%	9.40%
10/01/2018–09/30/2019	7.30%	8.60%
10/01/2019–09/30/2020	7.10%	8.20%
10/01/2020–09/30/2021	6.80%	7.70%
10/01/2021–09/30/2022	6.50%	7.30%
10/01/2022–09/30/2023	6.20%	6.90%
10/01/2023–09/30/2024	5.90%	6.40%
10/01/2024–09/30/2025	5.60%	5.90%
10/01/2025–09/30/2026	5.30%	5.50%
Ultimate	5.00%	5.00%

Mortality Decrements

Healthy

Aggregate 2006 base rates from the RP-2014 Mortality Study generationally projected with Scale MP-2017

Disabled

Aggregate 2006 base rates from the RP-2014 Mortality Study generationally projected with Scale MP-2017

Decrement Assumptions

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

Retirement (Regular Tier I—Male)

Decrement	Service			
Age	**6**	**10**	**30**	**33**
45	0.0%	0.0%	0.0%	0.0%
52	5.5%	3.0%	4.0%	25.0%
55	5.4%	4.5%	5.0%	25.0%
60	5.4%	5.3%	5.0%	60.0%
62	11.0%	11.0%	11.0%	66.0%
65	10.0%	54.0%	54.0%	54.0%
70	10.0%	13.0%	13.0%	13.0%
80	100.0%	100.0%	100.0%	100.0%

Retirement (Regular Tier I—Female)

Decrement	Service			
Age	**6**	**10**	**30**	**33**
45	0.0%	0.0%	0.0%	0.0%
52	5.9%	3.0%	4.0%	29.0%
55	5.8%	3.0%	5.0%	29.0%
60	5.8%	3.0%	7.0%	53.0%
62	9.0%	9.0%	9.0%	67.0%
65	15.0%	60.5%	60.5%	60.5%
70	10.0%	15.0%	15.0%	15.0%
80	100.0%	100.0%	100.0%	100.0%

Retirement (Regular Tier II—Male)

Decrement	Service			
Age	**8**	**10**	**33**	**36**
45	0.0%	0.0%	0.0%	0.0%
52	4.6%	3.0%	4.0%	25.0%
55	4.4%	4.5%	5.0%	25.0%
60	4.3%	5.3%	5.0%	60.0%
62	4.3%	5.3%	11.0%	60.0%
65	10.0%	10.0%	10.0%	66.0%
70	10.0%	13.0%	13.0%	13.0%
80	100.0%	100.0%	100.0%	100.0%

Retirement (Regular Tier II—Female)

Decrement	Service			
Age	**8**	**10**	**33**	**36**
45	0.0%	0.0%	0.0%	0.0%
52	5.5%	3.0%	4.0%	29.0%
55	5.4%	3.0%	5.0%	29.0%
60	5.4%	3.0%	7.0%	53.0%
62	5.4%	3.0%	9.0%	60.0%
65	15.0%	15.0%	15.0%	67.0%
70	10.0%	15.0%	15.0%	15.0%
80	100.0%	100.0%	100.0%	100.0%

Retirement (Special Risk Tier I—Male)

Decrement	Service			
Age	**6**	**10**	**30**	**33**
45	0.0%	0.0%	0.0%	0.0%
52	3.6%	1.8%	7.0%	35.0%
55	3.2%	1.8%	6.0%	55.0%
60	3.2%	1.8%	6.0%	12.0%
62	15.0%	15.0%	15.0%	25.0%
65	30.0%	25.0%	25.0%	25.0%
70	100.0%	100.0%	100.0%	100.0%
80	100.0%	100.0%	100.0%	100.0%

Retirement (Special Risk Tier I—Female)

Decrement	Service			
Age	**6**	**10**	**30**	**33**
45	0.0%	0.0%	0.0%	0.0%
52	5.9%	1.6%	7.0%	25.0%
55	5.1%	4.0%	7.0%	25.0%
60	5.1%	4.0%	6.0%	12.0%
62	15.0%	15.0%	15.0%	25.0%
65	30.0%	25.0%	25.0%	25.0%
70	100.0%	100.0%	100.0%	100.0%
80	100.0%	100.0%	100.0%	100.0%

Retirement (Special Risk Tier II—Male)

Decrement	Service			
Age	**8**	**10**	**33**	**36**
45	0.0%	0.0%	0.0%	0.0%
52	2.9%	1.8%	7.0%	35.0%
55	2.9%	1.8%	6.0%	55.0%
60	2.9%	1.8%	6.0%	57.0%
62	2.9%	1.8%	15.0%	70.0%
65	30.0%	30.0%	30.0%	25.0%
70	100.0%	100.0%	100.0%	100.0%
80	100.0%	100.0%	100.0%	100.0%

Retirement (Special Risk Tier II—Female)

Decrement	Service			
Age	**8**	**10**	**33**	**36**
45	0.0%	0.0%	0.0%	0.0%
52	4.1%	1.6%	7.0%	25.0%
55	4.1%	4.0%	7.0%	25.0%
60	4.1%	4.0%	6.0%	27.0%
62	4.1%	4.0%	15.0%	40.0%
65	30.0%	30.0%	30.0%	25.0%
70	100.0%	100.0%	100.0%	100.0%
80	100.0%	100.0%	100.0%	100.0%

Termination (Regular—Male)

Decrement	Service		
Age	**1**	**6**	**10**
20	25.4%	11.1%	9.8%
25	18.5%	8.5%	6.2%
30	15.4%	7.8%	4.7%
35	14.3%	7.5%	4.2%
40	12.6%	6.7%	3.0%
45	12.5%	6.5%	2.7%
50	12.2%	5.5%	3.0%

Termination (Regular—Female)

Decrement	Service		
Age	**1**	**6**	**10**
20	25.8%	11.4%	11.6%
25	19.8%	9.7%	5.3%
30	16.9%	8.7%	5.4%
35	15.9%	8.0%	4.6%
40	14.0%	6.5%	3.3%
45	13.9%	6.5%	3.0%
50	13.4%	5.9%	3.0%

Termination (Special Risk—Male)

Decrement	Service		
Age	**1**	**6**	**10**
20	10.3%	5.2%	2.3%
25	9.8%	5.2%	2.3%
30	9.5%	5.2%	2.1%
35	8.8%	5.1%	2.0%
40	8.0%	4.6%	1.9%
45	7.3%	4.1%	1.8%
50	6.5%	3.6%	1.8%

Termination (Special Risk—Female)

Decrement	Service		
Age	1	6	10
20	15.5%	5.9%	1.9%
25	14.2%	5.9%	1.9%
30	13.2%	5.9%	1.7%
35	12.2%	5.9%	1.5%
40	11.2%	5.9%	2.5%
45	10.2%	5.9%	2.5%
50	9.2%	5.9%	1.6%

Disability (Regular)

Decrement Age	Male	Female
20	0.01%	0.01%
25	0.01%	0.01%
30	0.01%	0.01%
35	0.02%	0.02%
40	0.02%	0.02%
45	0.08%	0.06%
50	0.16%	0.10%
55	0.25%	0.16%
60	0.30%	0.26%

Disability (Special Risk)

Decrement Age	Male	Female
20	0.02%	0.02%
25	0.02%	0.02%
30	0.03%	0.02%
35	0.03%	0.03%
40	0.03%	0.03%
45	0.03%	0.06%
50	0.08%	0.11%
55	0.05%	0.11%
60	0.05%	0.11%

Changes in Financial Accounting Methods/Assumptions Since the Prior Year

Method Changes
The financial accounting valuation reflects the following method changes:

- Effective for the Fiscal Year ending September 30, 2018, the Plan will report under GASB 75.

Assumption Changes
The financial accounting valuation reflects the following assumption changes:

- A change in the discount rate from 7.00% under GASB 45 to 5.54% at September 30, 2016 under GASB 75 and to 5.90% at September 30, 2017.
- A change in the mortality improvement projection scale from Scale MP-2016 to Scale MP-2017.
- Health care claims rates and trend rates were updated to reflect the latest available information.

The rationales for selecting each of the assumptions used in the financial accounting valuation and for the assumption changes summarized above are to best reflect the current market conditions and recent plan experience.

Plan Provisions

General Eligibility Rules

Former employees and beneficiaries of the Orange County Sheriff satisfy retirement eligibility if (1) they commence FRS benefits immediately upon termination AND (2) under any one of the following conditions:

(1) Disabled in line-of duty;

(2) Disabled with at least eight years of service;

(2) In the FRS Pension Plan with at least six years of service (eight, if hired on or after July 1, 2011);

(3) In the FRS Investment Plan with at least six years of service (eight, if hired on or after July 1, 2011) and at least age 59½; or

(4) In the FRS Investment Plan with at least 30 years of service.

Employees must have 10 years of service and be honorably separated and begin retirement benefits upon separation to be eligible for a $5 premium subsidy provided by the Sheriff's Office.

Medical and Drug Benefits Covered

Eligible retirees are generally covered by one of two self-funded comprehensive medical program from Cigna with the following design:

	Green Plan	**Gold Plan**
Plan Type	HRA	HSA
HRA Annual Addition	N/A	N/A
Deductible	$2,000	$1,300
Coinsurance (In Network)	80%	80%
Copayment	$30	$0
Out-Of-Pocket Limit	$4,000	$2,600

Effective October 1, 2016, a third Blue Plan option was also available. The Blue Plan was no longer an option as of October 1, 2017.

Integration With Medicare

The over-65 benefits coordinate with Medicare on a "Coordination of Benefits" basis. That is, the plan pays up to the amount it would pay as primary payer, except that it will not pay benefits already paid by Medicare (which is actually the primary payer).

Spouses Covered

Spouses of employees, former employees, or beneficiaries of the Sheriff's Office who meet the above conditions and started receiving pension benefits at termination may elect medical coverage.

Employee Costs

The chart below shows the monthly retiree cost of medical and drug coverage:

	10/01/2016 – 09/30/2017		**10/01/2017 – 09/30/2017**	
Plan	**Green**	**Green**	**Green**	**Gold**
Pre 65				
Individual Coverage	$677.17	$693.67	$686.89	$703.62
Retiree and Spouse	$1,327.25	$1,359.53	$1,346.29	$1,379.04
Medicare Eligible				
Individual Coverage	$572.27	$588.77	$552.89	$569.62
Retiree and Spouse	$1,117.45	$1,149.73	$1,078.29	$1,111.04

If a retiree participates in a medical plan the Sheriff's Office will pay a portion of the employee premium equal to $5.00 per month for each year of service up to 30 years.

Dental and Vision

Dental and vision benefits are deemed to be immaterial and are not reflected in this report.

Life

$10,000 for life.

Changes in Plan Provisions Since the Prior Year

The financial accounting valuation reflects the following changes:

- Deductibles and out of pocket limits for both the Green and Gold options changed.
- The Blue option is no longer available to participants.

EXHIBIT C

ORANGE COUNTY RETIREE HEALTH CARE BENEFIT TRUST

ORANGE COUNTY GOVERNMENT
FLORIDA

Interoffice Memorandum

APPROVED
BY ORANGE COUNTY BOARD
OF COUNTY COMMISSIONERS
SEP 18 2007 1 H/BS

August 31, 2007

To: Mayor Richard T. Crotty
- and -
The Board of County Commissioners

From: Eric D. Gassman, Assistant County Administrator

Subject: Irrevocable Trust Agreement for Other Post Employment Benefits
Consent Agenda Item for September 18, 2007

I. Action Requested

Approval of the Orange County Retiree Health Care Benefit Trust (an irrevocable trust fund) and approval to make the initial deposit of approximately $6.2 million to the trust fund.

II. Overview

During the fiscal year 2006-07 budget worksessions, staff made a presentation and discussed new accounting rules associated with Other Post Employment Benefit ("OPEB") plans. At the conclusion of the budget worksessions, the board gave approval to implement the new OPEB accounting standard and appropriated $6.9 million in the county's budget to make the initial annual required contribution as determined by an actuary. In order to complete the implementation, staff is recommending approval of the attached irrevocable trust fund agreement. Additional background is provided below.

III. Background

Many state and local governmental agencies provide OPEB to retirees in addition to pensions. OPEB usually includes benefits such as health insurance (medical, dental, vision and prescription), life insurance, disability, long-term care, and legal services. Historically, most public agencies have accounted for OPEB on a pay-as-you-go basis. That is, governmental accounting rules only required that current OPEB payments to existing retirees be recorded as an expense in the financial statements. This practice resulted in most public agencies having very significant "hidden liabilities." Essentially, a promise now and pay later approach.

In 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45 ("GASB 45"), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* to address this problem. This standard creates new requirements for reporting and disclosing information about OPEB plans. In general, employers must account for and report the costs and obligations of OPEB in a similar manner as what is required for pensions. In order to receive an unqualified opinion on their financial statements, governments must implement the GASB 45 standard according to a three-year phased-in schedule, with large governments, such as Orange County, being required to implement in fiscal year 2007-08.

OPEB benefits approved by Orange County that are subject to GASB 45 include: 1) the right of certain retired employees to continue in the county's health insurance plan at the same group rate as for active employees (as required per Florida State Statutes, Section 112.0801), and 2) payment of a defined monthly health insurance subsidy to certain retirees who have met a specified combined term of service with the county and/or one or more of its constitutional officers, with the exception of the Clerk of Courts.

Through the engagement of an actuary, the county has determined the estimated OPEB funding obligation as of the fiscal year ended September 30, 2006, and intends to implement the requirements of GASB 45 during the fiscal year ending September 30, 2007, which is one year earlier than required. According to the actuary report, Orange County and its constitutional officers have a total unfunded OPEB obligation of approximately $72.9 million, of which $46.7 million is attributable to retired employees participating in the county's group health insurance plan (benefit #1 from above) and $26.2 million is attributable to the county's health insurance subsidy (benefit #2 from above.). Under GASB 45, the total unfunded liability can be amortized and paid for over a period not to exceed 30 years. The annual amortized portion of the unfunded OPEB liability plus the new incremental or normal costs incurred during each subsequent year equals the annual required contribution ("ARC"). The ARC is the amount necessary to fully fund the OPEB trust in any given year.

In the fiscal year 2006-07 budget, the Board of County Commissioners approved and appropriated $6.9 million, which represents Orange County's initial ARC. Further, a portion of this amount has already been paid out in current benefits to eligible county retirees, so the remaining net deposit to the irrevocable OPEB trust fund at this time will be approximately $6.2 million. In order to avoid having to show an unfunded liability on the county's financial statements, it is necessary to establish and make the required ARC (as determined by an actuary) to an irrevocable trust fund. The attached trust fund agreement establishes the Comptroller's Office as the initial trustee and it covers benefits that have been approved by the board for county employees and the employees of the eligible participating constitutional officers, which does not include the Clerk of Courts because she is responsible for the establishment of her own trust fund.

IV. Recommendation

Approval of the Orange County Retiree Health Care Benefit Trust (an irrevocable trust fund) and approval to make the initial deposit of approximately $6.2 million to the trust fund

EDG/rm

cc: Ajit Lalchandani, County Administrator
Sharon Donoghue, Deputy County Administrator
Jim Moye, Deputy Comptroller, Comptroller's Office
Paul Wunderlich, Director of Finance and Accounting, Comptroller's Office
Lila McHenry, Assistant County Attorney

APPROVED
BY ORANGE COUNTY BOARD
OF COUNTY COMMISSIONERS
SEP 1 8 2007 LH|BS

ORANGE COUNTY
RETIREE HEALTH CARE BENEFIT TRUST

THIS IRREVOCABLE TRUST AGREEMENT (this "Trust Agreement"), made effective as of October 1, 2006 by and between Orange County, Florida, a charter county and political subdivision of the State of Florida (the "County") and the Office of the Orange County Comptroller, as trustee, (the "Trustee"). The trust created herein shall be known as and will be referred to as the ORANGE COUNTY RETIREE HEALTH CARE BENEFIT TRUST (the "Trust").

WHEREAS, the County has adopted, and will, from time to time, adopt certain post-retirement health care and other post-retirement benefit programs as well as certain related financial subsidies for the benefit of its eligible Retirees;

WHEREAS, the County annually funds the budgets of Eligible Officers (as defined herein) which may include post-retirement benefits and has provided an opportunity for Eligible Officers to participate in the Trust;

WHEREAS, the Governmental Accounting Standards Board ("GASB") issued GASB Statement No.'s 43 and 45 which will require governmental entities such as the County to recognize post-retirement health care benefit costs during the working careers of County employees, and will provide guidance as to the administration of an OPEB trust;

WHEREAS, the County desires to establish the Trust to define and identify certain Retiree benefit obligations (as more specifically set forth on Exhibit A attached hereto) and to fund such obligations on an actuarially determined basis;

WHEREAS, the post-retirement health care benefits currently being provided cannot be changed retroactively to usurp the assets in the Trust and only payments specifically allocated for eligible post-retirement health care benefits may be paid from the Trust;

WHEREAS, the County's provision of post-retirement health care and other post-retirement benefits to Retirees as specified in the attached Exhibit A (which may be amended from time to time), constitutes an essential governmental function within the meaning of Section 115(1) of the Internal Revenue Code;

WHEREAS Sections 115 and 671 of the Internal Revenue Code permit the County to establish a separate Trust that would serve as a vehicle for accumulating amounts needed to pay for post-retirement health care and other post-retirement benefits;

WHEREAS, the form and purpose of this Trust Agreement was approved by the Board of County Commissioners of the County on September 18, 2007; and

WHEREAS, the County will pay to the Trustee in trust hereunder the sum of approximately $6.2 million as the initial contribution to the Trust hereby created;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, it is hereby agreed between the County and Trustee as follows:

ARTICLE I: *CREATION OF TRUST; PURPOSE*. The Trust is hereby created for the sole purpose of providing funding for and payment of post-retirement health care and other post-retirement benefits to Beneficiaries, which is an essential governmental function. It is created as an irrevocable trust and in no event shall any part of the principal or income of this Trust be paid or revert to the County or any Eligible Officer, for any purpose whatsoever other than to pay or to provide reimbursement for eligible post-retirement health care and other post-retirement benefit program expenditures for the exclusive benefit of Beneficiaries, including reasonable Administrative Expenses. The Trust is created pursuant to the authority of the County's Charter and other applicable law and shall constitute a governmental trust pursuant to Section 115 of the Code. The Trust may consist of the contributions from the County and Participating Eligible Officers, all investments made or held under this Trust, and all income therefrom, both received and accrued, and any other property, which may be received or held by reason of this Trust. It is intended that the Trust shall be tax-exempt and shall qualify under the Code and any amendments of the Code applicable to trusts of this type.

No part of the net earnings of the Trust may inure to the benefit of any Retiree or other Beneficiary other than by benefit payments or for services provided by the Trustee in its administration of the Trust. The assets of the Trust shall not be used for or diverted to purposes other than to provide the benefits contemplated hereunder for the exclusive benefit of eligible Retirees, except any administrative expenses for which the Trust is liable as set forth herein. A portion of net earnings may be used for payment for reasonable and necessary professional services, costs and expenses related to assisting the Trustee in the operation of the Trust.

All income, profits, recoveries, contributions, forfeitures and any and all monies, securities and properties of any kind at any time received or held by the Trustee hereunder, shall become part of the Trust when received, and shall be held for the use and purposes hereof.

Neither the County nor any Eligible Officer shall be liable for payment to the Trust of any amount other than those contemplated by this Trust Agreement. Neither the County, any Eligible Officer, nor any Beneficiary or Trustee shall be liable for any debts, liabilities or obligations of the Trust except as provided in this Trust Agreement.

ARTICLE II: *IRREVOCABILITY*. The Section 115 governmental trust established herein shall be irrevocable and shall conform to all applicable sections of the Code and all statutes, ordinances, rules, regulations, and judicial decisions interpreting the foregoing provisions.

ARTICLE III: *DEFINITIONS*. As used in this Trust Agreement, the following terms shall have the meanings hereinafter set out:

(a) "Actuarial Accrued Liability" shall mean that portion of the actuarial present value of Trust obligations, as determined under a particular Actuarial Cost Method and related administrative expenses.

(b) "Actuarial Cost Method" shall mean a method of determining the actuarial present value of the obligations and administrative expenses of the Trust, and for developing an actuarially equivalent allocation of the value to time periods. Acceptable actuarial methods include the aggregate, attained age, entry age, frozen attained age, frozen entry age, and projected unit credit methods.

(c) "Actuarial Valuation" shall mean the determination, as of valuation date, of the normal cost, Actuarial Accrued Liability, actuarial value of assets, and related actuarial present values for the Trust.

(d) "Administrative Expenses" shall mean all reasonable expenses incurred in the operation of the Trust, including all investment expenses.

(e) "Annual Required Contribution" and "ARC" shall mean that the amount that must be contributed in a given year to fully fund the Trust, as determined by the Actuarial Valuation in accordance with requirements of Generally Accepted Accounting Principles and all other such requirements under GASB Statement Nos. 43 and 45. This amount shall represent a level of funding that if paid on an ongoing basis is projected to cover the normal cost each year and amortize any Unfunded Actuarial Accrued Liabilities over a period not to exceed thirty (30) years.

(f) "Beneficiaries" shall mean all Retirees of the County and Participating Eligible Officers who meet the criteria for eligibility for Benefits.

(g) "Benefits" shall mean such Post-Retirement Health Care Benefits and Other Post-Retirement Benefits currently approved by the County as described in Exhibit A attached hereto and as may be amended from time to time by the Board to Retirees of the County, and, as for Retirees of Participating Eligible Officers, shall include only those benefits that are (i) identical to the County's approved benefits; (ii) materially consistent with the County's approved benefits as determined by the County Administrator in writing; or (iii) that have been expressly approved by the Board as included in Exhibit A attached hereto.

(h) "Board" shall mean the Board of County Commissioners of the County.

(i) "Code" means the Internal Revenue Code of 1986, as amended.

(j) "County" shall mean Orange County, Florida acting through its Board of County Commissioners.

(k) "County Administrator" means the person holding the office of County Administrator of the County or his designee.

(l) "Comptroller" shall mean the Office of the Orange County, Florida Comptroller, which shall serve as the initial Trustee under this Trust Agreement.

(m) "Eligible Officers" shall mean the Orange County Comptroller, the Orange County Property Appraiser, the Orange County Sheriff, the Orange County Supervisor of Elections and the Orange County Tax Collector.

(n) "Fiscal Year" shall mean October 1 of any year through September 30 of the following year.

(o) "GASB" shall mean the Governmental Accounting Standards Board.

(p) "Generally Accepted Accounting Principles" shall mean accounting principles generally accepted in the United States of America.

(q) "Minimum Annual Payment" and "Pay-as-you-go" amount shall mean the annual amount paid by the County and Participating Eligible Officers, if any, toward Retiree Benefits, which, when combined with the Trust assets, will provide sufficient funds to cover all Benefits and related Administrative Expenses for that Fiscal Year.

(r) "Obligations" shall mean those Administrative Expenses of the Trust and the cost of the ARC which is allocated to such valuation year by the Actuarial Cost Method used for the Trust.

(s) "Other Post-Retirement Benefits" or "Post-Retirement Health Care Benefits" means those benefits as addressed by GASB Statement No.'s 43 and 45, or any subsequent GASB statement that may be applicable to the Trust.

(t) "Participating Eligible Officer" shall mean an Eligible Officer that participates in and complies with this Trust Agreement.

(u) "Retiree" shall mean a retired County employee or a retired employee of a Participating Eligible Officer who is eligible to receive Benefits.

(v) "Trust" shall mean the Orange County Retiree Health Care Benefit Trust created and set forth herein.

(w) "Unfunded Actuarial Accrued Liability" shall mean for any Actuarial Valuation, the excess of the Actuarial Accrued Liability over the actuarial value of the assets of the Trust under an Actuarial Cost Method used by the Trust for funding purposes.

ARTICLE IV: *ELIGIBILITY FOR BENEFIT* shall mean those Beneficiaries who are eligible for Benefits.

ARTICLE V: *TRUST CONTRIBUTIONS*. The County and/or Participating Eligible Officers intend to make, but are not required to make, regular contributions to the Trust, as determined by applicable actuarial reports prepared under GASB Statement No. 45, to fund the Obligations of the Trust. The County shall develop the Minimum Annual Payment as part of its financial plan each year.

ARTICLE VI: *PAYMENT OF BENEFITS*. Benefits to be paid under this Trust Agreement, whether directly or indirectly, shall include only the Benefits as defined in Article III(g) of this Trust Agreement. No other benefits or rights are intended to be granted or created by reason of the execution of this Trust Agreement.

ARTICLE VII: *CONCERNING THE TRUSTEE*: The Comptroller is designated as the initial Trustee of this Trust.

(a) Successor Trustee Not Responsible For Acts Of Prior Trustee

No successor Trustee, whether or not specifically named herein, shall have any responsibility for the acts or omissions of any prior Trustee nor shall it have a duty to audit or investigate the accounts or administration of any such prior Trustee.

(b) Trustee Reimbursement and Compensation

An individual Trustee may receive reasonable compensation as negotiated with the County. Any Trustee shall be reimbursed for reasonable expenses on behalf of the Trust and shall receive reasonable compensation for extraordinary services rendered to the Trust.

A Trustee shall be entitled to reimburse himself or herself for any reasonable personal costs incurred in the administration of this Trust and for any reasonable expenses of the Trust that he/she has paid.

ARTICLE VIII: *ADMINISTRATION OF TRUST*. In administering this Trust, the Trustee and the County shall administer the same for the benefit of all Beneficiaries as herein provided, without discrimination in favor of one or some Beneficiaries as against one or some other Beneficiaries.

Whenever action is required by the County hereunder, the same may be taken by any individual designated by the County Administrator as agent for that purpose. The County shall notify the Trustee of any change of agent. The Trustee shall be entitled to rely upon information or instructions received from the agent of the County whose authority to act was last certified to the Trustee. Any information or instruction from the County to the Trustee shall be in writing and shall be effective upon delivery to the Trustee. The Trustee shall be under no duty or responsibility to inquire into the acts or omissions of the County, nor shall the Trustee have any liability therefore. Should it become necessary to perform some act hereunder and there is neither direction in this Trust nor information nor instructions from the County on file with the Trustee relating thereto, and no such information or instructions can be obtained after reasonable inquiry, the Trustee shall have full power and authority to act in the Trustee's discretion, consistently with the purpose of this Trust; and in so acting or in following any instructions from the County, the Trustee shall be fully protected and shall be absolved from all liability provided the Trustee discharges his or her duties with the care, skill, and caution under the circumstances then prevailing which a prudent person, acting in a like capacity and familiar with those matters, would use in the conduct of an activity of like character and purpose.

The duties, powers and responsibilities of the Trustee shall be limited as specifically provided herein. No person serving as a Trustee hereunder shall be liable or responsible to anyone for any matter or thing whatsoever, provided only that the Trustee has met the prudent person standard as described above.

The Trustee, in performing any act hereunder, shall be entitled to rely upon any affidavit, certificate, letter, notice, telegram or other paper or document believed by the Trustee to be genuine and upon any information or evidence believed by the Trustee to be sufficient; and the Trustee shall be protected in all payments hereunder if made in good faith and without actual knowledge of the happening of an event or a change in conditions which would affect such payments.

The Trustee shall take no action nor make any determination inconsistent with any qualification or ruling of the Internal Revenue Service, an arbitrator or the courts with respect to the Trust. In the case of amendments to the Code or changes of regulations by the Internal Revenue Service or other governmental agency, the Trustee is empowered to take all necessary actions authorized by this Trust Agreement, federal and state law and regulations, to continue the qualification of the Trust as a Code Section 115 Trust.

The County, through its Human Resources Division, shall certify to the Trustee the identity of its Beneficiaries on whose behalf a payment is to be made, and the nature of and the amount of such payment. Thereafter, the County, through its Human Resources Division, shall certify to the Trustee additions, deletions, and changes within thirty (30) calendar days from when they occur. In order for Beneficiaries of Participating Eligible Officers to receive payments from the Trust, the Participating Eligible Officer must: (1) reimburse the County for any funding included in their budget for the purpose of making Benefit payments; (2) identify and certify the eligibility of its Beneficiaries on whose behalf a payment is to be made in accordance with the Trust; (3) provide notice to the County of its participation in the Trust and the amounts required for such participation; and (4) provide evidence satisfactory to the County and the Trustee that such Beneficiaries meet the applicable eligibility requirements. Thereafter, the Participating Eligible Officer shall certify to the County and the Trustee additions, deletions, and changes within thirty (30) calendar days from when they occur. The County and the Trustee have the right, but not the obligation, to audit the records of the County or any Participating Eligible Officers to verify the identity and eligibility of the Beneficiaries and such records will be maintained in accordance with Florida law and in no case for less than five (5) years.

The Trustee shall discharge its duties with respect to the Trust solely in the interest of the Beneficiaries for the exclusive purpose of providing Benefits to Beneficiaries and paying Administrative Expenses of the Trust. A Trustee shall discharge his or her duties with the care, skill, and caution under the circumstances then prevailing which a prudent person, acting in a like capacity and familiar with those matters, would use in the conduct of an activity of like character and purpose.

ARTICLE IX: *TRUSTEE'S ADMINISTRATIVE POWERS*. The Trustee shall receive, hold, invest and reinvest contributions to the Trust and shall make disbursements from the Trust pursuant to applicable Trust provisions. Financial reporting for the Trust shall be in conformance with Generally Accepted Accounting Principles. For purposes of accounting and valuation, the records of the Trust shall be maintained on a cash receipts and disbursements basis.

Subject only to such instructions, rules and restrictions as may from time to time be adopted by the County and communicated to the Trustee, the Trustee shall have the powers and rights set forth in Articles X-XVIII below in addition to those invested in the Trustee by law.

ARTICLE X: *INVESTMENT POWERS.* To hold, manage and control the assets of the Trust, during the continuance of the Trust. The Trustee shall have full power without any court order to improve, lease for any term irrespective of the duration of the Trust, rent, sell, exchange, hold, control, invest and reinvest the same in such manner and upon such terms as the Trustee deems best, including (without limitation of these powers) the power to purchase shares in investment trusts and stock in investment corporations, irrespective of any statutes or rules or practices of courts now or hereafter in force limiting the investments of trust companies or trustees generally, with full power to convert realty into personalty and personalty into realty. The Trustee shall invest the assets of the Trust with the primary objective and priority of preserving the assets of the Trust. The Trustee hereunder shall not be required to dispose of any property held hereunder in order to diversify the investments of the Trust or because such holdings are of a kind not ordinarily considered as proper investments for trust estates; nor shall the Trustee be precluded from acquiring property which results in a nondiversification of the investments of the Trust or which is of a kind not ordinarily considered as proper investments for trust estates; therefore, the Trustee is granted the right to retain property so long as the Trustee shall deem such investments reasonably sound, and to acquire such property as the Trustee deems to be a reasonably sound investment, regardless of the proportion of the Trust which it represents and regardless of whether it is of a type ordinarily deemed proper for trust investments. The Trustee is authorized to hold cash uninvested at any time. No purchaser from, nor lender to, the Trustee need see to the application of the purchase or loan money to the purposes of the Trust, but the receipt of the Trustee shall be a complete discharge to any such person. The Trustee acting hereunder shall not be held responsible for any loss sustained by the Trust provided the Trustee discharges his or her duties with the care, skill, and caution under the circumstances then prevailing which a prudent person, acting in a like capacity and familiar with those matters, would use in the conduct of an activity of like character and purpose. The Trustee hereunder shall not be personally liable upon any contract of indebtedness of or claim against the Trust or upon a mortgage, trust deed, note or other instrument executed under the provisions of this Trust.

ARTICLE XI: *VOTING AND RELATED POWERS.* The Trustee shall vote any stocks, bonds, or other securities, to give general or special powers of attorney with or without power of substitution; to exercise any conversion privileges, subscription rights or other options and to make any payments incidental thereto; to consent to or otherwise participate in corporate reorganizations or other changes affecting corporate securities and to delegate discretionary powers and to pay any assessments or charges in connection therewith; and generally to exercise any of the powers of an owner with respect to stocks, bonds, securities or other property held in the Trust.

ARTICLE XII: *CLAIMS BY OR AGAINST THE TRUST.* The Trustee shall determine whether to sue or defend in any suit or legal proceedings by or against the Trust. The Trustee shall have full power in the Trustee's discretion to compound, compromise and adjust all claims and demands in favor of or against the Trust upon such terms as the Trustee may deem best. In the administration of the Trust, the Trustee shall not be obligated to take any action which may subject the Trustee to any expense or liability unless the Trustee is first indemnified to the Trustee's satisfaction for all expenses and liabilities which the Trustee may incur in connection with such action. The assets of the Trust shall not be subject to the claims of any creditors of the County or the Eligible Officers.

ARTICLE XIII: *EMPLOYMENT OF AGENTS*. The Trustee shall employ such agents, attorneys-in-fact, experts and investment and legal counsel, as it deems necessary and shall delegate discretionary powers to or to rely upon information or advice furnished by such agents, attorneys-in-fact, experts or counsel.

ARTICLE XIV: *EXECUTION OF INSTRUMENTS*. The Trustee shall execute and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted, and to perform any and all acts that may be necessary or convenient in the proper administration of the Trust. The Trust shall complete and provide to Beneficiaries and to the appropriate governmental agencies any reports as may be required by the Code, applicable federal, state or local law.

ARTICLE XV: *NECESSARY ACTS*. The Trustee shall do all acts whether or not expressly authorized which may be necessary or proper for the protection of the property held hereunder or for the carrying out of any duty under this Trust Agreement.

ARTICLE XVI: *HOLDING OF TRUST ASSETS*. All the assets in the Trust shall be held collectively for the benefit of all the Beneficiaries with no physical division thereof until such time as distribution is actually made by the Trustee. The Trustee shall separately account for and hold all assets of the Trust separate and apart from any other assets held by the Trustee.

ARTICLE XVII: *NON-LIABILITY OF SUCCESSOR TRUSTEE*. Each successor Trustee may accept as complete and correct and may rely upon any accounting which shall have been made by or on behalf of any Trustee hereunder prior to the date upon which such successor Trustee shall have qualified as a Trustee under this instrument, and may rely upon any statement or representation made by any Trustee then or theretofore acting hereunder as to the assets comprising the Trust or as to any other fact bearing upon the prior administration of the Trust created herein; and such successor Trustee shall not be subject to any liability by reason of having accepted and relied upon such accounting, statement or representation in case it is subsequently established that the same was incomplete, inaccurate or untrue. No successor Trustee hereunder shall be subject to any liability or responsibility with respect to any act or omission of any other Trustee nor shall any successor Trustee have any duty to enforce or to seek to enforce any claims of any kind against any predecessor Trustee on account of or in connection with any act or omission of any Trustee hereunder.

ARTICLE XVIII: *ACCOUNTS*. The Trustee shall keep accurate and detailed accounts of all investments, receipts and disbursements and other transactions hereunder, and all accounts, books and records relating thereto shall be open to inspection by any person designated by the County at all reasonable times. At the County Administrator's request, not later than one hundred twenty (120) days after the end of each fiscal year of the Trust, and within sixty (60) days after the effective date of the removal or resignation of a Trustee, the Trustee shall file with the County a written report setting forth all investments, receipts, disbursements, and other transactions effected by the Trustee from the date of the prior such report to the close of such fiscal year, or the date of removal or resignation of a Trustee, as the case may be. Such report shall contain an exact description and market value of all securities and investments held at the close of such fiscal year or the effective date of such removal or resignation of a Trustee, as the case may be, and the cost and market value of each item thereof, as carried on the books of the Trustee. The financial records of the Trust shall be subject to the annual audit of the County as required by Florida law.

ARTICLE XIX: *AMENDMENTS*. The County reserves the right by action of its Board to amend the Trust, including Exhibit A attached hereto, at any time without the consent of the Trustee, but no such amendment shall cause or permit any portion of the corpus or income of the Trust to revert to or become the property of or be used for the benefit of the County. Any amendment which is necessary to bring this Trust into conformity with government laws or regulations in order to qualify the Trust under GASB Statement No.'s 43 and 45 shall be made retroactively. Copies of all amendments and/or separate documents relating to the Trust or the Benefits provided under the Trust shall be provided to the Trustee.

ARTICLE XX: *TERMINATION OF CONTRIBUTIONS*. The County has established this Trust with the bona fide intention and expectation that from year to year it will be able to and will deem it advisable to make its contributions as herein provided. However, the County reserves the right to fund the Benefits on a "Pay-as-you-go" basis and realizes that circumstances not now foreseen or circumstances beyond its control may make it either impossible or inadvisable to continue to make its contributions as herein provided. In the event the County decides it is impossible or inadvisable for it to continue to make its contributions as herein provided, the County shall have the right to suspend or terminate its contributions and shall provide notice of such termination to the Participating Eligible Officers and the Trustee. Any Participating Eligible Officer may also discontinue its contributions, if any, upon providing notice of such termination to the County and the Trustee.

In the event of complete termination of contributions by the County and/or Participating Eligible Officers, the County, with or without formal action by the Board, and/or Participating Eligible Officers shall make no further contributions to the Trust, the Trust shall remain in existence, and other than the provisions for contributions by the County and/or Participating Eligible Officers, all the provisions of the Trust which are necessary in the opinion of the Trustee shall remain in force.

ARTICLE XXI: *TERMINATION OF TRUST*. In the event that (i) the County's and/or the Participating Eligible Officers' contributions to the Trust have been terminated completely in accordance with the provisions of the preceding article and (ii) all assets of the Trust have been distributed in accordance with the purposes of this Trust Agreement, the Board shall also have the power to terminate the Trust completely by appropriate resolutions specifying the date of such termination, certified copies of which shall be delivered to the Trustee and the Participating Eligible Officers and all of the assets in the Trust on the date specified in such resolutions shall be held, administered and distributed by the Trustee in the manner provided herein.

ARTICLE XXII: *REMOVAL OR RESIGNATION OF TRUSTEE*. Any Trustee hereunder may be removed by resolution of the Board upon delivery to such Trustee of a certified copy of such resolution of removal and such removal shall be effective immediately or as otherwise provided by the resolution. Any Trustee hereunder may resign as Trustee, upon written notice to that effect, delivered to the County. Such resignation shall become effective upon the date specified in such notice, which date shall be not less than forty-five (45) days subsequent to the delivery of such notice. In the event of the removal, resignation, death or inability to serve of any Trustee hereunder, a successor shall be appointed by resolution of the Board, a certified copy of which resolution shall be delivered to such successor. A successor Trustee, upon accepting such appointment, shall become vested with the same powers, duties, privileges, and immunities as if such Trustee had been originally named in this Trust as a Trustee. In case of the removal, resignation, death or inability to serve of a Trustee, said Trustee or his personal representative shall forthwith turn over to the remaining or succeeding Trustees all accounts and records in such Trustee's possession, and shall execute such instruments as may be necessary to terminate such trusteeship. No bond shall be required of the Trustee named herein or any of the Trustee's successors. The Trustee shall comply with and be subject to all applicable public records laws.

ARTICLE XXIII: *EXPENSES OF ADMINISTRATION*. The Trustee's compensation, if any, shall be fixed by an approved budget or separate written agreement from time to time with the County. The County intends to pay, in addition to the contributions hereinbefore provided for, any reasonable expenses of administering the Trust, including the Trustee's compensation, if any, except that any investment counsel fees incurred by the Trust, and any expenses directly related to particular transactions involving purchases or sales of property by the Trust or the production or collection of income, such as transfer taxes, brokers' commissions, etc., shall be paid by the Trustee out of the assets of the Trust. All Administrative Expenses may be paid out of the assets of the Trust.

ARTICLE XXIV: *RIGHTS OF BENEFICIARIES*. This Trust shall not give any Beneficiary any right to be retained for employment by the County and/or any Eligible Officer, or any right or claim to any Benefits hereunder.

ARTICLE XXV: *CONSTRUCTION*. It is intended that this Trust shall be construed so as to qualify as tax-free under Section 115(1) of the Code.

ARTICLE XXVI: *DEFENSE OF TRUST*. The County shall have the right to defend the position of the Trust created hereunder as tax-free under Section 115(1) of the Code.

ARTICLE XXVII: *AUTHORITY OF TRUSTEE*: No Trustee or successor Trustee whenever acting shall be required to furnish any bond or other security for the faithful performance as a Trustee.

ARTICLE XXVIII: *ADMINISTRATIVE AND GENERAL PROVISIONS*.

(i) Accrued and Undistributed Income. Upon the death of any Beneficiary for whom a benefit is held or a share of the Trust allocated, any accrued or undistributed net income with respect thereto shall be held and accounted for or distributed in the same manner as if it had been accrued or received after the death of such Beneficiary.

(ii) Inspection. The financial records of the Trustee shall be open at all reasonable times for inspection by the County, the Participating Eligible Officers, and all Beneficiaries and in the event of the incapacity or minority of a then-current Beneficiary, by that Beneficiary's guardian, conservator and custodian of the estate.

ARTICLE XXIX: *MISCELLANEOUS PROVISIONS*.

(i) No Employment Contract. The adoption and maintenance of this Trust shall not be deemed to constitute a contract between County and/or any Participating Eligible Officers and any Retiree or any Beneficiary or to be a consideration for, inducement to or condition of employment of any such person. If a Retiree is rehired, nothing herein contained shall be construed to give any Retiree the right to be retained in the employ of the County and/or any Participating Eligible Officers or to interfere with the right to terminate the re-employment of any Retiree at any time with or without cause. Any Benefit payments to Beneficiaries hereunder shall be limited to the extent provided herein.

(ii) Trust Available for Inspection. A copy of the Trust and any and all future amendments thereto shall be available for inspection by Beneficiaries at the principal office of the Trustee at all reasonable times.

(iii) Prohibition on Assignment. No Benefit shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to do so shall be void. No Benefit shall in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of any person. If any person entitled to Benefits becomes bankrupt or attempts to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any benefits, or if any attempt is made to subject any such benefit to the debts, contracts, liabilities, engagements or torts of the person entitled to any such Benefit, then such benefit shall cease and terminate in the discretion of the County.

(iv) Subrogation. In the event that Benefits are paid hereunder to or for a Beneficiary, the Trust shall be subrogated to any and all rights of recovery of such Beneficiary against a third party. The Trust's right of subrogation shall only become operative if the Beneficiary receives payment from the third party and shall be limited to the dollar amount previously paid by the Trust for said Benefits.

(v) No Vested Rights. This Trust creates no vested rights of any kind. No Beneficiary, nor any person claiming through him, shall have any right, title or interest in or through the Trust, or any part thereof.

(vi) Severability. Should any part of the Trust subsequently be invalidated by a court of competent jurisdiction, the remainder thereof shall be given effect to the maximum extent possible.

(vii) Gender and Number. Where used in this Trust, the masculine gender includes the feminine and the plural form includes the singular.

(viii) Titles and Headings. The captions preceding the provisions of this Trust are used solely as a matter of convenience and in no way define, modify or limit the scope or intent of any provision of this Trust.

(ix) Tax Effects. Neither the County, the Participating Eligible Officers, their representatives, nor the Trustee make any warranty or other representation as to whether any payments made to any Beneficiaries will be treated as includible in gross income for federal or state income tax purposes of such Beneficiaries.

(x) Entire Agreement. This Trust Agreement and the exhibits thereto constitute the entire understanding of the County and the Participating Eligible Officers with respect to the subject matter herein, superseding all negotiations, prior discussions, prior practices, and preliminary agreements made prior to the date hereof.

(xi) Disputes. If a dispute arises relating to this Trust Agreement, a meeting shall be held promptly between the party raising the dispute and the other applicable parties, attended by individuals with decision-making authority regarding the dispute, to attempt in good faith to negotiate a resolution of the dispute.

(xii) County Administrator Approval. To obtain written approval from the County Administrator, the approval must be in writing, signed by the County Administrator and delivered to the Participating Eligible Officer by certified mail, return receipt requested, with copies to the County, the Trustee and the Orange County Attorney's Office.

(xiii) Availability of Funds. The County's performance and obligation to make contributions to the Trust is contingent upon an annual appropriation for its purpose by the Board.

(xiv) Applicable Law. All questions pertaining to validity, construction, regulation and the effect of this Trust or any of the provisions hereof, shall be determined under the laws of the State of Florida, except to the extent preempted by any other applicable Federal law. Venue shall be in Orange County, Florida.

ARTICLE XXX: *INDEMNIFICATION BY BENEFICIARIES*. If any Beneficiary receives one or more payments or reimbursements under this Trust that are not specifically for Benefits, such Beneficiary shall indemnify and reimburse the County for any liability it may incur for failure to withhold federal or state income tax or Social Security tax from such payments or reimbursements; provided, however, such indemnification and reimbursement shall not exceed the amount of additional federal and state income tax that the Beneficiary would have owed if the payments or reimbursements had been made to the Beneficiary as regular cash compensation, plus the Beneficiary's share of any Social Security tax that would have been paid on such compensation, less any such additional income and Social Security tax actually paid by the Beneficiary.

Whenever payments have been made by this Trust with respect to Benefits in a total amount, which is in excess of the maximum amount of payment necessary at that time to satisfy the intent of any coordination of benefits provision in the Trust, or the Beneficiary does not make voluntary payment under the provisions hereunder within 30 days after notification thereof, the Trustee shall have the right to recover such payments, to the extent of such excess, from any persons to, or for, or with respect to whom such payments were made; from any future payments due to the Beneficiary from the Trust; or from any other organization as the Trustee shall determine.

ARTICLE XXXI: *FLORIDA TRUST*. This Trust is executed and delivered in the State of Florida, and the Trust hereby created shall be deemed a Florida trust and shall in all respects be construed and regulated by the laws of the State of Florida.

ARTICLE XXXII: *FORMAL NOTICES*. All notices required or permitted to be made or given by any party under this Trust Agreement must be in writing, in English, and transmitted by (i) certified U.S. mail with return-receipt requested; (ii) by facsimile, provided a confirmation of transmission is produced by the sending machine and a copy of the notice is promptly sent by another means specified in this Article; or (iii) delivered personally or sent by express courier service. All notices will be sent to the parties at the addresses listed below or at such other address as the party may specify in a notice given in accordance with this Article.

In the case of the TRUSTEE:

Orange County Comptroller's Office
Attn: Jim Moye, Chief Deputy Comptroller
201 South Rosalind Avenue, Fourth Floor
Orlando, Florida 32801
Phone: (407) 836-5690
Fax: (407) 836-5599

With a copy of legal notices to:

Orange County Comptroller's Office
Attn: K. Kaye Collie, General Counsel
201 South Rosalind Avenue, Fourth Floor
Orlando, Florida 32801
Phone: (407) 836-5690
Fax: (407) 836-5599

In the case of COUNTY:

County Administrator's Office
Attention: Eric Gassman, Assistant County Administrator
201 S Rosalind Avenue, 5th Floor
Orlando, Florida 32801
Phone: (407) 836-7370
Fax: (407) 836-7399

With a copy of legal notices to:

Thomas B. Drage, Jr., County Attorney
Orange County Attorney's Office
201 South Rosalind Avenue, Third Floor
Orlando, Florida 32801
Phone: (407) 836-7320
Fax: (407) 836-5888

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IN WITNESS WHEREOF, the County, pursuant to action of its Board of County Commissioners, and the Trustee have caused this Trust Agreement to be executed in their name and on their behalf this 18th day of September, 2007, by their representatives thereunto duly authorized.

ORANGE COUNTY, FLORIDA

By: ______________________
Richard T. Crotty
Orange County Mayor

Date: 9·18·07

ATTEST:

Martha O. Haynie, County Comptroller
As Clerk of the Board of County Commissioners

By: ______________________
Deputy Clerk

(SEAL)

ORANGE COUNTY COMPTROLLER, as Trustee

By: ______________________
Martha O. Haynie
County Comptroller

Date: 9-18-07

EXHIBIT A

ORANGE COUNTY AND PARTICIPATING ELIGIBLE OFFICERS – POST-RETIREMENT HEALTH CARE BENEFITS AND OTHER POST-RETIREMENT BENEFIT PROGRAMS

1. Benefit Title: Health Insurance Subsidy (HIS)

Benefit Summary: Retired employees of Orange County and Participating Eligible Officers will receive $3.00 per month for each whole year of service, including service time as a Florida Retirement System Deferred Retirement Option Program participant, up to a maximum payment of $90.00 per month, to offset the retired employee's actual cost of medical insurance. The subsidy is applied to the medical insurance premiums of the retired employee only, and does not include premiums paid for family members or other available coverage such as dental and vision insurance.

For employees that are members of the International Association of Fire Fighters and the International Association of Fire Fighters (Battalion Chiefs) and who are forced to retire by the County due to an illness or injury from which a workers compensation award has been issued, the subsidy will provide $5.00 per month for each whole year of service, including service time as a Florida Retirement System Deferred Retirement Option Program participant, to a maximum of 30 years, up to the cost of the employee premium, whichever is lower. The minimum subsidy shall be $75.00 per month.

Employees will be eligible for only one of the subsidy rates stated above. In addition, the subsidy shall be reduced, if necessary, so that it does not exceed the actual employee premium cost paid by the employee.

Benefit Eligibility: In order to qualify for this benefit, the employee must be currently receiving a health insurance subsidy, consistent with and as described in the Benefit Summary above, as of September 18, 2007 or the employee must meet all of the following criteria:

A. Non-bargaining unit employees, and employees that are covered under collective bargaining agreements between the County and The Florida State Lodge Fraternal Order of Police (Lieutenants), between the County and the Florida Public Employees' Council 79, which is a Council Affiliate of the American Federation of State, County and Municipal Employees, AFL-CIO, between the County and the Laborers' International Union of North America, Local 517, and between the County and the Charles E. Brookfield Lodge #86 of the Fraternal Order of Police must have completed a total of ten years of service that can be combined under one or more of the following Orange County agencies: Board of County Commissioners, Office of the Comptroller, Office of the Sheriff, Property Appraiser's Office, Tax Collector's Office, Supervisor of Elections and/or county paid positions in the Court Administrator's Office. Employees that are covered under the collective bargaining agreements between the County and the Local 2057, International Association of Fire Fighters and between the County and the Local 2057, International Association of Fire Fighters (Battalion Chiefs), must meet the requirements of (B), (C) and (D) below. Persons holding the office of Orange County Mayor, County

Commissioner, and/or an Orange County elected constitutional officer must have served in elected office for at least eight years.

B. The employee must either have a minimum of twenty years of service and must not be terminated due to misconduct, or be an active employee with the County or one of the Participating Eligible Officers at the time they retire as defined in (C) below unless the employee is separated due to a medical disability. If the employee is separated due to a medical disability, the employee must meet the requirements of (C) below within a two-year period measured from the time they separate employment with the County or Participating Eligible Officer.

C. An employee must be retired. An employee is considered retired if he or she qualifies for and begins to receive the health insurance subsidy from the Florida Retirement System.

D. The employee must annually certify that they are paying medical premiums for themselves equal to or greater than the County's subsidy they are receiving. A retiree who misses the annual recertification deadline can still submit information that will be processed as a late certification. Late certifications will not be paid retroactively.

2. Benefit Title: Group Health Insurance; Participation by Retired Employees

Benefit Summary: Retired employees and their eligible dependents shall have the option, at their expense, of continuing to participate in the County's group health insurance plan or self-insurance plan as required by Section 112.0801, Florida Statutes. The Board of County Commissioners will annually establish coverage levels, co-pay amounts, deductible amounts, group premium rates, and other issues related to the group health insurance plan.

Benefit Eligibility: In order to qualify for this benefit, the employee must meet all of the following criteria:

A. The employee must be an active employee with the County or one of the Participating Eligible Officers at the time they retire as defined in (B) below.

B. An employee must be retired. An employee is considered retired if he or she qualifies for and begins to receive a retirement pension under the Florida Retirement System. An employee who retires under the Public Employee Optional Retirement Program established under the Florida Retirement System shall be considered "retired" if he or she:

(i) Meets the age and service requirements to qualify for normal retirement under the Florida Retirement System as set forth in Section 121.021(29), Florida Statutes; or

(ii) Has reached the age of 59 and a half, the age specified by s. 72(t)(2)(A)(i) of the Internal Revenue Code and has six years of creditable service under the Florida Retirement System; or

(iii) Becomes disabled as defined by the Florida Retirement System.

C. The employee must elect to participate in the County's group health insurance plan at the time of retirement and pay the required premiums. Further, once the retired employee terminates their participation in the County's group health insurance plans, they and their eligible dependents are precluded from future participation in the County's group health insurance plans. Notwithstanding the preceding sentence, if a retiree has maintained continuous participation in the County's group health insurance as a dependent on their spouse's County group health plan, they may continue participation in their own right upon the spouse's own termination of participation or upon being deleted as a dependent by the spouse.

3. **Benefit Title:** Participation in Group Health Insurance for In-Line-of-Duty Death

Benefit Summary: Surviving dependents of deceased employees may continue their group health insurance coverage.

Benefit Eligibility: Upon the in-line-of-duty death of an employee, the surviving dependents shall receive medical coverage at no cost until such time as the surviving spouse remarries, an unmarried child reaches age 19 or, if full-time student status applies, age 25. Additionally, the surviving dependents of employees, except for members of the Local 2057, International Association of Fire Fighters, may continue vision and dental coverage premium free for a period of one year provided certain conditions are satisfied in accordance with the County's insurance policy. Surviving dependents of members of the Local 2057, International Association of Fire Fighters, may continue vision and dental coverage premium free provided certain conditions are satisfied in accordance with the County's insurance policy.

4. **Benefit Title:** Participation in Group Health Insurance for Catastrophic In-Line-of-Duty Injury

Benefit Summary: Upon a catastrophic in-line-of-duty injury, certain employees, their spouses and their dependent children may continue their group health insurance coverage at no cost.

Benefit Eligibility: This benefit applies to full-time firefighters in accordance with the collective bargaining agreement and Section 112.191, Florida Statutes, and this benefit applies to Law Enforcement, Correctional and Correctional Probation Officers in accordance with Section 112.19, Florida Statutes.

Note: Pursuant to Article III(g) of the Trust Agreement, the County Administrator may approve in writing, benefits for Participating Eligible Officers that are materially consistent, but not identical, with the County's approved benefits set forth in this Exhibit A.

ORANGE COUNTY GOVERNMENT
FLORIDA

Interoffice Memorandum

I. CONSENT AGENDA
COUNTY ADMINISTRATOR
5

June 5, 2008

To: Richard T. Crotty
- and -
Board of County Commissioners

From: Eric D. Gassman, Assistant County Administrator

Subject: Amendment to Orange County's Irrevocable Trust Agreement for Other Post Employment Benefits (OPEB) - Consent Agenda Item – June 24, 2008

Many state and local governmental agencies provide OPEB to retirees in addition to pensions. OPEB usually includes benefits such as health insurance (medical, dental, vision and prescriptions), life insurance, disability, long-term care, and legal services. Historically, most public agencies have accounted for OPEB on a pay-as-you-go basis. That is, governmental accounting rules only required that current OPEB payments to existing retirees be recorded as an expense in the financial statements. This practice resulted in most public agencies having very significant "hidden liabilities." Essentially, a promise now and pay later approach.

In 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* to address this problem. This standard creates new requirements for reporting and disclosing information about OPEB plans. In general, employers must account for and report the costs and obligations of OPEB in a similar manner as what is required for pensions. In order to receive an unqualified opinion on their financial statements, governments must implement the GASB 45 standard according to a three year phased-in schedule, with large governments, such as Orange County, required to implement in fiscal year 2007-08.

OPEB benefits approved by Orange County that are subject to GASB 45 include: 1) the right of certain retired employees to continue in the county's health insurance plan at the same group rate as for active employees (as required per Florida State Statutes, Section 112.0801), and 2) payment of a defined monthly health insurance subsidy to certain retirees who have met a specified combined term of service with the county and/or one or more of its constitutional officers, with the exception of the Clerk of Courts.

During the FY 06-07 budget worksessions, staff made a presentation and discussed the new accounting rules associated with OPEB plans. At the conclusion of the FY 06-07 budget worksessions, the board gave approval to implement the new OPEB accounting standard in fiscal year 2007, which was one year earlier than required, and the Board also appropriated $6.9 million in the county's budget to make the initial annual required contribution as determined by an actuary. In order to complete the implementation of the new OPEB standard, the Board subsequently approved an Irrevocable Trust Agreement on September 18, 2007 and approved the Orange County Comptroller as trustee.

III. Proposed Amendment to Irrevocable Trust Agreement

Exhibit A of the Irrevocable Trust Agreement, which is attached, details the benefits that are covered by the trust. In reference to the county's health insurance subsidy benefit, which is described beginning on A-1 of Exhibit A, it was the original intent that this benefit would only be payable to those employees that are retired from Orange County and no longer active employees. In order to clarify the eligibility requirement that an employee must be retired from Orange County, the following first amendment to Exhibit A is being proposed:

1. **Benefit Title: Health Insurance Subsidy (HIS), Benefit Eligibility, C.** An employee must be retired. An employee is considered retired if he or she is not currently working in either a regular full-time or part-time position with the Board of County Commissioners or any Eligible Officer, and qualifies for and begins to receive the health insurance subsidy from the Florida Retirement System.

IV. Recommendation

Approval of the first amendment to Orange County's Irrevocable Trust Fund agreement as outlined above and as shown on the attached Exhibit A of the trust agreement.

Action Requested: **Approval of the first amendment to Orange County's Irrevocable Trust Agreement for Other Post Employment Benefits (OPEB), which clarifies the Benefit Eligibility for the Health Insurance Subsidy.**

EG/rm

C: Martha Haynie, Orange County Comptroller
Tom Drage, County Attorney
Sharon Donoghue, Deputy County Administrator
Nancy Callahan, Human Resource Administrator

ORANGE COUNTY GOVERNMENT
FLORIDA

Interoffice Memorandum

APPROVED
BY ORANGE COUNTY BOARD
OF COUNTY COMMISSIONERS
SEP 18 2007 I-H/B5

August 31, 2007

To: Mayor Richard T. Crotty
- and -
The Board of County Commissioners

From: Eric D. Gassman, Assistant County Administrator

Subject: Irrevocable Trust Agreement for Other Post Employment Benefits
Consent Agenda Item for September 18, 2007

I. Action Requested

Approval of the Orange County Retiree Health Care Benefit Trust (an irrevocable trust fund) and approval to make the initial deposit of approximately $6.2 million to the trust fund.

II. Overview

During the fiscal year 2006-07 budget worksessions, staff made a presentation and discussed new accounting rules associated with Other Post Employment Benefit ("OPEB") plans. At the conclusion of the budget worksessions, the board gave approval to implement the new OPEB accounting standard and appropriated $6.9 million in the county's budget to make the initial annual required contribution as determined by an actuary. In order to complete the implementation, staff is recommending approval of the attached irrevocable trust fund agreement. Additional background is provided below.

III. Background

Many state and local governmental agencies provide OPEB to retirees in addition to pensions. OPEB usually includes benefits such as health insurance (medical, dental, vision and prescription), life insurance, disability, long-term care, and legal services. Historically, most public agencies have accounted for OPEB on a pay-as-you-go basis. That is, governmental accounting rules only required that current OPEB payments to existing retirees be recorded as an expense in the financial statements. This practice resulted in most public agencies having very significant "hidden liabilities." Essentially, a promise now and pay later approach.

In 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45 ("GASB 45"), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* to address this problem. This standard creates new requirements for reporting and disclosing information about OPEB plans. In general, employers must account for and report the costs and obligations of OPEB in a similar manner as what is required for pensions. In order to receive an unqualified opinion on their financial statements, governments must implement the GASB 45 standard according to a three-year phased-in schedule, with large governments, such as Orange County, being required to implement in fiscal year 2007-08.

OPEB benefits approved by Orange County that are subject to GASB 45 include: 1) the right of certain retired employees to continue in the county's health insurance plan at the same group rate as for active employees (as required per Florida State Statutes, Section 112.0801), and 2) payment of a defined monthly health insurance subsidy to certain retirees who have met a specified combined term of service with the county and/or one or more of its constitutional officers, with the exception of the Clerk of Courts.

Through the engagement of an actuary, the county has determined the estimated OPEB funding obligation as of the fiscal year ended September 30, 2006, and intends to implement the requirements of GASB 45 during the fiscal year ending September 30, 2007, which is one year earlier than required. According to the actuary report, Orange County and its constitutional officers have a total unfunded OPEB obligation of approximately \$72.9 million, of which \$46.7 million is attributable to retired employees participating in the county's group health insurance plan (benefit #1 from above) and \$26.2 million is attributable to the county's health insurance subsidy (benefit #2 from above.). Under GASB 45, the total unfunded liability can be amortized and paid for over a period not to exceed 30 years. The annual amortized portion of the unfunded OPEB liability plus the new incremental or normal costs incurred during each subsequent year equals the annual required contribution ("ARC"). The ARC is the amount necessary to fully fund the OPEB trust in any given year.

In the fiscal year 2006-07 budget, the Board of County Commissioners approved and appropriated \$6.9 million, which represents Orange County's initial ARC. Further, a portion of this amount has already been paid out in current benefits to eligible county retirees, so the remaining net deposit to the irrevocable OPEB trust fund at this time will be approximately \$6.2 million. In order to avoid having to show an unfunded liability on the county's financial statements, it is necessary to establish and make the required ARC (as determined by an actuary) to an irrevocable trust fund. The attached trust fund agreement establishes the Comptroller's Office as the initial trustee and it covers benefits that have been approved by the board for county employees and the employees of the eligible participating constitutional officers, which does not include the Clerk of Courts because she is responsible for the establishment of her own trust fund.

IV. Recommendation

Approval of the Orange County Retiree Health Care Benefit Trust (an irrevocable trust fund) and approval to make the initial deposit of approximately $6.2 million to the trust fund

EDG/rm

cc: Ajit Lalchandani, County Administrator
Sharon Donoghue, Deputy County Administrator
Jim Moye, Deputy Comptroller, Comptroller's Office
Paul Wunderlich, Director of Finance and Accounting, Comptroller's Office
Lila McHenry, Assistant County Attorney

Interoffice Memorandum

APPROVED
BY ORANGE COUNTY BOARD
OF COUNTY COMMISSIONERS
JUN 0 8 2010 NP/cas

May 26, 2010

To: Richard T. Crotty
- And -
Board of County Commissioners

From: Eric D. Gassman, Assistant County Administrator

Subject: Approval of Second Amendment to Orange County Retiree Health Care Benefit Trust/ Consent Agenda Item – June 8, 2010

Background

In 2007, the Board approved the establishment of the Orange County Retiree Health Care Benefit Trust (an irrevocable trust fund) and, since then, the county has been annually funding the trust at a level determined by an actuary. This trust fund was created due to a new governmental accounting standard, which imposed new requirements for reporting and disclosing information about Other Post Employment Benefits (OPEB). In general, governments must account for and report the annual cost and the future liability associated with OPEB, such as health insurance, in a manner similar to what is required for pension plans.

Benefits provided by Orange County that are subject to the OPEB accounting requirements have been determined to be: 1) The right of certain retired employees to continue in the county's health insurance plan at the same group rate as for active employees (as required per Florida State Statutes, Section 112.081), and 2) payment of a defined monthly health insurance subsidy (HIS) to certain retirees who have met a specified combined term of service with the county and/or one or more of its constitutional officers, with the exception of the Clerk of Courts.

In order to qualify for the HIS benefit, retirees must annually certify that they have medical expenses greater than the amount of the subsidy. In most cases, the maximum subsidy is equal to $90 per month. The annual recertification process is administratively cumbersome with very minimal benefit. The attached Second Amendment to the Trust Fund would streamline this process by allowing the county to use the certification process done by the Florida Retirement System (FRS) for the similar HIS benefit offered by the state. To be consistent with the FRS certification process, we need to eliminate the requirement that the retiree's subsidy be reduced if their medical expenses are less than their eligible subsidy.

The actuary has estimated that this change might result in an annual cost of approximately $45,000; however, this cost is offset by the reduced administrative time and expense. In addition, several other administrative clarifications are incorporated in the Second Amendment to the Trust Fund. These changes have been reviewed by the Orange County Comptroller's Office, County Attorney's Office and other county staff. Staff recommends approval of the Second Amendment to the Orange County Retiree Health Care Benefit Trust.

Requested Action: **Approval of the Second Amendment to Orange County Retiree Health Care Benefit Trust**

EDG/rm

C: Sharon Donoghue, Deputy County Administrator
Lila McHenry, Assistant County Attorney
Ricardo Daye, Human Resources Director

APPROVED
BY ORANGE COUNTY BOARD
OF COUNTY COMMISSIONERS
JUN 0 8 2010 NP/CAS

SECOND AMENDMENT
TO
ORANGE COUNTY
RETIREE HEALTH CARE BENEFIT TRUST

THIS SECOND AMENDMENT TO IRREVOCABLE TRUST AGREEMENT ("Amendment"), is made effective as of JUN 0 8 2010, 2010 by and between Orange County, Florida, a charter county and political subdivision of the State of Florida (the "County") and the Office of the Orange County Comptroller, as trustee, (the "Trustee").

WHEREAS, on September 18, 2007, the County approved an Irrevocable Trust Agreement with the Orange County Comptroller, as Trustee creating the Orange County Retiree Health Care Benefit Trust (the "Trust"); and

WHEREAS, the Trust was established to provide funding for and payment of post-retirement health care and other post-retirement benefits to Beneficiaries; and

WHEREAS; on June 24, 2008, the County approved a first amendment to the Trust which clarified that eligibility for the health insurance subsidy benefit was payable only to employees who are retired from Orange County and no longer working in either a full-time or part-time position with the County or Eligible Officer; and

WHEREAS, the County now further desires to modify and clarify the eligibility and certification requirements for eligible retirees.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, it is hereby agreed between the County and Trustee as follows:

Section 1. Recitals Incorporated. The recitals hereof are true and correct, and are incorporated herein by reference and made a part of this Amendment.

Section 2. Defined Terms. All capitalized terms used herein shall have the meanings ascribed to such terms as set forth in the Trust.

Section 3. Amendment to Trust. The original Exhibit A to the Trust has been modified and restated in its entirety. The original Exhibit A is hereby replaced with new Exhibit A which is incorporated herein by reference and hereby made a part of the Trust. The provisions of the new Exhibit A shall be applied prospectively from the effective date of this Second Amendment.

Section 4. Other Terms of the Trust. Except for those terms, conditions, rights and obligations specifically amended hereby, all terms, conditions, and respective rights and obligations of the County and Trustee arising from the Trust shall remain unaltered and in full force and effect.

Section 5. Rights Of Beneficiaries. This Amendment shall not give any Beneficiary any right to be retained for employment by the County and/or any Eligible Officer, or any right or claim to any Benefits hereunder.

IN WITNESS WHEREOF, the County, pursuant to action of its Board of County Commissioners, and the Trustee have caused this Amendment to be executed in their name and on their behalf this ___ day of JUN 08 2010, 2010, by their representatives thereunto duly authorized.

ORANGE COUNTY, FLORIDA

By: [signature]
Richard T. Crotty
fr Orange County Mayor

Date: 6.8.10

ATTEST:

Martha O. Haynie, County Comptroller
As Clerk of the Board of County Commissioners

By: [signature]
Deputy Clerk

(SEAL)

BOARD OF COUNTY COMMISSIONERS • ORANGE COUNTY FLORIDA •

ORANGE COUNTY COMPTROLLER, as Trustee

By: Martha O. Haynie
Martha O. Haynie
County Comptroller

Date: 6/9/10

EXHIBIT A

ORANGE COUNTY AND PARTICIPATING ELIGIBLE OFFICERS – POST-RETIREMENT HEALTH CARE BENEFITS AND OTHER POST-RETIREMENT BENEFIT PROGRAMS

1. Benefit Title: Health Insurance Subsidy (HIS)

Benefit Summary: Retired employees of Orange County and Participating Eligible Officers will receive $3.00 per month for each whole year of service, including service time as a Florida Retirement System Deferred Retirement Option Program participant, up to a maximum payment of $90.00 per month to assist with the cost of the retired employee's medical insurance.

For employees that are members of the International Association of Fire Fighters and the International Association of Fire Fighters (Battalion Chiefs) and who are forced to retire by the County due to an illness or injury from which a workers compensation award has been issued, the subsidy will provide $5.00 per month for each whole year of service, including service time as a Florida Retirement System Deferred Retirement Option Program participant, to a maximum of 30 years. The minimum subsidy shall be $75.00 per month.

Employees will be eligible for only one of the subsidy rates stated above.

Benefit Eligibility: In order to qualify for this benefit, the employee must be currently receiving a health insurance subsidy, consistent with and as described in the Benefit Summary above, as of September 18, 2007 or the employee must meet the criteria stated in either (A) or (B) below depending upon their employment status at the time of retirement. Retired employees are subject to discontinuation of this benefit as described in (C) below.

A. An employee must meet the service requirements set forth in (i) below and be an active employee at the time of retirement with the County or one of the Participating Eligible Officers, as defined in (ii) below, unless the employee is separated due to a medical disability. If the employee is separated due to a medical disability, the employee must meet the service requirements set forth in (i) below and meet the requirements of (ii) below within a two-year period, measured from the time the employee separates employment with the County or Participating Eligible Officer.

    i. Non-bargaining unit employees, and employees that are covered under collective bargaining agreements between the County and The Florida State Lodge Fraternal Order of Police (Lieutenants), between the County and the Florida Public Employees' Council 79, which is a Council Affiliate of the American Federation of State, County and Municipal Employees, AFL-CIO, between the County and the Laborers' International Union of North America, Local 517, and between the County and the Charles E. Brookfield Lodge #86 of the Fraternal Order of Police must have completed a total of at least ten years of service that can be combined under one or more of the following Orange County agencies:

Board of County Commissioners, Office of the Comptroller, Office of the Sheriff, Property Appraiser's Office, Tax Collector's Office, Supervisor of Elections and/or County paid positions in the Court Administrator's Office. Employees that are covered under the collective bargaining agreements between the County and the Local 2057, International Association of Fire Fighters and between the County and the Local 2057, International Association of Fire Fighters (Battalion Chiefs), must meet the requirements of (ii) below. Persons holding the office of Orange County Mayor, County Commissioner, and/or an Orange County elected constitutional officer must have served in elected office for at least eight years.

ii. An active employee must be retired. An active employee is considered retired if he or she is not currently working in either a regular full-time or part-time position with the Board of County Commissioners or any Eligible Officer, and qualifies for and begins to receive the health insurance subsidy from the Florida Retirement System.

B. An employee who at the time of his or her retirement does not meet the criteria as an active employee with the County or one of the Participating Eligible Officers as described in (A) above is deemed to be a non-active employee and must meet the service requirements set forth in (i) below and must be retired as defined in (ii) below.

i. Non-active employees must have completed a total of at least twenty years of service that can be combined under one or more of the following Orange County agencies: Board of County Commissioners, Office of the Comptroller, Office of the Sheriff, Property Appraiser's Office, Tax Collector's Office, Supervisor of Elections and/or County paid positions in the Court Administrator's Office and must not have been terminated due to misconduct.

ii. A non-active employee must be retired. A non-active employee is considered retired if he or she is not currently working in either a regular full-time or part-time position with the Board of County Commissioners or any Eligible Officer, and qualifies for and begins to receive the health insurance subsidy from the Florida Retirement System.

C. A retired active or non-active employee who has qualified for and is receiving this benefit in accordance with (A) or (B) above is subject to having this benefit discontinued under any of the following criteria.

i. This benefit will terminate effective with the month immediately following the month in which the retired employed has died.

ii. Retired employees who are subsequently reemployed in a regular full-time or part-time position by the Board of County Commissioners or any Eligible Officer, regardless of whether they participated in the Florida Deferred Retirement Option Program (DROP), are subject to discontinuance of this benefit for all months in which either of the following two conditions are present:

(a) the Florida Retirement System has suspended payment of its health insurance subsidy due to the retiree being reemployed less than twelve months after retirement or DROP termination; or,

(b) the subsequently reemployed retiree is eligible to participate in Orange County's or any Eligible Officer's health insurance plan as an active employee following a prescribed initial waiting period, if any.

iii. Whenever payments have been made by the Trustee in excess of the amounts for which a retiree is eligible, the Trustee shall have the right to recover such payments pursuant to Article XXX of the Trust Agreement.

2. Benefit Title: Group Health Insurance; Participation by Retired Employees

Benefit Summary: Retired employees and their eligible dependents shall have the option, at their expense, of continuing to participate in the County's group health insurance plan or self-insurance plan as required by Section 112.0801, Florida Statutes. The Board of County Commissioners will annually establish coverage levels, co-pay amounts, deductible amounts, group premium rates, and other issues related to the group health insurance plan.

Benefit Eligibility: In order to qualify for this benefit, the employee must meet all of the following criteria:

A. The employee must be an active employee with the County or one of the Participating Eligible Officers at the time they retire as defined in (B) below.

B. An employee must be retired. An employee is considered retired if he or she qualifies for and begins to receive a retirement pension under the Florida Retirement System. An employee who retires under the Public Employee Optional Retirement Program established under the Florida Retirement System shall be considered "retired" if he or she:

(i) Meets the age and service requirements to qualify for normal retirement under the Florida Retirement System as set forth in Section 121.021(29), Florida Statutes; or

(ii) Has reached the age of 59 and a half, the age specified by s. 72(t)(2)(A)(i) of the Internal Revenue Code and has six years of creditable service under the Florida Retirement System; or

(iii) Becomes disabled as defined by the Florida Retirement System.

C. The employee must elect to participate in the County's group health insurance plan at the time of retirement and pay the required premiums. Further, once the retired employee terminates their participation in the County's group health insurance plans, they and their eligible dependents are precluded from future participation in the County's group health insurance plans.

Notwithstanding the preceding sentence, if a retiree has maintained continuous participation in the County's group health insurance as a dependent on their spouse's County group health plan, they may continue participation in their own right upon the spouse's own termination of participation or upon being deleted as a dependent by the spouse.

3. **Benefit Title:** Participation in Group Health Insurance for In-Line-of-Duty Death

Benefit Summary: Surviving dependents of deceased employees may continue their group health insurance coverage.

Benefit Eligibility: Upon the in-line-of-duty death of an employee, the surviving dependents shall receive medical coverage at no cost until such time as the surviving spouse remarries, an unmarried child reaches age 19 or, if full-time student status applies, age 25. Additionally, the surviving dependents of employees, except for members of the Local 2057, International Association of Fire Fighters, may continue vision and dental coverage premium free for a period of one year provided certain conditions are satisfied in accordance with the County's insurance policy. Surviving dependents of members of the Local 2057, International Association of Fire Fighters, may continue vision and dental coverage premium free provided certain conditions are satisfied in accordance with the County's insurance policy.

4. **Benefit Title:** Participation in Group Health Insurance for Catastrophic In-Line-of-Duty Injury

Benefit Summary: Upon a catastrophic in-line-of-duty injury, certain employees, their spouses and their dependent children may continue their group health insurance coverage at no cost.

Benefit Eligibility: This benefit applies to full-time firefighters in accordance with the collective bargaining agreement and Section 112.191, Florida Statutes, and this benefit applies to Law Enforcement, Correctional and Correctional Probation Officers in accordance with Section 112.19, Florida Statutes.

Note: Pursuant to Article III(g) of the Trust Agreement, the County Administrator may approve in writing, benefits for Participating Eligible Officers that are materially consistent, but not identical, with the County's approved benefits set forth in this Exhibit A.

EXHIBIT D

INSURANCE COVERAGE FORMS

EXHIBIT D-1

COMMERCIAL GENERAL LIABILITY
CG 20 26 07 04

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY

ADDITIONAL INSURED – DESIGNATED PERSON OR ORGANIZATION

This endorsement modifies Insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Name Of Additional Insured Person(s) Or Organization(s)
The following are additional insured under the Professional Liability section of this policy (already included under the GL by form #86571).
YOUR MEDICAL DIRECTORS AND ADMINISTRATORS, INCLUDING PROFESSIONAL PERSONS, BUT ONLY WHILE ACTING WITHIN THE SCOPE OF THEIR DUTIES FOR THE NAMED INSURED AS MEDICAL DIRECTORS AND ADMINISTRATORS;
AN INDEPENDENT CONTRACTOR IS AN INSURED ONLY FOR THE CONDUCT OF YOUR BUSINESS AND SOLELY WHILE PERFORMING SERVICES FOR A CLIENT OF THE NAMED INSURED, BUT SOLELY WITHIN THE SCOPE OF SERVICES CONTEMPLATED BY THE NAMED INSURED;
STUDENTS IN TRAINING WHILE PERFORMING DUTIES AS INSTRUCTED BY THE NAMED INSURED;
ANY ENTITY YOU ARE REQUIRED IN A WRITTEN CONTRACT (HEREINAFTER CALLED ADDITIONAL INSURED) TO NAME AS AN INSURED IS AN INSURED BUT ONLY WITH RESPECT TO LIABILITY ARISING OUT OF YOUR PREMISES OR OPERATIONS:
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

Section II – Who Is An Insured is amended to include as an additional insured the person(s) or organization(s) shown in the Schedule, but only with respect to liability for “bodily Injury”, “property damage” or “personal and advertising injury” caused, in whole or in part, by your acts or omissions or the acts or omissions of those acting on your behalf:

A. In the performance of you ongoing operations; or

B. In connection with your premises owned by or rented to you.

EXHIBIT D-2

POLICY NUMBER: COMMERCIAL GENERAL LIABILITY

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY

ADDITIONAL INSURED – DESIGNATED PERSON OR ORGANIZATION

This endorsement modifies Insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Name Of Additional Insured Person(s) Or Organization(s)
ORANGE COUNTY COMPTROLLER ATTN: FINANCE AND ACCOUNTING DEPARTMENT 201 SOUTH ROSALIND AVENUE ORLANDO, FL 32801
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

Section II – Who Is An Insured is amended to include as an additional insured the person(s) or organization(s) shown in the Schedule, but only with respect to liability for "bodily Injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by your acts or omissions or the acts or omissions of those acting on your behalf:

A. In the performance of you ongoing operations; or

B. In connection with your premises owned by or rented to you.

EXHIBIT D-3

POLICY NUMBER: **COMMERCIAL GENERAL LIABILITY**
CG 24 04 10 93

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY

WAIVER OF TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS TO US

This endorsement modifies Insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Name of Person or Organization:

ORANGE COUNTY COMPTROLLER
ATTN: FINANCE AND ACCOUNTING DEPARTMENT
201 SOUTH ROSALIND AVENUE
ORLANDO, FL 32801

(If no entry appears above, information required to complete this endorsement will be shown in the Declarations as applicable to this endorsement.)

The TRANSER OF RIGHTS OF RECOVERY AGAINST OTHERS TO US Condition (Section IV – COMMERCIAL GENERAL LIABILITY CONDITIONS) is amended by the addition of the following:

We waive any right to recovery we may have against the person or organization shown in the Schedule above because of payments we make for injury or damage arising out of your ongoing operations or “your work” done under a contract with that person or organization and included in the “Products-completed operations hazard”. This waiver applies only to the person or organization shown in the Schedule above.