

Clare County Retiree Health Care Plan

Actuarial Valuation Report
as of September 30, 2021



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May 6, 2022

Ms. Tracy L. Byard
Clare County Administrator
Clare County Retiree Health Care Plan
225 W. Main Street
Harrison, Michigan 48625

Dear Ms. Byard:

The results of the September 30, 2021 Biennial Actuarial Valuation of the Clare County Retiree Health Care Plan are presented in this report.

We understand that the Plan Sponsor finances the liabilities on a pay-as-you-go basis. Pay-as-you-go does not allow for the accumulation of assets which may jeopardize benefit security in the future.

This report was prepared at the request of the County and is intended for use by the County and those designated or approved by the County. This report may be provided to parties other than the County only in its entirety and only with the permission of the County. GRS is not responsible for unauthorized use of this report.

The purposes of the valuation are to measure the Plan's funding progress and to determine the Actuarially Determined Contribution for the fiscal years ending September 30, 2023 and September 30, 2024. This report should not be relied on for any purpose other than the purposes described herein. Determinations of the liability associated with the benefits described in this report for purposes other than those identified above may be significantly different. This report does not satisfy Governmental Accounting Standards Board (GASB) Statements No. 74 or No. 75.

The findings in this report are based on data and other information through September 30, 2021. Future Actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes 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, or additional cost or contribution requirements based on the plan's funded status); and changes in the plan provisions or applicable law. The scope of an actuarial valuation does not include an analysis of the potential range of such future measurements.

The valuation was based upon information furnished by Clare County, concerning retiree health benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal reasonability and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by Clare County.

All actuarial assumptions used in this report are reasonable for the purposes of this valuation. All actuarial assumptions and methods used in the valuation follow the guidance in the applicable Actuarial Standards to Practice. Additional information about the actuarial assumptions is included in the section of this report entitled Actuarial Cost Method and Actuarial Assumptions.

This report was prepared using our proprietary valuation model and related software which, in our professional judgment, has the capability to provide results that are consistent with the purposes of the valuation, and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge, the information contained in this report is accurate and fairly presents the actuarial position of the Clare County Retiree Health Care Plan as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices and with the Actuarial Standards of Practice issued by the Actuarial Standards Board.

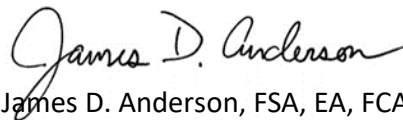
Shana M. Neeson and James D. Anderson are Members of the American Academy of Actuaries (MAAA) and meet the qualification standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

The signing actuaries are independent of the plan sponsor.

Respectfully submitted,
Gabriel, Roeder, Smith & Company



Shana M. Neeson, ASA, FCA, MAAA



James D. Anderson, FSA, EA, FCA, MAAA

SMN/JDA:sc

C4536



EXECUTIVE SUMMARY

Executive Summary

Actuarially Determined Contribution

We have calculated the Actuarially Determined Contribution for the fiscal years ending September 30, 2023 and September 30, 2024 under an interest rate assumption of 3.50%. Below is a summary of the results. The Actuarially Determined Contributions and estimated premiums and stipends shown below include an adjustment for any implicit rate subsidy.

For additional details please refer to Section A, "Valuation Results."

| Fiscal Year Ending | Actuarially Determined Contribution | Estimated Premiums and Stipends Paid for Retirees |
|---------------------------|--|--|
| September 30, 2023 | \$ 74,612 | \$ 27,727 |
| September 30, 2024 | 76,850 | 20,688 |

Liabilities and Assets – as of September 30, 2021

| | |
|---|-----------|
| 1. Present Value of Future Benefit Payments | \$967,971 |
| 2. Actuarial Accrued Liability | 676,290 |
| 3. Plan Assets | 0 |
| 4. Unfunded Actuarial Accrued Liability (2) – (3) | 676,290 |
| 5. Funded Ratio (3)/(2) | 0.0% |

The Present Value of Future Benefit Payments (PVFB) is the present value of all benefits projected to be paid from the plan for past and future service to current members. The Actuarial Accrued Liability is the portion of the PVFB allocated to past service by the Plan's funding method (see the Section titled "Actuarial Cost Method and Actuarial Assumptions").

SECTION A

VALUATION RESULTS

Clare County Retiree Health Care Plan – Results as of September 30, 2021

| | |
|---|------------------|
| A. Present Value of Future Benefits | |
| i) Retirees and Beneficiaries | \$ 300,014 |
| ii) Vested Terminated Members | 0 |
| iii) Active Members | <u>667,957</u> |
| Total Present Value of Future Benefits | 967,971 |
| B. Present Value of Future Normal Costs | 291,681 |
| C. Actuarial Accrued Liability (A.-B.) | 676,290 |
| D. Actuarial Value of Assets | 0 |
| E. Unfunded Actuarial Accrued Liability (C.-D.) | 676,290 |
| F. Funded Ratio (D./C.) | 0.0% |
| G. Fiscal Year Ending September 30, 2023 | |
| i) Employer Normal Cost | \$ 25,515 |
| ii) Amortization of UAAL* | <u>49,097</u> |
| Actuarially Determined Contribution | \$ 74,612 |
| H. Fiscal Year Ending September 30, 2024 | |
| Actuarially Determined Contribution | \$ 76,850 |

* The Unfunded Actuarial Accrued Liabilities (UAAL) were amortized as a level percent of active member payroll over a closed period of 15 years for the fiscal year ending September 30, 2023 and decreasing by 1 each year thereafter.

The long-term rate of investment return used in this valuation is 3.50%.

Comments

Comment A: Overall plan experience was less favorable than expected. Factors contributing to the unfavorable experience include, but are not limited to:

- Early Retirement Incentive (ERI) offered to a limited group of members retiring in 2020. The individuals electing to participate in the ERI receive an enhanced benefit – as retirees they are only required to pay a cost share equal to the active employees for a period of two years following retirement; and
- Assumption Change – Adjusting the future health care cost trend assumptions.

Partially offsetting these factors were decreases in liability due to:

- More favorable premium experience than expected.

The Impact of the change in assumptions noted above increased the liability by approximately \$16,000.

Comment B: One of the key assumptions used in any valuation of the cost of postemployment benefits is the rate of return on the assets that will be used to pay Plan benefits. Higher assumed investment returns will result in a lower Actuarially Determined Contribution (ADC). Lower returns will tend to increase the computed ADC. We have calculated the liability and the resulting ADC using an assumed rate of investment return of 3.50%.

Comment C: The Plan Sponsor is required by GASB to perform actuarial valuations at least biennially or more frequently if significant changes in the OPEB are made in the interim.

Comment D: The contribution amounts shown include amortization of the unfunded actuarial accrued liability over a closed 15-year period beginning with the fiscal year ending September 30, 2023, decreasing by one each year thereafter.

Comment E: The Plan is open to new members. Because of the open nature of the Plan, payments of the UAAL have been calculated as a level percent of pay.

Comment F: The GASB issued Statement Nos. 74 and 75 for OPEB valuations. GASB Statement No. 74 for the plan OPEB disclosures is effective for fiscal years beginning after June 15, 2016. GASB Statement No. 75 for employer OPEB disclosures is effective for employer fiscal years beginning after June 15, 2017. The GASB implementation guides for Statement Nos. 74 and 75 provide additional clarification related to the implementation of these Statements. It is our understanding that the County will need to comply with GASB Statement No. 75 for each future fiscal year ending September 30. The basis for the September 30, 2022 and September 30, 2023 GASB Statement No. 75 information is expected to be this valuation (as of September 30, 2021), where roll-forward techniques will be applied.

Comment G: The Michigan State Treasurer has established uniform actuarial assumptions as required by Public Act 202 (PA 202) of 2017 for use with annual Form 5572 (Retirement System Annual Report). The use of the uniform assumptions for reporting purposes is required for each fiscal year ending September 30. Consistent with past practice, GRS plans to provide the County the necessary uniform assumption results as part of each September 30 GASB Statement No. 75 report.



Comments

Comment H: This report reflects the recent and still developing impact of COVID-19, which is likely to influence demographic and economic experience, at least in the short term, through the valuation date, September 30, 2021. We will continue to monitor these developments and their impact on the Retiree Health Care Plan. Actual experience will be reflected in each subsequent funding valuation, as experience emerges.

Comment I: Unless otherwise indicated, a funded status measurement presented in this report is based upon the actuarial accrued liability and the actuarial value of assets. Unless otherwise indicated, with regards to any funded status measurements presented in this report:

- The measurement is inappropriate for assessing the sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligations; and
- The measure is inappropriate for assessing the need for or the amount of future employer contributions.

SECTION B

RETIREE HEALTH CARE COST DISCUSSION

Retiree Premium Rate Development

Rate Development

Initial premium rates were developed for the two classes of retirees (pre-65 and post-65). The October 1, 2021 fully-insured rates provided by Clare County were utilized to determine the appropriate premium rates. The pre-65 fully-insured premiums are blended rates based on the combined experience of active and pre-65 retired members; therefore, there is an implicit employer subsidy for the non-Medicare eligible retirees since the average costs of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees. The true per capita cost for the pre-65 retirees is developed by adjusting the demographic differences between the active employees and retirees to reflect this implicit rate subsidy for the retirees. For the post-65 retirees, the fully-insured premium rate is used as the basis of the initial per capita cost without adjustments since the rate reflects the demographics of the post-65 retiree group.

Age-graded and sex-distinct premiums are utilized by this valuation. The premiums developed by the preceding process are appropriate for the unique age and sex distribution currently existing. Over the future years covered by this valuation, the age and sex distribution will most likely change. Therefore, our process “distributes” the average premium over all age/sex combinations and assigns a unique premium for each combination. The age/sex specific premiums more accurately reflect the health care utilization and cost at that age.

The combined monthly one-person medical and prescription drug premiums at select ages are shown below.

| Current and Future Retirees | | | | |
|--|----|----------|----|----------|
| For Those Not Eligible for Medicare (Pre-65) | | | | |
| Age | | Male | | Female |
| 40 | \$ | 352.00 | \$ | 571.98 |
| 50 | | 570.59 | | 702.92 |
| 60 | | 969.75 | | 954.87 |
| 64 | | 1,179.24 | | 1,112.88 |

| For Those Eligible for Medicare (Post-65) | | | | |
|---|----|--------|----|--------|
| Age | | Male | | Female |
| 65 | \$ | 518.14 | \$ | 488.71 |
| 75 | | 606.22 | | 591.54 |
| 85 | | 641.04 | | 648.59 |

Retiree Premium Rate Development

Health Care Trend Assumption

The health care cost trend rate is the rate of change in per capita health care claims over time as a result of factors such as medical inflation, utilization of health care services, plan design, and technological improvements. It is a crucial economic assumption that is required for measuring retiree health care benefit obligations.

Retiree health care valuations use a health care cost trend assumption (trend vector) that changes over the years. The trend vector used in this valuation begins with a near-term trend assumption and declines over a time to an ultimate trend rate. The near-term rates reflect the increases in the current cost of health care goods and services. The process of trending down to a lower ultimate trend relies on the theory that premiums will moderate over the long term, otherwise, the health care sector would eventually consume the entire GDP. It is on this basis that we project premium rate increases will continue to exceed wage inflation for the next 12 years, but by less each year until leveling off at an ultimate rate, assumed to be 3.50% in this valuation.

While experience is often the best starting point for future costs, GRS does not rely on a group's experience in setting the near-term trend assumptions since trends vary significantly from year to year and are not credible for most groups. Therefore, professional judgment, trends from GRS' book of business and industry benchmarks (e.g., trend reports from various Pharmacy Benefit Management (PBM) organizations and national healthcare benefit consulting firms) are used to establish the trend assumptions.

Health care cost trend rates used in the valuation are displayed in the following table:

| Year After Valuation | Health Care Trend Inflation Rates | | |
|-------------------------|-----------------------------------|----------------------|--------|
| | Medical/Drug Pre-65 | Medical/Drug Post-65 | Dental |
| 1 | 7.50% | 6.25% | 3.50% |
| 2 | 7.25 | 6.00 | 3.50 |
| 3 | 6.75 | 5.75 | 3.50 |
| 4 | 6.50 | 5.50 | 3.50 |
| 5 | 6.00 | 5.25 | 3.50 |
| 6 | 5.75 | 5.00 | 3.50 |
| 7 | 5.25 | 4.75 | 3.50 |
| 8 | 5.00 | 4.50 | 3.50 |
| 9 | 4.50 | 4.25 | 3.50 |
| 10 | 4.25 | 4.00 | 3.50 |
| 11 | 3.75 | 3.75 | 3.50 |
| 12 | 3.50 | 3.50 | 3.50 |
| 13 | 3.50 | 3.50 | 3.50 |
| 14 | 3.50 | 3.50 | 3.50 |
| 15 | 3.50 | 3.50 | 3.50 |
| 16 + | 3.50 | 3.50 | 3.50 |

Stipend amounts are not trended in future years.



Retiree Premium Rate Development

Actuarial Disclosures

The premium rates used in this valuation were developed using proprietary Excel models which, in James Pranschke's professional judgment, provide initial projected costs which are consistent with the purposes of the valuation. We perform tests to ensure that the models, in their entirety, reasonably represent that which is intended to be modeled.

Aging factors used in the premium development models were developed based on information and data from a 2013 study commissioned by the Society of Actuaries entitled "Health Care Costs – From Birth to Death."

James E. Pranschke is a Member of the American Academy of Actuaries (MAAA) and meets the Qualification Standards of the American Academy of Actuaries to certify the per capita retiree health care rates shown above.


James E. Pranschke, FSA, FCA, MAAA

SECTION C

SUMMARY OF BENEFITS

Clare County Retiree Health Care Plan – Division 01

Summary of the Benefit Provisions as of September 30, 2021

| Group Name Clare County - Division 01 - UAW Units 111 | | | | | | | | | | | |
|---|--|--|---|-----------------------------------|---------------------------|---------------------------------|------------------------------|---------------------------|---|---------------------------------|--------------------------------|
| (A) | (B) | (C) | (D) | (E) Coverage Provided by Employer | | (G) | (H) | (I) | (J) Retiree Share of Cost for | | |
| Leaving Employment as a Result of | Eligibility for Pension Benefit | Eligibility for Retiree Health Benefit (if different from pension benefit) | When do retiree health benefits commence? | Retiree | Spouse | Retiree Health Care Provider(s) | Type of Insurance | Third Party Administrator | Retiree | Spouse (while Retiree is alive) | Spouse (after Retiree's death) |
| Normal Retirement (Unreduced pension benefits) | Age 55 with 25 years of service Age 60 with 8 years of service | Same as pension benefit with 10+ years of service | Immediately | Medical Prescription drug | Medical Prescription drug | BCBS BCBS | Stipend only Stipend only | | Retiree/Spouse responsible for premium amount in excess of stipend* | | |
| | | | | Dental Vision | Dental Vision | Delta Dental VSP | | 0% 100% | 0% 100% | 0% 100% | |
| Early Retirement (Reduced pension benefits) | Age 50 with 25 years of service Age 55 with 15 years of service | Same as pension benefit with 10+ years of service | Immediately | Medical Prescription drug | Medical Prescription drug | BCBS BCBS | Stipend only Stipend only | | Retiree/Spouse responsible for premium amount in excess of stipend* | | |
| | | | | Dental Vision | Dental Vision | Delta Dental VSP | | 0% 100% | 0% 100% | 0% 100% | |
| Deferred Vested Termination | Age 60 with 8 years of service | Not eligible for retiree health benefits | N/A | | | | | | | | |
| Non-Duty Disability | 8 years of service | Same as pension benefit with 10+ years of service | Immediately | Medical Prescription drug | Medical Prescription drug | BCBS BCBS | Stipend only Stipend only | | Retiree/Spouse responsible for premium amount in excess of stipend* | | |
| | | | | Dental Vision | Dental Vision | Delta Dental VSP | | 0% 100% | 0% 100% | 0% 100% | |
| Duty Disability | No age or service requirement must draw pension immediately | Same as pension benefit with 10+ years of service | Immediately | Medical Prescription drug | Medical Prescription drug | BCBS BCBS | Stipend only Stipend only | | Retiree/Spouse responsible for premium amount in excess of stipend* | | |
| | | | | Dental Vision | Dental Vision | Delta Dental VSP | | 0% 100% | 0% 100% | 0% 100% | |
| Non-Duty Death-in-Service | 8 years of service | Same as pension benefit with 10+ years of service | Immediately | Medical Prescription drug | | BCBS BCBS | Stipend only Stipend only | | Spouse responsible for premium amount in excess of stipend* | | |
| | | | | Dental Vision | | Delta Dental VSP | | 0% 100% | | | |
| Duty Death-in-Service | No age or service requirement | Same as pension benefit with 10+ years of service | Immediately | Medical Prescription drug | | BCBS BCBS | Stipend only Stipend only | | Spouse responsible for premium amount in excess of stipend* | | |
| | | | | Dental Vision | | Delta Dental VSP | | 0% 100% | | | |

For all decrements, if retiree has less than 10 years of service, they will not be eligible for retiree health care, and do not have access to the plan.

***Monthly stipend provided by County:**

- 0-20 years of service: \$0
- 20-25 years of service: \$150
- 25-30 years of service: \$175
- 30+ years of service: \$200

Retirees eligible for a stipend benefit also have access to the retiree health care plan at their own cost.



Clare County Retiree Health Care Plan – Divisions 02, 21, and 22

Summary of the Benefit Provisions as of September 30, 2021

| (A) | (B) | (C) | (D) | (E) | | (G) | (H) | (I) | (J) | | | (K) | (L) | | | |
|---|--|---|-------------|-------------------------------|-------------------|------|--------------|-----|---|-------------------|---------------------------|--------------|-----|---------------------------|---------------------------------|--------------------------------|
| | | | | Coverage Provided by Employer | | | | | Retiree Health Care Provider(s) | Type of Insurance | Third Party Administrator | | | Retiree Share of Cost for | | |
| | | | | Retiree | Spouse | | | | | | | | | Retiree | Spouse (while Retiree is alive) | Spouse (after Retiree's death) |
| Normal Retirement (Unreduced pension benefits) | Age 55 with 20 years of service Age 60 with 8 years of service^ | Same as pension benefit with 20+ years of service | Immediately | Medical | Medical | BCBS | Stipend only | | Retiree/Spouse responsible for premium amount in excess of stipend* | | | | | | | |
| | | | | Prescription drug | Prescription drug | | | | BCBS | 0% | 0% | 0% | | | | |
| | | | | Dental | Dental | | | | Delta Dental | 100% | 100% | 100% | | | | |
| Early Retirement (Reduced pension benefits) | Age 50 with 25 years of service Age 55 with 15 years of service | Same as pension benefit with 20+ years of service | Immediately | Medical | Medical | BCBS | Stipend only | | Retiree/Spouse responsible for premium amount in excess of stipend* | | | | | | | |
| | | | | Prescription drug | Prescription drug | | | | BCBS | 0% | 0% | 0% | | | | |
| | | | | Dental | Dental | | | | Delta Dental | 100% | 100% | 100% | | | | |
| Deferred Vested Termination | 8 years of service^ | Not eligible for retiree health benefits | N/A | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | |
| Non-Duty Disability | 8 years of service^ must draw pension immediately | Same as pension benefit with 20+ years of service | Immediately | Medical | Medical | BCBS | Stipend only | | Retiree/Spouse responsible for premium amount in excess of stipend* | | | | | | | |
| | | | | Prescription drug | Prescription drug | | | | BCBS | 0% | 0% | 0% | | | | |
| | | | | Dental | Dental | | | | Delta Dental | 100% | 100% | 100% | | | | |
| Duty Disability | No age or service requirement must draw pension immediately | Same as pension benefit with 20+ years of service | Immediately | Medical | Medical | BCBS | Stipend only | | Retiree/Spouse responsible for premium amount in excess of stipend* | | | | | | | |
| | | | | Prescription drug | Prescription drug | | | | BCBS | 0% | 0% | 0% | | | | |
| | | | | Dental | Dental | | | | Delta Dental | 100% | 100% | 100% | | | | |
| Non-Duty Death-in-Service | 8 years of service^ | Same as pension benefit with 20+ years of service | Immediately | | Medical | BCBS | Stipend only | | Spouse responsible for premium amount in excess of stipend* | | | | | | | |
| | | | | | Prescription drug | | | | | | | BCBS | | | | |
| | | | | | Dental | | | | | | | Delta Dental | | | | |
| Duty Death-in-Service | No age or service requirement | Same as pension benefit with 20+ years of service | Immediately | | Medical | BCBS | Stipend only | | Spouse responsible for premium amount in excess of stipend* | | | | | | | |
| | | | | | Prescription drug | | | | | | | BCBS | | | | |
| | | | | | Dental | | | | | | | Delta Dental | | | | |

^Pre 10/2017 hires; Post 10/2017 hires need 10 years of service.

***Monthly stipend provided by County:**

- 0-20 years of service: \$0
- 20-25 years of service: \$150
- 25-30 years of service: \$175
- 30+ years of service: \$200

Retirees eligible for a stipend benefit also have access to the retiree health care plan at their own cost.



Clare County Retiree Health Care Plan – Divisions 10 and 11

Summary of the Benefit Provisions as of September 30, 2021

Group Name Division 10 - UAW Units 1&2; Division 11 - UAW Units 1&2 hired after 10/2017

| (A) Leaving Employment as a Result of | (B) Eligibility for Pension Benefit | (C) Eligibility for Retiree Health Benefit (if different from pension benefit) | (D) When do retiree health benefits commence? | (E) Coverage Provided by Employer | | | (G) Retiree Health Care Provider(s) | (H) Type of Insurance | (I) Third Party Administrator | (J) Retiree Share of Cost for | | |
|---|--|---|--|-----------------------------------|-------------------|---------|--|--------------------------|----------------------------------|---|--------------------------------|---------|
| | | | | (F) | | Retiree | | | | Spouse (while Retiree is alive) | Spouse (after Retiree's death) | |
| | | | | Retiree | Spouse | | | | | | | Retiree |
| Normal Retirement (Unreduced pension benefits) | Age 55 with 25 years of service Age 60 with 8 years of service ^a | Same as pension benefit with 20+ years of service | Immediately | Medical | Medical | BCBS | Stipend only | BCBS | Stipend only | Retiree/Spouse responsible for premium amount in excess of stipend* | | |
| | | | | Prescription drug | Prescription drug | | | | | 0% | 0% | 0% |
| | | | | Dental | Dental | | | | | 100% | 100% | 100% |
| Early Retirement (Reduced pension benefits) | Age 50 with 25 years of service Age 55 with 15 years of service | Same as pension benefit with 20+ years of service | Immediately | Medical | Medical | BCBS | Stipend only | BCBS | Stipend only | Retiree/Spouse responsible for premium amount in excess of stipend* | | |
| | | | | Prescription drug | Prescription drug | | | | | 0% | 0% | 0% |
| | | | | Dental | Dental | | | | | 100% | 100% | 100% |
| Deferred Vested Termination | 8 years of service ^a | Not eligible for retiree health benefits | N/A | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| Non-Duty Disability | 8 years of service ^a must draw pension immediately | Same as pension benefit with 20+ years of service | Immediately | Medical | Medical | BCBS | Stipend only | BCBS | Stipend only | Retiree/Spouse responsible for premium amount in excess of stipend* | | |
| | | | | Prescription drug | Prescription drug | | | | | 0% | 0% | 0% |
| | | | | Dental | Dental | | | | | 100% | 100% | 100% |
| Duty Disability | No age or service requirement must draw pension immediately | Same as pension benefit with 20+ years of service | Immediately | Medical | Medical | BCBS | Stipend only | BCBS | Stipend only | Retiree/Spouse responsible for premium amount in excess of stipend* | | |
| | | | | Prescription drug | Prescription drug | | | | | 0% | 0% | 0% |
| | | | | Dental | Dental | | | | | 100% | 100% | 100% |
| Non-Duty Death-in-Service | 8 years of service ^a | Same as pension benefit with 20+ years of service | Immediately | | Medical | BCBS | Stipend only | BCBS | Stipend only | Spouse responsible for premium amount in excess of stipend* | | |
| | | | | | Prescription drug | | | | | 0% | 0% | 0% |
| | | | | | Dental | | | | | 100% | 100% | 100% |
| Duty Death-in-Service | No age or service requirement | Same as pension benefit with 20+ years of service | Immediately | | Medical | BCBS | Stipend only | BCBS | Stipend only | Spouse responsible for premium amount in excess of stipend* | | |
| | | | | | Prescription drug | | | | | 0% | 0% | 0% |
| | | | | | Dental | | | | | 100% | 100% | 100% |

^aPre 10/2017 hires; Post 10/2017 hires need 10 years of service.

***Monthly stipend provided by County:**

0-20 years of service: \$0
 20-25 years of service: \$150
 25-30 years of service: \$175
 30 + years of service: \$200

Retirees eligible for a stipend benefit also have access to the retiree health care plan at their own cost.



SECTION D

SUMMARY OF PARTICIPANT DATA

Clare County Retiree Health Care Plan Total Eligible Active Members as of September 30, 2021 by Age and Years of Service[^]

| Age | Years of Service to Valuation Date | | | | | | | Totals |
|---------------|------------------------------------|-----------|-----------|-----------|-----------|----------|----------|------------|
| | 0-4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30 Plus | No. |
| 20-24 | 5 | | | | | | | 5 |
| 25-29 | 10 | 1 | | | | | | 11 |
| 30-34 | 4 | 2 | 2 | | | | | 8 |
| 35-39 | 4 | 5 | 1 | | | | | 10 |
| 40-44 | 4 | 7 | 3 | 2 | 2 | | | 18 |
| 45-49 | 5 | 1 | 3 | 3 | 3 | | | 15 |
| 50-54 | 7 | 8 | 7 | 2 | 4 | 2 | | 30 |
| 55-59 | 3 | 4 | 4 | 4 | 1 | 1 | | 17 |
| 60-64 | 4 | 4 | 2 | 1 | 1 | | 1 | 13 |
| 65 & Over | | | | 1 | 1 | | | 2 |
| Totals | 46 | 32 | 22 | 13 | 12 | 3 | 1 | 129 |

[^] Excludes five part-time members indicated as ineligible for retiree health care benefits upon retirement.

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 46.3 Years
Service: 9.5 Years

Clare County Retiree Health Care Plan Inactive Members as of September 30, 2021

Number of Retiree and Beneficiary Contracts

| | Opt-Out/ Ineligible | One-Person Coverage | Two-Person Coverage* | Total |
|---------------|------------------------|------------------------|-------------------------|-------|
| Male | 34 | 0 | 0 | 34 |
| Female | 54 | 5 | 1 | 60 |
| Totals | 88 | 5 | 1 | 94 |

* Includes family coverage.

| Age | Number of Current Retirees Covered |
|--------------|---------------------------------------|
| | Total |
| 0-44 | |
| 45-49 | |
| 50-54 | |
| 55-59 | 1 |
| 60-64 | 3 |
| 65-69 | 1 |
| 70-74 | |
| 75-79 | |
| 80-84 | |
| 85-89 | |
| 90-94 | 1 |
| 95 + | |
| Total | 6 |

There are 0 terminated members eligible for deferred Plan benefits.

SECTION E

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS

Actuarial Methods

Clare County Retiree Health Care Plan as of September 30, 2021

Actuarial Cost Method. Normal cost and the allocation of benefit values between service rendered before and after the valuation date was determined using an **Individual Entry-Age Actuarial Cost Method** having the following characteristics:

- (i) The annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement; and
- (ii) Each annual normal cost is a constant percentage of the member's year by year projected covered pay.

Actuarial gains (losses), as they occur, reduce (increase) the Unfunded Actuarial Accrued Liability.

Financing of Unfunded Actuarial Accrued Liabilities. Unfunded actuarial accrued liabilities (UAAL) (full funding credit if assets exceed liabilities) were amortized using the level percent of pay amortization method. The UAAL was determined using the actuarial value of assets and actuarial accrued liability calculated as of the valuation date and projected to the beginning of the fiscal year at the assumed rate of investment return.

Actuarial Value of Assets. The Actuarial Value of Assets is set equal to the reported market value of assets. Clare County reported no assets for the September 30, 2021 valuation.

Amortization Factors. The following amortization factors were used in developing the Actuarially Determined Contribution for the fiscal years shown:

| | Fiscal Year Ending September 30, | |
|---------------------|----------------------------------|---------|
| | 2023 | 2024 |
| Amortization Period | 15 | 14 |
| Level % of Pay | 14.2566 | 13.3380 |

Actuarial Assumptions

Clare County Retiree Health Care Plan

as of September 30, 2021

All assumptions are expectations of future experience, not market measures. The rationale for the rates of merit and longevity salary increase, base wage inflation, rates of mortality, normal retirement rates, early retirement rates, rates of separation from active membership, disability rates, and marriage assumption used in this valuation is included in the MERS 5-year experience study for the period January 1, 2014 to December 31, 2018, issued February 14, 2020. These assumptions were first used in the September 30, 2019 OPEB Funding Valuation.

The rate of investment return was 3.50% a year, compounded annually net after investment expenses.

Rates of price inflation are not specifically used for this valuation. However, a rate of price inflation of 2.50% would be consistent with other assumptions in this report.

The rates of salary increase used for individual members are in accordance with the following table.

| Percentage Increase in Salary at Sample Years of Service | | | | | | | |
|--|-----------------------|---------------------|----------------------------------|-------------------------|-----------------------|---------------------|----------------------------------|
| Sample Years of Service | Base (Wage Inflation) | Merit and Longevity | Total Percentage Increase in Pay | Sample Years of Service | Base (Wage Inflation) | Merit and Longevity | Total Percentage Increase in Pay |
| 0 | 3.00 % | 6.70 % | 9.70 % | 21 | 3.00 % | 0.60 % | 3.60 % |
| 1 | 3.00 | 4.60 | 7.60 | 22 | 3.00 | 0.50 | 3.50 |
| 2 | 3.00 | 3.20 | 6.20 | 23 | 3.00 | 0.40 | 3.40 |
| 3 | 3.00 | 2.70 | 5.70 | 24 | 3.00 | 0.40 | 3.40 |
| 4 | 3.00 | 2.30 | 5.30 | 25 | 3.00 | 0.40 | 3.40 |
| 5 | 3.00 | 1.90 | 4.90 | 26 | 3.00 | 0.30 | 3.30 |
| 6 | 3.00 | 1.70 | 4.70 | 27 | 3.00 | 0.30 | 3.30 |
| 7 | 3.00 | 1.30 | 4.30 | 28 | 3.00 | 0.30 | 3.30 |
| 8 | 3.00 | 1.20 | 4.20 | 29 | 3.00 | 0.30 | 3.30 |
| 9 | 3.00 | 1.20 | 4.20 | 30 | 3.00 | 0.20 | 3.20 |
| 10 | 3.00 | 1.10 | 4.10 | 31 | 3.00 | 0.20 | 3.20 |
| 11 | 3.00 | 1.10 | 4.10 | 32 | 3.00 | 0.20 | 3.20 |
| 12 | 3.00 | 0.90 | 3.90 | 33 | 3.00 | 0.20 | 3.20 |
| 13 | 3.00 | 0.90 | 3.90 | 34 | 3.00 | 0.20 | 3.20 |
| 14 | 3.00 | 0.80 | 3.80 | 35 | 3.00 | 0.10 | 3.10 |
| 15 | 3.00 | 0.70 | 3.70 | 36 | 3.00 | 0.10 | 3.10 |
| 16 | 3.00 | 0.70 | 3.70 | 37 | 3.00 | 0.10 | 3.10 |
| 17 | 3.00 | 0.60 | 3.60 | 38 | 3.00 | 0.10 | 3.10 |
| 18 | 3.00 | 0.60 | 3.60 | 39 | 3.00 | 0.10 | 3.10 |
| 19 | 3.00 | 0.60 | 3.60 | 40 and Over | 3.00 | 0.00 | 3.00 |
| 20 | 3.00 | 0.60 | 3.60 | | | | |

The payroll growth rate for financing Unfunded Actuarial Accrued Liabilities for open divisions was assumed to be 3.00% per year.

Actuarial Assumptions

Clare County Retiree Health Care Plan as of September 30, 2021

The rates of mortality used for individual members are based upon the sex distinct Pub-2010 tables, as published by the Society of Actuaries, and include a margin for future mortality improvements projected using a fully generational improvement scale. The tables used were as follows:

- **Healthy Pre-Retirement Mortality:** Sex distinct Pub-2010 General Employees table without adjustment. The base year is 2010 and future mortality improvements are assumed each year using scale MP-2019, as published by the Society of Actuaries. Ninety percent (90%) of active member deaths are assumed to be non-duty deaths and 10% of the deaths are assumed to be duty related.
- **Healthy Post-Retirement Mortality:** Sex distinct Pub-2010 General Healthy Retiree tables scaled by a factor of 106%. The base year is 2010 and future mortality improvements are assumed each year using scale MP-2019, as published by the Society of Actuaries.
- **Disability Retirement Mortality:** Sex distinct PubNS-2010 Disabled tables without adjustment. The base year is 2010 and future mortality improvements are assumed each year using scale MP-2019, as published by the Society of Actuaries.

Note that the Pub-2010 tables do not include rates at all ages. For purposes of selecting mortality rates that are not otherwise published, we use the corresponding Employee or Healthy Retiree rates as applicable.

The life expectancies and mortality rates projected for employees are shown below for selected ages, based on retirements in 2021. Retirements in future years will reflect improvements in life expectancy:

| Age | Expected Years of Life Remaining | | Mortality Rates | |
|-----|----------------------------------|--------|-----------------|--------|
| | Male | Female | Male | Female |
| 20 | 70.09 | 72.81 | 0.04% | 0.01% |
| 25 | 64.80 | 67.48 | 0.03 | 0.01 |
| 30 | 59.52 | 62.16 | 0.05 | 0.02 |
| 35 | 54.29 | 56.86 | 0.07 | 0.03 |
| 40 | 49.10 | 51.60 | 0.08 | 0.04 |
| 45 | 43.94 | 46.36 | 0.10 | 0.06 |
| 50 | 38.80 | 41.14 | 0.14 | 0.08 |
| 55 | 33.73 | 35.97 | 0.21 | 0.13 |
| 60 | 28.76 | 30.88 | 0.33 | 0.20 |
| 65 | 23.94 | 25.88 | 0.47 | 0.29 |
| 70 | 19.21 | 20.97 | 0.66 | 0.44 |
| 75 | 14.58 | 16.17 | 0.99 | 0.73 |
| 80 | 10.05 | 11.52 | 1.58 | 1.24 |
| 85 | 6.93 | 8.07 | 7.96 | 5.91 |
| 90 | 4.83 | 5.60 | 13.77 | 10.98 |

Actuarial Assumptions

Clare County Retiree Health Care Plan as of September 30, 2021

The life expectancies and mortality rates projected for non-disabled retirees are shown below for selected ages, based on retirements in 2021. Retirements in future years will reflect improvements in life expectancy:

| Age | Expected Years of Life Remaining | | Mortality Rates | |
|-----|----------------------------------|--------|-----------------|--------|
| | Male | Female | Male | Female |
| 20 | 66.84 | 70.15 | 0.04% | 0.02% |
| 25 | 61.47 | 64.75 | 0.04 | 0.01 |
| 30 | 56.11 | 59.35 | 0.05 | 0.02 |
| 35 | 50.79 | 53.99 | 0.07 | 0.03 |
| 40 | 45.52 | 48.65 | 0.09 | 0.04 |
| 45 | 40.27 | 43.33 | 0.11 | 0.06 |
| 50 | 35.06 | 38.04 | 0.30 | 0.23 |
| 55 | 30.18 | 33.07 | 0.44 | 0.32 |
| 60 | 25.49 | 28.22 | 0.68 | 0.43 |
| 65 | 21.02 | 23.51 | 0.98 | 0.63 |
| 70 | 16.79 | 18.98 | 1.51 | 1.01 |
| 75 | 12.88 | 14.74 | 2.56 | 1.81 |
| 80 | 9.44 | 10.95 | 4.62 | 3.33 |
| 85 | 6.64 | 7.77 | 8.44 | 6.27 |
| 90 | 4.60 | 5.35 | 14.59 | 11.64 |

The life expectancies and mortality rates projected for disabled retirees are shown below for selected ages, based on retirements in 2021. Retirements in future years will reflect improvements in life expectancy:

| Age | Expected Years of Life Remaining | | Mortality Rates | |
|-----|----------------------------------|--------|-----------------|--------|
| | Male | Female | Male | Female |
| 20 | 52.38 | 56.13 | 0.44% | 0.26% |
| 25 | 47.56 | 50.95 | 0.34 | 0.20 |
| 30 | 42.71 | 45.82 | 0.50 | 0.35 |
| 35 | 38.21 | 41.08 | 0.67 | 0.55 |
| 40 | 33.97 | 36.70 | 0.82 | 0.74 |
| 45 | 29.91 | 32.59 | 1.04 | 0.98 |
| 50 | 26.07 | 28.76 | 1.50 | 1.42 |
| 55 | 22.62 | 25.33 | 2.06 | 1.82 |
| 60 | 19.53 | 22.16 | 2.60 | 2.08 |
| 65 | 16.66 | 18.96 | 3.07 | 2.18 |
| 70 | 13.86 | 15.62 | 3.64 | 2.58 |
| 75 | 11.10 | 12.34 | 4.70 | 3.63 |
| 80 | 8.54 | 9.42 | 6.70 | 5.62 |
| 85 | 6.35 | 7.06 | 10.03 | 8.89 |
| 90 | 4.60 | 5.29 | 15.25 | 13.06 |

Actuarial Assumptions

Clare County Retiree Health Care Plan as of September 30, 2021

Retirement Rates

A schedule of retirement rates is used to measure the probability of eligible members retiring during the next year. Certain retirement service amounts (normal retirement) or age (early reduced pension retirement) may not apply, depending on the benefit age of first eligibility.

Normal Retirement – Unreduced Pension Benefit Service Based Retirement Rates

| Sample Years of Service | Percent of Eligible Active Members Retiring within Next Year [#] | Sample Years of Service | Percent of Eligible Active Members Retiring within Next Year [#] |
|----------------------------|--|----------------------------|--|
| Under 5 | 15.00 % | 23 | 26.00 % |
| 5 | 15.00 | 24 | 30.00 |
| 6 | 15.00 | 25 | 34.00 |
| 7 | 15.00 | 26 | 25.00 |
| 8 | 15.00 | 27 | 25.00 |
| 9 | 15.00 | 28 | 25.00 |
| 10 | 20.00 | 29 | 25.00 |
| 11 | 20.00 | 30 | 25.00 |
| 12 | 20.00 | 31 | 28.00 |
| 13 | 20.00 | 32 | 28.00 |
| 14 | 20.00 | 33 | 28.00 |
| 15 | 20.00 | 34 | 28.00 |
| 16 | 20.00 | 35 | 25.00 |
| 17 | 20.00 | 36 | 25.00 |
| 18 | 20.00 | 37 | 25.00 |
| 19 | 20.00 | 38 | 25.00 |
| 20 | 20.00 | 39 | 25.00 |
| 21 | 22.00 | 40 and Over | 25.00 |
| 22 | 24.00 | | |

[#] All members who reach eligibility for normal retirement pension benefits before attaining 20 years of service are assumed to retire at the rate of 3.00% per year because they are not eligible for the retiree health care stipend.

Rates of retirement are set to 100% beginning at age 85.



Actuarial Assumptions Clare County Retiree Health Care Plan as of September 30, 2021

Early Retirement - Reduced Pension Benefit Age-Based Retirement Rates

| Retirement Ages | Percent of Eligible Active Members Retiring within Next Year |
|--------------------|---|
| 50 | 4.00 % |
| 51 | 4.00 |
| 52 | 4.00 |
| 53 | 4.00 |
| 54 | 4.00 |
| 55 | 4.00 |
| 56 | 4.00 |
| 57 | 4.00 |
| 58 | 4.00 |
| 59 | 4.00 |

In the case a member's eligibility for early reduced pension retirement precedes accrual of 20 years of service, the percent of eligible active members retiring within the next year is as described in the table above or 3.00%, whichever is smaller.

Actuarial Assumptions

Clare County Retiree Health Care Plan

as of September 30, 2021

Rates of separation from active membership are used to estimate the number of employees at each age that are expected to terminate employment before qualifying for retirement benefits. The rates of separation from active membership do not apply to members eligible to retire, and do not include separation on account of death or disability. The assumed rates of separation applied in the current valuation are based on years of service and different rates apply to public safety and all other groups. Sample rates of separation from active employment are shown below.

| Sample Years of Service | Percent of Active Members Withdrawing Within the Next Year | |
|----------------------------|---|------------|
| | Public Safety | All Others |
| 0 | 13.90 % | 23.40 % |
| 1 | 11.60 | 19.50 |
| 2 | 9.40 | 15.80 |
| 3 | 7.40 | 12.50 |
| 4 | 6.10 | 10.30 |
| 5 | 4.90 | 8.30 |
| 6 | 4.30 | 7.20 |
| 7 | 3.90 | 6.60 |
| 8 | 3.60 | 6.00 |
| 9 | 3.40 | 5.70 |
| 10 | 3.20 | 5.40 |
| 11 | 3.10 | 5.20 |
| 12 | 2.80 | 4.70 |
| 13 | 2.70 | 4.50 |
| 14 | 2.50 | 4.20 |
| 15 | 2.40 | 4.00 |
| 16 | 2.30 | 3.90 |
| 17 | 2.20 | 3.70 |
| 18 | 2.00 | 3.40 |
| 19 | 1.90 | 3.20 |
| 20 | 1.80 | 3.10 |
| 21 | 1.80 | 3.00 |
| 22 | 1.70 | 2.80 |
| 23 | 1.70 | 2.80 |
| 24 | 1.60 | 2.70 |
| 25 and Over | 1.50 | 2.60 |

Actuarial Assumptions

Clare County Retiree Health Care Plan

as of September 30, 2021

Disability Rates

Disability rates are used in the valuation to estimate the incidence of member disability in future years. The assumed rates of disablement at various ages are shown below:

| Sample Ages | Percent Becoming Disabled within the Next Year |
|-------------|--|
| 20 | 0.02% |
| 25 | 0.02 |
| 30 | 0.02 |
| 35 | 0.05 |
| 40 | 0.08 |
| 45 | 0.20 |
| 50 | 0.29 |
| 55 | 0.38 |
| 60 | 0.39 |
| 65 | 0.39 |

80% of the disabilities are assumed to be non-duty and 20% of the disabilities are assumed to be duty related. For those plans which have adopted disability provision D-2, for pension benefit purposes, 40% of the disabilities are assumed to be non-duty and 60% are assumed to be duty related.

Miscellaneous and Technical Assumptions Clare County Retiree Health Care Plan as of September 30, 2021

- Administrative Expenses** No explicit assumption has been made for administrative expenses.
- Decrement Operation** Disability and withdrawal do not operate during retirement eligibility.
- Decrement Relativity** Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
- Decrement Timing** Decrements of all types are assumed to occur mid-year.
- Eligibility Testing** Eligibility for benefits is determined based upon the age nearest birthday and the service nearest whole year on the date the decrement is assumed to occur.
- Future Service** Members are assumed to earn 1.0 years of service in each future year.
- Incidence of Contributions** Contributions are assumed to be received continuously throughout the year based upon the computed contribution shown in this report.
- Marriage Assumption** 80% of males and 80% of females are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses for active member valuation purposes.
- Medicare Coverage** Assumed to be available for all covered employees on attainment of age 65. Disabled retirees were assumed to be eligible for Medicare coverage at age 65.
- Data Assumptions** Part-time members indicated as ineligible upon retirement were excluded from the valuation.

New retirees impacted by the ERI were assumed to have their special cost share arrangement end after two years of retirement, at which time they were assumed to continue to participate in the County’s retiree health care plan.

All members were assumed to participate in the dental buy-up plan.
- Health Care Coverage at Retirement** The table below shows the assumed portion of future retirees electing one-person or two-person/family coverage, or opting out of coverage entirely.

| All divisions | One-Person | Two-Person/Family | | Opt-Out |
|---------------|------------|-------------------|------------|---------|
| | | Electing | Continuing | |
| Male | 0% | 10% | 100% | 90% |
| Female | 0% | 10% | 100% | 90% |

APPENDIX

Glossary

Accrued Service. The service credited under the plan which was rendered before the date of the actuarial valuation.

Actuarial Accrued Liability. The difference between (i) the actuarial present value of future plan benefits, and (ii) the actuarial present value of future normal cost. Sometimes referred to as “accrued liability” or “past service liability.”

Actuarial Assumptions. Estimates of future plan experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

Actuarial Cost Method. A mathematical budgeting procedure for allocating the dollar amount of the “actuarial present value of future plan benefits” between the actuarial present value of future normal cost and the actuarial accrued liability. Sometimes referred to as the “actuarial funding method.”

Actuarial Equivalent. A single amount or series of amounts of equal value to another single amount or series of amounts, computed on the basis of the rate(s) of interest and mortality tables used by the plan.

Actuarial Present Value. The amount of funds presently required to provide a payment or series of payments in the future. It is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Amortization. Paying off an interest-bearing liability by means of periodic payments of interest and principal, as opposed to paying it off with a lump sum payment.

Actuarially Determined Contribution. The actuarially determined contribution is the normal cost plus the portion of the unfunded actuarial accrued liability to be amortized in the current period. The actuarially determined contribution is an amount that, if paid on an ongoing basis, would be expected to provide sufficient resources to fund both the normal cost for each year and the amortized unfunded actuarial accrued liability.

Governmental Accounting Standards Board (GASB). GASB is the private, nonpartisan, nonprofit organization that works to create and improve the rules U.S. state and local governments follow when accounting for their finances and reporting them to the public.

Implicit Rate Subsidy. It is common practice for employers to allow retirees to continue in the employer’s group health insurance plan (which also covers active employees), often charging the retiree some portion of the premium charged for active employees. Under the theory that retirees have higher utilization of services, the difference between the true cost of providing retiree coverage and what the retiree is being charged is known as the implicit rate subsidy.

Glossary (Concluded)

Medical Trend Rate (Health Care Inflation). The increase in the cost of providing health care benefits over time. Trend includes such elements as pure price inflation, changes in utilization, advances in medical technology, and cost shifting.

Normal Cost. The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as “current service cost.” Any payment toward the unfunded actuarial accrued liability is not part of the normal cost.

Other Postemployment Benefits (OPEB). OPEB are postemployment benefits other than pensions. OPEB generally takes the form of health insurance, dental, vision, prescription drugs, life insurance or other health care benefits.

Reserve Account. An account used to indicate that funds have been set aside for a specific purpose and are not generally available for other uses.

Unfunded Actuarial Accrued Liability. The difference between the actuarial accrued liability and valuation assets. Sometimes referred to as “unfunded actuarial accrued liability.”

Valuation Assets. The value of current plan assets recognized for valuation purposes.