

# OPEB Impact Analysis for Post-Certified Sheriff's Department Employees

## Executive Summary

As requested by Blount County ("the County"), this report includes our impact analysis on the County's Other Post Employment Benefit ("OPEB") Plan for employees of the Sheriff's Department. Data for 136 employees were provided by the County to be included in this study. This report analyzes three distinct proposed plan amendments:

AMENDMENT	DESCRIPTION OF PLAN AMENDMENT
Amendment #1	<ul style="list-style-type: none"> <li>The 96 employees identified as NOT post-certified as of 7/1/2024, will now be eligible for the Bridge Benefit under the Tennessee Consolidated Retirement System (TCRS).</li> <li>The TCRS Bridge Benefit allows retirement eligibility at age 55 with 25 years of service, in addition to the current retirement eligibility of either age 60 with 10 years of service, or 30 years of service at any age.</li> </ul>
Amendment #2	<ul style="list-style-type: none"> <li>The 40 employees identified as already post-certified as of 7/1/2024, will now have their prior service at the Jail added to their years of eligibility service toward retirement.</li> </ul>
Amendment #3	<ul style="list-style-type: none"> <li>All employees eligible for the TCRS Bridge Benefit must retire or change job positions to a civilian role no later than age 62.</li> </ul>

## IMPACT ON PRESENT VALUE OF FUTURE BENEFITS (PVFB)

The combined impact of these changes increases the Present Value of Future Benefits by **\$2,175,000**. This represents a 62.2% increase for the selected group, but only a 4.8% increase for the entire County's PVFB.

Present Value of Future Benefits at 7/1/2024	Baseline	Amendment #1	Amendment #2	Amendment #3
a. 40 Post-Certified Employees	\$ 1,467,000	\$ 1,467,000	\$ 1,659,000	\$ 2,271,000
b. 96 Non-Post-Certified Employees	2,031,000	2,237,000	2,237,000	3,402,000
c. Total PVFB	<b>\$ 3,498,000</b>	<b>\$ 3,704,000</b>	<b>\$ 3,896,000</b>	<b>\$ 5,673,000</b>
Increase (Decrease)		206,000	192,000	1,777,000

## IMPACT ON ACTUARIAL ACCRUED LIABILITY (AAL)

The combined impact of these changes increases the Actuarial Accrued Liability (aka the Total OPEB Liability for GASB 75 purposes) by **\$1,327,000**. This represents a 71.0% increase for the selected group, but only a 4.4% increase for the entire County's PVFB.

Actuarial Accrued Liability at 7/1/2024	Baseline	Amendment #1	Amendment #2	Amendment #3
a. 40 Post-Certified Employees	\$ 817,000	\$ 817,000	\$ 920,000	\$ 1,292,000
b. 96 Non-Post-Certified Employees	1,052,000	1,188,000	1,188,000	1,904,000
c. Total AAL	<b>\$ 1,869,000</b>	<b>\$ 2,005,000</b>	<b>\$ 2,108,000</b>	<b>\$ 3,196,000</b>
Increase (Decrease)		136,000	103,000	1,088,000

## Commentary

### SUMMARY OF PARTICIPANT DATA PROVIDED BY THE COUNTY

- There are 96 employees NOT currently post-certified with:
  - 10 currently eligible for retirement
  - 12 eligible for retirement once eligible for the TCRS Bridge Benefit
  - An average age of 39.6 years
  - An average of 10.7 years of service
- There are 40 post-certified employees with:
  - 2 currently eligible for retirement
  - 4 eligible for retirement once years of prior Jail service are included
  - An average age of 36.2 years
  - An average of 10.7 years of service (14.0 years once years of prior Jail service are included)

### COMMENT ON ACTUARIAL ASSUMPTIONS

The actuarial assumptions utilized in this analysis are detailed in the appendix of this report and represent our best estimate of future experience. However, different assumptions can change the impact of these plan amendments. Due to the limited scope of the assignment, we did not perform an analysis of the potential range of such future measurements. We do, however, want to comment on a few key assumptions:

#### Discount Rate

As the County's plan is currently unfunded, the discount rate for GASB 75 accounting purposes is based on the 20yr tax-exempt general-obligation municipal bond yield. As of July 1, 2024, that rate is 3.93%. As we've seen in recent years, economic events and changes in underlying inflation can cause significant volatility in these rates.

The total impact of the three plan amendments on the Actuarial Accrued Liability would:

- Increase 12%, to \$1,487,000, if the discount rate was 1% lower, and
- Decrease 10%, to \$1,189,000, if the discount rate was 1% higher.

#### Retirement Rates

Amendments #1 and #2 allow for certain employees to retire sooner than they could have otherwise; and Amendment #3 forces retirement no later than age 62, assuming a civilian position is not accepted. Once an employee is eligible to retire, we make an assumption about *when* the employee will retire using probability rates from age 50 to age 65. See appendix for actual rates assumed.

For the 136 employees included in this analysis, Amendments #1 and #2 reduced the weighted average retirement age from 62.8 to 62.6. Assuming the 136 employees opt out of taking a civilian position, Amendment #3 reduces this average even further to 61.3. These combined changes add an additional 1.5 years of benefit payments, on average.

If participants retire earlier than expected, the impact of these amendments will be greater, and vice versa. The impact is leveraged on the fact that benefits end at age 65. If the employees retired an average of one year earlier than expected, the AAL for these employees would increase by approximately 25% - 30%, on average.

### COMMENT ON AMENDMENT #3

The impact of Amendment #3 shown above assumes that all 136 employees will opt to retire no later than 62, rather than move to a civilian position. Should all 136 employees that work to age 62 opt to take a civilian position, then we would not expect any additional employer liability over that disclosed for Amendment #2. Results can be interpolated from there – e.g. if 50% opt to retire no later than 62, the additional AAL impact would be \$544,000.

**ACTUARIAL CERTIFICATION**

We, the undersigned, are consulting actuaries associated with the firm CBIZ Benefits & Insurance Services, Inc. We are members of the American Academy of Actuaries and meet the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States and are qualified to render the actuarial opinion contained herein. The relationship between CBIZ and Blount County is strictly professional. There are no aspects of the relationship that may impair or appear to impair the objectivity of our work.

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 plan provisions or applicable law. Due to the limited scope of the actuary's assignment, the actuary did not perform an analysis of the potential range of such future measurements.


This report is intended for the sole use of the Plan Sponsor and should not be relied on for any purpose other than the purpose described in the primary communication. Determination of the financial results associated with the benefits described in this report in a manner other than the intended purpose may produce significantly different results.

The calculation was based upon information furnished by Blount County concerning retirement benefits and member information. CBIZ is not responsible for the accuracy or completeness of the information provided to us for these calculations.

Unless otherwise described, all participant data, plan provisions, actuarial assumptions, and actuarial methods used in this analysis are the same as those used in the Actuarial Valuation as of July 1, 2024. Further detail on the actuarial assumptions used is included in the Appendix of this report.

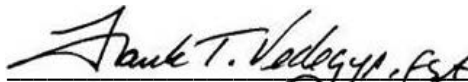
**This letter should be distributed to any interested parties only in its entirety.**

Respectfully submitted,



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## Appendix

<b>Actuarial Valuation Date</b>	July 1, 2024
<b>Actuarial Cost Method</b>	Individual Entry Age Normal as a level percentage of payroll
<b>Discount Rate</b>	3.93%
<b>Annual Wage Increases</b>	3.50%
<b>Payroll Growth Rate</b>	2.50%
<b>Price Inflation</b>	2.50%
<b>Annual Healthcare Trend</b>	The rate in each year below reflects the percentage increase in benefit costs over the prior year:

Year Beginning July 1,	Claims	Employer Contribution	Dental
2025	7.75%	7.75%	4.00%
2026	7.50	7.50	4.00
2027	7.25	7.25	4.00
2028	7.00	7.00	4.00
2029	6.75	6.75	4.00
2030	6.50	6.50	4.00
2031	6.25	6.25	4.00
2032	6.00	6.00	4.00
2033	5.75	5.75	4.00
2034	5.50	5.50	4.00
2035	5.25	5.25	4.00
2036	5.00	5.00	4.00
2037	4.75	4.75	4.00
2038+	4.50	4.50	4.00

**Annual Per-Capita Claims Costs  
effective 7/1/2024 - 6/30/2025**

Starting per-capita claims costs were developed using paid retiree claims up to the stop-loss limits and enrollment data from August 1, 2022 through July 31, 2024. Medical and pharmacy experience were analyzed separately, and projected to the current claims year at 7.9% and 8.2%, respectively, per the 2025 Segal Health Care Cost Trend Survey. 80% credibility was placed on the 2023-2024 experience and 20% on the 2022-2023 experience. A 2% claims fluctuation margin was added. The resulting costs were then adjusted for differences in plan design and disaggregated into age-specific starting costs using average ages and assumed rates of morbidity to reflect the relationship between costs and increasing age. Administrative fees and stop-loss premiums (\$350,000 specific stop-loss limit) are included in the rates shown below.

Age	Current Retirees			Future Retirees
	Gold	Silver	Bronze	
45	\$ 7,054	\$ 6,555	\$ 6,235	\$ 6,748
50	8,402	7,799	7,411	8,031
55	10,241	9,495	9,016	9,783
60	12,421	11,505	10,918	11,859
64	14,589	13,505	12,809	13,923

**Medical and Dental Plan  
Participation**

*Future Retirees:* 100% of future retirees who currently elect coverage as an active employee are assumed to elect medical and dental coverage at retirement for themselves and their spouse, if married. It is assumed that no one will opt in or opt out of coverage once initial retirement election is made. Participating retirees are assumed to select a medical plan at the following rates:

Medical Plan	Rate
Gold	45%
Silver	45
Bronze	10

*Current Retirees:* Based on current coverage election. It is assumed that no one will opt in or opt out of coverage once initial retirement election is made.

**Life Insurance Participation**

*Future Retirees:* 100% of future retirees are assumed to elect group term life insurance coverage at retirement.

*Current Retirees:* Based on coverage amount in participant data

**Marital Status**

*Future Retirees:* 40% of male and 40% of female participating retirees are assumed to be married at retirement.

*Current Retirees:* Based on current coverage election.

**Spouse Age**

Male spouses are assumed to be 3 years older, and female spouses are assumed to be 3 years younger. Actual age is used for spouses of current retirees, if provided.

**Mortality - Board of Education***Pre-Retirement:*

Pub-2010 Teacher Employees Headcount-Weighted Mortality Table without adjustment

*Healthy Retirees:*

Pub-2010 Teacher Retiree Headcount-Weighted Mortality Table scaled without adjustment

*Disabled Retirees:*

PubNS-2010 Disabled Retiree Headcount-Weighted Mortality Table without adjustment

The mortality assumptions include a margin for future mortality improvements using Scale MP-2021 projected fully-generationally from the central year of data, 2010.

**Mortality - All Others***Pre-Retirement:*

Pub-2010 General Employees Headcount-Weighted Mortality Table without adjustment

*Healthy Retirees:*

Pub-2010 General Retiree Headcount-Weighted Mortality Table scaled without adjustment

*Disabled Retirees:*

PubNS-2010 Disabled Retiree Headcount-Weighted Mortality Table without adjustment

The mortality assumptions include a margin for future mortality improvements using Scale MP-2021 projected fully-generationally from the central year of data, 2010.

## Termination

Participants are assumed to terminate employment for reasons other than death, disability or retirement in accordance with annual rates varying by age and gender in the following two-year select and ultimate table. Sample rates are as follows:

Age	1st Year of Service	2nd Year of Service	Male Ultimate	Female Ultimate
20	28.3%	24.9%	15.7%	18.7%
25	26.3	22.5	12.4	14.9
30	24.3	20.0	9.1	11.1
35	22.4	17.6	5.8	7.3
40	20.4	15.1	2.5	3.5
45	18.5	13.9	2.2	3.0
50	16.5	12.7	1.9	2.4

## Retirement

Participants are assumed to retire in accordance with annual rates varying by age. Rates are only applicable if a participant is eligible to retire with a benefit. Sample rates are as follows:

Age	Rate
50 - 55	2.0%
56 - 57	3.0
58	4.0
59	6.5
60	9.0
61	11.5
62 <sup>1</sup>	21.5
63 <sup>1</sup>	14.5
64 <sup>1</sup>	16.0
65	100.0

## Disability

Participants are not assumed to become disabled prior to retirement

<sup>1</sup> Under Amendment #3, the retirement rates at these ages are assumed to 100%.