

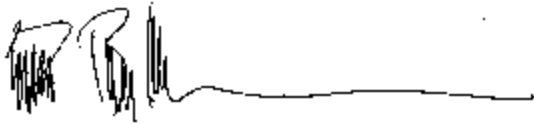
**NEW YORK STATE
OLYMPIC REGIONAL DEVELOPMENT AUTHORITY
POSTRETIREMENT BENEFITS OTHER THAN PENSION
ACTUARIAL VALUATION FOR GASB NO. 45
FISCAL YEAR ENDED MARCH 31, 2008**

**FINAL REPORT ISSUED
JUNE 24, 2008**

**NY STATE OLYMPIC REGIONAL DEVELOPMENT AUTHORITY
POSTRETIREMENT BENEFITS OTHER THAN PENSION
ACTUARIAL VALUATION FOR GASB NO. 45
FISCAL YEAR ENDED MARCH 31, 2008**

I, Annie Brown Voldman, am President of Annie Brown Voldman, Consulting Actuary, PC. I am a Member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

Actuarial computations under Government Statement of Accounting Standard No. 45 (GASB 45) are for purposes of fulfilling certain employer accounting requirements. The calculations reported herein have been made on a basis consistent with my understanding of GASB 45. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results reported herein.



Annie Brown Voldman, MAAA, COPA

June 24, 2008

Date

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INTRODUCTION

Following is the final report of the GASB 45 actuarial valuation made of postretirement benefits other than pension (“OPEB”) provided by the New York State Olympic Regional Development Authority (“ORDA”) for its retirees and their spouses. The valuation has been performed as of the first day of ORDA’s fiscal year beginning April 1, 2007. Results of the valuation are projected forward to the end of the year for financial statement disclosure as of March 31, 2008. The final report does not include accounting for sick leave credits; ORDA’s auditors have determined that sick leave credits as structured under this Plan are separately accounted for under GASB 16 and are therefore not covered by GASB 45.

Adoption and Transition to GASB 45

ORDA is adopting GASB 45 effective for its fiscal year beginning April 1, 2007. The Plan is not currently pre-funded. Under GASB’s transition rules, opening OPEB obligation has been set to zero and measurement and recognition of GASB 45’s requirements will be made prospectively. Page 1 provides a summary of the GASB 45 disclosures. Further detail of the valuation, its assumptions and various plan parameters follow.

Actuarial Funding Method – Determination of Annual Required Contribution

GASB 45 permits the use of any of six funding methods for determining an Employer’s Annual Required Contribution (ARC), which under the statement must be determined annually, even for Plans that are not pre-funded. Components of the ARC generally include (1) Normal Cost; (2) amortization of Actuarial Accrued Liability (if applicable); and (3) interest.

The funding method used in this valuation is the Projected Unit Credit method or “PUC”. Under PUC, the present value of all future benefit costs is determined for each participant and then portions of same are allocated to participants’ past years of employment to determine an Actuarial Accrued Liability; and the current fiscal year to determine the Normal Cost. The initial Actuarial Accrued Liability is amortized over a 30 year period (see page 6). Subsequent years’ measurements recalculate Normal Cost and amortization based on each year’s updated employee data and any changes in the Plan or the valuation’s actuarial assumptions.

PUC Actuarial Accrued Liability and 30 year Amortization

PUC Actuarial Accrued Liability (AAL) represents the portion of total benefit liability that is attributed to service rendered to date by employees and retirees covered by the Plan. The AAL measured as of April 1, 2007 is \$20,831,261 and projected to year-end is \$22,766,045:

	Actuarial Accrued Liability as of:	
	<u>April 1, 2007</u>	<u>March 31, 2008</u>
Active Employees:	\$13,142,753	\$15,026,391
Retirees:	\$7,688,508	\$7,739,654
Total:	\$20,831,261	\$22,766,045

Under the funding method, Actuarial Accrued Liability is amortized on a level dollar basis over 30 years. The annual amortization amount, one of the components of the ARC, is \$1,290,575. See page 3.

INTRODUCTION (CONTINUED)

Annual Required Contribution for FYE 3/31/2008 - \$2,581,604

The ARC for the fiscal year is \$2,581,604, including Normal Cost of \$1,168,095, amortization of \$1,290,575 and interest of \$122,934. See page 2.

Plan Contributions and Net OPEB Obligation at Fiscal Year End - \$2,256,453

Under pay-as-you-go funding, employer contributions are equal to the claims costs (generally insurance premiums when benefits are insured) paid on behalf of the retired employee group during the fiscal year. ORDA's contribution, net of retiree co-premiums, is \$325,151. The resulting net OPEB Obligation at year-end is \$2,256,453 (ARC of \$2,581,604 reduced by \$325,151 contribution). Page 2 provides detail on the development of the Employer contribution, which includes offset for retiree premium payments. These amounts have been estimated by applying applicable cost sharing percentages to valuation per capita costs.

Actuarial Assumptions

All of the actuarial assumptions set forth in the valuation are outlined on pages 5-6. Significant assumptions are as follows:

Discount Rate

Discount is the rate at which all future benefit payment liabilities are discounted and the rate which is charged annually to the net OPEB Obligation. The rate used in the valuation is 5%. This Plan is being financed on a pay-as-you-go basis; ORDA and its auditors have confirmed that 5% is a reasonable long term assumption as to yields ORDA obtains on investment of employer assets. This is addressed in paragraph 13(c) of GASB 45:

“..... the investment return assumption (**discount rate**) should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits ... for plans that have no assets, investments expected to be used to finance benefits are those of the employer.... “

Initial Per Capita Claims Cost:

The initial per capita annual claims cost represents the average retiree claims incurred per covered life in the initial year of the actuarial valuation. When benefits are funded with insurance, then the use of insurance premiums is generally permissible as long as the rates are determined on a community rated basis and are not experience based.

Retiree benefits provided by ORDA are funded through several insurance plans, some of which are community rated, some of which are a blend of self-experience and community rating. For purposes of this valuation, premiums have not been adjusted for age given (1) community rating applied to all rates except the Excellus Plans (EPO & PPO) which are experience rated, but reflect a blend of book and experience claims

INTRODUCTION (CONTINUED)

cost; (2) the relative small size of the retiree group; and (3) the lack of data needed to make appropriate age-based adjustments prescribed as an alternative under GASB 45. Following are the per capita costs used in the valuation, which were developed as blended applicable premium rates for the fiscal year, weighted by coverage:

	<u>Initial per capita Claims Cost (Annual)</u>	
	<u>Union</u>	<u>Management</u>
Medical < age 65:	\$5,105	\$5,215
Medical age 65+	\$4,976	\$3,256
Dental/Vision:	\$892 *	
Dental:		\$252

* Structured rate applies to covered retiree, regardless of coverage type

For future valuations, it may be necessary to obtain age-based premiums from the insurer for the Excellus PPO and EPO Plans. If this is not available, then additional data will be needed to adjust the group premium rates to reflect the experience and/or age of the retiree group, which may raise the per capita costs depending on the make up of the group and its experience.

Annual Rates of Trend:

Trend represents the annual rate at which future claims costs are expected to change. Medical care trend rates were selected based on (1) review of past and current (e.g. 2008) experience; and (2) use of projected trend rates for National Health Expenditures (NHE) applicable to insured health benefits as most recently determined by the Centers for Medicare and Medicaid Services (CMS). The initial year's trend of 11.25% reflects a blend of actual experience for 2008 rate increases, combined with a projection for 2009. Trend is then graded down over an 8 year period to an ultimate rate of 6.0%. The ultimate rate is slightly higher than the CMS projections, reflecting current actual experience which is higher than that showing in the CMS projections for 2008.

Dental/Vision trend is a fixed rate of 5.0%. Premium rates for these benefits have been considerably more stable than medical benefits, usually due to annual maximums, which have kept rates low and more predictable over the long term.

Assumed Retirement Age:

The valuation must make an assumption as to the age at which employees are expected to retire. For valuation purposes, assumed retirement age is 60, or the date eligibility for benefits is met, but not later than age 65. This is based on the experience of those who retired at or after age 55, for whom the average retirement age was 60.8. Generally, employees must retire under the New York State Retirement System (NYSRS) to receive benefits from ORDA, which requires that employees be at least age 55. Although the current retiree group includes 12 employees who retired at ages less than 55, this has been mainly attributed to special early retirement incentive packages, which

INTRODUCTION (CONTINUED)

are not expected to include OPEB in the future. However, if this practice continues, then a reduced assumed retirement age or a range of ages should be used. Assumed retirement age is significant in that earlier retirement ages mean longer periods of benefits are paid out to retired employees.

Participation Rates at Retirement.

Current employee and two-person coverage status is assumed to continue into retirement. This means that only employees who (1) are currently enrolled in an ORDA health plan; and (2) are currently accruing service credits under the NYSRS are assumed to meet eligibility for benefits at retirement. Spousal coverage is assumed if the employee is both married and currently enrolled under 2-life coverage. Page 4 provides a summary of statistical coverage information, including the statistic that presently 69% of the active valuation group is meeting both of these requirements. This translates to an approximate participation rate of 70%.

No allowance has been made for dependent children coverage since only 3 out of the current retiree group have this coverage, all of whom are presently less than age 60. It is likely that such coverage would only continue in the early retirement years. However, if family coverage becomes more prevalent in retirement, an allowance should be made for its additional cost.

Employee Turnover and Mortality

Turnover is not applicable for retirees. Mortality is used to determine retirees (and future retirees) life expectancies. For active employees, these are the rates at which employees are expected to leave employment. They are applied to discount benefit liabilities to account for the expectation that many employees will leave ORDA prior to becoming eligible for benefits.

Gender specific mortality tables have been used, which were recently issued by the IRS for use under pension plans. Turnover is a moderate table, reflecting relatively long terms of employment at ORDA. Page 5 contains sample combined mortality/turnover survival rates from various ages to the assumed age of 60. Survival rates increase significantly with age, but are quite high at young ages.

Medicare Part D

OPEB provided by ORDA is not coordinated with Medicare Part D Rx coverage; nor does the Employer participate in the Part D subsidy program. Therefore the valuation does not include credits for same.

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SUMMARY OF DISCLOSURES REQUIRED UNDER GASB 45

Annual OPEB Cost:

Annual Required Contribution (ARC):	2,581,604
Interest on net beginning OPEB Liability:	0
Adjustment to ARC:	0
Annual OPEB Cost:	2,581,604

Components of Annual Required Contribution (ARC):

Normal Cost	1,168,095
Amortization of Accrued Liability:	1,290,575
Interest Cost:	122,934
Annual Required Contribution:	2,581,604

Change in OPEB Obligation During the Fiscal Year

OPEB Liability at beginning of fiscal year:	0
Interest on OPEB Obligation:	0
Annual Required Contribution (ARC) for the fiscal year:	2,581,604
Adjustment to the ARC:	0
Employer Contribution made during the fiscal year:	(325,151)
OPEB Obligation at end of fiscal year:	2,256,453
Net change in OPEB Obligation::	2,256,453

Funded Status at end of Fiscal Year::

Accrued Liability at end of year:	22,766,045
Plan assets at end of year:	0
Unfunded Accrued Liability:	(22,766,045)
Percentage of Funded Accrued Liability:	0%

Actuarial Cost Method used to determine ARC: Projected Unit Credit

Amortization Method and Period of Accrued Liability: Level dollar over 30 Years

Actuarial Assumptions: See pages 5-6

Plan Description: See pages 7-8

Employer Funding Policy: Pay as you go funding

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ANNUAL REQUIRED CONTRIBUTION (ARC), ADJUSTMENT TO ARC AND EMPLOYER CONTRIBUTION

ANNUAL REQUIRED CONTRIBUTION (ARC):

a. Normal Cost as of Valuation Date:	1,168,095
b. Amortization of Accrued Liability, as of Valuation Date:	1,290,575
c. Interest charge to end of fiscal year:	122,934
d. Annual Required Contribution for the fiscal year (a+b+c)	2,581,604

ADJUSTMENT TO ARC:

a. Net OPEB Obligation at beginning of year:	0
b. Remaining Amortization period of Accrued Liability, as of beginning of year:	30
c. Level Dollar Amortization Factor:	15.372451
d. Adjustment to ARC (a/c):	0

EMPLOYER CONTRIBUTIONS MADE DURING THE FISCAL YEAR:

a. Medical, dental and vision premiums paid on behalf of retirees:	411,184
b. Retiree co-premiums, determined without regard to retiree sick leave credits:	86,033
c. Net Employer contributions (a-b):	325,151 ⁽¹⁾

⁽¹⁾ Net employer contributions have been estimated by applying cost-sharing provisions of plan to valuation initial per capita costs (see page 5)

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ACTUARIAL ACCRUED LIABILITY AND AMORTIZATION BASES

Actuarial Accrued Liability is determined using the Projected Unit Credit (PUC) funding method. Under the PUC method, Actuarial Accrued Liability for employees not yet retired is the portion of employees' Present Value of Future Benefits (PVFB) attributed to employment service completed to date as compared to total service at employees' expected retirement dates. For retirees, Actuarial Accrued Liability is each retiree's PVFB. The Present Value of Future Benefits is computed using the actuarial assumptions set forth on pages 5-6.

	<i>Beginning of Fiscal Year</i>	<i>End of Fiscal Year</i>
1. Actuarial Accrued Liability (AAL):		
a. Active participants:	13,142,753	15,026,391
b. Retired participants:	7,688,508	7,739,654
c. Total Actuarial Accrued Liability:	20,831,261	22,766,045
2. Projection of Actuarial Accrued Liability to end of fiscal year:		
a. AAL at beginning of year:	20,831,261	
b. Normal Cost at beginning of year:	1,168,095	
c. Expected retiree benefit payments during the year:	325,151 ⁽¹⁾	
d. Weighting factor for timing of claims payments:	0.5	
e. Assumed discount rate:	5.00%	
f. Interest to end of year $[e*(a+b-(c*d))]$:	1,091,839	
g. Expected AAL at end of year (a+b-c+f):	22,766,045	

⁽¹⁾ In pay-as-you-go Plan, such as this one, benefit payments are equal to employer contributions made during the fiscal year

Initial Actuarial Accrued Liability as of the date GASB 45 is adopted is amortized as a component of the Annual Required Contribution (ARC). The amortization method is level dollar amortized over a 30 year period. For years subsequent to the initial adoption of GASB 45, changes in Accrued Liability arising from experience (i.e. gains/losses) are amortized and recognized as an additional part of the ARC.

<u>Date Established</u>	<u>Reason</u>	<u>Initial Amount</u>	<u>Initial Amortization Period</u>	<u>Remaining Balance at Val Date</u>	<u>Remaining Amortization Period</u>	<u>Annual Amortization Payment</u>
01-Apr-07	GASB 45 Adoption	20,831,261	30	20,831,261	30	1,290,575
<i>Total</i>				20,831,261		1,290,575

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PARTICIPANT DATA STATISTICS

A. Retirees and Surviving Spouses currently receiving benefits

Retirees with single life coverage:	15
Retirees with covered spouses or dependent children:	31
Surviving Spouses:	5
Total Retirees:	51
Average age of retirees:	66.0
Average life expectancy of retirees:	18.4
Average life expectancy of covered spouses:	22.8

B. Active Employee Valuation Group:

Employees with single life coverage:	91
Employees with spousal or family coverage:	117
Employees without coverage:	27
Total number of employees in valuation:	235
Employees not participating in NYSRS:	36
Employees not expected to meet service requirements by expected retirement age:	13
Employees expected to meet eligibility and have coverage at expected retirement age:	162
Percentage of employees expected to be covered at retirement:	69%
Average age of Active Employee Valuation group:	44.2
Average past years of Active Employee Valuation group:	10.8

C. Total Participants by Union and Management Groups:

	<u>Actives</u>	<u>Retirees</u>	<u>Total</u>
Union Employees and Retirees:	142	33	175
Management Employees and Retirees:	66	18	84
Employees not participating in ORDA Health Plan	<u>27</u>	<u>0</u>	<u>27</u>
Total:	235	51	286

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ACTUARIAL ASSUMPTIONS AND FUNDING METHOD

ACTUARIAL VALUATION DATE: April 1, 2007

ANNUAL DISCOUNT RATE: 5.00%

VISION/DENTAL TREND (ANNUAL RATE): 5.00%

MEDICAL COST TREND (ANNUAL RATES):	<u>Year</u>	<u>Less than 65</u>	<u>Age 65+</u>
	1	11.25%	11.25%
	2	9.00%	9.00%
	3	8.50%	8.50%
	4	8.00%	8.00%
	5	7.50%	7.50%
	6	7.00%	7.00%
	7	6.50%	6.50%
	8	6.00%	6.00%
	9 or more	6.00%	6.00%

MORTALITY AND EMPLOYEE TURNOVER:

RP 2000 Combined (for annuitants and non-annuitants) Mortality Tables for Males and Females. Scale T-3 employee turnover. Sample rates based on combined mortality and turnover illustrate probability of continued employment until age 60.

Current Age	Probability of Continued Employment until Age 60	
	<u>Males</u>	<u>Females</u>
25	32.1%	32.4%
35	53.1%	53.6%
45	80.0%	80.4%
55	97.5%	97.7%

ASSUMED RETIREMENT AGE:

Later of age 60 or date eligible for retiree health benefits, but not more than age 65

EMPLOYEE AND SPOUSE COVERAGE RATES AT RETIREMENT:

Current Coverage - employees who either (1) are not currently covered by Employer's health plan; or (2) are not in the NYSRS accruing pension credits are not expected to receive health benefits at retirement
Spouses - current coverage status is used for assumed coverage at retirement.

INITIAL PER CAPITA CLAIMS COSTS:

Initial per capita claims costs are a weighted average of applicable premium rates charged by the insured health plans in which the Union and Management groups participate. Rates are determined on both a community rated and partially experience rated basis, depending on the plan.

Age	Initial per Capita Claims Cost	
	<u>Union Group</u>	<u>Management</u>
Med < age 65	5,105	5,215
Med Age 65 +	4,976	3,256
Dental/Vision *	892	
Dental		252

* Union Dental/Vision per capita costs applies to all coverage (e.g. 1-life, 2-life or family)

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ACTUARIAL ASSUMPTIONS AND FUNDING METHOD

SICK LEAVE CREDITS: Separately accounted for under GASB 16

FUNDING METHOD FOR DETERMINING ARC: Projected Unit Credit Cost Method

Under the Projected Unit Credit method, the actuarial present value of each employee's future retiree health benefit claims costs is allocated over a portion of the employee's employment, the "attribution period". The attribution period for this group begins with the employee's date of employment and ends with the date on which the employee is expected to retire. Accrued Liability for active employees is the portion of benefit liability attributed to service years to date. Normal Cost is the amount of benefit liability attributed to the current employment year. Normal Cost for retired employees is zero.

Initial Accrued Liability determined as of the GASB 45 adoption date is amortized over a 30 year period using the level dollar method. Actuarial gains and losses will be determined annually and amortized over future periods.

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SUMMARY OF EMPLOYER PROVIDED RETIREE HEALTH BENEFITS

ELIGIBILITY

Employees of the Olympic Regional Development Authority (ORDA) are eligible for for retiree health benefits upon meeting the following requirements:

1. Retire from ORDA
2. Enrolled in ORDA provided health care at time of retirement
3. Have at least 10 years of service under the NYSRS, of which at least 5 such years must have been with ORDA

CONTINUED MEDICAL, DENTAL AND VISION PLAN COVERAGE FOR RETIREES

Union Employees: Union retirees continue to participate under one of the Plans applicable to ORDA's active employee group. Presently, both retirees under and over 65 participate in the same Plan as actives

Dental and Vision coverage continues for retirees under the Plan covering active union employees.

Management Employees: Management retirees not yet 65 continue to participate in the Plan applicable to ORDA's management active employees. Medicare eligible employees aged 65 and older participate in a Medicare Supplemental Plan.

Dental coverage continues for retirees under the Plan covering active management employees. Certain grandfathered retired management employees are provided with vision coverage.

SPOUSES AND DEPENDENT CHILDREN

Both management and union retirees are eligible for spousal and dependent children coverage. Coverage continues after the retiree's death through the remainder of the spouses's lifetime.

RETIREE COST SHARING

Union Employees All coverage - 25% is paid by retiree, 75% by ORDA

Management Employees: Single life coverage - 5% paid by retiree, 95% by ORDA
Two life or family coverage - 12.5% paid by retiree, 87.5% by ORDA

Surviving Spouses: Surviving spouses continue to pay the same cost sharing that was in effect prior to the retiree's death.