

Housing Trust Fund Corporation

GASB 45 Valuation for the fiscal year ending March 31, 2011

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SECTION I – EXECUTIVE SUMMARY

This report has been prepared by Harper Danesh LLC for the Housing Trust Fund Corporation to present the results of an actuarial valuation and provide financial reporting information for the 2011 fiscal year and the fiscal 2011 Annual OPEB Cost for the Housing Trust Fund Corporation as set forth in Governmental Standards Accounting Board No. 45 (GASB 45).

In preparing this report, Harper Danesh LLC relied on census, plan provisions, and healthcare-related information provided by the Housing Trust Fund Corporation. We have not audited this information, but have reviewed it for internal consistency and overall reasonableness. If the data or plan provisions supplied are not accurate and complete, the valuation results may differ significantly and may require a later revision of this report.

Actuarial computations under GASB 45 are for purposes of fulfilling employer financial accounting requirements. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results reported here. These calculations have been made on a basis consistent with our understanding of GASB 45. Actuarial assumptions and methods used are described in Section V.

This valuation complies with the generally accepted accounting principles including the Actuarial Standards Board Actuarial Standards of Practices (ASOPs) relating to Other Post-Employment Benefits (OPEBs).

The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report. We are not aware of any direct or indirect financial interest or other relationship that could create a conflict of interest that would impair the objectivity of our work. We are available to answer any questions on the material in this report or to provide explanations or further details if requested.



June 24, 2011

Robert Danesh, FSA, EA, MAAA
Enrolled Actuary No. 11-6374

Date



June 24, 2011

Erica Harper, ASA, EA, MAAA
Enrolled Actuary No. 11-5780

Date

SECTION I – EXECUTIVE SUMMARY

Key information about the Plan is summarized below. Later sections of this report explain this information in greater detail.

	Fiscal year	
	2008 ¹	2011
Fiscal year	April 1 – March 31	April 1 – March 31
GASB 45 Information		
Actuarial Accrued Liability		
Actives	\$ 894,243	\$ 3,111,533
Retirees and Dependents	<u>326,933</u>	<u>246,509</u>
Total	\$ 1,221,176	\$ 3,358,042
Normal Cost	\$ 77,454	\$ 231,205
Actuarial Value of Assets	\$ 0	\$ 0
Unfunded Actuarial Accrued Liability	\$ 894,243	\$ 3,358,042
Impact on Statement of Activities (Income Statement)		
Annual OPEB Cost	\$ 163,624	\$ 430,626
Impact on Statement of Net Assets (Balance Sheet)		
Contributions	\$ (11,690)	\$ (12,507)
Net OPEB Obligation at March 31	\$ 151,934	\$ 881,592
Participant Information		
Actives	23	47
Retirees and Dependents	<u>1</u>	<u>2</u>
Total	24	49

¹ Results for fiscal 2008 were prepared by the prior actuary. Harper Danesh LLC does not certify these results.

SECTION II – LIABILITY INFORMATION AND ANNUAL OPEB COST (EXPENSE)

The following table develops the Annual OPEB Cost (Expense) for 2011 assuming Housing Trust Fund Corporation funds the obligation on a “pay-as-you-go” basis.

	Fiscal year	
	2008	2011
Annual OPEB Cost		
Discount rate	4.155%	4.155%
1. Normal Cost	\$ 77,454	\$ 231,205
2. Amortization of Unfunded Accrued Liability		
a. Actuarial Accrued Liability (AAL)	1,221,176	3,358,042
b. Actuarial Value of Assets	0	0
c. Unfunded AAL [(a) – (b)]	1,221,176	3,358,042
d. Amortization period ²	30 years	30 years
e. Amortization factor	15.3331	17.6764
f. Amortization amount	79,643	189,973
3. Interest adjustment (to end of year)	6,527	17,500
4. Annual Required Contribution (ARC) [(1) + (2f) + (3)]	163,624	438,678
5. Interest on Net OPEB Obligation	0	19,257
6. Amortization of Net OPEB Obligation	0	27,309
7. Annual OPEB Cost (AOC) [(4) + (5) – (6)]	\$ 163,624	\$ 430,626

² Based on maximum allowable (30-year open) amortization period

SECTION III – NET OPEB OBLIGATION

The following table develops the Net OPEB Obligation which directly impacts the Housing Trust Fund Corporation's Statement of Net Assets (balance sheet).

	Fiscal year	
	2008 ³	2011
Determination of Net OPEB Obligation		
1. Annual OPEB Cost (Expense)	\$ 163,624	\$ 430,626
2. Contributions	11,690	12,507
3. Increase in Net OPEB Obligation [(1) – (2)]	151,934	418,119
4. Net OPEB Obligation at beginning of year ⁴	0	463,473
5. Net OPEB Obligation at end of year [(3) + (4)]	\$ 151,934	\$ 881,592
Reconciliation of Net OPEB Obligation		
1. April 1, 2007 Net OPEB Obligation		0
a. 2008 Increase in Net OPEB Obligation		<u>151,934</u>
2. April 1, 2008 Net OPEB Obligation [(1) + (1a)]		151,934
a. 2009 Increase in Net OPEB Obligation		<u>154,909</u>
3. April 1, 2009 Net OPEB Obligation [(2) + (2a)]		306,843
a. 2010 Increase in Net OPEB Obligation		<u>156,630</u>
4. April 1, 2010 Net OPEB Obligation [(3) + (3a)]		463,473
a. 2011 Increase in Net OPEB Obligation		<u>418,119</u>
5. April 1, 2011 Net OPEB Obligation [(4) + (4a)]		881,592

³ Results for fiscal 2008 were not prepared by Harper Danesh LLC. Harper Danesh LLC does not certify these results.

⁴ The accumulated Net OPEB Obligation at implementation of GASB 45 is \$0

SECTION IV – PLAN PARTICIPANTS

A high-level summary of the census data provided by the Housing trust Fund Corporation is summarized below.

Participants as of April 1, 2011

	Number	Average age	Average service
Actives	47	48.2	12.7
Retirees (pre-65 and post-65)	1	62.9	N/A
Dependents (pre-65 and post-65)	<u>1</u>	56.1	N/A
Total	49		

SECTION V – ACTUARIAL ASSUMPTIONS AND METHODS

Discount rate	4.155% per year based on general assets					
Health care claim and contribution trend rate	<u>Fiscal Year (4/1)</u>	<u>Medical</u>	<u>Drug</u>			
	2011	7.0%	9.0%			
	2012	6.0%	8.0%			
	2013	5.0%	7.0%			
	2014	5.0%	6.0%			
	2015	5.0%	5.0%			
	2016+	5.0%	5.0%			
Mortality	Based on experience under the New York State and Local Retirement System and the New York State Teachers' Retirement System for ERS employees.					
Withdrawal	Based on assumptions provided by New York State for ERS employees, the following withdrawal rates were used to determine the likelihood of employment to retirement:					
		Years of Service				
<u>Age</u>	<u><2</u>	<u>2-3</u>	<u>3-4</u>	<u>4-5</u>	<u>5-10</u>	<u>10+</u>
25	16.5%	13.1%	9.3%	7.6%	6.8%	3.3%
35	13.1%	9.8%	7.5%	6.9%	5.4%	2.7%
45	11.4%	7.3%	5.6%	5.1%	3.7%	1.8%
55	10.8%	6.9%	5.3%	4.4%	3.3%	1.2%
65	12.2%	8.3%	8.1%	6.2%	3.4%	1.2%

SECTION V – ACTUARIAL ASSUMPTIONS AND METHODS

Retirement

The following rates are applied once a participant reaches retirement eligibility:

<u>Age</u>	<u>Years of Service</u>		
	<u><20</u>	<u>20-30</u>	<u>30+</u>
55	5.4%	8.8%	28.2%
56	4.5%	7.2%	20.9%
57	4.6%	7.3%	18.4%
58	4.9%	8.2%	21.3%
59	5.7%	9.6%	24.4%
60	6.4%	11.8%	23.7%
61	11.5%	20.8%	33.0%
62	20.9%	39.2%	43.7%
63	14.1%	25.8%	31.1%
64	14.5%	23.4%	25.0%
65	19.9%	31.1%	27.8%
66	15.5%	24.2%	23.0%
67	14.7%	21.7%	21.7%
68	14.1%	21.3%	20.5%
69	15.8%	21.0%	21.9%
70	100.0%	100.0%	100.0%

Annual Healthcare Cost

The healthcare costs are based on premiums for the Empire Plan obtained from the New York State Health Insurance Program. Plan participants are assumed to move into a community-rated HMO upon retirement.

	<u>Medical</u>	<u>Drug</u>
Family Non-Medicare	\$11,990	\$3,717
Individual Non-Medicare	4,896	1,846
Family Medicare	4,556	3,717
Individual Medicare	1,860	1,846

SECTION V – ACTUARIAL ASSUMPTIONS AND METHODS

Participation	It is assumed that 100% of eligible actives will elect medical coverage upon retirement.
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Medicare Eligibility	Medicare was assumed to be the primary payer for current and future retirees upon attainment of age 65.
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Marriage Assumption	Based on assumptions provided by New York State, the following is the assumed marriage percentage at retirement:
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Males

65%

Females

40%

Males are assumed to be 3 years older than females.

SECTION V – ACTUARIAL ASSUMPTIONS AND METHODS

Participants included in the valuation

Participant data was supplied by the plan sponsor. We have reviewed the data and have no reason to doubt its substantial accuracy. Only those employees who have met the eligibility requirements of the plan are included in the valuation of liabilities.

Actuarial cost method

The actuarial cost method is known as the projected unit credit method. The objective under this method is to allocate each participant's benefits as they are earned under the plan. The Present Value of Benefits over all years of service is allocated based on past service and expected service at retirement.

A participant's **accrued liability** is the present value of these benefits based on credited service as of the beginning of the plan year. A participant's **normal cost** is the present value of the benefit earned in the current plan year. The plan's **normal cost** is the sum of the individual normal costs, and the plan's **accrued liability** is the sum of the accrued liabilities for all participants under the plan.

SECTION VI – SUMMARY OF PLAN PROVISIONS

Eligibility	Active employees with five years on the Housing Trust Fund Corporation payroll, and their spouses, are eligible for medical benefits if they retire at age 55 with 30 years of service or at age 62 with 10 years of service in the NYSHIP plan.
Employee Contributions	Individual coverage – 10% Family coverage – 25%

SECTION VII – REQUIRED SUPPLEMENTARY INFORMATION

Annual OPEB Cost

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the Net OPEB Obligation for 2011 and the three preceding years are as follows:

Year ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
3/31/2008	163,624	7.14%	151,934
3/31/2009	Not available	Not available	306,843
3/31/2010	170,528	8.15%	463,473
3/31/2011	430,626	2.90%	881,592

Funded Status

The funded status of the plan is as follows:

1. Actuarial Accrued Liability	\$ 3,358,042
2. Actuarial Value of Assets	0
3. Unfunded Actuarial Accrued Liability (funding excess) [(1) – (2)]	3,358,042
4. Funded ratio [(2)/(1)]	0.0%
5. Covered payroll	N/A
6. Unfunded Actuarial Accrued Liability (funding excess) as a percentage of covered payroll [(3)/(5)]	N/A