

TOWN OF APEX, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

(e) Other Post Employment Benefit

Healthcare Benefits

1. Plan Description

Under a Town resolution, approved July 1, 2008, the Town provides healthcare benefits through the Healthcare Benefits Plan (HCB Plan) as a single-employer defined benefit plan to cover retirees of the Town who participate in the North Carolina Local Government Employees' Retirement System (System) and have met certain service requirements with the Town. Employees who have 25 or more years of continuous creditable service with the Town at the time of their retirement will receive full benefits; those with 20-24 years of continuous creditable service with the Town will receive 75% of the benefits. Employees who have 15-19 years of service at retirement will receive 50% of the benefits. Also, the Town's retirees can purchase coverage for their dependents at the Town's group rates. The Town Board may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2008, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	11	3
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	235	56
Total	246	59

2. Funding Policy

The Board of Commissioners established the contribution requirements of plan members and this may be amended by the Board. The Town's members pay \$402 per month for dependent coverage. The Town has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 6.68% of annual covered payroll. For the current year, the Town contributed \$41,432 or .28% of annual covered payroll. The Town is self-insured for healthcare coverage with reinsurance for major claims. The Town's required contributions, under a Board resolution, for employees not engaged in law enforcement and for law enforcement officers represented .18% and .10% of covered payroll, respectively. Contributions made by employees totaled \$6,022, which includes dependent coverage as well as amounts required as per plan service requirements. The Town's obligation to contribute to the HCB Plan is established and may be amended by the Board of Commissioners.

3. Summary of Significant Accounting Policies

Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the healthcare benefits:

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Annual required contribution	\$	985,699
Interest on OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost		985,699
Contributions made		41,432
Increase in net OPEB obligation		944,267
Net OPEB obligation beginning of year		-
Net OPEB obligation end of year	\$	944,267

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2009 were as follows:

For Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 985,699	4.2%	\$ 944,267

2. Funded Status and Funding Progress

As of December 31, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$7,320,657. The covered payroll (annual payroll of active employees covered by the plan) was \$14,757,992 and the ratio of the UAAL to the covered payroll was 49.6%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for the financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2008, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 10.5 to 5.0 percent annually. The investment rate included a 3.75% inflation assumption. The actuarial value, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period of December 31, 2008 was 30 years.

**TOWN OF APEX, NORTH CAROLINA
RETIREMENT HEALTH CARE PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2009	\$ 985,699	4.20%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value

Actuarial assumptions:

Investment rate of return	4.00%
Medical cost trend rate	10.5 - 5.0%
Includes inflation at	3.75%
Cost-of-living adjustments	N/A

**TOWN OF APEX, NORTH CAROLINA
RETIREMENT HEALTH CARE PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS**

Actual Valuation Date December 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
2008	-	\$ 7,320,657	\$ 7,320,657	0.00%	\$14,757,992	49.60%

Note: Fiscal year ending June 30, 2009 was the first year that the Town recognized this liability under GASB 45.