

I. OPEB Trust Fund

(A) The Trust was established July 1, 2007 and has been active for only ten fiscal years. The reason for the significant change in the funded ratio between the first two years is that in FY 2008 an initial, special, one-time employer contribution of \$23,892,191 was made.

(B) Actuarial valuations are performed as of the close of a fiscal year to determine the employer's "annual required contribution" (ARC) for the following fiscal year. Since budgets and appropriations by the County's legislative body must be completed before the beginning of each fiscal year, the County's annual OPEB contribution is budgeted at the ARC as a percent of payroll from the latest actuarial valuation available at the time the budget is prepared. From fiscal year 2012 to date the county has contributed at least 100% of the ARC being used for the year; continuing this funding level is the most significant factor affecting the trends shown above.

(C) The schedules presented are reported as historical trend information. The Schedule of Funding Progress is presented to measure the progress being made to accumulate sufficient assets to pay benefits when due. The Schedule of Employer Contributions is presented to show the responsibility of the County in meeting the actuarial requirements to maintain the Plan on a sound financial basis. The comparability of trend information may be affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the net postemployment benefit obligation as a factor.

II. Shelby County Retirement System

Changes of benefit terms: None

Changes of assumptions: The actuarial demographic assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2007 – June 30, 2012. The actuarial economic assumptions used in the June 30, 2016 valuation were based on the results of an Economic Experience Investigation as of June 30, 2015 with the assumed investment rate of return further reduced to 7.00 percent by the Retirement Board of Trustees on September 13, 2016.

Method and assumptions used in calculations of actuarially determined contributions: The Actuarially determined contributions in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Employer contributions for the year ended June 30, 2017 were based on the results of the June 30, 2015 actuarial valuation. The following actuarial methods and assumptions were used to determine the most recent contributions reported in the schedule:

Shelby County Retirement System

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed
Single equivalent amortization period	22 years
Asset valuation method	10 - year smoothed within a 20 percent corridor to market value
Inflation	3.00 percent
Salary increases	3.00 - 6.00 percent, including inflation
Investment rate of return	8.00 percent, net of investment related expense
Cost of living adjustments	1.00% per year, compounded for Plan B 3.00% per year, compounded for Plan A and Plan C 2.00% per year, compounded for Plan D

III. Tennessee Consolidated Retirement System

Employer contributions for the year ended June 30, 2017 are based on the results of the July 1, 2015 actuarial valuation.

The following actuarial methods and assumptions were used to determine the most recent contributions reported in the schedule:

Tennessee Consolidated Retirement System

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation method	10 - year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5 percent, if provided