

BOLTON PARTNERS

May 17, 2017

Terry Reider
Retirement Coordinator
Howard County Government
3430 Court House Drive
Ellicott City, MD 21043

Re: *Howard County Police and Fire
Employees' Retirement Plan – Removal
of Remarriage Clause*

Dear Terry:

We reviewed the proposed revision to the Police and Fire Plan which eliminates the remarriage clause associated with the line-of-duty surviving spouse death benefit and analyzed the cost impact of the change.

We have concluded that removing the remarriage clause will have an insignificant effect on the contribution rate. The contribution rate for FY2018 of 32.5% of payroll will not change because of this amendment. Currently the actuarial valuation assumes there will be no remarriage and thus the present value of a line-of-duty surviving spouse benefit is based on a benefit payable for the life of the surviving spouse. There are very few studies on remarriage rates after the death of a spouse, especially studies focused on the ages of active Police and Fire members. From the available studies, we can ascertain that the rate is very low (likely less than 5%). There are also complexities concerning how and when to apply the rate. We do know that if we included a remarriage assumption in the valuation, the decrease in the liability would be insignificant.

If the remarriage clause is removed, there will be no change in the calculation of the liabilities and no change in the contribution rate. Note that under the current plan provisions, if a surviving spouse remarries, the Plan experiences a gain because the surviving spouse benefit ceases. This gain would be forgone if the remarriage clause is removed.

The data, methods and assumptions used for this study are the same as those used in our July 1, 2016 actuarial valuation of the Howard County Police and Fire Employees' Retirement Plan dated January 26, 2017.

I, Ann M. Sturner, am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. I am currently compliant with the Continuing Professional Development Requirement of the Society of Actuaries.

Bolton Partners, Inc.


36 S. Charles Street • Suite 1000 • Baltimore, Maryland 21201 • (410) 547-0500 • (800) 394-0263 • Fax (410) 685-1924
Employee Benefit and Investment Consultants

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Please contact me if you need any additional information.

Sincerely,

BOLTON PARTNERS, INC.


Ann M. Sturner, FSA, EA