

# City of Grand Rapids General Other Postemployment Benefits

Actuarial Valuation Report

June 30, 2017



# Table of Contents

<u>Section</u>	<u>Page</u>	
	--	Cover Letter
	1	Executive Summary
<b>A</b>		<b>Valuation Results</b>
	1	Development of the Actuarially Computed Employer Contributions
	2	Determination of Unfunded Actuarial Accrued Liability
	3	Projections
	4	Comments
<b>B</b>		<b>Retiree Premium Rate Development</b>
	1	Retiree Premium Rate Development
	3	Consideration of Health Care Reform
<b>C</b>		<b>Summary of Benefit Provisions and Valuation Data</b>
	1	Summary of Benefits
	11	Active Member Demographic Data as of June 30, 2017
	12	Retired and Deferred Member Demographic Data as of June 30, 2017
<b>D</b>		<b>Actuarial Cost Method and Actuarial Assumptions</b>
	1	Valuation Methods
	2	Actuarial Assumptions
	7	Miscellaneous and Technical Assumptions
<b>E</b>		<b>Supplementary Information</b>
	1	Supplementary Information
<b>Appendix</b>	1	Glossary

January 5, 2018

Mr. Jeff Dood  
Chief Financial Officer  
City of Grand Rapids  
300 Monroe Avenue, N. W.  
Grand Rapids, MI 49503

Dear Mr. Dood:

Submitted in this report are the results of an Actuarial Valuation of the benefit values associated with the employer financed Other Postemployment Benefits provided by the City of Grand Rapids for General Employees. The date of the valuation was June 30, 2017, effective for the fiscal year ending June 30, 2019. This report was prepared at the request of the City of Grand Rapids.

The actuarial calculations were prepared for purposes of complying with the requirements of Statement No. 45 of the Governmental Accounting Standards Board (GASB). The calculations reported herein have been made on a basis consistent with our understanding of these accounting standards. Determinations of the liability associated with the benefits described in this report for purposes other than satisfying the System's financial reporting requirements may produce significantly different results. This report does not satisfy GASB Statements No. 74 and No. 75. Please see the report dated August 31, 2017 for information related to GASB Statement No. 74 reporting. A separate report that incorporates GASB Statement No. 75 will be issued at a later date.

The findings in this report are based on data and other information through June 30, 2017. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of the actuary's assignment, the actuary did not perform an analysis of the potential range of such future measurements.

This report may be provided to parties other than the City of Grand Rapids only in its entirety and only with the permission of the City of Grand Rapids. GRS is not responsible for unauthorized use of this report. This report should not be relied on for any purpose other than the purpose described herein.

Mr. Jeff Dood  
City of Grand Rapids  
January 5, 2018  
Page 2

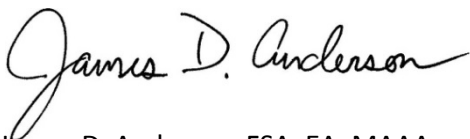
The valuation was based upon information, furnished by the City and Meritain, concerning retiree health care benefits, individual members, and financial data. Data was checked for internal consistency, but was not audited. We are not responsible for the accuracy or completeness of the information provided by the City and Meritain.

To the best of our knowledge, this report is complete and accurate and was made in accordance with generally recognized actuarial methods.

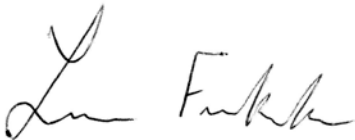
James D. Anderson and Laura Frankowiak are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. The signing actuaries are independent of the plan sponsor.

This report replaces our draft report issued on December 14, 2017.

Respectfully submitted,



James D. Anderson, FSA, EA, MAAA



Laura Frankowiak, ASA, MAAA

JDA/LF:sc

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# EXECUTIVE SUMMARY

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# Executive Summary

## Actuarially Computed Employer Contribution

Please note that beginning with the fiscal year ending June 30, 2017, GASB Statement No. 43 was replaced by GASB Statement No. 74. Also, beginning with the fiscal year ending June 30, 2018, GASB Statement No. 45 will be replaced by GASB Statement No. 75. The report dated August 31, 2017 complies with the actuarial requirements of GASB Statement No. 74 beginning with the fiscal year ending June 30, 2017. A separate GASB report will be required to comply with the actuarial requirements of GASB Statement No. 75 beginning with the fiscal year ending June 30, 2018. As such, there will no longer be an “Annual Required Contribution” calculated in the valuation reports. Therefore, we have determined the “Actuarially Computed Employer Contribution” for subsequent years.

We have calculated the Actuarially Computed Employer Contribution for the fiscal year ending June 30, 2019 under the interest rate assumption of 5.0%. Below is a summary of the results.

The Actuarially Computed Employer Contribution (ACEC) for the fiscal year ending June 30, 2019 was determined to be \$5,288,487 (\$5,074,491 for DB, \$213,996 for RHSA). The expected employer portion of the claims and premium amounts paid during the fiscal year ending June 30, 2019 are estimated to be \$5,422,712 for DB and \$0 for RHSA. These amounts reflect the employer portion of the retiree only premium rates and the implicit subsidy for retirees and covered spouses.

For additional details, please see Section A of the report.

## Liabilities and Assets

The present value of all benefits expected to be paid to current plan members as of June 30, 2017 is \$63,965,646 (\$62,019,832 for DB, \$1,945,814 for RHSA). The actuarial accrued liability, which is the portion of the \$63,965,646 attributable to service accrued by plan members as of June 30, 2017, is \$56,452,685 (\$55,556,183 for DB, \$896,502 for RHSA). The assets currently set aside for OPEB purposes as of June 30, 2017 are \$9,152,251. Assets are currently only allocated to the Defined Benefit portion of the plan. Thus, the General DB plan is 16.5% funded.

## SECTION A

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### VALUATION RESULTS

## Development of the Actuarially Computed Employer Contributions for the Other Postemployment Benefits

Contributions for	General - Actuarially Computed Employer Contribution		
	Defined Benefit <sup>1</sup>	RHSA <sup>2</sup>	Total
Normal Cost			
Normal and Early Retirement	\$ 871,940		
Termination Benefits	0		
Disability/Death-in-Service	<u>28,995</u>		
Total Normal Cost	\$ 900,935	\$ 125,266	\$ 1,026,201
Amortization of Unfunded Actuarial Accrued Liabilities (Amortized over 15 years)	\$ 4,173,556	\$ 88,730	\$ 4,262,286
<b>Actuarially Computed Employer Contribution (ACEC) for the Fiscal Year Ending June 30, 2019</b>	<b>\$ 5,074,491</b>	<b>\$ 213,996</b>	<b>\$ 5,288,487</b>

<sup>1</sup> For City budgeting purposes related to the defined benefit plan.

<sup>2</sup> RHSA information as required for GASB disclosure which reflects the ability of Defined Contribution RHSA participants to access the Health Care plan at reduced costs due to blended implied rates.

The Unfunded Actuarial Accrued Liabilities (UAAL) were amortized as a level dollar amount over a closed period of 15 years beginning with the fiscal year ending June 30, 2019 and decreasing by 1 each year thereafter.

The assumptions used to calculate the results shown above include a 5.0% investment return rate.



## Determination of Unfunded Actuarial Accrued Liability as of June 30, 2017

	General		
	Defined Benefit <sup>1</sup>	RHSA <sup>2</sup>	Total
A. Present Value of Future Benefits			
1. Retirees and Beneficiaries	\$27,320,145	\$ 0	\$27,320,145
2. Vested Terminated Members	0	0	0
3. Active Members	<u>34,699,687</u>	<u>1,945,814</u>	<u>36,645,501</u>
Total Present Value of Future Benefits	\$62,019,832	\$1,945,814	\$63,965,646
B. Present Value of Future Employer Normal Costs	6,463,649	1,049,312	7,512,961
C. Actuarial Accrued Liability (A.-B.)	55,556,183	896,502	56,452,685
D. Market Value of Assets	9,152,251	0	9,152,251
E. Unfunded Actuarial Accrued Liability (C.-D.)	\$46,403,932	\$ 896,502	\$47,300,434
F. Funded Ratio (D./C.)	16.5%	0.0%	16.2%

<sup>1</sup> For City budgeting purposes related to the defined benefit plan.

<sup>2</sup> RHSA information as required for GASB disclosure which reflects the ability of Defined Contribution RHSA participants to access the Health Care plan at reduced costs due to blended implied rates.

## Projections as of June 30, 2017\*

Year Ending June 30,	Asset Value BOY	Actuarially Computed Employer Contribution	Health Care Benefits^	Investment Income	Asset Value EOY
2019	\$ 9,120,889	\$ 5,074,491	\$ 5,422,712	\$ 447,445	\$ 9,220,113
2020	9,220,113	5,019,014	5,435,364	450,724	9,254,487
2021	9,254,487	4,970,604	5,017,664	461,562	9,668,989
2022	9,668,989	4,910,827	4,881,730	484,168	10,182,254
2023	10,182,254	4,844,824	4,927,256	507,077	10,606,899
2024	10,606,899	4,779,881	5,118,587	521,981	10,790,174
2025	10,790,174	4,713,603	4,847,234	536,209	11,192,752
2026	11,192,752	4,648,563	4,574,790	561,459	11,827,984
2027	11,827,984	4,589,384	4,268,732	599,318	12,747,954
2028	12,747,954	4,532,172	4,199,035	645,625	13,726,716
2029	13,726,716	4,468,010	4,234,321	692,107	14,652,512
2030	14,652,512	4,395,953	4,247,515	736,291	15,537,241
2031	15,537,241	4,325,597	4,364,661	775,897	16,274,074
2032	16,274,074	4,267,360	4,416,784	810,014	16,934,664
2033	16,934,664	4,226,911	4,196,416	847,486	17,812,645
2034	17,812,645	37,319	3,656,873	801,247	14,994,338
2035	14,994,338	22,133	3,131,269	672,937	12,558,139
2036	12,558,139	13,017	2,769,591	559,833	10,361,398
2037	10,361,398	7,587	2,408,630	458,776	8,419,131
2038	8,419,131	4,368	1,996,716	371,755	6,798,538
2039	6,798,538	2,453	1,657,054	299,066	5,443,003
2040	5,443,003	1,356	1,416,924	237,193	4,264,628
2041	4,264,628	732	1,283,261	181,559	3,163,658
2042	3,163,658	395	1,033,271	132,676	2,263,458
2043	2,263,458	204	718,350	95,438	1,640,750
2044	1,640,750	100	543,299	68,623	1,166,174
2045	1,166,174	45	412,510	48,123	801,832
2046	801,832	20	348,159	31,494	485,187
2047	485,187	9	278,536	17,381	224,041
2048	224,041	1	229,575	5,533	-

\* The projected results above are based on the existing Defined Benefit active, deferred, and retired members on the valuation date. Any benefits and/or contributions associated with Defined Contribution RHPA members, or members hired after the valuation date have not been included in these results.

^ Health Care Benefit payments were loaded to reflect children's coverage and the cost of future excise taxes.

Unfunded actuarial accrued liabilities were amortized over a 15-year period.

## Comments

**Comment A:** The Actuarially Computed Employer Contributions (ACEC) for the fiscal year ending June 30, 2019 decreased from the ARC determined in the previous valuation report. Factors contributing to this decrease include, but are not limited to:

- Decreasing the ultimate trend rate from 3.5% to 3.25%; and
- Clean up of retiree data by Meritain.

Offsetting these factors were increases due to:

- Resetting the health care trend cost rates; and
- Higher than expected claims experience.

**Comment B:** One of the key assumptions used in any valuation of the cost of postemployment benefits is the long-term rate of investment return on the plan assets that will be used to pay plan benefits. The June 30, 2017 valuation investment return assumption is 5.0%, as requested by the City.

**Comment C:** The contribution rates shown include amortization of the unfunded actuarial accrued liability over a closed period of 15 years beginning with the fiscal year ending June 30, 2019.

**Comment D:** The cost of health care coverage for the children of retirees was similar to the last measurement. An 8% load was applied to all health care liabilities and projections of benefits paid to value the additional cost of children's coverage.

**Comment E:** Projections presented in this report will differ from those provided in the Trend Report dated November 30, 2017 due to:

- Age-based projection methodology used in this report versus non age-based projections used in the Trend Report;
- Data variances;
- Projected cash flows in this report are net of retiree contributions; and
- The valuation year starts July 1st while the rating year (for Trend Report purposes) starts January 1<sup>st</sup>.

**Comment F:** 100% of future eligible RHSA retirees were assumed to participate in the City of Grand Rapids Retiree Health Care Plan. The ACEC for the RHSA was provided for GASB reporting purposes. It is the decision of the City of Grand Rapids on how to pre-fund the RHSA portion of the ACEC, if at all. Active RHSA balances were not provided, and have not been used to offset benefits for future Duty Disability Retirements.

## Comments

**Comment G:** The GASB issued Statement Nos. 74 and 75 for OPEB valuations similar to the new pension standards. GASB Statement No. 74 for the plan OPEB disclosures is effective for fiscal years beginning after June 15, 2016. GASB Statement No. 75 for employer OPEB disclosures is effective for employer fiscal years beginning after June 15, 2017. The recently finalized GASB implementation guide for Statement No. 74 and forthcoming guide for Statement No. 75 will provide additional clarification related to the implementation of these Statements. The City has complied with GASB Statement No. 74 beginning with the fiscal year ending June 30, 2017 (please see the report dated August 31, 2017 for information related to GASB Statement No. 74 reporting). The City will need to comply with GASB Statement No. 75 beginning with the fiscal year ending June 30, 2018. The information necessary for GASB Statement No. 75 will need to be developed at a later date. The basis for the GASB Statement No. 74 and GASB Statement No. 75 information is expected to be this valuation (as of June 30, 2017), where roll-forward techniques will be applied.

**Comment H:** GASB Statement No. 45 stipulates that plan assets must be placed in a trust or equivalent arrangement that meets the following criteria:

- Employer contributions to the plan are irrevocable;
- Assets are dedicated to providing benefits to retirees and their beneficiaries; and
- Assets are legally protected from creditors.

The calculations within this report have been performed incorporating \$9,152,251 in retiree health assets. We understand from the plan sponsor that these assets reside in a qualifying trust.

**Comment I:** The “Cadillac” tax is a 40% excise tax paid by the coverage provider (employer and/or insurer) on the value of health plan costs in excess of certain thresholds. The thresholds are \$10,200 for single coverage or \$27,500 for family coverage in 2020. Many plans are below the thresholds today, but are likely to exceed them in the next decade. The thresholds will be indexed at CPI-U, which is lower than the medical inflation rates affecting the cost of the plans. There is considerable uncertainty about how the tax would be applied, and considerable latitude in grouping of participants for tax purposes. Combining early retiree and Medicare eligible retiree costs is allowed and can keep plans under the thresholds for a longer period of time. For this valuation, a 7% load was applied to the health care liabilities to approximate the cost for future excise tax, based on the current plan provision and assumptions. We have not identified any other specific provision of health care reform that would be expected to have a significant impact on the measured obligation. As additional guidance on the legislation is issued, we will review and monitor the impact.

**Comment J:** Unless otherwise indicated, a funded status measurement presented in this report is based upon the actuarial accrued liability and the market value of assets. Unless otherwise indicated, with regards to any funded status measurements presented in this report:

- The measurement is inappropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan’s benefit obligations, and
- The measure is inappropriate for assessing the need for or the amount of future employer contributions.

**SECTION B**

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**RETIREE PREMIUM RATE DEVELOPMENT**

# Retiree Premium Rate Development

The initial per capita health care costs are an important part of a retiree health valuation. The per capita health care costs used in this valuation are based on analysis performed in connection with the annual Trend Report prepared for the City dated November 30, 2017. The following process is used to determine per capita health costs for the valuation from the results provided in the Trend Report:

- The pre-65 retiree only “2018 Calculated Premium Rates” developed on page 19 of the Trend Report serve as the basis of pre-65 per capita costs used in the valuation. The per contract rates are converted to per member rates and then converted to age-graded rates.
- The 2018 blended (pre-65 retiree and active) implemented rates (page 20 of the Trend Report) serve as the basis for pre-65 retiree contributions.
- The post-65 retirees pay 100% of the true cost developed on page 19 (2018 Calculated Premium Rates).

Please see the Trend Report for other important details regarding the rate setting process. A general description of the process follows. This year’s trend report is being revised once new tier factors (by type of participant) are developed, but the adjustment will not impact this valuation report.

## Background

Eligible City retirees (and eligible spouses) receive benefits from the self-insured plan. For Non-Medicare retirees, there is one benefit option and for Medicare retirees, there is a choice of four options with the same medical benefits but differing drug copays.

## Rate Development

For the self-insured medical plans, initial per capita costs were developed separately for pre-65 and post-65 retirees using medical claims experience from July 2015 to June 2017 supplied by Meritain in conjunction with exposure data for the retired members of the health care program. These medical claims were projected on an incurred claim basis (using best estimate assumptions), adjusted for plan design changes, and loaded for administrative expenses.

For the self-insured drug plans, initial per capita costs were developed using drug claims experience July 2015 to June 2017 supplied by Meritain in conjunction with exposure data for the retired members of the health care program. These drug claims were projected on an incurred claim basis, adjusted for plan design changes and administrative expenses.

# Retiree Premium Rate Development

The initial medical and drug premium rates used in the valuation are a weighted average cost of the 2-year experience period to smooth out any large year to year fluctuations.

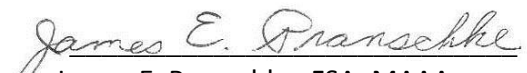
Age graded and sex distinct per capita costs are utilized by this valuation. The initial costs developed are appropriate for the unique age and sex distribution currently existing. Over the future years covered by this valuation, the age and sex distribution will most likely change. Therefore, our process “distributes” the average premium over all age/sex combinations and assigns a unique premium for each combination. This process more accurately reflects health care costs in the retired population over the projection period.

The table below shows the combined medical and prescription drug one-person monthly per capita costs at select ages.

<b>Current and Future Retirees</b>			
<b>For Those Not Eligible for Medicare</b>			
<b>Age</b>		<b>Male</b>	<b>Female</b>
45	\$	572.50	\$ 790.13
50		745.46	918.34
55		980.95	1,071.05
60		1,266.95	1,247.51

The dental and vision per capita costs used in this valuation of the plan were not “age graded” since these claims do not vary significantly by age. The monthly dental per capita cost used in this valuation is \$44.45 per person per month. The monthly vision per capita cost used in this valuation is \$9.01 per person per month.

James E. Pranschke is a Member of the American Academy of Actuaries (MAAA) and meets the Qualification Standards of the American Academy of Actuaries to certify the per capita retiree health care rates shown above.

  
James E. Pranschke, FSA, MAAA

## Consideration of Health Care Reform

**Excise Tax on High-Cost Employer Health Plans (aka Cadillac Tax) Effective 1/1/2020.** The “Cadillac” tax is a 40% excise tax paid by the coverage provider (employer and/or insurer) on the value of health plan costs in excess of certain thresholds. The thresholds are \$10,200 for single coverage or \$27,500 for family coverage in 2020. Many plans are below the thresholds today, but are likely to exceed them in the next decade. The thresholds will be indexed at CPI-U, which is lower than the medical inflation rates affecting the cost of the plans. There is considerable uncertainty about how the tax would be applied, and considerable latitude in grouping of participants for tax purposes. Combining early retiree and Medicare eligible retiree costs is allowed and can keep plans under the thresholds for a longer period of time.

For this Plan it is intended that, for purposes of the test, the pre and post Medicare members will be blended. Should the excise tax ever become applicable, and since all the health care plans are self-funded, then the plan sponsor will be the coverage provider paying the tax. The plan sponsor will need to decide whether to reduce benefits to avoid the tax, or how the additional cost will be allocated between the employer and the members. A 7.0% load was applied to all health care liabilities and projections of benefits paid to approximate the cost for future excise tax.

We have not identified any other specific provision of health care reform that would be expected to have a significant impact on the measured obligation. As additional guidance on the legislation is issued, we will review and monitor those impacts.



## SECTION C

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### SUMMARY OF BENEFIT PROVISIONS AND VALUATION DATA

# City of Grand Rapids General Retiree Health Care Plan

## GREIU City, GREIU Court, CST, and ECO

### Summary of Benefits as of June 30, 2017

**Plan Participants**

Members of the Defined Benefit City of Grand Rapids Retiree Health Care Plan are eligible to receive retiree health care benefits. The City covers up to 100% of retiree health care coverage up to age 65 for those currently retired.

**Benefit Amount**

Through the Defined Benefit Retiree Health Care Plan, the City pays up to 100% of retiree health care premiums through age 65 based on an accrual schedule. As of October 21, 2008, future retirees will pay a minimum of 20% of BLENDED active/pre-65 retiree cost per contract. Active employees with less than 8 years are no longer eligible for the Defined Benefit plan.

**Retiree Health Care Percent of Blended Composite Rate**

Years	Months	Contract City%	City Maximum	Blended	Premium
				City %	EE%
8	96	23.00%	80%	18.40%	81.60%
9	108	26.50%	80%	21.20%	78.80%
10	120	30.00%	80%	24.00%	76.00%
11	132	33.50%	80%	26.80%	73.20%
12	144	37.00%	80%	29.60%	70.40%
13	156	40.50%	80%	32.40%	67.60%
14	168	44.00%	80%	35.20%	64.80%
15	180	47.50%	80%	38.00%	62.00%
16	192	51.00%	80%	40.80%	59.20%
17	204	54.50%	80%	43.60%	56.40%
18	216	58.00%	80%	46.40%	53.60%
19	228	61.50%	80%	49.20%	50.80%
20	240	65.00%	80%	52.00%	48.00%
21	252	68.50%	80%	54.80%	45.20%
22	264	72.00%	80%	57.60%	42.40%
23	276	75.50%	80%	60.40%	39.60%
24	288	79.00%	80%	63.20%	36.80%
25	300	82.50%	80%	66.00%	34.00%
26	312	86.00%	80%	68.80%	31.20%
27	324	89.50%	80%	71.60%	28.40%
28	336	93.00%	80%	74.40%	25.60%
29	348	96.50%	80%	77.20%	22.80%
30	360	100.00%	80%	80.00%	20.00%
Age 62 & 8 years svc.		100.00%	80%	80.00%	20.00%
Disability Retirement		100.00%	80%	80.00%	20.00%

# City of Grand Rapids General Retiree Health Care Plan GREIU City, GREIU Court, CST, and ECO Summary of Benefits as of June 30, 2017

## ***Normal Retirement Eligibility***

Members are eligible for benefits at age 50 or older with 30 or more years of service or at age 62 with 8 or more years of service.

## ***Early Retirement Benefits***

Members are eligible for benefits at age 50 or older with 8 or more years of service.

## ***Deferred Retirement Benefits***

Deferred retiree health care is not available. Coverage must be continuous.

## ***Duty/Non-Duty Death-in-Service Retirement Benefits***

Deceased member must be eligible for retirement at death. Surviving spouse pays any accrual and applicable premium sharing amount until such time as the covered person would have reached age 65.

## ***Duty/Non-Duty Disabled Retirement Benefits***

No age or service requirement. Benefits commence immediately for qualified disabled member.

## ***Benefits for Spouses of Retired Employees***

Spouses of retired employees are eligible to receive health care benefits as long as the retiree is eligible. Coverage continues to surviving spouses of deceased retirees until the earlier of when retiree would have reached age 65 or when the spouse reaches age 65.

## ***Medicare-Eligible Provisions***

Retirees are required to enroll in Medicare once eligible. Retiree is responsible for paying the full premium for retiree Medicare coverage offered through the City.

## ***Dental/Vision Coverage***

Same as Retiree Health Care Eligibility Conditions.

## ***Life Insurance Coverage***

City does not provide life insurance for retirees.

## ***Opt-Out***

City does not provide Opt-Out payments or payment in lieu of retiree health care coverage for retirees.

## ***Other Employment and Compensation***

A retiree, spouse or other dependent who has coverage from an employer who provides medical coverage should coordinate benefits, making the City's coverage secondary.

*This is a brief summary of the City of Grand Rapids Retiree Health Care Plan provisions. In the event that any description contained herein differs from the actual eligibility or benefit, the appropriate employee contract or governing document will prevail.*

# City of Grand Rapids General Retiree Health Care Plan

## Non-Represented and Officers Option

### Summary of Benefits as of June 30, 2017

**Plan Participants**

Non-Represented and Officers Option members of the Defined Benefit City of Grand Rapids Retiree Health Care Plan are eligible to receive retiree health care benefits. The City covers up to 100% of retiree health care coverage up to age 65 for those currently retired.

**Benefit Amount**

Through the Defined Benefit Retiree Health Care Plan, the City pays up to 100% of retiree health care premiums through age 65 based on an accrual schedule. As of October 21, 2008, future retirees will pay a minimum of 20% of BLENDED active/pre-65 retiree cost per contract. Active employees with less than 8 years are no longer eligible for the Defined Benefit plan.

**Retiree Health Care Percent of Blended Composite Rate**

Years	Months	Contract	City	Blended Premium	
		City%	Maximum	City %	EE%
8	96	26.67%	80%	21.33%	78.67%
9	108	30.00%	80%	24.00%	76.00%
10	120	33.33%	80%	26.66%	73.34%
11	132	36.67%	80%	29.33%	70.67%
12	144	40.00%	80%	32.00%	68.00%
13	156	43.33%	80%	34.66%	65.34%
14	168	46.67%	80%	37.33%	62.67%
15	180	50.00%	80%	40.00%	60.00%
16	192	53.33%	80%	42.66%	57.34%
17	204	56.67%	80%	45.33%	54.67%
18	216	60.00%	80%	48.00%	52.00%
19	228	63.33%	80%	50.66%	49.34%
20	240	66.67%	80%	53.33%	46.67%
21	252	70.00%	80%	56.00%	44.00%
22	264	73.33%	80%	58.66%	41.34%
23	276	76.67%	80%	61.33%	38.67%
24	288	80.00%	80%	64.00%	36.00%
25	300	83.33%	80%	66.66%	33.34%
26	312	86.67%	80%	69.33%	30.67%
27	324	90.00%	80%	72.00%	28.00%
28	336	93.33%	80%	74.66%	25.34%
29	348	96.67%	80%	77.33%	22.67%
30	360	100.00%	80%	80.00%	20.00%
Age 62 & 8 years svc.		100.00%	80%	80.00%	20.00%
Disability Retirement		100.00%	80%	80.00%	20.00%

# City of Grand Rapids General Retiree Health Care Plan Non-Represented and Officers Option Summary of Benefits as of June 30, 2017

## ***Normal Retirement Eligibility***

Members are eligible for benefits at age 50 or older with 30 or more years of service or at age 62 with 8 or more years of service.

## ***Early Retirement Benefits***

Members are eligible for benefits at age 50 or older with 8 or more years of service.

## ***Deferred Retirement Benefits***

Deferred retiree health care is not available. Coverage must be continuous.

## ***Duty/Non-Duty Death-in-Service Retirement Benefits***

Deceased member must be eligible for retirement at death. Surviving spouse pays any accrual and applicable premium sharing amount until such time as the covered person would have reached age 65.

## ***Duty/Non-Duty Disabled Retirement Benefits***

No age or service requirement. Benefits commence immediately for qualified disabled member.

## ***Benefits for Spouses of Retired Employees***

Spouses of retired employees are eligible to receive health care benefits as long as the retiree is eligible. Coverage continues to surviving spouses of deceased retirees until the earlier of when retiree would have reached age 65 or when the spouse reaches age 65.

## ***Medicare-Eligible Provisions***

Retirees are required to enroll in Medicare once eligible. Retiree is responsible for paying the full premium for retiree Medicare coverage offered through the City.

## ***Dental/Vision Coverage***

Same as Retiree Health Care Eligibility Conditions.

## ***Life Insurance Coverage***

The City does not provide life insurance for retirees.

## ***Opt-Out***

The City does not provide Opt-Out payments or payment in lieu of retiree health care coverage for retirees.

## ***Other Employment and Compensation***

A retiree, spouse or other dependent who has coverage from an employer who provides medical coverage should coordinate benefits, making the City's coverage secondary.

*This is a brief summary of the City of Grand Rapids Retiree Health Care Plan provisions. In the event that any description contained herein differs from the actual eligibility or benefit, the appropriate employee contract or governing document will prevail.*

# City of Grand Rapids General Retiree Health Care Plan

## Emergency Communications Supervisors

### Summary of Benefits as of June 30, 2017

**Plan Participants**

Emergency Communications Supervisors of the Defined Benefit City of Grand Rapids Retiree Health Care Plan are eligible to receive retiree health care benefits. The City covers up to 100% of retiree health care coverage up to age 65 for those currently retired.

**Benefit Amount**

Through the Defined Benefit Retiree Health Care Plan, the City pays up to 100% of retiree health care premiums through age 65 based on an accrual schedule. As of March 31, 2010, future retirees will pay a minimum of 20% of BLENDED active/pre-65 retiree cost per contract. Active employees with less than 10 years are no longer eligible for the Defined Benefit plan.

**Retiree Health Care Percent of Blended Composite Rate**

		Retired on or after June 30, 2010				Retired before June 30, 2010			
Years	Months	Contract	City	Blended	Premium	Contract	City	Blended	Premium
		City%	Maximum	City%	EE%	City%	Maximum	City%	EE%
8	96	26.67%	80%	21.33%	78.67%	32.00%	80%	25.60%	74.40%
9	108	30.00%	80%	24.00%	76.00%	36.00%	80%	28.80%	71.20%
10	120	33.33%	80%	26.66%	73.34%	40.00%	80%	32.00%	68.00%
11	132	36.67%	80%	29.33%	70.67%	44.00%	80%	35.20%	64.80%
12	144	40.00%	80%	32.00%	68.00%	48.00%	80%	38.40%	61.60%
13	156	43.33%	80%	34.66%	65.34%	52.00%	80%	41.60%	58.40%
14	168	46.67%	80%	37.33%	62.67%	56.00%	80%	44.80%	55.20%
15	180	50.00%	80%	40.00%	60.00%	60.00%	80%	48.00%	52.00%
16	192	53.33%	80%	42.66%	57.34%	64.00%	80%	51.20%	48.80%
17	204	56.67%	80%	45.33%	54.67%	68.00%	80%	54.40%	45.60%
18	216	60.00%	80%	48.00%	52.00%	72.00%	80%	57.60%	42.40%
19	228	63.33%	80%	50.66%	49.34%	76.00%	80%	60.80%	39.20%
20	240	66.67%	80%	53.33%	46.67%	80.00%	80%	64.00%	36.00%
21	252	70.00%	80%	56.00%	44.00%	84.00%	80%	67.20%	32.80%
22	264	73.33%	80%	58.66%	41.34%	88.00%	80%	70.40%	29.60%
23	276	76.67%	80%	61.33%	38.67%	92.00%	80%	73.60%	26.40%
24	288	80.00%	80%	64.00%	36.00%	96.00%	80%	76.80%	23.20%
25	300	83.33%	80%	66.66%	33.34%	100.00%	80%	80.00%	20.00%
26	312	86.67%	80%	69.33%	30.67%				
27	324	90.00%	80%	72.00%	28.00%				
28	336	93.33%	80%	74.66%	25.34%				
29	348	96.67%	80%	77.33%	22.67%				
30	360	100.00%	80%	80.00%	20.00%				
Age 62 & 8 years svc.		100.00%	80%	80.00%	20.00%	100.00%	80%	80.00%	20.00%
Disability Retirement		100.00%	80%	80.00%	20.00%	100.00%	80%	80.00%	20.00%

# City of Grand Rapids General Retiree Health Care Plan

## Emergency Communications Supervisors

### Summary of Benefits as of June 30, 2017

#### ***Normal Retirement Eligibility***

Members are eligible for benefits at age 50 or older with 30 or more years of service or at age 55 with 8 or more years of service.

#### ***Early Retirement Benefits***

Members are eligible for benefits at age 50 or older with 8 or more years of service.

#### ***Deferred Retirement Benefits***

Deferred retiree health care is not available. Coverage must be continuous.

#### ***Duty/Non-Duty Death-in-Service Retirement Benefits***

Deceased member must be eligible for retirement at death. Surviving spouse pays any accrual and applicable premium sharing amount until such time as the covered person would have reached age 65.

#### ***Duty/Non-Duty Disabled Retirement Benefits***

No age or service requirement. Benefits commence immediately for qualified disabled member.

#### ***Benefits for Spouses of Retired Employees***

Spouses of retired employees are eligible to receive health care benefits as long as the retiree is eligible. Coverage continues to surviving spouses of deceased retirees until the earlier of when retiree would have reached age 65 or when the spouse reaches age 65.

#### ***Medicare-Eligible Provisions***

Retirees are required to enroll in Medicare once eligible. Retiree is responsible for paying the full premium for retiree Medicare coverage offered through the City.

#### ***Dental/Vision Coverage***

Same as Retiree Health Care Eligibility Conditions.

#### ***Life Insurance Coverage***

City does not provide life insurance for retirees.

#### ***Opt-Out***

City does not provide Opt-Out payments or payment in lieu of retiree health care coverage for retirees.

#### ***Other Employment and Compensation***

A retiree, spouse or other dependent who has coverage from an employer who provides medical coverage should coordinate benefits, making the City's coverage secondary.

*This is a brief summary of the City of Grand Rapids Retiree Health Care Plan provisions. In the event that any description contained herein differs from the actual eligibility or benefit, the appropriate employee contract or governing document will prevail.*

# City of Grand Rapids General Retiree Health Care Plan

## APA City and APA 61st

### Summary of Benefits as of June 30, 2017

#### **Plan Participants**

APA members of the Defined Benefit City of Grand Rapids Retiree Health Care Plan are eligible to receive retiree health care benefits. The City covers up to 100% of retiree health care coverage up to age 65 for those currently retired.

#### **Benefit Amount**

Through the Defined Benefit Retiree Health Care Plan, the City pays up to 100% of retiree health care premiums through age 65 based on an accrual schedule. As of October 21, 2008, future retirees will pay a minimum of 20% of BLENDED active/pre-65 retiree cost per contract. Active employees with less than 8 years are no longer eligible for the Defined Benefit plan.

#### **Retiree Health Care Percent of Blended Composite Rate**

		Retired on or after June 30, 2010				Retired before June 30, 2010			
Years	Months	Contract	City	Blended	Premium	Contract	City	Blended	Premium
		City%	Maximum	City%	EE%	City%	Maximum	City%	EE%
8	96	26.67%	80%	21.33%	78.67%	32.00%	80%	25.60%	74.40%
9	108	30.00%	80%	24.00%	76.00%	36.00%	80%	28.80%	71.20%
10	120	33.33%	80%	26.66%	73.34%	40.00%	80%	32.00%	68.00%
11	132	36.67%	80%	29.33%	70.67%	44.00%	80%	35.20%	64.80%
12	144	40.00%	80%	32.00%	68.00%	48.00%	80%	38.40%	61.60%
13	156	43.33%	80%	34.66%	65.34%	52.00%	80%	41.60%	58.40%
14	168	46.67%	80%	37.33%	62.67%	56.00%	80%	44.80%	55.20%
15	180	50.00%	80%	40.00%	60.00%	60.00%	80%	48.00%	52.00%
16	192	53.33%	80%	42.66%	57.34%	64.00%	80%	51.20%	48.80%
17	204	56.67%	80%	45.33%	54.67%	68.00%	80%	54.40%	45.60%
18	216	60.00%	80%	48.00%	52.00%	72.00%	80%	57.60%	42.40%
19	228	63.33%	80%	50.66%	49.34%	76.00%	80%	60.80%	39.20%
20	240	66.67%	80%	53.33%	46.67%	80.00%	80%	64.00%	36.00%
21	252	70.00%	80%	56.00%	44.00%	84.00%	80%	67.20%	32.80%
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23	276	76.67%	80%	61.33%	38.67%	92.00%	80%	73.60%	26.40%
24	288	80.00%	80%	64.00%	36.00%	96.00%	80%	76.80%	23.20%
25	300	83.33%	80%	66.66%	33.34%	100.00%	80%	80.00%	20.00%
26	312	86.67%	80%	69.33%	30.67%				
27	324	90.00%	80%	72.00%	28.00%				
28	336	93.33%	80%	74.66%	25.34%				
29	348	96.67%	80%	77.33%	22.67%				
30	360	100.00%	80%	80.00%	20.00%				
Age 62 & 8 years svc.		100.00%	80%	80.00%	20.00%	100.00%	80%	80.00%	20.00%
Disability Retirement		100.00%	80%	80.00%	20.00%	100.00%	80%	80.00%	20.00%



# City of Grand Rapids General Retiree Health Care Plan

## APA City and APA 61st

### Summary of Benefits as of June 30, 2017

#### ***Normal Retirement Eligibility***

Members are eligible for benefits at age 50 or older with 30 or more years of service or at age 62 with 8 or more years of service.

#### ***Early Retirement Benefits***

Members are eligible for benefits at age 55 or older with 10 or more years of service.

#### ***Deferred Retirement Benefits***

Deferred retiree health care is not available. Coverage must be continuous.

#### ***Duty/Non-Duty Death-in-Service Retirement Benefits***

Deceased member must be eligible for retirement at death. Surviving spouse pays any accrual and applicable premium sharing amount until such time as the covered person would have reached age 65.

#### ***Duty/Non-Duty Disabled Retirement Benefits***

No age or service requirement. Benefit commences immediately for qualified disabled member.

#### ***Benefits for Spouses of Retired Employees***

Spouses of retired employees are eligible to receive health care benefits as long as the retiree is eligible. Coverage continues to surviving spouses of deceased retirees until the earlier of when retiree would have reached age 65 or when the spouse reaches age 65.

#### ***Medicare-Eligible Provisions***

Retirees are required to enroll in Medicare once eligible. Retiree is responsible for paying the full premium for retiree Medicare coverage offered through the City.

#### ***Dental/Vision Coverage***

Same as Retiree Health Care Eligibility Conditions.

#### ***Life Insurance Coverage***

The City does not provide life insurance for retirees.

#### ***Opt-Out***

The City does not provide Opt-Out payments or payment in lieu of retiree health care coverage for retirees.

#### ***Other Employment and Compensation***

A retiree, spouse or other dependent who has coverage from an employer who provides medical coverage should coordinate benefits, making the City's coverage secondary.

*This is a brief summary of the City of Grand Rapids Retiree Health Care Plan provisions. In the event that any description contained herein differs from the actual eligibility or benefit, the appropriate employee contract or governing document will prevail.*

# City of Grand Rapids General Retiree Health Care Plan

## RHSA Members

### Summary of Benefits as of June 30, 2017

#### ***Plan Participants***

RHSA members of the City of Grand Rapids Retiree Health Care Plan are eligible to purchase retiree health care benefits until Medicare eligible.

#### ***Benefit Amount***

Defined Contribution RHSA members can purchase retiree health care coverage through the City by paying the full blended (active/pre-65 retiree) premium. For Duty Death-In-Service retirements and Duty Disability retirements, after RHSA is exhausted, the City will resume paying the premiums less any applicable premium sharing amount until such time as the covered person would have reached age 65. Defined contributions paid by the City or the member into the RHSA accounts were not included in this valuation.

#### ***Normal Retirement Eligibility***

Age 50 with 10 years.

#### ***Deferred Retirement Benefits***

Retiree health care is not available to deferred RHSA retirees whose coverage ceases during deferral period. RHSA members can purchase retiree health care coverage through the City by paying the full blended (active/pre-65 retiree) premium.

#### ***Duty Death-in-Service Retirement Benefits***

Deceased member must be eligible for retirement at death. Survivor spouse benefits are immediate. Premiums shall be first paid to the City from funds in the employee's RHSA account if the surviving spouse and/or eligible dependents wish to continue to receive retiree health care. When RHSA is exhausted, the City shall resume paying the premiums, less any applicable premium sharing amount until such time as the covered person would have reached age 65.

#### ***Non-Duty Death-in-Service Retirement Benefits***

Deceased member must be eligible for retirement at death. Survivor spouse benefits are immediate. Premiums shall be first paid to the City from funds in the employee's RHSA account if the surviving spouse and/or eligible dependents wish to continue to receive retiree health care. When RHSA is exhausted, the survivor shall start paying the premiums.

#### ***Duty Disabled Retirement Benefits***

No age or service requirement. Benefits commence immediately for qualified disabled member. Premiums shall be first paid to the City from funds in the employee's RHSA account if the surviving spouse and/or eligible dependents wish to continue to receive retiree health care. When RHSA is exhausted, the City shall resume paying the premiums, less any applicable premium sharing amount until such time as the covered person would have reached age 65.

#### ***Non-Duty Disabled Retirement Benefits***

No age or service requirement. Benefits commence immediately for qualified disabled member. Premiums shall be first paid to the City from funds in the employee's RHSA account if the retiree wishes to continue to receive retiree health care. When RHSA is exhausted, the member shall start paying the premiums.

# City of Grand Rapids General Retiree Health Care Plan

## RHSA Members

### Summary of Benefits as of June 30, 2017

#### ***Benefits for Spouses of Retired Employees***

Spouses of retired employees are eligible to receive health care benefits as long as the retiree is eligible. Coverage continues to surviving spouses of deceased retirees until the earlier of when retiree would have reached age 65 or when the spouse reaches age 65.

#### ***Medicare-Eligible Provisions***

Retirees are required to enroll in Medicare once eligible. Retiree is responsible for paying the full premium for retiree Medicare coverage offered through the City.

#### ***Dental/Vision Coverage***

Same as Retiree Health Care Eligibility Conditions.

#### ***Life Insurance Coverage***

The City does not provide life insurance for retirees.

#### ***Opt-Out***

The City does not provide Opt-Out payments or payment in lieu of retiree health care coverage for retirees.

#### ***Other Employment and Compensation***

A retiree, spouse or other dependent who has coverage from an employer who provides medical coverage should coordinate benefits, making the City's coverage secondary.

*This is a brief summary of the City of Grand Rapids Retiree Health Care Plan provisions. In the event that any description contained herein differs from the actual eligibility or benefit, the appropriate employee contract or governing document will prevail.*

## City of Grand Rapids General Employees Active Member Demographic Data as of June 30, 2017

Age	Years of Service to Valuation Date							Total No.
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	
15-19								
20-24	16							16
25-29	61	4						65
30-34	69	15	4					88
35-39	41	23	14	11				89
40-44	35	12	18	36	4			105
45-49	39	18	13	31	25	5	1	132
50-54	18	21	11	32	27	17	1	127
55-59	12	19	18	30	18	32	8	137
60-64	6	10	17	12	8	12	4	69
65 & Over		3	1	1	3			8
<b>Totals</b>	<b>297</b>	<b>125</b>	<b>96</b>	<b>153</b>	<b>85</b>	<b>66</b>	<b>14</b>	<b>836</b>

The active member counts above include current active employees who participate in the City's defined contribution plan and are eligible to purchase retiree health benefits through the City.

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

	<u>DB</u>	<u>RHSA</u>	<u>Total</u>
<b>Count:</b>	292	544	836
<b>Age (Years):</b>	51.9	42.2	45.6
<b>Service (Years):</b>	21.7	5.8	11.4

# City of Grand Rapids General Retired and Deferred Member Demographic Data as of June 30, 2017

## Defined Benefit General Retirees

Age	Number of Retirees		
	Male	Female	Total
Under 55	11	9	20
55-59	38	30	68
60-64	95	50	145
65 & Over	30	31	61
<b>Totals</b>	<b>174</b>	<b>120</b>	<b>294</b>

The above exhibit includes only defined benefit retirees receiving retiree health care benefits from the City. There are no RHSA General retirees.

## General Vested Deferred

Age	Number of Deferred Members		
	Male	Female	Total
Under 40	0	0	0
40-44	0	0	0
45-49	0	0	0
50 & Over	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>

Only retirees and vested deferred members valued in this report are shown in the exhibits above.

## SECTION D

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### ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS

## Valuation Methods

**Actuarial Cost Method.** Normal cost and the allocation of benefit values between service rendered before and after the valuation date was determined using an **Individual Entry-Age Normal Actuarial Cost Method** having the following characteristics:

- (i) the annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement;
- (ii) each annual normal cost is a constant percentage of the member's year-by-year projected covered pay.

Actuarial gains (losses), as they occur, reduce (increase) the Unfunded Actuarial Accrued Liability.

**Financing of Unfunded Actuarial Accrued Liabilities.** Unfunded Actuarial Accrued Liabilities (UAAL) were amortized on a level dollar basis. The UAAL were determined using the funding value of assets and actuarial accrued liability calculated as of the valuation date. The UAAL amortization payment is the amount required to fully amortize the UAAL over a 15-year period beginning with the fiscal year ending June 30, 2019. This UAAL payment reflects payments expected to be made between the valuation date and the fiscal year for which the contributions in this report have been calculated. The 15-year amortization factor used is 10.6370.

**Actuarial Value of Assets.** The Actuarial Value of Assets is set equal to the market value of assets. The City allocated all of the assets to the Defined Benefit portion of the plan.

## Actuarial Assumptions

The rationale for the assumptions used in this valuation is included in the 5-year experience study ending June 30, 2014, approved by the Board in November 2015. All assumptions are expectations of future experience, not market measures.

**Rates of Investment Return under a partially funded arrangement. 5.0% per year**, compounded annually, net of expenses. This assumption is used to equate the value of payments due at different points in time.

The total number of active defined benefit retiree health care participants is expected to decline in the future.

**The rates of Price Inflation** are not specifically used for this valuation. However, a rate of price inflation of 2.0% to 2.5% would be consistent with other assumptions in this report.

**The rates of salary increase** used for individual members are in accordance with the following tables. The assumption is used to project a member's current salary to the salaries upon which future contributions will be based.

% Increase in Salary at Sample Ages			
Sample Ages	Merit & Seniority	Base (Economic)	Increase Next Year
20	4.16 %	3.25 %	7.41 %
25	2.88	3.25	6.13
30	1.98	3.25	5.23
35	1.52	3.25	4.77
40	1.10	3.25	4.35
45	0.66	3.25	3.91
50	0.32	3.25	3.57
55	0.14	3.25	3.39
60	0.00	3.25	3.25
65	0.00	3.25	3.25

% Increase in Salary			
Service at Beginning of Year	Merit & Seniority	Base (Economic)	Increase Next Year
1	4.00 %	3.25 %	7.25 %
2	3.00	3.25	6.25
3	1.75	3.25	5.00
4	1.75	3.25	5.00
5	1.75	3.25	5.00



## Actuarial Assumptions (Continued)

*The mortality tables* used to project the mortality experience of General plan members is the RP-2014 Healthy Annuitant Mortality Table projected to 2019 using the MP-2014 mortality improvement scale.

Sample Ages	Probability of Dying Next Year		Future Life Expectancy (years)	
	Men	Women	Men	Women
50	0.37 %	0.26 %	33.25	35.95
55	0.53	0.35	28.92	31.44
60	0.74	0.49	24.73	27.02
65	1.04	0.74	20.70	22.74
70	1.56	1.17	16.85	18.67
75	2.45	1.90	13.26	14.86
80	4.06	3.18	10.01	11.41

This assumption is used to measure the probabilities of each benefit payment being made after retirement.

For disabled General retirees, RP-2014 Disabled Retirees Mortality Table projected to 2019 using the MP-2014 mortality improvement scale was used.

## Actuarial Assumptions (Continued)

*The rates of normal retirement* used to measure the probability of eligible members retiring under normal retirement conditions during the next year, were as follows:

<b>Retirement Ages</b>	<b>Percent of Eligible Active Members Retiring within Next Year</b>
50	40 %
51	40
52	40
53	40
54	40
55	40
56	40
57	40
58	40
59	40
60	40
61	40
62	40
63	40
64	40
65	50
66	60
67	70
68	80
69	90
70	100

A member is eligible for pension retirement after completing 30 or more years of service or after both attaining age 62 and completing 8 or more years of service. Prior to the above eligibility, members who are eligible for early reduced retirement are assumed to elect this option at a 3% rate per year until eligible for normal retirement.

## Actuarial Assumptions (Continued)

**Rates of separation from active membership** are used to estimate the number of employees at each age that are expected to terminate employment before qualifying for retirement benefits. The withdrawal rates do not apply to members eligible to retire, and do not include separation on account of death or disability.

Sample rates of separation from active employment are shown below:

Sample Ages	Years of Service	% of Active Members Separating within Next Year	
		Male	Female
ALL	0	15.00 %	15.00 %
	1	8.00	8.00
	2	7.00	7.00
	3	6.00	6.00
	4	5.00	5.00
25	5 & Over	3.44	7.72
30		3.29	7.22
35		3.05	6.28
40		2.72	5.15
45		2.30	3.98
50		1.61	2.56
55		0.61	0.94
60		0.06	0.09

## Actuarial Assumptions (Concluded)

**Rates of disability** among active members are used to estimate the incidence of member disability in future years. 70% of General disabilities were assumed to be non-duty related and 30% of disabilities are assumed to be duty related.

Sample Ages	Percent Becoming Disabled within Next Year
20	0.01 %
25	0.01
30	0.01
35	0.04
40	0.07
45	0.16
50	0.31
55	0.47
60	0.61

**Health care trend rates** used in the valuation were as shown below:

Year	Medical and Prescription Drugs	Dental	Vision
2018	8.00 %	3.25 %	3.25 %
2019	8.00	3.25	3.25
2020	8.00	3.25	3.25
2021	7.50	3.25	3.25
2022	7.00	3.25	3.25
2023	6.50	3.25	3.25
2024	5.75	3.25	3.25
2025	5.00	3.25	3.25
2026	4.25	3.25	3.25
2027	3.50	3.25	3.25
2028	3.25	3.25	3.25
2029 & Later	3.25	3.25	3.25

## Miscellaneous and Technical Assumptions

<b>Decrement Operation:</b>	Disability and mortality decrements do not operate during the first five years of service. Disability also does not operate during retirement eligibility.
<b>Decrement Timing:</b>	Decrements of all types are assumed to occur mid-year.
<b>Eligibility Testing:</b>	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
<b>Marriage Assumption:</b>	100% of General males and females are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses for active member valuation purposes.
<b>Medicare Coverage:</b>	Assumed to be available for all covered employees on attainment of age 65.
<b>Children:</b>	An 8% load was applied for children's coverage.
<b>Election Percentage:</b>	(General) It was assumed that 100% of retirees would choose to receive retiree health care benefits through the City. Of those assumed to elect coverage, 65% of retirees were assumed to elect two-person coverage, if eligible. For those that elect two-person coverage, it was assumed that coverage would continue to the spouse upon death of the retiree 100% of the time, if eligible.
<b>Retiree Opt-Outs:</b>	Retirees and spouses who have opted-out of coverage are assumed to not re-enroll.
<b>Patient Protection and Affordable Care Act:</b>	In general, changes related to the Patient Protection and Affordable Care Act are reflected to the extent that they are already implemented in the Plan and future changes will be reflected as they become effective. However, a contingency load of 7% was applied to the valuation results in anticipation of future cost increases resulting from this Act. Actual cost increases could be higher. For example, the excise tax applicable to health plan benefits over certain statutory limits is estimated at this time to be 15% of claims. This could raise valuation results an additional 8% (15% - 7%).
<b>Deferred and Retired Members:</b>	All retired members valued in this valuation were assumed to be part of the Defined Benefit plan. Current deferred members not electing to continue coverage through the deferral period are ineligible to participate in the Defined Benefit Retiree Health Care plan.

## SECTION E

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### **SUPPLEMENTARY INFORMATION**

**This information is presented in draft form for review by the Plan and/or City auditor. Please let us know if there are any items that the auditor changes so that we may maintain consistency with the Plan and/or City financial statements.**

## Supplementary Information

Valuation Date	June 30, 2017
Actuarial Cost Method	Individual Entry Age Normal Cost
Amortization Method	Level Dollar Closed
Remaining Amortization Periods	15 Years
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	5.0% Per Year
Projected Salary Increases General	3.25% - 7.41%
Valuation Health Care Cost Trend Rate Medical and Drug Dental and Vision	8.0% in 2018-2020, Grading to 3.25% in 2028 3.25% in All Years

## Supplementary Information

### Schedule of Funding Progress

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)
2009	\$ 0	\$ 113,928,362	\$ 113,928,362	0.0 %
2011	2,362,070	78,395,349	76,033,279	3.0
2012	7,102,336	66,882,845	59,780,509	10.6
2013	8,526,338	64,235,682	55,709,344	13.3
2014	9,563,129	60,370,567	50,807,438	15.8
2015	9,036,095	56,720,399	47,684,304	15.9
2016	9,411,146	58,696,918	49,285,772	16.0
2017	9,152,251	56,452,685	47,300,434	16.2

### Calculation of Net OPEB Obligation

Valuation Date June 30	Fiscal Year Ending June 30	Annual Required Contribution@	Annual OPEB Costs*	Percentage of ARC Contributed	Percentage of OPEB Costs Contributed	Net OPEB Obligation*
						\$ 5,713,229
2009	2010	\$ 7,230,885	\$ 7,168,588	137.8%	139.0%	2,915,023
2009	2011	7,230,885	7,240,682	100.0%	99.8%	2,926,305
2011	2012	7,177,017	7,106,398	154.1%	155.6%	(1,026,647)
2011	2013	7,155,236	7,182,041	87.9%	87.5%	(131,506)
2012	2014	5,735,863	5,739,585	96.4%	96.4%	76,211
2013	2015	5,583,728	5,581,386	89.2%	89.2%	678,321
2014	2016	5,258,867	5,236,160	110.7%	111.2%	91,794
2015	2017	5,071,594	5,068,239	99.9%	100.0%	91,081
2016	2018	5,328,910	5,325,263	N/A	N/A	N/A
2017	2019	5,288,487	N/A	N/A	N/A	N/A

\* Figures prior to FY 2012 are based on client provided information. The NOO for the fiscal year ending June 30, 2017 was calculated using an employer contribution of \$5,068,952.

@ For the fiscal year ending June 30, 2019, this is considered an Actuarially Computed Employer Contribution instead of an Annual Required Contribution as the new GASB accounting standards do not stipulate a contribution amount.

The exhibits on this page show results for both the Defined Benefit group and the RHPA group combined.



## APPENDIX

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### GLOSSARY

## Glossary

**Accrued Service** - The service credited under the plan which was rendered before the date of the actuarial valuation.

**Actuarial Accrued Liability** - The difference between (i) the actuarial present value of future plan benefits, and (ii) the actuarial present value of future normal cost. Sometimes referred to as “accrued liability” or “past service liability.”

**Actuarial Assumptions** - Estimates of future plan experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

**Actuarial Cost Method** - A mathematical budgeting procedure for allocating the dollar amount of the "actuarial present value of future plan benefits" between the actuarial present value of future normal cost and the actuarial accrued liability. Sometimes referred to as the “actuarial funding method.”

**Actuarial Equivalent** - A single amount or series of amounts of equal value to another single amount or series of amounts, computed on the basis of the rate(s) of interest and mortality tables used by the plan.

**Actuarial Present Value** - The amount of funds presently required to provide a payment or series of payments in the future. It is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

**Amortization** - Paying off an interest-bearing liability by means of periodic payments of interest and principal, as opposed to paying it off with a lump sum payment.

**Actuarially Computed Employer Contribution (ACEC)** - The ACEC is the normal cost plus the portion of the unfunded actuarial accrued liability to be amortized in the current period. The ACEC is an amount that is actuarially determined in accordance with the requirements so that, if paid on an ongoing basis, it would be expected to provide sufficient resources to fund both the normal cost for each year and the amortized unfunded liability.

**Governmental Accounting Standards Board (GASB)** - GASB is the private, nonpartisan, nonprofit organization that works to create and improve the rules U.S. state and local governments follow when accounting for their finances and reporting them to the public.

**Medical Trend Rate (Health Care Inflation)** - The increase in the cost of providing health care benefits over time. Trend includes such elements as pure price inflation, changes in utilization, advances in medical technology, and cost shifting.

## Glossary (Concluded)

**Normal Cost** - The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as “current service cost.” Any payment toward the unfunded actuarial accrued liability is not part of the normal cost.

**Other Postemployment Employee Benefits (OPEB)** - OPEB are postemployment benefits other than pensions. OPEB generally takes the form of health insurance and dental, vision, prescription drugs or other health care benefits.

**Reserve Account** - An account used to indicate that funds have been set aside for a specific purpose and is not generally available for other uses.

**Unfunded Actuarial Accrued Liability** - The difference between the actuarial accrued liability and valuation assets. Sometimes referred to as “unfunded accrued liability.”

**Valuation Assets** - The value of current plan assets recognized for valuation purposes.



January 5, 2018

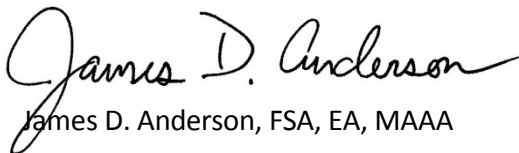
Mr. Jeff Dood  
Chief Financial Officer  
City of Grand Rapids  
300 Monroe Avenue, N.W.  
Grand Rapids, MI 49503

**Re: City of Grand Rapids General Other Postemployment Benefits Valuation**

Dear Mr. Dood:

Enclosed are four copies of our report of the actuarial valuation as of June 30, 2017 of the City of Grand Rapids General Other Postemployment Benefits.

Respectfully submitted,

  
James D. Anderson, FSA, EA, MAAA

JDA:sc  
Enclosures