

# City of Grand Rapids General Other Postemployment Benefits

Actuarial Valuation Report

June 30, 2018



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December 20, 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, 2018. This report replaces the draft report sent December 11, 2018.

This report was prepared at the request of the City of Grand Rapids. 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.

The actuarial calculations were prepared for purposes of measuring the Plan's funding progress and to determine the Actuarially Computed Employer Contribution rates for the fiscal year ending June 30, 2020. 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 September 28, 2018 for information related to GASB Statement No. 74 and No. 75 reporting.

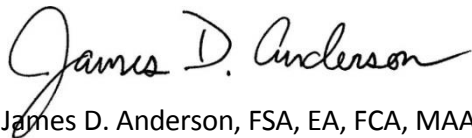
The findings in this report are based on data and other information through June 30, 2018. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic 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.

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, Abra D. Hill and Michael D. Kosciuk 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.

Respectfully submitted,



James D. Anderson, FSA, EA, FCA, MAAA



Abra D. Hill, ASA, MAAA



Michael D. Kosciuk, ASA, MAAA

JDA/ADH/MDK: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 was replaced by GASB Statement No. 75. The report dated September 28, 2018 complies with the actuarial requirements of GASB Statements No. 74 and No. 75 beginning with the fiscal year ending June 30, 2018. There is no longer an “Annual Required Contribution” (ARC) 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, 2020 using an 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, 2020 was determined to be \$3,421,489 (\$3,279,187 for DB, \$142,302 for RHSA). The expected employer portion of the claims and premium amounts paid during the fiscal year ending June 30, 2020 are estimated to be \$4,757,544 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, 2018 is \$51,858,596 (\$50,547,421 for DB, \$1,311,175 for RHSA). The actuarial accrued liability, which is the portion of the \$51,858,596 attributable to service accrued by plan members as of June 30, 2018, is \$46,217,218 (\$45,586,015 for DB, \$631,203 for RHSA). The assets currently set aside for OPEB purposes as of June 30, 2018 are \$10,586,168. Assets are currently only allocated to the Defined Benefit portion of the plan. Thus, the General DB plan is 23.2% 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	\$ 714,207		
Termination Benefits	0		
Disability/Death-in-Service	<u>22,377</u>		
Total Normal Cost	\$ 736,584	\$ 90,146	\$ 826,730
Amortization of Unfunded Actuarial Accrued Liabilities (Amortized over 20 years)	\$ 2,542,603	\$ 52,156	\$ 2,594,759
<b>Actuarially Computed Employer Contribution for the Fiscal Year Ending June 30, 2020</b>	<b>\$ 3,279,187</b>	<b>\$ 142,302</b>	<b>\$ 3,421,489</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 20 years beginning with the fiscal year ending June 30, 2020 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, 2018

	General		
	Defined Benefit <sup>1</sup>	RHSA <sup>2</sup>	Total
A. Present Value of Future Benefits			
1. Retirees and Beneficiaries	\$21,566,554	\$ 724	\$21,567,278
2. Vested Terminated Members	\$ 0	\$ 0	\$ 0
3. Active Members	<u>\$28,980,867</u>	<u>\$1,310,451</u>	<u>\$30,291,318</u>
Total Present Value of Future Benefits	\$50,547,421	\$1,311,175	\$51,858,596
B. Present Value of Future Employer Normal Costs	\$ 4,961,406	\$ 679,972	\$ 5,641,378
C. Actuarial Accrued Liability (A.-B.)	\$45,586,015	\$ 631,203	\$46,217,218
D. Market Value of Assets	\$10,586,168	\$ 0	\$10,586,168
E. Unfunded Actuarial Accrued Liability (C.-D.)	\$34,999,847	\$ 631,203	\$35,631,050
F. Funded Ratio (D./C.)	23.2%	0.0%	22.9%

<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, 2018\*

Year Ending June 30,	Asset Value BOY	Actuarially Computed Employer Contribution	Health Care Benefits <sup>^</sup>	Investment Income	Asset Value EOY
2020	\$ 11,418,589	\$ 3,937,565	\$ 4,757,544	\$ 550,680	\$ 11,149,290
2021	11,149,290	3,879,587	4,356,085	545,697	11,218,489
2022	11,218,489	3,825,692	4,180,280	552,168	11,416,069
2023	11,416,069	3,771,338	4,137,775	561,754	11,611,386
2024	11,611,386	3,715,828	4,287,664	566,448	11,605,998
2025	11,605,998	3,657,113	4,100,517	569,350	11,731,944
2026	11,731,944	3,600,212	3,989,101	576,994	11,920,049
2027	11,920,049	3,547,645	3,753,078	590,929	12,305,545
2028	12,305,545	3,497,195	3,720,306	609,768	12,692,202
2029	12,692,202	3,441,591	3,709,128	628,003	13,052,668
2030	13,052,668	3,377,252	3,722,708	644,102	13,351,314
2031	13,351,314	3,316,992	3,797,312	655,704	13,526,698
2032	13,526,698	3,270,013	3,823,377	662,670	13,636,004
2033	13,636,004	3,237,626	3,622,762	672,289	13,923,157
2034	13,923,157	29,713	3,114,743	619,973	11,458,100
2035	11,458,100	17,590	2,619,707	508,646	9,364,629
2036	9,364,629	10,312	2,275,363	412,296	7,511,874
2037	7,511,874	5,997	1,944,633	327,719	5,900,957
2038	5,900,957	3,435	1,571,586	256,322	4,589,128
2039	4,589,128	1,919	1,251,902	198,588	3,537,733
2040	3,537,733	1,063	1,061,616	150,696	2,627,876
2041	2,627,876	583	971,641	107,413	1,764,231
2042	1,764,231	318	757,273	69,518	1,076,794
2043	1,076,794	168	489,904	41,746	628,804
2044	628,804	82	320,685	23,523	331,724
2045	331,724	37	190,216	11,890	153,435
2046	153,435	18	118,351	4,750	39,852
2047	39,852	8	40,844	984	-

\* 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.

<sup>^</sup> Health Care Benefit payments were loaded to reflect children's coverage.

The above projection illustrates the potential impact on plan contributions, investment income, and asset value if unfunded actuarial accrued liabilities were amortized over a 14-year period.

The City has opted to extend the amortization to 20 years. The associated projection is shown on the following page.

## Illustrative Projections as of June 30, 2018\*

Year Ending June 30,	Asset Value BOY	Actuarially Computed Employer Contribution	Health Care Benefits <sup>^</sup>	Investment Income	Asset Value EOY
2020	\$ 11,418,589	\$ 3,279,187	\$ 4,757,544	\$ 534,421	\$ 10,474,653
2021	10,474,653	3,224,021	4,356,085	495,776	9,838,365
2022	9,838,365	3,170,123	4,180,280	466,972	9,295,180
2023	9,295,180	3,115,767	4,137,775	439,520	8,712,692
2024	8,712,692	3,060,254	4,287,664	405,324	7,890,606
2025	7,890,606	3,001,536	4,100,517	367,391	7,159,016
2026	7,159,016	2,944,633	3,989,101	332,158	6,446,706
2027	6,446,706	2,892,064	3,753,078	301,072	5,886,764
2028	5,886,764	2,841,611	3,720,306	272,639	5,280,708
2029	5,280,708	2,786,005	3,709,128	241,239	4,598,824
2030	4,598,824	2,721,663	3,722,708	205,220	3,802,999
2031	3,802,999	2,661,400	3,797,312	162,099	2,829,186
2032	2,829,186	2,614,419	3,823,377	111,604	1,731,832
2033	1,731,832	2,582,031	3,622,762	60,891	751,992
2034	751,992	2,562,125	3,114,743	23,953	223,327
2035	223,327	2,550,002	2,619,707	9,445	163,067
2036	163,067	2,542,724	2,275,363	14,756	445,184
2037	445,184	2,538,409	1,944,633	36,923	1,075,883
2038	1,075,883	2,535,846	1,571,586	77,607	2,117,750
2039	2,117,750	2,534,331	1,251,902	137,557	3,537,736
2040	3,537,736	1,063	1,061,616	150,696	2,627,879
2041	2,627,879	583	971,641	107,414	1,764,235
2042	1,764,235	318	757,273	69,519	1,076,799
2043	1,076,799	168	489,904	41,746	628,809
2044	628,809	82	320,685	23,523	331,729
2045	331,729	37	190,216	11,890	153,440
2046	153,440	18	118,351	4,750	39,857
2047	39,857	8	40,849	984	-

\* 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 RHSA members, or members hired after the valuation date have not been included in these results.

<sup>^</sup> Health Care Benefit payments were loaded to reflect children's coverage.

The above projection illustrates the potential impact on plan contributions, investment income, and asset value if unfunded actuarial accrued liabilities were amortized over a 20-year period instead of a 14-year period.

Extending the amortization period decreased the Actuarially Computed Employer Contribution for the fiscal year ending June 30, 2020 by \$658,378.

## Comments

**Comment A:** The Actuarially Computed Employer Contributions (ACEC) for the fiscal year ending June 30, 2020 decreased from the ACEC determined in the previous valuation report. Factors contributing to this decrease include, but are not limited to:

- Increasing the amortization period from 14 years to 20 years to beginning with the fiscal year ending June 30, 2020;
- Lower than expected claims experience;
- Lowering the load for children's coverage from 8% to 4%; and
- Based on conversations with the City, the removal of the 7% contingency load for possible future cost increases related to the "Cadillac" tax (also see Comment I).

Offsetting these factors are increases due to resetting the health care trend cost rates.

**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, 2018 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 20 years beginning with the fiscal year ending June 30, 2020.

**Comment D:** The cost of health care coverage for the children of retirees has decreased since the last measurement. A 4.0% load was applied to all health care liabilities and projections of benefits paid to value the additional cost of children's coverage, a decrease from the June 30, 2017 valuation load.

**Comment E:** Projections presented in this report will differ from those provided in the Trend Report dated September 28, 2018 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 1<sup>st</sup> 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 pension accounting 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 GASB implementation guide for Statements No. 74 and No. 75 provides additional clarification related to the implementation of these Statements. The City has complied with GASB Statements No. 74 and No. 75 (please see the report dated September 28, 2018). The basis for the GASB Statement No. 74 and GASB Statement No. 75 information will be this valuation (as of June 30, 2018), where roll-forward techniques will be applied.

**Comment H:** The calculations within this report have been performed incorporating \$10,586,168 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 2022. 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, no load was applied to the health care liabilities to approximate the cost for future excise tax, based on the current plan provisions 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.

**Comment K:** Michigan Public Act 202 of 2017 created new reporting and other requirements for local units of government. As such, we can work with the City of Grand Rapids to develop a funding policy to document Plan procedures and facilitate compliance.

## **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 September 28, 2018. 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 “2019 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.
- Beginning in 2019 the foundation of the participants contribution will change to be based on a percentage of the blended (active and pre-65 retiree) tier rate but since no experience is available under this new scheme and to be conservative, the 2019 overall blended (pre-65 retiree and active composite rate) 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 (2019 Calculated Premium Rates).

Please see the Trend Report for other important details regarding the rate setting process. A general description of the process follows.

## 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 2016 to June 2018 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 2016 to June 2018 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.

No Early Retirement Reinsurance Program (ERRP) reimbursements were reflected in the rates due to the short-term nature of the program.

## 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.

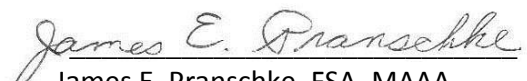
Age graded and sex distinct per capita costs are utilized by this valuation. The initial costs developed are appropriate for the unique age and sex distribution currently existing. Over the future years covered by this valuation, the age and sex distribution will most likely change. Therefore, our process “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.

Current and Future Retirees				
For Those Not Eligible for Medicare				
Age		Male		Female
45	\$	575.44	\$	794.19
50		749.29		923.05
55		985.98		1,076.55
60		1,273.45		1,253.91

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 \$39.56 for single coverage and \$77.14 for two-person or family coverage per month. The monthly vision per capita cost used in this valuation is \$9.07 for single coverage and \$17.69 for two-person or family coverage 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 1/1/2022.** 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 2022. 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. No load was applied to all health care liabilities and projections of benefits paid to approximate the cost for future excise tax in this valuation (previously, a 7% load was used).

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, 2018

**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, 2018

#### ***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, 2018

**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, 2018

#### ***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, 2018

#### **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, 2018

#### ***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, 2018

#### **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%
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

## APA City and APA 61st

### Summary of Benefits as of June 30, 2018

#### ***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, 2018

#### ***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, 2018

#### ***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, 2018

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	18							18
25-29	77	1						78
30-34	69	14	4					87
35-39	52	18	17	9	2			98
40-44	46	15	14	26	7			108
45-49	43	12	18	30	24	6		133
50-54	24	14	12	29	25	24	2	130
55-59	16	16	11	32	26	22	6	129
60-64	7	10	10	18	10	10	1	66
65 & Over	3	4	5		3		1	16
<b>Totals</b>	<b>355</b>	<b>104</b>	<b>91</b>	<b>144</b>	<b>97</b>	<b>62</b>	<b>10</b>	<b>863</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>	259	604	863
<b>Age (Years):</b>	52.2	42.2	45.2
<b>Service (Years):</b>	22.4	5.9	10.8

# City of Grand Rapids General Retired and Deferred Member Demographic Data as of June 30, 2018

## Defined Benefit General Retirees

Age	Number of Retirees		
	Male	Female	Total
Under 55	6	7	13
55-59	33	32	65
60-64	93	55	148
65 & Over	19	22	41
<b>Totals</b>	<b>151</b>	<b>116</b>	<b>267</b>

The above exhibit includes only defined benefit retirees receiving retiree health care benefits from the City. In addition, there is one RHSA retiree purchasing health care through the City.

## 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 20-year period beginning with the fiscal year ending June 30, 2020. 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 20-year amortization factor used is 12.7712.

**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.

<u>% Increase in Salary at Sample Ages</u>			
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

<u>% Increase in Salary</u>			
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
2019	8.50 %	3.25 %	3.25 %
2020	8.25	3.25	3.25
2021	8.00	3.25	3.25
2022	7.50	3.25	3.25
2023	7.00	3.25	3.25
2024	6.50	3.25	3.25
2025	5.75	3.25	3.25
2026	5.00	3.25	3.25
2027	4.25	3.25	3.25
2028	3.50	3.25	3.25
2029	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>	A 4% 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. Per the City, no load of was applied to the valuation results in anticipation of future cost increases resulting from this Act. 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 15%.
<b>Deferred and Retired Members:</b>	With the exception of one RHSA retiree, 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, 2018
Actuarial Cost Method	Individual Entry Age Normal Cost
Amortization Method	Level Dollar Closed
Remaining Amortization Periods	20 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	8.5% in 2019 grading to 3.25% in 2029
Dental and Vision	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
2018	10,586,168	46,217,218	35,631,050	22.9

## 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	103.4%	103.5%	(93,959)
2017	2019	5,288,487	5,292,622	N/A	N/A	N/A
2018	2020	3,421,489	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, 2018 was calculated using an employer contribution of \$5,510,302.

@ For the fiscal year ending June 30, 2020, 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 RHSA 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.