

Protecting Local Government Retirement and Benefits Act

Corrective Action Plan:

Retirement Health Benefit Systems

Issued under authority of Public Act 202 of 2017.

I. MUNICIPALITY INFORMATION	
Local Unit Name: <u>City of Taylor</u>	Six-Digit Muni Code: <u>822280</u>
Retirement Health Benefit System Name: <u>Taylor OPEB System</u>	
Contact Name (Administrative Officer): <u>Jason Couture</u>	
Title if not Administrative Officer: <u>Finance Director</u>	
Email: <u>jcouture@ci.taylor.mi.us</u>	Telephone: <u>(734) 374-1460</u>

Corrective Action Plan: An underfunded local unit of government shall develop and submit for approval a corrective action plan for the local unit of government. The local unit of government shall determine the components of the corrective action plan. This Corrective Action Plan shall be submitted by any local unit of government with at least one retirement health benefit system that has been determined to have an underfunded status. Underfunded status for a retirement health system is defined as being less than 40% funded according to the most recent audited financial statements, and, if the local unit of government is a city, village, township, or county, the annual required contribution (ARC) for all of the retirement health systems of the local unit of government is greater than 12% of the local unit of government's annual governmental fund revenues, based on the most recent fiscal year.

Due Date: The local unit of government has **180 days from the date of notification** to submit a corrective action plan to the Municipal Stability Board. The Board may extend the 180-day deadline by up to an additional 45 days if the local unit of government submits a reasonable draft of a corrective action plan and requests an extension.

Filing: Per Sec. 10(l) of the Act, this Corrective Action Plan must be approved by the local government's administrative officer and its governing body. **You must provide proof of your governing body approving this Corrective Action Plan and attach the documentation as a separate PDF document.** Per Sec. 10(4) of the Act, failure to provide documentation that demonstrates approval from your governing body will result in a determination of noncompliance by the Board.

The submitted plan must demonstrate through distinct supporting documentation how and when the local unit will reach the 40% funded ratio. Or, if the local unit is a city, village, township, or county, the submitted plan may demonstrate how and when the ARC for all of the retirement healthcare systems will be less than 12% of annual governmental fund revenues, as defined by the Act. Supporting documentation for the funding ratio and/or ARC must include an actuarial projection, an actuarial valuation, or an internally developed analysis. The local unit must project governmental fund revenues using a reasonable forecast based on historical trends and projected rates of inflation.

The completed plan must be submitted via email to Treasury at LocalRetirementReporting@michigan.gov for review by the Board. **If you have multiple underfunded retirement systems, you are required to complete separate plans and send a separate email for each underfunded system.** Please attach each plan as a separate PDF document in addition to all applicable supporting documentation.

The subject line of the email(s) should be in the following format: **Corrective Action Plan-2017, Local Unit Name, Retirement System Name (e . g . Corrective Action Plan-2017, Cit of Lansing , Employees' Retirement System OPEB**

Plan). Treasury will send an automatic reply acknowledging receipt of the email. Your individual email settings must allow for receipt of Treasury's automatic reply. This will be the only notification confirming receipt of the application(s).

Municipal Stability Board: The Municipal Stability Board (the Board) shall review and vote on the approval of a corrective action plan submitted by a local unit of government. If a corrective action plan is approved, the Board will monitor the corrective action plan for the following two years, and the Board will report on the local unit of government's compliance with the Act not less than every two years.

Review Process: Following receipt of the email by Treasury, the Board will accept the corrective action plan submission at the next scheduled meeting of the Board. The Board shall then approve or reject the corrective action plan within 45 days from the date of the meeting.

Considerations for Approval: A successful corrective action plan will demonstrate the actions for correcting underfunded status as set forth in Sec. 10(7) of the Act (listed below), as well as any additional solutions to address the underfunded status. Please also include steps already taken to address your underfunded status, as well as the date prospective actions will be taken. A local unit of government may also include in its corrective action plan a review of the local unit of government's budget and finances to determine any alternative methods available to address its underfunded status. A corrective action plan under this section may include the development and implementation of corrective options for the local unit of government to address its underfunded status. The corrective options as described in Sec. 10(7) may include, but are not limited to, any of the following:

- (i) Requiring cost sharing of premiums and sufficient copays.
- (ii) Capping employer costs.

Implementation: The local unit of government has up to 180 days after the approval of a corrective action plan to begin to implement the corrective action plan to address its underfunded status. The Board shall monitor each underfunded local unit of government's compliance with this act and any corrective action plan. The Board shall adopt a schedule, not less than every 2 years, to certify that the underfunded local unit of government is in substantial compliance with the Act. If the Board determines that an underfunded local unit of government is not in substantial compliance under this subsection, the Board shall within 15 days provide notification and report to the local unit of government detailing the reasons for the determination of noncompliance with the corrective action plan. The local unit of government has 60 days from the date of the notification to address the determination of noncompliance.

Prior actions are separated into three categories below: System Design Changes, Additional Funding, and Other Considerations. Please provide a brief description of the prior actions implemented by the local government to address the retirement system's underfunded status within the appropriate category section. Within each category are sample statements that you may choose to use to indicate the changes to your system that will positively affect your funded status. For retirement systems that have multiple divisions, departments, or plans within the same retirement system, please indicate how these changes impact the retirement **system** as a whole.

- ▶ **Please Note:** If applicable, prior actions listed within your waiver application(s) may also be included in your corrective action plan.

Please indicate where in the attached supporting documentation these changes are described and the impact of those changes (i.e. what has the local unit of government done to improve its underfunded status, and where can we find the proof of these changes in the supporting documentation?).

Note: Please provide the name of the system impacted, the date you made the change, the relevant page number(s) within the supporting documentation, and the resulting change to the system's funded ratio.

Category of Prior Actions:

System Design Changes - System design changes may include the following: Changes to coverage levels (including retiree co-payments, deductibles, and Medicare eligibility), changes to premium cost-sharing, eligibility changes, switch to defined contribution retiree health care plan, changes to retiree health care coverage for new hires, etc.

Sample Statement: *Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. On **January 1, 2017**, the local unit entered into new collective bargaining agreements with the **Command Officers Association and Internal Association of Firefighters** that increased employee co-payments and deductibles for healthcare. These coverage changes resulted in an improvement to the retirement system's funded ratio. Please see page **12** of the attached actuarial analysis that indicates the system is **40%** funded as of **June 30, 2017**.*

See attachment 1B regarding the City's prior actions related to system design changes. These changes have had a positive effect on the City's OPEoB liability. The City's OPEoB actuarial report dated 6/30/2018 reported a decrease in the OPEoB liability of \$39,381,609 or 12% (\$333,124,138-\$293,742,529), see attachment 6A. Since the City has not established a qualified trust, the reduction to the liability is largely in part to the plan design changes noted.

Additional Funding - Additional funding may include the following: paying the annual required contribution in addition to retiree premiums, voluntary contributions above the annual required contribution, bonding, millage increases, restricted funds, etc.

Sample Statement: *The local unit created a qualified trust to receive, invest, and accumulate assets for retirement healthcare on **June 23, 2016**. The local unit of government has adopted a policy to change its funding methodology from Pay-Go to full funding of the Annual Required Contribution (ARC). Additionally, the local unit has committed to contributing **\$500,000** annually, in addition to the ARC for the next five (5) years. The additional contributions will increase the retirement system's funded ratio to **40% by 2022**. Please see page **10** of the attached resolution from our governing body demonstrating the commitment to contribute the ARC and additional **\$500,000** for the next five years.*

Other Considerations - Other considerations may include the following: outdated Form 5572 information, actuarial assumption changes, amortization policy changes, etc.

Sample Statement: *The information provided on the Form 5572 from the audit used actuarial data from **2015**. Attached is an updated actuarial valuation for **2017** that shows our funded ratio has improved to **42%** as indicated on page **13**.*

The corrective action plan allows you to submit a plan of prospective actions which are separated into three categories below: System Design Changes, Additional Funding, and Other Considerations. Please provide a brief description of the prospective actions implemented by the local government to address the retirement system's underfunded status within the appropriate category section. Within each category are sample statements that you may choose to use to indicate the changes to your system that will positively affect your funded status. For retirement systems that have multiple divisions, departments, or plans within the same retirement system, please indicate how these changes impact the retirement **system** as a whole.

Please indicate where in the attached supporting documentation these changes are described and the impact of those changes (i.e. what will the local unit of government do to improve its underfunded status, and where can we find the proof of these changes in the supporting documentation?).

Category of Prospective Actions:

System Design Changes - System design changes may include the following: Changes to coverage levels (including retiree co-payments, deductibles, and Medicare eligibility), changes to premium cost-sharing, eligibility changes, switch to defined contribution retiree health care plan, changes to retiree health care coverage for new hires, etc.

Sample Statement: The local unit will seek to align benefit levels for the retired membership with each class of active employees. Beginning with **summer 2018** contract negotiations, the local unit will seek revised collective bargaining agreements with the **Command Officers Association** and **Internal Association of Firefighters** to increase employee co-payments and deductibles for healthcare. These coverage changes would result in an improvement to the retirement system's funded ratio. Please see page **12** of the attached actuarial analysis that indicates the system would be **40% funded by fiscal year 2020** if these changes were adopted and implemented by **fiscal year 2019**.

Beginning 7/1/2019, the City will move all Medicare eligible retirees to a Humana Medicare Advantage plan with no change in coverage. The estimated annual savings of this change will be approximately \$900,000. Additionally, the City will move to a self-funded prescription drug plan for retirees who are Medicare eligible which is estimated to save \$116,000 annually. The plan design changes noted above are expected to decrease the OPEB liability by \$54,256,878 to \$239,505,651. See attachment 2A.

Additional Funding - Additional funding may include the following: meeting the annual required contribution in addition to retiree premiums, voluntary contributions above the annual required contribution, bonding, millage increases, restricted funds, etc.

Sample Statement: The local unit will create a qualified trust to receive, invest, and accumulate assets for retirement healthcare by **December 31, 2018**. The local unit of government will adopt a policy to change its funding methodology from Pay-Go to full funding of the Annual Required Contribution (ARC) by **December 31, 2018**. Additionally, beginning in fiscal year 2019, the local unit will contribute **\$500,000** annually in addition to the ARC for the next five fiscal years. The additional contributions will increase the retirement system's funded ratio to **40% by 2022**. Please see page **10** of the attached resolution from our governing body demonstrating the commitment to contribute the ARC and additional **\$500,000** for the next five years. Refer to attachment 1C regarding additional funding.

Other Considerations - Other considerations may include the following: outdated Form 5572 information, actuarial assumption changes, amortization policy changes, etc.

Sample Statement: Beginning in **fiscal year 2019**, the local unit will begin amortizing the unfunded portion of the healthcare liability using a **level-dollar amortization method over a closed period of 10 years**. This will allow the health system to reach a funded status of **42% by 2022** as shown in the attached actuarial analysis on page **13**.

Please check the applicable answer:

Do the corrective actions listed in this plan allow for *(insert local unit name)* City of Taylor to make, at a minimum, the retiree premium payment, as well as the normal cost payments for all new hires (if applicable), for the retirement health benefit system according to your long-term budget forecast?

- Yes**
 - No**
- If No, Explain**

Documentation should be attached as a .pdf to this corrective action plan. The documentation should detail the corrective action plan that would be implemented to adequately address the local unit of government's underfunded status. Please check all documents that are included as part of this plan and attach in successive order as provided below

Naming convention: when attaching documents please use the naming convention shown below. If there is more than one document in a specific category that needs to be submitted, include a, b, or c for each document. For example, if you are submitting two supplemental valuations, you would name the first document "Attachment 2a" and the second document "Attachment 2b".

Naming Convention

- Attachment- 1
- Attachment- 1a
- Attachment- 2a

- Attachment - 3a
- Attachment - 4a
- Attachment - Sa

- Attachment - 6a

Type of Document

- This Corrective Action Plan (Required)**

- Documentation from the governing body approving this Corrective Action Plan (Required)**

- An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 40% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 12% of governmental fund revenues, as defined by the Act. (Required)**

- Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information).
- Documentation of commitment to additional payments in future years (e.g. resolution, ordinance)

- A separate corrective action plan that the local unit has approved to address its underfunded status, which includes documentation of prior actions, prospective actions, and the positive impact on the system's funded ratio

- Other documentation, not categorized above

Please confirm that each of the four corrective action plan criteria listed below have been satisfied when submitting this document. Specific detail on corrective action plan criteria can be found in the Corrective Action Plan Development: Best Practices and Strategies document.

Corrective Action Plan Criteria

Description

- Underfunded Status
Is there a description and adequate supporting documentation of how and when the retirement system will reach the 40% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all retirement healthcare systems will be less than 12 percent of governmental fund revenues?
- Reasonable Timeframe
Do the corrective actions address the underfunded status in a reasonable timeframe (see CAP criteria issued by the Board)?
- Legal and Feasible
Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible?
- Affordability
Do the corrective action(s) listed allow the local unit to make the retiree healthcare premium payment, as well as normal cost payment for new hires now and into the future without additional changes to this corrective action plan?

I, Rick Sollars, as the government's administrative officer (insert title)
Mayor (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

I confirm to the best of my knowledge that because of the changes listed above, one of the following statements will occur:

The Taylor OPEB System (**Insert Retirement Healthcare System Name**) will achieve a funded status of at least 40% by Fiscal Year 2047 as demonstrated by required supporting documentation listed in section 6.

OR, if the local unit is a city, village, township, or county:

The ACR for all of the retirement healthcare systems of _____ (insert local unit name) will be less than 12% of the total unit of government's annual governmental fund revenues by fiscal year _____ as demonstrated by required supporting documentation listed in section 6.

Signature 

Date 12/27/18

Prior Actions - Design Changes

Below is a listing of plan design changes the City has completed to address costs related to Other Post-Employment Benefits (OPEB).

- In 2011, the City established a Healthcare Cost Containment Committee with representatives from the City and unions.
- In 2012, the City moved active and pre-65 retirees to a high deductible/fully insured plane with the deductible covered by the City's Health Reimbursement Account (HRA).
- In 2013, the City moved Medicare eligible retirees, based on collective bargaining agreements language and case law at the time, to a Medicare Advantage Plan with Blue Cross/Blue Shield or HAP.
- In prior years, the City has migrated active employees to a 10/20/40 prescription plane with 6 of the City's 9 bargaining groups.
- The City has added Blue Care Network provider as a lower cost option to employees and the City.
- Over the past 6 years, The City has implemented 20% healthcare cost share for all active employees and related increases in accordance with Public Act 152 of 2011.
- The City negotiated a 20% retiree cost share for general employees hired subsequent to 2011.
- The City closed the traditional retiree health care benefit program for Police department employees hired subsequent to 2011 and fire department employees hired subsequent to 2016. These employees will receive benefits through the MERS Health Care Savings Program which the City and employee contribute to, similar to a defined contribution pension plan.
- The City negotiated carrier changes for dental and vision benefits with equivalent coverages.

Prospective Actions: Additional Funding

The City will establish a qualified OPEB trust to receive, invest and accumulate assets for OPEB costs by June 30, 2019. Additionally, the City will contribute at least \$3,000,000, in addition to the pay-go, to assist with initial funding of the trust on or before June 30, 2019. Fiscal year 2020 through fiscal year 2039, the City will pay the required contributions (per attachment 2A, column b) plus an additional \$255,000 per year. In fiscal year 2040, the City plans on contributing \$7,000,000 in addition to required contributions. Per the most recent GASB 67/68 reports, in the year 2040, the annual required contributions for the City's general pension plan is \$0 (see attachment 2B) and the annual contribution for the City's police and fire pension plan is reduced by approximately \$4,000,000 (see attachment 2C). The City plans on reallocating those contributions from the pension plans to the OPEB plan. The additional funding contributions will increase the retirement system's funded ratio to 40% by 2047.

City of Taylor Other Postemployment Benefits

CONFIDENTIAL

Requested By: Mr. Jason Couture, Finance Director

Submitted By: Brad Lee Armstrong, ASA, EA, FCA, MAAA;
Jeffrey T. Tebeau, FSA, EA, MAAA; and
Derek Henning, ASA, MAAA
Gabriel, Roeder, Smith & Company

Subject: Retiree Health Program Funding Projections

Date: December 21, 2018

This communication contains actuarial projections of the City of Taylor Other Postemployment Benefits. The projections contained in this document were based on an actuarial valuation of the plan as of June 30, 2018. Based on the proposed prefunding scenarios provided by the City and the investment policy of the plan, the investment return assumption used in this valuation was 3.62% per year net of expenses. All other assumptions and methods are the same as disclosed in our valuation report dated December 7, 2018. The purpose of this report is to provide decision makers with actuarial information needed to establish a plan funding policy in connection with Public Act 202 of 2017. The scenarios shown were based on the direction provided by the City's finance director.

The projections provided in this communication and the underlying actuarial valuation do **not** predict the results of future actuarial valuations or future Program activity. Rather, projections give an indication of the probable long-term costs of the Program based on a set of actuarial assumptions. This report does not include sensitivity testing on rates of investment return or health care inflation. This additional analysis was beyond the scope of this assignment.

This report was based on information provided by the City and was not audited by GRS. This communication may be distributed to parties other than the City only in its entirety and only with the permission of the City. GRS is not responsible for unauthorized use of this report.

Brad Lee Armstrong, Jeffrey T. Tebeau and Derek Henning are independent of the plan sponsor, are Members of the American Academy of Actuaries and meet the qualification standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

City of Taylor Other Postemployment Benefits Summary of Proposed Funding Policy

Background

The City provides retiree health care benefits to eligible individuals who retire from City employment. Currently, the plan is closed to all new Police and Fire employees while remaining open for General employees. As of July 1, 2018, there were no assets held in trust to provide for these benefits. Unlike the City sponsored pension plans, the City has not been prefunding the Other Postemployment benefits. The City has been paying benefits as they come due. This approach is known as pay-go funding. The projection shown on the following page illustrates a strategy for funding the obligations of the plan.

This projection reflects a decrease in liabilities from our valuation report dated December 7, 2018. The decrease is associated with projected rate reductions from moving Medicare eligible retirees to a Humana Medicare Advantage plan with a self-funded prescription drug plan.

The projection includes a one-time \$3,000,000 City contribution to the plan trust during fiscal year 2019 (the period July 1, 2018 - June 30, 2019), \$255,000 during fiscal year 2020 through 2039, and a contribution of \$7,000,000 during fiscal year 2040 and onward. The \$7,000,000 is presumed to become available when the Police and Fire Retirement System is projected to be 100% funded.

Description of Funding Policy

Under this funding plan, the City would continue to pay the cost of providing plan benefits for eligible retirees and their beneficiaries plus the normal cost contribution for new General employees hired after June 30, 2018.

For fiscal years ending 2019 through 2039, the "City Contribution"¹ is equal to the benefit payments, similar to a pay-as-you-go funding arrangement. The "Extra City Contribution"¹ is to be \$3,000,000 during fiscal year 2019 and \$255,000 thereafter.

For fiscal years ending 2040 through 2048, the "City Contribution"¹ would be capped at \$12,255,000 when the "Extra City Contribution"¹ of \$7,000,000 per year becomes available.

During years when the cost of providing benefits plus normal cost payments exceeds the annual City payment, the difference between the City's annual contribution and actual cost would be paid out of trust assets.

This funding plan is expected to be sufficient to pay the projected benefits of the Plan and achieve a funded percentage of 40% by the fiscal year 2047.

City of Taylor Other Post-Employment Benefits Proposed Funding Policy Projection

Projected Retiree Health Trust Revenue and Expense

Fiscal Year	Asset by Value	City Contribution	Extra City Contribution	Benefits Payments	(Paid from trust assets) New Entrant Normal Costs	Interest	Asset Value EOY	AAL EOY	Funded Percent
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(g)/(h)
7/1/2017 - 6/30/2018								\$ 239,505,651	0.0%
7/1/2018 - 6/30/2019	\$ -	\$7,751,586	\$3,000,000	\$(7,645,088)	\$(106,498)	\$ 54,300	\$ 3,054,300	243,571,945	1.3%
7/1/2019 - 6/30/2020	3,054,300	8,742,414	255,000	(8,389,421)	(352,993)	115,181	3,424,481	247,036,706	1.4%
7/1/2020 - 6/30/2021	3,424,481	9,562,459	255,000	(9,100,868)	(461,591)	128,582	3,808,063	249,724,587	1.5%
7/1/2021 - 6/30/2022	3,808,063	10,303,793	255,000	(9,726,518)	(577,275)	142,467	4,205,530	251,721,938	1.7%
7/1/2022 - 6/30/2023	4,205,530	11,055,256	255,000	(10,359,276)	(695,980)	156,856	4,617,386	253,024,445	1.8%
7/1/2023 - 6/30/2024	4,617,386	11,792,730	255,000	(10,996,084)	(796,646)	171,765	5,044,151	253,570,742	2.0%
7/1/2024 - 6/30/2025	5,044,151	12,561,254	255,000	(11,685,287)	(875,967)	187,214	5,486,365	253,279,180	2.2%
7/1/2025 - 6/30/2026	5,486,365	13,298,924	255,000	(12,348,984)	(949,940)	203,222	5,944,586	252,087,965	2.4%
7/1/2026 - 6/30/2027	5,944,586	13,877,015	255,000	(12,861,470)	(1,015,545)	219,810	6,419,396	250,146,506	2.6%
7/1/2027 - 6/30/2028	6,419,396	14,340,583	255,000	(13,269,799)	(1,070,784)	236,998	6,911,394	247,606,197	2.8%
7/1/2028 - 6/30/2029	6,911,394	14,718,430	255,000	(13,588,732)	(1,129,698)	254,808	7,421,202	244,565,266	3.0%
7/1/2029 - 6/30/2030	7,421,202	14,981,634	255,000	(13,794,675)	(1,186,959)	273,263	7,949,465	241,121,959	3.3%
7/1/2030 - 6/30/2031	7,949,465	15,195,529	255,000	(13,950,057)	(1,245,472)	292,386	8,496,851	237,342,854	3.6%
7/1/2031 - 6/30/2032	8,496,851	15,433,899	255,000	(14,135,713)	(1,298,186)	312,201	9,064,052	233,231,287	3.9%
7/1/2032 - 6/30/2033	9,064,052	15,615,104	255,000	(14,276,956)	(1,338,148)	332,734	9,651,786	228,840,333	4.2%
7/1/2033 - 6/30/2034	9,651,786	15,594,813	255,000	{14,223,099}	(1,371,714)	354,010	10,260,797	224,357,251	4.6%
7/1/2034 - 6/30/2035	10,260,797	15,578,893	255,000	{14,173,708}	(1,405,185)	376,056	10,891,853	219,780,638	5.0%
7/1/2035 - 6/30/2036	10,891,853	15,420,460	255,000	(13,983,086)	(1,437,374)	398,901	11,545,753	215,234,912	5.4%
7/1/2036 - 6/30/2037	11,545,753	15,199,000	255,000	(13,726,954)	(1,472,046)	422,572	12,223,325	210,812,124	5.8%
7/1/2037 - 6/30/2038	12,223,325	15,088,738	255,000	(13,580,001)	(1,508,737)	447,100	12,925,425	206,359,956	6.3%
7/1/2038 - 6/30/2039	12,925,425	15,001,939	255,000	(13,461,059)	(1,540,880)	472,516	13,652,941	201,893,141	6.8%
7/1/2039 - 6/30/2040	13,652,941	12,255,000	7,000,000	(13,147,953)	{1,573,772}	576,289	18,762,505	197,611,868	9.5%
7/1/2040 - 6/30/2041	18,762,505	12,255,000	7,000,000	{12,886,874}	(1,606,835)	765,382	24,289,178	193,471,748	12.6%
7/1/2041 - 6/30/2042	24,289,178	12,255,000	7,000,000	(12,629,467)	(1,639,083)	969,523	30,245,151	189,475,592	16.0%
7/1/2042 - 6/30/2043	30,245,151	12,255,000	7,000,000	{12,263,149}	(1,671,691)	1,191,169	36,756,480	185,740,645	19.8%
7/1/2043 - 6/30/2044	36,756,480	12,255,000	7,000,000	{11,816,112}	(1,704,589)	1,434,375	43,925,155	182,359,242	24.1%
7/1/2044 - 6/30/2045	43,925,155	12,255,000	7,000,000	{11,308,254}	(1,738,092)	1,702,467	51,836,276	179,384,301	28.9%
7/1/2045 - 6/30/2046	51,836,276	12,255,000	7,000,000	{10,801,674}	(1,773,220)	1,997,383	60,513,765	176,852,357	34.2%

There may be cases where the schedule does not add due to rounding.

City of Taylor Other Postemployment Benefits

Comments

Comment 1 - The calculations are based upon assumptions regarding future events, which may or may not materialize including the 3.62% investment return assumption. They are also based upon present plan provisions, data, methods and assumptions that are outlined in our report dated December 7, 2018. If you have reason to believe that the assumptions that were used are unreasonable, the plan provisions are incorrectly described, the information provided in this report is inaccurate, or is in any way incomplete, or that important plan provisions relevant to this proposal are not described, or that conditions have changed since the calculations were made, you should contact the authors of this report prior to relying on information in the report.

Comment 2 - Future actuarial measurements may differ significantly from those presented in this report due to such factors as Plan experience differing from that anticipated by actuarial assumptions, changes in plan provisions, federal programs or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements.

Comment 3 - The projections shown in this report do not include the cash payments paid to eligible benefit recipients who elect to receive cash payments in lieu of plan benefits. For the purpose of this study we assumed that these payments would be paid from the City's general account.

Comment 4 - The calculations shown in this report show a decrease in liabilities from the valuation report dated December 7, 2018. This is associated with projected rate reductions from moving Medicare eligible retirees to a Humana Medicare Advantage plan with a self-funded prescription drug plan. The current, renewal and new MAPD rates were supplied by the City and are shown below.

Sample Premium Rates

HEALTH DIVISION	Current (1/#2018)	RENEWAL 1/1/2019)	NEW (1/1/2019)
Div 600 - No Rx	\$362.45	\$298.66	\$190.87
Div 601	\$713.04	\$587.42	\$478.71
Div 602	\$688.13	\$566.95	\$464.78
Div 603	\$653.91	\$538.69	\$444.92
Div 604	\$580.16	\$477.94	\$400.16
Div 605	\$568.42	\$468.27	\$390.78
Div 1106	\$528.54	\$517.67	\$478.71
Div 1206	\$508.46	\$498.00	\$464.78
Div 1006	\$487.05	\$477.03	\$444.92
Div 1306	\$475.03	\$465.26	\$400.16
Div 1706	\$460.57	\$451.10	\$400.16
Div 3306	\$471.46	\$461.76	\$390.78

Single Discount Rate Development Projection of Contributions

Calendar Year	Contributions from Current Employees	Normal Cost	Administrative Expense Contributions	UAL Contributions	Total Contributions
2018	\$125,576	\$ 63,570	\$	\$ 3,499,136	\$ 3,688,282
2019	110,796	52,236		3,596,134	3,759,166
2020	97,944	44,313		3,651,146	3,793,403
2021	83,598	35,262		3,733,321	3,852,180
2022	68,068	24,841		3,773,012	3,865,920
2023	54,528	17,658		3,781,392	3,853,578
2024	42,072	11,661		3,787,244	3,840,977
2025	33,208	7,860		3,790,523	3,831,591
2026	25,818	5,005		3,791,768	3,822,591
2027	19,328	2,740		3,792,136	3,814,204
2028	15,045	1,650		3,792,209	3,808,904
2029	11,844	844		3,792,093	3,804,781
2030	8,690	399		3,791,865	3,800,955
2031	4,998	136		3,791,573	3,796,707
2032	2,426	0		3,791,229	3,793,656
2033	1,257	2		3,790,833	3,792,092
2034	687	10		3,790,373	3,791,071
2035	383	12		3,789,824	3,790,220
2036	230	8		3,789,136	3,789,374
2037	155	1		3,788,185	3,788,342
2038	114	(3)		3,786,537	3,786,648
2039	95	(2)		1,892,725	1,892,818
2040	63	(1)		1	63
2041	17	(0)		0	17
2042					
2043					
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B

*Table 1
Projection of Total Contributions*
Assuming 21 Year Closed Amortization of UAAL*

<i>Year Beg. 7/1</i>	<i>Projected Entry Age AAL</i>	<i>Projected Funding Value of Assets</i>	<i>UAAL</i>	<i>21 Year Closed Amortization</i>	<i>Projected Employer Normal Cost</i>	<i>Employer Contribution</i>	<i>Employee Contribution</i>	<i>Total Contributions</i>
2018	\$1 89,890,204	\$1 23,671,293	\$66,218,911	\$4,477,120	\$2,099,288	\$6,576,408	\$745,670	\$7,322,078
2019	193,484,813	132,103,550	61,381,263	4,289,878	1,982,508	6,272,386	713,113	6,985,499
2020	196,440,149	134,354,582	62,085,567	4,496,085	1,641,554	6,137,639	610,761	6,748,400
2021	198,073,390	135,398,623	62,674,767	4,715,539	1,440,967	6,156,506	546,744	6,703,250
2022	198,990,641	135,875,827	63,114,814	4,948,369	1,250,752	6,199,121	486,706	6,685,827
2023	199,073,770	135,685,676	63,388,094	5,196,262	1,040,472	6,236,734	420,349	6,657,083
2024	198,220,377	134,750,695	63,469,682	5,460,808	785,025	6,245,833	338,368	6,584,201
2025	196,395,327	133,070,210	63,325,117	5,743,322	608,680	6,352,002	281,154	6,633,156
2026	193,880,604	130,964,588	62,916,016	6,045,345	531,551	6,576,896	256,992	6,833,888
2027	191,038,115	128,839,133	62,198,982	6,368,659	483,121	6,851,780	243,548	7,095,328
2028	187,978,626	126,848,942	61,129,684	6,715,876	448,084	7,163,960	234,840	7,398,800
2029	184,751,597	125,092,717	59,658,880	7,090,389	443,895	7,534,284	236,538	7,770,822
2030	181,496,781	123,768,543	57,728,238	7,496,300	460,368	7,956,668	245,716	8,202,384
2031	178,256,957	122,982,606	55,274,351	7,939,542	480,259	8,419,801	256,332	8,676,133
2032	175,115,969	122,896,875	52,219,094	8,427,680	500,794	8,928,474	267,294	9,195,768
2033	172,096,133	123,622,700	48,473,433	8,972,191	522,392	9,494,583	278,822	9,773,405
2034	169,219,934	125,290,031	43,929,903	9,590,908	545,259	10,136,167	291,036	10,427,203
2035	166,513,120	128,058,751	38,454,369	10,314,137	569,188	10,883,325	303,806	11,187,131
2036	163,989,996	132,118,163	31,871,833	11,201,210	588,504	11,789,714	314,204	12,103,918
2037	161,585,308	137,649,706	23,935,602	12,398,799	575,504	12,974,303	308,497	13,282,800
2038	159,086,277	144,854,493	14,231,784	14,486,548	514,828	15,001,376	276,098	15,277,474
2039	156,339,116	154,629,158	1,709,958	1,740,568	462,327	2,202,895	248,258	2,451,153
2040	153,231,474	151,689,513	1,541,961	1,569,564	346,585	1,916,149	187,779	2,103,928
2041	149,567,991	147,976,722	1,591,269	1,619,754	248,434	1,868,188	135,366	2,003,554
2042	145,444,729	143,805,238	1,639,491	1,668,840	174,558	1,843,398	95,996	1,939,394

City of Taylor

Other Postemployment Benefits

Actuarial Valuation Report

June 30, 2018

GRS

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December 7, 2018

Ms. Sheila Gorski-Schulte
Director of Human Resources/Risk Management
City of Taylor
23555 Goddard Road
Taylor, Michigan 48180

Dear Ms. Gorski-Schulte:

Submitted in this report are the results of an Actuarial Valuation of the benefit values associated with the employer financed retiree health benefits provided by the City of Taylor. The date of the valuation was June 30, 2018.

This report was prepared at the request of the City of Taylor and is intended for use by the Plan and those designated or approved by the City. This report may be provided to parties other than the City only in its entirety and only with the permission of the City. GRS is not responsible for unauthorized use of this report.

The purpose of the valuation is to measure the Plan's financial status, to determine the Actuarially Determined Contribution for the fiscal years ending June 30, 2019, June 30, 2020 and June 30, 2021. This report should not be relied on for any purpose other than the purposes described herein. Determinations of financial results, associated with the benefits described in this report, for purposes other than those identified above may be significantly different.

The contribution rate in this report is determined using the actuarial assumptions and methods disclosed in Section D of this report. This report does not include a more robust assessment of the risks of future experience not meeting the actuarial assumptions. Additional assessment of risks was outside the scope of this assignment.

The findings in this report are based on data and other information through June 30, 2018. The valuation was based upon information furnished by the City concerning Plan benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by the City.

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.

The signing actuaries are independent of the plan sponsor.

Brad Lee Armstrong and Jeffrey T. Tebeau 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.

To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of the plan as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices and with the Actuarial Standards of Practice issued by the Actuarial Standards Board.

Respectfully submitted,



Brad Lee Armstrong, ASA, EA, FCA, MAAA



Jeffrey T. Tebeau, FSA, EA, MAAA

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EXECUTIVE SUMMARY

Executive Summary

Actuarially Determined 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 November 2, 2018 complies 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"¹¹ calculated in the valuation reports. Therefore, we have determined the "Actuarially Determined Contribution"¹¹ for subsequent years.

We have calculated the Actuarially Determined Contribution (ADC) for the fiscal years ending June 30, 2019, June 30, 2020 and June 30, 2021 under the interest rate assumption of 3.62%. Below is a summary of the results.

The ADC for the fiscal year ending June 30, 2019 is estimated to be \$5,760,231 for the General group, \$433,237 for the Court group and \$10,729,219 for the Police/Fire group. The expected retiree health care claims and premium amounts paid during the fiscal year ending June 30, 2019 are estimated to be \$4,318,792 for the General group, \$111,585 for the Court group, and \$4,299,852 for the Police/Fire group. 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 \$137,115,315 for the General group, \$8,136,400 for the Court group, and \$169,009,300 for the Police/Fire group. The actuarial accrued liability, which is the portion of the present value of all benefits attributable to service accrued by Plan members as of June 30, 2018, is \$132,339,196 for the General group, \$5,466,140 for the Court group, and \$155,957,193 for the Police/Fire group. The assets currently set aside for GASB OPEB purposes as of June 30, 2018 are \$0 for all groups.

SECTION A

VALUATION RESULTS

**Development of the Actuarially Determined Contributions
for the Other Postemployment Benefits
Fiscal Years Ending June 30, 2019, June 30, 2020 and June 30, 2021**

<i>Contributions for</i>	<i>Development of the Actuarially Determined Contribution for</i>		
	<i>General</i>	<i>Court</i>	<i>Police/Fire</i>
<i>Total Normal Cost</i>	\$1,194,175	\$244,641	\$2,273,789
<i>Amortization of Unfunded Actuarial Accrued Liabilities (Amortized over 30 years)</i>	\$4,566,056	\$ 188,596	\$8,455,430
<i>Actuarially Determined Contribution (ADC) For Fiscal Year Ending June 30, 2019</i>	\$5,760,231	\$433,237	\$10,729,219
<i>ADC Per Active Participant</i>	\$ 64,722	\$ 27,077	\$ 132,459
<i>Actuarially Determined Contribution (ADC) For Fiscal Year Ending June 30, 2020</i>	\$5,931,985	\$449,012	\$10,719,754
<i>ADC Per Active Participant</i>	\$ 66,652	\$ 28,063	\$ 132,343
<i>Actuarially Determined Contribution (ADC) For Fiscal Year Ending June 30, 2021</i>	\$6,109,451	\$465,362	\$10,494,785
<i>ADC Per Active Participant</i>	\$ 68,646	\$ 29,085	\$ 129,565

*The results on this page are calculated under the assumption that the employer funding policy is to contribute only the pay-as-you-go health care premium/claims contributions and have no plan assets. Under this policy, the employer should use an investment return assumption similar to that of the general fund earnings. **Therefore, the investment return assumption used to calculate the liabilities shown above is 3.62%.***

The unfunded actuarial accrued liabilities were amortized as a level percent of active member payroll over a closed period of 30 years for General and Court beginning with the Fiscal Year Ending June 30, 2019.

The unfunded actuarial accrued liabilities were amortized as a level dollar amount over a closed period of 30 years for Police/Fire with the Fiscal Year Ending June 30, 2019.

Determination of Unfunded Actuarial Accrued Liability as of JUNE 30, 2018

	General	Court	Police/Fire
A. Present Value of Future Benefits			
1. Retirees and Beneficiaries	\$ 89,625,019	\$ 2,829,947	\$ 115,652,052
2. Retired Members in Deferral Period	13,584,047	0	1,682,498
3. Active Members	33,906,249	5,306,453	51,674,750
Total Present Value of Future Benefits	\$ 137,115,315	\$ 8,136,400	\$ 169,009,300
B. Present Value of Future Employer Normal Costs	\$ 4,776,119	\$ 2,670,260	\$ 13,052,107
C. Present Value of Future Contributions from Current Active Members	\$0	\$0	\$0
D. Actuarial Accrued Liability (A.-B.-C.)	\$ 132,339,196	\$ 5,466,140	\$155,957,193
E. Market Value of Assets	\$0	\$0	\$0
F. Unfunded Actuarial Accrued Liability (D.-E.)	\$ 132,339,196	\$ 5,466,140	\$155,957,193
G. Funded Ratio (E./D.)	0.0%	0.0%	0.0%

*The results on this page are calculated under the assumption that the employer funding policy is to contribute only the pay-as-you-go health care premium/claims contributions and have no plan assets. Under this policy, the employer should use an investment return assumption similar to that of the general fund earnings. **Therefore, the investment return assumption used to calculate the liabilities shown above is 3.62%.***

The funded ratio measurement shown above is inappropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the City's benefit obligations.

Comments

Comment A: *One of the key assumptions used in any valuation of the cost of Other Postemployment Benefits (OPEB) is the rate of return on Plan assets. Higher assumed investment returns will result in a lower Actuarially Determined Contribution (ADC). Lower returns will tend to increase the computed ADC. Based on our understanding of the City's funding policy and an absence of Plan assets as of June 30, 2018, we have calculated the liability and the resulting ADC using an assumed long term rate of investment of 3.62%. This is the municipal bond rate based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"¹¹.*

Comment B: *The contribution amounts shown include amortization of the unfunded actuarial accrued liability over closed period of 30 years with the Fiscal Year Ending June 30, 2019.*

Comment C: *For the fiscal years ending June 30, 2019, June 30, 2020 and June 30, 2021, the estimated claims and/or premiums paid by the employer on behalf of retirees are as follows:*

	With Implicit Rate			Without Implicit Rate		
	FYE 2019	FYE 2020	FYE 2021	FYE 2019	FYE 2020	FYE 2021
General	\$4,318,792	\$4,782,725	\$5,173,218	\$3,798,362	\$4,201,918	\$4,552,812
Court	111,585	129,843	145,364	102,842	118,535	133,977
Police/Fire	4,299,852	4,703,246	5,149,390	4,086,687	4,482,229	4,923,392

Comment D: *Several actuarial assumptions were updated since the last valuation. The assumed rate of investment return and the actuarial assumptions used to measure the rates of mortality have been updated in this valuation. The retirement, disability, and withdrawal assumptions were updated for Court and the salary assumptions have been updated across all groups in order to be consistent with the pension valuations. In addition, the healthcare inflation assumption was updated, as was the excise tax load (see Comment E). Overall, the impact of these assumption changes was an increase in liabilities and the ADC. The remaining assumptions are believed to be reasonable, but we suggest a more thorough review prior to completion of the next OPEB valuation. See section D for a further discussion of the actuarial assumptions used.*

Comment E: *Favorable healthcare premium experience since the last valuation resulted in slightly lower liabilities before the application of assumption changes. In addition, revised benefit provisions that affected retiree eligibility and retiree cost sharing reduced the liabilities of the plan.*

Comments (Concluded)

Comment F: 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. 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. 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. The excise tax is projected to be between 5%-10% of premiums. A 4.5% load was applied to all health care liabilities to approximate the cost for future excise tax.

SECTION 8

RETIREE PREMIUM RATE DEVELOPMENT

Retiree Premium Rate Development

Initial premium rates were developed for the two classes of retirees (pre-65 and post-65). Members have healthcare coverage through fully-insured BCBSM plans, fully insured BCN plans or fully-insured HAP plans. The City also funds HRA payments directly to the provider for the gap between the High Deductible Plan and the member out-of-pocket liability (available only to Active employees and pre-65 retirees). Illustrative rates that include the HRA costs were provided. We used the rates which include the HRA costs in the development of the rates which will be used in the valuation. Overall the composite retiree premiums since the July 1, 2014 valuation were less than expected.

All of the pre-65 BCBSM fully-insured premiums are assumed to be blended rates based on the combined experience of active and pre-65 retired members; therefore, there is an implicit employer subsidy for the non-Medicare eligible retirees since the average costs of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees. The true per capita cost for the pre-65 retirees is developed by adjusting the demographic differences between the active employees and retirees to reflect this implicit rate subsidy for the retirees. For the post-65 retirees, the fully-insured premium rate is used as the basis of the initial per capita cost without adjustments since the rate reflects the demographics of the post-65 retiree group.

The benefit options available to future retirees are different than current retirees. We have developed separate premium rates for future retirees in order to reflect the benefit differences since the differences are material.

Age graded and sex distinct premiums are utilized by this valuation. The premiums developed by the preceding process 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. The age/sex specific premiums more accurately reflect the health care utilization and cost at that age.

Retiree Premium Rate Development (Concluded)

The combined monthly one-person medical, and drug premiums at select ages are shown below:

Current and Future Retirees

<i>Future Retirees</i>			<i>Current Retirees</i>		
<i>Not Eligible for Medicare</i>			<i>Not Eligible for Medicare</i>		
<i>Age</i>	<i>Male</i>	<i>Female</i>	<i>Age</i>	<i>Male</i>	<i>Female</i>
4	\$ 553.47	\$ 763.86	45	\$ 549.85	\$ 758.87
50	720.68	887.81	50	715.97	882.01
55	948.34	1,035.44	55	942.14a	1,028.68
60	1,224.83	1,206.04	60	1,216.82a	1,198.15
<i>Eligible for Medicare</i>			<i>Eligible for Medicare</i>		
<i>Age</i>	<i>Male</i>	<i>Female</i>	<i>Age</i>	<i>Male</i>	<i>Female</i>
65	\$ 765.55	\$722.06	65	\$ 821.54	\$ 774.87
70	833.96	806.98	70	894.95	866.00
75	895.69	873.99	75	961.20	937.92

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

James E. Pranschke, FSA, MAAA

James E. Pranschke, FSA, MAAA

SECTION C

SUMMARY OF BENEFIT PROVISIONS AND VALUATION DATA

The plan provisions described in this section were compiled to the best of our ability based on information provided by the City. In some cases where information was limited, assumptions were made that were generally based on corresponding provisions in the Retirement System. In the event that any description contained herein differs from the actual eligibility or benefit, the appropriate employee contract or governing document will prevail. If you have reason to believe that the plan provisions are incorrectly described, that important plan provisions relevant to this valuation are not described, or that conditions have changed since the calculations were made, you should contact the authors of this report prior to relying on information in the report.

Fire

Summary of Benefits as of June 30, 2018

Retiree Health Care Benefit

Hired before 8/1/2016 and Retired before 9/1/2017- The City provides fully paid retiree health care for the retiree, spouse and eligible dependents with 0% cost share.

Hired before 8/1/2016 and Retired on or after 9/1/2017 - The City provides retiree health care for the retiree, spouse and eligible dependents with 20% cost share with the following annual caps: \$3,000 Family/ \$2,500 Two-person / \$2,000 Single.

Hired on or after 8/1/2016 - No benefit coverage in retirement. Participation in MERS Health Savings Plan.

Normal Retirement

Eligibility- Any age with 20 or more years of service or age 60 regardless of service.

Deferred (Vested) Retirement

Eligibility- 10 or more years of service. Benefit commences at date retirement would have occurred if member had remained in employment.

Duty Death Before Retirement Benefits

Eligibility- Death while actively employed. Payable to the employee's un-re-married spouse for life and dependents per federal/state law.

Non-Duty Death Before Retirement Benefits

Eligibility- Death while actively employed after 10 years of service. Payable to the employee's un-re-married spouse for life and dependents per federal/state law.

Death After Retirement

Upon the death of the retiree, the City continues coverage of retiree health care for the lifetime of the un-re-married spouse and dependents per federal/state law.

Duty Disability Retirement

Eligibility- No age or service requirement.

Non-Duty Disability Retirement

Eligibility- 5 or more years of service.

Opt-Out - Hired before 8/1/2011a- The City offers \$150/\$300/\$400 for single/two-person/family coverage respectively in lieu of retiree health care coverage.

Medicare Eligibility a- Retirees are required to enroll in Medicare once eligible. The City reimburses the retiree for their Medicare Part B premium.

Dental/Optical - Retiree is responsible for dental and optical premiums.

Life Insurance - Retirees are not eligible for life insurance.

Police Patrol

Summary of Benefits as of June 30, 2018

Retiree Health Care Benefit

Hired before 9/1/2011 and Retired before 6/30/2011 – The City provides fully paid retiree health care for the retiree, spouse and eligible dependents with 0% cost share.

Hired before 9/1/2011 and Retired on or after 6/30/2011 through 8/31/2011 - The City provides retiree health care for the retiree, spouse and eligible dependents with 10% cost share with a \$3,000 annual cap.

Hired before 9/1/2011 and Retired after 9/1/2011 before 2/1/2017 - The City provides retiree health care for the retiree, spouse and eligible dependents with 10% cost share with a \$2,500 annual cap.

Hired before 9/1/2011 and Retired on or after 2/1/2017a- The City provides retiree health care for the retiree, spouse and eligible dependents with 20% cost share with the following annual caps: \$3,000 Family/ \$2,500 Two-persona/ \$2,000 Single.

Members after 9/1/2012 - No benefit coverage in retirement. Participation in MERS Health Savings Plan.

Normal Retirement

Eligibilitya- Any age with 20 or more years of service or age 60 regardless of service.

Deferred (Vested) Retirement

Eligibilitya- 10 or more years of service. Benefit commences at date retirement would have occurred if member had remained in employment.

Duty Death Before Retirement Benefits

Eligibilitya- Death while actively employed. Payable to the employee's un-remarried spouse for life.

Non-Duty Death Before Retirement Benefits

Eligibilitya- Death while actively employed after 10 years of service. Payable to the employee's un-remarried spouse for life.

Death After Retirement

Upon the death of the retiree, the City continues coverage of retiree health care for the lifetime of the un-remarried spouse.

Duty Disability Retirement

Eligibilitya- No age or service requirement.

Non-Duty Disability Retirement

Eligibilitya- 5 or more years of service.

Opt-Outa- **Hired before 9/1/2011a**- The City offers \$150/\$300/\$400 for single/two-person/family coverage respectively in lieu of retiree health care coverage.

Police Patrol (Concluded)

Summary of Benefits as of June 30, 2018

Medicare Eligibility - *Retirees are required to enroll in Medicare once eligible. The City of Taylor reimburses the retiree for their Medicare Part B premium.*

Dental/Optical - *Retiree is responsible for dental and optical premiums.*

Life Insurance - *Retirees are not eligible for life insurance.*

Public Service Officers (Cadets)

Summary of Benefits as of June 30, 2018

Retiree Health Care Benefit

Amount - The *City provides fully paid retiree health care for the retiree, spouse and eligible dependents.*

All retired employees will be required to pay 20% of the annual premium or illustrative rate for medical and prescription drug coverage up to an annual \$4,500 (four thousand five hundred) cap. City health coverage is not available for Medicare eligible PSO retirees.

Normal Retirement

Eligibility - *Age 55 or greater with 25 or more years of service.*

Deferred (Vested) Retirement

Public safety officers are not eligible for Deferred (Vested) Retirement.

Duty Death Before Retirement Benefits

Public safety officers are not eligible for Duty Death Before Retirement Benefits.

Non-Duty Death Before Retirement Benefits

Public safety officers are not eligible for Non-Duty Death Before Retirement Benefits.

Death After Retirement

Upon the death of the retiree, the City continues coverage of retiree health care for the lifetime of the un-remarried spouse.

Duty Disability Retirement

Public safety officers are not eligible for Duty Disability Retirement.

Non-Duty Disability Retirement

Public safety officers are not eligible for Non-Duty Disability Retirement.

Opt-Out - *The City does not provide payment in lieu of retiree health care coverage.*

Medicare Eligibility - *Retirees are required to enroll in Medicare once eligible. City health coverage is not available for Medicare eligible PSO retirees.*

Dental/Optical - *Retiree is responsible for dental and optical premiums.*

Life Insurance - *Retirees are not eligible for life insurance.*

Police Command

Summary of Benefits as of June 30, 2018

Retiree Health Care Benefit

Retired Prior to 7/1/2006 - The City provides fully paid retiree health care for the retiree, spouse and eligible dependents with 0% cost share.

Retired under CBA : 1/1/2006 through 6/30/2011 - The City provides retiree health care for the retiree, spouse and eligible dependents with 10% cost share of premium in effect at the time of retirement (No rate increases) with a \$2,250 annual cap.

Retired under CBA : 1/1/2011 through 3/21/2017 - The City provides retiree health care for the retiree, spouse and eligible dependents with 20% cost share and no annual cap.

Retired under CBA : 3/22/2017 through 6/30/2022 - The City provides retiree health care for the retiree, spouse and eligible dependents with 20% cost share and no annual cap if retired on or before 4/1/2017 and with the following annual caps if retired after 4/1/2017: \$3,000 Family/ \$2,500 Two-persona/ \$2,000 Single.

Normal Retirement

Eligibility- Any age with 25 or more years of service or age 60 regardless of service.

Deferred (Vested) Retirement

Eligibility - 10 or more years of service. Benefit commences at date retirement would have occurred if member had remained in employment.

Duty Death Before Retirement Benefits

Eligibility- Death while actively employed. Payable to the employee's un-remarried spouse for life and dependents per federal/state law.

Non-Duty Death Before Retirement Benefits

Eligibility- Death while actively employed after 10 years of service. Payable to the employee's un-remarried spouse for life and dependents per federal/state law.

Death After Retirement

Upon the death of the retiree, the City continues coverage of retiree health care for the lifetime of the un-remarried spouse and dependents per federal/state law.

Duty Disability Retirement

Eligibility- No age or service requirement.

Non-Duty Disability Retirement

Eligibility- 5 or more years of service.

Opt-Out - Hired before 9/1/2011 - The City offers \$150/\$300/\$400 for single/two-person/family coverage respectively in lieu of retiree health care coverage.

Police Command {Concluded}

Summary of Benefits as of June 30, 2018

Medicare Eligibility a- *Retirees are required to enroll in Medicare once eligible. The City of Taylor reimburses the retiree for their Medicare Part B premium.*

Dental/Optical - *Retiree is responsible for dental and optical premiums.*

Life Insurance - *Retirees are not eligible for life insurance.*

Court Employees/Court Supervisors Summary of Benefits as of June 30, 2018

Retiree Health Care Benefit

Amount- The City provides fully paid retiree health care for the retiree, spouse and eligible dependents.

Retirees shall pay a percentage of the City's monthly costs for the medical insurance plan selected in accordance with the following schedule:

Service	Medical Premium Retiree Co-Payment	
	<u>Hired before 12/31/2014</u>	<u>Hired after 1/1/2015</u>
Vested - 12 years	35% - No Cap	35% ^a - No Cap
13 - 24 years	25% ^a - No Cap	25% ^a - No Cap
25 years & over	10% capped at an annual maximum of \$4,500	10% ^a - No Cap

Normal Retirement

Eligibility - Age 55 with 25 or more years of service, or age 60 with 10 years of service.

Deferred (Vested) Retirement

Eligibility^a- 10 or more years of service. Benefit commences at date retirement would have occurred if member had remained in employment.

Duty Death Before Retirement Benefits

Eligibility^a- Death while actively employed. Payable to the employee's spouse for life.

Non-Duty Death Before Retirement Benefits

Eligibility^a- Death while actively employed after 10 years of service. Payable to the employee's spouse for life.

Death After Retirement

Upon the death of the retiree, the City continues coverage of retiree health care for the lifetime of the spouse.

Duty Disability Retirement

Eligibility^a- No age or service requirement.

Court Employees/Court Supervisors (Concluded) Summary of Benefits as of June 30, 2018

Non-Duty Disability Retirement

Eligibility e- 10 or more years of service.

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

Medicare Eligibility - Retirees are required to enroll in Medicare once eligible. The City of Taylor reimburses the retiree for their Medicare Part B premium.

Dental/Optical - Retiree is responsible for dental and optical premiums.

Life Insurance - The City provides \$6,000 of life insurance to retirees.

Local 1128 AFSCME

Summary of Benefits as of June 30, 2018

Retiree Health Care Benefit

Hired before 11/24/2014 and Retired before 5/1/2015 - The City provides fully paid retiree health care for the retiree, spouse and eligible dependents with 0% cost share.

Hired before 11/24/2014 and Retired on or after 5/1/2015 - City provides fully paid retiree health care for the retiree, spouse and eligible dependents with applicable cost share:

Vested to 24 years of service: 20% cost share with \$4,500 annual cap.

25 years of service: 0% cost share.

DC Participants: Employees hired after 12/22/2004a- City provides fully paid retiree health care for the retiree, spouse and eligible dependents with applicable cost share:

Hired Before 11/24/2014- Vested to 24 years of service: 20% cost share. 25 years of service: 0% cost share.

Hired on or after 11/24/2014 - 20% cost share.

Normal Retirement

Eligibility if Hired On or After 8/4/88 - Age 55 with 10 or more years of service or age 50 with 25 or more years of service.

Eligibility if Hired Before 8/4/88 - Earlier of: (a) Age 55 with 8 or more years of service (10 or more years if hired after 8/1/82), or (b) 25 years of service

Early Retirement

Eligibility if Hired On or After 8/4/88 - Age 50 with 10 or more years of service.

Eligibility if Hired Before 8/4/88 - Earlier of: (a) Age 48 with 8 or more years of service (10 or more years if hired after 8/1/82), or (b) 18 years of service

Deferred (Vested) Retirement

Eligibility- 8 or more years of service (10 or more years if hired after 8/1/82). Benefit commences at age 55.

Death Before Retirement Benefits

Eligibility- Death while actively employed after 8 or more years of service (10 or more years if hired after 8/1/82). Payable to the employee's un-remarried spouse for life.

Death After Retirement

Upon the death of the retiree, the City continues full coverage of retiree health care for the lifetime of the un-remarried spouse.

Disability Retirement

Eligibility if Hired On or After 8/4/88 - 10 years of service credited in System, and must be eligible to receive Social Security disability benefits.

Eligibility if Hired Before 8/4/88 - No age or service requirement, but must be eligible to receive Social Security disability benefits.

Local 1128 AFSCME (Concluded)

Summary of Benefits as of June 30, 2018

Opt-Out- The *City does not provide payment in lieu of retiree health care coverage.*

Medicare Eligibility- *Retirees are required to enroll in Medicare once eligible. The City of Taylor reimburses the retiree for their Medicare Part B premium for retirees retired before 10/3/2000.*

Dental - *Retiree is responsible for dental premiums.*

Life Insurance - *The City provides \$10,000 of life insurance.*

Local 1917

Summary of Benefits as of June 30, 2018

Retiree Health Care Benefit

Retired before 6/1/2015 - The City provides fully paid retiree health care for the retiree, spouse and eligible dependents with 0% cost share.

Retired on or after 6/1/2015 - City provides fully paid retiree health care for the retiree, spouse and eligible dependents with applicable cost share:

Vested to 24 years of service: 20% cost share with \$4,500 annual cap.

25 years of service: 0% cost share.

DC Participants: Employees hired after 12/22/2004 - City provides fully paid retiree health care for the retiree, spouse and eligible dependents with applicable cost share:

Vested to 24 years of service: 20% cost share.

25 years of service: 0% cost share.

Normal Retirement

Eligibility if Hired On or After 8/4/88 - Age 55 with 10 or more years of service or age 50 with 25 or more years of service.

Eligibility if Hired Before 8/4/88 - Earlier of: (a) Age 55 with 8 or more years of service or (b) 25 years of service

Early Retirement

Eligibility if Hired On or After 8/4/88 - Age 50 with 10 or more years of service.

Eligibility if Hired Before 8/4/88 - Earlier of: (a) Age 48 with 8 or more years of service or (b) 18 years of service.

Deferred (Vested) Retirement

Eligibility- 8 or more years of service (10 or more years if hired after 8/4/88). Benefit commences at age 55.

Death Before Retirement Benefits

Eligibility- Death while actively employed after 8 or more years of service (10 or more years if hired after 8/4/88). Payable to the employee's spouse for life.

Death After Retirement

Upon the death of the retiree, the City continues full coverage of retiree health care for the lifetime of the spouse.

Disability Retirement

Eligibility if Hired On or After 8/4/88 - 10 years of service credited in System, and must be eligible to receive Social Security disability benefits.

Eligibility if Hired Before 8/4/88a- No age or service requirement, but must be eligible to receive Social Security disability benefits.

Local 1917 (Concluded)

Summary of Benefits as of June 30, 2018

Opt-Outa- The City does not provide payment in lieu of retiree health care coverage.

Medicare Eligibility - Retirees are required to enroll in Medicare once eligible. The City reimburses the retiree for their Medicare Part B premium.

Dental - The City provides dental benefits for those retired after 7/1/99.

Life Insurance - The City provides \$20,000 of life insurance.

Taylor Governmental Management and Administrative Employees Association Summary of Benefits as of June 30, 2018

Retiree Health Care Benefit

Hired before 1/1/2011 and Retired before 1/1/2011a- The City provides fully paid retiree health care for the retiree, spouse and eligible dependents.

Hired before 1/1/2011 and Retired after 1/1/2011 - The Medical premium co-payment shall extend to retirees. Retirees shall pay a percentage of the City's monthly cost for the medical insurance plan selected in accordance with the following schedule:

Medical Premium Retiree	
Service	Co-Payment
Vested - 12 years	35%
13a- 20 years	25%
21 years & over	10%

Hired on or after 1/1/2011a- Age 55 with 25 years of Service: The City provides retiree health care for the retiree, spouse and eligible dependents with 20% cost share.

Age 65: No coverage.

Normal Retirement

Eligibility if Hired Before 05/18/88 - Age 55 with 4 or more years of service or any age with 25 or more years of service.

Eligibility if Hired Between 05/18/88 and 01/01/11 - Age 55 with 5 or more years of service.

Eligibility if Hired On or After 01/01/11 - Age 55 with 25 or more years of service.

Early Retirement

Eligibilitya- Any age with 5 or more years of service (4 years if hired before 05/18/88).

Deferred (Vested) Retirement

Eligibilitya- 5 or more years of service (4 years if hired before 05/18/88). Benefit commences at age 55.

Death Before Retirement Benefits

Eligibilitya- Death while actively employed after 5 or more years of service (4 years if hired before 05/18/88). Payable to the employee's spouse for life.

Death After Retirement

Upon the death of the retiree, the City continues full coverage of retiree health care for the lifetime of the spouse.

Disability Retirement

Eligibilitya- No age or service requirement, but must be eligible to receive Social Security Disability Benefits.

Taylor Governmental Management and Administrative Employees Association (Concluded) Summary of Benefits as of June 30, 2018

Opt-Out - *The City offers \$1,200 annually through age 65 in lieu of retiree health care coverage.*

Medicare Eligibility - *Retirees are required to enroll in Medicare once eligible. The City of Taylor reimburses the retiree for their Medicare Part B premium.*

Dental - *The City provides dental benefits for retirees.*

Vision - *The City provides vision benefits for retirees.*

Life Insurance - *The City provides \$30,000 of life insurance.*

Elected Officials

Summary of Benefits as of June 30, 2018

Retiree Health Care Benefit

First Elected/Appointed prior to 11/8/2005 - The City provides retiree health care for the retiree, spouse, and eligible dependents with the cost share in effect at the date of retirement.

First Elected/Appointed after 11/8/2005 - No benefit coverage in retirement.

Normal Retirement

Eligibility if Elected On or After 11/27/89 - Age 55 with 5 or more years of service.

Eligibility if Elected Before 11/27/89 - Age 55 with 4 or more years of service or any age with 25 or more years of service.

Early Retirement

Eligibility- Any age with 5 or more years of service (4 years if elected before 11/27/89).

Deferred (Vested) Retirement

Eligibility- 5 or more years of service (4 years if elected before 11/27/89). Benefit commences at age 55.

Death Before Retirement Benefits

Eligibility- Death while actively employed after 5 or more years of service (4 years if elected before 11/27/89). Payable to the employee's spouse for life.

Death After Retirement

Upon the death of the retiree, the City continues full coverage of retiree health care for the lifetime of the spouse.

Disability Retirement

Eligibility- No age or service requirement, but must be eligible to receive Social Security Disability Benefits.

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

Medicare Eligibility- Retirees are required to enroll in Medicare once eligible. The City of Taylor reimburses the retiree for their Medicare Part B premium.

Dental - Retiree is responsible for retired dental premiums.

Life Insurance - Retirees are not eligible for life insurance.

General - Active Members as of June 30, 2018 by Attained Age and Years of Service

<i>Attained Age</i>	<i>Years of Service to Valuation Date</i>						<i>Totals</i>	<i>Valuation Payroll</i>
	<i>0-4</i>	<i>5-9</i>	<i>10-14</i>	<i>15-19</i>	<i>20-24</i>	<i>25-29</i>		
20-24	2						2	\$ 90,085
25-29	3						3	116,942
30-34	1						1	52,530
35-39	1		4	5			10	501,940
40-44	3		2	4	2		11	635,453
45-49	3		2	6	7	2	20	1,096,461
50-54	1	1	1	3	3	2	11	548,111
55-59	2		4	7	2	1	16	861,883
60-64	4		1	3	1	1	10	551,136
65 & Over	3	1	1				5	242,673

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

Age: 49.3 years
Service: 14.2 years
Annual Pay: \$52,778

Court - Active Members as of June 30, 2018 by Attained Age and Years of Service

Attained Age	Years of Service to Valuation Date						Totals	Valuation Payroll
	0-4	5-9	10-14	15-19	20-24	25-29		
20-24	1						1	\$ 90,085
25-29	2						2	116,942
30-34								52,530
35-39	1			1			2	501,940
40-44	2						2	635,453
45-49					1		1	1,096,461
50-54	2		1	1	1	1	6	548,111
55-59								861,883
60-64				1			1	551,136
65 & Over				1			1	242,673

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

Age: 44.9 years
Service: 11.2 years
Annual Pay: \$41,298

Police/Fire - Active Members as of June 30, 2018 by Attained Age and Years of Service

Attained Age	Years of Service to Valuation Date							No.	Totals Valuation Payroll
	0-4	5-9 ^a	10-14	15-19 ^a	20-24	25-29	30 Plus		
20-24 ^a	2							2	\$ 66,464
25-29 ^a	3							3	102,114
30-34 ^a	1	1						2	82,152
35-39 ^a			2	11				13	839,938
40-44 ^a			1	31	2			34	2,362,591
45-49 ^a		1		15		2		18	1,115,478
50-54 ^a				3	3			6	383,134
55-59 ^a				1	1			2	109,712
60-64 ^a									
65 & Over							1	1	45,760

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

Age: 42.9 years
Service: 17.1 years
Annual Pay: \$63,054^a

Retired Members as of June 30, 2018 by Attained Age

General Retirees

Attained Age	Number of Retirees		
	Male	Female	Totals
Under 55	3	6	9
55-59	10	11	21
60-64	23	16	39
65 & Over	81	69	150

Court Retirees

Attained Age	Number of Retirees		
	Male	Female	Totals
Under 55	0	1	1
55-59	0	1	1
60-64	0	1	1
65 & Over	1	3	4

Police/Fire Retirees

Attained Age	Number of Retirees		
	Male	Female	Totals
Under 55	46	2	48
55-59	17	1	18
60-64	28	1	29
65 & Over	95	20	115

Only members currently receiving or eligible to receive OPEB benefits in the future were shown above. There are 217 retirees eligible for life insurance benefits and 3 retirees are valued as receiving a payment in lieu of benefits.

Deferred Members as of June 30, 2018 by Attained Age

General Members in Deferral Period

Attained Age	Number		Totals
	Male	Female	
Under 50	8	6	14
50-54e	5	1	6
55 & Over	3	0	3

Police/Fire Members in Deferral Period

Attained Age	Number		Totals
	Male	Female	
Under 50	1	1	2
50-54	0	0	0
55 & Over	0	0	0

Only members currently receiving or eligible to receive OPEB benefits in the future were shown above.

SECTION D

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS

Valuation Methods and Assumptions

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 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; and
- (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.

The rate of investment return (discount rate) was 3.62% per year compounded annually. This is the municipal bond rate based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index". This assumption is used to equate the value of payments due at different points in time. In an unfunded program the investment return assumption must be commensurate with potential earnings on the employers' general account assets.

The number of active members is assumed to remain constant in the future.

Actuarial assumptions are adopted by the City after consulting with the actuary. Several assumptions were updated for the June 30, 2018 valuation. Demographic assumptions generally follow those of the pension plans, as applicable. All assumptions are based on future expectations, not market measures.

Actuarial Assumptions

The rates of salary increase used for individual members are in accordance with the following tables. This assumption is used to project a member's current salary to the salaries upon which future contributions will be based. General members were assumed to have a flat 1.0% salary increase regardless of age or service.

Police/Fire

<i>Sample Age</i>	<i>% Increase in Salary at Sample Ages</i>		<i>Increase Next Year</i>
	<i>Base (Economic)</i>	<i>Merit & Longevity</i>	
20	3.50 %	3.00 %	6.50 %
25	3.50	3.00	6.50
30	3.50	2.60	6.10
35	3.50	1.10	4.60
40	3.50	0.20	3.70
45	3.50	0.20	3.70
50	3.50	0.20	3.70
55	3.50	0.10	3.60
30	3.50	0.00	3.50

Court

<i>Sample Age</i>	<i>% Increase in Salary at Sample Ages</i>		<i>Increase Next Year</i>
	<i>Base (Economic)</i>	<i>Merit & Longevity</i>	
20	3.75 %	11.00 %	14.75 %
25	3.75	7.20	10.95
30	3.75	3.10	6.85
35	3.75	1.90	5.65
40	3.75	1.20	4.95
45	3.75	0.81	4.56
50	3.75	0.52	4.27
55	3.75	0.30	4.05
60	3.75	0.00	3.75

Actuarial Assumptions {Continued}

The mortality table, for post-retirement mortality, used in evaluating allowances to be paid was the RP-2014 Healthy Annuitant mortality table, projected from 2006 to 2025 with Scale MP-2017. Related values are shown below.

The pre-retirement mortality table used was the RP-2014 Employee mortality table, projected from 2006 to 2025 with Scale MP-2017. The pre-retirement mortality table used for Long-Term Disability (LTD) members was the RP-2014 Disabled mortality table, projected from 2006 to 2025 with Scale MP-2017.

Healthy Retirees

Sample Attained Ages	Probability of Dying Next Year		Future Life Expectancy (years)	
	Men	Women	Men	Women
50	0.3850 %	0.2613 %	32.61	35.08
55	0.5415	0.3632	28.29	30.56
60	0.7688	0.5516	24.10a	26.17a
65	1.1222a	0.8243	20.09a	21.96a
70	1.6708a	1.2539	16.29a	17.93a
75	2.6245a	2.0174	12.75a	14.15a
Ref	#2 135x1sb0yrs0Unisex		#2 136x1s b0yrs0Unisex	

Disabled Retirees

Sample Attained Ages	Probability of Dying Next Year		Future Life Expectancy (years)	
	Men	Women	Men	Women
50	1.9321 %a	1.1241 %	23.09	27.21a
55	2.2068a	1.4521	20.32a	23.80a
60	2.6321a	1.8063	17.58a	20.59a
65	3.2287a	2.1368a	14.93a	17.44a
70	4.0198a	2.7482a	12.37a	14.31a
75	5.3111a	3.9548a	9.90a	11.36a
Ref	#2 137x1sb0yrs 0Unisex		#2 138x1s b0yrs0Unisex	

Actuarial Assumptions {Continued}

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

**Age Based Retirement
Percent of Eligible Active Members
Retiring Within Next Year**

Retirement Ages	Locals 1128 & 1917	Court
50	50%	
51	50%	
52	50%	
53	50%	
54	50%	
55	50%	18 %
56	10%	15
57	10%	10
58	10%	15
59	10%	20
60	100%	20
61		24
62		24
63		24
64		27
65		30
66		30
67		30
68		30
69		30
70		100

All General members not listed in the above table were assumed to retire at their earliest normal retirement age.

Actuarial Assumptions {Continued}

Service Based Retirement

Percent of Eligible Active Members

Years of Service	Police Corp/Patrol	Retiring Within Next Year Police	Retiring Within Next Year Fire
20	70 %		30 %
21	20		20
22	20		20
23	20		20
24	20		20
25	100	50%	50
26		40	50
27		40	50
28		40	
29		40	
30		90	100
31		40	
32		100	

Police/Fire members not eligible for service retirement were assumed to retire no later than age 60.

Public Service Officers (Cadets) were assumed to retire at first eligibility.

The early retirement assumption used in the valuation was as follows:

For members in Local 1128 AFSCME and Local 1917 hired on or after 8/4/88, an early retirement rate of 5% was assumed for 5 years prior to normal retirement.

For all General members not listed above, an early retirement rate of 5% was assumed for 7 years prior to normal retirement.

Court Members

Retirement Ages	Percent of Eligible Active Members retiring early within the next year
50	2.0%
51	2.0
52	3.3
53	3.8
54	5.6
55	4.3
56	4.2
57	4.1
58	5.0
59	6.2

Police/Fire are not eligible for early 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:

Percent of Active members separating within the next year.

Sample Ages	Service Index	General	Police	Fire
All	0		10.0%	8.0%
	1		8.0	6.0
	2		6.0	4.5
	3		4.0	3.0
	4		3.0	2.0
20	5 and over	7.9%	3.0	2.0
25		7.7	3.0	2.0
30		7.2	2.6	1.7
35		6.3	1.5	0.9
40		5.2	0.6	0.34
45		4.0	0.3	0.3
50		2.6	0.3	0.3
55		0.9	0.3	0.3
60		0.1	0.3	0.3
65		0.0	0.3	0.3
Ref			14	13

Percent of Active members separating within the next year.

Service Index	Court
0	16.3%
1	16.3
2	13.3
3	10.5
4	8.6
5	6.9
10	4.6
15	3.4
20	2.6
25	2.2
Ref	1114

Actuarial Assumptions (Concluded)

Rates of disability among active members are used to estimate the incidence of member disability in future years. 100% of the General member disabilities were assumed to be non-duty, 85% of the Court member disabilities were assumed to be non-duty, and 50% of the Police/Fire member disabilities were assumed to be non-duty

Percent Becoming Disabled within the Next Year:

Sample Ages	Court	General and Police and Fire	
		<i>Men</i>	<i>Women</i>
20	0.02%	0.07%	0.03%
25	0.02	0.09	0.05
30	0.02	0.10	0.07
35	0.05	0.14	0.13
40	0.08	0.21	0.19
45	0.20	0.32	0.28
50	0.29	0.52	0.45
55	0.38	0.92	0.76
60	0.38	1.53	1.10
Ref	#1106	#33	#34

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

Year	Medical and Drug Trend Rates
2019	9.00%
202	8.25
2021	7.50
2022	6.75
2023	6.25
2024	5.75
2025	5.25
2026	4.75
2027	4.25
2028	3.50
2029	3.50
2030	3.50
2031 and later	3.50

Miscellaneous and Technical Assumptions

Decrement Operation:	<i>Disability and mortality decrements do not operate during the first 5 years of service. Disability and withdrawal do not operate during retirement eligibility.</i>
Decrement Timing:	<i>Decrements of all types are assumed to occur mid-year.</i>
Eligibility Testing:	<i>Eligibility for benefits is determined based upon the age nearest birthday and actual service on the date the decrement is assumed to occur.</i>
Incidence of Contributions:	<i>Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.</i>
Marriage Assumption:	<i>100% of General members, 70% of Court members, and 90% of Police/Fire members 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.</i>
Medicare Coverage:	<i>Assumed to be available for all covered employees on attainment of age 65.</i>
Election Percentage:	<i>It was assumed that 85% of retirees would choose to receive retiree health care benefits through the City. Of those assumed to elect coverage, 76% are 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, if eligible.</i>
Loads:	<i>Health care liabilities for deferred retirees are loaded 160% for potential spouses. Health care liabilities for retirees are loaded by 101% for Medicare Part B Reimbursements.</i>
Health Care Trend Rates:	<i>Health care trend rates were assumed to increase on July 1 each year.</i>
Opt-Out:	<i>Retirees who have opted out of health care are assumed to continue opting-out. Retirees who receive payments in lieu of health care are assumed to receive their current payment amount for life.</i> <i>Retirees not age eligible are assumed to begin receiving benefits at the age they become eligible.</i>

Miscellaneous and Technical Assumptions (Concluded)

- Excise Tax:** All costs were increased by 4.5% to reflect the projected excise tax from the Affordable Care Act.
- Participating Active Members:** Members hired after a certain date are not eligible for retiree health care provided by the city. Fire members with a hire date after 8/1/2016 were excluded from the valuation. Police Patrol members hired after 9/1/2011 were excluded from the valuation.

APPENDIX

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 Determined Contribution (ADC). *The ADC is the normal cost plus the portion of the unfunded actuarial accrued liability to be amortized in the current period. The ADC 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.*

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.*

Glossary (Concluded)

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 are 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.*