

**CITY OF WYOMING RETIREE HEALTH CARE PLAN**  
ACTUARIAL VALUATION REPORT  
AS OF JUNE 30, 2011

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November 14, 2011

Mr. Tim Smith  
Finance Director  
City of Wyoming  
1155 28<sup>th</sup> Street, S.W.  
Wyoming, Michigan 49509

Dear Mr. Smith:

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 Wyoming. The date of the valuation was June 30, 2011.

This report was prepared at the request of the City of Wyoming (City) 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. This report should not be relied on for any purpose other than the purpose described in the primary communication.

The purpose of the valuation is to measure the Plan's financial status, to determine the Annual Required Contribution for the fiscal years ending June 30, 2011 and June 30, 2012, and to determine the actuarial information for Governmental Accounting Standards Board (GASB) Statements No. 43 and No. 45.

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 and year-to-year consistency, but did not otherwise 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.

Mr. Tim Smith  
November 14, 2011  
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The signing actuaries are independent of the plan sponsor.

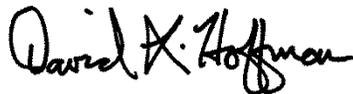
One or more of the undersigned are Members of the American Academy of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

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,

A handwritten signature in black ink, appearing to read "R. Dziubek". The signature is fluid and cursive, with a large initial "R" and a long, sweeping underline.

Randall J. Dziubek, ASA, MAAA

A handwritten signature in black ink, appearing to read "David L. Hoffman". The signature is cursive and clearly legible.

David L. Hoffman

RJD:ah

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## **EXECUTIVE SUMMARY**

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## **EXECUTIVE SUMMARY**

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### **Annual Required Contribution**

This report presents the annual expense required to be recognized by the plan sponsor for purposes of complying with the accounting requirements of the Governmental Accounting Standards Board (GASB) Statement No. 43.

The Annual Required Contribution (ARC) for the fiscal year beginning July 1, 2010 is \$5,834,875 provided that the City intends to fully fund the OPEB. The ARC for the year beginning July 1, 2011 is \$5,824,776. Under GASB Statement No. 45, the annual OPEB cost required to be disclosed on the employer's financial statements is equal to the ARC. Actual claims and premiums including the effect of the implicit rate subsidy paid on behalf of retirees may be treated as employer contributions in relation to the ARC and also act to reduce the Net OPEB Obligation (NOO) described below under Additional OPEB Reporting Requirements. However, if these retiree claims/premiums are paid from the established funding vehicles, they generally cannot be treated as contributions towards the ARC. The expected employer retiree health care claims and premium amounts paid during the fiscal year beginning July 1, 2011 are estimated to be \$2,733,704. 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 B of the report.

### **Additional OPEB Reporting Requirements**

In addition to the ARC described above, employers will have to disclose a NOO. The current NOO is the cumulative difference between annual OPEB cost (ARC plus amortization of the prior NOO) and annual employer contributions in relation to the ARC, accumulated with interest from the implementation of GASB Statement No. 43. The NOO is zero as of the beginning of the fiscal year that GASB Statement No. 43 is implemented, unless the employer chooses to recognize a beginning balance. Since we believe that the ARC has been met since implementation, the NOO remains zero as of the valuation date. The ARC and the NOO are strongly influenced by the employers' commitment to pre-funding future cash flows, i.e., the degree to which the City contributes amounts to the Retiree Health Care Program to meet the ARC.

## EXECUTIVE SUMMARY (CONCLUDED)

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The requirements for determining the employer's contributions in relation to the ARC are described in paragraph 13 g. of GASB Statement No. 45. Additional information required to be disclosed in the employer's financial statements is detailed in paragraphs 24 through 27 of GASB Statement No. 45.

### **Liabilities and Assets**

Once again assuming full pre-funding, the present value of all benefits expected to be paid to current plan members as of June 30, 2011 is \$85,242,097. The actuarial accrued liability, which is the portion of the \$85,242,097 attributable to service accrued by plan members as of June 30, 2011, is \$71,342,994. The assets currently set aside for GASB OPEB purposes as of June 30, 2011 are \$20,370,236. The OPEB liabilities are currently 28.6% funded.

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## **SECTION A**

### **VALUATION RESULTS AND COMMENTS**

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**COMPUTATION OF THE ANNUAL REQUIRED  
CONTRIBUTION (ARC) FOR  
FISCAL YEARS BEGINNING JULY 1, 2010 AND JULY 1, 2011**

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Annual Required Contributions for	Annual Required Contribution			
	Fire	General	Police	Total
Normal Cost				
Age & Service Benefits	\$ 111,989	\$ 713,019	\$ 270,689	\$ 1,095,697
Death and Disability Benefits	10,414	251,941	31,906	294,261
Termination Benefits				
Vested Age & Service Benefits	<u>6,569</u>	<u>157,769</u>	<u>22,129</u>	<u>186,467</u>
Total Normal Cost	128,972	1,122,729	324,724	1,576,425
Unfunded Actuarial Accrued Liabilities (Amortized over 30 years)	403,708	2,907,198	947,544	4,258,450
Total Annual Required Contribution (ARC)	\$ 532,680	\$ 4,029,927	\$ 1,272,268	\$ 5,834,875
Payroll for the fiscal year beginning 7/1/2010	1,602,136	12,230,165	5,146,174	18,978,475
Annual Required Contribution as a % of pay	33.25%	32.95%	24.72%	30.74%
Total Annual Required Contribution (ARC)	\$ 532,405	\$ 4,022,451	\$ 1,269,920	\$ 5,824,776
Projected Payroll for the fiscal year beginning 7/1/2011	1,598,716	12,148,726	5,108,958	18,856,400
Annual Required Contribution as a % of pay	33.30%	33.11%	24.86%	30.89%

The unfunded actuarial accrued liabilities were amortized as a level dollar amount over a period of 30 years. A 30-year amortization period for unfunded actuarial accrued liabilities is the maximum period that complies with the GASB accounting requirements.

The assumptions underlying the liabilities shown above include the health care trend rates shown on page E-3.

**DETERMINATION OF UNFUNDED ACCRUED LIABILITY  
AS OF JUNE 30, 2011**

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	Fire	General	Police	Total
A. Actuarial Accrued Liability:				
1. For retirees and beneficiaries	\$3,397,846	\$22,709,919	\$ 7,930,405	\$34,038,170
2. For vested terminated members	240,527	7,803,449	1,374,063	9,418,038
3. For present active members:				
a. Value of expected future benefits payments	3,739,400	28,303,794	9,742,695	41,785,889
b. Value of future normal costs	931,958	10,134,395	2,832,750	13,899,103
c. Active members liability: (a) - (b)	2,807,442	18,169,399	6,909,945	27,886,786
4. Total	6,445,815	48,682,767	16,214,413	71,342,994
B. Valuation Assets	1,613,514	13,884,212	4,872,510	20,370,236
C. Unfunded Accrued Liability: (A.4) - (B)	\$4,832,301	\$34,798,555	\$11,341,903	\$50,972,758

The liabilities shown above are actuarial liabilities and not accounting liabilities. The accounting liability described in GASB Statement No. 45 is essentially a measure of the accumulated difference between actual and required contributions.

The assumptions underlying the liabilities shown above include the health care trend rates on page E-3.

Valuation assets of \$20,370,236 are held in GASB qualified trusts. Final determination of whether assets can be considered “plan assets” for GASB purposes should be made through consultation with the City’s auditors.

## COMMENTS

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**COMMENT A:** One of the key assumptions used in any valuation of the cost of postemployment benefits is the rate of return on Plan assets. Lower returns will tend to increase the computed ARC. We have assumed that your asset return will be 7.75% per year, net of expenses. Use of such an interest rate presumes that the City will pre-fund its Retiree Health Benefits with contributions equal to the GASB expense and that the allocation of these assets will be similar to a long-term funding policy with about 50% equity or equity-like exposure. If the City chooses not to pre-fund, or pre-fund with contributions less than the GASB expense, GASB requires the use of a lower rate of return on assets, equivalent to that which the employer can achieve on general account assets. Use of such an interest rate will considerably increase the net OPEB obligation (NOO) that is disclosed on the employers' financial statement.

**COMMENT B:** For a plan the size of the City of Wyoming Retiree Health Care Plan, the GASB Standard requires valuations at least every 2 years. If pre-funding is done, we recommend more frequent valuations.

**COMMENT C:** As of the valuation date, the plan provisions specify that new hires do not participate in this retiree health program and cannot purchase health coverage through the City. (They receive instead a 4% contribution into a DC type health plan.) Since the plan is closed to new entrants, payroll is not expected to grow at the 4.5% payroll growth assumption. We have therefore used a "level dollar" approach to amortize the unfunded actuarial accrued liability.

**COMMENT D:** This report values only health and prescription drug benefits provided by the City. GASB expenses also include other benefits such as dental, life insurance, disability benefits, and long term care when provided separately outside of the defined benefit pension plan.

## RECOMMENDATIONS

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We recommend that consideration be given to the following:

- Continue the pre-funding program you have already begun for retiree health benefits. If the City wishes to maintain the level of benefits currently in place, the likelihood improves considerably if the ARC is contributed each year.
- Monitor funding progress by means of regular valuations. Considering the volatility of health care costs, **annual** updates are suggested. History suggests that there is a close correlation between regular reviews and financial stability in all kinds of post retirement benefit programs.

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## **SECTION B**

### RETIREE PREMIUM RATE DEVELOPMENT

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## **RETIREE PREMIUM RATE DEVELOPMENT**

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Initial premiums were developed for the two classes of retirees (pre-65 and post-65). These premiums were developed using actual claims data provided by Priority Health, the City's TPA, for the retired participants of the City of Wyoming's medical benefit program. Since the prescription drug claims and the medical claims exhibit significantly different trends and claim payment patterns, we analyzed these segments separately.

The first step in estimating incurred claims is to adjust the paid claims for the "incurred but not reported" claim liability. This liability is the amount of claims for services already rendered but not yet reported or paid for.

The next step is to determine the trend factors used to project the incurred claims from the experience period to the current use period. The experience period for this valuation is January 2009 through June 2011 with more weight given to the more recent experience.

Trend factors were established by reviewing historical trends and evaluating their relationship with national and/or regional trends. Historical trend rates for the City's self-insured medical program for the past three years was also reviewed and factored in.

The last step for developing the premium for the self-insured segment of the medical program is to add in the load for administration, network access fee, and stop loss premiums, etc.

## **RETIREE PREMIUM RATE DEVELOPMENT (CONCLUDED)**

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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. The age-graded premiums are shown below.

<b>Age</b>	<b>Premium Rates by Age for Medical and Prescription Drugs</b>	
	<b>Male</b>	<b>Female</b>
40	\$254.20	\$398.26
50	467.26	529.43
60	767.21	737.46
64	893.00	827.72
65	460.91	424.43
75	590.22	523.81
85	658.15	577.82

Please note that these premiums reflect the medical and prescription drug coverage only. We did not value the dental or vision benefits at this time.

The undersigned 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.

  
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John R. Mallows, FSA, MAAA

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## **SECTION C**

### **EMPLOYER PORTION PROJECTION**

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**EMPLOYER FINANCED RETIREE HEALTH CARE PLAN**  
**EMPLOYER PORTION PROJECTION**

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<b>Year Ending June 30,</b>	<b>Expected Employer Portion of Health Care Costs</b>
2012	\$ 2,733,704
2013	3,060,041
2014	3,393,294
2015	3,749,337
2016	4,148,144
2017	4,581,484
2018	5,073,636
2019	5,445,819
2020	5,707,336
2021	5,947,471

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## **SECTION D**

### **SUMMARY OF BENEFIT PROVISIONS AND VALUATION DATA**

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**CITY OF WYOMING RETIREE HEALTH CARE PLAN  
FIRE NON-COMMAND EMPLOYEES  
SUMMARY OF BENEFITS AS OF JUNE 30, 2011**

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**PLAN PARTICIPANTS**

Fire Non-Command employees of the City of Wyoming are eligible to receive retiree health care benefits.

**RETIREE HEALTH CARE BENEFITS**

**Members hired before 7/1/2005 and retiring before 9/6/2005:** \$10 per month times years of credited service, not to exceed 30 years, payable to age 60. After age 60, total premium amount for the lifetime of the retiree and spouse regardless of optional form of retirement benefit selected.

**Members hired before 7/1/2005 and retiring after 9/5/2005:** \$20 per month times years of credited service, not to exceed 30 years, payable to age 60. After age 60, total premium amount for the lifetime of the retiree and spouse regardless of optional form of retirement benefit selected.

**Members hired between 7/1/2005 and 9/30/2009:** \$20 per month times years of credited service, not to exceed 30 years, payable to age 60. Having at least 10 years of service, beginning at age 60, the City shall contribute 24% toward the cost of the premium for the retiree and retiree's eligible spouse. For each additional year after ten (10) years, the City shall contribute an additional four percent (4%) per year to a maximum City contribution of one hundred percent (100%).

**Members hired after 10/1/2009:** Members may participate in City defined contribution Postemployment Health care Plan (PEHP). Retirees may not purchase coverage through the City. The City shall contribute 4% to a defined contribution plan.

**NORMAL RETIREMENT HEALTH CARE ELIGIBILITY**

Age 50 with 10 or more years of service.

**EARLY RETIREMENT HEALTH CARE ELIGIBILITY**

Members are not eligible for early retirement.

**DEFERRED RETIREMENT HEALTH CARE ELIGIBILITY**

Employees retiring under deferred retirement conditions are eligible for retiree health care just as if they had retired at normal retirement. Benefit deferred until normal retirement age.

**CITY OF WYOMING RETIREE HEALTH CARE PLAN  
FIRE NON-COMMAND EMPLOYEES  
SUMMARY OF BENEFITS AS OF JUNE 30, 2011 (CONCLUDED)**

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**DUTY DEATH-IN-SERVICE RETIREMENT HEALTH CARE ELIGIBILITY**

Spouses of duty death-in-service members are eligible for retiree health care at any age and service. Benefit is based on a minimum of 10 years of service or the actual service if greater than 10 years of service. Benefit commences immediately.

**NON-DUTY DEATH-IN-SERVICE RETIREMENT HEALTH CARE ELIGIBILITY**

Spouses of non-duty death-in-service members are eligible for retiree health care at any age with 10 years of service. Benefit is based on years of service. Benefit commences immediately.

**DUTY DISABLED RETIREMENT HEALTH CARE ELIGIBILITY**

Duty disabled members are eligible for retiree health care at any age and service. Benefit is based on a minimum of 10 years of service or the actual service if greater than 10 years of service. Benefit commences immediately. Dependents are covered until retiree reaches normal retirement age.

**NON-DUTY DISABLED RETIREMENT HEALTH CARE ELIGIBILITY**

Non-duty disabled members are eligible for retiree health care at any age with 10 years of service. Benefit is based on years of service. Benefit commences immediately.

**HEALTH CARE BENEFITS FOR SPOUSES AND DEPENDENTS OF RETIRED EMPLOYEES**

Spouses of retired employees are eligible to receive retiree health care benefits. Coverage continues to surviving spouses of deceased retirees. Dependents are not covered as part of the retiree health care plan. Any dependent coverage must be paid by the retiree or surviving spouse.

**NON-MEDICARE AND MEDICARE-ELIGIBLE PROVISIONS**

Retirees are required to enroll in Medicare Part B once eligible. Retiree pays Medicare Part B premiums.

**OPT-OUT PROVISION**

The City does not provide an opt-out benefit for retiree health care benefits.

*This is a brief summary of City of Wyoming's Retiree Health Care Benefit 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 WYOMING RETIREE HEALTH CARE PLAN**  
**GENERAL EMPLOYEES**  
**SUMMARY OF BENEFITS AS OF JUNE 30, 2011**

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**PLAN PARTICIPANTS**

General employees of the City of Wyoming are eligible to receive retiree health care benefits.

**RETIREE HEALTH CARE BENEFITS**

**Non-Admin hired before 2/6/2006:** \$20 per month times years of credited service, not to exceed 25 years, payable to age 60. After age 60, total premium amount for the lifetime of the retiree and spouse regardless of optional form of retirement benefit selected.

**Non-Admin hired after 2/6/2006:** \$20 per month times years of credited service, not to exceed 25 years, payable to age 60. Having at least 10 years of service, beginning at age 60, the City shall contribute 24% toward the cost of the premium for the retiree and retiree's eligible spouse. For each additional year after ten (10) years, the City shall contribute an additional four percent (4%) per year to a maximum City contribution of one hundred percent (100%).

**Administrative, Fire Chief, Fire Deputy Chief, Police Chief and Police Deputy Chief hired prior to 7/1/2004:** Total premium is paid by the City.

**Administrative, Fire Chief, Fire Deputy Chief, Police Chief and Police Deputy Chief hired between 7/1/2004 and 7/1/2007:** Having at least 5 years of service, the City shall contribute 4% toward the cost of the premium for the retiree and retiree's eligible spouse. For each additional year after five (5) years, the City shall contribute an additional four percent (4%) per year to a maximum City contribution of one hundred percent (100%).

**Administrative hired after 7/1/2007 and Non-Admin hired after 6/30/2009:** The City shall contribute 4% to a defined contribution plan.

**NORMAL RETIREMENT HEALTH CARE ELIGIBILITY**

**Administrative:** Age 60 with 5 or more years of service.

**Non-Admin:** Age 60 with 10 or more years of service.

**Fire Chief and Deputy Chief:** Age 55 with 5 or more years of service.

**Police Chief and Deputy Chief:** Age 50 with 5 or more years of service.

**EARLY RETIREMENT HEALTH CARE ELIGIBILITY**

**Administrative:** Age 55 with 5 or more years of service.

**Non-Admin:** Age 55 with 10 or more years of service.

**Fire Chief and Deputy Chief:** No early retirement provision.

**Police Chief and Deputy Chief:** No early retirement provision.

**DEFERRED RETIREMENT HEALTH CARE ELIGIBILITY**

Employees retiring under deferred retirement conditions are eligible for retiree health care just as if they had retired at normal retirement. Benefit deferred until normal retirement age.

**CITY OF WYOMING RETIREE HEALTH CARE PLAN  
GENERAL EMPLOYEES  
SUMMARY OF BENEFITS AS OF JUNE 30, 2011 (CONCLUDED)**

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**DUTY DEATH-IN-SERVICE RETIREMENT HEALTH CARE ELIGIBILITY**

Spouses of duty death-in-service members are eligible for retiree health care at any age and service. Benefit is based on a minimum of 10 years of service or the actual service if greater than 10 years of service. Benefit commences immediately.

**NON-DUTY DEATH-IN-SERVICE RETIREMENT HEALTH CARE ELIGIBILITY**

Spouses of non-duty death-in-service members are eligible for retiree health care at any age with 10 years of service. Benefit is based on years of service. Benefit commences immediately.

**DUTY DISABLED RETIREMENT HEALTH CARE ELIGIBILITY**

Duty disabled members are eligible for retiree health care at any age and service. Benefit is based on a minimum of 10 years of service or the actual service if greater than 10 years of service. Benefit commences immediately. Dependents are covered until retiree reaches normal retirement age.

**NON-DUTY DISABLED RETIREMENT HEALTH CARE ELIGIBILITY**

Non-duty disabled members are eligible for retiree health care at any age with 10 years of service. Benefit is based on years of service. Benefit commences immediately.

**HEALTH CARE BENEFITS FOR SPOUSES AND DEPENDENTS OF RETIRED EMPLOYEES**

Spouses of retired employees are eligible to receive retiree health care benefits. Coverage continues to surviving spouses of deceased retirees. Dependents are not covered as part of the retiree health care plan. Any dependent coverage must be paid by the retiree or surviving spouse.

**NON-MEDICARE AND MEDICARE-ELIGIBLE PROVISIONS**

Retirees are required to enroll in Medicare Part B once eligible. Retiree pays Medicare Part B premiums.

**OPT-OUT PROVISION**

The City does not provide an opt-out benefit for retiree health care benefits.

*This is a brief summary of City of Wyoming's Retiree Health Care Benefit 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 WYOMING RETIREE HEALTH CARE PLAN  
POLICE NON-DISPATCHERS EMPLOYEES  
SUMMARY OF BENEFITS AS OF JUNE 30, 2011**

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**PLAN PARTICIPANTS**

Police employees of the City of Wyoming are eligible to receive retiree health care benefits.

**RETIREE HEALTH CARE BENEFIT**

**Police Non-Command hired before 7/1/2005 and retiring before 9/6/2005:** \$10 per month times years of credited service, not to exceed 30 years, payable to age 60. After age 60, total premium amount for the lifetime of the retiree and spouse regardless of optional form of retirement benefit selected.

**Police Non-Command hired before 7/1/2005 and retiring after 9/5/2005:** \$20 per month times years of credited service, not to exceed 30 years, payable to age 60. After age 60, total premium amount for the lifetime of the retiree and spouse regardless of optional form of retirement benefit selected.

**Police Non-Command hired between 7/1/2005 and 7/1/2007:** \$20 per month times years of credited service, not to exceed 30 years, payable to age 60. Having at least 10 years of service, beginning at age 60, the City shall contribute 24% toward the cost of the premium for the retiree and retiree's eligible spouse. For each additional year after ten (10) years, the City shall contribute an additional four percent (4%) per year to a maximum City contribution of one hundred percent (100%).

**Police Command:** \$20 per month times years of credited service, not to exceed 30 years, payable to age 60. After age 60, total premium amount for the lifetime of the retiree and spouse regardless of optional form of retirement benefit selected.

**Police Non-Command hired after 9/3/2007 and Police Command hired after 6/30/2008:** The City shall contribute 4% to a defined contribution plan.

**NORMAL RETIREMENT HEALTH CARE ELIGIBILITY**

**Police Non-Command & Police Command:** Age 50 with 10 or more years of service.

**EARLY RETIREMENT HEALTH CARE ELIGIBILITY**

Members are not eligible for early retirement.

**DEFERRED RETIREMENT HEALTH CARE ELIGIBILITY**

Employees retiring under deferred retirement conditions are eligible for retiree health care just as if they had retired at normal retirement. Benefit deferred until normal retirement age.

**CITY OF WYOMING RETIREE HEALTH CARE PLAN  
POLICE NON-DISPATCHERS EMPLOYEES  
SUMMARY OF BENEFITS AS OF JUNE 30, 2011 (CONCLUDED)**

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**DUTY DEATH-IN-SERVICE RETIREMENT HEALTH CARE ELIGIBILITY**

Spouses of duty death-in-service members are eligible for retiree health care at any age and service. Benefit is based on a minimum of 10 years of service or the actual service if greater than 10 years of service. Benefit commences immediately.

**NON-DUTY DEATH-IN-SERVICE RETIREMENT HEALTH CARE ELIGIBILITY**

Spouses of non-duty death-in-service members are eligible for retiree health care at any age with 10 years of service. Benefit is based on years of service. Benefit commences immediately.

**DUTY DISABLED RETIREMENT HEALTH CARE ELIGIBILITY**

Duty disabled members are eligible for retiree health care at any age and service. Benefit is based on a minimum of 10 years of service or the actual service if greater than 10 years of service. Benefit commences immediately. Dependents are covered until retiree reaches normal retirement age.

**NON-DUTY DISABLED RETIREMENT HEALTH CARE ELIGIBILITY**

Non-duty disabled members are eligible for retiree health care at any age with 10 years of service. Benefit is based on years of service. Benefit commences immediately.

**HEALTH CARE BENEFITS FOR SPOUSES AND DEPENDENTS OF RETIRED EMPLOYEES**

Spouses of retired employees are eligible to receive retiree health care benefits. Coverage continues to surviving spouses of deceased retirees. Dependents are not covered as part of the retiree health care plan. Any dependent coverage must be paid by the retiree or surviving spouse.

**NON-MEDICARE AND MEDICARE-ELIGIBLE PROVISIONS**

Retirees are required to enroll in Medicare Part B once eligible. Retiree pays Medicare Part B premiums.

**OPT-OUT PROVISION**

The City does not provide an opt-out benefit for retiree health care benefits.

*This is a brief summary of City of Wyoming's Retiree Health Care Benefit 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 WYOMING RETIREE HEALTH CARE PLAN  
POLICE DISPATCHERS EMPLOYEES  
SUMMARY OF BENEFITS AS OF JUNE 30, 2011**

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**PLAN PARTICIPANTS**

Police dispatchers employees of the City of Wyoming are eligible to receive retiree health care benefits.

**RETIREE HEALTH CARE BENEFIT**

**Members retiring before 7/1/2004:** \$10 per month times years of credited service, not to exceed 25 years, payable to age 65. After age 65, total premium amount for the lifetime of the retiree and spouse regardless of optional form of retirement benefit selected.

**Members retiring on or after 7/1/2004:** \$20 per month times years of credited service, not to exceed 25 years, payable to age 60. Payable to age 65 for employees that have completed ten (10) years of service, the city shall contribute twenty-four percent (24%) toward the cost of the premium for the retiree and the retiree's eligible spouse. For each additional year of service after ten (10) years, the City shall contribute an additional four percent (4%) per year to a maximum City contribution of one hundred percent (100%). City paid benefit ceases at age 65.

**Members hired after 11/4/2007:** The City shall contribute 4% to a defined contribution plan.

**NORMAL RETIREMENT HEALTH CARE ELIGIBILITY**

Members are eligible to receive retiree health care benefits at age 55 with 10 or more years of service.

**EARLY RETIREMENT HEALTH CARE ELIGIBILITY**

Members are not eligible for early retirement.

**DEFERRED RETIREMENT HEALTH CARE ELIGIBILITY**

Employees retiring under deferred retirement conditions are eligible for retiree health care just as if they had retired at normal retirement. Benefit deferred until normal retirement age.

**DUTY DEATH IN SERVICE RETIREMENT HEALTH CARE ELIGIBILITY**

Spouses of duty death in service members are eligible for retiree health care at any age and service. Benefit is based on a minimum of 10 years of service or the actual service if greater than 10 years of service. Benefit commences immediately.

**NON-DUTY DEATH IN SERVICE RETIREMENT HEALTH CARE ELIGIBILITY**

Spouses of non-duty death in service members are eligible for retiree health care at any age with 10 years of service. Benefit is based on years of service. Benefit commences immediately.

**CITY OF WYOMING RETIREE HEALTH CARE PLAN  
POLICE DISPATCHERS EMPLOYEES  
SUMMARY OF BENEFITS AS OF JUNE 30, 2011 (CONCLUDED)**

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**DUTY DISABLED RETIREMENT HEALTH CARE ELIGIBILITY**

Duty disabled members are eligible for retiree health care at any age and service. Benefit is based on a minimum of 10 years of service or the actual service if greater than 10 years of service. Benefit commences immediately. Dependents are covered until retiree reaches normal retirement age.

**NON-DUTY DISABLED RETIREMENT HEALTH CARE ELIGIBILITY**

Non-duty disabled members are eligible for retiree health care at any age with 10 years of service. Benefit is based on years of service. Benefit commences immediately.

**HEALTH CARE BENEFITS FOR SPOUSES AND DEPENDENTS OF RETIRED EMPLOYEES**

Spouses of retired employees are eligible to receive retiree health care benefits. Coverage continues to surviving spouses of deceased retirees. Dependents are not covered as part of the retiree health care plan. Any dependent coverage must be paid by the retiree or surviving spouse.

**NON-MEDICARE AND MEDICARE-ELIGIBLE PROVISIONS**

Retirees are required to enroll in Medicare Part B once eligible. Retiree pays Medicare Part B premiums.

**OPT-OUT PROVISION**

The City does not provide an opt-out benefit for retiree health care benefits.

*This is a brief summary of City of Wyoming's Retiree Health Care Benefit 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 WYOMING**  
**FIRE ACTIVE MEMBERS AS OF JUNE 30, 2011**  
**BY ATTAINED AGE AND YEARS OF SERVICE**

---

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
25-29									
30-34		1						1	\$ 60,709
35-39			3	1				4	269,168
40-44		1	3	1				5	344,899
45-49			1	6	1			8	564,029
50-54				2		2		4	299,684
55-59							1	1	63,647
60 & over									
<b>Totals</b>		<b>2</b>	<b>7</b>	<b>10</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>23</b>	<b>\$ 1,602,136</b>

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

**Age:** 44.8 years  
**Service:** 16.6 years  
**Annual Pay:** \$69,658

**CITY OF WYOMING**  
**GENERAL ACTIVE MEMBERS AS OF JUNE 30, 2011**  
**BY ATTAINED AGE AND YEARS OF SERVICE**

---

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
25-29	4	2						6	\$ 256,653
30-34	4	4	4					12	590,990
35-39	2	3	8	4				17	841,741
40-44	1	9	18	8	5	1		42	2,321,178
45-49	3	6	10	9	14	4		46	2,646,941
50-54		1	7	9	3	2	5	27	1,493,558
55-59	4	1	10	12	3	5	14	49	3,039,923
60-64		2	4	1	1	2	5	15	1,001,797
65 & Over				1				1	37,384
<b>Totals</b>	<b>18</b>	<b>28</b>	<b>61</b>	<b>44</b>	<b>26</b>	<b>14</b>	<b>24</b>	<b>215</b>	<b>\$ 12,230,165</b>

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

**Age:** 48.0 years  
**Service:** 16.8 years  
**Annual Pay:** \$56,884

**CITY OF WYOMING**  
**POLICE ACTIVE MEMBERS AS OF JUNE 30, 2011**  
**BY ATTAINED AGE AND YEARS OF SERVICE**

---

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
25-29	1							1	\$ 66,489
30-34		1	4					5	364,175
35-39	1		15	4				20	1,501,154
40-44			8	15	1			24	1,902,214
45-49			1	4	3			8	655,442
50-54			1		5	1		7	583,542
55-59			1					1	73,158
60 & Over									
<b>Totals</b>	<b>2</b>	<b>1</b>	<b>30</b>	<b>23</b>	<b>9</b>	<b>1</b>		<b>66</b>	<b>\$5,146,174</b>

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

**Age:** 41.7 years  
**Service:** 15.6 years  
**Annual Pay:** \$77,972

**CITY OF WYOMING**  
**DEFERRED MEMBERS AS OF JUNE 30, 2011**  
**BY ATTAINED AGE AND YEARS OF SERVICE**

---

**General Deferred Members**

Attained Age	Number of Deferred Retirees		
	Male	Female	Totals
30-34	2	0	2
35-39	0	6	6
40-44	4	4	8
45-49	4	3	7
50-54	6	7	13
55-59	9	8	17
60+	1	0	1
<b>Totals</b>	<b>26</b>	<b>28</b>	<b>54</b>

**Police Deferred Members**

Attained Age	Number of Deferred Retirees		
	Male	Female	Totals
35-39	2	1	3
40-44	3	1	4
45-49	2	0	2
50-54	1	0	1
<b>Totals</b>	<b>8</b>	<b>2</b>	<b>10</b>

**Fire Deferred Members**

Attained Age	Number of Deferred Retirees		
	Male	Female	Totals
30-34	1	0	1
45-49	1	0	1
<b>Totals</b>	<b>2</b>	<b>0</b>	<b>2</b>

**CITY OF WYOMING**  
**RETIRED MEMBERS AS OF JUNE 30, 2011**  
**BY ATTAINED AGE AND YEARS OF SERVICE**

---

**Fire Retired Members**

<b>Attained Age</b>	<b>Number of Retirees</b>		
	<b>Male</b>	<b>Female</b>	<b>Totals</b>
Under 65	8	1	9
65 & Over	13	0	13
<b>Totals</b>	<b>21</b>	<b>1</b>	<b>22</b>

**General Retired Members**

<b>Attained Age</b>	<b>Number of Retirees</b>		
	<b>Male</b>	<b>Female</b>	<b>Totals</b>
Under 65	46	16	62
65 & Over	52	45	97
<b>Totals</b>	<b>98</b>	<b>61</b>	<b>159</b>

**Police Retired Members**

<b>Attained Age</b>	<b>Number of Retirees</b>		
	<b>Male</b>	<b>Female</b>	<b>Totals</b>
Under 65	25	3	28
65 & Over	20	2	22
<b>Totals</b>	<b>45</b>	<b>5</b>	<b>50</b>

The number counts above only include those retirees who have elected to receive retiree health care coverage through the City's plan.

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## **SECTION E**

### **VALUATION METHODS AND ACTUARIAL ASSUMPTIONS**

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## THE ENTRY AGE ACTUARIAL COST METHOD

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The entry age actuarial cost method consists of *two* components:

*Normal Cost* (the present value of future benefits assigned to members' service rendered in the current year),

**PLUS**

Amortization of the *Unfunded Actuarial Accrued Liability* (the difference between the present value of future benefits assigned to members' past service and the value of the plan's accumulated assets).

***The normal cost*** was computed as follows:

The series of contributions necessary to accumulate the present value at time of retirement of an employee's health benefits was computed so that each contribution in the series, from entry age to retirement, was a constant percentage of the employee's year-by-year projected covered compensation.

***The accrued liability*** was computed as follows:

**Retirees:** The discounted value of health benefits likely to be paid for retirees was computed using the investment return, health cost increase and mortality assumptions on the following pages.

**Active Employees:** The discounted value of health benefits likely to be paid for active employees was computed using the assumptions outlined on the following pages and was reduced by the value of normal costs to be paid for service after the valuation date.

## **ACTUARIAL ASSUMPTIONS USED FOR THE VALUATION**

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The salary increase assumption used in this actuarial valuation projects annual salary increases of 4.5% plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases.

***Pay Projections.*** This assumption is used to project current pays to those upon which future contributions will be based.

As of the valuation date, the plan provisions specify that new hires do not participate in this retiree health program (they receive instead a 4% contribution into a DC type health plan). Since the plan is closed to new entrants, total payroll is not expected to grow at the 4.5% payroll growth assumption. We have therefore used a “level dollar” method for amortizing the unfunded actuarial accrued liability as opposed to a “level percent of pay” method.

***Investment return*** (net of investment expenses). 7.75% per year compounded annually. The accounting standard permits an investment return assumption at such level in a pre-funded program. This rate consists of a real rate of return of 3.25% a year plus a long-term rate of wage inflation of 4.5% a year. 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 asset accounting.

**ACTUARIAL ASSUMPTIONS USED FOR THE VALUATION  
(CONTINUED)**

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*Health care cost increases* - See table below.

**Health Care Trend Inflation**

<b>Year</b>	<b>Medical and Drug Trend Rates</b>
2012	9.00%
2013	8.50%
2014	8.00%
2015	7.50%
2016	7.00%
2017	6.50%
2018	6.00%
2019	5.50%
2020	5.00%
2021	4.50%
2022 & Later	4.50%

Retiree health care valuations require an assumption about how the health care costs that the Plan is absorbing will change over the years. This assumption is called the health care cost trend rate and is the rate of change in per capita health care claims over time as a result of factors such as medical inflation, utilization of health care services, plan design, and technological developments.

## ACTUARIAL ASSUMPTIONS USED FOR THE VALUATION (CONTINUED)

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Retiree health care valuations use a health care cost trend assumption that changes over the years. The near term rates reflect the fact that currently employers are seeing sharp increases in the cost of health care goods and services. If this trend is projected to continue for years to come, it implies that years from now virtually all our expenditures will be for health care. The seemingly more reasonable alternative is that in the not too distant future inflation in medical expenses will decrease to a level at or near wage inflation. It is on this basis that we project premium rates will continue to exceed wage inflation for the next 9 years, but by less each year until leveling off at an ultimate rate, assumed to be 4.5% in this valuation.

The trend assumption is established by reviewing national trends. Objective, comparative trends are obtained from a variety of resources including trend surveys from major insurers and benefit consulting groups. This information is added to information we have collected from analyses done in conjunction with many retiree health care valuations we have completed for other clients.

*Medicare coverage* was assumed to be available for all covered employees on attainment of age 65.

*Non-investment administration expenses* - none.

*Election percentage*: 95% of retirees were assumed to receive retiree health care coverage from the City. Of the 95% receiving benefits, 70% of males and 70% of females were assumed to elect two-person coverage, if eligible. For those that elect two-person coverage, it was assumed that 80% of the eligible spouses would elect to continue coverage upon death of the retiree.

## ACTUARIAL ASSUMPTIONS USED FOR THE VALUATION (CONTINUED)

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The pay increase assumption used in the actuarial valuation projects pay increases based on an age-related scale to reflect merit, longevity, and promotional pay increases as well as wage inflation.

The pay increase assumption for selected ages is shown below.

Sample Ages	Percent Increase in Salary During Next Year	
	General	Police & Fire
20	8.3%	7.5%
25	7.6%	7.5%
30	7.2%	7.1%
35	6.9%	5.6%
40	6.6%	4.7%
45	6.2%	4.7%
50	5.6%	4.7%
55	5.2%	4.6%
60	4.7%	4.5%
65	4.5%	4.5%

**ACTUARIAL ASSUMPTIONS USED FOR THE VALUATION  
(CONTINUED)**

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In estimating the amount of the reserves required at the time of retirement to pay a member's benefits for the remainder of his or her lifetime, it is necessary to make an assumption with respect to the probability of surviving to retirement and the life expectancy after retirement.

The mortality table used to project the mortality experience of plan members is the 1984 Group Annuity Mortality Table set back 0 years for men and 6 years for women. 50% of active member deaths are assumed to be non-duty deaths and 50% are assumed to be duty related.

Sample Ages	Mortality Rates		Expected Years of Life Remaining	
	Men	Women	Men	Women
50	0.49%	0.24%	27.53	32.93
55	0.78%	0.44%	23.28	28.40
60	1.21%	0.72%	19.27	24.11
65	1.95%	1.10%	15.55	20.05
70	3.34%	1.76%	12.25	16.27
75	5.18%	3.00%	9.49	12.87
80	8.30%	4.80%	7.17	10.02

The life expectancies projected by the Table for non-disabled members are shown above for selected ages.

There is currently no margin for future mortality improvement in the current mortality assumptions. We recommend that the mortality assumption be reviewed in conjunction with an experience study to determine the appropriate margin (if any) to be used in the next valuation.

**ACTUARIAL ASSUMPTIONS USED FOR THE VALUATION  
(CONTINUED)**

---

A schedule of retirement rates is used to measure the probability of eligible members retiring during the next year. The uniform retirement rates in use for each category are shown below:

**Age-Based Retirement Table**

<b>Retirement Ages</b>	<b>Percent of Eligible Active Members Retiring Within Next Year</b>	
	<b>General</b>	<b>Police &amp; Fire</b>
50	-	30%
51	-	20%
52	-	15%
53	-	15%
54	-	15%
55	10%	10%
56	5%	10%
57	5%	15%
58	5%	25%
59	5%	30%
60	20%	100%
61	20%	100%
62	20%	100%
63	20%	100%
64	20%	100%
65	30%	100%
66	30%	100%
67	40%	100%
68	50%	100%
69	60%	100%
70	100%	100%

**ACTUARIAL ASSUMPTIONS USED FOR THE VALUATION  
(CONTINUED)**

---

Disability rates are used in the valuation to estimate the incidence of member disability in future years.

The assumed rates of disablement at various ages are shown below:

<b>Sample Ages</b>	<b>Percent Becoming Disabled Within Next Year</b>		
	<b>General</b>	<b>Police</b>	<b>Fire</b>
20	0.15%	0.10%	0.10%
25	0.18%	0.15%	0.15%
30	0.20%	0.25%	0.20%
35	0.29%	0.30%	0.25%
40	0.42%	0.70%	0.50%
45	0.65%	0.80%	0.65%
50	1.05%	0.95%	0.80%
55	1.84%	1.10%	0.95%
60	3.06%	1.20%	1.00%

50% of disabilities are assumed to be non-duty and 50% of disabilities are assumed to be duty related.

**ACTUARIAL ASSUMPTIONS USED FOR THE VALUATION  
(CONCLUDED)**

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The withdrawal rates 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. The assumed rates of withdrawal applied in the current valuation are based on years of service for members with less than 5 years of service, and based on age for members with 5 or more years of service.

Sample rates of withdrawal from active employment are below:

Sample Ages	Years of Service	% of Active Members Separating Within Next Year	
		General	Police & Fire
ALL	0	15.00%	8.00%
	1	10.00%	6.00%
	2	8.00%	4.50%
	3	7.00%	3.00%
	4	6.00%	2.00%
25	5 & Over	5.00%	2.50%
30		4.50%	2.00%
35		3.55%	1.10%
40		1.45%	0.40%
45		0.75%	0.40%
50		0.75%	0.40%
55		0.75%	0.40%
60		0.75%	0.40%
65		0.75%	0.40%

**GASB STATEMENTS NO. 43 AND NO. 45  
REQUIRED SUPPLEMENTARY INFORMATION**

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Valuation Date	June 30, 2011
Actuarial Cost Method	Individual Entry Age Normal Cost
Amortization Method	Level Dollar Closed
Remaining Amortization Periods	30 Years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.75% Per Year
Projected Salary Increases	4.5% - 8.3%
Valuation Health Care Cost Trend Rate Medical and Prescription Drug	9% in 2012, grading to 4.5% in 2021

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

## SAMPLE GASB SCHEDULES

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### SCHEDULE OF FUNDING PROGRESS Rounded to the Nearest \$1,000

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b)-(a)	Funded Ratio (a)/(b)	Active Member Covered Payroll (c)	Unfunded AAL as a Percentage of Active Member Covered Payroll ((b-a)/c)
2005	\$ 6,873	\$ 64,689	\$ 57,816	10.6 %	\$20,881	276.9 %
2007	10,771	63,113	52,342	17.1	23,246	225.2
2009	12,061	59,833	47,773	20.2	22,106	216.1
<b>2011</b>	<b>20,370</b>	<b>70,707</b>	<b>50,337</b>	<b>28.8</b>	<b>18,978</b>	<b>265.2</b>

### SCHEDULE OF EMPLOYER CONTRIBUTIONS

Actuarial Valuation Date June 30	Fiscal Year Ending	Annual Required Contribution
2007	6/30/2007	\$4,997,413
	6/30/2008	5,222,297
2009	6/30/2009	4,699,046
	6/30/2010	4,802,838
2011	6/30/2011	5,834,875
	6/30/2012	5,824,776

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

## ACTUARIAL ASSUMPTIONS USED FOR THE VALUATION

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### MISCELLANEOUS AND TECHNICAL ASSUMPTIONS

- Marriage Assumption:** 100% of males and 100% of females are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than the female spouses.
- Pay Increase Timing:** Beginning of valuation year. This is equivalent to assuming that reported pays represent amounts paid to member during the year ended on the valuation date.
- Decrement Timing:** Decrements of all types are assumed to occur mid-year.
- Future Service:** Members are assumed to earn 1.0 years of service in each future year.
- Eligibility Testing:** 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.
- Decrement Relativity:** Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
- Decrement Operation:** Disability and death-in-service decrements do not operate during the first 5 years of service. Disability and withdrawal do not operate during retirement eligibility.

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**APPENDIX A**  
OVERVIEW

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## **GASB BACKGROUND**

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The purpose of this valuation is to provide information on the cost associated with providing postemployment benefits other than pensions, or OPEB, to current and former employees. The information is designed to assist you in complying with Governmental Accounting Standards Board (GASB) Statements No. 43 and No. 45. OPEB benefits are most often associated with postemployment health care, but cover almost any benefit not provided through a pension plan, including life insurance, dental and vision benefits. It is important to note that OPEB benefits, by definition, do not include benefits *currently* being provided to active employees – however, this report includes the liabilities for benefits expected to be paid to current active employees in the future when they retire.

GASB Statements No. 43 and No. 45 were released in the spring of 2004. GASB Statement No. 43 covers the accounting rules for OPEB *plans* while GASB Statement No. 45 describes the rules for *employers* sponsoring OPEB plans. Your auditor can assist you in determining which statements apply to your particular situation.

The specific items required to be disclosed on an OPEB sponsor's financial statements are described in detail in GASB Statements No. 43 and No. 45.

### **GASB Statement No. 45**

Among the requirements of Statement No. 45 are recognition each year of an expense called the Annual OPEB Cost, and the accumulation of a liability to be disclosed on the employer's Statement of Net Assets called the Net OPEB Obligation (NOO).

The fundamental items required to determine the Annual OPEB Cost and the NOO are:

- the Annual Required Contribution (ARC)
- the Employer's Contributions in relation to the ARC

Although GASB does not require OPEB contributions, it has chosen to call the base component of the annual OPEB cost the Annual Required Contribution. The ARC is provided in this report.

## **GASB BACKGROUND (CONCLUDED)**

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Paragraph 13g. of Statement No. 45 states:

“An employer has made a contribution in relation to the ARC if the employer has:

1. made payments of benefits directly to or on behalf of a retiree or beneficiary,
2. made premium payments to an insurer, or
3. irrevocably transferred assets to a trust, or equivalent arrangement in which Plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the Plan and are legally protected from creditors of the employer(s) or plan administrator.”

For each fiscal year shown in this report, we have provided the ARC and the estimated benefits and/or premiums (based on valuation assumptions).

The NOO is the cumulative difference between the Annual OPEB Cost each year and the Employer’s Contribution in relation to the ARC. The Annual OPEB Cost for a year is equal to:

- the ARC, plus
- interest on the prior year’s NOO, plus
- amortization of the prior year’s NOO.

The Annual OPEB Cost and NOO are generally developed by the Plan Sponsor’s auditor based on information contained herein and elsewhere.

### **GASB Statement No. 43**

If the Plan has assets for Statement No. 43 purposes, then certain additional information useful in complying with the Statement is contained in this report.

## **OPEB PRE-FUNDING**

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Many employers fund retiree health care benefits using the pay-as-you-go (or cash disbursement) method. Under this method, the employer's annual contribution is equal to the actual disbursements during the year for OPEB for retired employees. This method of funding will result in increasing contributions over time. First, per capita cash disbursements will tend to increase from year to year as the cost of health care services, or the utilization of these services, increases. Second, the number of retired members is likely to increase for years to come. The more retirees, the greater the disbursements as a percentage of employee payroll.

A retiree health care plan is similar to a defined benefit pension plan in that promises are made to employees to provide them with a benefit payable at some future date. For defined benefit pension plan sponsors, a common funding objective is to contribute to a fund, annual amounts which will i) remain level as a percentage of active member payroll, and ii) when combined with present assets and future investment return be sufficient to meet the financial obligations of the Plan to current and future retirees.

The GASB statements are not funding requirements. They are accounting standards that require plan sponsors to calculate the annual expense associated with OPEB using certain methods.

The ultimate determination as to the level of pre-funding will be the result of decisions made in an attempt to support benefit security for members and the fiscal management needs of the employer.

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**APPENDIX B**  
GLOSSARY

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## GLOSSARY

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**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.

## **GLOSSARY (CONCLUDED)**

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**Annual Required Contribution (ARC).** The ARC is the normal cost plus the portion of the unfunded actuarial accrued liability to be amortized in the current period. The ARC 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 Inflation).** The increase in the plan's cost over time. Trend includes all elements that may influence a plan's cost, assuming that enrollments and the plan benefits do not change. 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.

**Other Post-Employment Employee Benefits (OPEB).** OPEB are post-employment benefits other than pensions. OPEB generally takes the form of health insurance and dental, vision, prescription drugs or other healthcare 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.

November 14, 2011

Mr. Tim Smith  
Finance Director  
City of Wyoming  
1155 28<sup>th</sup> Street, S.W.  
Wyoming, Michigan 49509

**Re: City of Wyoming Retiree Health Care Plan**

Dear Mr. Smith:

Enclosed are 20 copies of our report of the June 30, 2011 actuarial valuation of the City of Wyoming Retiree Health Care Plan.

Respectfully submitted,



Randall J. Dziubek, ASA, EA, MAAA

RJD:ah  
Enclosures