

City of Wyoming
Retiree Health Care Plan
Actuarial Valuation Report
June 30, 2017



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September 15, 2017

Ms. Rosa R. Ooms
Finance Director
City of Wyoming
1155 28th Street, S.W.
Wyoming, Michigan 49509

Dear Rosa:

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, 2017.

This report was prepared at the request of the City and is intended for use by the City 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. GRS is not responsible for unauthorized use of this report.

The purposes of the valuation are to measure the Plan's funding progress and to determine the Actuarially Computed Employer Contributions for the fiscal years ending June 30, 2018 and June 30, 2019. 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. This report is not compliant with GASB Statements No. 74 or No. 75.

The valuation was based upon information furnished by the City concerning Plan benefits, individual members, and plan finances. We checked for internal and year-to-year 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.

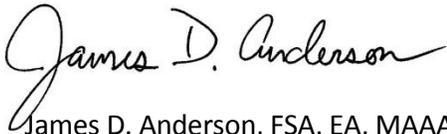
Ms. Rosa R. Ooms
City of Wyoming
September 15, 2017
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The signing actuaries are independent of the plan sponsor.

James D. Anderson and Mark Buis 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,



James D. Anderson, FSA, EA, MAAA



Mark Buis, FSA, EA, FCA, MAAA

JDA/MB:mrb

C0272



EXECUTIVE SUMMARY

Executive Summary

Actuarially Computed Employer Contribution

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

We have calculated the Actuarially Computed Employer Contribution for the fiscal years beginning July 1, 2017, July 1, 2018, and July 1, 2019. The Actuarially Computed Employer Contribution for the fiscal year beginning July 1, 2017 is \$10,076,828. The Actuarially Computed Employer Contribution is \$10,061,933 for the year beginning July 1, 2018. The Actuarially Computed Employer Contribution is \$9,878,994 for the year beginning July 1, 2019. The expected employer retiree health care claims and premium amounts paid during the fiscal years beginning July 1, 2017, July 1, 2018, and July 1, 2019 are estimated to be \$4,470,530, \$4,879,336, and \$5,179,279 respectively. 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 this report.

Liabilities and Assets

The present value of all benefits expected to be paid to current plan members as of June 30, 2017 is \$171,104,434. The actuarial accrued liability, which is the portion of the \$171,104,434 attributable to service accrued by plan members as of June 30, 2017, is \$152,138,336. The assets currently set aside for GASB OPEB purposes as of June 30, 2017 are \$36,651,187. The OPEB liabilities are currently 24.1% funded.

Results as of June 30, 2017 reflect the use of a 4.0% investment return assumption for all pay-as-you-go groups (General, Other Funds B, Police, and Fire) and 7.25% investment return assumption for all fully-funding groups (Other Funds A). This assumption was changed from the previous valuation assumption of 4.0% for all groups. This change resulted in a decrease to computed liabilities and the Actuarially Computed Employer Contribution for the Other Funds A group.

SECTION A

VALUATION RESULTS AND COMMENTS

Computation of the Actuarially Computed Employer Contributions for Fiscal Years Beginning July 1 of 2017, 2018, and 2019

Annual Required Contributions for	Annual Required Contributions					
	Fire	General	Other Funds A	Other Funds B	Police	Total
Normal Cost						
Age & Service Benefits	\$ 213,309	\$ 383,789	\$ 158,278	\$ 513,707	\$ 580,078	\$ 1,849,161
Death and Disability Benefits	10,510	44,481	16,278	60,709	42,607	174,585
Termination Benefits						
Vested Age & Service Benefits	<u>10,959</u>	<u>62,095</u>	<u>21,950</u>	<u>101,065</u>	<u>43,656</u>	<u>239,725</u>
Total Normal Cost	234,778	490,365	196,506	675,481	666,341	2,263,471
Unfunded Actuarial Accrued Liabilities	971,975	1,736,298	779,636	2,200,052	2,125,396	7,813,357
Fiscal Year Beginning 2017						
Actuarially Computed Employer Contribution	\$ 1,206,753	\$ 2,226,663	\$ 976,142	\$ 2,875,533	\$ 2,791,737	\$ 10,076,828
Fiscal Year Beginning 2018						
Actuarially Computed Employer Contribution	\$ 1,202,427	\$ 2,214,844	\$ 980,015	\$ 2,887,672	\$ 2,776,975	\$ 10,061,933
Fiscal Year Beginning 2019						
Actuarially Computed Employer Contribution	\$ 1,181,068	\$ 2,166,441	\$ 956,377	\$ 2,849,507	\$ 2,725,601	\$ 9,878,994

The unfunded actuarial accrued liabilities were amortized as a level dollar amount over a closed period of 23 years for the fiscal year beginning July 1, 2017.

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, 2017

	Fire	General	Other Funds A	Other Funds B	Police	Total
A. Actuarial Accrued Liability:						
1. For retirees and beneficiaries	\$11,593,756	\$18,981,828	\$12,148,183	\$25,561,477	\$23,891,844	\$ 92,177,088
2. For vested terminated members	348,903	5,320,246	1,783,813	4,809,076	3,429,310	15,691,348
3. For present active members:						
a. Value of expected future benefits payments	6,370,776	12,656,499	6,274,715	18,760,699	19,173,309	63,235,998
b. Value of future normal costs	1,644,387	3,651,835	1,434,570	6,928,518	5,306,788	18,966,098
c. Active members liability: (a) - (b)	4,726,389	9,004,664	4,840,145	11,832,181	13,866,521	44,269,900
4. Total	16,669,048	33,306,738	18,772,141	42,202,734	41,187,675	152,138,336
B. Valuation Assets	1,941,652	6,998,281	9,860,183	8,867,473	8,983,598	36,651,187
C. Unfunded Accrued Liability: (A.4) - (B)	\$14,727,396	\$26,308,457	\$ 8,911,958	\$33,335,261	\$32,204,077	\$115,487,149
D. Percent Funded: (B)/(A.4)						24.1%

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

Valuation assets of \$36,651,187 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

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 Actuarially Computed Employer Contribution. We have assumed that the trust asset return will be 4.0% for pay-as-you-go groups (General, Other Funds B, Police, and Fire) and 7.25% for fully-funding groups (Other Funds A) per year, net of expenses. The City has generally contributed amounts to the Retiree Health Care Plan that were closer to the paygo cost than the Actuarially Computed Employer Contribution.

COMMENT B: Prior to the June 30, 2015 valuation, employer contributions were calculated for the General, Police, and Fire groups. For the June 30, 2015 valuations, the General group was further subdivided into four total groups: Motor Pool, Clean Water Plant, Water Treatment Plan, and the remaining General employees. The June 30, 2017 valuation reflects an additional reorganization of the employer groups. For the June 30, 2017 valuation, employer contributions were calculated for each of the following five main groupings (subgroups have been included for informational purposes if available):

- Other Funds A
 - Motor Pool (MP)
 - Clean Water Plant (CWP)
 - Water Treatment Plan (WTP)
 - Risk
- Other Funds B
 - Public Works (PW)
 - Parks
 - Housing
 - Building Inspections (BI)
- General
- Police
- Fire

COMMENT C: The Patient Protection and Affordable Care Act includes an excise tax on high cost (Cadillac) health plans beginning in 2020. The excise tax is 40% of costs above a threshold. For this valuation a 2.0% load was applied to the health care liabilities to approximate the cost for future excise tax, based on the current Plan provisions and assumptions.

Comments

COMMENT D: The factors primarily responsible for changes in results from the previous valuation are as follows. The change to the investment return assumption shown below, favorable claims experience, and change in benefit provisions described below served to decrease the computed valuation results, but partially offsetting the decrease was an increase due to resetting the health care trend assumption. The decrease in actuarial accrued liabilities due to the change to the investment return assumption and benefit provisions was roughly \$10.1 million.

- The investment return assumption for the Other Funds A group was increased from 4.0% to 7.25%.
- Claims experience during the two-year period ending June 30, 2017 was more favorable than expected.
- Implementing a cost-sharing arrangement for future General Non-Administrative retirees hired before February 7, 2006.

COMMENT E: Consider pre-funding the retiree health program. If the City wishes to maintain the level of benefits currently in place, the likelihood improves considerably if the Actuarially Computed Employer Contribution is contributed each year.

SECTION B

RETIREE PREMIUM RATE DEVELOPMENT

Retiree Premium Rate Development

Initial premiums were developed for the two classes of retirees (pre-65 and post-65), 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.

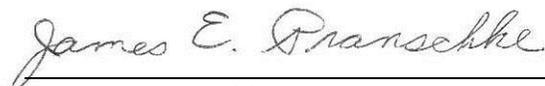
The self-insured initial premium rates were developed separately for each class (pre-65 and post-65). The rates were calculated by using paid claims experience and exposure data for the period of July 2014 to June 2017 adjusted for catastrophic claims, plus the load for administration, network access fee, and stop loss premiums. The Medical data was analyzed for the pre-65 and post-65 participants separately since Medicare is available for the post-65 participants and has a significant impact on the claim experience. Furthermore, since the prescription drug claims and the medical claims exhibit different trends and claim payment patterns, we analyzed these claims separately.

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:

Age	Premium Rates by Age for Medical and Prescription Drugs	
	Male	Female
40	\$ 361.46	\$ 587.34
50	585.92	721.79
60	995.79	980.51
64	1,210.91	1,142.77
65	500.10	471.70
75	585.12	570.95
85	618.73	626.01

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.

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



James E. Pranschke, FSA, MAAA

SECTION C

PROJECTION OF RETIREE HEALTH PAYOUTS

Projection of Retiree Health Payouts

Year Ending June 30,	Projection of Retiree Health Payouts
2018	\$ 4,470,530
2019	4,879,336
2020	5,179,279
2021	5,445,717
2022	5,675,309
2023	5,945,165
2024	6,315,706
2025	6,756,156
2026	7,227,475
2027	7,807,655
2028	8,363,175
2029	8,839,910
2030	9,261,705
2031	9,779,120
2032	10,174,779
2033	10,481,426
2034	10,851,573
2035	11,078,778
2036	11,052,228
2037	11,190,056

SECTION D

SUMMARY OF BENEFIT PROVISIONS AND VALUATION DATA

City of Wyoming Retiree Health Care Plan

Fire Non-Command Employees

Summary of Benefits as of June 30, 2017

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 eligible spouse regardless of optional form of retirement benefit selected.

Members hired before 7/1/2005 and retiring before 10/2/2009: \$15 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 eligible spouse regardless of optional form of retirement benefit selected.

Members hired before 7/1/2005 and retiring after 10/1/2009: \$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 eligible spouse regardless of optional form of retirement benefit selected.

Members retiring after 7/1/2015 and not in PEHP: Retirees will share the cost of health care according to the following schedule:

<u>Years of Service</u>	<u>Retiree Cost Share</u>
Less than 10	Not eligible for retiree health care
10-14	30%
15-18	20%
19+	0%

Members hired after 10/1/2009: Members may participate in City defined contribution Postemployment Health care Plan (PEHP). The City shall contribute 4% of base wages 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, 2017 (Concluded)

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 (married to employee at time of termination) 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 A & B once eligible. Retiree pays Medicare Part A & B premiums.

OPT-OUT PROVISION

The City does not provide an opt-out benefit for retiree health care benefits, however, retirees may choose to not enroll in retiree health coverage.

This is a brief summary of the 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, 2017

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 2/7/2006 and retiring before 2/7/2006: \$10 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 eligible spouse regardless of optional form of retirement benefit selected.

Non-Admin hired before 2/7/2006 and retiring before 7/2/2009: \$15 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 eligible spouse regardless of optional form of retirement benefit selected.

Non-Admin hired before 2/7/2006 and retiring after 7/1/2009: \$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 eligible spouse regardless of optional form of retirement benefit selected.

Non-Admin retiring after 7/1/2017 and not in PEHP: Retirees will share the cost of health care according to the following schedule:

<u>Years of Service</u>	<u>Retiree Cost Share</u>
Less than 10	Not eligible for retiree health care
10-14	30%
15-18	20%
19+	0%

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 retiring after 1/30/2015 and not in PEHP: Retirees will share the cost of health care according to the following schedule:

<u>Years of Service</u>	<u>Retiree Cost Share</u>
Less than 10	Not eligible for retiree health care
10-14	30%
15-19	20%
20+	0%

City of Wyoming Retiree Health Care Plan

General Employees

Summary of Benefits as of June 30, 2017

Administrative hired after 7/1/2007 and Non-Admin hired after 6/30/2009: The City shall contribute 4% of base wages to a defined contribution Postemployment Health care Plan (PEHP).

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.

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.

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.

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. Eligible 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

Eligible spouses of retired employees (married to employee at time of termination) are eligible to receive retiree health care benefits. Coverage continues to eligible 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.

City of Wyoming Retiree Health Care Plan General Employees Summary of Benefits as of June 30, 2017 (Concluded)

NON-MEDICARE AND MEDICARE-ELIGIBLE PROVISIONS

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

OPT-OUT PROVISION

The City does not provide an opt-out benefit for retiree health care benefits, however, retirees may choose to not enroll in retiree health coverage.

This is a brief summary of the 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, 2017

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 eligible spouse regardless of optional form of retirement benefit selected.

Police Non-Command hired before 7/1/2005 and retiring after 9/5/2005: \$15 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 eligible spouse regardless of optional form of retirement benefit selected.

Police Non-Command hired before 7/1/2005 and retiring after 9/3/2007: \$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 eligible spouse regardless of optional form of retirement benefit selected.

Police Command hired before 7/1/2005 and retiring before 2/20/2006: \$15 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 eligible spouse regardless of optional form of retirement benefit selected.

Police Command hired before 7/1/2005 and retiring after 2/20/2006: \$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 eligible spouse regardless of optional form of retirement benefit selected.

Police Non-Command retiring after 1/30/2015 and Command retiring after 7/1/2015 and not in PEHP: Retirees will share the cost of health care according to the following schedule:

<u>Years of Service</u>	<u>Retiree Cost Share</u>
Less than 10	Not eligible for retiree health care
10-14	30%
15-18	20%
19+	0%

Police Non-Command hired after 9/3/2007 and Police Command hired after 8/31/2008: The City shall contribute 4% of base wages 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.

City of Wyoming Retiree Health Care Plan

Police Non-Dispatchers Employees

Summary of Benefits as of June 30, 2017 (Concluded)

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

Eligible 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

Eligible spouses of retired employees (married to employee at time of termination) are eligible to receive retiree health care benefits. Coverage continues to eligible 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 A & B once eligible. Retiree pays Medicare Part A & B premiums.

OPT-OUT PROVISION

The City does not provide an opt-out benefit for retiree health care benefits, however, retirees may choose to not enroll in retiree health coverage.

This is a brief summary of the 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 Fire Active Members as of June 30, 2017 by Age and Years of Service

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

Age	Years of Service to Valuation Date							Totals
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.
35-39			1	1				2
40-44				1	2			3
45-49				3	1			4
50-54				1	5			6
55-59					1			1
60 & Over								
Totals			1	6	9			16

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

Age: 47.3 years
Service: 19.6 years

City of Wyoming Retiree Health Care Plan General Active Members as of June 30, 2017 by Age and Years of Service

Age	Years of Service to Valuation Date							Totals
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.
30-34								
35-39		1						1
40-44			1	1				2
45-49				4	1	1		6
50-54			3	2	5	1	5	16
55-59				1	3	1	1	6
60-64		1		2			1	4
65 & Over			1				1	2
Totals		2	5	10	9	3	8	37

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

Age: 52.8 years
Service: 21.9 years

**City of Wyoming Retiree Health Care Plan
Other Funds A Active Members as of June 30, 2017
by Age and Years of Service**

Age	Years of Service to Valuation Date							Totals
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.
30-34			1					1
35-39		1	1					2
40-44		1	2	1	1			5
45-49		1	3	1	3			8
50-54		1	1	4	2	2	2	12
55-59					3		1	4
60-64				2	1		1	4
65 & Over							1	1
Totals		4	8	8	10	2	5	37

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

Age: 50.0 years
Service: 19.5 years

**City of Wyoming Retiree Health Care Plan
Other Funds B Active Members as of June 30, 2017
by Age and Years of Service**

Age	Years of Service to Valuation Date							Totals
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.
30-34		1						1
35-39		2	1	3				6
40-44			1	4	3			8
45-49			3	5	3	3		14
50-54		2		1	7	3	3	16
55-59				1	2			3
60-64				2	2	1	1	6
65 & Over								
Totals		5	5	16	17	7	4	54

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

Age: 48.6 years
Service: 19.9 years

City of Wyoming Retiree Health Care Plan Police Active Members as of June 30, 2017 by Attained Age and Years of Service

Age	Years of Service to Valuation Date							Totals
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.
30-34			1					1
35-39			2	2				4
40-44			1	11	5			17
45-49				4	12	4		20
50-54				1	3	1		5
55-59						1		1
60 & Over					1			1
Totals			4	18	21	6		49

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

Age: 45.5 years
Service: 20.2 years

City of Wyoming Retiree Health Care Plan Deferred Members as of June 30, 2017 by Attained Age and Years of Service

Fire Deferred Members

Attained Age	Number of Deferred Retirees		
	Male	Female	Totals
35-39	1	0	1
Totals	1	0	1

General Deferred Members

Attained Age	Number of Deferred Retirees		
	Male	Female	Totals
40-44	1	6	7
45-49	1	4	5
50-54	2	3	5
55-59	0	2	2
60+	1	0	1
Totals	5	15	20

Other Funds A Deferred Members

Attained Age	Number of Deferred Retirees		
	Male	Female	Totals
45-49	4	1	5
55-59	2	2	4
60+	0	1	1
Totals	6	4	10

City of Wyoming Retiree Health Care Plan Deferred Members as of June 30, 2017 by Attained Age and Years of Service

Other Funds B Deferred Members

Attained Age	Number of Deferred Retirees		
	Male	Female	Totals
35-39	0	1	1
40-44	2	2	4
45-49	2	2	4
50-54	2	2	4
55-59	1	0	1
Totals	7	7	14

Police Deferred Members

Attained Age	Number of Deferred Retirees		
	Male	Female	Totals
40-44	2	0	2
45-49	5	2	7
Totals	7	2	9

The number counts above only include those retirees who are eligible to receive retiree health care coverage through the City's plan. Additionally, number counts above do not include deferred members covered under a current retiree.

City of Wyoming Retiree Health Care Plan Retired Members as of June 30, 2017 by Attained Age and Years of Service

Fire Retired Members

Attained Age	Number of Retirees		
	Male	Female	Totals
Under 65	11	0	11
65 & Over	17	3	20
Totals	28	3	31

General Retired Members

Attained Age	Number of Retirees		
	Male	Female	Totals
Under 65	5	20	25
65 & Over	18	35	53
Totals	23	55	78

Other Funds A Retired Members

Attained Age	Number of Retirees		
	Male	Female	Totals
Under 65	15	4	19
65 & Over	33	14	47
Totals	48	18	66

Other Funds B Retired Members

Attained Age	Number of Retirees		
	Male	Female	Totals
Under 65	23	8	31
65 & Over	41	19	60
Totals	64	27	91

City of Wyoming
Retired Members as of June 30, 2017
by Attained Age and Years of Service (Concluded)

Police Retired Members

Attained Age	Number of Retirees		
	Male	Female	Totals
Under 65	21	7	28
65 & Over	34	5	39
Totals	55	12	67

The number counts above only include those retirees who are currently receiving retiree health care coverage through the City's plan.

SECTION E

VALUATION METHODS AND ACTUARIAL ASSUMPTIONS

Entry Age Actuarial Cost Method

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

The salary increase assumption used in this actuarial valuation projects annual salary increases of 3.5% 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 3.5% 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). 4.0% per year compounded annually for pay-as-you-go groups (General, Other Funds B, Police, and Fire). This rate consists of a real rate of return of 0.5% a year plus a long-term rate of wage inflation of 3.5% a year. 7.25% per year compounded annually for fully-funding groups (Other Funds A). This rate consists of a real rate of return of 3.75% a year plus a long-term rate of wage inflation of 3.5% 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)

Health care cost increases - See table below:

Health Care Trend Inflation

Year	Medical and Drug Trend Rates
2018	9.00%
2019	8.25%
2020	7.50%
2021	6.75%
2022	6.25%
2023	5.75%
2024	5.25%
2025	4.75%
2026	4.25%
2027	3.50%
2028 & Later	3.50%

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)

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 of 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 3.5% 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: 90% of retirees were assumed to receive retiree health care coverage from the City. Of the 90% receiving benefits, 78% of males and 78% 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)

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	7.3%	6.5%
25	6.6%	6.5%
30	6.2%	6.1%
35	5.9%	4.6%
40	5.6%	3.7%
45	5.2%	3.7%
50	4.6%	3.7%
55	4.2%	3.6%
60	3.7%	3.5%
65	3.5%	3.5%

Actuarial Assumptions Used for the Valuation (Continued)

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 was the RP-2014 Healthy Annuitant Mortality Table projected to 2020 using the MP-2014 mortality improvement scale; the mortality tables for current active employees to the RP-2014 Mortality Tables for Employees projected to 2020 using the MP-2014 mortality improvement scale. This table was first used for the June 30, 2015 valuation. The provision for future improvements in mortality is built into the projection to 2020. Sample values follow:

Sample Ages	Mortality Rates		Expected Years of Life Remaining	
	Male	Female	Male	Female
50	0.31%	0.22%	34.78	37.43
55	0.45%	0.30%	30.37	32.87
60	0.63%	0.42%	26.10	28.39
65	0.89%	0.63%	21.97	24.04
70	1.33%	0.99%	18.02	19.87
75	2.08%	1.61%	14.31	15.96
80	3.44%	2.69%	10.92	12.36

This assumption is used to measure the probabilities of members dying before retirement and the probabilities of each pension payment being made after retirement. Disabled retirees use the RP-2014 Disabled Retirees projected to 2020 using the MP-2014 mortality improvement scale.

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

Retirement Ages	Percent of Eligible Active Members Retiring within Next Year	
	General	Police & Fire
50	-	30%
51	-	20%
52	-	15%
53	-	15%
54	-	15%
55	20%	10%
56	10%	10%
57	10%	15%
58	10%	25%
59	10%	30%
60	30%	100%
61	20%	100%
62	30%	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:

Sample Ages	Percent Becoming Disabled within Next Year		
	General	Police	Fire
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%

Actuarial Assumptions Used for the Valuation (Concluded)

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%	

Supplementary Information

Valuation Date	June 30, 2017
Actuarial Cost Method	Individual Entry Age Normal Cost
Amortization Method	Level Dollar Closed
Remaining Amortization Periods	23 Years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	4.0% Per Year for pay-as-you-go groups 7.25% Per Year for fully-funding groups
Valuation Health Care Cost Trend Rate Medical and Prescription Drug	9% in 2018, grading to 3.5% in 2027

This information has been reviewed by Rehmann Robson, the City’s auditor. If there are any items that the auditor changes, please let us know so that we may maintain consistency with the City’s financial statements.

Sample GASB Schedules

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)
2009	\$ 12,061	\$ 59,833	\$ 47,773	20.2	\$22,106	216.1
2011	20,370	71,343	50,973	28.6	18,978	268.6
2013	25,312	100,065	74,753	25.3	17,610	424.5
2015	30,213	151,832	121,618	19.9	15,740	772.7
2017	36,651	152,138	115,487	24.1	12,156	950.1

Schedule of Employer Contributions

Actuarial Valuation Date June 30	Fiscal Year Ending	Annual Required Contribution
2011	6/30/2011	\$ 5,834,875
	6/30/2012	5,824,776
2013	6/30/2013	7,715,174
	6/30/2014	7,688,860
	6/30/2015	7,678,535
2015	6/30/2016	11,069,038
	6/30/2017	10,954,379
2017	6/30/2018	10,076,828
	6/30/2019	10,061,933

This information has been reviewed by Rehmann Robson, the City's auditor. If there are any items that the auditor changes, please let us know so that we may maintain consistency with the City's financial statements.

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.
Unknown Data:	Average characteristics of the benefit group (e.g., Police) as a whole were used to fill in the unknown data.
Pre-60 Opt-Outs:	There are numerous retirees under the age of 60 who are currently opting-out of coverage but are eligible for full City paid coverage upon reaching age 60. For purposes of this valuation, it was assumed that 100% of these pre-60 opt-outs would elect coverage upon reaching age 60.

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.

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.

Glossary (Concluded)

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

Other 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.



September 15, 2017

Ms. Rosa R. Ooms
Finance Director
City of Wyoming
1155 28th Street, S.W. – City Hall
Wyoming, Michigan 49509

Re: City of Wyoming Retiree Health Care Plan

Dear Rosa:

Enclosed are 20 copies of our June 30, 2017 actuarial valuation report of the City of Wyoming Retiree Health Care Plan.

Respectfully submitted,

A handwritten signature in black ink that reads "James D. Anderson". The signature is written in a cursive style with a large initial "J".

James D. Anderson, FSA, EA, MAAA

JDA:mrh
Enclosures