

# Charter Township of Ypsilanti Other Postemployment Benefits

Actuarial Valuation Report  
December 31, 2019



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June 9, 2020

Ms. Karen Wallin  
Human Resources Department  
Charter Township of Ypsilanti  
7200 South Huron River Drive  
Ypsilanti, Michigan 48197

Dear Ms. Wallin:

Submitted in this report are the results of the Actuarial Valuation of the assets and benefit values associated with Other Postemployment Benefits of the Charter Township of Ypsilanti. The date of the valuation was December 31, 2019, from which the Actuarially Determined Contribution was developed for the fiscal years ending December 31, 2021 and December 31, 2022. This report was prepared at the request of the Township.

The purposes of the valuation are to measure the Plan's funding progress and to determine the employer contribution rate for the fiscal years ending December 31, 2021 and December 31, 2022. Determinations of the financial results associated with the benefits described in this report in a manner other than the intended purpose may produce significantly different results. This report does not satisfy the disclosure requirements of Governmental Accounting Standards Board (GASB) Statements No. 74 and No. 75. Information related to GASB Statements No. 74 and No. 75 reporting will be provided in separate reports.

The actuarial cost method and assumptions used in the actuarial valuation are summarized in Section D of this report. The actuarial assumptions have changed since the last valuation. In particular, the trend vector was updated for this valuation.

This report should not be relied on for any purpose other than those described above. It was prepared at the request of the Charter Township of Ypsilanti and is intended for use by the Township and those designated or approved by the Township. This report may be provided to parties other than the Township only in its entirety and only with the permission of the Township. GRS is not responsible for unauthorized use of this report.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

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

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

The signing individuals are independent of the plan sponsor.

Abra D. Hill and Derek Henning 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.

Respectfully submitted,



Abra D. Hill ASA, FCA, MAAA



Derek Henning, ASA, EA, MAAA



David L. Hoffman

ADH/DH/DLH:sc

C2432



## **EXECUTIVE SUMMARY**

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# Executive Summary

## Actuarially Determined Contribution

The Actuarially Determined Contribution (ADC) for the General Township groups in total is estimated to be \$515,006 for the fiscal year ending December 31, 2021 and \$496,319 for the fiscal year ending December 31, 2022. Actual claims and premiums paid on behalf of retirees may be treated as employer contributions in relation to the ADC. The expected claims (including the implicit subsidy) are as follows:

<b>Calendar Year</b>	<b>General Township</b>
2020	\$634,727
2021	694,699
2022	776,998

For additional details please see Section A of the report.

Per capita costs and illustrative rates were developed from the premiums, claims, and enrollment data provided to us. The process used to determine these per capita costs and the results of these calculations are provided in Section B.

## Additional OPEB Reporting Requirements

Please note that beginning with the fiscal year ending December 31, 2017, GASB Statement No. 43 was replaced by GASB Statement No. 74. Also, beginning with the fiscal year ending December 31, 2018, GASB Statement No. 45 was replaced by GASB Statement No. 75. Information related to GASB Statements No. 74 and No. 75 reporting will be provided in separate reports.

## Liabilities and Assets

The present value of all benefits expected to be paid to current plan members as of December 31, 2019 is \$12,971,459. The actuarial accrued liability, which is the portion of the present value of all benefits attributable to service accrued by plan members as of December 31, 2019, is \$12,083,420. The assets currently set aside for GASB OPEB purposes as of December 31, 2019 are \$7,580,110.

## Excise Tax

On December 20, 2019, the "Further Consolidated Appropriations Act of 2020," H.R. 1865, was signed into law. The Act repeals the "Cadillac tax" which was a tax provision from the Affordable Care Act (ACA). As a result, any liability/provision analysis included as part of the prior funding valuation is no longer required. In addition, no further adjustments associated with the "Cadillactax" are required. For purposes of the Other Postemployment Benefits of the Charter Township of Ypsilanti, the repeal of the "Cadillactax" does not have an impact on plan liabilities because no load was applied as part of the December 31, 2017 funding valuation



## Actuarial Assumptions

There have been changes in actuarial assumptions since the prior valuation, as shown below:

- Increased next year's trend rate from 8.00% to 8.25%;
- Increased the ultimate trend rate from 3.00% to 3.50%; and
- Increased the number the number of years until reaching the ultimate trend rate from 10 years to 15 years.

## Public Act 202

Public Act 202 (PA 202) was signed into law December 20, 2017 and requires local units of government to electronically submit Form 5572 to the Michigan Department of Treasury (DOT) on an annual basis to evaluate the funded status of the retirement pension system. The local unit of government is considered underfunded if the actuarial accrued liability of a retirement pension system is less than 40% funded, and if the annual required contribution for all of the retirement systems of the local unit of government is greater than 10% of annual general fund operating revenues. An underfunded local unit of government is required to develop and submit for approval a corrective action plan for the local unit of government.

The Michigan State Treasurer has established uniform actuarial assumptions as required by PA 202 for use with the annual Form 5572 (Retirement System Annual Report). The use of the uniform assumptions for reporting will be required for the 2019 fiscal year (note that the Department of Treasury is encouraging early adoption).

In order to fulfill the PA 202 uniform assumptions reporting for the 2019 fiscal year, the liabilities must be reported using a separate health care trend and wage inflation assumption.

We would be happy to discuss with the Township options for fulfilling the reporting requirements. Fees associated with these reporting requirements would be based on the complexity of the assignment.

# SECTION A

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## VALUATION RESULTS



## Development of the Actuarially Determined Contributions – General Township for the Other Postemployment Benefits Fiscal Year Beginning January 1, 2021

Contributions for Fund Division	Development of the Actuarially Determined Contributions for January 1, 2021 - December 31, 2021							
	General Township / Board	Court 14-B	General Township	General Township	General Township	General Township	General Township	General Township
	101-102	101-136	226	230	249	266	584	TOTAL
<b>Investment Return Rate</b>								<b>7.00%</b>
Total Normal Cost	\$ 70,890	\$ 33,429	\$ 9,282	\$ 4,404	\$ 12,889	\$ 12,955	\$ 6,179	\$ 150,028
Amortization of Unfunded Actuarial Accrued Liabilities (Amortized over 24 years)	\$ 250,166	\$ 51,959	\$ 9,809	\$ 10,918	\$ 18,658	\$ 14,417	\$ 9,051	\$ 364,978
Actuarially Determined Contribution (ADC)	\$ 321,056	\$ 85,388	\$ 19,091	\$ 15,322	\$ 31,547	\$ 27,372	\$ 15,230	\$ 515,006
Member Portion	0	0	0	0	0	0	0	0
<b>Employer Portion</b>	<b>\$ 321,056</b>	<b>\$ 85,388</b>	<b>\$ 19,091</b>	<b>\$ 15,322</b>	<b>\$ 31,547</b>	<b>\$ 27,372</b>	<b>\$ 15,230</b>	<b>\$ 515,006</b>
ARC Per Active Participant	\$ 13,959	\$ 8,539	\$ 6,364	\$ 15,322	\$ 7,887	\$ 9,124	\$ 15,230	\$ 11,445
Actuarially Determined Contribution (ADC) For Year beginning January 1, 2022	\$ 309,381	\$ 83,211	\$ 18,358	\$ 14,443	\$ 31,149	\$ 25,640	\$ 14,137	\$ 496,319
Member Portion	0	0	0	0	0	0	0	0
<b>Employer Portion</b>	<b>\$ 309,381</b>	<b>\$ 83,211</b>	<b>\$ 18,358</b>	<b>\$ 14,443</b>	<b>\$ 31,149</b>	<b>\$ 25,640</b>	<b>\$ 14,137</b>	<b>\$ 496,319</b>

The results on this page are calculated under the assumption that the employer funding policy is to contribute consistently an amount at least equal to the Actuarially Determined Contribution (ADC). Therefore, under this policy, the employer can assume a long-term investment return assumption. **The assumption used to calculate the liabilities shown above assumes a 7.0% investment return rate for General Township.**

The unfunded actuarial accrued liabilities were amortized as level dollar payments over a closed period of 24 years. A 30-year amortization period for unfunded actuarial accrued liabilities is the maximum period that complies with GASB requirements.



## Determination of Unfunded Actuarial Accrued Liability – General Township as of December 31, 2019

	General Township / Board	Court 14-B	General Township	General Township	General Township	General Township	General Township	General Township
	101-102	101-136	226	230	249	266	584	TOTAL
<b>Investment Return Rate</b>								<b>7.00%</b>
A. Present Value of Future Benefits								
1. Retirees and Beneficiaries	\$5,516,422	\$ 556,308	\$ 0	\$244,084	\$214,939	\$3,556	\$109,068	\$ 6,644,377
2. Retired Members in Deferral Period	50,300	0	0	0	0	86,611	0	136,911
3. Active Members	<u>3,123,784</u>	<u>1,347,288</u>	<u>385,317</u>	<u>160,111</u>	<u>498,593</u>	<u>469,654</u>	<u>205,424</u>	<u>6,190,171</u>
Total Present Value of Future Benefits	\$8,690,506	\$1,903,596	\$385,317	\$404,195	\$713,532	\$559,821	\$314,492	\$12,971,459
B. Present Value of Future Employer Normal Costs	\$ 398,058	\$ 214,876	\$ 68,600	\$ 19,502	\$ 95,019	\$ 70,403	\$ 21,581	\$ 888,039
C. Present Value of Future Contributions from Current Active Members	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
D. Actuarial Accrued Liability (A.-B.-C.)	\$8,292,448	\$1,688,720	\$316,717	\$384,693	\$618,513	\$489,418	\$292,911	\$12,083,420
E. Market Value of Assets	\$5,201,978	\$1,059,359	\$198,681	\$241,324	\$388,002	\$307,019	\$183,747	\$ 7,580,110
F. Unfunded Actuarial Accrued Liability (D.-E.)	\$3,090,470	\$ 629,361	\$118,036	\$143,369	\$230,511	\$182,399	\$109,164	\$ 4,503,310
G. Funded Ratio (E./D.)	62.7%	62.7%	62.7%	62.7%	62.7%	62.7%	62.7%	62.7%

The results on this page are calculated under the assumption that the employer funding policy is to contribute consistently an amount at least equal to the Actuarially Determined Contribution (ADC). Therefore, under this policy, the employer can assume a long-term investment return assumption. **The assumption used to calculate the liabilities shown above assumes a 7.0% investment return rate for the General Township.**

**Under the new GASB Statement No. 75, the Net OPEB Obligation (analogous to the Unfunded Actuarial Accrued Liability) will appear on the Township's balance sheet in fiscal year ending 2020.**



## Comments

**Comment A:** There have been changes in actuarial assumptions since the prior valuation, as shown below:

- Increased next year's trend rate from 8.00% to 8.25%;
- Increased the ultimate trend rate from 3.00% to 3.50%; and
- Increased the number the number of years until reaching the ultimate trend rate from 10 years to 15 years.

**Comment B:** It is our understanding that the General Township assets are invested in the MERS Total Market Fund. Based on our analysis, 7.00% remains a reasonable investment return assumption.

**Comment C:** The Health Care Plan experience since the last valuation was more favorable than expected. The experience gain was primarily attributable to premium costs increasing by less than expected. This gain was partially offset by other demographic losses and investment returns less than the assumed rate of 7.0%. Overall, the experience impact decreased the Actuarially Determined Contribution and increased the funded ratio.

**Comment D:** The market value of assets tends to be very volatile over time. The Township may wish to adopt an asset smoothing method for valuation purposes in order to reduce volatility in the funded status and ADC. In addition, contributions for small groups may fluctuate significantly due to demographic changes. Annual valuations could reduce the likelihood of large changes in contributions over time.

**Comment E:** The new OPEB standards (GASB Statement Nos. 74 and 75) are accounting standards only. The Township may wish to explore alternative methods for funding the OPEB. For example, the Township may not want to reflect the implicit subsidy for purposes of funding the OPEB.

**Comment F:** The expected claims and premiums attributable to retirees and covered spouses are as follows:

<u>Calendar Year</u>	<u>General Township</u>
2020	\$634,727
2021	694,699
2022	776,998

These amounts are net of retiree and spouse contributions and reflect the anticipated trend, demographic changes, and implicit subsidy.

**Comment G:** On December 20, 2019, the "Further Consolidated Appropriations Act of 2020," H.R. 1865, was signed into law. The Act repeals the "Cadillac tax" which was a tax provision from the Affordable Care Act (ACA). As a result, any liability/provision analysis included as part of the prior funding valuation is no longer required. In addition, no further adjustments associated with the "Cadillac tax" are required. For purposes of the Other Postemployment Benefits of the Charter Township of Ypsilanti, the repeal of the "Cadillac tax" does not have an impact on plan liabilities because no load was applied as part of the December 31, 2017 funding valuation.



## Comments (Concluded)

**Comment H:** At the request of the plan sponsor, valuation results have been split by Township Fund. For purposes of correlating Township Fund divisions to OPEB groups for substantive plan provisions, we used the following information:

<u>Fund</u>	<u>OPEB Group</u>
101	General Township/Board
101-136	Court
226	General Township
249	General Township
230	General Township
266	General Township
584	General Township

## Other Observations

### General Implications of Contribution Allocation Procedure or Funding Policy on Future Expected Contributions and Funded Status

Given the Plan's contribution allocation procedure, if all actuarial assumptions are met (including the assumption of the Retiree Health Care funds for the General Township earning 7.0% on the Market Value of Assets), it is expected that:

1. The employer normal cost is sufficient to cover the cost of benefits accruing each year;
2. The Unfunded Actuarial Accrued Liabilities (UAAL) will continue to be fully amortized; and
3. The funded status of the Retirement System will continue to increase gradually towards a 100% funded ratio.

### Limitations of Funded Status Measurements

Unless otherwise indicated, a funded status measurement presented in this report is based upon the Actuarial Accrued Liability (AAL) and the Market Value of Assets (MVA). Unless otherwise indicated, with regard to any funded status measurements presented in this report:

1. The measurement is inappropriate for assessing the sufficiency of Plan assets to cover the estimated cost of settling the Retirement and Benefit System's benefit obligations, for example: transferring the liability to an unrelated third party in a market value type transaction.
2. The measurement is dependent upon the Actuarial Cost Method which, in combination with the Plan's amortization policy, affects the timing and amounts of future contributions. The amounts of future contributions will most certainly differ from those assumed in this report due to future actual experience differing from assumed experience based upon the actuarial assumptions. A funded status measurement in this report of 100% is not synonymous with no required future contributions. Even though the funded status is over 100%, the Plan would still require future normal cost contributions (i.e., contributions to cover the cost of active membership accruing an additional year of service credit).

### Limitations of Project Scope

Actuarial standards do not require the actuary to evaluate the ability of the plan sponsor or other contributing entities to make required contributions to the plan when due. Such an evaluation was not within the scope of this project and is not within the actuary's domain of expertise. Consequently, the actuary performed no such evaluation.

### Risks to Future Employer Contribution Requirements

There are ongoing risks to future employer contribution requirements to which the Plan is exposed, such as:

- Actual and Assumed Investment Rate of Return
- Actual and Assumed Mortality Rates
- Amortization Policy



**SECTION B**

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**RETIREE PREMIUM RATE DEVELOPMENT**

# Retiree Premium Rate Development

## Rate Development

Initial premium rates were developed separately for each class of retirees (pre-65 and post-65). The fully-insured rates provided by Ypsilanti Township were utilized to determine the appropriate premium rates. The pre-65 fully-insured premiums are blended rates based on the combined experience of active and pre-65 retired members; therefore, there is an implicit employer subsidy for the non-Medicare eligible retirees since the average costs of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees. The true per capita cost for the pre-65 retirees is developed by adjusting the demographic differences between the active employees and retirees to reflect this implicit rate subsidy for the retirees. For the post-65 retirees, the fully-insured premium rate is used as the basis of the initial per capita cost without adjustments since the rate reflects the actual claims experience of the post-65 retiree group.

The only pre-65 plan available to current and future retirees is BCBS Flex Blue PPO. The only post-65 plan available to current and future retirees is Medicare PLUS Blue Group PPO.

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

### Current and Future Retirees

Not Eligible for Medicare		
Age	Male	Female
45	\$ 515.51	\$ 711.47
50	671.25	826.92
55	883.30	964.43
60	1,140.83	1,123.32

Eligible for Medicare		
Age	Male	Female
65	\$ 408.15	\$ 384.97
70	444.62	430.24
75	477.53	465.97

The dental and vision premium rates were not “age graded” for this valuation since these claims do not vary significantly by age. The dental rates used for this valuation were \$29.79 for the first person and \$29.66 for the second person at all ages. The vision rates used for this valuation were \$8.20 for the first person and \$8.20 for the second person for pre-65 retirees. There is no vision coverage for post-65 retirees.



# Retiree Premium Rate Development (Concluded)

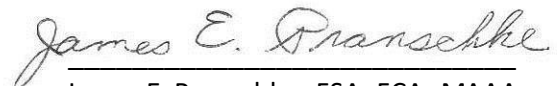
## Health Care Trend Assumption

The health care cost trend rate 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 improvements. It is a crucial economic assumption that is required for measuring retiree health care benefit obligations.

Retiree health care valuations use a health care cost trend assumption (trend vector) that changes over the years. The trend vector used in this valuation begins with a near-term trend assumption and declines over time to an ultimate trend rate. The near-term rates reflect the increases in the current cost of health care goods and services. The process of trending down to a lower ultimate trend relies on the theory that premium levels will moderate over the long-term, otherwise the healthcare sector would eventually consume the entire GDP. It is on this basis that projected premium rate increases continue to exceed wage inflation for the next ten years, but by less each year until leveling off at an ultimate rate, assumed to be 3.50% in this valuation, see page D-8 for further details regarding the trend vector used in this valuation.

While experience is often the best starting point for future costs, GRS does not rely on a group's experience in setting the near-term trend assumptions since trends vary significantly from year to year and are not credible for most groups. Therefore, professional judgment, trends from GRS' book of business and industry benchmarks (e.g., trend reports from various Pharmacy Benefit Management (PBM) organizations and national health care benefit consulting firms) are used in conjunction with a group's historical experience to establish the trend assumptions.

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, FCA, MAAA



## SECTION C

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### SUMMARY OF BENEFIT PROVISIONS AND VALUATION DATA

# **Management/Non-Union/Union/14B District Court Employees Summary of Benefits as of December 31, 2019 for Employees with Retirements Before September 1, 2009**

## **Age Retirement**

The Township provides full retiree health care coverage upon retirement at age 60 with 10 or more years of service. Family coverage is included. Employees who retire from the Township at age 55 with 15 years of service may continue their health care coverage by reimbursing the cost to the Township until age 60 at which time the Township provides full coverage.

## **Duty and Non-Duty Disability Retirement**

The Township provides full health care coverage to disability retirees at age 60 with 10 or more years of service. Family coverage is included. Prior to age 60, disability retirees may continue their health care coverage by reimbursing the cost to the Township until age 60 at which time the Township provides full coverage.

## **Duty and Non-Duty Death-in-Service**

Surviving spouse of a death-in-service employee may elect health care coverage through COBRA.

## **Medicare Eligibility**

Coverage supplements Medicare once retiree is eligible for Medicare. Retiree is required to enroll in Medicare Part A and Part B, when eligible. Retiree is required to pay Medicare B premiums.

## **Spouse and Dependent Coverage**

Spouse and eligible dependents are eligible to receive 100% Township paid retiree health care coverage for the life of the retiree. Surviving spouse and eligible dependents of deceased retired members may continue their health care coverage by reimbursing the cost to the Township.

## **Employee/Retiree Contributions**

Active employees and retired employees do not contribute toward the cost of retiree health care core benefits.



# Management/Non-Union/Union/14B District Court Employees Summary of Benefits as of December 31, 2019 for Employees with Retirements Before September 1, 2009

## Medical Coverage

The Township offers the following health care coverage plans:

- Blue Cross Blue Shield Flex Blue PPO
- Medicare PLUS Blue Group PPO

The Township offers a Health Reimbursement Account for each retiree with funds available to cover In-Network Deductibles, Rx co-pays and other related health care expenses. For pre-65 retirees covered under the Blue Cross Blue Shield Flex Blue PPO plan, funding for the HRA is \$3,250 with a Rx copay post deductible amount of \$1,000 for One-Person coverage and \$6,450 with a Rx copay post deductible amount of \$2,000 for Two-Person & Family coverage. Post-65 retirees covered under the Medicare PLUS Blue are funded at \$2,000 for One-Person coverage and \$4,000 for Two-Person & Family coverage.

## Dental Coverage

Members and spouses retiring with retiree health care benefits are eligible for Township paid dental benefits.

## Vision Coverage

Members and spouses retiring with retiree health care benefits are eligible for Township paid vision benefits.

## Life Insurance

The Township shall provide life insurance in the amount of \$5,000.00 without accidental death and dismemberment for the life of the retiree.



# **Teamster and Non-Union Management Summary of Benefits as of December 31, 2019**

## **DIVISION: TMNU-1**

### **Age Retirement**

- 1) Employees who retire between January 1, 2010 and December 31, 2012 became immediately eligible for retiree health care provided they are 55 years or older and they have at least fifteen years of service and are eligible for regular pension with MERS.
- 2) Employees hired prior to January 1, 2010, will receive retiree health care at age sixty (60) with ten years of service. At age sixty (60) the Township will pay 100% of the cost for the base plan that was in effect at the time of retirement for the employees hired prior to January 1, 2007 with eligible dependents. When an employee is eligible for Medicare, the Township shall provide the BC/BS Medicare tie-in until employee's death.
- 3) Employees hired after January 1, 2010 and retired at age sixty-two (62) with fifteen (15) years of service the Township will pay 100% of the cost for the base plan that was in effect for the employee only. The cost for coverage for any dependents will be the responsibility of the retiree.
- 4) Coverage for employees who retire after December 31, 2011, will change in the future to match any changes negotiated by the union or changed by Township policy.
- 5) Employees hired after January 1, 2010 shall have coverage provided for the employee only at 100% and coverage for dependents will be the responsibility of the retiree.
- 6) Employees hired after December 31, 2013 will not be eligible for retiree health care.

### **Duty and Non-Duty Disability Retirement**

The Township provides full health care coverage to disability retirees based on age at disability, years of service and date of hire. Family coverage may be included depending on date of hire. Prior to age 60, disability retirees may continue their health care coverage by reimbursing the cost to the Township until which time they become eligible for Township provided coverage.

### **Duty and Non-Duty Death-in-Service**

Surviving spouse of a death-in-service employee may elect health care coverage through COBRA.

### **Medicare Eligibility**

Coverage supplements Medicare once retiree is eligible for Medicare. Retiree is required to enroll in Medicare Part A and Part B, when eligible. Retiree is required to pay Medicare B premiums.



# **Teamster & Non-Union Management Summary of Benefits as of December 31, 2019**

## **DIVISION: TMNU-1**

### **Spouse and Dependent Coverage**

Spouse and eligible dependents may be eligible to receive Township retiree health care coverage according to language under Section "AGE RETIREMENT". Surviving spouse and eligible dependents of deceased retired members may continue their health care coverage by reimbursing the cost to the Township.

### **Employee/Retiree Contributions**

Active employees receiving active health care insurance contribute \$150.00 per month (\$1,800/year) for family; \$100.00/per month (\$1,200/year) for two-person; and \$50.00/per month (\$600/year) for one-person. Health Insurance for employees that retire after December 31, 2011 will change to match that of the active employees.

Employees who retire after December 31, 2011 will contribute toward retiree health care at the rates of the active employees stated above on a monthly basis.

### **Medical Coverage**

The Township offers the following health care coverage plans:

- Blue Cross Blue Shield Flex Blue PPO
- Medicare PLUS Blue Group PPO

The Township offers a Health Reimbursement Account for each retiree with funds available to cover In-Network Deductibles, Rx co-pays and other related health care expenses. For pre-65 retirees covered under the Blue Cross Blue Shield Flex Blue PPO plan, funding for the HRA is \$3,250 with a Rx copay post deductible amount of \$1,000 for One-Person coverage and \$6,450 with a Rx copay post deductible amount of \$2,000 for Two-Person & Family coverage. Post-65 retirees covered under the Medicare PLUS Blue are funded at \$2,000 for One-Person coverage and \$4,000 for Two-Person & Family coverage.

### **Dental Coverage**

Members retiring with retiree health care benefits are eligible for Township paid dental benefits.

### **Vision Coverage**

Members and spouses retiring with retiree health care benefits are eligible for Township paid vision benefits.

### **Life Insurance**

The Township shall provide life insurance in the amount of \$5,000.00 without accidental death and dismemberment for the life of the retiree.

Employees retired after October 1, 2018 shall be provided life insurance in the amount of \$15,000 without accidental death and dismemberment for the life of the retiree.



# AFSCME Township Union Employees Summary of Benefits as of December 31, 2019 DIVISION: AFSCME-2

## Age Retirement

- 1) Employees who retire between August 1, 2009 and December 31, 2011 shall be immediately eligible for retiree health care provided they retire within six (6) months of their eligibility date and they are 55 years or older and they have at least fifteen years of service and are eligible for regular pension with MERS.
- 2) Employees who will retire after December 31, 2011, but were hired prior to September 1, 2009, will receive retiree health care at age sixty (60) with twelve years of service until such time the employee is Medicare eligible.
- 3) Employees hired after September 1, 2009 shall be eligible for retiree health care at age 62 following 15 years of service until such time the employee is Medicare eligible.
- 4) Coverage for employees who retire after December 31, 2011, will change in the future to match any changes negotiated by the Union.
- 5) Employees who retire prior to their eligible age (60 or 62) may continue their health care coverage by reimbursing the cost to the Township until they reach their eligible age at which time the Township provides full coverage.
- 6) Employees hired after December 31, 2013 will not be eligible for retiree health care.

## Duty and Non-Duty Disability Retirement

The Township provides full health care coverage to disability retirees based on age at disability, years of service and date of hire. Family coverage may be included depending on date of hire. Prior to age 60, disability retirees may continue their health care coverage by reimbursing the cost to the Township until which time they become eligible for Township provided coverage.

## Duty and Non-Duty Death-in-Service

Surviving spouse of a death-in-service employee may elect health care coverage through COBRA.

## Medicare Eligibility

Coverage supplements Medicare once retiree is eligible for Medicare. Retiree is required to enroll in Medicare Part A and Part B, when eligible. Retiree is required to pay Medicare B premiums.



# **AFSCME Township Union Employees Summary of Benefits as of December 31, 2019 DIVISION: AFSCME-2**

## **Spouse and Dependent Coverage**

Spouse and dependents may be eligible to receive Township retiree health care coverage according to language under Section "AGE RETIREMENT". Surviving spouse and eligible dependents of deceased retired members may continue their health care coverage by reimbursing the cost to the Township.

## **Employee/Retiree Contributions**

Active employees receiving active health care insurance contribute \$150.00 per month (\$1,800/year) for family; \$100.00/per month (\$1,200/year) for two-person; and \$50.00/per month (\$600/year) for one-person. Health Insurance for employees that retire after December 31, 2011 will change to match that of the active employees.

Employees who retire after December 31, 2011 will contribute toward retiree health care at the rates of the active employees stated above on a monthly basis.

## **Medical Coverage**

The Township offers the following health care coverage plans:

- Blue Cross Blue Shield Flex Blue PPO
- Medicare PLUS Blue Group PPO

The Township offers a Health Reimbursement Account for each retiree with funds available to cover In-Network Deductibles, Rx co-pays and other related health care expenses. For pre-65 retirees covered under the Blue Cross Blue Shield Flex Blue PPO plan, funding for the HRA is \$3,250 with a Rx copay post deductible amount of \$1,000 for One-Person coverage and \$6,450 with a Rx co-pay post deductible amount of \$2,000 for Two-Person & Family coverage. Post-65 retirees covered under the Medicare PLUS Blue are funded at \$2,000 for One-Person coverage and \$4,000 for Two-Person & Family coverage.

## **Dental Coverage**

Members retiring with retiree health care benefits are eligible for Township paid dental benefits.

## **Vision Coverage**

Members and spouses retiring with retiree health care benefits are eligible for Township paid vision benefits.

## **Life Insurance**

The Township shall provide life insurance in the amount of \$5,000.00 without accidental death and dismemberment for the life of the retiree.

Employees retired after October 1, 2018 shall be provided life insurance in the amount of \$15,000 without accidental death and dismemberment for the life of the retiree.



# 14B District Court Union Employees Summary of Benefits as of December 31, 2019

## DIVISION: COURT-3

### Age Retirement

- 1) Employees who retire between August 1, 2009 and December 31, 2011 shall be immediately eligible for retiree health care provided they retire within six (6) months of their eligibility date and they are 55 years or older and they have at least fifteen years of service and are eligible for regular pension with MERS.
- 2) Employees who will retire after December 31, 2011, but were hired prior to September 1, 2009, will receive retiree health care at age sixty (60) with twelve years of service until such time the employee is Medicare eligible.
- 3) Employees hired after September 1, 2009 shall be eligible for retiree health care at age 62 following 15 years of service until such time the employee is Medicare eligible.
- 4) Coverage for employees who retire after December 31, 2011, will change in the future to match any changes negotiated by the Union.
- 5) Employees who retire prior to their eligible age (60 or 62) may continue their health care coverage by reimbursing the cost to the Township until they reach their eligible age at which time the Township provides full coverage.
- 6) Employees hired after December 31, 2013 will not be eligible for retiree health care.

### Duty and Non-Duty Disability Retirement

The Township provides full health care coverage to disability retirees at age 60 with 10 or more years of service. Family coverage is included. Prior to age 60, disability retirees may continue their health care coverage by reimbursing the cost to the Township until age 60 at which time the Township provides full coverage.

### Duty and Non-Duty Death-in-Service

Surviving spouse of a death-in-service employee may elect health care coverage through COBRA.

### Medicare Eligibility

Coverage supplements Medicare once retiree is eligible for Medicare. Retiree is required to enroll in Medicare Part A and Part B, when eligible. Retiree is required to pay Medicare B premiums.





# 14B District Court Union Employees Summary of Benefits as of December 31, 2019

## DIVISION: COURT-3

### Spouse and Dependent Coverage

Spouse and dependents may be eligible to receive Township retiree health care coverage according to language under Section "AGE RETIREMENT". Surviving spouse and eligible dependents of deceased retired members may continue their health care coverage by reimbursing the cost to the Township.

### Employee/Retiree Contributions

Active employees receiving active health care insurance contribute \$150.00 per month (\$1,800/year) for family; \$100.00/per month (\$1,200/year) for two-person; and \$50.00/per month (\$600/year) for one-person. Health Insurance for employees that retire after December 31, 2011 will change to match that of the active employees.

Employees who retire after December 31, 2011 will contribute toward retiree healthcare at the rates of the active employees stated above on a monthly basis.

### Medical Coverage

The Township offers the following health care coverage plans:

- Blue Cross Blue Shield Flex Blue PPO
- Medicare PLUS Blue Group PPO

The Township offers a Health Reimbursement Account for each retiree with funds available to cover In-Network Deductibles, Rx co-pays and other related health care expenses. For pre-65 retirees covered under the Blue Cross Blue Shield Flex Blue PPO plan, funding for the HRA is \$3,250 with a Rx copay post deductible amount of \$1,000 for One-Person coverage and \$6,450 with a Rx copay post deductible amount of \$2,000 for Two-Person & Family coverage. Post-65 retirees covered under the Medicare PLUS Blue are funded at \$2,000 for One-Person coverage and \$4,000 for Two-Person & Family coverage.

### Dental Coverage

Members retiring with retiree health care benefits are eligible for Township paid dental benefits.

### Vision Coverage

Members and spouses retiring with retiree health care benefits are eligible for Township paid vision benefits.

### Life Insurance

The Township shall provide life insurance in the amount of \$5,000.00 without accidental death and dismemberment for the life of the retiree.

Employees retired after October 1, 2018 shall be provided life insurance in the amount of \$15,000 without accidental death and dismemberment for the life of the retiree.



# **Township Board Employees and Certain Elected Officials Summary of Benefits as of December 31, 2019**

## **Age Retirement**

The Township provides full retiree health care coverage to elected Township Board officials and trustees upon attainment of age 55 with 12 or more years of service in the capacity of an elected official and/or trustee provided they are not covered by other health insurance. Per Resolution 2008-04, Board officials hired after February 19, 2008 are not eligible for retiree health care.

## **Duty and Non-Duty Disability Retirement**

Township Board Members are not eligible for disability retiree health care benefits.

## **Duty and Non-Duty Death-in-Service**

Township Board Members are not eligible for death-in-service retiree health care benefits.

## **Medicare Eligibility**

Coverage supplements Medicare once retiree is eligible for Medicare. Retiree is required to enroll in Medicare Part A and Part B, when eligible. Retiree is required to pay Medicare B premiums.

## **Spouse and Dependent Coverage**

Township Board members are not eligible for spouse and dependent retiree health care benefits.

## **Employee/Retiree Contributions**

Active employees receiving active health care insurance contribute \$150.00 per month (\$1,800/year) for family; \$100.00/per month (\$1,200/year) for two-person; and \$50.00/per month (\$600/year) for one-person. Health Insurance for employees that retire after December 31, 2011 will change to match that of the active employees.

Employees who retire after December 31, 2011 will contribute toward retiree healthcare at the rates of the active employees stated above on a monthly basis.

# Township Board Employees and Certain Elected Officials Summary of Benefits as of December 31, 2019

## Medical Coverage

The Township offers the following health care coverage plans:

- Blue Cross Blue Shield Flex Blue PPO
- Medicare PLUS Blue Group PPO

The Township offers a Health Reimbursement Account for each retiree with funds available to cover In-Network Deductibles, Rx co-pays and other related health care expenses. For pre-65 retirees covered under the Blue Cross Blue Shield Flex Blue PPO plan, funding for the HRA is \$3,250 with a Rx copay post deductible amount of \$1,000 for One-Person coverage and \$6,450 with a Rx copay post deductible amount of \$2,000 for Two-Person & Family coverage. Post-65 retirees covered under the Medicare PLUS Blue are funded at \$2,000 for One-Person coverage and \$4,000 for Two-Person & Family coverage.

## Dental Coverage

Members retiring with retiree health care benefits are eligible for Township paid dental benefits.

## Vision Coverage

Members retiring with retiree health care benefits are eligible for Township paid vision benefits.

## Life Insurance

Full-time Board members who meet the retirement guidelines shall receive Life Insurance in the amount of \$5,000 without accidental death and dismemberment, as all other full-time employees.

Employees retired after October 1, 2018 shall be provided life insurance in the amount of \$15,000 without accidental death and dismemberment for the life of the retiree.

*This is a brief summary of the Charter Township of Ypsilanti Employees Retiree Health Care Benefit Fund 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.*



## Statement of Market Value of Assets As of December 31, 2019

MERS Funding Vehicle	\$ 8,059,344
Cash & Short Term	0
Fixed Income	0
Equities	0
Accounts Receivable/(Payable)	<u>(479,234)</u>
<b>Total</b>	<b>\$ 7,580,110</b>

### Two-Year Reconciliation of Assets

Market Value as of 12/31/2017	\$ 6,593,903
Member Contributions	0
Employer Contributions	633,569
Investment Return	(260,070)
Health Premiums/Medicare B Refunds	(483,932)
Expenses	<u>(17,032)</u>
Market Value as of 12/31/2018	<b>\$ 6,466,438</b>
Member Contributions	0
Employer Contributions	664,540
Investment Return	941,452
Health Premiums/Medicare B Refunds	(479,234)
Expenses	<u>(13,086)</u>
Market Value as of 12/31/2019	<b>\$ 7,580,110</b>

## Active Members as of December 31, 2019 by Attained Age and Years of Service

### General Township/Board Fund Division 101

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
20-24									
25-29									
30-34		1						1	\$ 39,219
35-39									
40-44		1		1	1			3	204,695
45-49		1		1		1		3	168,084
50-54					3	1		4	242,313
55-59				2		1	1	4	211,871
60-64		1	1	1	1			4	232,626
65 & Over		1	1	1	1			4	269,684
<b>Totals</b>		<b>5</b>	<b>2</b>	<b>6</b>	<b>6</b>	<b>3</b>	<b>1</b>	<b>23</b>	<b>\$ 1,368,492</b>

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

**Age:** 55.1 years  
**Service:** 18.3 years  
**Annual Pay:** \$59,500

In addition, there were 19 members eligible for life insurance benefits.

## Active Members as of December 31, 2019 by Attained Age and Years of Service

### Court 14-B Fund Division 101-136

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
20-24									
25-29									
30-34									
35-39				1				1	\$ 52,000
40-44									
45-49		1			1			2	104,208
50-54		2						2	124,727
55-59							3	3	157,836
60-64		1						1	44,138
65 & Over							1	1	45,724
<b>Totals</b>		<b>4</b>		<b>1</b>	<b>1</b>		<b>4</b>	<b>10</b>	<b>\$ 528,633</b>

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

**Age:** 53.9 years  
**Service:** 20.8 years  
**Annual Pay:** \$52,863

In addition, there were 3 members eligible for life insurance benefits.

## Active Members as of December 31, 2019 by Attained Age and Years of Service

### General Township Fund Division 226

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
20-24									
25-29									
30-34									
35-39				1				1	\$ 61,693
40-44									
45-49				1				1	82,400
50-54									
55-59									
60-64				1				1	50,606
65 & Over									
<b>Totals</b>				<b>3</b>				<b>3</b>	<b>\$ 194,699</b>

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

**Age:** 48.7 years  
**Service:** 17.0 years  
**Annual Pay:** \$64,900

In addition, there was 1 member eligible for life insurance benefits.

## Active Members as of December 31, 2019 by Attained Age and Years of Service

### General Township Fund Division 230

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
20-24									
25-29									
30-34									
35-39									
40-44									
45-49									
50-54									
55-59									
60-64			1					1	\$ 57,344
65 & Over									
<b>Totals</b>			<b>1</b>					<b>1</b>	<b>\$ 57,344</b>

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

**Age:**                    60.5    years  
**Service:**                13.3    years  
**Annual Pay:**        \$57,344

In addition, there were 2 members eligible for life insurance benefits.



## Active Members as of December 31, 2019 by Attained Age and Years of Service

### General Township Fund Division 249

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
20-24									
25-29									
30-34		1						1	\$ 41,529
35-39									
40-44									
45-49									
50-54		1			2			3	178,157
55-59									
60-64									
65 & Over									
<b>Totals</b>		<b>2</b>			<b>2</b>			<b>4</b>	<b>\$ 219,686</b>

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

**Age:** 45.9 years  
**Service:** 14.3 years  
**Annual Pay:** \$54,922

In addition, there were 6 members eligible for life insurance benefits.

## Active Members as of December 31, 2019 by Attained Age and Years of Service

### General Township Fund Division 266

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
20-24									
25-29									
30-34									
35-39									
40-44									
45-49									
50-54		1						1	\$ 51,984
55-59					1			1	61,918
60-64				1				1	90,954
65 & Over									
<b>Totals</b>		<b>1</b>		<b>1</b>	<b>1</b>			<b>3</b>	<b>\$ 204,856</b>

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

**Age:** 57.5 years  
**Service:** 15.8 years  
**Annual Pay:** \$68,285

# Fund Division 584 – Active Members as of December 31, 2019 By Attained Age and Years of Service

## General Township Fund Division 584

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
20-24									
25-29									
30-34									
35-39									
40-44									
45-49									
50-54									
50-55				1				1	\$ 82,185
60-64									
65 & Over									
<b>Totals</b>				<b>1</b>				<b>1</b>	<b>\$ 82,185</b>

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

**Age:** 58.5 years  
**Service:** 17.8 years  
**Annual Pay:** \$82,185

In addition, there was 1 additional member eligible for life insurance benefits.



# Retired Members as of December 31, 2019 by Attained Age

## General Township/Board 101

Attained Age	Number of Retirees		
	Male	Female	Total
Under 60	1	0	1
60-64	4	4	8
65 & Over	11	15	26
<b>Totals</b>	<b>16</b>	<b>19</b>	<b>35</b>

## Court 14-B 101-136

Attained Age	Number of Retirees		
	Male	Female	Total
Under 60	0	1	1
60-64	0	1	1
65 & Over	1	0	1
<b>Totals</b>	<b>1</b>	<b>2</b>	<b>3</b>

## General Township 226

Attained Age	Number of Retirees		
	Male	Female	Total
Under 60	0	0	0
60-64	0	0	0
65 & Over	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>

## General Township 230

Attained Age	Number of Retirees		
	Male	Female	Total
Under 60	0	0	0
60-64	0	0	0
65 & Over	1	0	1
<b>Totals</b>	<b>1</b>	<b>0</b>	<b>1</b>

## Retired Members as of December 31, 2019 by Attained Age

### General Township

249

Attained Age	Number of Retirees		
	Male	Female	Total
Under 60	0	0	0
60-64	0	0	0
65 & Over	1	1	2
<b>Totals</b>	<b>1</b>	<b>1</b>	<b>2</b>

### General Township

266

Attained Age	Number of Retirees		
	Male	Female	Total
Under 60	0	0	0
60-64	1	0	1
65 & Over	0	1	1
<b>Totals</b>	<b>1</b>	<b>1</b>	<b>2</b>

### General Township

584

Attained Age	Number of Retirees		
	Male	Female	Total
Under 60	0	0	0
60-64	0	0	0
65 & Over	1	0	1
<b>Totals</b>	<b>1</b>	<b>0</b>	<b>1</b>

## **SECTION D**

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### **ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS**

## Valuation Methods

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

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

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

**Asset Valuation Method.** Reported Market Value of Assets are used without smoothing. Assets for the Township divisions are allocated in proportion to actuarial accrued liability on the valuation date.

**Financing of Unfunded Actuarial Accrued Liabilities.** Unfunded Actuarial Accrued Liabilities (UAAL) were amortized by a level (principal and interest combined) dollar contribution. The UAAL were determined using the market value of assets and actuarial accrued liability calculated as of the valuation date. The UAAL amortization payment is the level dollar amount required to fully amortize the UAAL over a closed 24-year period beginning January 1, 2021. This UAAL payment reflects payments expected to be made between the valuation date and the fiscal year for which the contributions in this report have been calculated.

The salary increase assumption used in this actuarial valuation projects annual salary increases of 3.0% plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases.

Results can be very sensitive to the medical trend assumption. At the request of the plan sponsor, no sensitivity analysis of the medical trend was performed with this valuation.

## Actuarial Assumptions

All actuarial assumptions are expectations of future experience, not market measures. The rationale for the actuarial assumptions is based on the Plan's investment policy, the MERS Funding Vehicle's investment policy, capital market expectations, and demographic experience. Certain demographic assumptions were last reviewed in conjunction with the December 31, 2017 actuarial valuation of the Charter Township of Ypsilanti Police and Firefighter's Retirement System. Certain OPEB specific assumptions are reviewed and adjusted as needed based on plan experience with each valuation.

***The rates of investment return (discount rate) under a Fully Funding arrangement*** were 7.0% per year for the General Township. The accounting standard permits an investment return assumption at such level in a pre-funded program, where the funding policy is to contribute annual amounts at least as great as the ADC. This rate consists of a real rate of return of 4.0% per year plus a long-term rate of wage inflation of 3.0% a year. Although not explicitly used, the price inflation assumption is 2.5% per year. Our understanding is that the Township intends to continue fully funding the ADC. This assumption is used to equate the value of payments due at different points in time.



## Actuarial Assumptions (Continued)

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

### Township Employee Salary Scale

Sample Years	% Increase in Salary at Sample Ages		
	Base (Economic)	Merit & Longevity	Increase Next Year
20	3.00%	13.00%	16.00%
25	3.00	6.80	9.80
30	3.00	3.26	6.26
35	3.00	2.05	5.05
40	3.00	1.30	4.30
45	3.00	0.81	3.81
50	3.00	0.52	3.52
55	3.00	0.30	3.30
60	3.00	0.00	3.00

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

The payroll growth rate for financing Unfunded Actuarial Accrued Liabilities was assumed to be 3.0%.

## Actuarial Assumptions (Continued)

**The mortality table** assumption is used to measure the probabilities of members dying before retirement and the probabilities of each benefit payment being made after retirement. These tables were first used for the December 31, 2017 valuation.

- Pre-Retirement: RP-2014 Employee Mortality Tables.
- Healthy Post-Retirement: RP-2014 Healthy Annuitant Mortality Tables.
- Disabled Retirement: RP-2014 Disabled Mortality Tables.

The tables described above were adjusted backwards to 2006 with MP-2014 scale. A base year of 2006 with future mortality improvements using scale MP-2017 was used. Additional margin for future mortality improvements are included in the projection scale.

Sample Ages	Single Life Retirement Values			
	Percent Dying Next Year		Future Life Expectancy (Years)	
	Men	Women	Men	Women
50	0.4018%	0.2715%	34.38	36.97
55	0.5766%	0.3828%	29.64	32.04
60	0.8135%	0.5752%	25.09	27.29
65	1.1682%	0.8475%	20.78	22.75
70	1.7272%	1.3025%	16.72	18.44
75	2.7460%	2.1348%	12.95	14.40
80	4.6337%	3.6593%	9.60	10.78

## Actuarial Assumptions (Continued)

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

<b>Retirement Ages</b>	<b>Percent of Eligible Active Members Retiring Within Next Year</b>
55	20%
56	20
57	21
58	21
59	21
60	21
61	22
62	22
63	22
64	23
65 and above	100
Ref	1876

100% of Township Board members were assumed to retire upon attaining age 55 with 12 or more years of service.

## Actuarial Assumptions (Continued)

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

Service Index	Percent of Active Members Separating Within Next Year
	Township
0	19.0%
1	16.2
2	13.3
3	10.5
4	8.6
5	6.2
10	4.8
15	3.5
20	2.9
25	2.6
30	2.5
35	2.3
40	2.3
45	2.3
50	2.3
55	2.3
Ref	473 #473x0.95

## Actuarial Assumptions (Continued)

*Rates of disability* among active members are used to estimate the incidence of member disability in future years.

<b>Sample Ages</b>	<b>Percent Becoming Disabled Within Next Year</b>
20	0.02%
25	0.02
30	0.02
35	0.06
40	0.06
45	0.11
50	0.24
55	0.60
60	0.60
65	0.60
Ref	#612

## Actuarial Assumptions (Concluded)

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

<b>Medical and Drug Trend Rates</b>	
<b>Year</b>	<b>Valuation</b>
2020	8.25%
2021	7.75
2022	7.25
2023	6.75
2024	6.25
2025	5.75
2026	5.50
2027	5.25
2028	5.00
2029	4.75
2030	4.50
2031	4.25
2032	4.00
2033	3.75
2034 & Later	3.50

<b>Year</b>	<b>Dental</b>	<b>Vision</b>
2020	3.5%	3.5%
2021	3.5%	3.5%
2022	3.5%	3.5%
2023	3.5%	3.5%
2024 & Later	3.5%	3.5%

The 24-year and 23-year level dollar amortization factors used to determine the General Township ADC for fiscal years ending 2021 and 2022 are 11.86624 and 11.66227, respectively.

## Miscellaneous and Technical Assumptions

<b>Decrement Operation:</b>	Disability and mortality decrements do not operate during the first five years of service. Disability and withdrawal do not operate during retirement eligibility.
<b>Decrement Timing:</b>	Decrements of all types are assumed to occur mid-year.
<b>Eligibility Testing:</b>	Eligibility for benefits is determined based upon the age nearest birthday and actual service on the date the decrement is assumed to occur.
<b>Incidence of Contributions:</b>	Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.
<b>Marriage Assumption:</b>	70% of Township members are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses for active member valuation purposes.
<b>Medicare Coverage:</b>	Assumed to be available for all covered employees on attainment of age 65.
<b>Election Percentage:</b>	It was assumed that 100% of General or Court and 75% of Township Board retirees would choose to receive retiree health care benefits through the Township. Of those assumed to elect coverage, 70% of General or Court retirees and 0% of Township Board retirees are assumed to elect two-person coverage, if eligible. For those that elect two-person coverage, it was assumed that coverage would continue to the spouse upon death of the retiree 50% of the time.
<b>Opt-Out:</b>	General and Court retirees who retire at age 55 with 15 years of service are assumed to opt-out of coverage until age 60 for members hired before January 1, 2010 and until age 62 for members hired on or after January 1, 2010.
<b>Liability Adjustments:</b>	None.
<b>Active Member Data:</b>	For the December 31, 2019 valuation, active member service used in the valuation was calculated based on date of hire. Purchased service was reflected where reported. Any active member contributions towards retiree health care are assumed to be non-refundable.

## Miscellaneous and Technical Assumptions

- Retirees:** Retirees currently waiving coverage for payments-in-lieu are projected to receive the same flat-dollar benefit.
- Retirees eligible to receive coverage but not receiving are projected to receive retiree health care benefits through the Township in five years.
- Health Reimbursement Accounts:** Payments to retiree Health Reimbursement Accounts are reflected in the valuation. For future HRA payments, a flat-dollar \$97.60 per month per life was assumed for General retirees. The amount paid to the HRA for the calendar year 2019 was \$72,612 (including Administrative Fees) for General retirees.
- Health Care Savings Programs:** Contributions toward individual accounts in any Health Care Savings Programs are not reflected in the valuation.
- Access Only:** For certain individuals hired after September 1, 2009, eligible to retire from pension at age 60 with 10 years of service but for retiree health at age 60 with 12 years of service, we assumed they would retire at age 60 and 10 under the valuation. No adjustment was made for access only or delaying retirement due to recent changes.



## SECTION E

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### ADDITIONAL DISCLOSURE INFORMATION

GASB Statements No. 74 and No. 75 are the accounting standards which replaced GASB Statements No. 43 and No. 45. A separate GASB Statements No. 74 and No. 75 report will be issued outside of this report. This section contains historical GASB Statements No. 45 and No. 45 reporting information for prior fiscal years and illustrative information for fiscal year 2017 and thereafter.

# Schedule of Funding Progress

## General Township/Board – 101

Valuation Date Dec. 31	Valuation Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Ratio of Valuation Assets to AAL (a/b)	Valuation Payroll (c)	Ratio of UAAL to Valuation Payroll ([b-a]/c)
2011	\$1,804,441	\$6,846,292	\$5,041,851	26.4%	\$1,734,780	291%
2013	3,040,323	7,339,130	4,298,807	41.4%	1,849,663	232%
2015	3,323,322	7,469,306	4,145,984	44.5%	1,649,887	251%
2017	4,532,560	8,776,189	4,243,629	51.7%	1,316,807	322%
2019	5,201,978	8,292,448	3,090,470	62.7%	1,368,492	226%

## Court 14B – 101-136

Valuation Date Dec. 31	Valuation Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Ratio of Valuation Assets to AAL (a/b)	Valuation Payroll (c)	Ratio of UAAL to Valuation Payroll ([b-a]/c)
2011	\$266,140	\$1,009,773	\$743,633	26.4%	\$619,644	120%
2013	423,357	1,021,955	598,598	41.4%	535,722	112%
2015	498,931	1,121,367	622,436	44.5%	508,699	122%
2017	760,677	1,472,865	712,188	51.7%	546,109	130%
2019	1,059,359	1,688,720	629,361	62.7%	528,633	119%

## General Township – 226

Valuation Date Dec. 31	Valuation Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Ratio of Valuation Assets to AAL (a/b)	Valuation Payroll (c)	Ratio of UAAL to Valuation Payroll ([b-a]/c)
2011	\$34,924	\$132,505	\$ 97,581	26.4%	\$255,353	38%
2013	56,623	136,683	80,060	41.4%	157,850	51%
2015	78,569	176,586	98,017	44.5%	165,860	59%
2017	145,736	282,182	136,446	51.7%	170,830	80%
2019	198,681	316,717	118,036	62.7%	194,699	61%

## Schedule of Funding Progress (Continued)

### General Township – 230

Valuation Date Dec. 31	Valuation Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Ratio of Valuation Assets to AAL (a/b)	Valuation Payroll (c)	Ratio of UAAL to Valuation Payroll ([b-a]/c)
2011	\$ 126,680	\$480,641	\$353,961	26.4%	\$298,289	119%
2013	256,671	619,586	362,915	41.4%	298,539	122%
2015	297,647	668,975	371,328	44.5%	197,561	188%
2017	312,371	604,829	292,458	51.7%	108,004	271%
2019	198,681	316,717	118,036	62.7%	194,699	61%

### General Township – 249

Valuation Date Dec. 31	Valuation Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Ratio of Valuation Assets to AAL (a/b)	Valuation Payroll (c)	Ratio of UAAL to Valuation Payroll ([b-a]/c)
2011	\$ 95,106	\$360,846	\$265,740	26.4%	\$177,223	150%
2013	179,345	432,926	253,581	41.4%	132,169	192%
2015	266,981	600,050	333,069	44.5%	139,380	239%
2017	336,972	652,464	315,492	51.7%	191,360	165%
2019	241,324	384,693	143,369	62.7%	57,344	250%

## Schedule of Funding Progress (Concluded)

### General Township – 266

Valuation Date Dec. 31	Valuation Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Ratio of Valuation Assets to AAL (a/b)	Valuation Payroll (c)	Ratio of UAAL to Valuation Payroll ([b-a]/c)
2011	\$ 110,395	\$418,853	\$308,458	26.4%	\$230,532	134%
2013	240,266	579,986	339,720	41.4%	132,698	256%
2015	354,061	795,766	441,705	44.5%	281,488	157%
2017	335,287	649,200	313,913	51.7%	254,911	123%
2019	388,002	618,513	230,511	62.7%	219,686	105%

### General Township – 584

Valuation Date Dec. 31	Valuation Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Ratio of Valuation Assets to AAL (a/b)	Valuation Payroll (c)	Ratio of UAAL to Valuation Payroll ([b-a]/c)
2011	\$ 69,334	\$263,063	\$193,729	26.4%	\$124,086	156%
2013	133,226	321,599	188,373	41.4%	124,086	152%
2015	120,577	271,002	150,425	44.5%	76,322	197%
2017	170,300	329,745	159,445	51.7%	77,467	206%
2019	307,019	489,418	182,399	62.7%	204,856	89%

## Supplementary Information

Valuation Date	December 31, 2019
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Dollar Closed
Remaining Amortization Period	24 Years
Asset Valuation Method	Market
Actuarial Assumptions:	
Discount Rates	7.0% per Year
Projected Salary Increases	3.0% - 16.0%
Expected Health Care Cost Trend Rate:	
Medical	8.25% initial down to 3.50% ultimate over 15 years
Dental	3.50% ultimate
Vision	3.50% ultimate

## APPENDIX

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### GLOSSARY

# Glossary

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

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

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

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

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

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

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

**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.

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

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



## Glossary (Concluded)

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

**Net OPEB Obligation (NOO).** The NOO is the cumulative difference between the ADC and actual employer contributions with adjustments.

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

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

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

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