

**CITY OF ALLEN PARK, MICHIGAN
POSTRETIREMENT INSURANCE**

GASB 45 INFORMATION

FOR

**FISCAL YEAR ENDING
JUNE 30, 2016**

**BASED ON A
VALUATION DATE OF DECEMBER 31, 2015**

AUGUST 2016



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August 15, 2016

City of Allen Park
Robert E. Cady
Finance Director
16630 Southfield Road, Suite 3100
Allen Park, Michigan 48101

Dear Bob:

This report presents actuarial information in accordance with Governmental Accounting Standards Board Statement No. 45 ("GASB 45" or "GASB") regarding the insurance benefits available to retirees of the City of Allen Park, Michigan ("City"). The purpose of this report is to:

- * Present information that provides a basis for disclosure on the financial statements as of the fiscal year ending June 30, 2016; and
- * Determine the Annual OPEB Cost for fiscal year 2015-16.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices. Employee data, claim experience and plan information were furnished by the City and its vendors. The data provided has been reviewed for reasonableness, but no attempt has been made to audit such information. The valuation is based on the provisions of the plan as of the time of completion of this study. Each actuarial assumption used in this valuation represents reasonable expectations of future experience.

The undersigned is a member of the American Academy of Actuaries and meets its qualification standards to render the actuarial information contained herein.

Respectfully submitted,

LEWIS & ELLIS, INC.

A handwritten signature in blue ink that reads 'Patrick Glenn'.

Patrick Glenn, ASA, ACAS, MAAA, CPA (inactive)

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SUMMARY

The valuation procedures noted below and information presented in this report are based on provisions underlying GASB 45. GASB stipulates that retiree insurance costs should be measured taking age into account. Expected costs by age less retiree contribution premiums equal the employer contribution (i.e. retiree benefit) that forms the basis for the valuation. The amount of annual expense accrual under GASB 45 is equal to the Annual OPEB Cost. The offsetting liability, called the Net OPEB Obligation, is reduced by the amount of employer contributions during the year.

VALUATION PROCEDURES

The financial information for fiscal year 2015-16 is based upon a valuation date as of December 31, 2015 using the participant census data as of December 31, 2015. The prior valuation was based on a valuation date as of December 31, 2013. Financial results for interim years may be based on the prior “full” or updated valuation unless a material change occurs.

SUBSTANTIVE PLAN

Age and service eligibility differ among Police, Fire, Non-Union and AFSCME (TPOAM) groups. Benefits are available due to retirement or disability retirement. Spouses may also receive benefits due to active in-service death.

Retirees and surviving spouses are allowed to continue insurance coverage under the City’s program until death. Retirees may be required to contribute a portion of the plan premium depending on the level of service and the contract plan provisions. Insurance coverage includes Life (ex-employee only), Medical / Rx, Dental and Vision. Dental/Vision coverage ends at retiree age 65.

Life and Medical / Rx insurance for Medicare participants are fully insured. Medical, Rx, Dental and Vision coverage for Pre-Medicare retirees and actives are self-funded.

FUNDING OF BENEFITS

The City established a qualifying OPEB trust during fiscal year 2015-16. An initial contribution of \$500,000 was made in November 2015. The City Council approved a 5 year budget in 2015 allowing for an annual contribution of \$500,000 to the Trust. The cost of retiree benefits continues to be paid from Non OPEB Trust assets at this juncture.

SUMMARY (CONTINUED)

FUNDING OF BENEFITS (continued)

GASB requires the valuation interest rate be based on expected returns pertaining to the source of funds anticipated to provide for the payment of benefits. Due to the relative small size and immaturity of the Trust, the expected return of the Trust was not factored into the valuation rate assumption. Based on long-term historical return experience of comparable unfunded asset classes projected to be held by the City, an annual valuation interest rate of 3.5% is assumed. This assumption is unchanged from the prior valuation.

RESULTS

The Annual OPEB Cost is a charge of \$5,732,717 for fiscal year 2015-16. The Unfunded Actuarial Accrued Liability (UAAL) as of December 31, 2015 is \$88,364,831. The financial results are detailed on pages 5 through 7.

Annual OPEB Cost consists of the Annual Required Contribution (ARC) and the Interest Cost and ARC Adjustments. The ARC equals the Normal Cost plus amortization of the UAAL. The Normal Cost is the amount of Actuarial Present Value of Benefits allocated to the current year as determined under the applicable actuarial cost method. The amount of UAAL is the portion of the Actuarial Present Value of benefits allocated to all prior years. The actuarial cost method is a procedure to allocate present value costs to different time periods. Entry age normal (level % of pay) actuarial cost method has been utilized for allocation.

We have used a 30 year, open-period, level percent-of-pay amortization methodology to amortize the UAAL. Thirty years is the maximum allowable number of years for amortizing the UAAL. While only a portion of the UAAL is currently recognized, the full amount of UAAL must be disclosed. The Actuarial Present Value of Benefits is shown for informational / instructional purposes only; it is not required to be disclosed or recognized.

The assumptions, plan provisions, census data and expected costs by age utilized for the valuation are documented in this report.

The actual present value costs may differ from expected due to various actuarial gain / loss sources. These may include plan changes, assumption changes, experience gains and losses, and / or valuation method changes.

SUMMARY (CONTINUED)

RESULTS (continued)

Changes and items of impact relative to the prior valuation are described below:

- Various benefit provisions were updated and/or clarified. The plan details were scrutinized and various changes were made to eligibility, cost-sharing and coverage parameters.
- Employees retiring after the valuation date may be required to contribute a portion of the plan premium to maintain coverage depending on the level of service and type of benefit.
- Retirement, turnover and disability rates were updated as needed based on the City of Allen Park Employees Retirement System pension report.
- Certain current actives were valued for a vested termination contingency. This was clarified in collective bargaining and other plan documents.
- The assumed mortality was updated to reflect the Society of Actuaries RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted Mortality with MP-2015 Full Generational Improvement. Disabled life mortality was updated in a similar fashion.
- The City switched its Medical coverage for pre-65 retirees and actives to a self-funded basis effective October 1, 2015. The City remains self-funded for Rx, Dental and Vision.
- The Medicare Advantage premium decreased 4% per year from the prior valuation.
- The assumed payroll growth due to inflationary effects only over the long term increased from 2.0% to 2.5%. The level of assumed growth impacts the allocation of costs across time periods but does not impact the level of insurance costs.
- The City established a qualifying OPEB trust and made an initial contribution of \$500,000 during November 2015.

SUMMARY (CONTINUED)

FUTURE REPORTING

The current valuation provides information for fiscal years 2015-16 and 2016-17. The Annual Required Contribution for interim year 2016-17 will remain at \$5,848,567 but the Annual OPEB Cost will change. After the implementation year, the Annual Required Contribution (ARC) and Annual OPEB Cost do not equal due to two adjustments. These are the interest cost and the ARC adjustments.

Under current standards, the Net OPEB Obligation at any point in time equals the accumulated Annual OPEB Cost minus accumulated Employer Contributions since implementation of GASB 45. The projected retiree costs for 2016-17, based on the December 31, 2015 valuation, are shown below. The retiree costs measure expected claims on an age-adjusted basis plus Medicare Advantage premiums plus expected fixed costs.

	<u>2016-17</u>
Projected Retiree Costs	\$2,969,000
Projected Retiree Contributions	21,000
Employer Contributions	<u>\$2,948,000</u>

GASB 43 and 45 are being replaced by GASB 74 (OPEB Plans) and 75 (Employers). These new standards become effective for fiscal years beginning after June 15, 2016 and June 15, 2017, respectively. Thus, GASB 45 will continue to apply until fiscal year 2017-18 unless the City decides to early adopt.

ANNUAL OPEB COST FOR 2015-16

A.	Actuarial Present Value of Benefits	
	Future Retirees	59,441,158
	Current Retirees	50,357,998
	Current Deferred Members	5,429,571
		<u>115,228,727</u>
B.	Actuarial Accrued Liability	
	Future Retirees	33,077,268
	Current Retirees	50,357,998
	Current Deferred Members	5,429,571
		<u>88,864,837</u>
C.	OPEB Plan Assets	<u>500,006</u>
D.	Unfunded Actuarial Accrued Liability (B – C)	88,364,831
E.	Amortization Factor (30 Year Open, Level %-of-Pay)	26.15258
F.	Amortization of Unfunded	3,437,440
G.	Normal Cost	<u>2,411,127</u>
H.	Annual Required Contribution (ARC) (F + G)	5,848,567
I.	Net OPEB Obligation at Beginning of Year	35,787,439
J.	Interest on Net OPEB Obligation to end of year (I x .035)	1,252,560
K.	Adjustment to the ARC (I / E)	1,368,410
L.	Annual OPEB Cost (H + J – K)	<u>5,732,717</u>
M.	Valuation Interest Rate	3.50%
N.	Aggregate Payroll Growth	2.50%
O.	Measurement Date	Dec 31, 2015

DISCLOSURE INFORMATION

1. Annual OPEB Cost for 2015-16

A. Normal Cost	\$2,411,127
B. Amortization of Unfunded Actuarial Accrued Liability	3,437,440
C. Annual Required Contribution (with interest)	5,848,567
D. Interest on Net OPEB Obligation	1,252,560
E. Adjustment to the ARC	1,368,410
F. Annual OPEB Cost (C + D - E)	<u>\$5,732,717</u>

2. Employer Contributions for 2015-16

A. Contributions to OPEB Trust	500,000
B. Projected Retiree Costs *	2,812,000
C. Projected Retiree Contribution Premiums *	12,000
D. Expected Employer Contributions (A + B - C)	<u>3,300,000</u>

* Involves Non OPEB Trust Assets

3. Schedule of Employer Contributions

Fiscal Year Ending June 30

Year Ending	Annual OPEB Cost	Employer Contributions	Percentage Contributed	Net OPEB Obligation
2011	8,240,408	-	38.8%	15,018,842
2012	8,920,461	3,146,929	35.3%	20,792,374
2013	9,483,198	3,154,563	33.3%	27,121,009
2014	6,904,728	2,392,414	34.6%	31,633,323
2015	7,062,659	2,908,543	41.2%	35,787,439
2016	5,732,717	3,300,000	57.6%	38,220,156

4. Net OPEB Obligation at 6/30/2016

A. Balance at 6/30/2015	\$35,787,439
B. Annual OPEB Cost for 2015-16	5,732,717
C. Employer Contributions for 2015-16	3,300,000
D. Balance at 6/30/2016 (A + B - C)	<u>\$38,220,156</u>

5. Market Value and Actuarial Value of Trust Assets

Balance at 7/1/2015	\$0
Employer Contributions	500,000
Investment Income (Net of Investment Expense)	6
Balance at 12/31/2015 (Valuation Date)	500,006
Investment Income (Net of Investment Expense)	17,995
Balance at 6/30/2016	<u>\$518,001</u>

DISCLOSURE INFORMATION (CONTINUED)

6. Schedule of Funding Progress

Valuation Date	(a)	(b)	(b-a)	(a / b)	(c)	((b-a) / c)
	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll *	UAAL as a Percent Of Covered Payroll
12/31/2008	0	120,225,807	120,225,807	0%	9,131,710	1317%
12/31/2011	0	139,884,352	139,884,352	0%	7,088,572	1973%
12/31/2013	0	93,108,019	93,108,019	0%	6,077,675	1532%
12/31/2015	500,006	88,864,837	88,364,831	.56%	7,158,292	1234%

* Calendar Year Pay of Active Employees valued for the valuation.

7. Measurement of Annual OPEB Cost

Actuarial Valuation Date	December 31, 2015
Actuarial Cost Method	Entry Age Normal (Level % of Pay)
Amortization Method	Level % of Pay, Open
Remaining Amortization Period	30 years
Asset Valuation Method	Not Applicable
Valuation Interest Rate (assumed investment return)	3.50%
Projected Salary Increases	Varies by Age – See Assumptions Section
Projected Healthcare Inflation	<u>Medical / Rx</u> Pre-65 – 7.50% then grade down to 5.00% Post-65 – Flat 5.0%
Aggregate Payroll Growth (inflationary effects only)	2.50%

RESULTS BY DIVISION

Division	Number of Active Employees	Number of Retirees/Spouses	Number of Deferred Members
Court	17	19	3
General	25	113	4
Police/Fire	63	175	6
Water	10	26	0
Totals	115	333	13

Division	Present Value of Benefits	Unfunded Actuarial Accrued Liability	Normal Cost	Annual Required Contribution	2015-16 Annual OPEB Cost
Court	11,906,012	9,156,216	330,278	686,460	674,456
General	21,686,097	19,835,132	189,596	961,194	935,189
Police/Fire	73,418,872	52,286,558	1,753,788	3,787,763	3,719,213
Water	8,217,746	7,086,925	137,465	413,150	403,859
Totals	115,228,727	88,364,831	2,411,127	5,848,567	5,732,717

SUMMARY OF PARTICIPANT DATA

Data on employees and retirees electing insurance coverage was provided by the City of Allen Park. A summary of participants utilized for the current and prior valuation is presented here.

Participant Summary

December 31, 2013

December 31, 2015

Active Employees

Non-Union (Date of Hire < 1/1/2008)	5	7
Non-Union (Date of Hire ≥ 1/1/2008)	6	9
AFSCME *	23	37
Fire *	23	25
Police *	<u>31</u>	<u>37</u>
Total	88	115

Inactive Members

Retirees / Beneficiaries	218	213
Spouses of Covered Retirees	<u>127</u>	<u>120</u>
Total	345	333
Pre-65	166	150
Post-65	179	183

Deferred Members

15	13
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* Benefit provisions have been updated and clarified resulting in more recent hires being valued for certain benefits. These were not valued or included in the prior valuation counts.

Average Age of Actives	42.3 years	44.7 years
Average Service of Actives	12.6 years	14.2 years
Average Age of Retirees and Spouses	66.7 years	67.8 years
Average Age of Deferred Members	45.1 years	47.1 years

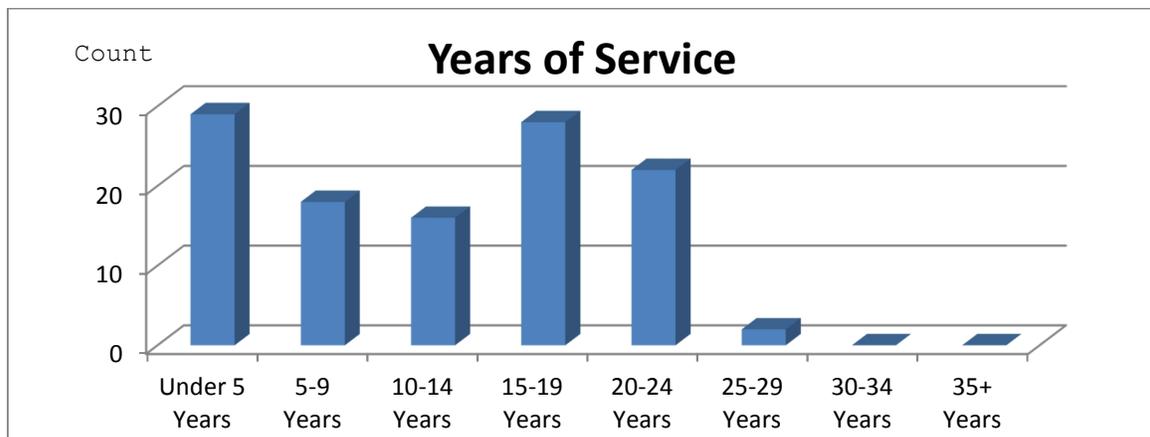
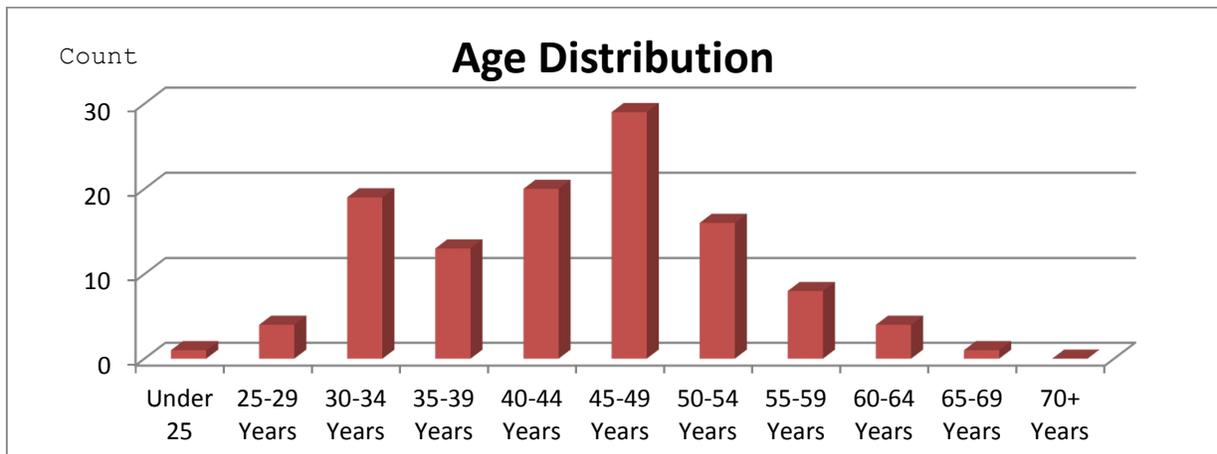
Medical Elections at December 31, 2015

Status	Single	Single + Spouse	Single + Children	Family	Waived	Total
Active	14	8	9	70	14	115
Inactive	81	86	10	35	1	213
Total	95	94	19	105	15	328

SUMMARY OF PARTICIPANT DATA (CONTINUED)

Distribution of Active Participants

Age	Years of Service as of December 31, 2015								Total
	Under 5	5-9	10-14	15-19	20-24	25-29	30-34	35+	
Under 25	1								1
25-29	4								4
30-34	9	8	2						19
35-39	1	4	4	4					13
40-44	3	3		10	4				20
45-49	1	1	4	9	14				29
50-54	4	1	1	4	4	2			16
55-59	2	1	4	1					8
60-64	3		1						4
65-69	1								1
70+									0
Totals	29	18	16	28	22	2	0	0	115



SUMMARY OF PARTICIPANT DATA (CONTINUED)

Distribution of Retirees/Spouses

Age	Retirees / Beneficiaries	Spouses
≤55	17	20
56	6	5
57	9	4
58	11	6
59	4	5
60	8	3
61	11	6
62	8	5
63	8	7
64	6	1
65	5	3
66	9	3
67	11	5
68	3	3
69	8	6
70	2	4
71	4	5
72	4	5
73	4	3
74	8	0
75	7	3
76	5	1
77	5	2
78	6	1
79	2	3
80	1	0
81	2	0
82	0	2
83	4	0
84	2	0
85+	33	9
Totals	<u>213</u>	<u>120</u>
Average Age	69.1	65.2

SUMMARY OF PLAN PROVISIONS

The City of Allen Park provides for continuing medical, prescription drug, dental, vision and life insurance coverage to qualifying retirees and their dependents. A summary of the provisions of the benefits program utilized in completing this valuation projection is shown below.

Eligibility for Postemployment Insurance

DUE TO RETIREMENT

YOS = Years of Service

Category	Date of Hire	OPEB Healthcare Eligibility
AFSCME (TPOAM)	< April 1, 2005	Age 53 & 15 YOS
	≥ April 1, 2005 *	Age 53 & 15 YOS
Non-Union	< January 1, 2008	25 YOS or Age 53 & 8 YOS
	≥ January 1, 2008 and < July 1, 2011	Age 55 & 25 YOS or Age 60 & 15 YOS or Age 65 & 8 YOS
	≥ July 1, 2011 *	Age 55 & 25 YOS or Age 60 & 15 YOS or Age 65 & 8 YOS
Police	< July 1, 2013	Age 52 & 15 YOS
	≥ July 1, 2013	None
Fire	< July 1, 2013	Age 52 & 15 YOS
	≥ July 1, 2013	None

* Retirees may only purchase insurance at full plan premium rates.

SUMMARY OF PLAN PROVISIONS (CONTINUED)

Eligibility for Postemployment Insurance (continued)

DUE TO RETIREMENT (continued)

Category	Date of Hire	OPEB Life Eligibility
AFSCME (TPOAM)	≤ July 1, 2015	Age 53 & 15 YOS
Non-Union	All	Same as Retirement
Police	≤ July 1, 2015	Age 52 & 15 YOS
Fire	All	Age 52 & 15 YOS

DUE TO DISABILITY RETIREMENT

- Duty Disabled members are eligible for benefits regardless of age or service. Benefits commence immediately.
- Non-Duty Disabled members are eligible for benefits regardless of age with 10 years of service. Benefits commence immediately.

DUE TO DEATH-IN-SERVICE RETIREMENT

- Spouses of Duty Death-In-Service members are eligible for benefits regardless of member age or service. Benefits commence immediately. Benefits cease if the spouse remarries.
- Spouses of Non-Duty Death-In-Service members are eligible with 10 or more years of service and attainment of pension retirement age, or 15 years of service regardless of age. Benefits commence immediately. Benefits cease if the spouse remarries.

DUE TO DEFERRED RETIREMENT

- Life insurance benefits not available in all cases (Future and Current Deferred Vested)
- Healthcare – Current Deferred Vested – Payable at OPEB Eligibility
- Healthcare – Current Actives
 - Police & Fire – must have a minimum of 15 YOS for OPEB with a DOH < July 1, 2013. Payable at OPEB Healthcare Eligibility.
 - Non-Union and AFSCME – None

SUMMARY OF PLAN PROVISIONS (CONTINUED)

AVAILABLE BENEFITS

Medical / Rx Insurance

- Coverage is available for the lifetime of retirees and spouses (if the spouse does not remarry).
- Medical coverage for pre-Medicare retirees and actives became self-funded on October 1, 2015. Rx coverage has been self-funded for a number of years. One plan is available to retirees. Benefits renew annually on October 1st.
- Medicare retirees receive coverage through a Medicare Advantage plan. The current renewal runs from July 1, 2013 to December 31, 2016. Thereafter, benefits renew annually on January 1st.
- Participant Premium Contributions
 - Current Retirees – None
 - Future Retirees – Disability or Death - None
 - Future Retirees – Retirement – See below

Category	Date of Hire	Participant Premium Contributions
AFSCME (TPOAM)	< April 1, 2005	15-20 YOS = 40% 21-24 YOS = 20% 25 + YOS = 0%
	≥ April 1, 2005	Full Plan Premium
Non-Union	< July 1, 2011	20% of Plan Premium
	≥ July 1, 2011	Full Plan Premium
Police & Fire	< July 1, 2013	Full Plan Premium minus 4% times YOS (up to 25 years)

SUMMARY OF PLAN PROVISIONS (CONTINUED)

AVAILABLE BENEFITS (continued)

Dental / Vision Insurance

- Benefits are available for retirees and dependents until the retiree attains age 65.
- Coverage is self-funded with an annual plan renewal starting October 1st.
- Participant Premium Contributions
 - Current Retirees – None
 - Future Retirees – Disability or Death - None
 - Future Retirees – Retirement – See below

Category	Date of Hire	Participant Premium Contributions
AFSCME (TPOAM)	< April 1, 2005	None
	≥ April 1, 2005	Full Plan Premium
Non-Union	< July 1, 2011	None
	≥ July 1, 2011	Full Plan Premium
Police & Fire	< July 1, 2013	Full Plan Premium minus 4% times YOS (up to 25 years)

Life Insurance

- Coverage is available over the lifetime of the retiree
- A separate retiree plan was established effective November 1, 2013. Coverage is fully insured and the premium rate is \$1.76 per \$1,000 per month.
- Amount of Coverage
 - Current Retirees - \$7,500 or \$10,000
 - Future Retirees - \$10,000
- Participant Premium Contributions - None

SUMMARY OF PLAN PROVISIONS (CONTINUED)

CURRENT PLAN DESIGN

Community Blue PPO – Plan 2

Pre-Medicare Retirees	PPO In-Network	PPO Out of Network
Deductible Individual / Family	\$100 / \$200	\$250 / \$500
Coinsurance – Plan Pays	90%	70%
Out of Pocket Individual / Family	\$500 / \$1,000	\$1,500 / \$3,000
Office Visit Copays Primary Care Specialist	\$20 \$20	Deductible + Coinsurance
Wellness Benefit	100% Covered	Deductible + Coinsurance
Emergency Room	\$150 Copay + Coinsurance	\$150 Copay + Coinsurance
Lifetime Limit	Unlimited	

Prescription Drugs	Retail	Mail Order
Generic	\$10	\$20
Brand Formulary	\$20	\$40
Non-formulary	\$30	\$60

Medicare Plus Blue Group PPO

Medicare Retirees	PPO In-Network	PPO Out of Network
Deductible	\$100	\$100
Coinsurance – Plan Pays	95%	90%
Out of Pocket	\$1,000	\$12,700
Office Visit Copays	\$10	\$30
Wellness Benefit	100% Covered	
Emergency Room	\$65 Copay	
Part B Prescription Drugs	Deductible + Coinsurance	Deductible + Coinsurance
Part D Prescription Drugs	Same as Community Blue PPO - Plan 2 design above	
Lifetime Limit	Unlimited	

SUMMARY OF PLAN PROVISIONS (CONTINUED)

CURRENT PLAN DESIGN (continued)

Dental

Deductible Individual / Family	N/A
Diagnostic – Class I	100%
Preventative – Class I	100%
Basic – Class II	70%
Major – Class III	70%
Orthodontics – Class IV	50% after Deductible up to \$1,500 per lifetime
Coverage Maximum	\$1,500 per enrollee per contract year

Vision

Deductible Individual / Family	N/A
Eye Exam	\$5 Copay
Lenses & Frames	\$10 Copay
Contact Lenses	\$10 Copay

PLAN PREMIUM RATES FOR PLAN YEAR STARTING OCTOBER 1, 2015

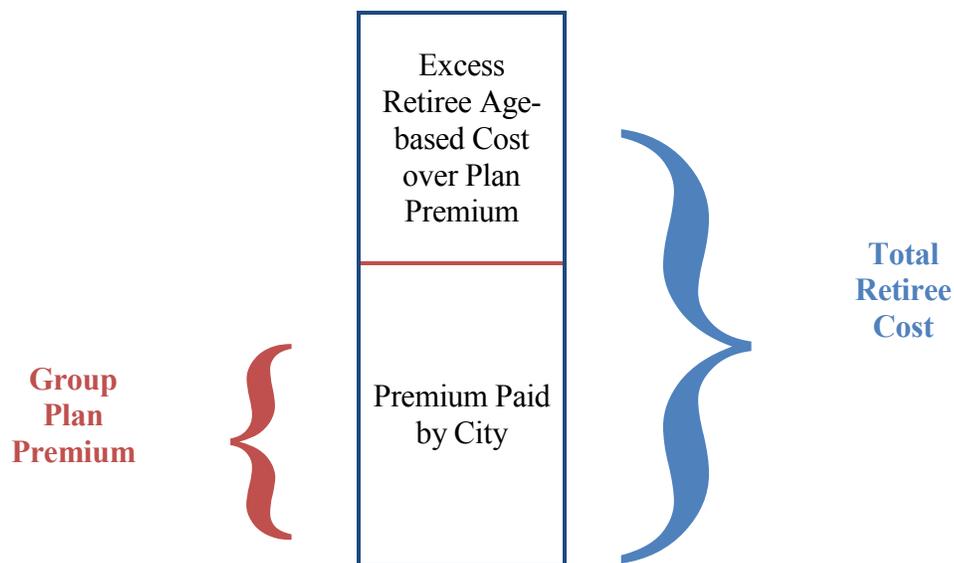
Coverage	Single	Two Person	Family
Medical – No Medicare	424.68	1,019.23	1,273.84
Rs – No Medicare	90.20	207.50	234.56
Dental	39.17	94.00	117.50
Vision	4.79	11.49	14.37
Medicare Plus	393.67 (1)	-	-

(1) Per Covered Life – Medicare Advantage Plan. Applies from 10/1/15 to 12/31/16.

EXPECTED COST BY AGE

The cost to the City for retiree insurance benefits under GASB 45 is the age-adjusted cost minus any retiree contribution premiums. This is the “benefit” that is valued under GASB 45. Age-adjusted costs are the estimated costs that would apply if a credible-size group of like-age participants was measured.

The GASB 45 cost may consist of direct and indirect components. The direct component is equal to the portion of the plan premium paid by the City. The indirect component is equal to the age-adjusted cost less the plan premium. This is the age subsidy that exists because the plan premium may be based to some degree on a pool of actives and retirees. Including actives, generally younger, in the pool lowers the expected cost.



LIFE INSURANCE

Effective November 1, 2013 the City switched retirees to a separate fully insured plan that is assumed to be rated based on expected mortality of retirees only. Thus, the carrier premium rate is assumed to equal the age-adjusted cost.

VISION AND DENTAL

Coverage stops at retiree age 65 and is delivered through a self-funded arrangement. Retirees are part of the total group program. It is assumed the level of cost does not differ materially by age. Costs were analyzed based on experience from October 2013 to May 2016. The projected costs per member during 2016 are \$396 – Dental and \$48 – Vision.

EXPECTED COST BY AGE (CONTINUED)

MEDICARE RETIREES (MEDICAL AND RX)

The Medicare Advantage plan provides Medical and Rx benefits. It is our understanding the plan is community rated and premiums are based on expected costs of Medicare retirees only. Thus, the carrier premium rate is assumed to equal the age-adjusted cost.

PRE-MEDICARE RETIREES (MEDICAL AND RX)

Medical and Rx are self-funded with stop-loss coverage for large claims. We analyzed City group plan experience and retiree industry data. Group plan experience is age-adjusted to retiree ages using industry cost relativities. The fixed costs under the self-insurance program were also factored in.

AGE-ADJUSTED COSTS

The projected costs during 2016 at sample ages are shown below. These age-adjusted cost levels less any retiree contribution premiums serve as a starting point for projecting costs into the future in order to determine expected employer contributions (i.e. retiree benefits).

Age	Age Adjusted Costs – Per Month		
	Medical / Rx	Dental / Vision	Total
55	865	37	902
60	1,035	37	1,072
62	1,105	37	1,142
64	1,165	37	1,202
65+	394	N/A	394

ACTUARIAL ASSUMPTIONS

A. Valuation Interest Rate 3.5% per year

**B. Measurement Date
(or Valuation Date)** December 31, 2015

**C. Medical / Rx
Cost Trend Rate**

Calendar Year	Pre-Medicare Trend	Post-Medicare Trend
2016	7.50%	5.00%
2017	7.00%	5.00%
2018	6.50%	5.00%
2019	6.00%	5.00%
2020	5.75%	5.00%
2021	5.50%	5.00%
2022	5.25%	5.00%
2023 (to Ultimate)	5.00%	5.00%

D. Dental Cost Trend Rate 3.75% per year

E. Vision Cost Trend Rate 3.0% per year

**F. Expected Per Capita
Costs in 2016** A summary of cost development at sample ages is shown in the “Expected Cost by Age” section.

G. Healthy Life Mortality Society of Actuaries RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted Mortality table with MP-2015 Full Generational Improvement

H. Disabled Life Mortality Society of Actuaries RPH-2014 adjusted to 2006 Disabled Retiree Headcount-weighted Mortality with MP-2015 Full Generational Improvement

ACTUARIAL ASSUMPTIONS (CONTINUED)

I. In-Service Death Benefits

Seventy-five percent (75%) are assumed to be non-duty related and twenty-five percent (25%) are assumed to be duty related. Twenty-five percent (25%) of surviving spouses are assumed to remarry for purposes of measuring active in-service death benefits.

J. Retirement Due to Disability

Assumed rates project the percentage of eligible employees who will become disabled. Rates are based on those utilized for the City of Allen Park Employees Retirement System pension valuation. Assumed annual rates of disablement are shown below at sample ages.

Age	Rate
20	.15%
30	.20%
40	.42%
50	1.05%
55	1.84%
65	0%

Seventy-five percent (75%) of disabilities are assumed to be non-duty related and twenty-five percent (25%) are assumed to be duty related.

K. Participation in Coverage for Future Retirees

One hundred percent (100%) of future eligible employees receiving a City premium contribution are assumed to elect coverage with the City upon retirement. Coverage is assumed to continue for life. One hundred percent (100%) of surviving spouses are assumed to elect to continue coverage for their own lifetime upon death of the retiree.

Zero percent (0%) are assumed to elect coverage for more recent hires not receiving an explicit City contribution (i.e. full retiree premium contribution).

ACTUARIAL ASSUMPTIONS (CONTINUED)

L. Covered Spouses

Eighty percent (80%) of future insurance eligible retirees are assumed to have a covered spouse. Actual spousal elections were valued for current retirees.

M. Spouse Age Difference

Males are assumed to be 3 years older than their female spouses for future retirees. Actual spouse age was valued for current retirees.

N. Retirement Age

Assumed rates are based on those used for the City of Allen Park Employees Retirement System pension valuation. Retirement rates project the annual probability of OPEB eligible employees who will retire during the next year.

When an eligible employee reaches the maximum pension of 75% of Final Average Compensation in the City of Allen Park Employees Retirement System, the assumed rate is the greater of 50% or the applicable rate shown below.

Retirement Age	Police & Fire	All Other
52	40%	N/A
53	40%	25%
54	40%	25%
55	40%	25%
56	40%	25%
57	40%	25%
58	40%	25%
59	40%	25%
60	100%	30%
61	100%	40%
62	100%	50%
63	100%	60%
64	100%	70%
65	100%	80%
66+	100%	100%

ACTUARIAL ASSUMPTIONS (CONTINUED)

O. Turnover Incidence (Other than Retirement, Death & Disability)

Assumed turnover rates are based on those used for the City of Allen Park Employees Retirement System pension valuation. Turnover rates are not applied when retirement eligibility is achieved. Annual rates of turnover are shown below at sample ages.

Age(s)	Years of Service	Police & Fire	All Other
All	0	N/A	9.00%
All	1	N/A	9.00%
All	2	N/A	8.00%
All	3	N/A	8.00%
All	4	N/A	5.50%
20	5+	3.5%	5.00%
25	5+	3.5%	5.00%
30	5+	2.9%	4.50%
35	5+	1.5%	3.55%
40	5+	.6%	1.45%
45	5+	.5%	.75%
50	5+	.5%	.75%
55	5+	.5%	.75%

P. Salary Increase

Assumed annual rates of salary increase for an individual member during the next year are shown below at sample ages.

Age	Merit & Seniority	Base (Inflation)	Total
20	3.8%	2.5%	6.3%
25	3.6%	2.5%	6.1%
30	2.8%	2.5%	5.3%
35	2.3%	2.5%	4.8%
40	1.9%	2.5%	4.4%
45	1.5%	2.5%	4.0%
50	1.1%	2.5%	3.6%
55+	.7%	2.5%	3.2%

ACTUARIAL ASSUMPTIONS (CONTINUED)

<i>Q. Timing of Claim / Premium Payments</i>	Mid-Year
<i>R. Medicare Eligibility Age</i>	Age 65. Disabled retirees are assumed to be eligible for Medicare coverage at age 65.
<i>S. Aggregate Payroll Growth</i>	2.5% per year (inflationary effects only)
<i>T. Child Per Capita Costs</i>	Dental and Vision – Same as adult Medical / Rx – 45% of Single Cost
<i>U. Life Insurance</i>	Current life insurance rates are reflective of expected mortality for retirees.
<i>V. Covered Children</i>	Fifty percent (50%) of future eligible pre-65 retirees are assumed to have covered children. Actual coverage elections were valued for current retirees. Coverage for children is assumed to apply until the retiree or surviving spouse reach age 59. The average number of children is assumed to be 1.5 per household.
<i>W. Deferred Retirement</i>	Current ex-employees eligible for deferred benefits are assumed to commence coverage at age 53.

ACTUARIAL METHODS

A. POPULATION VALUED

The valuation is based on a closed group. Current employees and covered retirees as of the valuation date of December 31, 2015 are considered; no provision is made for future new hires.

B. ACTUARIAL COST METHOD – ENTRY AGE NORMAL (LEVEL PERCENT-OF-PAY)

The actuarial calculations were performed in accordance with the Entry Age Normal (Level percent-of-pay) Actuarial Cost Method as allowed under GASB 45.

- The actuarial present value of each member's projected benefits is allocated on a level basis over the member's assumed compensation between the entry age of the member and the assumed exit ages.
- The portion of the actuarial present value allocated to the valuation year is called the Normal Cost.
- The actuarial present value of benefits allocated to prior years of service is called the Actuarial Accrued Liability (AAL).
- The Unfunded AAL represents the difference between the AAL and the actuarial value of assets as of the valuation date.
- The Unfunded AAL is calculated each year and reflects experience gains/losses.

C. AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

The amortization of the Unfunded AAL is calculated over 30 years based on an open period, level percent-of-pay basis.

D. ANNUAL REQUIRED CONTRIBUTION (ARC)

The sum of the Normal Cost and the amortization of the Unfunded AAL comprise the ARC.

ACTUARIAL METHODS (CONTINUED)

E. ANNUAL OPEB COST

The Annual OPEB Cost equals the Annual Required Contribution when reporting for the GASB 45 implementation year. After the implementation year, the Annual OPEB Cost consists of the following components:

- (i) Annual Required Contribution (ARC)
- (ii) Interest on the Net OPEB Obligation
- (iii) Adjustment to the ARC

F. ACTUARIAL VALUE OF ASSETS

The City established a qualifying OPEB trust and made an initial contribution of \$500,000 during November 2015. No retiree benefits were paid from the Trust during the year. The cost of retiree insurance benefits continues to be paid as it becomes due (i.e. pay-as-you-go) from pooled operating assets of the City.

G. CALCULATION OF PRESENT VALUES

Using the actuarial assumptions, the number of retired participants is projected each year in the future. Costs are projected for each future year at each age using the trend and aging assumptions. The projected costs less projected retiree contribution premiums are multiplied by the expected number of retirees in each future year to produce expected employer contributions (i.e. retiree benefits). These employer contributions are discounted using the valuation interest rate to determine the present value of the projected liabilities.

The actuarial calculations reflect a long-term perspective that involves estimates of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The actuarial calculations are based on the substantive plan and pertinent law as they exist at the time of the preparation of this valuation study. The substantive plan is the plan that operates in practice.

GLOSSARY

Actuarial Accrued Liability (AAL). That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of plan benefits which is allocated to periods prior to the valuation date.

Actuarial Cost Method. A procedure for allocating the Actuarial Present Value of plan benefits to time periods, usually in the form of a Normal Cost and Actuarial Accrued Liability.

Actuarial Present Value. The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of actuarial assumptions, and plan provisions. Actuarial Present Value takes into account the probability of payment as well as the time value of money.

Adjustment to the ARC. An adjustment made to Annual OPEB Cost to avoid double counting of the Amortization of the AAL when full funding of the ARC does not occur.

Age-Adjusted Cost. The projected cost that would result if a credible-size group of like-age participants was measured.

Age-Subsidy. The difference between the age-adjusted cost and the retiree premium. An age-subsidy may occur because the retiree premium, based on the combined pool of actives and retirees, is lower than the age-adjusted cost at retiree ages.

Amortization Payment. That portion of the Annual Required Contribution that is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

Annual OPEB Cost. The amount of expense an employer must recognize under accrual accounting in accordance with a Defined Benefit OPEB Plan, calculated in accordance with the parameters.

Annual Required Contribution (ARC). The portion of expense an employer must recognize in accordance with a Defined Benefit OPEB Plan equal to the Amortization Payment plus the Normal Cost, calculated in accordance with the assumptions and plan provisions.

Defined Benefit OPEB Plan. An OPEB plan having terms that specify the amount of benefits to be provided at a future date or after a certain period of time. The amount specified usually is a function of one or more factors such as age and years of service.

Employer Contribution. An employer may make contributions through an irrevocable transfer of assets to a qualifying trust, direct payment of benefits or a combination of these. Without a trust and self-funded, the contribution equals retiree claims plus admin costs, less any retiree contribution premiums. Without a trust and not self-funded, the contribution equals age-adjusted premium costs, less any retiree contribution premiums.

GLOSSARY

Healthcare Cost Trend Rate. The rate of change in per capita health claims cost over time as a result of factors such as medical inflation, utilization of healthcare services, plan design and technological developments.

Net OPEB Obligation. The cumulative difference since the effective date of GASB 45 between the amount of Annual OPEB Cost and Employer Contributions. This is the liability required to be recognized under accrual accounting.

Normal Cost. That portion of the Actuarial Present Value of OPEB plan benefits that is allocated to a valuation year by the Actuarial Cost Method.

Other Postemployment Benefits (OPEB). Postemployment benefits other than pension benefits. OPEB includes Postemployment Healthcare Benefits, regardless of the type of plan that provides them, and all post-employment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits.

Postemployment Healthcare Benefits. Medical, dental, vision and other health-related benefits provided to retired employees and their dependents and beneficiaries.

Substantive Plan. The terms of the OPEB plan as understood by the employer and plan members.

Unfunded Actuarial Accrued Liability. The excess, if any, of the Actuarial Accrued Liability over the assets of the plan.

Valuation Interest Rate (or Discount Rate). The expected return over the long-term on the source of assets used to pay retiree insurance benefits.