



**City of Lansing  
Employees' Retirement System**

**Actuarial Valuation of Retiree Healthcare Benefits  
as of January 1, 2023**

February, 2024

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## Executive Summary

This report presents the results of an actuarial review and analysis of the City of Lansing Employees' Retirement System Retiree Healthcare Benefits Plan (the Plan) as of January 1, 2023. A comparative summary of the status of the Plan is as follows:

	January 1, 2023	January 1, 2021
<b>Plan Membership</b>		
Active	428	429
<u>Inactive/Receiving Benefits</u>	<u>991</u>	<u>1,002</u>
Total Plan Participants	1,419	1,431
<b>Valuation Results (\$ millions)</b>		
Actuarial Accrued Liability (AAL)	\$150.3	\$ 154.3
<u>Plan Assets</u>	<u>79.4</u>	<u>75.1</u>
Unfunded Accrued Liability	\$70.9	\$ 79.2
Funding Ratio	52.8%	48.7%
<b>Actuarially Determined Employer Contribution (\$ millions)</b>		
Total ADEC	\$7.1	\$7.1
% of Payroll	27%	29%

The results above show the amount the City should contribute to the OPEB trust to establish pre-funding of benefits on an actuarial basis. The assumptions used for this valuation are consistent with the State's Uniform assumptions for fiscal year 2021. There were also several changes in assumptions based on the Retirement System's experience study completed in 2021, covering 2015 through 2019. The net impact of the changes in assumptions was a slight increase in actuarial liability and cost.

### Purpose of the Report

This Report presents the results of an actuarial review and analysis of the Retiree Healthcare Plan as of January 1, 2021. The purposes of this Report are:

- To determine the actuarial contributions to pre-fund the City's OPEB
- To establish the basis for GASB74/75 reporting for fiscal year 2024
- To determine the City's OPEB liability and actuarial cost under the State's Uniform Assumptions

This valuation is based on the information provided by the City as of January 1, 2023, including member data, premium equivalents, and plan assets. The basis for the Plan provisions is also as of this date, with specific eligibility and cost sharing requirements outlined in Section 4.

Plan assets include the ERS VEBA as well as a portion of the Employees' Retirement System assets held in a reserve account. The Plan assets as of the valuation date for the reserve were determined based on the reserve value as shown in the valuation report for the Retirement System.

### Actuarial Certification

In this study, we conducted an examination of all participant data for reasonableness and consistency, but did not audit such data. Actuarial liabilities and costs are based on the Entry Age Normal Cost Method. Under this method, the Actuarially Determined Contribution (ADC, or employer cost) provides for current cost (normal cost) plus an amount to amortize the unfunded actuarial accrued liability (UAAL).

We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. The first undersigned is a member of the American Academy of Actuaries, and meets the Qualification Standards to provide the actuarial opinions herein.

Respectfully Submitted,



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Gregory M. Stump, FSA, EA, FCA, MAAA  
Chief Actuary



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Marshal Banks  
Senior Consultant

## Section 1: Actuarial Computations

## 1.1: Summary of Actuarial Liabilities

	1/1/2023			1/1/2021
<b>Discount Rate</b>	7.00%			7.00%
	<b><u>VEBA</u></b>	<b><u>All Others</u></b>	<b><u>Total Plan</u></b>	
<b>Present Value of Projected Benefits (PVB)</b>				
	\$39,794,870	\$118,394,366	\$158,189,236	\$ 160,300,059
<b>Actuarial Accrued Liability (AAL)</b>				
<b>Active Members</b>	\$12,233,765	\$21,041,811	\$33,275,576	\$34,168,134
<b><u>Inactive Members</u></b>	<u>27,173,797</u>	<u>89,836,961</u>	<u>117,010,758</u>	<u>120,124,333</u>
<b>Total Actuarial Liability</b>	\$39,407,561	\$110,878,772	\$150,286,334	\$ 154,292,467
<b>Normal Cost, Beginning of Year</b>	\$77,370	\$1,011,026	\$1,088,396	\$ 859,549

## 1.2: Actuarially Determined Employer Contribution

The results shown below are based on full pre-funding of OPEB. This means that the full ADEC will be contributed to the OPEB trust(s), and all benefits will be paid from the trust(s).

	1/1/2023			1/1/2021
<i>Discount Rate</i>	7.00%			7.00%
	<b><u>VEBA</u></b>	<b><u>All Others</u></b>	<b><u>Total Plan</u></b>	
Actuarial Accrued Liability (AAL)	\$39,407,561	\$110,878,772	\$150,286,334	\$154,292,467
<u>Plan Assets</u>	35,184,838	44,189,634	79,374,472	<u>75,098,574</u>
Unfunded AAL	\$4,222,723	\$66,689,138	\$70,911,862	\$79,193,893
Funding Ratio	89.3%	39.9%	52.8%	48.7%
Amortization of Unfunded AAL	329,756	5,207,811	5,537,567	\$ 5,776,745
Employer Normal Cost	\$77,370	\$1,011,026	\$1,088,396	859,549
<u>Interest to End of Year</u>	<u>28,499</u>	<u>435,319</u>	<u>463,817</u>	<u>464,541</u>
<b>Actuarially Determined Employer Contribution (ADEC)</b>	<b>\$435,625</b>	<b>\$6,654,155</b>	<b>\$7,089,780</b>	<b>\$ 7,100,834</b>
Percentage of Payroll	7.9%	32.1%	27.0%	29.9%
Expected Benefit Payments (Employer portion)	\$1,908,795	\$7,217,274	\$9,126,069	\$9,146,880

### 1.3: Actuarially Determined Employer Contribution, State Uniform Basis

The results shown below are based on the specifications outlined by the State for the indicated year. The Uniform Basis requires a 26-year level dollar amortization for fiscal year 2023 for closed plans, as well as a 6.85% discount rate.

<i>Total Plan</i>	<i>1/1/2023</i>	<i>1/1/2021</i>
<i>Discount Rate</i>	6.85%	7.00%
Actuarial Accrued Liability (AAL)	\$152,960,398	\$ 154,292,467
<u>Plan Assets</u>	<u>79,374,472</u>	<u>75,098,574</u>
Unfunded AAL	\$73,585,926	\$ 79,193,893
Funding Ratio	5139%	48.7%
Amortization of Unfunded AAL	\$5,743,174 (26 years)	\$ 6,098,073 (28 years)
Employer Normal Cost	1,132,374	859,549
<u>Interest to End of Year</u>	<u>470,975</u>	<u>487,034</u>
<b>Actuarially Determined Employer Contribution (ADEC)</b>	<b>\$7,346,523</b>	<b>\$ 7,444,655</b>
Percentage of Payroll	27.8%	30.3%



## Section 2: Summary of Participant Data

### Participant Summary

	January 1, 2023			January 1, 2021
	VEBA	All Others	Total	Total
<b>Active Participants</b>				
Number	62	367	429	429
Average Age	55.8	44.9	46.5	46.7
Average Service	23.7	8.6	10.77	10.0
<b>Inactive Participants</b>				
Number Receiving Benefits	188	747	935	961
Average Age	69.7	71.1	70.8	69.6
Number Terminated Vested	50	7	57	41
Average Age	54.4	56.3	54.6	53.9

### Retiree Coverage Summary (2023)

Level of Coverage	VEBA	All Others	Total
(does not include opt-out)			
Single	67	321	388
Multiple	56	270	326
<b>Total Retirees Covered</b>	<b>123</b>	<b>591</b>	<b>714</b>

### Data Assumptions

For this study, we relied on the data provided by the City. The information provided was incomplete, therefore we had to compile the valuation database using the prior (2021 data) to determine the following if needed:

- Beneficiary information
- Employee group
- Date of Birth
- Date of Hire
- Coverage Tier

We assumed that all ERS members who have a date of hire in our database during 1991 through 2003, and who are not UAW employees/retirees, belong to the VEBA group. For retirees with a missing a date of hire, anyone who retired after 2016 was also assumed to be part of the VEBA group.

## Section 3: Outline of Actuarial Assumptions and Methods

## 3.1: Actuarial Methods

### Actuarial Cost Method

The Entry Age Normal Actuarial Cost Method, with level dollar normal cost, is used for this valuation. The cost equals the sum of the normal cost and the amount necessary to amortize the unfunded actuarial liability as a level percent of payroll over a closed period (18 years remaining as of January 1, 2023). The sum of the Normal Cost and the Amortization is the Actuarially Determined Employer Contribution (ADEC).

### Plan Assets

The Plan is funded by a trust agreement established pursuant to Section 501(c)(9) of the Internal Revenue Code, which allows for the formation of a Voluntary Employees Beneficiary Association (VEBA).

In addition, Plan assets are available in a separate reserve of the Employee's Retirement System pension trust. For this study, assets are used at market value, without any smoothing of investment gains and losses.

Each asset pool is treated separately for this valuation, such that VEBA assets are only available for those who are assigned to that group.

### Changes in Actuarial Methods since Prior Valuation

There was one change in methods since the prior valuation: the VEBA group versus all others are now valued separately, with two separate ADECs computed. The total ADEC for the Plan is the sum of the two ADECs. For the purpose of the State Uniform basis, the total plan ADEC is computed without any split for VEBA.

### 3.2: Actuarial Assumptions

Valuation Date	All assets and liabilities are computed as of January 1, 2023.
Investment Return/ Discount Rate*	The annual rate of return on trust fund assets is assumed to be 7.00%, net of expenses and including inflation.
Inflation and Payroll Growth	The underlying annual rate of inflation is assumed to be 2.50%.

The basis for the non-healthcare related assumptions for this study is the analysis conducted for the Retirement System for purposes of the annual actuarial valuation to fund pension benefits. All of the assumptions were updated based on an Experience study conducted in 2021, covering experience from 2015 through 2019.

Mortality*	Pub2010G tables (below median) headcount weighted, projected on a generational basis with Scale MP-2021.
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Retirement Rates of retirement vary based on the age of the member as shown below. Rate is applied only if the member is eligible to retire.

Age	UAW	Age	All Others
50-54	60%	50-54	50%
55-57~	40%	55	5%
58~	50%	56	10%
59-64~	20%	57	15%
65	100%	58	20%
66-69	100%	59-64	25%
70+	100%	65-69	20%
		70+	100%

~ For UAW female employees, 50% of this rate applies.

Disability Rates of disability vary based on the age of the member as shown below. Half of all disabilities are assumed to be duty related. Representative rates of disability:

Age	Assumed Rate
20	0.040%
30	0.040%
40	0.130%
50	0.410%
60	0.900%

Termination of Employment Rates of termination are based of years of service, with sample rates as follows:

Years of Service	UAW	All Others
0	12.0%	24.0%
1	9.0%	20.9%
2	7.0%	18.2%
3	7.0%	15.8%
4	7.0%	13.7%
5	5.0%	12.0%
10	2.0%	6.0%
15	1.0%	2.5%
20+	1.0%	2.5%

Healthcare costs\*

The following represents expected per-capita costs for 2023, based on the age of the retiree and dependents.

BCBS (Pre-65)			
Age	Retiree	Spouse	Children
45	\$6,424	\$8,988	25% additional cost, up to age 26
50	7,411	10,369	
55	8,759	12,255	
60	10,606	14,839	
65	3,058	3,058	
70	3,460	3,460	
75	3,821	3,821	
80	4,116	4,116	
85+	4,326	4,326	

PHP (Pre-65)			
Age	Retiree	Spouse	Children
45	\$7,303	\$8,050	36% additional cost, up to age 26
50	8,425	9,287	
55	9,958	10,977	
60	12,058	13,291	
65	3,058	3,058	
70	3,460	3,460	
75	3,821	3,821	
80	4,116	4,116	
85+	4,326	4,326	

The per-capita-costs shown above are based on the retiree data and premium equivalents provided for this valuation. Age based costs are based on aging rates developed from available claims information.

Dental costs are expected to be \$580.20 per year (2023 basis) for each covered member and spouse. Vision claims are expected to be \$63.84 per year (2023 basis). The costs above were updated based on recent claims/expense information and standard aging rates. Medicare Part B Reimbursements per covered person are assumed to be \$2,096 per year (2023 basis), and increase at the post-65 trend rates.

Healthcare trend\*

The following increases are assumed for future per-capita costs and premiums:

Year	Pre-65 Rate	Post-65 Rate
2023	7.25%	5.50%
2024	7.00%	5.25%
2025	6.75%	5.00%
2026	6.50%	4.75%
2027	6.25%	4.50%
2028	6.00%	4.50%
2029	5.75%	4.50%
2030	5.50%	4.50%
2031	5.25%	4.50%
2032	5.00%	4.50%
2033	4.75%	4.50%
2034+	4.50%	4.50%

Dental and Vision costs are assumed to increase at 4.50% per year. The State employer Hard Cap is assumed to increase by 3.00% per year.

Participation

100% of eligible members with coverage are assumed to elect to continue coverage upon retirement.

Family Composition and  
 Dependent Coverage

All Plan members who are currently married are assumed to be married upon retirement. Current coverage elections are assumed to continue, if eligible.

Male spouses are assumed to be three years older than their wives. 8% of retirees are assumed to have children covered, up to age 26. Retirees are assumed to be 32 years older than their children.

\* Assumption updated since last valuation

**Change in Assumptions**

The following assumptions were updated since the last valuation:

- Mortality projection scale
- Medical trend, expected per-capita costs, and family coverage

## Section 4: Highlights of Plan Provisions



### 4.1: Teamsters 214 (Supervisory and NS)

The following is an outline of the information used as the basis for this actuarial valuation. It does not imply a promise or obligation on behalf of the City, and does not take the place of applicable ordinances and collective bargaining agreements.

<b>Date of Hire</b>	<b>Normal Retirement Eligibility</b>	<b>Deferred Retirement Eligibility</b>	<b>Benefits Payable for Healthcare, Dental, and Vision</b>
Before 10/29/1990	1) Age 58 with 15 years of service 2) Age 50 with 25 years of service 3) Rule of 65 with minimum of 8 years of service	At least 8 years of service; benefit payable at age 58 or Rule of 65	City pays dental, vision, and 100% of retiree City-paid plan coverage for the retiree, spouse, and eligible dependents if Joint & Survivor pension option is elected, but only through the retiree's lifetime if straight life pension option is elected. City-paid plan design changes as active plan changes.
From 10/29/1990 to 12/7/2008	Age 55 with 15 years of service or Age 50 with 25 years of service	At least 15 years of service; benefit is payable at termination or age 55; whichever is later	
From 12/8/2008 to 9/16/2012	Age 55 with 15 years of service or Age 50 with 25 years of service	At least 15 years of service; benefit is payable at termination or age 55; whichever is later	City pays dental, vision, and retiree healthcare City-paid plan coverage for the retiree only, up to the State of Michigan annually determined hard cap amount. Spouses and dependents are not covered, but coverage can be purchased with 100% of the cost born by the retiree. City-paid retiree dental coverage remains for spouse and eligible dependents for those hired after 12/8/2008. City-paid plan design changes as active plan changes.
From 9/17/2012 to 12/31/2014	Age 50 with 25 years of service	25 years of service; benefit is payable at termination or age 55; whichever is later.	
On or after 1/1/2015	Not eligible for defined benefit retiree healthcare; dental and vision coverage at age 50 with 25 years of service, payable at later of termination or age 55.		

**Disability and Death Retirement (Duty Related) Eligibility:** No age or service requirement. Disability benefits payable when member begins to receive disability pension benefits.

**Disability and Death Retirement (Non-Duty Related) Eligibility:** Same vesting as deferred retirement eligibility. Age requirement is waived with a minimum of 10 years of service.

**Medicare Coverage Eligibility:** City provides Medicare Part B premium reimbursement and retiree healthcare, dental, and vision benefits supplemental to Medicare coverage when participants become Medicare eligible for those hired prior to 1/1/2015. Those hired on or after 1/1/2015 are not eligible for Medicare Part B premium reimbursement or supplemental retiree healthcare, but are eligible for dental and vision benefits.

**Opt Out Benefit:** Retirees who opt out of health care coverage are eligible to receive \$1,800 in any year in which they do not receive coverage from another source.

### 4.2.1: Teamsters 243, Supervisory and CTP (formerly Teamsters 580)

The following is an outline of the information used as the basis for this actuarial valuation. It does not imply a promise or obligation on behalf of the City, and does not take the place of applicable ordinances and collective bargaining agreements.

<b>Date of Hire</b>	<b>Normal Retirement Eligibility</b>	<b>Deferred Retirement Eligibility</b>	<b>Benefits Payable for Healthcare, Dental, and Vision</b>
Before 7/1/1987	1) Age 58 with 8 years of service 2) Age 50 with 25 years of service 3) Rule of 65 (age plus service) with minimum of 8 years of service	At least 8 years of service; benefits payable at age 58 or Rule of 65 points	<u>Retired before 2/20/2004:</u> City pays dental, vision, and 100% of retiree healthcare City-paid plan coverage for spouse and eligible dependents if Joint & Survivor option is elected, but only through the retiree's lifetime if straight life pension option is elected.
From 7/1/1987 to 10/28/1990	1) Age 58 with 15 years of service 2) Age 50 with 25 years of service 3) Rule of 65 (age plus service) with minimum of 15 years of service	At least 15 years of service; benefit is payable at termination or age 55, whichever is later	<u>Retired on or after 2/20/2004:</u> City pays dental, vision, and 100% of retiree healthcare City-paid plan coverage, up to the State of Michigan annually determined hard cap amount for spouse and eligible dependents if Joint & Survivor option is elected, but only through the retiree's lifetime if straight life pension option is elected. Retiree contributions toward City-paid plan coverage are capped at the lesser of 1% of pension benefit or \$125 annually for single coverage, \$225 for 2-party coverage, or \$325 for family coverage for City-paid plan. Retiree pays full cost of buy-up to optional insurance election. City-paid plan design changes as active plan changes.
From 10/29/1990 to 2/8/2010	Age 58 with 15 years of service or Age 50 with 25 years of service	At least 15 years of service; benefit is payable at termination or age 55, whichever is later	
From 2/9/2010 to 5/18/2014	Age 50 with 25 years of service	25 years of service; benefit is payable at termination or age 55, whichever is later	
On or after 5/19/2014	Not eligible for defined benefit retiree healthcare; age 50 and 25 years of service for dental and vision coverage, payable at later of termination or age 55.		

**Disability and Death Retirement (Duty Related) Eligibility:** No age or service requirement. Disability benefits payable when member begins to receive disability pension benefits.

**Disability and Death Retirement (Non-Duty Related) Eligibility:** Same vesting as deferred retirement eligibility. Age requirement is waived with a minimum of 10 years of service.

**Medicare Coverage Eligibility:** City provides Medicare Part B premium reimbursement and retiree healthcare, dental and vision benefits supplemental to Medicare coverage when participants become Medicare-eligible for those hired prior to 5/19/2014. Those hired on or after 5/19/2014 are not eligible for Medicare Part B premium reimbursement or supplemental retiree healthcare, but are eligible for dental and vision benefits.

**Opt Out Benefit:** Retirees who opt out of health care coverage are eligible to receive \$1,800 in any year in which they do not receive coverage from another source.

### 4.2.2: Teamsters 243, District Court (formerly Teamsters 580, District Court)

The following is an outline of the information used as the basis for this actuarial valuation. It does not imply a promise or obligation on behalf of the City, and does not take the place of applicable ordinances and collective bargaining agreements.

<b>Date of Hire</b>	<b>Normal Retirement Eligibility</b>	<b>Deferred Retirement Eligibility</b>	<b>Benefits Payable for Healthcare, Dental, and Vision*</b>
Before 6/1/2010	Age 58 with 15 years of service or Age 50 with 25 years of service	At least 15 years of service and age 55	City pays dental and 100% of retiree City-paid plan coverage for the retiree, spouse, and eligible dependents, up to the State of Michigan annually determined hard cap amount for the spouse and eligible dependents if Joint and Survivor pension option is elected, but only through the retiree's lifetime if straight life pension option is elected. Retiree contribution toward City-paid plan coverage is capped at 1% of monthly pension benefit. City-paid plan design changes as active plan changes.
From 6/1/2010 to 3/31/2014	Age 50 with 25 years of service	At least 25 years of service and age 55	
From 4/1/2014 to 6/30/2016	Age 50 with 25 years of service	At least 25 years of service and age 55	City pays dental and 100% of retiree healthcare City-paid plan coverage for the retiree only, up to the State of Michigan annually determined hard cap amount, with coverage up to Medicare eligibility. City-paid healthcare is not provided for Medicare-eligible retirees, but they are still eligible for dental and vision* coverage. Spouses and dependents are not covered for healthcare before or after Medicare eligibility, but they are eligible for dental and vision* coverage. City-paid plan design changes as active plan changes.
On or after 7/1/2016	Not eligible for defined benefit retiree healthcare; age 50 and 25 years of service for dental and vision* coverage, payable at later of termination or age 55.		

\*Teamsters 243 District Court retirees pay the full cost of vision coverage, if selected.

**Disability and Death Retirement (Duty Related) Eligibility:** No age or service requirement. Disability benefits payable when member begins to receive disability pension benefits.

**Disability and Death Retirement (Non-Duty Related) Eligibility:** Same vesting as deferred retirement eligibility. Age requirement is waived with a minimum of 10 years of service.

**Medicare Coverage Eligibility:** City provides Medicare Part B premium reimbursement and retiree healthcare, dental, and vision\* benefits supplemental to Medicare coverage when participants become Medicare-eligible for those hired prior to 4/1/2014. Those hired on or after 4/1/2014 are not eligible for Medicare Part B premium reimbursement or supplemental retiree healthcare, but are eligible for City-paid dental and retiree-paid vision\* benefits.

**Opt Out Benefit:** Retirees who opt out of health care coverage are eligible to receive \$1,800 in any year in which they do not receive coverage from another source.

### 4.3: UAW (Full Time, Local 2256)

The following is an outline of the information used as the basis for this actuarial valuation. It does not imply a promise or obligation on behalf of the City, and does not take the place of applicable ordinances and collective bargaining agreements.

<b>Date of Hire</b>	<b>Normal Retirement Eligibility</b>	<b>Deferred Retirement Eligibility</b>	<b>Benefits Payable for Healthcare, Dental, and Vision</b>
Before 12/1/1989	Age 58 with 8 years of service or Age 50 with 25 years of service	At least 8 years of service, payable when retiree is eligible for Normal Retirement.	<p><u>Retired prior to 7/1/2010:</u> City pays dental, vision, and 100% of retiree healthcare City-paid plan coverage for the retiree, spouse, and eligible dependents if Joint &amp; Survivor pension option is elected, but only through the retiree's lifetime if straight life pension option is elected.</p> <p><u>Retired on or after 7/1/2010 and before 10/1/2014:</u> City pays dental, vision and retiree healthcare plan coverage for retiree, spouse and eligible dependents if Joint &amp; Survivor option is elected, but only through the retiree's lifetime if straight life pension option is elected. Retiree contributions toward City-paid plan coverage are the lesser of 1% of pension benefit or \$125 annually for single coverage, \$225 for 2-party coverage, or \$325 for family coverage.</p> <p><u>Retired on or after 10/1/2014:</u> City pays dental, vision, and healthcare City-paid plan coverage, up to the State of Michigan annually determined hard cap amount for the retiree, spouse, and eligible dependents if Joint &amp; Survivor option is elected, but only through the retiree's lifetime if straight life pension option is elected. Retiree contributions toward City-paid plan coverage are capped at the lesser of 1% of the retiree's pension benefit or \$125 annually for single coverage, \$225 for 2-party coverage, or \$325 for family coverage for City-paid plan. City paid plan design changes as active plan changes. Participants electing optional insurance coverage pay the full cost above the State of Michigan annually determined hard cap amount.</p>
From 12/1/1989 to 3/7/2010	Age 58 with 15 years of service or Age 50 with 25 years of service	At least 15 years of service, payable when retiree is eligible for Normal Retirement.	
From 3/8/2010 to 10/20/2013	Age 50 with 25 years of service	25 years of service, payable when retiree is eligible for Normal Retirement.	

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Date of Hire	Normal Retirement Eligibility	Deferred Retirement Eligibility	Benefits Payable for Healthcare, Dental, and Vision
On or after 10/21/2013, before 12/16/2019	Age 50 with 25 years of service	25 years of service, payable when retiree is eligible for Normal Retirement.	City pays dental, vision, and 100% of retiree health care City-paid plan coverage for the retiree, up to the State of Michigan annually determined hard cap amount, subject to limitation of the retiree contribution to no more than 1% of the retiree's pension benefit, up to Medicare eligibility. City-paid plan design changes as active plan changes. City-paid healthcare is not provided for Medicare-eligible retirees, but they are eligible for dental and vision coverage. Spouses and dependents are not covered for healthcare before or after Medicare eligibility, but they are eligible for dental and vision coverage.
On or after 12/16/2019	Not eligible for plan benefits		

**Disability and Death Retirement (Duty Related) Eligibility:** No age or service requirement. Disability benefits payable when member begins to receive disability pension benefits.

**Disability and Death Retirement (Non-Duty Related) Eligibility:** Same vesting as deferred retirement eligibility. Age requirement is waived with a minimum of 10 years of service.

**Medicare Coverage Eligibility:** City provides Medicare Part B premium reimbursement and retiree healthcare, dental, and vision benefits supplemental to Medicare coverage when participants become Medicare eligible for those hired prior to 10/21/2013. Those hired on or after 10/21/2013 are not eligible for Medicare Part B premium reimbursement or supplemental healthcare benefits, but are eligible for dental and vision benefits.

**Opt Out Benefit:** Retirees who opt out of health care coverage are eligible to receive \$1,500 prior to January 9, 2017 and \$1,800 after January 9, 2017 in any year in which they do not receive coverage from another source.

#### 4.4: 911 Operators (FOP)

The following is an outline of the information used as the basis for this actuarial valuation. It does not imply a promise or obligation on behalf of the City, and does not take the place of applicable ordinances and collective bargaining agreements.

##### **Eligibility for Healthcare, Dental, and Vision Coverage**

###### ***Normal Retirement Eligibility:***

911 dispatch operations were transferred to Ingham County on 7/1/2012. Accordingly, retiree healthcare liabilities for those employed as of 7/1/2012 were transferred to Ingham County, and the City has no OPEB obligation for those retiring on or after 7/1/2012, except for those that terminated from the City prior to 7/1/2012 and are eligible for a deferred retirement.

###### ***Deferred Retirement Eligibility:***

Defined benefit pension members hired before 5/1/2004: At least 8 years of service; benefits payable at age 58 or Rule of 65 points

Defined benefit pension members hired on or after 5/1/2004: At least 15 years of service; benefits payable at age 58

Defined Contribution Plan retirement plan member hired on or after 7/1/1992: At least 15 years of service; benefit payable at termination or age 55, whichever is later

##### **Medicare Coverage Eligibility**

City provides Medicare Part B premium reimbursement and retiree health care, dental, and vision benefits supplemental to Medicare coverage when participants become Medicare-eligible.

##### **Benefits Payable for Healthcare, Dental, and Vision**

City pays dental, vision, and 100% of retiree healthcare City-paid plan coverage for the retiree, spouse, and eligible dependents if Joint & Survivor pension option is elected, but only through the retiree's lifetime if straight life pension option is elected. (See eligibility note above.)

##### **Opt Out Benefit**

Retirees who opt out of health care coverage are eligible to receive \$1,800 in any year in which they do not receive coverage from another source.

### 4.5.1: District Court, Non-Bargaining

The following is an outline of the information used as the basis for this actuarial valuation. It does not imply a promise or obligation on behalf of the City, and does not take the place of applicable ordinances and collective bargaining agreements.

<b>Date of Hire</b>	<b>Normal Retirement Eligibility</b>	<b>Deferred Retirement Eligibility</b>	<b>Benefits Payable for Healthcare, Dental, and Vision*</b>
Before 6/1/2010	Age + Service = 65 with at least 15 years of service	At least 15 years of service, benefits payable at age 58 or Rule of 65 points	City pays dental and 100% of retiree City-paid plan coverage for the retiree, spouse, and eligible dependents, up to the State of Michigan annually determined hard cap amount for the retiree, spouse, and eligible dependents if Joint and Survivor pension option is elected, but only through the retiree's lifetime if straight life pension option is elected. City-paid plan design changes as active plan changes.
From 6/1/2010 to 3/31/2014	At least 25 years of service	At least 25 years of service and age 55	
From 4/1/2014 to 6/30/2016	At least 25 years of service	At least 25 years of service and age 55	City pays dental and 100% of retiree City-paid plan coverage for the retiree only, up to the State of Michigan annually determined hard cap amount. City-paid plan design changes as active plan changes. Spouses and dependents are not covered for healthcare, but they are still eligible for dental and vision* coverage
On or after 7/1/2016	Not eligible for defined benefit retiree healthcare; age 50 and 25 years of service for dental and vision* coverage, payable at later of termination or age 55.		

\*District Court non-bargained retirees pay the full cost of vision coverage, if selected.

**Disability and Death Retirement (Duty Related) Eligibility:** No age or service requirement. Disability benefits payable when member begins to receive disability pension benefits.

**Disability and Death Retirement (Non-Duty Related) Eligibility:** Same vesting as deferred retirement eligibility. Age requirement is waived with a minimum of 10 years of service.

**Medicare Coverage Eligibility:** City provides Medicare Part B premium reimbursement and retiree healthcare, dental, and vision\* benefits supplemental to Medicare coverage when participants become Medicare-eligible, for those hired prior to 7/1/2016. Those hired on or after 7/1/2016 are not eligible for Medicare Part B premium reimbursement, nor supplemental retiree healthcare, but are eligible for dental and vision\* benefits.

**Opt Out Benefit:** Retirees who opt out of health care coverage are eligible to receive \$1,800 in any year in which they do not receive coverage from another source.

### 4.5.2: Other Non-Bargaining Supervisory, Non-Bargaining CTP

The following is an outline of the information used as the basis for this actuarial valuation. It does not imply a promise or obligation on behalf of the City, and does not take the place of applicable ordinances and collective bargaining agreements.

<b>Date of Hire</b>	<b>Normal Retirement Eligibility</b>	<b>Deferred Retirement Eligibility</b>	<b>Benefits Payable for Healthcare, Dental, and Vision</b>
Before 10/29/1990	Age + Service = 65 with at least 15 years of service	At least 15 years of service, benefits payable at age 58 or Rule of 65 points	<p><u>Retired prior to 7/1/2007:</u> City pays dental, vision, and 100% of retiree healthcare City-paid plan coverage for the retiree, spouse, and eligible dependents if Joint &amp; Survivor pension option is elected, but only through the retiree's lifetime if straight life pension option is elected.</p> <p><u>Retired on or after to 7/1/2007:</u> City pays dental, vision, and healthcare City-paid plan coverage, up to the State of Michigan annually determined hard cap amount for the retiree, spouse, and eligible dependents if Joint &amp; Survivor option is elected, but only through the retiree's lifetime if straight life pension option is elected.</p>
From 10/29/1990 to 6/30/2007	At least 15 years of service	At least 15 years of service and age 55	
From 7/1/2007 to 12/31/2015	At least 15 years of service	At least 15 years of service and age 55	City pays dental, vision, and retiree healthcare City-paid plan coverage for the retiree only, up to the State of Michigan annually determined hard cap amount. City-paid plan design changes as active plan changes. Spouses and dependents are not covered, but coverage can be purchased with 100% of the cost born by the retiree. City-paid retiree dental coverage remains for spouse and eligible dependents for those hired after 7/1/2007.
On or after 1/1/2016	Not eligible for defined benefit retiree healthcare; age 50 and 25 years of service for dental and vision coverage, payable at later of termination or age 55.		

**Disability and Death Retirement (Duty Related) Eligibility:** No age or service requirement. Disability benefits payable when member begins to receive disability pension benefits.

**Disability and Death Retirement (Non-Duty Related) Eligibility:** Same vesting as deferred retirement eligibility. Age requirement is waived with a minimum of 10 years of service.

**Medicare Coverage Eligibility:** City provides Medicare Part B premium reimbursement and retiree, dental, and vision benefits supplemental to Medicare coverage when participants become Medicare-eligible. Those hired on or after 7/1/2016 are not eligible for Medicare Part B premium reimbursement, nor supplemental retiree healthcare, but are eligible for dental and vision benefits.

**Opt Out Benefit:** Retirees who opt out of health care coverage are eligible to receive \$1,800 in any year in which they do not receive coverage from another source.



### 4.5.3: Mayoral Staff, Executive Management

The following is an outline of the information used as the basis for this actuarial valuation. It does not imply a promise or obligation on behalf of the City, and does not take the place of applicable ordinances and collective bargaining agreements.

Date of Hire	Normal Retirement Eligibility	Deferred Retirement Eligibility	Benefits Payable for Healthcare, Dental, and Vision
Before 10/29/1990	Fire: Age 55 with 10 years of service, or 25 years of service no age requirement Police: Age 55 with 15 years of service, or 25 years of service credit no age requirement Non-Police/Fire: Age + Service is at least 65, with at least 15 years of service	At least 15 years of service; benefit payable at age 58 or Rule of 65	<p><u>Retired prior to 7/1/2007:</u> City pays dental, vision, and 100% of retiree healthcare City-paid plan coverage for the retiree, spouse, and eligible dependents if Joint &amp; Survivor pension option is elected, but only through the retiree's lifetime if straight life pension option is elected.</p> <p><u>Retired on or after to 7/1/2007:</u> City pays dental, vision, and healthcare City-paid plan coverage, up to the State of Michigan annually determined hard cap amount for the retiree, spouse, and eligible dependents if Joint &amp; Survivor option is elected, but only through the retiree's lifetime if straight life pension option is elected.</p>
From 10/29/1990 to 6/30/2007	8 years of service for partial coverage; 15 years of service of full coverage; age 55	At least 8 years of service for partial coverage; 15 years of service for full coverage. Benefit is payable at termination or age 55; whichever is later	<p>City pays:</p> <ul style="list-style-type: none"> <li>• 55% of applicable plan premium after completing 8 years of service and age 55</li> <li>• 75% of applicable plan premium after completing 12 years of service and age 55</li> <li>• 100% of applicable plan premium after 15 years of service and age 55</li> </ul> <p><u>Retired prior to 7/1/2007:</u> City pays dental, vision, and above percentage of retiree healthcare City-paid plan coverage for the retiree, spouse, and eligible dependents if Joint &amp; Survivor pension option is elected, but only through the retiree's lifetime if straight life pension option is elected.</p> <p><u>Retired on or after to 7/1/2007:</u> City pays dental, vision, and above percentage healthcare City-paid plan coverage, up to the State of Michigan annually determined hard cap amount for the retiree, spouse, and eligible dependents if Joint &amp; Survivor option is elected, but only through the retiree's lifetime if straight life pension option is elected.</p>

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Date of Hire	Normal Retirement Eligibility	Deferred Retirement Eligibility	Benefits Payable for Healthcare, Dental, and Vision
On or after 7/1/2007	15 years of service and age 55	25 years of service; benefit is payable at termination or age 55; whichever is later	City pays dental, vision, and retiree healthcare City-paid plan coverage for the retiree only, up to the State of Michigan annually determined hard cap amount. Spouses and dependents are not covered, but coverage can be purchased with 100% of the cost born by the retiree. City-paid retiree dental coverage remains for spouse and eligible dependents for those hired after 7/1/2007.
On or after 7/1/2016	Not eligible for defined benefit retiree healthcare.		

**Disability and Death Retirement (Duty Related) Eligibility:** No age or service requirement. Disability benefits payable when member begins to receive disability pension benefits.

**Disability and Death Retirement (Non-Duty Related) Eligibility:** Same vesting as deferred retirement eligibility. Age requirement is waived with a minimum of 10 years of service.

**Medicare Coverage Eligibility:** City provides Medicare Part B premium reimbursement and retiree healthcare, dental, and vision benefits supplemental to Medicare coverage when participants become Medicare-eligible.

**Opt Out Benefit:** Retirees who opt out of health care coverage are eligible to receive \$1,800 in any year in which they do not receive coverage from another source.

#### 4.5.4: City Council Staff

The following is an outline of the information used as the basis for this actuarial valuation. It does not imply a promise or obligation on behalf of the City, and does not take the place of applicable ordinances and collective bargaining agreements.

<b>Date of Hire</b>	<b>Normal Retirement Eligibility</b>	<b>Deferred Retirement Eligibility</b>	<b>Benefits Payable for Healthcare, Dental, and Vision</b>
Before 7/1/1987	8 years of service	At least 8 years of service	<p><u>Retired prior to 7/1/2007:</u> City pays dental, vision, and 100% of retiree healthcare City-paid plan coverage for the retiree, spouse, and eligible dependents if Joint &amp; Survivor pension option is elected, but only through the retiree's lifetime if straight life pension option is elected.</p> <p><u>Retired on or after to 7/1/2007:</u> City pays dental, vision, and healthcare City-paid plan coverage, up to the State of Michigan annually determined hard cap amount for the retiree, spouse, and eligible dependents if Joint &amp; Survivor option is elected, but only through the retiree's lifetime if straight life pension option is elected.</p>
From 7/1/1987 to 10/28/1990	15 years of service	At least 15 years of service; benefit is payable at termination or age 55; whichever is later	
From 10/29/1990 to 6/30/2007	8 years of service for partial coverage; 15 years of service of full coverage; age 55	At least 8 years of service for partial coverage; 15 years of service for full coverage. Benefit is payable at termination or age 55; whichever is later	<p>City pays:</p> <ul style="list-style-type: none"> <li>• 55% of applicable plan premium after completing 8 years of service and age 55</li> <li>• 75% of applicable plan premium after completing 12 years of service and age 55</li> <li>• 100% of applicable plan premium after 15 years of service and age 55</li> </ul> <p><u>Retired prior to 7/1/2007:</u> City pays dental, vision, and above percentage of retiree healthcare City-paid plan coverage for the retiree, spouse, and eligible dependents if Joint &amp; Survivor pension option is elected, but only through the retiree's lifetime if straight life pension option is elected.</p> <p><u>Retired on or after to 7/1/2007:</u> City pays dental, vision, and above percentage healthcare City-paid plan coverage, up to the State of Michigan annually determined hard cap amount for the retiree, spouse, and eligible dependents if Joint &amp; Survivor option is elected, but only through the retiree's lifetime if straight life pension option is elected.</p>

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<b>Date of Hire</b>	<b>Normal Retirement Eligibility</b>	<b>Deferred Retirement Eligibility</b>	<b>Benefits Payable for Healthcare, Dental, and Vision</b>
From 7/1/2007 to 10/14/2012	15 years of service and age 55	At least 15 years of service; benefit is payable at termination or age 55, whichever is later	City pays dental, vision, and retiree healthcare City-paid plan coverage for the retiree only, up to the State of Michigan annually determined hard cap amount. Spouses and dependents are not covered, but coverage can be purchased with 100% of the cost born by the retiree. City-paid retiree dental coverage remains for spouse and eligible dependents for those hired after 7/1/2007.
On or after 10/15/2012	25 years of service and age 55	At least 25 years of service; benefit is payable at termination or age 55; whichever is later	
On or after 7/1/2016	Not eligible for defined benefit retiree healthcare.		

**Disability and Death Retirement (Duty Related) Eligibility:** No age or service requirement. Disability benefits payable when member begins to receive disability pension benefits.

**Disability and Death Retirement (Non-Duty Related) Eligibility:** Same vesting as deferred retirement eligibility. Age requirement is waived with a minimum of 10 years of service.

**Medicare Coverage Eligibility:** City provides Medicare Part B premium reimbursement and retiree healthcare, dental, and vision benefits supplemental to Medicare coverage when participants become Medicare-eligible.

**Opt Out Benefit:** Retirees who opt out of health care coverage are eligible to receive \$1,800 in any year in which they do not receive coverage from another source.

### 4.5.6: Mayor/City Clerk

The following is an outline of the information used as the basis for this actuarial valuation. It does not imply a promise or obligation on behalf of the City, and does not take the place of applicable ordinances and collective bargaining agreements.

<b>Date Elected</b>	<b>Normal Retirement Eligibility</b>	<b>Deferred Retirement Eligibility</b>	<b>Benefits Payable for Healthcare, Dental, and Vision*</b>
Before 7/1/1987	8 years of service	At least 8 years of service	City pays dental, vision, and retiree healthcare City-paid plan coverage for retiree, spouse, and eligible dependents.
From 7/1/1987 to 6/30/2007	15 years of service and age 55	At least 15 years of service; benefit is payable at termination or age 55; whichever is later	<u>Retired prior to 1/1/2006:</u> City pays dental, vision, and retiree healthcare City-paid plan coverage for the retiree, spouse, and eligible dependents.
From 7/1/2007 to 6/30/2009	15 years of service and age 55; not eligible for vision coverage	At least 15 years of service; benefit is payable at termination or age 55; whichever is later	<u>Retired on or after to 1/1/2006:</u> City pays dental, vision, and healthcare City-paid plan coverage, up to the State of Michigan annually determined hard cap amount for the retiree, spouse, and eligible dependents.
On or after 7/1/2009	15 years of service and age 55; not eligible for vision coverage	At least 15 years of service; benefit is payable at termination or age 55; whichever is later	City pays dental and healthcare City-paid plan coverage, up to the State of Michigan annually determined hard cap amount for the retiree only. Spouses and dependents are not covered, but dental coverage remains for spouse and eligible dependents, for those elected after 7/1/2009.
On or after 7/1/2016	Not eligible for defined benefit retiree healthcare.		

\* Those elected after 7/1/2007 are not eligible for vision coverage.

**Disability and Death Retirement (Duty Related) Eligibility:** No age or service requirement. Disability benefits payable when member begins to receive disability pension benefits.

**Disability and Death Retirement (Non-Duty Related) Eligibility:** Same vesting as deferred retirement eligibility. Age requirement is waived with a minimum of 10 years of service.

**Medicare Coverage Eligibility:** City provides Medicare Part B premium reimbursement and retiree health care, dental, and vision benefits supplemental to Medicare coverage when participants become Medicare-eligible. Those elected after 7/1/2007 are not eligible for vision coverage.

**Opt Out Benefit:** Retirees who opt out of health care coverage are eligible to receive \$1,800 in any year in which they do not receive coverage from another source.

### 4.5.7: City Council

The following is an outline of the information used as the basis for this actuarial valuation. It does not imply a promise or obligation on behalf of the City, and does not take the place of applicable ordinances and collective bargaining agreements.

<b>Date Elected</b>	<b>Normal Retirement Eligibility</b>	<b>Deferred Retirement Eligibility</b>	<b>Benefits Payable for Healthcare, Dental, and Vision*</b>
Before 7/1/1987	8 years of service	At least 8 years of service	City pays dental, vision, and retiree healthcare City-paid plan coverage for retiree, spouse, and eligible dependents.  <u>Retired prior to 1/1/2006:</u> City pays dental, vision, and retiree healthcare City-paid plan coverage for the retiree, spouse, and eligible dependents.  <u>Retired on or after to 1/1/2006:</u> City pays dental, vision, and healthcare City-paid plan coverage, up to the State of Michigan annually determined hard cap amount for the retiree, spouse, and eligible dependents.
From 7/1/1987 to 6/30/2007	15 years of service and age 55	At least 15 years of service; benefit is payable at termination or age 55; whichever is later	
From 7/1/2007 to 12/31/2009	15 years of service and age 55; not eligible for vision coverage		
On or after 1/1/2010	Not eligible for defined benefit retiree healthcare, dental, or vision coverage.		

\* Those elected after 7/1/2007 are not eligible for vision coverage.

**Disability and Death Retirement (Duty Related) Eligibility:** No age or service requirement. Disability benefits payable when member begins to receive disability pension benefits.

**Disability and Death Retirement (Non-Duty Related) Eligibility:** Same vesting as deferred retirement eligibility. Age requirement is waived with a minimum of 10 years of service.

**Medicare Coverage Eligibility:** City provides Medicare Part B premium reimbursement and retiree health care, dental, and vision benefits supplemental to Medicare coverage when participants become Medicare-eligible. Those elected after 1/1/2010 are not eligible for Medicare premium reimbursement, dental, vision, or supplemental healthcare benefits.

**Opt Out Benefit:** Retirees who opt out of health care coverage are eligible to receive \$1,800 in any year in which they do not receive coverage from another source.

### 4.5.8: Judges

The following is an outline of the information used as the basis for this actuarial valuation. It does not imply a promise or obligation on behalf of the City, and does not take the place of applicable ordinances and collective bargaining agreements.

<b>Date Taking Office</b>	<b>Normal Retirement Eligibility</b>	<b>Deferred Retirement Eligibility</b>	<b>Benefits Payable for Healthcare, Dental, and Vision*</b>
Before 6/30/1988	8 years of service	At least 8 years of service	City pays dental and retiree healthcare City-paid plan coverage for retiree, spouse, and eligible dependents up to the State of Michigan annually determined hard cap amount. City-paid plan design changes as active District Court Non-Bargained City-paid plan design changes.
From 7/1/1988 to 10/28/1990	15 years of service	At least 15 years of service and age 55	
On or after 10/29/1990	15 years of service and age 55	15 years of service and age 55	

\*Retired judges pay the full cost of vision coverage, if selected.

**Disability and Death Retirement (Duty Related) Eligibility:** No age or service requirement. Disability benefits payable when member begins to receive disability pension benefits.

**Disability and Death Retirement (Non-Duty Related) Eligibility:** No age or service requirement. Disability benefits payable when member begins to receive disability pension benefits.

**Medicare Coverage Eligibility:** City provides Medicare Part B premium reimbursement and retiree health care, dental, and vision\* benefits supplemental to Medicare coverage when participants become Medicare-eligible.

**Opt Out Benefit:** Retirees who opt out of health care coverage are eligible to receive \$1,800 in any year in which they do not receive coverage from another source.

*The Plan provision summaries shown in this Report were provided by the City and were not independently verified by BCG.*

## Glossary of Actuarial Terms

### Actuarial Accrued Liability

A plan's actuarial accrued liability is the level of assets estimated by the system actuary to be needed as of the valuation date to

- Finance all previously earned benefits for actively employed members of the plan (and their beneficiaries, if applicable) for when they eventually retire, die or terminate with deferred vested benefits
- Finance all currently payable benefits of current pensioners and their beneficiaries (if applicable).

The Actuarial Accrued Liability is not a debt; instead, it is an asset target set by the actuarial cost method to produce an orderly accumulation of assets to pay for the plan's obligations.

### Actuarially Determined Contribution (ADC)

The annual cost of the plan, on a funding basis. The ADC is the sum of the Normal Cost and the amortization of unfunded actuarial accrued liability.

### Normal Cost

The Normal Cost is calculated as the annual amount necessary to fund each member's benefits from that member's Plan entry date to the end of his or her projected working life.

### Other Postemployment Benefits (OPEB)

Postemployment benefits other than pensions. OPEB generally takes the form of health insurance and dental, vision, prescription drugs or other healthcare benefits.

### Unfunded Actuarial Accrued Liability

When the actuarial value of assets is below the Actuarial Accrued Liability, there is an Unfunded Actuarial Accrued Liability which must be paid off or amortized on a schedule. When the actuarial value of assets is in excess of the Actuarial Accrued Liability, this can lead to a reduction in future contributions on an amortization schedule.