



**City of Lansing  
Employees' Retirement System**

**Actuarial Valuation of Retiree Healthcare Benefits  
as of December 31, 2013**

February, 2015

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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 December 31, 2013.

A comparative summary of the status of the Plan is as follows:

	December 31, 2011~	December 31, 2013
<b>Plan Membership</b>		
Active	481	370
<u>Inactive/Receiving Benefits</u>	<u>863</u>	<u>895</u>
Total Plan Participants	1,344	1,265
<b>Valuation Results (\$ millions)*</b>		
Actuarial Accrued Liability (AAL)	\$ 349.1	\$ 248.4
<u>Plan Assets</u>	<u>28.7</u>	<u>37.6</u>
Unfunded Accrued Liability	\$ 320.4	\$ 210.8
Funding Ratio	8.2%	15.1%
<b>Annual Required Contribution (\$ millions)</b>		
Total ARC (% of Payroll), pay-as-you-go	\$ 23.1 (93%)	\$ 16.9 (87%)
Total ARC (% of Payroll), statutory pre-funding	21.3 (86%)	14.5 (75%)
Total ARC (% of Payroll), fully prefunded	15.2 (61%)	12.7 (65%)

~ from prior actuarial report

\* Statutory pre-funding basis

The actuarial liabilities and costs have decreased since the last valuation. This is primarily a result of favorable claims experience over the last few years. Also contributing to the decrease were several changes in eligibility and cost sharing, implemented through collective bargaining.

### Purpose of the Report

This Report presents the results of an actuarial review and analysis of the Retiree Healthcare Plan as of December 31, 2013. The purposes of this Report are:

- To compute the other post-employment (OPEB) liability and annual employer cost in accordance with GASB Statements 43 and 45;
- To present and discuss other issues associated with funding progress/strategies and Plan costs.

### 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 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 and GASB Information

## 1.1: Summary of Actuarial Liabilities

	12/31/2011~			12/31/2013		
	Pay as you go Basis	Statutory (Partial) Pre-Funded Basis*	Fully Pre-Funded Basis	Pay as you go Basis	Statutory (Partial) Pre-Funded Basis*	Fully Pre-Funded Basis
<b>Discount Rate</b>	<b>4.30%</b>	<b>4.86%</b>	<b>7.80%</b>	<b>4.10%</b>	<b>5.70%</b>	<b>7.60%</b>
<b>Actuarial Accrued Liability</b>						
Active Members	Not Shown in Report		\$ 64,280,852	\$80,107,778	\$60,230,630	\$44,229,225
<u>Inactive Members</u>			<u>162,634,291</u>	<u>227,152,745</u>	<u>188,145,830</u>	<u>155,475,341</u>
<b>Total Actuarial Liability</b>	\$ 383,941,679	\$ 349,079,564	\$ 226,915,143	\$307,260,523	\$248,376,460	\$199,704,566
<b>Normal Cost</b>	\$ 9,504,738	\$ 8,099,543	\$ 3,732,458	\$ 5,845,106	\$ 3,920,419	\$ 2,512,699
Expected Benefit Payments		\$ 10,550,441			\$ 11,201,811	

~ from prior actuarial report

\* Statutory pre-funding requires a contribution to the OPEB trust from the City equal to 2.50% of payroll contribution for Old Plan and UAW members and 4.00% of payroll for New Plan members.

There are three scenarios shown above, for both the prior and the current valuation. The only difference in these scenarios is the funding strategy, which impacts the required discount rate. Essentially, the accounting treatment of OPEB takes into consideration the lower liabilities and costs associated with pre-funding of benefits. Each of the three scenarios is explained within Sections 1.2 through 1.4.

## 1.2: Annual Required Contribution, Pay-as-you-go Basis

The results shown below are based on pay-as-you-go financing. This means that no prefunding for OPEB would be set aside (i.e., \$0 additional contributions to the Trust, as noted below), and that all OPEB would be paid from the City's general fund assets. Because these assets are generally invested in short-term fixed income, the discount rate used for this basis is much lower, resulting in higher actuarial liabilities and costs.

	12/31/2011~	12/31/2013
<i>Discount Rate</i>	4.3%	4.1%
	<i>\$ millions</i>	
Actuarial Accrued Liability (AAL)	\$ 383.9	\$ 307,260,523
<u>Plan Assets</u>	<u>28.7</u>	<u>37,629,546</u>
Unfunded AAL	\$ 355.2	\$ 269,630,977
Amortization of Unfunded AAL	\$ 13.6	\$ 11,042,753
<u>Employer Normal Cost</u>	<u>9.5</u>	<u>5,845,106</u>
Annual Required Contribution	\$ 23.1	\$ 16,887,858
Percentage of Payroll	93.0%	87.0%
Expected Benefits to be Paid	\$ 10.6	\$ 11,201,811
Additional Contributions to trust	\$ 0.0	\$ 0

~ from prior actuarial report

### 1.3: Annual Required Contribution, Fully Pre-Funded Basis

The results shown below are based on full pre-funding of OPEB. This means that in addition to the benefits (i.e., claims and premium costs for retirees) for the year, supplemental amounts would be contributed and invested to build up the OPEB Trust, which would eventually be used to finance all benefits. The additional amount is \$1.5 million per year; however, this will be updated at the time of each biennial valuation and will fluctuate. Because the assets are generally invested the same as the pension fund, the discount rate used for this basis is the same as the expected return used for pension funding. This results in lower actuarial liabilities and costs.

	12/31/2011~	12/31/2013
<i>Discount Rate</i>	7.8%	7.6%
	<i>\$ millions</i>	
Actuarial Accrued Liability (AAL)	\$ 226.9	\$ 199,704,566
<u>Plan Assets</u>	<u>28.7</u>	<u>37,629,546</u>
Unfunded AAL	\$ 198.2	\$ 162,075,020
Amortization of Unfunded AAL	\$ 11.5	\$ 10,139,758
<u>Employer Normal Cost</u>	<u>3.7</u>	<u>2,512,699</u>
Annual Required Contribution	\$ 15.2	\$ 12,652,457
Percentage of Payroll	61.3%	65.2%
Expected Benefits to be Paid	\$ 10.6	\$ 11,201,811
Additional Contributions to trust	\$ 4.1	\$ 1,450,646

~ from prior actuarial report



## 1.4: Annual Required Contribution, Statutory (partial) Pre-Funded Basis\*

The results shown below are based on partial pre-funding. This means that, in addition to the pay-as-you-go cost, some level of prefunding would be set aside. In this case, the additional amount is currently about \$0.7 million, based on our understanding of the statutory pre-funding provisions (footnoted below). Because the funding basis is partway between pay-as-you-go and full pre-funding, the discount rate is between the two rates previously discussed.

	12/31/2011~	12/31/2013
<i>Discount Rate</i>	4.86%	5.70%
Actuarial Accrued Liability (AAL)	\$ 349,079,564	\$ 248,376,460
<u>Plan Assets</u>	<u>28,680,151</u>	<u>37,629,546</u>
Unfunded AAL	\$ 320,399,413	\$ 210,746,914
Amortization of Unfunded AAL	\$ 13,161,640	\$ 10,584,895
<u>Employer Normal Cost</u>	<u>8,099,543</u>	<u>3,920,419</u>
Annual Required Contribution	\$ 21,261,183	\$ 14,505,314
Percentage of Payroll	85.7%	74.7%
Expected Benefits to be Paid	\$ 10,550,441	\$ 11,201,811
Additional Contributions to trust	\$ 767,405	\$ 674,000

~ from prior actuarial report

\* Statutory pre-funding requires a contribution to the OPEB trust from the City equal to 2.50% of payroll contribution for Old Plan and UAW members and 4.00% of payroll for New Plan members.

### Sensitivities to Healthcare Trend

The following represents the plan liabilities and costs using a healthcare trend assumption of 1% per year higher or lower than the current assumption. The discount rate is 5.70% in each case.

<i>\$ millions</i>	Healthcare Trend Rates +1% Per Year	Valuation Assumption	Healthcare Trend Rates -1% Per Year
Actuarial Accrued Liability (AAL)	\$218.7	\$ 248.4	\$284.9
<u>Plan Assets</u>	<u>37.6</u>	<u>37.6</u>	<u>37.6</u>
Unfunded AAL	\$181.1	\$ 210.7	\$247.3
Amortization of Unfunded AAL	\$9.1	\$ 10.6	\$12.4
<u>Employer Normal Cost</u>	<u>3.1</u>	<u>3.9</u>	<u>5.0</u>
Annual Required Contribution	\$12.2	\$ 14.5	\$17.4

## 1.5: GASB 43/45 Information

### Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (AAL-AVA)	Funded Ratio (AVA ÷ AAL)	Covered Payroll	Unfunded AAL as Percentage of Payroll
12/31/2009	\$ 24,363,831	203,399,633	179,035,802	12.0%	31,207,892	574%
12/31/2011	28,690,151	349,079,564	320,399,413	8.2%	24,813,423	1291%
12/31/2013 Statutory Basis	37,629,546	248,376,460	210,746,914	15.1%	20,874,143	1010%
12/31/2013 Full Pre-Funding Basis	37,629,546	199,704,566	162,075,502	18.8%	20,874,143	776%

### Schedule of Employer Contributions

Year Ended	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation/(Asset)
2010	\$ 9,782,538	95.1%	\$ (2,260,157)
2011	8,819,018	110.8%	(3,214,740)
2012	14,915,958	69.5%	1,337,371
2013	12,775,667	79.4%	3,965,258
2014	14,532,176	81.7%	6,621,623

### Net OPEB Obligation (NOO)

	Fiscal Year 2013*	Fiscal Year 2014~
Net OPEB Obligation/(Asset), Beginning of Year	\$ 1,337,371	\$ 3,965,258
Annual Required Contribution (ARC)	12,769,739	14,505,314
Interest on BOY NOO	57,507	226,020
<u>Adjustment to the ARC</u>	<u>(51,579)</u>	<u>(199,158)</u>
Annual OPEB Cost	12,775,667	14,532,176
<u>Employer Contributions towards ARC</u>	<u>(10,147,780)</u>	<u>(11,875,811)</u>
Change in NOO	\$ 2,627,887	\$ 2,656,365
Net OPEB Obligation/(Asset), End of Year	\$ 3,965,258	\$ 6,621,623

\* Information provided by the City's Finance Office

~ based on statutory pre-funding scenario

## Section 2: Summary of Participant Data

**Participant Summary**

	December 31, 2011~	December 31, 2013		
	Total	UAW	All Others	Total
<b>Active Participants</b>				
Number	481	136	234	370
Average Age	47.8	49.4	49.8	49.6
Average Service	11.2	14.0	11.0	12.1
<b>Inactive Participants</b>				
Number Receiving Benefits	798	233	619	852
Average Age	67.3	65.0	67.8	37.1
Number Terminated Vested	65			45
Average Age	51.5			51.1

~ from prior actuarial report

**Retiree Coverage Summary**

Level of Coverage	UAW	All Others	Total
Single	100	273	373
Multiple	133	619	479
<b>Total Retirees Covered</b>	<b>233</b>	<b>619</b>	<b>852</b>

### **Section 3: Outline of Actuarial Assumptions and Methods**

### 3.1: Actuarial Cost Method

#### **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 of 30 years, decreasing by 1 year to an ultimate period of 15 years (28 years remaining as of December 31, 2013).

#### **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.

#### **Changes in Actuarial Methods since Prior Valuation**

There have been no changes in methods since the prior valuation, except for the change in actuarial consulting firm and valuation software. The impact of this change was not material.

### 3.2: Actuarial Assumptions

Valuation Date	All assets and liabilities are computed as of December 31, 2013.
Investment Return	The annual rate of return on trust fund assets is assumed to be 7.60%. The annual return of non-trust fund assets is assumed to be 4.10%. Each of these is net of expenses and including inflation.
Discount Rate	Per GASB 45, the discount rate basis is dependent upon the level of pre-funding. For the fully pre-funded scenario, the rate is 7.60%. For the pay-as-you-go scenario, the rate is 4.10%. For the statutory (partial) pre-funding scenario, the rate is 5.70%.
Inflation	The underlying annual rate of inflation is assumed to be 3.10%.
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.	
Mortality	RP2000 Combined Healthy Tables set back one year for females. For Disabled members, the disabled versions of these tables are assumed. Each of these tables is projected to 2008 using Scale BB. Projected improvements in mortality for non-disabled members have been accounted for by projecting the table to 2023 using 50% of Scale BB.
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	Assumed Rate - UAW	Assumed Rate - All Others
45-49	0%	10%
50-54	40%	10%
55-56	40%	15%
57	20%	15%
58	10%	25%
59	10%	10%
60	20%	15%
61	35%	15%
62-64	20%	15%
65-69	100%	50%
70+	100%	100%

Termination of Employment

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

Years of Service	Assumed Rate - UAW	Assumed Rate – All Others
0	10.0%	20.0%
1	7.0%	10.0%
2	5.0%	4.0%
3	5.0%	4.0%
4	5.0%	4.0%
5	4.0%	3.0%
10	1.0%	1.0%
15	1.0%	1.0%
20+	0.5%	0.5%

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	0.04%
30	0.04%
40	0.13%
50	0.41%
60	0.90%

Family Composition

90% of Plan members are assumed to be married. Male spouses are assumed to be three years older than their wives. 20% of retirees are assumed to have children covered, up to age 26. Retirees are assumed to be 30 years older than their children.

Healthcare costs

The following represents expected healthcare claims for 2014, based on the age and gender of the retiree and dependents.

Age	Male	Female
45	\$ 5,376	\$ 6,687
50	6,861	8,535
55	9,222	10,291
60	12,761	11,915
65+	5,158	5,158

Dental claims are expected to be \$888 per year for each covered member and spouse. Vision claims are included in total healthcare costs, except for the District Court group (member pays full premium).



Healthcare trend

The following increases are assumed for future healthcare claims and premiums:

Year	Pre-65 Rate	Post-65 Rate
2014	8.5%	5.5%
2015	7.5%	5.0%
2016	6.5%	4.5%
2017	6.0%	4.5%
2018	5.5%	4.5%
2019	5.0%	4.5%
2020+	4.5%	4.5%

Dental and Vision costs are assumed to increase at 4.5% per year.

Participation

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

**Change in Actuarial Assumptions since Prior Valuation**

The expected claims costs and healthcare trend rates were updated based on available data and analysis. Assumed return on trust fund assets was decreased from 7.8% to 7.6% and the inflation assumption was decreased from 3.3% to 3.1%.

## Section 4: Highlights of Plan Provisions

## 4.1: Teamsters 214 (Supervisory and NS)

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

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

Hired prior to 7/1/1987:

- 1) Age 58 with 8 years of service
- 2) Age 50 with 25 years of service
- 3) Rule of 65 with minimum of 8 years of service

Hired on or after 7/1/1987 and 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 15 years of service

Hired on or after 10/29/1990 and before 9/17/2012: Age 55 with 15 years of service

Hired on or after 9/17/2012: 25 years of service

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

Hired prior to 10/29/1990: At least 8 years of service

Hired on or after 10/29/1990 and before 9/17/2012: At least 15 years of service

Hired on or after 9/17/2012: 25 years of service

Benefit is payable at termination or age 55, whichever is later.

#### **Disability and Death Retirement (Duty Related):**

No age or service requirement. Disability benefits payable when member begins to receive disability pension benefits.

#### **Disability and Death Retirement (Non-Duty Related):**

Same as Deferred Retirement above.

### Medicare Coverage Eligibility

City provides Medicare complementary retiree health care benefits at age 65 when retiree becomes Medicare eligible.

### Benefits Payable (Healthcare and Dental and Vision):

Hired prior to 12/8/2008:

City pays 100% of retiree care base coverage for the life of the retiree. City pays 100% of retiree health coverage for life of spouse if Joint & Survivor pension is elected, for life of retiree only if straight life annuity pension is elected.

Hired on or after 12/8/2008:

City pays 100% of retiree care base coverage\* for life of retiree. Spouses/dependents are not covered.

\* For retirements on or after 9/17/2012, retiree contributes no more than 5% of pension benefit for base plan. Retiree covers full cost of buy-up to optional insurance election.

## 4.2: Teamsters 580 (Supervisory and CTP)

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

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

##### Hired prior to 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

##### Hired on or after 7/1/1987 and before 10/29/1990:

- 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

##### Hired on or after 10/29/1990 and before 2/9/2010:

Age 55 with 15 years of service

##### Hired on or after 2/9/2010:

25 years of service

##### Hired on or after 5/19/2014:

Not applicable (no defined benefit retiree healthcare)

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

Hired prior to 7/1/1987: At least 8 years of service

Hired on or after 7/1/1987 and before 2/9/2010: At least 15 years of service

Hired on or after 2/9/2010: 25 years of service

Benefit is payable at termination or age 55, whichever is later.

#### ***Disability and Death Retirement (Duty Related):***

No age or service requirement. Disability benefits payable when member begins to receive disability pension benefits.

#### ***Disability and Death Retirement (Non-Duty Related):***

Same as Deferred Retirement above.

#### **Medicare Coverage Eligibility**

The City provides Medicare complementary retiree health care benefits at age 65 when retiree becomes Medicare eligible.

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

##### Retirement prior to 2/1/2010:

City pays 100% of retiree care base coverage for the life of the retiree. City pays 100% of retiree health coverage for life of spouse if Joint & Survivor pension is elected, for life of retiree only if straight life annuity pension is elected.

##### Retirement on or after 2/1/2010:

Retiree contributes lesser of 1% of pension benefit or \$200 annually for single coverage, \$500 for 2-party coverage, or \$650 for family coverage for base plan. Employee covers full cost of buy-up to optional insurance election. Base plan design changes as active base plan changes.

## **Teamsters 580, District Court**

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

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

Hired before 6/1/2010: Age 50 with 15 years of service

Hired on or after 6/1/2010: Age 50 with 25 years of service

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

Hired prior to 4/1/2014: City pays 100% of retiree care base coverage for life of retiree, and 100% of retiree health coverage for life of spouse if Joint and Survivor pension is elected. If straight life pension is elected, City pays 100% of retiree health coverage for life of retiree only.

Hired on or after 4/1/2014: City pays 100% of retiree care base coverage for retiree up to Medicare eligibility. Spouses/dependents are not covered.

### **Medicare Coverage Eligibility**

Hired before 4/1/2014: City provides Medicare complementary retiree health care benefits at age 65 when retiree becomes Medicare eligible.

Hired on or after 4/1/2014: No Medicare supplement is provided. Vision coverage is 100% paid by the retiree.

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

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

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

Hired prior to 12/1/1989:

- 1) Age 58 with 8 years of service
- 2) Age 50 with 25 years of service

Hired on or after 12/1/1989 and before 3/8/2010:

- 1) Age 58 with 15 years of service
- 2) Age 50 with 25 years of service

Hired on or after 3/8/2010:

Age 50 with 25 years of service

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

Hired prior to 12/1/1989: At least 8 years of service

Hired on or after 12/1/1989 and before 3/8/2010: At least 15 years of service

Hired on or after 3/8/2010: 25 years of service

Payable when retiree would have been eligible for Normal Retirement.

##### ***Disability and Death Retirement (Duty Related):***

No age or service requirement. Disability benefits payable when member begins to receive disability pension benefits.

##### ***Disability and Death Retirement (Non-Duty Related):***

Same as Deferred Retirement above.

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

The City provides Medicare complementary retiree health care benefits at age 65 when retiree becomes Medicare eligible. If hired on or after 10/21/2013, no Medicare supplement is provided.

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

Retirement prior to 7/1/2010:

City pays 100% of retiree care base coverage for the life of the retiree. City pays 100% of retiree health coverage for life of spouse if Joint & Survivor pension is elected, for life of retiree only if straight life annuity pension is elected.

Retirement on or after 7/1/2010:

Retiree contributes lesser of 1% of pension benefit or \$125 annually for single coverage, \$225 for 2-party coverage, or \$325 for family coverage for base plan. Employee covers full cost of buy-up to optional insurance election. Base plan design changes as active base plan changes.

Hired on or after 10/21/2013:

City pays 100% of retiree care base coverage for life of retiree up to Medicare eligibility.

Spouses/dependents are not covered.

## 4.4: All Others

### **Non Bargaining Supervisory, Non Bargaining CTP, District Court, Non Represented**

#### **Eligibility for Healthcare Coverage**

Hired before 10/29/1990: Age + Service = 65 with at least 15 years of service

Hired after 10/29/1990 and before 7/1/2007: At least 15 years of service, coverage will start at the later of age 55 or termination of employment

Hired after 7/1/2007: At least 15 years of service, coverage will start at the later of age 55 or termination of employment

#### **Benefits Payable**

Hired before 10/29/1990:

City pays for retiree, spouse, dependents and survivor with the election of joint life for their pension. If the retiree is receiving a life annuity pension benefit, dependents are covered during the retiree's lifetime only.

Hired after 10/29/1990 and before 7/1/2007: City pays for retiree, spouse, and dependents.

Hired on or after 7/1/2007: City pays for retiree coverage. Spouse/dependent coverage may be purchased by the retiree and paid for by the retiree.

### **Mayoral Staff, Executive Management**

#### **Eligibility for Healthcare Coverage**

Hired before 10/29/1990:

Fire: Age 55 with 15 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

#### **Benefits Payable**

All employees (including Police & Fire Exec. Mgmt.) hired after 10/29/1990 and before 7/1/2007:  
City will provide:

- 1) 55% of base plan premium after completing 8 years of service
- 2) 75% of base plan premium after completing 12 years of service
- 3) 100% of premium after 15 years of service

Coverage begins at later of date of termination, or age 55.

All employees hired on or after 7/1/2007:

City provides retirement health coverage at the later of the completion of 15 years of service or age 55. Provided coverage is for retiree only. Optional coverage for spouse/dependents is paid by the retiree.

## **City Council Staff**

### **Eligibility for Healthcare Coverage**

All employees hired after 4/1/2009 and before 10/15/2012:

After completion of 15 years of service

All employees hired after 10/15/2012:

After completion of 25 years of service

### **Benefits Payable**

Hired after 10/29/1990 and before 4/1/2009:

City will provide:

- 1) 55% of base plan premium after completing 8 years of service
- 2) 75% of base plan premium after completing 12 years of service
- 3) 100% of premium after 15 years of service

Coverage begins at later of date of termination or age 55.

Hired after 4/1/2009:

City pays for retiree coverage only. Spouse/dependent coverage may be purchased by the retiree and paid for by the retiree.

## **Judges**

### **Eligibility for Healthcare Coverage**

Hired prior to 7/1/1987: 8 years of service

Hired on or after 7/1/1987 and before 10/29/1990: 15 years of service

Hired on or after 10/29/1990: 15 years of service and age 55



## 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, and
- 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.

### Annual OPEB Cost (AOC)

The annual accrual amount required by GASB 45, which includes the Annual Required Contribution as well as adjustments if a Net OPEB Obligation/(Asset) exists.

### Annual Required Contribution (ARC)

The annual cost of the plan, on an accounting basis. The ARC 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.

### Net OPEB Obligation/(Asset)

The accumulated shortfall/(surplus) in actual contributions towards the ARC versus the Annual OPEB Cost.

### 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.