

## Summary Results of Actuarial Valuation Other Postemployment Benefits

In FY 2006, the City developed and implemented a plan to prefund the retiree medical insurance liability. Implementation of this plan began when Council approved the Police and Fire Retiree Health Care Trust and formation of the Board to oversee activities of the trust. This Board is comprised of the members of the Police and Fire Pension Fund. Meetings are held quarterly, as posted, immediately following the Pension Board meeting.

Like the Pension fund, contribution levels are expressed in terms of percentage of the City's active member payroll. To determine an appropriate employer contribution level for the ensuing two years and to gauge how the System's funding is meeting this financial objective, an independent firm of actuaries and employee benefits consultants, Gabriel, Roeder, Smith and Company, conducts an actuarial valuation every two years.

These valuations are based on the System's past experience, information about current participation, financial markets, health care trends and the System's future demographic and economic activity. The results of the most recent valuation, June 30, 2014, based on the established financial objectives, are summarized below. For the purpose of this report we have also included the financial information from the independent audit conducted by Plante and Moran as of June 30, 2016.

The next actuarial report has been requested as of the end of the current fiscal year, June 30, 2016 and should be available in February of 2017. These reports are presented to the Police and Fire Retiree Health Care Board and will be posted on the City's website.

### Membership

As of June 30, 2014, the date of the most recent actuarial valuation, there were 91 retirees and beneficiaries receiving retiree health care benefits from the City. During this same period there were 61 current active employees. As of June 30, 2016, the date of the most recent annual financial audit, there were 104 retirees and beneficiaries receiving retiree health care benefits from the City and 46 current active employees who may be eligible for benefits at retirement. Average annual health insurance for retiree coverage is \$16,256 per year. In FY 2016 total annual retiree health care cost for Police and Fire retirees was \$1,379,213.

### Contributions

As of June 30, 2014 the annual contribution rate as a percentage of payroll was calculated at 67.82% for FY 2016 and the calculation increases to 68.38% for FY 2017. While the City has been funding this liability, financial constraints prohibit funding 100% of the calculated contribution. The City instead funded 39.25% of payroll in both FY 2015 and 2016.

As of June 30, 2014 the total actuarial accrued liability for the plan was \$45.9 million with assets of \$11.6 for a funding ratio of 25.2%. As of June 30, 2016 assets have grown to \$13.4 million for an estimated funding ratio of 29.1%. Total amount of City contributions during FY 2016 were \$2.2 million.

### Assumptions

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The actuary calculated the contribution requirements and benefit values of the System by applying actuarial assumptions. These valuation assumptions were as follows:

|                                                                                                            |                                                               |       |       |       |       |       |       |        |     |
|------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|-------|-------|-------|-------|-------|-------|--------|-----|
| Rate of investment return                                                                                  | 6.5% a year, compounded annually                              |       |       |       |       |       |       |        |     |
| Rate of long-term wage inflation                                                                           | 5.5% annually, (step, overtime, longevity, general increases) |       |       |       |       |       |       |        |     |
| Valuation Health Care Cost Trend Rate                                                                      | 9% in 2015, grading to 4.5% in 2024                           |       |       |       |       |       |       |        |     |
| Actuarial cost method                                                                                      | Individual entry-age                                          |       |       |       |       |       |       |        |     |
| Asset valuation method                                                                                     | Market Value                                                  |       |       |       |       |       |       |        |     |
| Amortization method                                                                                        | Level Dollar Closed                                           |       |       |       |       |       |       |        |     |
| Investment Performance shown is not fully inclusive of all investment management and administrative costs. |                                                               |       |       |       |       |       |       |        |     |
| 1 yr.                                                                                                      | -1.20%                                                        | 3 yr. | 6.60% | 5 yr. | 6.87% | 7 yr. | 9.05% | 10 yr. | n/a |