

# CITY OF HOWELL, MICHIGAN



## PUBLIC EMPLOYEE HEALTH CARE FUND

### SUMMARY ANNUAL REPORT - 2016

**Prepared by:**

Finance Department

**CITY OF HOWELL**  
**PUBLIC EMPLOYEE HEALTH CARE FUND**

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The City of Howell provides postemployment health care benefits to employees hired prior to January 1, 2011. Employees must have a minimum of 15 years of service. For those employees with 20 or more years of service, the City pays the full cost of the benefits; for those with 15 to 19 years of service, the City pays at a level varying between 75 and 95%.

Effective January 1, 2011, all new hires will participate in a retiree health care savings plan that will be funded during active employment through employer and employee contributions.

**SYSTEMS ASSETS AND LIABILITIES/CHANGES**

The funded status of the plan as of June 30, 2015, the date of the latest actuarial valuation was as follows:

Actuarial accrued liability	\$ 9,571,436
Actuarial value of assets	0
Unfunded	<u>(9,571,436)</u>
Funded ratio	0.0%

**EMPLOYER CONTRIBUTION DETAILS**

The City has no obligation to make contributions in advance of when insurance premiums or benefits are due for payment ; in other words, the plan may be financed on a pay-as-you-go basis.

Normal cost component	\$ 232,542
Amortization of unfunded liability	402,109
Annual required contribution	<u>\$ 634,651</u>
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Interest on net OPEB obligation	171,904
Adjustment to annual required contribution	<u>(152,804)</u>
Net OPEB cost	653,751
Contributions made	<u>(168,962)</u>
Increase in net OPEB obligation	484,789
NET OPEB obligation beginning of year	3,820,099
NET OPEB obligation end of year	<u>\$ 4,304,888</u>
Annual required contribution	\$ 634,651
Actual contribution	\$ 168,962
Percent contribution	26.6%

**PARTICIPANT SUMMARY**

Membership of the plan consisted of the following as of June 30, 2015, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	35
Active plan members	40
Total	<u>75</u>
Funded ratio	0.0%
Covered payroll	\$ 2,730,868

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**ASSUMPTIONS/PERFORMANCE**

*Investment Performance*

1 Year	0.00%
3 Years	0.00%
5 Years	0.00%
7 Years	0.00%
10 Years	0.00%

*System Administration & Investment Expenses*

Administration	0.00%	Paid for by City's general fund
Investment expenses	0.00%	
Total	<u>0.00%</u>	

*Actuarial Investment Return* 4.50%

*Actuarial Long term Inflation Rate* 2.80%

*Health Care Inflation* 10% initially; 4.5% ultimately

*Smoothing Method* 5 Years

*Amortization Method - Years* 30

*Actuarial Cost Method* Entry Age Normal Method

*Opened or Closed Membership*

Public Employee Health Care prior to 01/01/2011	Closed
Public Employee Health Care post 01/01/2011	Open

*If below 60% funded, what actions have been taken to reduce the systems UAL?*

The City closed it's defined benefit plan to new hires after January 1, 2011. The plan was replaced with a retiree health care savings plan that will be fully funded during active employment through employer and employee contributions.

The City changed it's insurance coverage for post 65 retirees to a Medicare Advantage plan. The change resulted in reduced premium costs for the City.