

3 Assumption and Method Review

The assumptions and methods used to produce the City of Lansing’s results used in this report are detailed in Appendix B. This section focuses on our review of assumptions utilized by the Boomershine Consulting Group (“Boomershine”) in their January 1, 2016 retiree health valuations.

The actuarial valuation of a defined benefit (DB) retiree health plan is dependent upon assumptions of future experience. These assumptions are utilized in order to project the benefits that will be paid from the system.

It is important to note that the actuarial assumptions used in the valuation do not affect the benefits that are promised to participants. Ultimately, the “true cost” of a program will be the benefits that are paid to its participants. Assumptions are used to estimate the liability of the program and to review potential funding of the cost over time.

These assumptions are the actuary’s best estimate of future events and are rarely perfectly accurate. It is important that the assumptions used in these calculations need to be monitored and modified as appropriate, so that the true cost of the benefits paid is being accurately measured.

For the purposes of reviewing assumptions for this study, we reviewed and evaluated the following documents:

- City of Lansing Employees’ Retirement System Actuarial Valuation of Retiree Healthcare Benefits as of January 1, 2016 (prepared XXX 2017)
- City of Lansing Employees’ Retirement System Actuarial Assumption Review and Experience Study Covering January 1, 2012 through December 31, 2015 (prepared December 2016)
- City of Lansing Police and Fire Retirement System Actuarial Valuation of Retiree Healthcare Benefits as of January 1, 2016 (prepared XXX 2017)
- City of Lansing Police and Fire Retirement System Actuarial Assumption Review and Experience Study Covering January 1, 2012 through December 31, 2015 (prepared December 2016)
- City of Lansing Employees’ Retirement System Actuarial Valuation for Funding and Contributions as of December 31, 2015 (prepared October 2016)
- City of Lansing Police and Fire Retirement System Actuarial Valuation for Funding and Contributions as of December 31, 2015 (prepared October 2016)

The above reports were produced by the Boomershine Consulting Group (“Boomershine”), the plans’ valuation actuaries.

Actuarial valuation assumptions are generally divided into two groups: demographic and economic. Demographic assumptions are used to model the expected individual behavior of plan participants and include assumptions for retirement, disability, withdrawal, and mortality. Economic assumptions are used to model financial behavior, such per capita benefit costs, healthcare trend, return on assets, and salary increases.