



**City of Lansing
Employees' Retirement System**

**Actuarial Valuation of Retiree Healthcare Benefits
as of January 1, 2024**

July, 2025

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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, 2024. A comparative summary of the status of the Plan is as follows:

	January 1, 2024	January 1, 2023
Plan Membership		
Active	362	428
<u>Inactive/Receiving Benefits</u>	<u>829</u>	<u>991</u>
Total Plan Participants	1,191	1,419
Valuation Results (\$ millions)		
Actuarial Accrued Liability (AAL)	\$145.2	\$150.3
<u>Plan Assets</u>	<u>86.7</u>	<u>79.4</u>
Unfunded Accrued Liability	\$58.5	\$70.9
Funding Ratio	59.7%	52.8%
Actuarially Determined Employer Contribution (\$ millions)		
Total ADEC	\$6.1	\$7.1
% of Payroll	25.2%	27.0%

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, 2024. 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 2025
- 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, 2024, 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.

We also received a list of employees and former employees who are eligible for benefits from the VEBA. The information shown in sections 1.1, 1.2, and 2 under the VEBA columns are based on this data.

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,



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



Marshal Banks
Senior Consultant

Section 1: Actuarial Computations

1.1: Summary of Actuarial Liabilities

1/1/2024				1/1/2023
Discount Rate	7.00%			7.00%
	<u>VEBA</u>	<u>All Others</u>	<u>Total Plan</u>	<u>Total Plan</u>
Present Value of Projected Benefits (PVB)				
	\$55,817,869	\$96,836,386	\$152,654,255	\$158,189,236
Actuarial Accrued Liability (AAL)				
Active Members	\$10,791,280	\$23,756,201	\$34,547,481	\$33,275,576
Inactive Members	<u>45,060,281</u>	<u>65,626,005</u>	<u>110,686,286</u>	<u>117,010,758</u>
Total Actuarial Liability	\$55,851,561	\$89,382,206	\$145,233,767	\$150,286,334
Normal Cost, Beginning of Year				
	\$66,633	\$905,373	\$972,006	\$1,088,396

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).

	1/1/2024			1/1/2023
<i>Discount Rate</i>	7.00%			7.00%
	<u>VEBA</u>	<u>All Others</u>	<u>Total Plan</u>	<u>Total Plan</u>
Actuarial Accrued Liability (AAL)	\$55,851,561	\$89,382,206	\$145,233,767	\$150,286,334
<u>Plan Assets</u>	<u>39,118,303</u>	<u>47,587,616</u>	<u>86,705,919</u>	<u>79,374,472</u>
Unfunded AAL	\$16,733,258	\$41,794,590	\$58,527,848	\$70,911,862
Funding Ratio	70.0%	53.2%	59.7%	52.8%
Amortization of Unfunded AAL	\$1,357,790	\$3,391,346	\$4,749,136	\$5,537,567
Employer Normal Cost	66,633	905,373	972,006	1,088,396
<u>Interest to End of Year</u>	<u>99,710</u>	<u>300,770</u>	<u>400,480</u>	<u>463,817</u>
Actuarially Determined Employer Contribution (ADEC)	\$1,524,132	\$4,597,489	\$6,121,622	\$7,089,780
Percentage of Payroll	35.4%	23.0%	25.2%	27.0%
Expected Benefit Payments (Employer portion)	\$3,241,945	\$5,498,565	\$8,740,510	\$9,126,069

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 fiscal year. The State Uniform Basis requires a level dollar amortization for closed plans, as well as a 6.90% discount rate for 2024.

<i>Total Plan</i>	<i>1/1/2024</i>	<i>1/1/2023</i>
<i>Discount Rate</i>	<i>6.90%</i>	<i>6.85%</i>
Actuarial Accrued Liability (AAL)	\$146,853,295	\$152,960,398
<u>Plan Assets</u>	<u>86,7005,919</u>	<u>79,374,472</u>
Unfunded AAL	\$60,147,376	\$73,585,926
Funding Ratio	59.0%	52.8%
Amortization of Unfunded AAL	\$4,784,722 (25 years)	\$5,743,174 (26 years)
Employer Normal Cost	998,647	1,132,374
<u>Interest to End of Year</u>	<u>399,052</u>	<u>470,975</u>
Actuarially Determined Employer Contribution (ADEC)	\$6,182,422	\$7,346,523
Percentage of Payroll	25.4%	27.8%

Section 2: Summary of Participant Data

Participant Summary

	January 1, 2024			January 1, 2023
	VEBA	All Others	Total	Total
Active Participants				
Number	52	310	362	428
Average Age	57.6	46.6	48.2	46.5
Average Service	25.1	8.9	11.3	10.8
Inactive Participants				
Number Receiving Benefits	331	498	829	935
Average Age	70.8	71.8	71.4	70.8
Terminated Vested				
Number Terminated Vested	27	29	56	57
Average Age	53.7	55.7	54.8	54.6

Retiree Coverage Summary (2024)

Level of Coverage	VEBA	All Others	Total
Single	155	284	439
Multiple	110	149	259
Opt-Out	66	65	131
Total Retirees Covered	331	498	829

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 data (as of 1/1/2023) in conjunction with the Pension Data (1/1/2024) to determine the following if needed:

- Status (active, inactive, retired, deceased)
- Beneficiary information
- Employee group
- Date of Birth
- Date of Hire

The Coverage tier and plan option were assumed to be the same as in the prior valuation.

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 (17 years remaining as of January 1, 2024). 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 were no changes in the actuarial methods since the prior valuation.

3.2: Actuarial Assumptions

Valuation Date	All assets and liabilities are computed as of January 1, 2024.
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 2024, based on the age of the retiree and dependents.

BCBS (Pre-65)			
Age	Retiree	Spouse	Children
45	\$7,613	\$10,659	25% additional cost, up to age 26
50	8,783	12,296	
55	10,381	14,534	
60	12,570	17,597	
65	3,206	3,206	
70	3,627	3,627	
75	4,004	4,004	
80	4,314	4,314	
85+	4,534	4,534	

PHP (Pre-65)			
Age	Retiree	Spouse	Children
45	\$7,195	\$8,013	36% additional cost, up to age 26
50	8,301	9,244	
55	9,811	10,926	
60	11,879	13,229	
65	3,206	3,206	
70	3,627	3,627	
75	4,004	4,004	
80	4,314	4,314	
85+	4,534	4,534	

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 \$600.12 per year (2024 basis) for each covered member and spouse. Vision claims are expected to be \$29.40 per year (2024 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 \$2,096.40 per year (2024 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
2024	7.25%	5.50%
2025	7.00%	5.25%
2026	6.75%	5.00%
2027	6.50%	4.75%
2028	6.25%	4.50%
2029	6.00%	4.50%
2030	5.75%	4.50%
2031	5.50%	4.50%
2032	5.25%	4.50%
2033	5.00%	4.50%
2034	4.75%	4.50%
2035+	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.

Change in Assumptions

The following assumptions were updated since the last valuation:

- Expected per-capita costs

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.

Date of Hire	Normal Retirement Eligibility	Deferred Retirement Eligibility	Benefits Payable for Healthcare, Dental, and Vision
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.

Date of Hire	Normal Retirement Eligibility	Deferred Retirement Eligibility	Benefits Payable for Healthcare, Dental, and Vision
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.

Date of Hire	Normal Retirement Eligibility	Deferred Retirement Eligibility	Benefits Payable for Healthcare, Dental, and Vision*
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.

Date of Hire	Normal Retirement Eligibility	Deferred Retirement Eligibility	Benefits Payable for Healthcare, Dental, and Vision
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 & 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 & 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 & 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.	

Continued on next page

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.

Date of Hire	Normal Retirement Eligibility	Deferred Retirement Eligibility	Benefits Payable for Healthcare, Dental, and Vision*
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.

Date of Hire	Normal Retirement Eligibility	Deferred Retirement Eligibility	Benefits Payable for Healthcare, Dental, and Vision
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 & 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 & 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 & 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 & 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"> • 55% of applicable plan premium after completing 8 years of service and age 55 • 75% of applicable plan premium after completing 12 years of service and age 55 • 100% of applicable plan premium after 15 years of service and age 55 <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 & 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 & 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.

Date of Hire	Normal Retirement Eligibility	Deferred Retirement Eligibility	Benefits Payable for Healthcare, Dental, and Vision
Before 7/1/1987	8 years of service	At least 8 years of service	Retired prior to 7/1/2007: 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.
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	Retired on or after to 7/1/2007: 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 & Survivor option is elected, but only through the retiree's lifetime if straight life pension option is elected.
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"> • 55% of applicable plan premium after completing 8 years of service and age 55 • 75% of applicable plan premium after completing 12 years of service and age 55 • 100% of applicable plan premium after 15 years of service and age 55 <p>Retired prior to 7/1/2007: City pays dental, vision, and above percentage 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.</p> <p>Retired on or after to 7/1/2007: 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 & 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
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.

Date Elected	Normal Retirement Eligibility	Deferred Retirement Eligibility	Benefits Payable for Healthcare, Dental, and Vision*
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.

Date Elected	Normal Retirement Eligibility	Deferred Retirement Eligibility	Benefits Payable for Healthcare, Dental, and Vision*
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.

Date Taking Office	Normal Retirement Eligibility	Deferred Retirement Eligibility	Benefits Payable for Healthcare, Dental, and Vision*
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.

Appendix: Benefit Costs by Group

Employee Group	Number of Employees	Total Normal Cost	Normal Cost per Employee
UAW I	51	\$202,872	\$3,978
UAW II	67	217,766	3,250
T214 I	7	7,964	1,138
T214 II	0	0	0
T214 III *	6	16,502	2,750
T243 I	54	96,221	1,782
T243 II *	117	321,086	2,744
T243DC I	7	20,760	2,966
T243DC II	0	0	0
T243DC III	9	21,449	2,383
<u>All Others</u>	<u>41</u>	<u>94,027</u>	<u>2,293</u>
All ERS Employees included in OPEB Valuation	362	\$998,647	\$2,759

* eligible for retiree dental benefits only from this plan
 (also eligible for City's Health Savings Account)

UAW I: hired before 10/21/2013
UAW II: hired on or after 10/21/2013
T214 I: hired before 12/8/2008
T214 II: hired after 12/8/2008 and before 1/1/2015
T214 III: hired on or after 1/1/2015
T243 I: hired before 5/19/2014
T243 II: hired on or after 5/19/2014
T243DC I: District Court hired before 4/1/2014
T243DC II: District Court hired on or after 4/1/2014 and before 7/1/2016
T243DC III: District Court hired on or after 7/1/2016