Gabriel Roeder Smith & Company
Consultants & Actuaries

CITY OF MUSKEGON RETIREE HEALTH CARE PLAN

ACTUARIAL VALUATION REPORT

AS OF DECEMBER 31, 2013

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GRS
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October 3, 2014

Mr. Derrick Smith
Director of Finance
City of Muskegon
Retiree Health Care Plan
933 Terrace Street
Muskegon, MI 49443

Dear Mr. Smith:

Submitted in this report are the results of an Actuarial Valuation of the assets and liabilities associated with the employer financed retiree health benefits provided by the City of Muskegon. The date of the valuation was December 31, 2013. The annual required contributions have been calculated for the fiscal years beginning July 1, 2014 and July 1, 2015.

This report was prepared at the request of the City and is intended for use by the City and those designated or approved by the City. This report may be provided to parties other than the City only in its entirety and only with the permission of the City.

The actuarial calculations were prepared for purposes of complying with the requirements of Statement No. 45 of the Governmental Accounting Standards Board (GASB). In addition, we have included information which may be helpful if there is a trust requiring a GASB Statement No. 43 disclosure. The calculations reported herein have been made on a basis consistent with our understanding of these accounting standards. Determinations of the liability associated with the benefits described in this report for purposes other than satisfying the City of Muskegon's financial reporting requirements may be significantly different than the values shown in this report.

The valuation was based upon information furnished by the City of Muskegon concerning retiree health benefits, individual members, and plan finances. Data was checked for internal consistency, but was not otherwise audited.

To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of the City of Muskegon as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board. Please see the following page for additional disclosures required by the Actuarial Standards of Practice. James D. Anderson and Shana M. Neeson are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

James D. Anderson

James D. Anderson, FSA, MAAA

Shana M Neeson

Shana M. Neeson ASA, MAAA

JDA/SMN:mrb

Additional Disclosures Required by Actuarial Standards of Practice

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

This report should not be relied on for any purpose other than the purpose described in the primary communication.

The signing actuaries are independent of the plan sponsor.

The valuation was based upon information furnished by the City of Muskegon, concerning Retiree Health benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal and year-to-year consistency with the last valuation, but did not otherwise audit the data. We are not responsible for the accuracy or completeness of the information provided by the City of Muskegon.

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Annual Required Contribution and OPEB Cost

This report presents the Annual Required Contribution (ARC), one component of the annual Other Postemployment Benefits (OPEB) cost required to be recognized by the plan sponsor for purposes of complying with the accounting requirements of the Governmental Accounting Standards Board (GASB) Statement No. 45. In addition, the plan may need to comply with GASB Statement No. 43. Please consult with legal counsel and your auditors to determine whether you have a plan for GASB Statement No. 43 purposes.

We have calculated the Annual Required Contribution (ARC) for the fiscal years beginning July 1, 2014 and July 1, 2015 under one interest rate assumption of 7.50% and two amortization periods. Below is a summary of the results. In the first year GASB Statement No. 45 is adopted, the annual OPEB cost is equal to the ARC. In subsequent years, if there is a net OPEB obligation (NOO, see below), the annual OPEB cost is equal to the ARC for the fiscal year plus one year's interest on the net OPEB Obligation plus an adjustment to the ARC.

Employer contributions to an OPEB trust act to reduce the NOO. In addition, actual claims paid on behalf of retirees directly from the employer* might be employer contributions in relation to the ARC and act to reduce the NOO. The ARCs and estimated retiree claims shown below include an adjustment for any implicit rate subsidy present in your pre-65 rates.

* *Claims passed through the trust in the same fiscal year might also be treated as contributions for that year. We recommend all such transactions be discussed with your accounting professional prior to their occurrence.*

Annual Required Contribution	**30-Year Amortization Period**	**24-Year Amortization Period**	**Estimated Claims Paid for Retirees**
Fiscal Year Beginning 2014	$551,915	$570,031	$1,137,486
Fiscal Year Beginning 2015	546,446	564,562	1,217,077

For additional details please see the Section titled "Valuation Results."

Additional OPEB Reporting Requirements – Net OPEB Obligation

In addition to the annual cost described on the previous page, employers will have to disclose a Net OPEB Obligation (or asset). The NOO is the cumulative difference between annual OPEB cost and annual employer contributions in relation to the ARC accumulated from the implementation of Statement No. 45. The NOO is zero as of the beginning of the fiscal year that Statement No. 45 is implemented unless the employer chooses to recognize a beginning balance. The requirements for determining the employer's contributions in relation to the ARC are described in paragraph 13 g. of Statement No. 45. Additional information required to be disclosed in the employer's financial statements is detailed in paragraphs 24 through 27 of Statement No. 45.

Liabilities and Assets

1. Present Value of Future Benefit Payments	$23,450,267
2. Actuarial Accrued Liability	21,102,116
3. Plan Assets	18,261,479
4. Unfunded Actuarial Accrued Liability (2) – (3)	2,840,637
5. Funded Ratio (3)/(2)	86.5%

The Present Value of Future Benefit Payments (PVFB) is the present value of all benefits projected to be paid from the plan for past and future service to current members. The Actuarial Accrued Liability is the portion of the PVFB allocated to past service by the Plan's funding method (see the Section titled "Actuarial Cost Method and Actuarial Assumptions").

SECTION A

VALUATION RESULTS

TOTAL
DEVELOPMENT OF THE ANNUAL REQUIRED CONTRIBUTION

Contributions for	Development of the Annual Required Contribution	
	Fiscal Year Beginning July 1, 2014	
	30-Year Amortization	**24-Year Amortization**
Employer Normal Cost	$ 311,447	$ 311,447
Amortization of Unfunded Actuarial Accrued Liability	240,468	258,584
Annual Required Contribution (ARC)	$551,915	$570,031
	Fiscal Year Beginning July 1, 2015	
Annual Required Contribution (ARC)	$546,446	$564,562

The Unfunded Actuarial Accrued Liabilities (UAAL) were amortized as a level dollar amount for all groups over a period of 30 years and also over a period of 24 years. A 30-year amortization period for unfunded actuarial accrued liabilities is the maximum period that complies with the GASB requirements.

The long term rate of investment return used in this valuation is 7.50%.

TOTAL
DETERMINATION OF UNFUNDED ACTUARIAL LIABILITY
AS OF DECEMBER 31, 2013

A. Present Value of Future Benefits	
i) Retirees and Beneficiaries	$13,646,521
ii) Vested Terminated Members	558,507
iii) Active Members	9,245,239
Total Present Value of Future Benefits	$23,450,267
B. Present Value of Future Normal Costs	2,348,151
C. Actuarial Accrued Liability (A.-B.)	21,102,116
D. Actuarial Value of Assets	18,261,479
E. Unfunded Actuarial Accrued Liability (C.-D.)	$2,840,637
F. Funded Ratio (D./C.)	86.5%

The Unfunded Actuarial Accrued Liability (UAAL) is not booked as an expense all in one year and does not appear in the Employer's Statement of Net Assets. Nevertheless, it is reported in the Notes to the Financial Statements and in the Required Supplementary Information. These are information sections within the employer's financial statements.

ANNUAL REQUIRED CONTRIBUTIONS
COMPARISON BY OPEB REPORT GROUP
AS OF DECEMBER 31, 2013

OPEB Report Group	Annual Required Contribution for July 1, 2014 - June 30, 2015	
	30-Year Amortization	**24-Year Amortization**
General	$ 122,408	$ 126,002
Police/Fire	429,507	444,029
Total	**$551,915**	**$570,031**

OPEB Report Group	Annual Required Contribution for July 1, 2015 - June 30, 2016	
	30-Year Amortization	**24-Year Amortization**
General	$ 119,666	$ 123,260
Police/Fire	426,780	441,302
Total	**$546,446**	**$564,562**

GENERAL
DEVELOPMENT OF THE ANNUAL REQUIRED CONTRIBUTION

Contributions for	Development of the Annual Required Contribution	
	Fiscal Year Beginning July 1, 2014	
	30-Year Amortization	**24-Year Amortization**
Employer Normal Cost	$ 74,707	$ 74,707
Amortization of Unfunded Actuarial Accrued Liability	47,701	51,295
Annual Required Contribution (ARC)	$122,408	$126,002
	Fiscal Year Beginning July 1, 2015	
Annual Required Contribution (ARC)	$119,666	$123,260

The Unfunded Actuarial Accrued Liabilities (UAAL) were amortized as a level dollar amount, over a period of 30 years and also over a period of 24 years. A 30-year amortization period for unfunded actuarial accrued liabilities is the maximum period that complies with the GASB requirements.

The long term rate of investment return used in this valuation is 7.50%.

GENERAL
DETERMINATION OF UNFUNDED ACTUARIAL LIABILITY
AS OF DECEMBER 31, 2013

A. Present Value of Future Benefits	
i) Retirees and Beneficiaries	$2,298,749
ii) Vested Terminated Members	203,362
iii) Active Members	2,224,630
Total Present Value of Future Benefits	$4,726,741
B. Present Value of Future Normal Costs	540,743
C. Actuarial Accrued Liability (A.-B.)	4,185,998
D. Actuarial Value of Assets	3,622,505
E. Unfunded Actuarial Accrued Liability (C.-D.)	$563,493
F. Funded Ratio (D./C.)	86.5%

The Unfunded Actuarial Accrued Liability (UAAL) is not booked as an expense all in one year and does not appear in the Employer's Statement of Net Assets. Nevertheless, it is reported in the Notes to the Financial Statements and in the Required Supplementary Information. These are information sections within the employer's financial statements.

POLICE/FIRE
DEVELOPMENT OF THE ANNUAL REQUIRED CONTRIBUTION

Contributions for	Development of the Annual Required Contribution	
	Fiscal Year Beginning July 1, 2014	
	30-Year Amortization	**24-Year Amortization**
Employer Normal Cost	$ 236,740	$ 236,740
Amortization of Unfunded Actuarial Accrued Liability	192,767	207,289
Annual Required Contribution (ARC)	$429,507	$444,029
	Fiscal Year Beginning July 1, 2015	
Annual Required Contribution (ARC)	$426,780	$441,302

The Unfunded Actuarial Accrued Liabilities (UAAL) were amortized as a level dollar amount, over a period of 30 years and also over a period of 24 years. A 30-year amortization period for unfunded actuarial accrued liabilities is the maximum period that complies with the GASB requirements.

The long term rate of investment return used in this valuation is 7.50%.

POLICE/FIRE
DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY AS OF DECEMBER 31, 2013

A. Present Value of Future Benefits	
i) Retirees and Beneficiaries	$11,347,772
ii) Vested Terminated Members	355,145
iii) Active Members	7,020,609
Total Present Value of Future Benefits	$18,723,526
B. Present Value of Future Normal Costs	1,807,408
C. Actuarial Accrued Liability (A.-B.)	16,916,118
D. Actuarial Value of Assets	14,638,974
E. Unfunded Actuarial Accrued Liability (C.-D.)	$2,277,144
F. Funded Ratio (D./C.)	86.5%

The Unfunded Actuarial Accrued Liability (UAAL) is not booked as an expense all in one year and does not appear in the Employer's Statement of Net Assets. Nevertheless, it is reported in the Notes to the Financial Statements and in the Required Supplementary Information. These are information sections within the employer's financial statements.

COMMENTS

COMMENT A: One of the key assumptions used in any valuation of the cost of postemployment benefits is the rate of return on the assets that will be used to pay plan benefits. Higher assumed investment returns will result in a lower ARC. Lower returns will tend to increase the computed ARC. As requested by the plan sponsor we have calculated the liability and the resulting ARC using an assumed long-term rate of investment return of 7.50%. If the plan sponsor chooses to pre-fund with contributions less than the ARC (or not pre-fund at all), GASB requires the use of a lower rate of return on assets. Use of such an interest rate would considerably increase the ARC and the net OPEB obligation that is disclosed on the employer's financial statements.

COMMENT B: Based on the number of plan members as of this valuation, the plan sponsor is required by GASB to perform actuarial valuations at least biennially unless there are significant changes in the OPEB.

COMMENT C: The contribution rates shown include amortization of the unfunded actuarial accrued liability over a period of 30 years and also over a period of 24 years. 30 years is the maximum time period permitted by the GASB Statement No. 45. Shorter amortization periods result in a larger ARC.

COMMENT D: Assets were allocated to the General and Police/Fire divisions in proportion to each division's Actuarial Accrued Liability.

COMMENT E: Changes related to the Patient Protection and Affordable Care Act are reflected to the extent they are already implemented in the plan. Future changes will be reflected as they become effective. We have not adjusted plan liabilities for future excise tax liability for 'Cadillac Plans' which is due to begin in 2018. Based on the current plan provisions and assumptions, we do not project a material future excise tax liability. We will monitor this liability on an ongoing basis.

COMMENTS

COMMENT F: Overall plan experience was favorable. The primary reasons for the liability decreases are:

- Lower medical claims than projected
- Slight adjustments to the retiree benefit election assumption, in order to better reflect actual plan experience
- Higher than expected return on assets

Partially offsetting these factors were liability increases due to:

- Updating the mortality assumption to RP2000 Mortality Combined Healthy tables projected 20 years with the U.S. Projection Scale BB to anticipate future mortality improvement
- Updating health care cost trend rates (although the ultimate trend decreased from 4.50% to 4.00%)
- Lowering the investment return assumption from 8.00% to 7.50%

COMMENT G: Certain City of Muskegon employees are not covered by the City's Retiree Health Care Plan. It has been assumed that these employees will not incur any health care liability in the Retiree Health Care Plan.

SECTION B

RETIREE PREMIUM RATE DEVELOPMENT

RETIREE PREMIUM RATE DEVELOPMENT

Initial premium rates were developed separately for each class (pre-65 and post-65). The rates were calculated by using actual paid retiree claims and exposure data for the period of January 2011 to December 2013, plus the load for administration fees. The self-insured Medical and prescription drug retiree data were provided by the City of Muskegon. The Medical data was analyzed for the pre-65 and post-65 participants separately since Medicare is available for the post-65 participants and has a significant impact on the claim experience. Furthermore, since the prescription drug claims and the medical claims exhibit different trends and claim payment patterns, we analyzed these claims separately as well.

Age graded and sex distinct premiums are utilized by this valuation. The premiums developed by the preceding process are appropriate for the unique age and sex distribution currently existing. Over the future years covered by this valuation, the age and sex distribution will most likely change. Therefore, our process "distributes" the average premium over all age/sex combinations and assigns a unique premium for each combination. The age/sex specific premiums more accurately reflect the health care utilization and cost at that age.

RETIREE PREMIUM RATE DEVELOPMENT

The tables below show the resulting medical and prescription drug one-person monthly premiums at select ages. The premium (or per capita costs) rates shown below reflect the use of age grading.

For Those Not Eligible for Medicare (Pre-65)				
	Medical		Rx	
Age	Male	Female	Male	Female
40	$ 94.52	$ 148.08	$ 86.81	$ 136.01
50	173.74	196.86	159.57	180.81
60	285.27	274.21	262.01	251.85
64	332.04	307.77	304.97	282.67

For Those Eligible for Medicare (Post-65)				
	Medical		Rx	
Age	Male	Female	Male	Female
65	$ 58.20	$ 53.59	$ 315.33	$ 290.38
75	74.53	66.14	403.81	358.37
85	83.11	72.96	450.28	395.32

We did not "age grade" the dental premium rates for this valuation, since dental claims do not vary significantly by age. The average monthly dental premium used in this valuation for the select group of Fire members prior to attaining age 65 is $26.98 per member per month.

James E. Pranschke is a Member of the American Academy of Actuaries (MAAA) and meets the Qualification Standards of the American Academy of Actuaries to certify the per capita retiree health care rates shown above.

James E. Pranschke

James E. Pranschke, FSA, MAAA

SECTION C
SUMMARY OF BENEFITS

SUMMARY OF THE BENEFIT PROVISIONS
AS OF DECEMBER 31, 2013

Group Name (ex. general employees, police officers) GENERAL RET - DIV 10 and NON-UNION GEN DIV 01 - UNDER 65

Leaving Employment as a Result of	Eligibility for Benefit	Coverage Provided by Employer		Retiree Share of Cost	
		Retiree	Spouse	Retiree	Spouse
Normal Retirement	Age 60 with 5 years of service	Medical#	Medical	None	None
		Prescription Drug	Prescription Drug	20% after deductible	20% after deductible
Early Retirement	Age 55 with 25 years of service	Medical#	Medical	None	None
		Prescription Drug	Prescription Drug	20% after deductible	20% after deductible
Deferred Vested Termination (with less than 10 years of service)	5 years of service	Medical#	Medical	100%	100%
		Prescription Drug	Prescription Drug	100%	100%
Deferred Vested Termination (with 10 - 14 years of service)	5 years of service	Medical#	Medical	50%	50%
		Prescription Drug	Prescription Drug	60% after deductible	60% after deductible
Deferred Vested Termination (with 15 - 19 years of service)	5 years of service	Medical#	Medical	25%	25%
		Prescription Drug	Prescription Drug	40% after deductible	40% after deductible
Deferred Vested Termination (with 20 plus years of service)	5 years of service	Medical#	Medical	None	None
		Prescription Drug	Prescription Drug	20% after deductible	20% after deductible
Non-Duty Disability	5 years of service	Medical#	Medical	None	None
	(must draw pension immediately)	Prescription Drug	Prescription Drug	20% after deductible	20% after deductible
Duty Disability	No age or service requirement	Medical#	Medical	None	None
	(must draw pension immediately)	Prescription Drug	Prescription Drug	20% after deductible	20% after deductible
Non-Duty Death-in-Service	5 years of service		Medical#		None
			Prescription Drug		20% after deductible
Duty Death-in-Service	No age or service requirement		Medical#		None
			Prescription Drug		20% after deductible

 # Upon retirement and upon attainment of age 65 retired members are eligible to opt out of medical coverage and receive a payment of $50 per month.

New employees hired after January 1, 2011 will not receive health care benefits in retirement.

SUMMARY OF THE BENEFIT PROVISIONS AS OF DECEMBER 31, 2013

Group Name (ex. general employees, police officers) GENERAL RET - DIV 10 and NON-UNION GEN DIV 01 - OVER 65

Leaving Employment as a Result of	Eligibility for Benefit	Coverage Provided by Employer		Retiree Share of Cost	
		Retiree	Spouse	Retiree	Spouse
Normal Retirement	Age 60 with 5 years of service	Medical#	Medical	None	None
		Prescription Drug	Prescription Drug	Anything over $41	100%
Early Retirement	Age 55 with 25 years of service	Medical#	Medical	None	None
		Prescription Drug	Prescription Drug	Anything over $41	100%
Deferred Vested Termination (with less than 10 years of service)	5 years of service	Medical#	Medical	100%	100%
		Prescription Drug	Prescription Drug	100%	100%
Deferred Vested Termination (with 10 - 14 years of service)	5 years of service	Medical#	Medical	50%	50%
		Prescription Drug	Prescription Drug	Anything over $41	100%
Deferred Vested Termination (with 15 - 19 years of service)	5 years of service	Medical#	Medical	25%	25%
		Prescription Drug	Prescription Drug	Anything over $41	100%
Deferred Vested Termination (with 20 plus years of service)	5 years of service	Medical#	Medical	None	None
		Prescription Drug	Prescription Drug	Anything over $41	100%
Non-Duty Disability	5 years of service (must draw pension immediately)	Medical#	Medical	None	None
		Prescription Drug	Prescription Drug	Anything over $41	100%
Duty Disability	No age or service requirement (must draw pension immediately)	Medical#	Medical	None	None
		Prescription Drug	Prescription Drug	Anything over $41	100%
Non-Duty Death-in-Service	5 years of service		Medical#		None
			Prescription Drug		Anything over $41
Duty Death-in-Service	No age or service requirement		Medical#		None
			Prescription Drug		Anything over $41

\# *Upon retirement and upon attainment of age 65 retired members are eligible to opt out of medical coverage and receive a payment of $50 per month.*

New employees hired after January 1, 2011 will not receive health care benefits in retirement.

SUMMARY OF THE BENEFIT PROVISIONS AS OF DECEMBER 31, 2013

Group Name (ex. general employees, police officers) CLERICAL - DIV 11 - UNDER 65

Leaving Employment as a Result of	Eligibility for Benefit	Coverage Provided by Employer		Retiree Share of Cost	
		Retiree	Spouse	Retiree	Spouse
Normal Retirement	Age 60 with 5 years of service	Medical#	Medical	None	None
		Prescription Drug	Prescription Drug	20% after deductible	20% after deductible
Early Retirement	Age 55 with 30 years of service	Medical#	Medical	None	None
		Prescription Drug	Prescription Drug	20% after deductible	20% after deductible
Deferred Vested Termination (with less than 10 years of service)*	5 years of service	Medical#	Medical	100%	100%
		Prescription Drug	Prescription Drug	100%	100%
Deferred Vested Termination (with 10 - 14 years of service)*	5 years of service	Medical#	Medical	50%	50%
		Prescription Drug	Prescription Drug	60% after deductible	60% after deductible
Deferred Vested Termination (with 15 - 19 years of service)*	5 years of service	Medical#	Medical	25%	25%
		Prescription Drug	Prescription Drug	40% after deductible	40% after deductible
Deferred Vested Termination (with 20 plus years of service)*	5 years of service	Medical#	Medical	None	None
		Prescription Drug	Prescription Drug	20% after deductible	20% after deductible
Non-Duty Disability	5 years of service	Medical#	Medical	None	None
	(must draw pension immediately)	Prescription Drug	Prescription Drug	20% after deductible	20% after deductible
Duty Disability	No age or service requirement	Medical#	Medical	None	None
	(must draw pension immediately)	Prescription Drug	Prescription Drug	20% after deductible	20% after deductible
Non-Duty Death-in-Service	5 years of service		Medical#		None
			Prescription Drug		20% after deductible
Duty Death-in-Service	No age or service requirement		Medical#		None
			Prescription Drug		20% after deductible

\# *Upon retirement and upon attainment of age 65 retired members are eligible to opt out of medical coverage and receive a payment of $50 per month.*

* *Deferred benefits are not available to members hired after January 1, 2003.*

New employees hired after January 1, 2009 will not receive health care benefits in retirement.

SUMMARY OF THE BENEFIT PROVISIONS AS OF DECEMBER 31, 2013

Group Name (ex. general employees, police officers) CLERICAL - DIV 11 - OVER 65

Leaving Employment as a Result of	Eligibility for Benefit	Coverage Provided by Employer		Retiree Share of Cost	
		Retiree	Spouse	Retiree	Spouse
Normal Retirement	Age 60 with 5 years of service	Medical#	Medical	None	None
		Prescription Drug	Prescription Drug	Anything over $41	100%
Early Retirement	Age 55 with 30 years of service	Medical#	Medical	None	None
		Prescription Drug	Prescription Drug	Anything over $41	100%
Deferred Vested Termination (with less than 10 years of service)*	5 years of service	Medical#	Medical	100%	100%
		Prescription Drug	Prescription Drug	100%	100%
Deferred Vested Termination (with 10 - 14 years of service)*	5 years of service	Medical#	Medical	50%	50%
		Prescription Drug	Prescription Drug	Anything over $41	100%
Deferred Vested Termination (with 15 - 19 years of service)*	5 years of service	Medical#	Medical	25%	25%
		Prescription Drug	Prescription Drug	Anything over $41	100%
Deferred Vested Termination (with 20 plus years of service)*	5 years of service	Medical#	Medical	None	None
		Prescription Drug	Prescription Drug	Anything over $41	100%
Non-Duty Disability	5 years of service (must draw pension immediately)	Medical#	Medical	None	None
		Prescription Drug	Prescription Drug	Anything over $41	100%
Duty Disability	No age or service requirement (must draw pension immediately)	Medical#	Medical	None	None
		Prescription Drug	Prescription Drug	Anything over $41	100%
Non-Duty Death-in-Service	5 years of service		Medical#		None
			Prescription Drug		Anything over $41
Duty Death-in-Service	No age or service requirement		Medical#		None
			Prescription Drug		Anything over $41

\# *Upon retirement and upon attainment of age 65 retired members are eligible to opt out of medical coverage and receive a payment of $50 per month.*

* *Deferred benefits are not available to members hired after January 1, 2003.*

New employees hired after January 1, 2009 will not receive health care benefits in retirement.

SUMMARY OF THE BENEFIT PROVISIONS AS OF DECEMBER 31, 2013

Group Name (ex. general employees, police officers) 517M UNIT 2 DPW DIV 12 - UNDER 65

Leaving Employment as a Result of	Eligibility for Benefit	Coverage Provided by Employer		Retiree Share of Cost	
		Retiree	Spouse	Retiree	Spouse
Normal Retirement	Age 60 with 10 years of service	Medical#	Medical	None	None
		Prescription Drug	Prescription Drug	20% after deductible	20% after deductible
Early Retirement	Age 55 with 30 years of service	Medical#	Medical	None	None
		Prescription Drug	Prescription Drug	20% after deductible	20% after deductible
Deferred Vested Termination (with 10 - 14 years of service)	10 years of service	Medical#	Medical	50%	50%
		Prescription Drug	Prescription Drug	60% after deductible	60% after deductible
Deferred Vested Termination (with 15 - 19 years of service)	10 years of service	Medical#	Medical	25%	25%
		Prescription Drug	Prescription Drug	40% after deductible	40% after deductible
Deferred Vested Termination (with 20 plus years of service)	10 years of service	Medical#	Medical	None	None
		Prescription Drug	Prescription Drug	20% after deductible	20% after deductible
Non-Duty Disability	10 years of service	Medical#	Medical	None	None
	(must draw pension immediately)	Prescription Drug	Prescription Drug	20% after deductible	20% after deductible
Duty Disability	No age or service requirement	Medical#	Medical	None	None
	(must draw pension immediately)	Prescription Drug	Prescription Drug	20% after deductible	20% after deductible
Non-Duty Death-in-Service	10 years of service		Medical#		None
			Prescription Drug		20% after deductible
Duty Death-in-Service	No age or service requirement		Medical#		None
			Prescription Drug		20% after deductible

Upon retirement and upon attainment of age 65 retired members are eligible to opt out of medical coverage and receive a payment of $50 per month.

New employees hired after January 1, 2011 will not receive health care benefits in retirement.

SUMMARY OF THE BENEFIT PROVISIONS AS OF DECEMBER 31, 2013

Group Name (ex. general employees, police officers) 517M UNIT 2 DPW DIV 12 - OVER 65

Leaving Employment as a Result of	Eligibility for Benefit	Coverage Provided by Employer		Retiree Share of Cost	
		Retiree	Spouse	Retiree	Spouse
Normal Retirement	Age 60 with 10 years of service	Medical#	Medical	None	None
		Prescription Drug	Prescription Drug	Anything over $41	100%
Early Retirement	Age 55 with 30 years of service	Medical#	Medical	None	None
		Prescription Drug	Prescription Drug	Anything over $41	100%
Deferred Vested Termination (with 10 - 14 years of service)	10 years of service	Medical#	Medical	50%	50%
		Prescription Drug	Prescription Drug	Anything over $41	100%
Deferred Vested Termination (with 15 - 19 years of service)	10 years of service	Medical#	Medical	25%	25%
		Prescription Drug	Prescription Drug	Anything over $41	100%
Deferred Vested Termination (with 20 plus years of service)	10 years of service	Medical#	Medical	None	None
		Prescription Drug	Prescription Drug	Anything over $41	100%
Non-Duty Disability	10 years of service (must draw pension immediately)	Medical#	Medical	None	None
		Prescription Drug	Prescription Drug	Anything over $41	100%
Duty Disability	No age or service requirement (must draw pension immediately)	Medical#	Medical	None	None
		Prescription Drug	Prescription Drug	Anything over $41	100%
Non-Duty Death-in-Service	10 years of service		Medical#		None
			Prescription Drug		Anything over $41
Duty Death-in-Service	No age or service requirement		Medical#		None
			Prescription Drug		Anything over $41

\# *Upon retirement and upon attainment of age 65 retired members are eligible to opt out of medical coverage and receive a payment of $50 per month.*

New employees hired after January 1, 2011 will not receive health care benefits in retirement.

SUMMARY OF THE BENEFIT PROVISIONS AS OF DECEMBER 31, 2013

Group Name (ex. general employees, police officers) POLICE PATROL DIV 21 - UNDER 65

Leaving Employment as a Result of	Eligibility for Benefit	Coverage Provided by Employer		Retiree Share of Cost	
		Retiree	Spouse	Retiree	Spouse
Normal Retirement	Age 55 with 10 years of service	Medical#	Medical	None	None
		Prescription Drug	Prescription Drug	None	None
Early Retirement	Age 50 with 25 years of service	Medical#	Medical	None	None
		Prescription Drug	Prescription Drug	None	None
Deferred Vested Termination (with 10 - 14 years of service)	10 years of service	Medical#	Medical	50%	50%
		Prescription Drug	Prescription Drug	50%	50%
Deferred Vested Termination (with 15 - 19 years of service)	10 years of service	Medical#	Medical	25%	25%
		Prescription Drug	Prescription Drug	25%	25%
Deferred Vested Termination (with 20 plus years of service)	10 years of service	Medical#	Medical	None	None
		Prescription Drug	Prescription Drug	None	None
Non-Duty Disability	10 years of service	Medical#	Medical	None	None
	(must draw pension immediately)	Prescription Drug	Prescription Drug	None	None
Duty Disability	No age or service requirement	Medical#	Medical	None	None
	(must draw pension immediately)	Prescription Drug	Prescription Drug	None	None
Non-Duty Death-in-Service	10 years of service		Medical#		None
			Prescription Drug		None
Duty Death-in-Service	No age or service requirement		Medical#		None
			Prescription Drug		None

\# *Upon retirement and upon attainment of age 65 retired members are eligible to opt out of medical coverage and receive a payment of $50 per month.*

Employees who retire after January 1, 2010 shall have prescription drug benefits until they attain Medicare eligibility, and then it will cease. New employees will not receive health care benefits in retirement.

SUMMARY OF THE BENEFIT PROVISIONS AS OF DECEMBER 31, 2013

Group Name (ex. general employees, police officers) POLICE PATROL DIV 21 - OVER 65

Leaving Employment as a Result of	Eligibility for Benefit	Coverage Provided by Employer		Retiree Share of Cost	
		Retiree	Spouse	Retiree	Spouse
Normal Retirement	Age 55 with 10 years of service	Medical#	Medical	None	None
Early Retirement	Age 50 with 25 years of service	Medical#	Medical	None	None
Deferred Vested Termination (with 10 - 14 years of service)	10 years of service	Medical#	Medical	None	None
Deferred Vested Termination (with 15 -19 years of service)	10 years of service	Medical#	Medical	None	None
Deferred Vested Termination (with 20 plus years of service)	10 years of service	Medical#	Medical	None	None
Non-Duty Disability	10 years of service (must draw pension immediately)	Medical#	Medical	None	None
Duty Disability	No age or service requirement (must draw pension immediately)	Medical#	Medical	None	None
Non-Duty Death-in-Service	10 years of service		Medical#		None
Duty Death-in-Service	No age or service requirement		Medical#		None

Upon retirement and upon attainment of age 65 retired members are eligible to opt out of medical coverage and receive a payment of $50 per month.

Employees who retire after January 1, 2010 shall have prescription drug benefits until they attain Medicare eligibility age, and then it will cease. New employees will not receive health care benefits in retirement.

SUMMARY OF THE BENEFIT PROVISIONS AS OF DECEMBER 31, 2013

Group Name (ex. general employees, police officers) POLICE COMMAND DIV 22 - UNDER 65

Leaving Employment as a Result of	Eligibility for Benefit	Coverage Provided by Employer		Retiree Share of Cost	
		Retiree	Spouse	Retiree	Spouse
Normal Retirement	Age 55 with 10 years of service	Medical#	Medical	None	None
		Prescription Drug	Prescription Drug	None	None
Early Retirement	Age 53 with 25 years of service	Medical#	Medical	None	None
		Prescription Drug	Prescription Drug	None	None
Deferred Vested Termination (with 10 - 14 years of service)	10 years of service	Medical#	Medical	50%	50%
		Prescription Drug	Prescription Drug	50%	50%
Deferred Vested Termination (with 15 - 19 years of service)	10 years of service	Medical#	Medical	25%	25%
		Prescription Drug	Prescription Drug	25%	25%
Deferred Vested Termination (with 20 plus years of service)	10 years of service	Medical#	Medical	None	None
		Prescription Drug	Prescription Drug	None	None
Non-Duty Disability	10 years of service	Medical#	Medical	None	None
	(must draw pension immediately)	Prescription Drug	Prescription Drug	None	None
Duty Disability	No age or service requirement	Medical#	Medical	None	None
	(must draw pension immediately)	Prescription Drug	Prescription Drug	None	None
Non-Duty Death-in-Service	10 years of service		Medical#		None
			Prescription Drug		None
Duty Death-in-Service	No age or service requirement		Medical#		None
			Prescription Drug		None

 # Upon retirement and upon attainment of age 65 retired members are eligible to opt out of medical coverage and receive a payment of $50 per month.

Employees who retire after January 1, 2010 are not eligible for retiree prescription drug benefits. Retirees who are eligible for major medical health coverage shall receive prescription drug coverage pursuant to that Plan. The City shall pay $41 per month toward the Medicare Part D premium or the full amount of the monthly premium, whichever is less, for each retiree who is eligible for Medicare Part D coverage.

SUMMARY OF THE BENEFIT PROVISIONS AS OF DECEMBER 31, 2013

Group Name (ex. general employees, police officers) POLICE COMMAND DIV 22- OVER 65

Leaving Employment as a Result of	Eligibility for Benefit	Coverage Provided by Employer		Retiree Share of Cost	
		Retiree	Spouse	Retiree	Spouse
Normal Retirement	Age 55 with 10 years of service	Medical#	Medical	None	None
Early Retirement	Age 53 with 25 years of service	Medical#	Medical	None	None
Deferred Vested Termination (with 10 - 14 years of service)	10 years of service	Medical#	Medical	None	None
Deferred Vested Termination (with 15 -19 years of service)	10 years of service	Medical#	Medical	None	None
Deferred Vested Termination (with 20 plus years of service)	10 years of service	Medical#	Medical	None	None
Non-Duty Disability	10 years of service (must draw pension immediately)	Medical#	Medical	None	None
Duty Disability	No age or service requirement (must draw pension immediately)	Medical#	Medical	None	None
Non-Duty Death-in-Service	10 years of service		Medical#		None
Duty Death-in-Service	No age or service requirement		Medical#		None

\# *Upon retirement and upon attainment of age 65 retired members are eligible to opt out of medical coverage and receive a payment of $50 per month.*

Employees who retire after January 1, 2010 are not eligible for retiree prescription drug benefits. Retirees who are eligible for major medical health coverage shall receive prescription drug coverage pursuant to that plan. The City shall pay $41 per month toward the Medicare Part D premium or the full amount of the monthly premium, whichever is less, for each retiree who is eligible for Medicare Part D coverage.

SUMMARY OF THE BENEFIT PROVISIONS AS OF DECEMBER 31, 2013

Group Name (ex. general employees, police officers) FIRE DIV 50 - UNDER 65

Leaving Employment as a Result of	Eligibility for Benefit	Coverage Provided by Employer		Retiree Share of Cost	
		Retiree	Spouse	Retiree	Spouse
Normal Retirement	Age 55 with 10 years of service	Medical#	Medical	None	None
		Dental*	Dental*	None	None
		Prescription Drug	Prescription Drug	None	None
Early Retirement	Age 53 with 25 years of service	Medical#	Medical	None	None
		Dental*	Dental*	None	None
		Prescription Drug	Prescription Drug	None	None
Deferred Vested Termination (with 10 - 14 years of service)	10 years of service	Medical#	Medical	50%	50%
		Dental*	Dental*	None	None
		Prescription Drug	Prescription Drug	50%	50%
Deferred Vested Termination (with 15 - 19 years of service)	10 years of service	Medical#	Medical	25%	25%
		Dental*	Dental*	None	None
		Prescription Drug	Prescription Drug	25%	25%
Deferred Vested Termination (with 20 plus years of service)	10 years of service	Medical#	Medical	None	None
		Dental*	Dental*	None	None
		Prescription Drug	Prescription Drug	None	None
Non-Duty Disability	10 years of service	Medical#	Medical	None	None
		Dental*	Dental*	None	None
	(must draw pension immediately)	Prescription Drug	Prescription Drug	None	None
Duty Disability	No age or service requirement	Medical#	Medical	None	None
		Dental*	Dental*	None	None
	(must draw pension immediately)	Prescription Drug	Prescription Drug	None	None
Non-Duty Death-in-Service	10 years of service		Medical#		None
			Dental*		None
			Prescription Drug		None
Duty Death-in-Service	No age or service requirement		Medical#		None
			Dental*		None
			Prescription Drug		None

Upon retirement and upon attainment of age 65 retired members are eligible to opt out of medical coverage and receive a payment of $50 per month.

* *Dental Coverage for Fire members if they retired after January 1, 1975.*

New employees hired on or after January 1, 2008 will not receive retiree prescription drug coverage. New full-time employees hired after July 1, 2010 will not receive health care benefits in retirement.

SUMMARY OF THE BENEFIT PROVISIONS
AS OF DECEMBER 31, 2013

Group Name (ex. general employees, police officers) FIRE DIV 50 - OVER 65

Leaving Employment as a Result of	Eligibility for Benefit	Coverage Provided by Employer		Retiree Share of Cost	
		Retiree	Spouse	Retiree	Spouse
Normal Retirement	Age 55 with 10 years of service	Medical#	Medical	None	None
		Prescription Drug*	Prescription Drug*	None	None
Early Retirement	Age 53 with 25 years of service	Medical#	Medical	None	None
		Prescription Drug*	Prescription Drug*	None	None
Deferred Vested Termination (with 10 - 14 years of service)	10 years of service	Medical#	Medical	50%	50%
		Prescription Drug*	Prescription Drug*	50%	50%
Deferred Vested Termination (with 15 -19 years of service)	10 years of service	Medical#	Medical	25%	25%
		Prescription Drug*	Prescription Drug*	25%	25%
Deferred Vested Termination (with 20 plus years of service)	10 years of service	Medical#	Medical	None	None
		Prescription Drug*	Prescription Drug*	None	None
Non-Duty Disability	10 years of service (must draw pension immediately)	Medical#	Medical	None	None
		Prescription Drug*	Prescription Drug*	None	None
Duty Disability	No age or service requirement (must draw pension immediately)	Medical#	Medical	None	None
		Prescription Drug*	Prescription Drug*	None	None
Non-Duty Death-in-Service	10 years of service		Medical#		None
			Prescription Drug*		None
Duty Death-in-Service	No age or service requirement		Medical#		None
			Prescription Drug*		None

Upon retirement and upon attainment of age 65 retired members are eligible to opt out of medical coverage and receive a payment of $50 per month.

* *No Post-65 Prescription Drug Coverage for retirements after January 1, 2012.*

New employees hired on or after January 1, 2008 will not receive retiree prescription drug coverage. New full-time employees hired after July 1, 2010 will not receive health care benefits in retirement.

Members who retire after January 1, 2012 are not eligible for prescription drug coverage upon attainment of Medicare eligibility.

SUMMARY OF THE BENEFIT PROVISIONS
AS OF DECEMBER 31, 2013

Group Name (ex. general employees, police officers) NON-UNION POLICE DIV 02 and NON-UNION FIRE DIV 05 - UNDER 65

Leaving Employment as a Result of	Eligibility for Benefit	Coverage Provided by Employer		Retiree Share of Cost	
		Retiree	Spouse	Retiree	Spouse
Normal Retirement	Age 55 with 10 years of service	Medical#	Medical	None	None
		Dental*	Dental*	None	None
		Prescription Drug	Prescription Drug	None	None
Early Retirement	Age 53 with 25 years of service	Medical#	Medical	None	None
		Dental*	Dental*	None	None
		Prescription Drug	Prescription Drug	None	None
Deferred Vested Termination (with 10 - 14 years of service)	10 years of service	Medical#	Medical	50%	50%
		Dental*	Dental*	None	None
		Prescription Drug	Prescription Drug	50%	50%
Deferred Vested Termination (with 15 - 19 years of service)	10 years of service	Medical#	Medical	25%	25%
		Dental*	Dental*	None	None
		Prescription Drug	Prescription Drug	25%	25%
Deferred Vested Termination (with 20 plus years of service)	10 years of service	Medical#	Medical	None	None
		Dental*	Dental*	None	None
		Prescription Drug	Prescription Drug	None	None
Non-Duty Disability	10 years of service	Medical#	Medical	None	None
		Dental*	Dental*	None	None
	(must draw pension immediately)	Prescription Drug	Prescription Drug	None	None
Duty Disability	No age or service requirement	Medical#	Medical	None	None
		Dental*	Dental*	None	None
	(must draw pension immediately)	Prescription Drug	Prescription Drug	None	None
Non-Duty Death-in-Service	10 years of service		Medical#		None
			Dental*		None
			Prescription Drug		None
Duty Death-in-Service	No age or service requirement		Medical#		None
			Dental*		None
			Prescription Drug		None

\# *Upon retirement and upon attainment of age 65 retired members are eligible to opt out of medical coverage and receive a payment of $50 per month.*

* *Dental Coverage for Non-Union Fire members if they retired after January 1, 1975.*

New employees hired after January 1, 2011 will not receive health care benefits in retirement.

SUMMARY OF THE BENEFIT PROVISIONS
AS OF DECEMBER 31, 2013

Group Name (ex. general employees, police officers) NON-UNION POLICE DIV 02 and NON-UNION FIRE DIV 05 - OVER 65

Leaving Employment as a Result of	Eligibility for Benefit	Coverage Provided by Employer		Retiree Share of Cost	
		Retiree	Spouse	Retiree	Spouse
Normal Retirement	Age 55 with 10 years of service	Medical#	Medical	None	None
Early Retirement	Age 53 with 25 years of service	Medical#	Medical	None	None
Deferred Vested Termination (with 10 - 14 years of service)	10 years of service	Medical#	Medical	None	None
Deferred Vested Termination (with 15 -19 years of service)	10 years of service	Medical#	Medical	None	None
Deferred Vested Termination (with 20 plus years of service)	10 years of service	Medical#	Medical	None	None
Non-Duty Disability	10 years of service (must draw pension immediately)	Medical#	Medical	None	None
Duty Disability	No age or service requirement (must draw pension immediately)	Medical#	Medical	None	None
Non-Duty Death-in-Service	10 years of service		Medical#		None
Duty Death-in-Service	No age or service requirement		Medical#		None

 # Upon retirement and upon attainment of age 65 retired members are eligible to opt out of medical coverage and receive a payment of $50 per month.

New employees hired after January 1, 2011 will not receive health care benefits in retirement.

SECTION D

SUMMARY OF PARTICIPANT DATA

TOTAL ACTIVE MEMBERS AS OF DECEMBER 31, 2013
BY AGE AND YEARS OF SERVICE

	Years of Service to Valuation Date							Totals
Age	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.
20-24	2							2
25-29	7	5						12
30-34	4	12	4					20
35-39	4	6	6	5				21
40-44	1	4	7	30	3			45
45-49		7	8	11	19	5		50
50-54	1	2	3	7	9	6	4	32
55-59	3	2	2	3	4	3	1	18
60-64		3	2		1	3	1	10
65 & Over								
Totals	**22**	**41**	**32**	**56**	**36**	**17**	**6**	**210**

**The number counts above include 19 members who are not eligible for retiree health care.*

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age:	44.7	years
Service:	14.9	years

GENERAL
ACTIVE MEMBERS AS OF DECEMBER 31, 2013
BY AGE AND YEARS OF SERVICE

	Years of Service to Valuation Date							Totals
Age	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.
20-24	1							1
25-29	4	1						5
30-34	1	4	1					6
35-39	3	4	2					9
40-44	1	2	2	12				17
45-49		6	6	3	6	3		24
50-54	1	2	3	5	3	4	4	22
55-59	2	2	1	3	3	3	1	15
60-64		3	2		1	2	1	9
65 & Over								
Totals	**13**	**24**	**17**	**23**	**13**	**12**	**6**	**108**

**The number counts above include 13 members who are not eligible for retiree health care.*

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age:	47.3	years
Service:	14.8	years

POLICE/FIRE
ACTIVE MEMBERS AS OF DECEMBER 31, 2013
BY AGE AND YEARS OF SERVICE

	Years of Service to Valuation Date							Totals
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30 Plus**	**No.**
20-24	1							1
25-29	3	4						7
30-34	3	8	3					14
35-39	1	2	4	5				12
40-44		2	5	18	3			28
45-49		1	2	8	13	2		26
50-54				2	6	2		10
55-59	1		1		1			3
60-64						1		1
65 & Over								
Totals	**9**	**17**	**15**	**33**	**23**	**5**		**102**

**The number counts above include 6 members who are not eligible for retiree health care.*

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age:	41.9	years
Service:	15.0	years

TOTAL RETIRED MEMBERS AND BENEFICIARIES AS OF DECEMBER 31, 2013 BY AGE

Age	Number of Retiree and Beneficiary Contracts		
	Male	**Female**	**Total**
Under 55	10	4	14
55-59	22	4	26
60-64	35	7	42
65 & Over	129	95	224
Totals	**196**	**110**	**306**

The number counts above include the following (note that these categories are not mutually exclusive):

156	Opting Out of Medical
88	Opting Out of Rx
44	No Coverage Medical
96	N/A Rx Coverage
106	Covered by City's Self-Funded Plan
44	Covered by City's Major Medical Plan
78	Covered by City's Self-Funded Rx Plan

GENERAL RETIRED MEMBERS AND BENEFICIARIES AS OF DECEMBER 31, 2013 BY AGE

Age	Number of Retiree and Beneficiary Contracts		
	Male	Female	Total
Under 55	3	2	5
55-59	9	2	11
60-64	25	5	30
65 & Over	59	54	113
Totals	**96**	**63**	**159**

The number counts above include the following (note that these categories are not mutually exclusive):

83	Opting Out of Medical
61	Opting Out of Rx
28	No Coverage Medical
57	N/A Rx Coverage
48	Covered by City's Self-Funded Medical Plan
41	Covered by City's Major Medical Plan

POLICE/FIRE RETIRED MEMBERS AND BENEFICIARIES AS OF DECEMBER 31, 2013 BY AGE

Age	Number of Retiree and Beneficiary Contracts		
	Male	Female	Total
Under 55	7	2	9
55-59	13	2	15
60-64	10	2	12
65 & Over	70	41	111
Totals	**100**	**47**	**147**

The number counts above include the following (note that these categories are not mutually exclusive):

73	Opting Out of Medical
27	Opting Out of Rx
16	No Coverage Medical
39	N/A Rx Coverage
58	Covered by City's Self-Funded Medical Plan
3	Covered by City's Major Medical Plan
78	Covered by City's Self-Funded Rx Plan

TOTAL DEFERRED VESTED MEMBERS AS OF DECEMBER 31, 2013 BY ATTAINED AGE

Age	Number of Deferred Members		
	General	Police/Fire	Total
Under 55	16	13	29
55-59	5	0	5
60-64	4	0	4
65 & Over	0	0	0
Totals	**25**	**13**	**38**

The number counts above include 21 records that do not meet the eligibility requirements to qualify for retiree health benefits.

SECTION E

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS

ACTUARIAL METHODS
AS OF DECEMBER 31, 2013

Actuarial Cost Method. Normal cost and the allocation of benefit values between service rendered before and after the valuation date was determined using an **Individual Entry-Age Actuarial Cost Method** having the following characteristics:

(i) the annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement; and

(ii) each annual normal cost is a constant percentage of the member's year by year projected covered pay.

Actuarial gains/(losses), as they occur, reduce (increase) the Unfunded Actuarial Accrued Liability.

Financing of Unfunded Actuarial Accrued Liabilities. Unfunded Actuarial Accrued Liabilities (UAAL) (full funding credit if assets exceed liabilities) were amortized as a level percent of payroll if the divisions are open to new hires and as a level dollar if the divisions are closed to new hires. The UAAL was determined using the actuarial value of assets and actuarial accrued liability calculated as of the valuation date and projected to the beginning of the fiscal year at the assumed rate of investment return.

Actuarial Value Assets. The Actuarial Value of Assets is set equal to the reported market value of assets. Assets were allocated among the groups based on Total Liability as of the valuation date.

Amortization Factors. The following amortization factors were used in developing the Annual Required Contribution for the fiscal years shown:

	Fiscal Year Beginning July 1,	
All Groups	**2014**	**2015**
30-Year Amortization	12.2479	12.1295
24-Year Amortization	11.3899	11.2071

ACTUARIAL ASSUMPTIONS
AS OF DECEMBER 31, 2013

The rate of investment return was 7.50% a year, compounded annually net after investment expenses.

The rates of salary increase used for individual members are in accordance with the following table. This assumption is used to project a member's current salary to the salaries upon which future contributions will be based.

Sample Ages	% Increase in Salary at Sample Ages		
	Merit & Seniority	**Base (Economic)**	**Increase Next Year**
20	13.00 %	4.00 %	17.00 %
25	6.80	4.00	10.80
30	3.26	4.00	7.26
35	2.05	4.00	6.05
40	1.30	4.00	5.30
45	0.81	4.00	4.81
50	0.52	4.00	4.52
55	0.30	4.00	4.30

The payroll growth rate for financing Unfunded Actuarial Accrued Liabilities (UAAL) for open divisions was assumed to be 4.00% per year.

ACTUARIAL ASSUMPTIONS
AS OF DECEMBER 31, 2013

The rates of post retirement mortality used for individual members are in accordance with the following tables.

For healthy retirees, mortality rates are based on the RP2000 Mortality Combined Healthy Tables projected 20 years with U.S. Projection Scale BB. Mortality rates were adjusted to include margin for future mortality improvement as described in the table below. Sample rates are as follows:

Sample Ages	**Probability of Dying Next Year (Healthy)**		**Future Life Expectancy (Years)**	
	Males	Females	Males	Females
50	0.20%	0.16%	32.99	35.59
55	0.34	0.25	28.37	30.90
60	0.59	0.41	23.94	26.34
65	1.00	0.76	19.74	21.98
70	1.64	1.32	15.83	17.93
75	2.80	2.21	12.26	14.25
80	4.76	3.60	9.13	10.95

These assumptions are used to measure the probabilities of each benefit payment being made after retirement.

For disabled retirees, mortality rates are based on the healthy life table above, but set forward ten years.

The rates of pre-retirement mortality use the same mortality tables as post-retirement mortality with 90% of active deaths assumed non-duty and 10% assumed duty related.

Retirement Rates

A schedule of retirement rates is used to measure the probability of eligible members retiring during the next year. To reflect the impact plan design may have on retirement experience, separate retirement rates apply to valuation divisions with pension benefit multipliers less than or equal to 2.50% and greater than 2.50%. Certain retirement ages may not apply, depending on the benefit age of first eligibility.

Normal Retirement - Age Based Benefit Provisions

	Percent of Eligible Active Members Retiring Within Next Year*	
Retirement Ages	**Less than or equal to 2.50%**	**Greater than 2.50%**
50	20%	23%
51	20	23
52	20	24
53	20	26
54	20	26
55	20	30
56	20	33
57	21	35
58	21	39
59	21	42
60	21	43
61	22	48
62	22	49
63	22	49
64	23	50
65	25	50
66	25	50
67	26	50
68	28	50
69	30	50
70	100	100

* *For those eligible prior to age 50, the retirement rate is 22% per year. Members in a defined contribution plan follow the retirement pattern the same as their counterparts in a defined benefit plan.*

Early Retirement - Reduced Pension Benefit

Retirement Ages	Percent of Eligible Active Members Retiring Within Next Year
50	1.60%
51	1.60
52	2.30
53	3.30
54	4.50
55	3.50
56	3.25
57	3.00
58	4.50
59	5.75

Rates of separation from active membership are used to estimate the number of employees at each age that are expected to terminate employment before qualifying for retirement benefits. The rates of separation from active membership do not apply to members eligible to retire, and do not include separation on account of death or disability. The assumed rates of separation applied in the current valuation are based on years of service, and scaled up or down according to each group's experience.

Group	**Separation Rate Scaling Factor**
All Divisions	100%

The base separation rates (see the table below) are multiplied by the scaling factor to obtain the assumed withdrawal rates. Sample rates of separation from active employment, before application of the scaling factor, are shown below:

Sample Years of Service	**% of Active Members Separating Within the Next Year**
0	20.00%
1	17.00
2	14.00
3	11.00
4	9.00
5	6.50
10	5.00
15	3.70
20	3.00
25	2.70
30	2.60
34 and over	2.40

Disability Rates

Disability rates are used in the valuation to estimate the incidence of member disability in future years.

The assumed rates of disablement at various ages are shown below:

Sample Ages	Percent Becoming Disabled Within the Next Year
20	0.02%
25	0.02
30	0.02
35	0.06
40	0.06
45	0.11
50	0.24
55	0.60
60	0.60
65	0.60

85% of the disabilities are assumed to be non-duty and 15% of the disabilities are assumed to be duty related. For those plans which have adopted disability provision D-2, for pension benefit purposes, 55% of the disabilities are assumed to be non-duty and 45% are assumed to be duty related.

ACTUARIAL ASSUMPTIONS
AS OF DECEMBER 31, 2013 (CONCLUDED)

Health care cost trend rates are displayed in the following table:

Year After Valuation	Health Care Trend Inflation Rates Medical/Drug
1	9.00%
2	8.25
3	7.50
4	7.00
5	6.50
6	6.00
7	5.50
8	5.00
9	4.50
10	4.00
11	4.00
12	4.00
13	4.00
14	4.00
15	4.00
16 +	4.00

MISCELLANEOUS AND TECHNICAL ASSUMPTIONS AS OF DECEMBER 31, 2013

Administrative Expenses No explicit assumption has been made for administrative expenses.

Decrement Operation Disability and withdrawal do not operate during retirement eligibility.

Decrement Timing Decrements of all types are assumed to occur mid-year.

Eligibility Testing Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.

Incidence of Contributions Contributions are assumed to be received continuously throughout the year based upon the computed contribution shown in this report.

Marriage Assumption 70% of males and 70% of females are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses for active member valuation purposes.

Medicare Coverage Assumed to be available for all covered employees on attainment of age 65. Disabled retirees were assumed to be eligible for Medicare coverage at age 65.

Health Care Coverage at Retirement The table below shows the assumed portion of future retirees electing one-person or two-person/family coverage, or opting out of coverage entirely.

		Two-Person/Family		
	One-Person	**Electing**	**Continuing**	**Opt-Out**
General				
Pre-Age 65	35%	65%	100%	0%
Post-Age 65	5%	20%	100%	75%
Police/Fire				
Pre-Age 65	20%	80%	100%	0%
Medical Post-Age 65	10%	20%	100%	70%
Rx Post-Age 65	20%	60%	100%	20%

Opt-Out For those post 65-retirees currently opting out of health coverage, it was assumed that they will continue to opt out of coverage.

Deferred Vested Retirements For purposes of determining the liabilities, we assume all deferred vested members will elect one-person coverage upon commencement of their retiree health benefit. We load these liabilities 40% to reflect that a portion of the members will elect two-person coverage.

APPENDIX A

OVERVIEW

GASB BACKGROUND

The purpose of this valuation is to provide information on the cost associated with providing postemployment benefits other than pensions, or OPEB, to current and former employees. The information is designed to assist you in complying with Governmental Accounting Standards Board (GASB) Statements No. 43 and No. 45. OPEB benefits are most often associated with postemployment health care, but cover almost any benefit not provided through a pension plan, including life insurance, dental and vision benefits. It is important to note that OPEB benefits, by definition, do not include benefits *currently* being provided to active employees – however, this report includes the liabilities for benefits expected to be paid to current active employees in the future when they retire.

GASB Statements No. 43 and No. 45 were released in the spring of 2004. GASB Statement No. 43 covers the accounting rules for OPEB *plans* while GASB Statement No. 45 describes the rules for *employers* sponsoring OPEB plans. Your auditor can assist you in determining which statements apply to your particular situation.

The specific items required to be disclosed on an OPEB sponsor's financial statements are described in detail in GASB Statements No. 43 and No. 45.

GASB Statement No. 45

Among the requirements of Statement No. 45 are recognition each year of an expense called the Annual OPEB Cost, and the accumulation of a liability to be disclosed on the employer's Statement of Net Assets called the Net OPEB Obligation (NOO).

The fundamental items required to determine the Annual OPEB Cost and the NOO are:

- the Annual Required Contribution (ARC)
- the Employer's Contributions in relation to the ARC

Although GASB does not require OPEB contributions, it has chosen to call the base component of the Annual OPEB Cost the Annual Required Contribution. The ARC is provided in this report.

GASB BACKGROUND (CONCLUDED)

Paragraph 13g. of Statement No. 45 states:

> "An employer has made a contribution in relation to the ARC if the employer has:
>
> 1. made payments of benefits directly to or on behalf of a retiree or beneficiary,
> 2. made premium payments to an insurer, or
> 3. irrevocably transferred assets to a trust, or equivalent arrangement in which Plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the Plan and are legally protected from creditors of the employer(s) or plan administrator."

For each fiscal year shown in this report, we have provided the ARC and the estimated benefits and/or premiums (based on valuation assumptions).

The NOO is the cumulative difference between the Annual OPEB Cost each year and the Employer's Contribution in relation to the ARC. The Annual OPEB Cost for a year is equal to:

- the ARC, plus
- interest on the prior year's NOO, plus
- amortization of the prior year's NOO.

The Annual OPEB Cost and NOO are generally developed by the plan sponsor's auditor based on information contained herein and elsewhere.

GASB Statement No. 43

If the plan has assets for Statement No. 43 purposes, then certain additional information useful in complying with the Statement is contained in this report.

OPEB PRE-FUNDING

Many employers fund retiree health care benefits using the pay-as-you-go (or cash disbursement) method. Under this method, the employer's annual contribution is equal to the actual disbursements during the year for OPEB for retired employees. This method of funding will result in increasing contributions over time. First, per capita cash disbursements will tend to increase from year-to-year as the cost of health care services, or the utilization of these services, increases. Second, the number of retired members is likely to increase for years to come. The more retirees, the greater the disbursements as a percentage of employee payroll.

A retiree health care plan is similar to a defined benefit pension plan in that promises are made to employees to provide them with a benefit payable at some future date. For defined benefit pension plan sponsors, a common funding objective is to contribute to a fund, annual amounts which will i) remain level as a percentage of active member payroll, and ii) when combined with present assets and future investment return be sufficient to meet the financial obligations of the plan to current and future retirees.

The GASB statements are not funding requirements. They are accounting standards that require plan sponsors to calculate the annual expense associated with OPEB using certain methods.

The ultimate determination as to the level of pre-funding will be the result of decisions made in an attempt to support benefit security for members and the fiscal management needs of the employer.

APPENDIX B

GLOSSARY

Accrued Service. The service credited under the plan which was rendered before the date of the actuarial valuation.

Actuarial Accrued Liability. The difference between (i) the actuarial present value of future plan benefits, and (ii) the actuarial present value of future normal cost. Sometimes referred to as "accrued liability" or "past service liability."

Actuarial Assumptions. Estimates of future plan experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

Actuarial Cost Method. A mathematical budgeting procedure for allocating the dollar amount of the "actuarial present value of future plan benefits" between the actuarial present value of future normal cost and the actuarial accrued liability. Sometimes referred to as the "actuarial funding method."

Actuarial Equivalent. A single amount or series of amounts of equal value to another single amount or series of amounts, computed on the basis of the rate(s) of interest and mortality tables used by the plan.

Actuarial Present Value. The amount of funds presently required to provide a payment or series of payments in the future. It is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Amortization. Paying off an interest-bearing liability by means of periodic payments of interest and principal, as opposed to paying it off with a lump sum payment.

GLOSSARY

Annual Required Contribution (ARC). The ARC is the normal cost plus the portion of the unfunded actuarial accrued liability to be amortized in the current period. The ARC is an amount that is actuarially determined in accordance with the requirements so that, if paid on an ongoing basis, it would be expected to provide sufficient resources to fund both the normal cost for each year and the amortized unfunded actuarial accrued liability.

Governmental Accounting Standards Board (GASB). GASB is the private, nonpartisan, nonprofit organization that works to create and improve the rules U.S. state and local governments follow when accounting for their finances and reporting them to the public.

Implicit Rate Subsidy. It is common practice for employers to allow retirees to continue in the employer's group health insurance plan (which also covers active employees), often charging the retiree some portion of the premium charged for active employees. Under the theory that retirees have higher utilization of services, the difference between the true cost of providing retiree coverage and what the retiree is being charged is known as the implicit rate subsidy.

Medical Trend Rate (Health Care Inflation). The increase in the cost of providing health care benefits over time. Trend includes such elements as pure price inflation, changes in utilization, advances in medical technology, and cost shifting.

Normal Cost. The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as "current service cost." Any payment toward the unfunded actuarial accrued liability is not part of the normal cost.

Other Postemployment Benefits (OPEB). OPEB are postemployment benefits other than pensions. OPEB generally takes the form of health insurance, dental, vision, prescription drugs, life insurance or other health care benefits.

Reserve Account. An account used to indicate that funds have been set aside for a specific purpose and are not generally available for other uses.

GLOSSARY

Unfunded Actuarial Accrued Liability. The difference between the actuarial accrued liability and valuation assets. Sometimes referred to as "unfunded actuarial accrued liability."

Valuation Assets. The value of current plan assets recognized for valuation purposes.

October 3, 2014

Mr. Derrick Smith
Director of Finance
City of Muskegon
Retiree Health Care Plan
933 Terrace Street
Muskegon, MI 49443

Re: City of Muskegon Retiree Health Care Plan

Dear Mr. Smith:

Enclosed are 2 copies of our December 31, 2013 report of the actuarial valuation of the City of Muskegon Retiree Health Care Plan.

Respectfully submitted,

Shana M Neeson

Shana M. Neeson

SMN:mrb
Enclosures