


Memorandum

To: OPEB Committee Members and City Staff

From: Bernita Demery, Director of Financial Services 

Date: February 3, 2017

Subject: OPEB Committee Meeting Agenda Packet for February 8, 2017

In reference to the upcoming OPEB Committee meeting, the attached documents are the material that will be reviewed and discussed. The meeting agenda packet includes the following:

- 1) Meeting Agenda
- 2) February 10, 2016 Meeting Minutes (Draft)
- 3) OPEB Financial Statements as of December 31, 2016
- 4) Comparison of Last OPEB Study
- 5) October 2016 Actuarial Report

Should you all have any questions prior to the meeting, please feel free to contact me.

Thank you!

OPEB Trust Committee
Wednesday, February 8, 2017
City Hall, Conference Room 337
2:00 to 3:00 p.m.
AGENDA

Committee:

- | | |
|--|--|
| <input type="checkbox"/> Calvin Mercer, <i>Council Liaison</i> | <input type="checkbox"/> Barbara Lipscomb, <i>City Manager</i> |
| <input type="checkbox"/> Bernita Demery, <i>Director of Financial Services</i> | |

Other Attendees:

- | | |
|---|--|
| <input type="checkbox"/> Michael Cowin, <i>Assistant City Manager</i> | <input type="checkbox"/> Leah Futrell, <i>Human Resources Director</i> |
|---|--|

1. Review of February 10, 2016 OPEB Committee Meeting Minutes

2. Review of OPEB Financial Statements as of December 31, 2016

3. Comparison of Last OPEB Study

4. Review of October 2016 Actuarial Report

5. Proposed Meeting date for 2018 – Wednesday, February 7, 2018

OPEB Trust Committee
Tuesday, February 10, 2016
City Hall, Conference Room 126
10:00 to 11:00 a.m.
MINUTES

Committee:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Calvin Mercer, <i>Council Liaison</i> | <input type="checkbox"/> Barbara Lipscomb, <i>City Manager</i> |
| <input checked="" type="checkbox"/> Bernita Demery, <i>Director of Financial Services</i> | |

Other Attendees:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Jerraé Williams, <i>NC Department of State Treasurer's Office</i> | <input checked="" type="checkbox"/> Leah Futrell, <i>Human Resources Director</i> |
| <input checked="" type="checkbox"/> Rick Smiley, <i>City Council Member</i> | <input checked="" type="checkbox"/> Michael Cowin, <i>Assistant City Manager</i> |
-

1. Review of February 10, 2015 OPEB Committee Meeting Minutes

The motion was made to approve the minutes, without exception, by the committee.

2. Update & Review of OPEB Trust Agreement - Jerraé Williams, NC Department of State Treasurer's Office

Ms. Jerraé Williams gave a review of the OPEB Trust Agreement and she introduced the new Non-Pension Funds program. This new program will replace the existing program and some of the changes that were highlighted included the following:

- 1) External Bond Index Fund (New Investment Option),
- 2) Allocation designated by participant vs. default set in the existing trust agreement and,
- 3) Improved customer service.

The program's transition target deadline is scheduled for June 30, 2016. Ms. Williams also addressed the fact that the contracts had not been well managed and that she has been appointed the main contact regarding questions in relation to statements.

3. Review of OPEB Financial Statements as of December 31, 2015

Mrs. Demery introduced this section of the meeting. It was highlighted that the City contributions are being increased yearly by \$50,000. Last year's contributions were up to \$400,000 and this year the contribution is scheduled to be for \$450,000. Council Member Mercer inquired as to what the trajectory currently is and where we are now. Mrs. Demery stated in response that a study is to be done with December 31st numbers. Council Member Smiley asked when the committee would see the results and Mrs. Demery stated that the results are usually available around August.

4. Proposed Meeting date for 2017 – Wednesday, February 8, 2017

The proposed meeting date was unanimously approved by the committee.

OPEB STIF History					
w/NC State Treasurer					
Since Inception by Quarter					
Financial Services					
12/31/2016					
Fiscal Quarters	Interest Earned	City Contributions	Date of Contribution	Total Contributions	Total Balance
Quarter 1, 2010	275,471.00				275,471.00
Quarter 2, 2010	16,645.84	250,000.00	10/2/2009		542,116.84
Quarter 3, 2010	16,234.39				558,351.23
Quarter 4, 2010	-42,693.87			515,657.36	515,657.36
Quarter 1, 2011	61,805.80	250,000.00	9/13/2010		827,463.16
Quarter 2, 2011	53,608.98				881,072.14
Quarter 3, 2011	32,581.73				913,653.87
Quarter 4, 2011	10,547.35			408,543.86	924,201.22
Quarter 1, 2012	-89,088.52	-			835,112.70
Quarter 2, 2012	52,798.72	250,000.00	10/31/2011		1,137,911.42
Quarter 3, 2012	113,537.00				1,251,448.42
Quarter 4, 2012	-33,546.20			293,701.00	1,217,902.22
Quarter 1, 2013	55,394.61	-			1,273,296.83
Quarter 2, 2013	22,846.76	300,000.00	11/5/2012		1,596,143.59
Quarter 3, 2013	92,847.62				1,688,991.21
Quarter 4, 2013	14,541.75			485,630.74	1,703,532.96
Quarter 1, 2014	86,133.35	-			1,789,666.31
Quarter 2, 2014	118,289.16	350,000.00	10/21/2013		2,257,955.47
Quarter 3, 2014	35,577.32				2,293,532.79
Quarter 4, 2014	81,031.50			671,031.33	2,374,564.29
Quarter 1, 2015	(12,773.06)				2,361,791.23
Quarter 2, 2015	74,429.64	400,000.00	11/3/2014		2,836,220.87
Quarter 3, 2015	69,426.54				2,905,647.41
Quarter 4, 2015	(1,922.09)			529,161.03	2,903,725.32
Quarter 1, 2016	(158,977.64)				2,744,747.68
Quarter 2, 2016	83,741.92				2,828,489.60
Quarter 3, 2016	28,453.94	450,000.00	2/11/2016		3,306,943.54
Quarter 4, 2016	39,984.41			489,984.41	3,346,927.95
Quarter 1, 2017	121,105.61				3,468,033.56
Quarter 2, 2017	3,608.87	500,000.00	1/31/2017		3,971,642.43
Quarter 3, 2017					
Quarter 4, 2017				624,714.48	
Total	1,096,927.95	2,250,000.00		4,018,424.21	
Notes:	Application for STIF account was approved by the State Treasurer's Office May, 2009				
	Contribution will increase by \$50,000 each year				

Account Description	G/L Account	Opening Balance	Activity	Closing Balance
ASSETS				
CASH	110000	-0.01	0.00	-0.01
RECEIVABLE FOR INVESTMENTS SOLD	120010	0.00	704.44	704.44
INTEREST RECEIVABLE	120030	0.00	0.00	0.00
NC STIF INTEREST RECEIVABLE	121030	1,309.54	107.78	1,417.32
INVESTMENTS AT AVERAGE COST	140000	1,706,642.53	1,773.19	1,708,415.72
NC STIF	145070	1,744,295.95	1,309.54	1,745,605.49
UNREALIZED APPRECIATION AT AVERAGE COST	150000	-8,757.43	24,256.90	15,499.47
		3,443,490.58	28,151.85	3,471,642.43
LIABILITIES				
PAYABLE FOR INVESTMENTS PURCHASED	220010	0.00	0.00	0.00
		0.00	0.00	0.00
NET ASSETS:		3,443,490.58	28,151.85	3,471,642.43
CAPITAL				
NET ASSETS AVAILABLE FOR PLAN BENEFITS	310000	3,346,927.95	0.00	3,346,927.95
		3,346,927.95	0.00	3,346,927.95
INCOME				
DIVIDEND INCOME	620020	28.37	0.00	28.37
INTEREST INCOME	620030	19,825.44	3,226.68	23,052.12
MASTER TRUST INVESTMENT GAIN/LOSS	625010	233.17	0.00	233.17
MASTER TRUST CHANGE IN UNREALIZED APPRECIATION	625012	-20,177.56	-13.44	-20,191.00
MASTER TRUST CHANGE IN REALIZED GAIN/LOSS	625014	924.64	-534.71	389.93
MASTER TRUST INTEREST INCOME EARNED	625015	5,222.96	1,207.43	6,430.39
STOCK LOAN INCOME	625050	64.34	0.00	64.34
REALIZED GAIN/LOSS AT AVERAGE COST	640000	559,154.32	8.99	559,163.31
UNREALIZED GAIN/LOSS AT AVERAGE COST	650000	-466,965.18	24,256.90	-442,708.28
		98,310.50	28,151.85	126,462.35
EXPENSE				
INVESTMENT ADVISORY FEES	710440	-1,747.87	0.00	-1,747.87
		-1,747.87	0.00	-1,747.87



CITY OF GREENVILLE - NCUF96080002

General Ledger Detail
Market Value
12/1/2016-12/31/2016

Report ID: IGLS0003
Base Currency : USD
Status: REVISED

Account Description	G/L Account	Opening Balance	Activity	Closing Balance
NET ASSETS:		3,443,490.58	28,151.85	3,471,642.43
FULL TRIAL BALANCE:		3,443,490.58	28,151.85	3,471,642.43

**OPEB Calculation Comparison
Dec. 2013 vs. Dec. 2015
February 3, 2017**

For comparison purposes on how the OPEB calculation continues to change, below is an illustration comparing the study completed by Cavanaugh McDonald, as of December 31, 2013 compared to the one completed as of December 2015. Based on the size of government, the City has these studies completed every two years.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Liability Recognized as June 30th</u>	<u>Retired Members</u>	<u>Active Members</u>
12/31/2015	\$2,828,490	\$43,433,624	\$40,605,134	238	704
12/31/2013	\$2,257,955	\$35,843,760	\$33,585,805	225	743

<u>Fiscal year Ending</u>	<u>Annual OPEB Cost</u>	<u>Net OPEB Obligation</u>
6/30/2014	\$3,356,647	\$18,843,188
6/30/2015	\$3,386,982	\$20,848,649
6/30/2016	\$3,454,185	\$21,221,090

Because of the GASB changes that take effect this fiscal year, and that our most recent OPEB valuation report indicated the Plan has assets in an OPEB Trust, the City will have to have a study completed as of December 2016 for the initial Governmental Accounting Standards Board (GASB) Statement 74 valuation report. The Governmental Accounting Standards Board (GASB) has issued Statement 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans and Statement 75, Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions. GASB Statements 74 and 75 apply to Post-employment benefits, the most common being health, dental, vision, and life insurance benefits for retirees. Governmental units who have Other Post-employment Benefits (OPEB) plans (this statement does not apply to termination benefits) administered through a trust (either defined benefit or defined contribution) and meet the requirements of GASB 74 must implement this standard for fiscal years beginning after June 15, 2016. This means units with a June 30th fiscal year end will implement GASB Statement 74 in their financial statements ending June 30, 2017.

Comparisons will be updated with the new GASB 74 guidelines once the results from the study have been received.



Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

PLEASE REMIT A COPY OF THIS
INVOICE WITH YOUR PAYMENT

October 4, 2016

Ms. Bernita Demery
Director of Financial Services
City of Greenville
P.O. Box 7207
Greenville, NC 27835

Re: Invoice for the December 31, 2015 Actuarial Valuation of the Health Care Plan of the City of Greenville

Dear Ms. Demery:

We have performed the December 31, 2015 Actuarial Valuation of the Health Care Plan of the City of Greenville. The fee for this service is \$6,105.00. The City of Greenville should send a check payable to "Cavanaugh Macdonald Consulting, LLC" addressed to my attention at the address shown below.

If any questions should arise, please call us at 678-388-1700.

Sincerely,

Todd B. Green, ASA, FCA, MAAA
Principal and Consulting Actuary

TBG:bcn



Cavanaugh Macdonald
CONSULTING, LLC

The experience and dedication you deserve

**THE CITY OF GREENVILLE
ACTUARIAL VALUATION OF THE HEALTH CARE PLAN**

PREPARED AS OF DECEMBER 31, 2015





Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

October 4, 2016

Ms. Bernita Demery
Director of Financial Services
City of Greenville
P.O. Box 7207
Greenville, NC 27835

Re: December 31, 2015 Actuarial Valuation of the Health Care Plan of The City of Greenville

Dear Ms. Demery:

Enclosed are the results of the December 31, 2015 Actuarial Valuation of the Health Care Plan of the City of Greenville. In preparing the valuation, the actuary relied on data provided by the City and the North Carolina Local Governmental Employees' Retirement System (NCLGERS). While not verifying the data at source, the actuary performed tests for consistency and reasonability.

The valuation was based on an assumed interest rate of 7.00%. Schedule A summarizes the valuation results, including a summary of membership data, the valuation balance sheet and the actuarially determined contribution rates. Schedule B contains the required Governmental Accounting Standards Board (GASB) disclosure information. Schedule C outlines the full set of actuarial assumptions and methods employed. Where appropriate, the actuarial assumptions have been updated based on the most recent NCLGERS experience analysis. Schedule D provides a summary of the benefit and contribution provisions as interpreted for valuation purposes.

The annual required contribution was determined in accordance with the accounting requirements under GASB Statement No. 43 and GASB Statement No. 45. The assumptions recommended by the actuary are, in the aggregate, reasonably related to the experience under the Plan and to reasonable expectations of anticipated experience under the Plan and meet the parameters for the disclosures under GASB Statement No. 43 and GASB Statement No. 45.



Ms. Bernita Demery
October 4, 2016
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On June 2, 2015, GASB Statement No. 74 and GASB Statement No. 75 (GASB 74 and 75) were unanimously adopted by the GASB Board. The disclosure requirements of GASB 74 and 75 will be similar to the disclosure requirements for pension benefits under GASB Statement No. 67 and GASB Statement No. 68. GASB 74 relates to accounting disclosures for plan sponsors and, as such, replaces GASB 43 beginning with fiscal years ending June 30, 2017. GASB 75 relates to accounting disclosures for contributing employers and, as such, replaces GASB 45 beginning with fiscal years ending June 30, 2018. GASB 74 and 75 will require applicable OPEB plan sponsors and contributing employers to disclose the net OPEB liability on the statement of financial position and book an accounting expense based upon the entry age normal actuarial cost method. Beyond the use of a specified actuarial cost method, GASB's new disclosure standards will also require the discount rate used to calculate liabilities to be based upon the yield of 20-year, tax-exempt municipal bonds and the expected rate of return on plan assets, to the extent plan assets are projected to be available for the payment of future benefits. Additionally, GASB 74 and 75 will bring about many other changes in the liability valuation and accounting disclosure processes currently in place which are expected to significantly impact data collection, timing, and effort. As details for the new GASB OPEB disclosure standards emerge, planning and coordination between plan sponsors, contributing employers, actuaries, and auditors is recommended.

The impact of the Affordable Care Act (ACA) was addressed in this valuation. Review of the information currently available did not identify any specific provisions of the ACA that are anticipated to significantly impact results. While the impact of certain provisions such as the excise tax on high-value health insurance plans beginning in 2020 (if applicable), mandated benefits and participation changes due to the individual mandate should be recognized in the determination of liabilities, overall future plan costs and the resulting liabilities are driven by amounts employers and retirees can afford (i.e., trend). The trend assumption forecasts the anticipated increase to initial per capita costs, taking into account health care cost inflation, increases in benefit utilization, plan changes, government-mandated benefits, and technological advances. Given the uncertainty regarding the ACA's implementation (e.g., the impact of excise tax on high-value health insurance plans, changes in participation resulting from the implementation of state-based health insurance exchanges), continued monitoring of the ACA's impact on the Plan's liability will be required.

Future actuarial results may differ significantly from the current results 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. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein. In our opinion, if the required contributions are made by the employer from year to year in the future at the levels required on the basis of the successive actuarial valuations, the current assets along with the future anticipated contributions will be sufficient to meet all benefit obligations of the Plan for the current active and retired members.



Ms. Bernita Demery
October 4, 2016
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This is to certify that the independent consulting actuaries are Members of the American Academy of Actuaries and have experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the Plan and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the Plan.

If you have any questions, please call us at 678-388-1700.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Todd B. Green' followed by a long horizontal flourish.

Todd B. Green, ASA, FCA, MAAA
Principal and Consulting Actuary

A handwritten signature in blue ink that reads 'Alisa Bennett'.

Alisa Bennett, FSA, EA, FCA, MAAA
Principal and Consulting Actuary

TBG/AB:bcn



DECEMBER 31, 2015
ACTUARIAL VALUATION OF THE HEALTH CARE PLAN
OF
THE CITY OF GREENVILLE

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SCHEDULE A – SUMMARY OF PRINCIPAL RESULTS

Membership as of December 31, 2015		
Active Members		
Law Enforcement Officers		
Number		173
Covered Payroll	\$	9,911,412
Valuation Compensation ⁺	\$	10,416,852
Firefighters		
Number		140
Covered Payroll	\$	7,711,204
Valuation Compensation ⁺	\$	8,080,658
General Employees		
Number		391
Covered Payroll	\$	19,375,770
Valuation Compensation ⁺	\$	20,349,427
Retired Members		
Number		238

⁺ Reported annual compensation adjusted for expected changes during the year.

Valuation Balance Sheet as of December 31, 2015	
Accrued Actuarial Liabilities	
Present Value of Benefits (Based on Credited Service to Date)	
Payable in Respect of:	
(1) Present Retired Members and Beneficiaries	\$ 20,393,841
(2) Present Active Members	23,039,783
(3) Total Accrued Actuarial Liabilities [(1) + (2)]	\$ 43,433,624
Present and Prospective Assets	
(4) Present Assets	\$ 2,828,490
(5) Present Value of Future Accrued Liability Contributions (Unfunded Accrued Liability) [(3) – (4)]	40,605,134
(6) Total Present and Prospective Assets [(4) + (5)]	\$ 43,433,624



**SCHEDULE A – SUMMARY OF PRINCIPAL RESULTS
(CONTINUED)**

The valuation indicates the following recommended employer contribution is required to meet the parameters established under GASB 43 and 45 and corresponds to a contribution required to meet the cost of benefits currently accruing and provide for the amortization of the unfunded actuarial accrued liability over a 26-year period, based on a 7.00% investment rate of return and the assumption payroll will increase by 3.00% annually. The valuation was prepared in accordance with the actuarial assumptions and the actuarial cost method, which are described in Schedule C.

Annual Required Contribution (ARC)		
For Fiscal Year Ending June 30, 2017		
Contribution Component	ARC Dollar Amount	ARC as a Percentage of Valuation Compensation
Normal Cost	\$ 1,279,460	3.29%
Unfunded Accrued Liability Amortization Payment	<u>2,414,637</u>	<u>6.22%</u>
Total Contribution	\$ <u>3,694,097</u>	<u>9.51%</u>



SCHEDULE B – ACCOUNTING INFORMATION

GASB Statement No. 43 and GASB Statement No. 45 set forth certain items of required supplementary information to be disclosed in the financial statements of the City. The following required supplementary information was prepared for illustrative purposes. The City is responsible for the preparation and fair presentation of its financial statements in accordance with U.S. generally accepted accounting principles and is subject to audit to obtain reasonable assurance the financial statements are free from material misstatement.

Annual OPEB Cost and Net OPEB Obligation for Fiscal Year Ending June 30, 2016	
(A) Employer Annual Required Contribution (ARC)*	\$ 3,207,785
(B) Valuation Discount Rate	7.00%
(C) Interest on Net OPEB Obligation [(B) x (I)]	1,459,405
(D) Amortization Factor	17.1876
(E) Adjustment to Annual Required Contribution	1,213,005
(F) Annual OPEB Cost [(A) + (C) - (E)]	\$ 3,454,185
(G) Employer Contributions Made for Fiscal Year Ending June 30, 2016**	3,081,744
(H) Increase (Decrease) in Net OPEB Obligation [(F) - (G)]	\$ 372,441
(I) Net OPEB Obligation Beginning of Fiscal Year	20,848,649
(J) Net OPEB Obligation End of Fiscal Year [(H) + (I)]	\$ 21,221,090

* Based on the ARC from the December 31, 2013 Actuarial Valuation Report. We assumed there have been no changes to the plan, benefit structure or population covered that would require an updated Actuarial Valuation ARC be used.

**The net employer contribution of \$3,081,744 was provided by the City.

Trend Information⁺			
Fiscal Year Ending	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
6/30/2014	\$ 3,356,647	60.0%	\$ 18,843,188
6/30/2015	\$ 3,386,982	40.8%	\$ 20,848,649
6/30/2016	\$ 3,454,185	89.2%	\$ 21,221,090

⁺ Historical information was provided in the City's June 30, 2015 Annual Financial Report.



**SCHEDULE B – ACCOUNTING INFORMATION
(CONTINUED)**

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets [A]	Actuarial Accrued Liability (AAL) [B]	Unfunded AAL (UAAL) [B - A]	Funded Ratio [A / B]	Covered Payroll [C]	UAAL as a Percentage of Covered Payroll [(B - A) / C]
12/31/2007	\$ 0	\$ 48,322,035	\$ 48,322,035	0.0%	\$ 32,836,798	147.2%
12/31/2008	\$ 250,000	\$ 43,474,907	\$ 43,224,907	0.6%	\$ 35,295,193	122.5%
12/31/2009	\$ 542,117	\$ 39,371,279	\$ 38,829,162	1.4%	\$ 37,779,784	102.8%
12/31/2011	\$ 1,137,911	\$ 32,964,864	\$ 31,826,953	3.5%	\$ 37,453,447	85.0%
12/31/2013	\$ 2,257,955	\$ 35,843,760	\$ 33,585,805	6.3%	\$ 36,818,894	91.2%
12/31/2015	\$ 2,828,490	\$ 43,433,624	\$ 40,605,134	6.5%	\$ 36,998,386	109.7%

Note: These measures do not indicate whether or not the Plan would have sufficient assets if it were terminated, nor do they indicate what level of future contributions will be required.

Additional Valuation Information	
Valuation Date	December 31, 2015
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	26 Years
Amortization Factor	16.8162
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Investment Rate of Return*	7.00%
Medical Trend Assumptions	
Pre-Medicare Trend Rate	7.75% - 5.00%
Medicare Trend Rate	5.75% - 5.00%
Year of Ultimate Trend Rate	2022
*Includes Inflation at	3.00%

The assumed investment rate of return reflects the fact that assets are set aside within the City of Greenville that are legally held exclusively for retiree health benefits.



SCHEDULE C – OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS

The actuarial assumptions have been updated based on the most recent NCLGERS experience analysis.

INTEREST RATE: 7.00% per annum, compounded annually.

GENERAL EMPLOYEES: Description and representative values of the annual rates of separation from service are as follows:

DEATHS AFTER RETIREMENT (HEALTHY): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 115% (male) and 79% (female) for ages under 78 and by 135% (male) and 116% (female) for age 78 and older.

Annual Rates of							
Service	Withdrawal		Age	Withdrawal and Vesting*		Disability	
	Male	Female		Male	Female	Male	Female
0	18.5%	20.5%	25	7.5%	10.0%	0.04%	0.05%
1	15.5%	17.5%	30	6.0%	9.0%	0.05%	0.05%
2	13.0%	15.0%	35	4.5%	6.5%	0.05%	0.05%
3	10.5%	12.5%	40	4.0%	5.0%	0.30%	0.20%
4	8.5%	10.5%	45	4.0%	4.5%	0.40%	0.30%
			50	4.0%	4.5%	0.60%	0.35%
			55	4.0%	4.5%	0.80%	0.60%
			60	4.0%	4.5%	0.80%	0.60%
			65				

* These rates apply only after five years of membership in the system.

Annual Rates of Retirement – Males							
Age	5	10	15	20	25	30	35
50				3.0%	7.0%	27.5%	15.0%
55				5.0%	10.0%	25.0%	15.0%
60	10.0%	10.0%	10.0%	10.0%	27.5%	30.0%	25.0%
65	30.0%	30.0%	30.0%	30.0%	35.0%	35.0%	35.0%
70	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
75	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Annual Rates of Retirement – Females							
Age	5	10	15	20	25	30	35
50				4.5%	6.0%	30.0%	20.0%
55				6.0%	8.5%	30.0%	20.0%
60	11.0%	11.0%	11.0%	11.0%	30.0%	35.0%	25.0%
65	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
70	15.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
75	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%



**SCHEDULE C - OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS
(CONTINUED)**

LAW ENFORCEMENT OFFICERS: Description and representative values of the annual rates of separation from service are as follows:

DEATHS AFTER RETIREMENT (HEALTHY): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 104% for males and 100% for females.

Annual Rates of							
Service	Withdrawal		Age	Withdrawal and Vesting*		Disability	
	Male	Female		Male	Female	Male	Female
0	12.0%	12.0%	25	5.00%	5.00%	0.06%	0.25%
1	8.5%	8.5%	30	5.00%	5.00%	0.10%	0.30%
2	8.0%	8.0%	35	4.00%	4.00%	0.20%	0.40%
3	7.5%	7.5%	40	3.00%	3.00%	0.30%	0.50%
4	7.0%	7.0%	45	3.50%	3.50%	0.40%	0.60%
			50	3.50%	3.50%	0.40%	0.70%
			55	3.50%	3.50%	0.40%	0.70%
			60	3.50%	3.50%	0.40%	0.70%
			65				

* These rates apply only after five years of membership in the system.

Annual Rates of Retirement							
Age	5	10	15	20	25	30	35
50			8.0%	8.0%	8.0%	40.0%	40.0%
55	10.0%	32.5%	32.5%	32.5%	32.5%	75.0%	40.0%
60	10.0%	20.0%	20.0%	20.0%	20.0%	22.5%	20.0%
65	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
70	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
75	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%



**SCHEDULE C - OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS
(CONTINUED)**

FIREFIGHTERS: Description and representative values of the annual rates of separation from service are as follows:

DEATHS AFTER RETIREMENT (HEALTHY): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

Annual Rates of							
Service	Withdrawal		Age	Withdrawal and Vesting*		Disability	
	Male	Female		Male	Female	Male	Female
0	13.0%	13.0%	25	3.50%	3.50%	0.10%	0.06%
1	10.5%	10.5%	30	4.00%	4.00%	0.10%	0.09%
2	9.5%	9.5%	35	3.00%	3.00%	0.15%	0.24%
3	8.5%	8.5%	40	2.50%	2.50%	0.40%	0.38%
4	7.5%	7.5%	45	2.50%	2.50%	0.55%	0.48%
			50	2.50%	2.50%	1.00%	0.76%
			55	2.50%	2.50%	1.50%	1.76%
			60	2.50%	2.50%	1.50%	2.76%
			65				

* These rates apply only after five years of membership in the system.

Annual Rates of Retirement							
Age	5	10	15	20	25	30	35
50				2.5%	8.5%	32.5%	32.5%
55	2.5%	2.5%	2.5%	2.5%	13.0%	50.0%	27.5%
60	5.8%	5.8%	5.8%	5.8%	32.5%	32.5%	32.5%
65	32.5%	32.5%	32.5%	32.5%	32.5%	32.5%	32.5%
70	32.5%	32.5%	32.5%	32.5%	32.5%	32.5%	32.5%
75	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%



**SCHEDULE C - OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS
(CONTINUED)**

ALL MEMBERS:

DEATHS BEFORE RETIREMENT: RP-2014 Employee base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

DEATHS AFTER RETIREMENT (BENEFICIARY): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 123% for all ages.

DEATHS AFTER RETIREMENT (DISABLED): RP-2014 Disabled Retiree base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 103% (male) and 99% (female) for all ages.

LEAVE CONVERSION: Creditable service for unreduced retirement from NCLGERS has been increased by one year.

ASSET VALUATION METHOD: Market Value.

ACTUARIAL METHOD: Costs were determined using the Projected Unit Credit Actuarial Cost Method. The annual service cost is the present value of the portion of the projected benefit attributable to participation service during the upcoming year, and the Actuarial Accrued Liability (AAL) is equal to the present value of the portion of the projected benefit attributable to service before the valuation date. Service from hire date through full retirement eligibility date was used in allocating costs.

HEALTH CARE COST TREND RATES: The following chart details trend assumptions for annual health care claims.

Year	Annual Rate of Increase*	
	Under Age 65	Age 65 & Older
2016	7.75%	5.75%
2017	7.00%	5.50%
2018	6.50%	5.25%
2019	6.00%	5.00%
2020	5.50%	5.00%
2021	5.25%	5.00%
2022 & Beyond	5.00%	5.00%

* The \$250 monthly employer contribution towards Medicare Supplement coverage is not assumed to increase with trend.



**SCHEDULE C - OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS
(CONTINUED)**

AGE RELATED MORBIDITY: Per capita costs are adjusted to reflect expected cost changes related to age. The age related increase to the net incurred claims was assumed to be:

Participant Age	Annual Increase
Under 30	0.0%
30 – 34	1.0%
35 – 39	1.5%
40 – 44	2.0%
45 – 49	2.6%
50 – 54	3.3%
55 – 59	3.6%
60 – 64	4.2%
65 and Older	0.0%

ANTICIPATED PLAN PARTICIPATION: Representative values of the assumed annual rates of member participation and spouse coverage are as follows:

Anticipated Plan Participation			
Age at Retirement	Years of Service With Commission at Retirement	Participation: Hired On Or Before July 1, 2011	Participation: Hired After July 1, 2011
Any	5 – 19	20.00%	N/A
Any	20+	100.00%	N/A
55 – 59	20 – 24	100.00%	75.00%
55 – 59	25 or more	100.00%	93.75%
60 or older	20 – 24	100.00%	87.75%
60 or older	25 or more	100.00%	100.00%
Spouse Coverage		15.00%	15.00%

SPOUSE AGE DIFFERENCE: Wives are assumed to be four years younger than husbands.



**SCHEDULE C - OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS
(CONTINUED)**

ANNUAL EXPECTED MEDICAL/PRESCRIPTION DRUGS CLAIMS (AGE ADJUSTED TO AGE 65): The initial per capita costs were based upon adjusted premium rates. The following chart details the annual expected claims for the year following the valuation date:

Annual Expected Claims		
Age Adjusted Claims		
Pre-65		\$ 12,965
Non-Age Adjusted Claims		
Post-65		
	<u>Attained Age</u>	
	65	\$ 3,024
	66-69	\$ 3,323
	70-74	\$ 3,815
	75 & Older	\$ 4,472

BENEFITS VALUED: The benefits listed below were valued for the stated upon duration.

Lifetime Benefits Valued:

- Medical Coverage
- Prescription Drug Coverage
- Life Insurance (for those hired prior to August 15, 1975)



SCHEDULE D – SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS

Eligibility for Allowance A participant must be eligible and approved to receive retirement benefits in accordance with the regulations of the North Carolina Local Governmental Employees Retirement System (NCLGERS) and have worked a minimum of five (5) years with the City if hired before July 1, 2011 or a minimum of twenty (20) years with the City if hired on or after July 1, 2011.

Amount of Allowance For employees hired prior to July 1, 2011, the City will contribute toward the cost of retiree health insurance base plan premiums using the following schedule:

Years of Service at Retirement	Base Plan Contribution Percentage*
20 or more	95% for retiree, 0% for dependents
5 – 19	0% for retiree, 0% for dependents

** Employees who retired prior to 1/1/1993 are provided with a 100% City contribution.*

For employees hired on or after July 1, 2011, the City will contribute toward the cost of retiree health insurance base plan premiums using the following schedule:

Years of Service at Retirement	Base Plan Contribution Percentage For Retirement Age 55-59	Base Plan Contribution Percentage For Retirement Age 60-64
20 to 24	50% for retiree, 0% for dependents	65% for retiree, 0% for dependents
25 or more	75% for retiree, 0% for dependents	95% for retiree, 0% for dependents



**SCHEDULE D – SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS
(CONTINUED)**

The City's contribution percentage is applied to the Core (or base) benefit plan. If the retiree elects the Enhanced benefit plan, the retiree is responsible for paying any additional premium.

Participating retired employees with a minimum of twenty (20) years of service shall have their coverage transferred to a Medicare supplemental plan after qualifying for Medicare. For those hired before July 1, 2011, the City will continue to contribute the same percent as previously described. For those hired on or after July 1, 2011, the City will reimburse \$250 per month toward the cost of the supplemental plan. Retired employees with less than twenty (20) years of service are not eligible to stay on the plan.

Other Post-Employment Benefits

Health care, prescription drugs, and vision benefits are provided in the City's retiree health care plan to retirees under age 65. Medicare eligible retirees hired before July 1, 2011 are provided with a Medicare supplemental plan along with Medicare Part D coverage. Medicare eligible retirees hired on or after July 1, 2011 are reimbursed a flat dollar amount to cover health care expenses.

The City pays 50% of the total premium cost for a retiree life insurance benefit in the amount of \$7,000 for those retirees who were hired prior to August 15, 1975.

Dependent Coverage

The retiree may continue dependent coverage (and pay the full premium for this coverage) if enrolled in dependent coverage at the time of retirement. Dependent coverage terminates upon the spouse becoming eligible for Medicare.

**SCHEDULE D – SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS
(CONTINUED)**

Representative Monthly Retiree
Premium Amounts

The following are the total monthly premiums charged for each tier of coverage for those participating in the City’s health plan.

Tier	Monthly Rate Effective 1/1/2016	
	Core	Enhanced
Employee Only	\$589.45	\$627.37
Employee and Spouse	1,237.83	1,317.47
Employee and Child(ren)	1,208.37	1,286.10
Family	1,767.27	1,880.95

Once a retiree becomes eligible for Medicare, they are provided coverage under Blue Cross Blue Shield Medicare Supplement Plan F. Following are the monthly BCBS Plan F premium rates by attained-age.

Attained-Age Plan F*	Rate as of June 1, 2016
65	\$ 148.00
66-69	173.50
70-74	215.50
75 and above	271.50

*Several retirees eligible for Medicare before June 1, 2010 were grandfathered into other Medicare supplement plans.

In addition to BCBS Medicare Supplement Plan F, Medicare eligible retirees will also have Medicare Part D coverage. Effective January 1, 2016, the cost of coverage is \$107.40 per month.

Retirees hired prior to August 15, 1975 who receive \$7,000 of life insurance pay \$7.14 in premiums per month as of December 31, 2015.