



GRAND BLANC

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CHARTER TOWNSHIP OF GRAND BLANC
DEFINED BENEFIT RETIREE HEALTHCARE PLAN
SUMMARY ANNUAL REPORT
DECEMBER 31, 2016

The Charter Township of Grand Blanc provides retiree healthcare benefits to eligible employees and their spouses. Benefits are provided to all full-time employees once eligibility requirements are met (ranging from 20 to 25 years of service depending upon the contract or collective bargaining agreement covering their employment with the Township). Currently, the plan has 107 members, including 76 employees in active service and 31 retired employees with their beneficiaries currently receiving benefits. The plan is administered by Michigan Municipal Employees Retirement System (MERS) with assets invested in their retiree health funding vehicle (RHFV). MERS manages the Township's assets and has assumed fiduciary responsibility.

There are no provisions in the plan for employee contributions. The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). However, the Township has made contributions to advance-fund these benefits, as determined by the Township Board through annual budget resolutions.

An actuarial valuation is performed every three years to determine the appropriate level of contributions to properly fund the pension system. For the year ended December 31, 2016, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2014. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following is a summary of the financial position and provisions of the plan:

Investment Fiduciary:	MERS of Michigan
Service Providers:	MERS of Michigan Rodwan Consulting Services (actuary)

Statement of Fiduciary Net Position

Balance at December 31, 2015	\$5,219,000
<u>Additions</u>	
Contributions:	
Employer – Payments of current premiums	708,395
Employer – Advance funding	811,826
Employee	0
Net Investment Income	<u>587,660</u>
Total Additions	2,107,881
<u>Deductions</u>	
Benefit Payments	708,395
Administrative expenses	<u>11,486</u>
Total Deductions	719,881
Net Changes	1,388,000
Balance at December 31, 2016	\$6,607,000

System Expenses:

Administration	0.25%
Investment Management (varies by asset class)	0.05% to 0.31%

The system's administrative and investment management expenses are paid to MERS, the system's administrator and investment fiduciary. There were no professional development or travel expenses incurred. There is not an itemized budget prepared for the system, however, the employer contributions are included in the Township's General Fund operating budget.

Schedule of Funding Progress

Valuation Date December 31	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
2008	\$13,175,632	\$2,028,960	15.4%	\$11,146,672
2011	12,852,353	3,335,965	26.0%	9,516,388
2014	34,779,739	4,601,228	13.2%	30,178,511

The significant increase in the actuarial accrued liability from December 31, 2011 to December 31, 2014 is due to a change in the actuarial assumptions used in the preparation of the actuarial valuation. The change in assumptions used included a decrease in the investment rate of return as well as an increase in retiree medical insurance premiums.

Investment Performance (net of fees):

The funds have been invested with the MERS RHFV plan since March of 2016. The year to date rate of return through December 31, 2016 was 11.28%.

Actuarial Valuation Information:

Number of active members	76
Number of retirees and beneficiaries	<u>31</u>
Total Participants	107
Average annual retirement allowance	\$19,847
Total annual retirement allowances paid	\$615,249
Valuation payroll for active employees	\$4,195,319
Employers normal cost of benefits (expressed as a percentage of valuation payroll)	29.40%
Employers total contribution rate (expressed as a percentage of valuation payroll)	56.88%
Weighted average of member contributions	0.00%
Actuarial assumed rate of investment return	5.00%
Actuarial assumed rate of long-term wage inflation	2.00%
Actuarial assumed rate of medical care inflation	4.00%
Smoothing method utilized to determine the funding value of assets	Smoothed market value of assets over 5 years
Amortization method and period utilized for funding the system's unfunded actuarial accrued liabilities	30 years *
Actuarial cost method	Entry Age Normal Cost
System membership status	Open

*Note: The amortization period will decrease 1 year in each subsequent year.