



**GRAND BLANC**  

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CHARTER TOWNSHIP OF GRAND BLANC  
DEFINED BENEFIT RETIREE HEALTHCARE PLAN  
SUMMARY ANNUAL REPORT  
DECEMBER 31, 2017

The Charter Township of Grand Blanc provides retiree healthcare benefits to eligible employees and their spouses. Benefits are provided to 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). The plan is closed to new hires as of July 31, 2017. Currently, the plan has 113 members, including 80 employees in active service and 33 retired employees and beneficiaries currently receiving benefits. The plan is administered by Grand Blanc Township with assets restricted for post-employment health benefits invested in Michigan Municipal Employees Retirement System (MERS) 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, 2017, 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:

<b>Investment Fiduciary:</b>	MERS of Michigan
<b>Service Providers:</b>	MERS of Michigan Rodwan Consulting Services (actuary)

## Statement of Fiduciary Net Position

<b>Balance at December 31, 2016</b>	\$6,607,000
<b><u>Additions</u></b>	
Contributions:	
Employer – Payments of current premiums	583,663
Employer – Advance funding	1,575,405
Employee	0
Net Investment Income	<u>851,857</u>
<b>Total Additions</b>	<b>3,010,925</b>
<b><u>Deductions</u></b>	
Benefit Payments	583,663
Administrative expenses	<u>16,838</u>
<b>Total Deductions</b>	<b>600,501</b>
<b>Net Changes</b>	<b>2,410,424</b>
<b>Balance at December 31, 2017</b>	<b>\$9,017,424</b>

### System Expenses:

Administration	0.20%
Investment Management (varies by asset class)	0.05% to 0.28%

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, 2017 was 12.89%.

**Actuarial Valuation Information:**

The latest actuarial valuation was performed as of December 31, 2014.

Number of active members	80
Number of retirees and beneficiaries	<u>33</u>
Total Participants	113
Average annual retirement allowance	\$17,687
Total annual retirement allowances paid	\$583,663
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)	56.86%
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	Closed

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