



CITY OF TROY

***RETIREMENT AND RETIREE HEALTHCARE
PLANS***

Discussion Topics

- ***Plan Descriptions***
 - *Employee Retirement System - Defined Benefit Plan*
 - *Retiree Healthcare Trust – Defined Benefit Plan*
 - *Volunteer Fire Incentive Plan – Defined Benefit Plan*
 - *City of Troy Defined Contribution 401A Plan*
 - *City of Troy Retirement Savings Plan – Defined Contribution*
- ***Actuary Basics***
- ***How We Compare To Other Systems***

Employee Retirement System

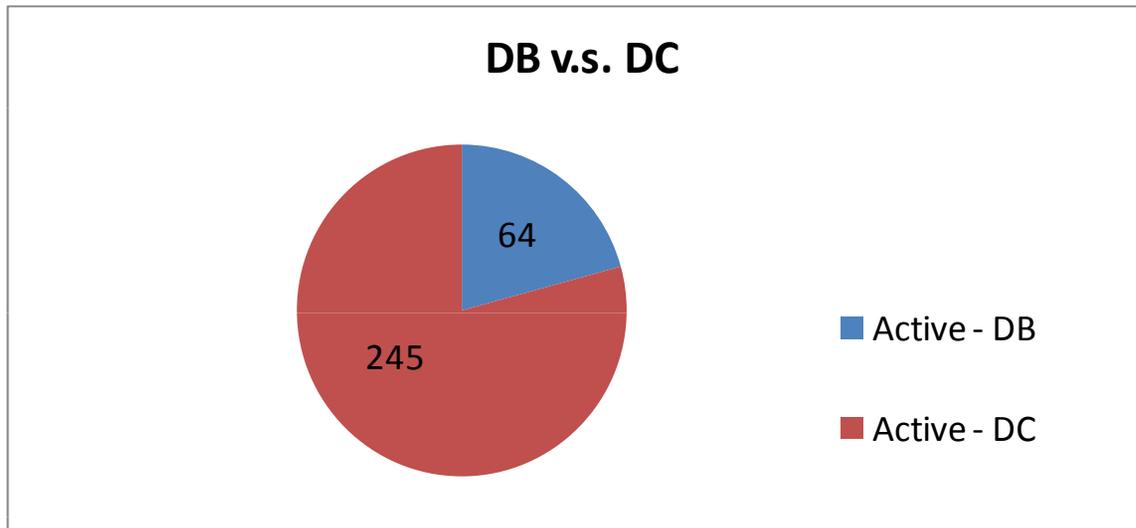


Employee Retirement System

- Single employer system.
- Provides pension benefits based on credited service time and average compensation.
- Employees required to contribute 1.5 to 4.5 % of payroll.
- City required to contribute actuarial determined amount.
- Normal retirement age is 65 with 10 YOS with provisions for early and late retirement.
- System phased in closing to new members starting in 1997.

Employee Retirement System

- Membership at December 31, 2012
 - Retirees/Beneficiaries 322
 - Vested Terminated 11
 - Active Employees 64
 - Total Members 397



Employee Retirement System

Schedule of Funding Progress
Employee Retirement System Trust Fund
(amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
12/31/2007	\$ 132,917	\$ 123,162	\$ (2,111)	101.7%	\$ 11,046	64.4%
12/31/2008	128,249	126,138	7,054	94.9%	10,953	55.6%
12/31/2009	132,465	139,519	5,832	95.8%	10,483	65.1%
12/31/2010	133,400	139,232	5,832	95.8%	8,959	65.1%
12/31/2011	145,523	153,564	8,041	94.8%	5,428	148.1%
12/31/2012	147,568	153,045	5,477	96.4%	5,069	108.0%

Employee Retirement System

Schedule of Employer Contributions
Employee Retirement System Trust Fund
(amounts in thousands)

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
✓ 2008	\$ 273	100.0%
✓ 2009	428	100.0%
✓ 2010	1,361	100.0%
✓ 2011	2,484	100.0%
✓ 2012	2,195	100.0%
✓ 2013	1,884	100.0%

Employee Retirement System

Fiscal Year June 30,	Normal Cost	Legacy Cost	City Cost
2013	\$ 878,019	\$ 1,005,511	\$ 1,883,530
2014	860,468	985,412	1,845,880
2015	762,461	688,737	1,451,198

- Legacy Cost Definition – Amount to fund for past services performed by either active or retired members.
- The normal cost for a City employee is 16.9% of eligible wages.
- Amortized over 10-12 year period.

Retiree Healthcare Trust



Retiree Healthcare Trust

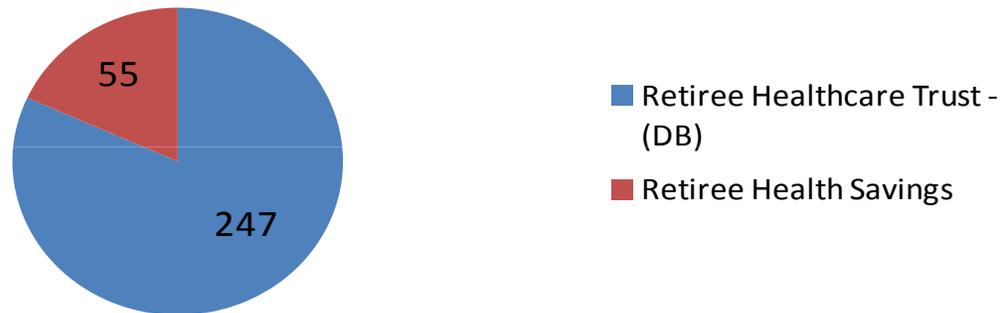
- Single employer system.
- Provides healthcare benefits based on credited service time.
- Employees are not required to contribute if service time greater than 25 years (4% per year). If under 25 years of service time, the greater of 4% per year or \$400 per month.
- City is not required to contribute actuarial determined amount, but is a best business practice.
- System phased in closing to new hires beginning in 2006.

Retiree Healthcare Trust

- Membership at December 31, 2012

– Retirees/Beneficiaries	324
– Active Employees	<u>247</u>
Total Members	<u>571</u>

Retiree Healthcare Trust v.s. Retiree Health Savings Plan



Retiree Healthcare Trust

Schedule of Funding Progress
 Retiree Health Care Trust Fund
(amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
12/31/2008	\$ 38,094	\$ 91,966	\$ 53,872	41.4%	\$ 31,168	172.8%
12/31/2010	60,360	89,952	29,592	67.1%	25,951	114.0%
12/31/2012	59,131	99,956	40,825	59.2%	21,431	190.5%

Retiree Healthcare Trust

Retiree Health Care Trust Fund *(amounts in thousands)*

Year Ended December 31,	Annual Required Contributions	Percentage Contributed
2009	\$ 3,759	97.1%
2010	3,698	102.9%
2011	3,209	100.0%
2012	3,773	117.4%
2013	3,855	126.9%

Retiree Healthcare Trust

Fiscal Year June 30,	Normal Cost	Legacy Cost	City Cost
2013	\$ 1,336,405	\$ 2,518,116	\$ 3,854,521
2014	1,181,698	3,428,637	4,610,335
2015	1,193,513	3,462,919	4,656,432

- Normal cost represents 5.2% of eligible wages

Volunteer Fire Incentive Plan



Volunteer Fire Incentive Plan

- Single employer system.
- Provides length of service incentives to Volunteer Firefighters at predetermined rate (Currently \$605 per year of service, 2014 Budget \$642).
- No contributions required by firefighters.
- City not required to contribute actuarial determined amount, but best business practice.
- Normal vesting age is 55 with 10 YOS, age 50 with 25 YOS, any age with 30 YOS.
- Membership at December 31, 2012
 - Retirees/Beneficiaries 80
 - Vested Terminated 24
 - Active Volunteers 140

Volunteer Fire Incentive Plan

Schedule of Funding Progress
 Discretionary Fire Incentive Reserve Fund
 (amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)
12/31/2007*	\$ 6,413	\$ 13,240	\$ 6,827	48.4%
12/31/2008*	6,273	13,038	6,765	48.1%
12/31/2009	5,325	12,625	7,300	42.2%
12/31/2010	5,710	12,925	7,215	44.2%
12/31/2011	6,357	13,476	7,119	47.2%
12/31/2012	5,983	13,115	7,132	45.6%

Volunteer Fire Incentive Plan

Schedule of Employer Contributions
Discretionary Fire Incentive Reserve Fund
(amounts in thousands)

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
✓ 2008	\$ 800	100.0%
✓ 2009	885	100.0%
✓ 2010	864	100.0%
✓ 2011	874	100.0%
✓ 2012	873	100.0%
✓ 2013	868	100.0%

Volunteer Fire Incentive Plan

Fiscal Year June 30,	Normal Cost	Legacy Cost	City Cost
2013	\$ 302,599	\$ 565,475	\$ 868,074
2014	296,173	562,299	858,472
2015	287,010	556,862	843,872
* Financed open over 25 years			

- Significantly Underfunded
- Unable to Invest on Typical benefit platform (i.e. stocks, mutual funds, etc.) due to P.A 20. as this plan is not a trust and is subject to City creditors or Council termination.
- Need to reconsider assumptions used by actuary.
- Currently reviewing plan with Incentive Committee to Transfer to Trust.

City Defined Contribution 401A Plan



Defined Contribution 401A

- Mandatory phase in for new hires after 1997
- Employee contributions range between 3 to 6 percent of wages depending on union.
- Employer contributions range between 8 to 13 percent of wages depending on union.
- At June 30, 2013:
 - 245 employees in system
 - Covered payroll was \$15.1 million
 - Employee contributions were \$0.692 million (4.5%)
 - Employer contributions were \$1.6 million (10.7%)
- Vesting 50% after 3 years, 75% after 4 years, 100% after 5 years.

Retiree Health Savings Account



Retiree Health Savings Account

- Mandatory phase in for new hires after 2006
- Employee contributions are 2 percent of wages.
- Employer contributions are 4 percent of wages.
- At June 30, 2013:
 - 55 employees in system
 - Covered payroll was \$2.6 million
 - Employee contributions were \$52 thousand (2%)
 - Employer contributions were \$106 thousand (4%)
- Vesting 50% after 3 years, 75% after 4 years, 100% after 5 years.

Summary of City Costs All Plans



Summary Cost All Plans

				Total
Fiscal Year		Normal	Legacy	City
June 30, 2013		Cost	Cost	Cost
Employee Retirement System	\$	878,019	\$ 1,005,511	\$ 1,883,530
Retiree Healthcare System		1,336,405	2,518,116	3,854,521
Volunteer Fire Incentive Program		302,599	565,475	868,074
Defined Contribution 401A		1,627,579	-	1,627,579
Retiree Health Savings Account		105,610	-	105,610
Total	\$	4,250,212	\$ 4,089,102	\$ 8,339,314

- Total Normal Cost Less VFIP compared to total salaries of \$27,168 million is 15.6%

Actuary Presentation



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"We've gone from being in the red, to black, to taupe.
Accounting is looking into it."

Comparisons



Troy ERS Comparisons

Employee Retirement System					Detroit	
	Troy	MAPERS	MERS	MI	General	Police
Assumed Rate of Return	6.50%	7.50%	8.0%	8.0%	7.90%	8.0%
Funding Ratio	96.40%	78.20%	72.60%	65.50%	82.80%	99.90%
Retiree Healthcare					Detroit	
	Troy	Novi	Southfield	MI	General	Police
Assumed Rate of Return	6.5%	8.0%	6.0%	4.0%	N/A	N/A
Funding Ratio	59.00%	61.40%	14.2-28.8%	0-10.5%	0.00%	0.00%
	Royal Oak	Sterling Hts	Birmingham			
Assumed Rate of Return	4.3%	8.0%	7.0%			
Funding Ratio	4.10%	21.70%	25.50%			

Conclusion: Although the City of Troy does have a component of legacy costs, it has experienced significant success in reducing liabilities and budgeting for continued required contributions to reduce legacy costs in the future.

Questions?