

NOTICE OF SPECIAL MEETING

Retiree Health Care Benefits Plan & Trust Board

Wednesday, December 12, 2012 at 2:30 PM

Conference Room C

Be advised that the Retiree Health Care Benefits Plan & Trust Board will hold a Special Meeting on Wednesday, December 12, 2012 at 2:30 PM in Conference Room C at Troy City Hall, 500 W. Big Beaver, Troy, Michigan, (248) 524-3300.

This notice is hereby posted as required by Section 4 of the Open Meetings Act, (MCLA 15.261 et seq.).

Thomas Darling,
Director of Financial Services,
Pension Administrator

Posted: November 15, 2012

NOTICE: People with disabilities needing accommodations for effective participation in this meeting should contact the City Clerk (248) 524-3317 at least two working days in advance of the meeting. An attempt will be made to make reasonable accommodations.



Agenda

Retiree Healthcare Benefits Plan & Trust Board Meeting

December 12, 2012 at 2:30 PM
Conference Room C

Troy City Hall
500 West Big Beaver
Troy, Michigan 48084
(248) 524-3330

ROLL CALL

ABSENT MEMBERS

MINUTES FROM THE OCTOBER 10, 2012 MEETING

INVESTMENTS

OTHER BUSINESS

Meeting dates for 2013
Review of Fiscal Year End Report 6/30/12
Review of Investment Manager Search

PUBLIC COMMENT

ADJOURN

A special meeting of the Retiree Health Care Benefits Plan & Trust Board of Trustees was held on Wednesday, October 10, 2012, at Troy City Hall, 500 W. Big Beaver Road, Troy, MI 48084.

The meeting was called to order at 2:25 p.m.

Trustees Present: Mark Calice
Milton Stansbury
Michael Culpepper
Dave Henderson
Thomas Darling, CPA
Steve Pallotta
William R. Need (Ex-Officio)

Trustees Absent: Thomas J. Gordon, II

Also Present: Justin Breyer

Minutes

Resolution # ER – 2012-10-4

Moved by Stansbury
Seconded by Pallotta

RESOLVED, That the Minutes of the April 11, 2012 meeting be approved.

Yeas: 6
Absent: Gordon II

Resolution # ER – 2012-10-5

Moved by Pallotta
Seconded by Stansbury

RESOLVED, That the Minutes of the July 11, 2012 meeting be approved.

Yeas: 6
Absent: Gordon II

Resolution # ER – 2012-10-6

Moved by Stansbury
Seconded by Pallotta

RESOLVED, That the Minutes of the August 22, 2012 special meeting be approved.

Yeas: 6
Absent: Gordon II

Other Business – Draft RFI for Investment Consultant

The Board reviewed the Draft RFI for an Investment Consultant as presented by Tom Darling.

Resolution # ER – 2012-10-7

Moved by Darling

Seconded by Stansbury

Resolved, That the Board hereby accepts and authorizes the Pension Administrator to issue the RFI for Investment Consultant as presented with modifications to section B.4. In addition, the Board authorizes the System Administrator to extend the due date of responses as appropriate.

Yeas: 6

Absent: Gordon II

Public Comment

None

The meeting adjourned at 2:29 p.m.

Employee's Retirement System



Employees' Retirement System Meeting Dates for 2013:

Meetings take place at 12:00pm in City Hall, 500 W. Big Beaver Road, Conference Room C

- Wednesday, January 9th, 2013
- Wednesday, February 13th, 2013
- Wednesday, March 13th, 2013
- Wednesday, April 10th, 2013
- Wednesday, May 8th, 2013
- Wednesday, June 12th, 2013
- Wednesday, July 10th, 2013
- Wednesday, August 14th, 2013
- Wednesday, September 11th, 2013
- Wednesday, October 9th, 2013
- Wednesday, November 13th, 2013
- Wednesday, December 11th, 2013

Retiree Healthcare Benefits Plan & Trust Meeting Dates for 2013:

Meetings take place at 1:00pm in City Hall, 500 W. Big Beaver Road, Conference Room C

- Wednesday, January 9th, 2013
- Wednesday, April 10th, 2013
- Wednesday, July 10th, 2013
- Wednesday, October 9th, 2013

Retiree Health
Care Trust Fund



Year Ended
June 30, 2012

Excerpts from the
City's
Comprehensive
Annual Financial
Report

Board of Trustees

Chairman
Vice Chairman
System Administrator
Trustees

Mark A. Calice
Thomas J. Gordon II (DB)
Thomas E. Darling, CPA
Dave Henderson (Council)
Michael Culpepper (Acting City Mgr.)
Steven Pallotta (DC)
William R. Need (DB Retiree)
Milt Stansbury

Prepared by:
The Department of Financial Services
City of Troy, Michigan

CITY OF TROY, MICHIGAN

Combining Statement of Net Position

Retiree Health Care Trust Fund

June 30, 2012

	Retiree Health Care Trust Fund
Assets	
Cash	\$ 5,851,852
Interest receivable	-
Investments	
U.S. government securities	-
Corporate bonds	-
Corporate equities, preferred	-
Corporate equities, common	-
Mutual funds	22,023,169
Municipal bonds	-
Total assets	<u>27,875,021</u>
Liabilities	
Accounts payable	-
Net position	
Held in trust for pension benefits	-
Held in trust for postemployment healthcare benefits	<u>27,875,021</u>
Total net position	<u><u>\$ 27,875,021</u></u>

CITY OF TROY, MICHIGAN

Combining Statement of Changes in Net Position

Retiree Health Care Trust Fund
For the Year Ended June 30, 2012

	Retiree Health Care Trust Fund
Additions	
Contributions	
Employer contributions	\$ 3,349,151
Employee contributions	-
Total contributions	<u>3,349,151</u>
Investment income	
Interest	266,886
Dividends	-
Net adjustment in fair value of investments	<u>(544,322)</u>
Total investment earnings	<u>(277,436)</u>
Total additions	<u>3,071,715</u>
Deductions	
Benefits	-
Administrative expenses	<u>-</u>
Total deductions	<u>-</u>
Change in net position	<u>3,071,715</u>
Net position held in trust, beginning of year for	
Pension benefits	-
Postemployment healthcare benefits	<u>24,803,306</u>
Total net position held in trust, beginning of year	<u>24,803,306</u>
Net position held in trust, end of year for	
Pension benefits	-
Postemployment healthcare benefits	<u>27,875,021</u>
Total net position held in trust, end of year	<u><u>\$ 27,875,021</u></u>

CITY OF TROY, MICHIGAN

Notes to Financial Statements

15. RETIREE HEALTH CARE TRUST FUND

Plan Description

The City provides certain healthcare benefits for retired employees in accordance with the bargaining group agreements and other requirements. Substantially all of the City's full-time employees may become eligible for those benefits if they reach normal retirement age while working for the City. The City's contribution for healthcare benefits is accounted for in the Retiree Health Care Trust Fund. The employer's contribution of \$3,349,151 represented the required contribution of \$2,787,081 or 13.81% of covered payroll totaling \$20,181,615. During the current year, healthcare benefits paid for 335 retirees totaled \$3,893,023, which was paid out of the Employees Retirement System. It should be noted that although healthcare benefits are paid out of another fund, they do not qualify as required contributions, as healthcare assets in the Employees Retirement System are considered when actuarially determining required contributions. Future payments will be made by the Employees Retirement System until the reserves that have accumulated there are exhausted.

This is a single employee defined benefit plan administered by the City. The Plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions.

Funding Policy

For current employees not covered by the Retiree Health Savings Account Plan, the City includes retirees and their spouses in its healthcare plan, with no contribution required by participants if they retire with 25 or more years of service. If under 25 years of service, the City contributes 4% per year of service, or \$400 per month, whichever is greater.

Funding Progress

For the year ended June 30, 2012, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2010. 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 costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution	\$ 2,787,081
Interest on net OPEB asset - 6.5%	(18,277)
Adjustment to annual required contribution	<u>21,373</u>
Annual OPEB cost (expense)	2,790,177
Contributions made	<u>(3,271,118)</u>
(Increase) in net OPEB asset	(480,941)
Net OPEB (asset), beginning of year	<u>(281,188)</u>
Net OPEB (asset), end of year	<u>\$ (762,129)</u>

CITY OF TROY, MICHIGAN

Notes to Financial Statements

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows (dollar amounts in thousands):

Three-Year Trend Information			
Fiscal Year Ended June 30,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
2010	\$ 3,698	103%	\$ 52
2011	3,546	100%	(281)
2012	2,790	117%	(762)

Actuarial Methods and Assumptions

In the December 31, 2010 actuarial valuation, the individual entry age normal actuarial cost method was used. The actuarial assumptions include an assumed rate of return of 6.5% and projected salary increases of 3.5%-8.0%. An annual healthcare cost trend of 8.25% was used in fiscal year 2012 decreasing to 3.5% by 2020. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percent of payroll on a closed basis. The remaining amortization period as of December 31, 2010 was 28 years.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of the benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Funded Status and Funding Progress. As of December 31, 2010, the most recent actuarial valuation date, the Plan was 67 percent funded. The actuarial accrued liability for benefits was \$89,952,000, and the actuarial value of assets was \$60,360,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$29,592,000. The covered payroll (annual payroll for active employee covered by the Plan) was \$25,951,000 and the ratio for the UAAL to the covered payroll was 114%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

CITY OF TROY, MICHIGAN

Required Supplementary Information

Other Postemployment Benefits

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)
12/31/2006	\$ 43,983	\$ 78,901	\$ 34,918	55.7%	\$ 31,038	112.5%
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%

* Actuarial valuations on the Retiree Health Care Trust Fund are required on a bi-annual basis

Schedule of Employer Contributions
Retiree Health Care Trust Fund
(amounts in thousands)

Year Ended December 31,	Annual Required Contributions	Percentage Contributed
2008	\$ 2,923	100.0%
2009	3,759	97.1%
2010	3,698	102.9%
2011	3,209	100.0%
2012	2,787	117.4%