Municipal OPEB Case Study

City Kentwood

Summary: In 2003, the city began a 10-year plan to fully fund its OPEB liability. The city made their ARC payment every year. For fiscal years 2015 and 2016, no employer contributions were made to the plan. As of June 30, 2016, the actuarial valuation of assets was $2,750,993.

Fast Fact: 16 retirees and beneficiaries are receiving benefits.

OPEB Funding Data:

Year	2006	2009	2012	2014
Funded %	**59.1%**	**81%**	**113.3%**	**138%**

	2006	2008	2010	2012	2013	2014	2015	2016
ARC	$332k	$132k	$178k	$82k	$37k	$23k	-0-	-0-
Actual	$332k	$132k	$178k	$82k	$37k	$23k	-0-	-0-

Explanation: In July 2016, the city settled the liability for 141 participants that totaled $1,033,655. Included were firefighters, general employees, and non-union employees. Those participants were enrolled into a Health Reimbursement Account (HRA). The city anticipates discussing this option with the two remaining employee groups.

Take-Away Lesson: Having a plan to fully fund the OPEB liability is critical.

Municipal OPEB Case Study

City of Novi

Summary: The city contributed more than its annual actuarially determined contributions each year. The city's Retiree Health Care Benefits Trust Fund has a net position of $24,429,653 as of June 30, 2016, which is 94.6% of the actuarial accrued liability of $25,811,118 as of June 30, 2015.

Fast Fact: The city has 93 eligible retirees, of whom 72 are receiving benefits.

OPEB Funding Data (in $millions):

Year	2007	2009	2011	2013	2015
Value of Assets	$7.99	$9.09	$14.92	$19.29	$24.37
AAL	$18.83	$19.94	$24.31	$23.19	$25.81
UAAL	$10.84	$10.85	$9.39	$3.90	$1.44
Funded Ratio	42.5%	45.6%	61.4%	83.2%	94.4%

FY	2010	2011	2012	2013	2014	2015
ARC	$1.43	$1.50	$1.50	$1.40	$1.39	$0.09
% Contributed	108.6%	105.8%	106.6%	116.9%	108.9%	114.9%

Explanation: The city began prefunding OPEB in 1994 by establishing the Retiree Health Care Benefits Fund. Retirees in the retiree healthcare benefits plan are required to pay 20% of annual premiums. The plan was closed to all administrative and general services (MAPE) employees in 2006, firefighter employees in 2009, dispatchers and police clerks in 2011, and police officers in 2012. New employees in these employee groups are instead enrolled into an individual retiree healthcare savings account.

Take-Away Lesson: In addition to prefunding OPEB benefits, city officials worked with employee groups to move from a defined health insurance retirement benefit to defined contribution health savings account for new employees and to require employee copays for premiums.

Municipal OPEB Case Study

City of Sterling Heights

Summary: The city made their annual actuarially determined contributions each year. The 2016 Actuarial Valuation Report indicated that the funding level is now at 49% with $93,227,582 in assets held in trust for retiree benefits.

Fast Fact: The city has 605 retirees and beneficiaries as of December 2016.

OPEB Funding Data:

Year	2008	2010	2012	2014	2016
Funded %	10.8%	21.7%	29.1%	43%	49%

	2011	2012	2013	2014	2015	2016
ARC	$12M	$11.5M	$11.9M	$12.1M	$12.3M	$11.5
Actual	$12M	$11.5M	$11.9M	$12.1M	$12.3M	$12.5M

Explanation: The city began prefunding OPEB in 1989 by establishing the Retiree Medical Benefits Trust Fund.

Take-Away Lesson: In addition to prefunding OPEB benefits, city officials worked with employees to negotiate legacy reforms, employee copays, and the elimination of the health insurance retirement benefit for all new hires. Benefit payments during FY 2015-16 totaled $8,505,260.