



**GASB Statements No. 43 and No. 45
City of Port Huron**

as of June 30, 2015

Report Prepared November 6, 2015

The information provided herein is the confidential and proprietary work product of CBIZ and cannot be disclosed, copied or distributed to outside third parties without the prior written consent of CBIZ. This information can be expressly used only for the intended purpose and recipient.



City of Port Huron

GASB Statements No. 43 and No. 45

Table of Contents

Section 1:	Actuarial Certification	Page 1
Section 2:	GASB 45 Financial Statement Information	
	Summary of Assets	2
	Annual Required Contribution	3
	Annual OPEB Cost	4
	Funded Status	5
	Schedule of Funding Progress	6
	Projected Retiree Benefit Payments	7
Section 3:	Plan Provisions and Participant Data	8
	Actuarial Methods and Assumptions	10
Section 4:	Definitions	13



City of Port Huron GASB Statements No. 43 and No. 45

Actuarial Certification

I, Frank T. Vedegys, am a consulting actuary associated with the firm CBIZ Benefits & Insurance Services, Inc. I am a member of the American Academy of Actuaries and meet its qualification standards to provide statements of actuarial opinion for OPEB valuations. I have completed an actuarial valuation of the Other Postemployment Benefits for the City of Port Huron as of June 30, 2015. This report contains the results of the valuation.

To the best of my knowledge, the information supplied in this report is complete and accurate. In my opinion, the methods and assumptions used in the valuation comply with the Governmental Accounting Standards Board Statement 45, “*Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*”. The assumptions are related reasonably to the past experience of the Plan, and they represent my best estimate of anticipated experience under the Plan. Nevertheless, the actual costs of the plan in the future will differ from the results of the valuation, as the emerging experience varies from the assumptions projected in the valuation.

I have relied on the City of Port Huron for the accuracy and completeness of the benefit plans, premium rates, contributions, and the employee census. While I have not audited the data, I have reviewed it for reasonableness and consistency. A summary of my understanding of the plan features is provided in this report.

This report has been prepared for the use and benefit of the City in assessing the effect of GASB Statement No. 45 on accounting for post-employment benefits other than pensions. It should not be relied upon for other purposes, and it is not intended to benefit any other party. It may be shared in its entirety with all auditors and the general public.

Neither CBIZ nor any of the employees working on this engagement has any relationship with the City of Port Huron that may impair, or appear to impair, the independence and objectivity of our work.

This actuarial valuation was prepared in accordance with the applicable Statements of the Governmental Accounting Standards Board and the Actuarial Standards of Practice issued by the American Academy of Actuaries.

Frank T. Vedegys, FSA, MAAA

11/6/2015

Date





City of Port Huron GASB Statements No. 43 and No. 45

Summary of Assets

Development of the July 1, 2015 Irrevocable OPEB Trust Balance

		Fair Value
Balance as of July 1, 2014	\$	13,195,262
Employer Contributions		840,312
Investment Income (Expense)		431,552
Total Additions	\$	1,271,864
Benefit Payments		-
Expenses		(26,116)
Total Deductions	\$	(26,116)
Net Change	\$	1,245,748
Balance as of June 30, 2015	\$	14,441,011
Money-Weighted Rate of Return		3.17%



City of Port Huron GASB Statements No. 43 and No. 45

Annual Required Contributions

The City of Port Huron can contribute the Annual Required Contribution (ARC), an amount actuarially determined according to the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the Normal Cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The ARC will be used by the auditor to construct a historical Schedule of Employer Contributions for the City's financial statement notes. Although there is no requirement to actually contribute the ARC or any other amount, the auditor and/or rating agencies will consider the City's plan of action to address the unfunded liabilities when assessing the overall creditworthiness of the City.

Contributions for Fiscal Year Ending June 30, 2016

<u>Normal Cost Component</u>	McMorran		Total
	City	Place	
Normal Cost	\$241,378	\$0	\$241,378
Interest	18,103	0	18,103
Total Normal Cost at End of Year	\$259,481	\$0	\$259,481
<u>Amortization Component</u>			
Actuarial Accrued Liability	\$51,550,977	\$1,166,122	\$52,717,099
Less Assets	14,441,011	0	14,441,011
Unfunded Actuarial Accrued Liability	\$37,109,966	\$1,166,122	\$38,276,088
Amortization Factor	16.41502	16.41502	16.41502
Amortization Payment	\$2,260,732	\$71,040	\$2,331,772
Interest on Amortization Payment	169,555	5,328	174,883
Total Amortization Payment at End of Year	\$2,430,287	\$76,368	\$2,506,655
Annual Required Contribution	\$2,689,768	\$76,368	\$2,766,136



City of Port Huron GASB Statements No. 43 and No. 45

Annual OPEB Cost

The City of Port Huron's Net Other Post Employment Benefit Obligation is calculated based on the Annual Required Contribution of the employer (ARC), an amount actuarially determined according to the parameters of GASB Statement 45. The following table shows the components of the City's Annual OPEB Expense for the year, the benefit payments and employer contributions to the plan, and changes in the City's Net OPEB Obligation to the Employee Benefit Plan.

Annual OPEB Cost and Net OPEB Obligation (Excluding McMorran Place)

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
1. Net OPEB Obligation as of beginning of year	(\$146,341)	\$0	\$0
2. Annual Required Contribution	2,701,445	2,689,768	3,413,907
3. Interest on Net OPEB Obligation to end of year	(10,976)	0	0
4. Adjustment to Annual Required Contribution	9,584	0	0
5. Annual OPEB Expense : 2 + 3 + 4	<u>\$2,700,053</u>	<u>\$2,689,768</u>	<u>\$3,413,907</u>
6. Benefit Payments*	(2,940,201)	(2,836,109)	(3,166,110)
7. Contributions to Irrevocable Trust*	<u>0</u>	<u>0</u>	<u>(247,797)</u>
8. Change in Net OPEB Obligation : 5 + 6 + 7	(\$240,148)	(\$146,341)	\$0
9. Net OPEB Obligation at end of year	<u>(\$386,490)</u>	<u>(\$146,341)</u>	<u>\$0</u>

**6/30/2016 and 6/30/2017 amounts are estimated. TBD at Fiscal Year End*

Annual OPEB Expense, % of Annual OPEB Expense contributed to the Employee Benefit

<u>Fiscal Year Ended</u>	<u>Annual OPEB Expense</u>	<u>Annual OPEB Contribution</u>	<u>Percent Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/2017	\$2,700,053	\$2,940,201	109%	(\$386,490)
6/30/2016	2,689,768	2,836,109	105%	(146,341)
6/30/2015	3,413,907	3,413,907	100%	0
6/30/2014	3,266,897	3,266,897	100%	0
6/30/2013	3,701,740	3,701,740	100%	0
6/30/2012	3,583,611	3,583,611	100%	0



City of Port Huron GASB Statements No. 43 and No. 45

Funded Status

Actuarial valuations involve estimates of the value of reported amounts, as well as assumptions about the probability of events in the future. The valuation is based on the substantive plan as of the valuation date. The funded status of the plan and the Annual Required Contributions are subject to continual revision as actual results tabulated at the end of the year are compared to past expectations, and as new projections are made about the future.

City (Excluding McMorran Place)

1. Present Value of Benefits as of June 30, 2015	\$53,212,465
2. Actuarial Accrued Liability as of June 30, 2015	\$51,550,977
3. Actuarial Value of Plan Assets as of June 30, 2015	\$14,441,011
4. Unfunded Actuarial Accrued Liability	\$37,109,966
funding shortfall or (excess) : (2) - (3)	
5. Funded Ratio : (3) / (2)	28.0%

McMorran Place

1. Present Value of Benefits as of June 30, 2015	\$1,166,122
2. Actuarial Accrued Liability as of June 30, 2015	\$1,166,122
3. Actuarial Value of Plan Assets as of June 30, 2015	0
4. Unfunded Actuarial Accrued Liability	\$1,166,122
funding shortfall or (excess) : (2) - (3)	
5. Funded Ratio : (3) / (2)	0.0%



City of Port Huron GASB Statements No. 43 and No. 45

Schedule of Funding Progress

The required schedule of funding progress provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

City (Excluding McMorran Place)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Annual Covered Payroll (c)	UAAL as Percent of Payroll (b - a) / c
June 30, 2015	\$14,441,011	\$51,550,977	\$37,109,966	28.0%	\$13,913,491	266.7%
June 30, 2013	\$10,451,516	\$58,161,918	\$47,710,402	18.0%	\$13,711,611	348.0%
June 30, 2012	\$8,516,941	\$66,502,722	\$57,985,781	12.8%	\$13,840,815	418.9%
December 31, 2009	\$5,788,760	\$55,796,090	\$50,007,330	10.4%	\$15,028,000	332.8%
December 31, 2007	\$6,058,000	\$56,466,000	\$50,408,000	10.7%	\$15,990,000	315.2%
December 31, 2005	\$0	\$55,051,000	\$55,051,000	0.0%	\$17,210,000	319.9%

McMorran Place

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Annual Covered Payroll (c)	UAAL as Percent of Payroll (b - a) / c
June 30, 2015	\$0	\$1,166,122	\$1,166,122	0.0%	\$0	0.0%
June 30, 2013	\$0	\$1,705,602	\$1,705,602	0.0%	\$252,193	676.3%
June 30, 2012	\$0	\$1,865,135	\$1,865,135	0.0%	\$245,240	760.5%
December 31, 2009	\$0	\$1,883,427	\$1,883,427	0.0%	\$353,058	533.5%



City of Port Huron GASB Statements No. 43 and No. 45

Projected Retiree Benefit Payments

Exhibit A is a graph that shows the projection of expected benefit payments under the OPEB plan. These payments only reflect those participants who have already been hired or who are retired. Expected benefit payments are equal to the number of retirees each year times the per retiree cost to the employer, and it includes the implicit liability. The first year's projected benefit payments total \$2,927,632. As the last participants retire and then reach the end of their benefit period, the benefit payments decline and eventually would reach zero. Exhibit B is a table showing the first 10 years of expected benefit payments.

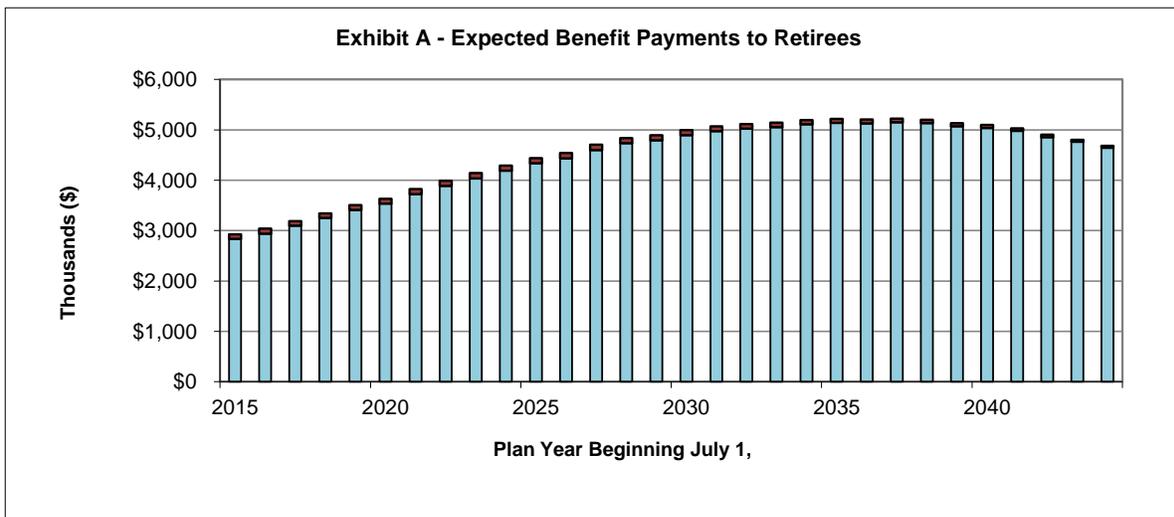


Exhibit B: First 10 Years of Expected Benefit Payments

Plan Year Beginning July 1,	Total	McMorran Place	City (Excluding McMorran Place)
2015	\$2,927,632	\$91,522	\$2,836,109
2016	\$3,037,287	\$97,086	\$2,940,201
2017	\$3,186,110	\$88,151	\$3,097,959
2018	\$3,341,559	\$92,213	\$3,249,346
2019	\$3,504,420	\$96,139	\$3,408,281
2020	\$3,633,275	\$99,898	\$3,533,377
2021	\$3,825,572	\$103,422	\$3,722,149
2022	\$3,990,676	\$106,617	\$3,884,059
2023	\$4,145,405	\$109,250	\$4,036,156
2024	\$4,289,413	\$104,092	\$4,185,321



City of Port Huron GASB Statements No. 43 and No. 45

Plan Provisions and Participant Data

Retiree Benefits and Eligibility Self-funded Medical and Prescription Drug coverage provided by the City for employees hired prior to July 1, 2008.

Non-Represented Employees, DPW, Records Clerks & McMorrان

Age 55 with 25 years of full-time service, or

Age 60 with 10 years of full-time service if hired prior to January 1, 1993

Age plus years of full-time service greater than or equal to 80 if hired on or after January 1, 1993

Police, Police Command, and Firefighters

Age 50 with 25 years of full-time service, or

Age 60 with 10 years of full-time service

Employees retiring under MERS Early Retirement provisions or who terminate prior to retirement are not eligible for the Retiree Health Care Plan. Duty Death in Service and Duty Disability Benefits are available for qualifying employees.

Length of Benefits *Retiree* : Life
Spouse : Life

Retiree Contributions There is no cost to the retirees as the City pays 100% of retiree and qualifying spouse health care costs.

Opt-Out Option Retirees may opt-out of the health care plan and receive a payment-in-lieu of Health Care Benefits, in the amount of \$3,000 per year. Retirees may opt back in to the Retiree Health Care Plan during open enrollment or upon a qualifying event.

Monthly Medical/Rx Premium Rates

Suffix	Pre-65		Post-65	
	Single	Double	Single	Double
900	\$573.64	\$1,376.73	\$618.94	\$1,237.88
903	456.79	1,096.29	538.09	1,076.18
904	407.17	977.23	457.91	915.82
905	396.51	951.61	432.65	865.30
906	549.80	1,319.51	623.89	1,247.78
907	423.54	1,016.52	497.26	994.52





City of Port Huron GASB Statements No. 43 and No. 45

Plan Provisions and Participant Data

Participant Summary

	City (Excluding McMorran Place)		McMorran Place	
	Actives	Retirees & Spouses	Actives	Retirees & Spouses
Count	185	432	0	14
Average Age	47.1	69.6	0.0	71.0
Average Service	16.8	N/A	0.0	N/A
Percentage Male	77.8	48.2	0.0	35.7

Age and Service Chart for Active Employees

Attained Age	Years of Credited Service										Total
	<1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40+	
Under 25	0	0	0	0	0	0	0	0	0	0	0
25 to 29	0	1	2	0	0	0	0	0	0	0	3
30 to 34	0	0	8	3	1	0	0	0	0	0	12
35 to 39	0	2	8	15	5	0	0	0	0	0	30
40 to 44	0	0	4	8	16	4	0	0	0	0	32
45 to 49	0	0	4	6	7	12	3	0	0	0	32
50 to 54	0	0	3	4	10	12	11	1	0	0	41
55 to 59	0	0	1	2	6	8	4	1	1	0	23
60 to 64	0	0	1	3	3	1	1	0	0	0	9
65 to 70	0	0	1	0	1	1	0	0	0	0	3
70+	0	0	0	0	0	0	0	0	0	0	0
Total	0	3	32	41	49	38	19	2	1	0	185



City of Port Huron GASB Statements No. 43 and No. 45

Actuarial Methods and Assumptions

Discount Rate	7.50%
Salary Scale	4.50%
Actuarial Cost Method	Individual Entry-Age Normal - Level Percent of Pay
Amortization Method	Level Percent of Payroll over a closed 22 year period.
Actuarial Value of Assets	Market Value

Annual Healthcare Trend	Years after Valuation	Medical/Rx
	1	8.00%
	2	7.75%
	3	7.50%
	4	7.25%
	5	7.00%
	6	6.75%
	7	6.50%
	8	6.25%
	9	6.00%
	10	5.75%
	11	5.50%
	12	5.25%
	13+	5.00%

Election Rates

Future Retirees:
100% of future retirees are assumed to elect coverage at retirement. 90% will elect traditional healthcare coverage; 10% will elect the opt-out stipend in lieu of traditional healthcare coverage.

Current Retirees: Based on current coverage election. It is assumed no one will opt-in or opt-out of coverage once initial retirement election is made.

Spousal Election Rates

Future Retirees: 70% of future retirees are assumed to be married at retirement. 100% of married participants at retirement that elect coverage for themselves will elect to cover their spouse.

Current Retirees and Spouses: Based on current coverage election



City of Port Huron GASB Statements No. 43 and No. 45

Actuarial Methods and Assumptions

Spouse Age Male spouses are assumed to be 3 years older, and female spouses are assumed to be 3 years younger. Actual age is used for spouses of current retirees, if provided.

Mortality Rates 50% Male-50% Female blend of the 1994 Group Annuity Mortality Table

Turnover Rates Sarason T-9 Table less 1951 Group Annuity Mortality for Males

Age	Rate
25	17.22%
35	13.70%
45	8.43%
55	1.73%
65+	0.00%

Disability Rates

Age	Rate
25	0.02%
35	0.06%
45	0.11%
55	0.06%
65+	0.06%

Retirement Rates

Age	Rate
50-56	20%
57-60	21%
61-63	22%
64	23%
65-66	25%
67	26%
68	28%
69	30%
70	100%



City of Port Huron GASB Statements No. 43 and No. 45

Actuarial Methods and Assumptions

Pre-Capita Claims Cost Development

Age	Retiree Plan Suffix					
	900	903	904	905	906	907
50	\$5,692	\$4,615	\$4,019	\$3,874	\$5,621	\$4,148
55	6,926	5,615	4,889	4,714	6,839	5,047
60	8,426	6,831	5,948	5,735	8,321	6,140
65	3,978	3,481	2,934	2,762	4,066	3,202
70	4,612	4,035	3,401	3,202	4,713	3,712
75	5,218	4,566	3,848	3,622	5,333	4,200
80	5,761	5,041	4,249	4,000	5,888	4,638
85+	6,361	5,565	4,691	4,416	6,501	5,120

Per capita claims costs are based on enrollment and paid medical and prescription drug claims for retirees paid from July 1, 2013 through June 30, 2015. Medical and prescription drug claims are projected to the current fiscal year separately, assuming a medical trend rate of 7.5% per annum and drug trend rate of 8.6% per annum based on the most recent Segal survey. Pre-Medicare and Medicare-eligible costs are developed separately.

Suffix 905 is the only plan available to future retirees.

Morbidity

Age	Factor
Under 65	4.0%
65-69	3.0%
70-74	2.5%
75-85	2.0%
86+	0.0%

Fixed Costs

Administration	\$647.64	per contract per year
Aggregate Stop Loss	\$107.88	per contract per year
Specific Stop Loss	\$1,386.00	per contract per year
PCORI	\$2.08	per covered participant per year



City of Port Huron GASB Statements No. 43 and No. 45

Definitions

Actuarial Accrued Liability (AAL)	The portion of the Actuarial Present Value of Benefits allocated to past service based on the selected Actuarial Cost Method. In effect, this is the part of the future benefit that the employee has already “earned.”
Actuarial Cost Method	The method that is used to spread the value of benefits expected to be paid in the future over the years of employment remaining until the employee is fully eligible to receive benefits.
Actuarial Present Value of Benefits	The estimated value of projected benefits payable to plan members in the future, discounted back to the valuation date to reflect the time value of money.
Annual OPEB Expense	The amount recognized in the employer’s financial statement each accounting period for its contributions to an OPEB plan, on the accrual basis of accounting.
Annual Required Contribution (ARC)	The Normal Cost plus the part of the Unfunded Actuarial Accrued Liability that is amortized that year.
Discount Rate	The interest rate used to reflect the time value of money. The discount rate should reflect the long-term rate of return the employer expects to earn on the assets backing the OPEB liability. In the absence of OPEB assets, the discount rate should reflect the long-term rate of return the employer expects to earn on assets in its general fund.
Employers Contributions	Contributions made in relation to the ARC. An employer has made a contribution if it has paid benefits directly to or on behalf of a retiree, made premium payments to an insurer, or irrevocably transferred assets to a dedicated trust which provides benefits to retirees.
Fair Value of Assets	The market value of the assets in the trust as of the valuation date.
Full Eligibility Date	The date that the employee has satisfied all of the requirements to receive full benefits under the plan.
Healthcare Cost Trend Rates	Annual change in per capita plan costs due to factors such as health care inflation, utilization of services, and technological advances.
Market Related Value of Assets	The value of assets determined by using the asset valuation method that is used to calculate the expense.





City of Port Huron GASB Statements No. 43 and No. 45

Definitions

Net Other Post Employment Benefit Obligation	The accumulated value of the employer's contributions in excess of (less than) the annual OPEB Cost (expense).
Normal or Service Cost	The present value of benefits earned during the plan year, which is part of the annual expense.
Per Capita Plan Costs	The average cost of providing health care benefits covered by the plan to a participant after adjusting for administrative costs, Medicare reimbursements, deductibles, coinsurance, and co-payments.
Post-Employment Benefit Plan	An arrangement between an employer and its employees, whereby an employer agrees to provide benefits after the employee retires in exchange for services. A plan may be written or implied by a well-defined practice of paying post-employment benefits or from oral representations made to current or former employees. In some situations, the "substantive plan" used to determine the expense might differ from the written plan.
Valuation Date	The date that the assets and liabilities are measured.