

**CHARTER TOWNSHIP OF YPSILANTI  
OTHER POST EMPLOYMENT BENEFITS  
ACTUARIAL VALUATION REPORT - REVISED  
DECEMBER 31, 2009**

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June 29, 2010

Ms. Karen Wallin  
Human Resources Department  
Charter Township of Ypsilanti  
7200 South Huron River Drive  
Ypsilanti, Michigan 48197-7099

Dear Ms. Wallin:

Submitted in this report are the revised results of an Actuarial Valuation of the benefit values associated with the employer financed retiree health benefits provided by the Charter Township of Ypsilanti. The date of the valuation was December 31, 2009, effective for the fiscal year January 1, 2011 through December 31, 2011 and January 1, 2012 through December 31, 2012. This report was prepared at the request of the Charter Township of Ypsilanti.

The actuarial calculations were prepared for purposes of complying with the requirements of Statements No. 43 and No. 45 of the Governmental Accounting Standards Board (GASB). The calculations reported herein have been made on a basis consistent with our understanding of these accounting standards. Determinations of the liability associated with the benefits described in this report for purposes other than satisfying the Township's financial reporting requirements may produce significantly different results. This report may be provided to parties other than the Charter Township of Ypsilanti only in its entirety and only with the permission of the Charter Township of Ypsilanti.

The valuation was based upon information, furnished by the Township, concerning retiree health benefits, individual members, and financial data. Data was checked for internal consistency, but was not otherwise audited. Additional asset information was provided by the Township after the initial valuation report was issued. This report reflects the additional asset information.

To the best of our knowledge, this report is complete and accurate and was made in accordance with standards of practice promulgated by the Actuarial Standards Board of the American Academy of Actuaries. The actuarial assumptions used for the valuation are reasonable, individually and in the aggregate.

The signing actuary is a Member of the American Academy of Actuaries (MAAA) as indicated, and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,



David T. Kausch, FSA, EA, MAAA



David L. Hoffman

DTK/DLH:sac

C2432

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## **EXECUTIVE SUMMARY**

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## EXECUTIVE SUMMARY

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### **Annual Required Contribution**

This report presents the annual required contribution calculated in compliance with the accounting requirements of Governmental Accounting Standards Board (GASB) Statements No. 43 and No. 45.

The Annual Required Contribution (ARC) for the fiscal year beginning January 1, 2011 is estimated to be \$824,297 for the Township groups in total and \$803,454 for the Fire group assuming the Township is pre-funding all groups. In the first year GASB Statement No. 45 is adopted, the annual OPEB cost required to be disclosed on the employer's financial statements is equal to the ARC. Actual claims and premiums paid on behalf of retirees may be treated as employer contributions in relation to the ARC and act to reduce the Net OPEB Obligation (NOO). The expected claims (including the implicit subsidy) for 2011 are \$440,259 for the Township groups in total and \$545,015 for the Fire group.

For additional details please see Section B of the report.

### **Additional OPEB Reporting Requirements**

In addition to the annual OPEB cost described above, employers will have to disclose a Net OPEB Obligation (or asset). The Net OPEB Obligation is the cumulative difference between annual OPEB costs and annual employer contributions in relation to the ARC, accumulated from the implementation of GASB Statement No. 45. The Net OPEB Obligation is zero as of the beginning of the fiscal year that GASB Statement No. 45 is implemented, unless the employer chooses to recognize a beginning balance.

The requirements for determining the employer's contributions in relation to the ARC are described in paragraph 13 g. of GASB Statement No. 45. Additional information required to be disclosed in the employer's financial statements is detailed in paragraphs 24 through 27 of GASB Statement No. 45.

## EXECUTIVE SUMMARY

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### **Liabilities and Assets**

The present value of all benefits expected to be paid to current plan members as of December 31, 2009 is \$13,515,078 for the Township group and \$15,666,682 for the Fire group. The actuarial accrued liability, which is the portion of the present value of all benefits attributable to service accrued by plan members as of December 31, 2009, is \$11,508,744 for the Township group and \$13,374,642 for the Fire group. The assets currently set aside for GASB OPEB purposes as of December 31, 2009 are \$1,408,730 for the Township group and \$2,443,312 for the Fire group.

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**SECTION A**  
OVERVIEW

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## **GASB BACKGROUND**

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The purpose of this valuation is to provide information on the cost associated with providing postemployment benefits other than pensions, or OPEB, to current and former employees. OPEB benefits are most often associated with postemployment health care, but cover almost any benefit not provided through a pension plan, including life insurance, dental and vision benefits. It is important to note that OPEB benefits, by definition, do not include benefits *currently* being provided to active employees – however, this report includes the liabilities for benefits expected to be paid to current active employees when they terminate employment at a future date.

The rising cost of health care has been a cause of concern to both individuals and employers who sponsor health care plans. The accounting community became concerned that many sponsors of public plans were accounting for the cost of their OPEB plans solely on the basis of benefits paid and that this method did not accurately reflect the ultimate cost of benefits promised to current and former employees. In 1988, the Governmental Accounting Standards Board (GASB) began working on a project to develop comprehensive standards for financial reporting of OPEB plans.

The GASB determined that an OPEB plan was similar to a pension plan in that benefits are earned during an active employee's working lifetime but paid out at a future date. In the GASB's view, accounting for OPEB should follow the same basic principle as accounting for public plan pension costs. These benefits are compensation for employees' services and should be accounted for during the period of time that services are performed.



## GASB STANDARDS

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Unlike pension plans, OPEB plans often do not have a formal document detailing the specific terms of the plan. Under GASB Statements No. 43 and No. 45 the benefits to be accounted for are those provided by the *substantive plan* – loosely defined as the benefits covered by the plan as understood by the employer and plan members at the time of each actuarial valuation. The substantive plan provisions used in this valuation are summarized in Section D.

GASB also requires that the calculations assume the terms of the substantive plan continue indefinitely. It has been argued that there is a likelihood future OPEB plan provisions would be different than the current substantive plan (due to rising health care costs or social changes) and therefore liabilities based on the current substantive plan may overstate what will actually occur. However, the GASB Statement is designed to measure liabilities for the plan as it currently exists. While it may be reasonable to assume future changes in the OPEB plan for other purposes, recognition of anticipated changes is not allowed for purposes of accounting for OPEB.

The specific items required to be disclosed on an OPEB sponsor's financial statements are described in detail in GASB Statements No. 43 and No. 45. In general terms, though, the plan sponsor is required to disclose an annual OPEB cost, the funded status of the plan and the funding progress on the valuation date.

Although GASB does not require OPEB contributions, it has chosen to call the base component of the annual OPEB cost the Annual Required Contribution, or ARC. The ARC consists of the cost of benefits accruing in a year plus an amount calculated to amortize any unfunded actuarial accrued liability over a period of not more than 30 years.

The funded status of the plan is a ratio of the plan's assets (if any) to the actuarial accrued liability on the valuation date. The plan is also required to disclose the cumulative difference between the ARC and the employer's actual contribution to the plan. This amount is known as the Net OPEB Obligation (NOO). Each year, the NOO accumulates with interest, plus the difference between the ARC and actual contributions for the year, plus some technical adjustments. **For most plans the NOO is set to zero as of the effective date of the GASB OPEB standard. It is the NOO, and not the actuarial accrued liability, that will be disclosed on the employers' Statement of Net Assets.**

## OPEB PRE-FUNDING

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Many employers fund retiree health care benefits using the pay-as-you-go (or cash disbursement) method. The employer's annual contribution for these benefits is equal to the actual disbursements during the year for health care benefits for retired employees. This method of funding will result in increasing contributions over time. Per capita cash disbursements will tend to increase from year to year as the cost of health care services, or the utilization of these services increase.

A retiree health care plan is similar to a defined benefit pension plan, in that promises are made to employees to provide them with a benefit payable at some future date. For defined benefit pension plan sponsors a common funding objective is to contribute annual amounts to a fund which will (i) remain level as a percentage of active member payroll, and (ii) when combined with present assets and future investment return will be sufficient to meet the financial obligations of the Plan to current and future retirees.

The ultimate determination as to the level of pre-funding will be the result of decisions made in an attempt to reconcile the often conflicting needs of benefit security for members and fiscal responsibility for the Township. The GASB accounting standards noted in the previous section of the report can factor into decisions concerning the level of pre-funding.

Results in this valuation are presented for both pre-funding and pay-as-you-go.

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**SECTION B**  
VALUATION RESULTS

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**DEVELOPMENT OF THE ANNUAL REQUIRED CONTRIBUTIONS – 7.0%  
FOR THE OTHER POSTEMPLOYMENT BENEFITS  
FISCAL YEAR BEGINNING JANUARY 1, 2011**

Contributions for Fund Division	Development of the Annual Required Contribution for January 1, 2011 - December 31, 2011							
	101	101-136	206	226	230	249	266	584
Total Normal Cost	\$ 186,412	\$ 28,417	\$ 272,905	\$ 11,036	\$ 30,046	\$ 21,136	\$ 20,982	\$ 12,190
Amortization of Unfunded Actuarial Accrued Liabilities (Amortized over 30 years)	\$ 387,909	\$ 50,911	\$ 556,417	\$ 4,671	\$ 18,835	\$ 20,081	\$ 18,198	\$ 13,473
Annual Required Contribution (ARC)	\$ 574,321	\$ 79,328	\$ 829,322	\$ 15,707	\$ 48,881	\$ 41,217	\$ 39,180	\$ 25,663
Member Portion	0	0	25,868	0	0	0	0	0
Employer Portion	\$ 574,321	\$ 79,328	\$ 803,454	\$ 15,707	\$ 48,881	\$ 41,217	\$ 39,180	\$ 25,663
Projected Payroll for the Fiscal Year Beginning January 1, 2011	\$2,155,051	\$665,506	\$2,586,783	\$228,957	\$280,288	\$195,528	\$257,766	\$138,045
Annual Required Contribution (ARC)	26.65%	11.92%	32.06%	6.86%	17.44%	21.08%	15.20%	18.59%
Member Portion	0.00%	0.00%	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Employer Portion	26.65%	11.92%	31.06%	6.86%	17.44%	21.08%	15.20%	18.59%
ARC Per Active Participant	\$ 14,726	\$ 6,102	\$ 25,918	\$ 3,927	\$ 9,776	\$ 13,739	\$ 9,795	\$ 12,831
Annual Required Contribution (ARC) For Year beginning January 1, 2012	\$ 600,165	\$ 82,898	\$ 866,641	\$ 16,414	\$ 51,081	\$ 43,072	\$ 40,943	\$ 26,818
Member Portion	0	0	27,032	0	0	0	0	0
Employer Portion	\$ 600,165	\$ 82,898	\$ 839,610	\$ 16,414	\$ 51,081	\$ 43,072	\$ 40,943	\$ 26,818

The results on this page are calculated under the assumption that the employer funding policy is to contribute consistently an amount at least equal to the Annual Required Contribution (ARC). Therefore, under this policy the employer can assume a long-term investment return assumption. **The assumption used to calculate the liabilities shown above assumes a 7.0% investment return rate.**

The unfunded actuarial accrued liabilities were amortized as a level percent of active member payroll over a period of 30 years. A 30-year amortization period for unfunded actuarial accrued liabilities is the maximum period that complies with GASB requirements.

**DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY -7.0%**  
**AS OF DECEMBER 31, 2009**

	101	101-136	206	226	230	249	266	584
A. Present Value of Future Benefits								
1. Retirees and Beneficiaries	\$4,065,748	\$ 261,812	\$ 7,807,757	\$ 0	\$ 0	\$184,131	\$116,269	\$203,070
2. Retired Members in Deferral Period	1,992,816	0	0	0	0	0	0	0
3. Active Members	<u>3,739,100</u>	<u>1,112,638</u>	<u>7,858,925</u>	<u>211,763</u>	<u>602,980</u>	<u>376,062</u>	<u>448,160</u>	<u>200,529</u>
Total Present Value of Future Benefits	\$9,797,664	\$1,374,450	\$15,666,682	\$211,763	\$602,980	\$560,193	\$564,429	\$403,599
B. Present Value of Future Employer Normal Costs	\$1,114,042	\$ 234,521	\$ 2,072,545	\$107,384	\$180,996	\$110,748	\$156,729	\$101,914
C. Present Value of Future Contributions from Current Active Members	\$ 0	\$ 0	\$ 219,495	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
D. Actuarial Accrued Liability (A.-B.-C.)	\$8,683,622	\$1,139,929	\$13,374,642	\$104,379	\$421,984	\$449,445	\$407,700	\$301,685
E. Market Value of Assets	\$ 1,062,920	\$ 139,533	\$ 2,443,312	\$ 12,777	\$ 51,653	\$ 55,014	\$ 49,905	\$ 36,928
F. Unfunded Actuarial Accrued Liability (D.-E.)	\$7,620,702	\$1,000,396	\$10,931,330	\$91,602	\$370,331	\$394,431	\$357,795	\$264,757
G. Funded Ratio (E./D.)	12.2%	12.2%	18.3%	12.2%	12.2%	12.2%	12.2%	12.2%

The results on this page are calculated under the assumption that the employer funding policy is to contribute consistently an amount at least equal to the Annual Required Contribution (ARC). Therefore, under this policy the employer can assume a long-term investment return assumption. **The assumption used to calculate the liabilities shown above assumes a 7.0% investment return rate.**

The Unfunded Actuarial Accrued Liability (UAAL) is not booked as an expense all in one year and does not appear in the Employer's Statement of Net Assets. Nevertheless, it is reported in the Notes to the Financial Statements and in the Required Supplementary Information. These are information sections within the employer's financial statements.

**DEVELOPMENT OF THE ANNUAL REQUIRED CONTRIBUTION – 4.0%**  
**FOR THE OTHER POSTEMPLOYMENT BENEFITS**  
**FISCAL YEAR BEGINNING JANUARY 1, 2011**

Contributions for Fund Division	Development of the Annual Required Contribution for January 1, 2011 - December 31, 2011							
	101	101-136	206	226	230	249	266	584
Total Normal Cost	\$ 359,247	\$ 69,345	\$ 621,604	\$ 24,087	\$ 54,880	\$ 37,522	\$ 41,139	\$ 23,122
Amortization of Unfunded Actuarial Accrued Liabilities (Amortized over 30 years)	\$ 387,694	\$ 58,099	\$ 594,443	\$ 6,617	\$ 20,909	\$ 19,690	\$ 20,003	\$ 12,976
Annual Required Contribution (ARC)	\$ 746,941	\$ 127,444	\$ 1,216,047	\$ 30,704	\$ 75,789	\$ 57,212	\$ 61,142	\$ 36,098
Member Portion	0	0	25,868	0	0	0	0	0
Employer Portion	\$ 746,941	\$ 127,444	\$ 1,190,179	\$ 30,704	\$ 75,789	\$ 57,212	\$ 61,142	\$ 36,098
Projected Payroll for the Fiscal Year Beginning January 1, 2011	\$2,155,051	\$665,506	\$2,586,783	\$228,957	\$280,288	\$195,528	\$257,766	\$138,045
Annual Required Contribution (ARC)	34.66%	19.15%	47.01%	13.41%	27.04%	29.26%	23.72%	26.15%
Member Portion	0.00%	0.00%	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Employer Portion	34.66%	19.15%	46.01%	13.41%	27.04%	29.26%	23.72%	26.15%
ARC Per Active Participant	\$ 19,152	\$ 9,803	\$ 38,393	\$ 7,676	\$ 15,158	\$ 19,071	\$ 15,286	\$ 18,049
Annual Required Contribution (ARC) For Year beginning January 1, 2012	\$ 780,553	\$133,179	\$1,270,769	\$ 32,086	\$ 79,200	\$ 59,787	\$ 63,893	\$ 37,723
Member Portion	0	0	27,032	0	0	0	0	0
Employer Portion	\$ 780,553	\$133,179	\$1,243,737	\$ 32,086	\$ 79,200	\$ 59,787	\$ 63,893	\$ 37,723

The results on this page are calculated under the assumption that the employer funding policy is to contribute only the pay-as-you-go health care premium/claims contributions and have no plan assets. Therefore, under this policy the employer can assume a general fund earnings investment return assumption similar to that of the general fund earnings. **The assumption used to calculate the liabilities shown above assumes a 4.0% investment return rate.**

The unfunded actuarial accrued liabilities were amortized as a level percent of active member payroll over a period of 30 years. A 30-year amortization period for unfunded actuarial accrued liabilities is the maximum period that complies with GASB requirements.

**DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY – 4.0%**  
**AS OF DECEMBER 31, 2009**

	101	101-136	206	226	230	249	266	584
A. Present Value of Future Benefits								
1. Retirees and Beneficiaries	\$ 5,407,672	\$ 329,248	\$10,751,080	\$ 0	\$ 0	\$237,745	\$ 163,590	\$259,772
2. Retired Members in Deferral Period	3,021,827	0	0	0	0	0	0	0
3. Active Members	<u>7,093,035</u>	<u>2,290,650</u>	<u>16,031,013</u>	<u>522,984</u>	<u>1,062,525</u>	<u>651,737</u>	<u>860,349</u>	<u>402,194</u>
Total Present Value of Future Benefits	\$15,522,534	\$2,619,898	\$26,782,093	\$522,984	\$1,062,525	\$889,482	\$1,023,939	\$661,966
B. Present Value of Future Employer Normal Costs	\$ 2,694,350	\$ 717,325	\$ 6,033,743	\$309,250	\$ 376,644	\$236,733	\$ 366,614	\$231,348
C. Present Value of Future Contributions from Current Active Members	\$ 0	\$ 0	\$ 263,994	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
D. Actuarial Accrued Liability (A.-B.-C.)	\$12,828,184	\$1,902,573	\$20,484,356	\$213,734	\$ 685,881	\$652,749	\$ 657,325	\$430,618
E. Market Value of Assets	\$ 1,062,920	\$ 139,533	\$ 2,443,312	\$ 12,777	\$ 51,653	\$ 55,014	\$ 49,905	\$ 36,928
F. Unfunded Actuarial Accrued Liability (D.-E.)	\$11,765,264	\$1,763,040	\$18,041,044	\$200,957	\$ 634,228	\$597,735	\$ 607,420	\$393,690
G. Funded Ratio (E./D.)	8.3%	7.3%	11.9%	6.0%	7.5%	8.4%	7.6%	8.6%

The results on this page are calculated under the assumption that the employer funding policy is to contribute only the pay-as-you-go health care premiums/claims contributions. Therefore, under this policy the employer can assume a general fund earnings investment return assumption similar to that of the general fund earnings. **The assumption used to calculate the liabilities shown above assumes a 4.0% investment return rate.**

The Unfunded Actuarial Accrued Liability (UAAL) is not booked as an expense all in one year and does not appear in the Employer's Statement of Net Assets. Nevertheless, it is reported in the Notes to the Financial Statements and in the Required Supplementary Information. These are information sections within the employer's financial statements.

## COMMENTS

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**COMMENT A:** One of the key assumptions used in any valuation of the cost of postemployment benefits is the rate of return on Plan assets. Higher assumed investment returns will result in a lower ARC. Lower returns will tend to increase the computed ARC. Based on information from the Township, we have calculated the liability and the resulting ARC using assumed long term rates of investment of 7.0% and 4.0%. If the Township chooses to pre-fund with contributions less than the ARC, GASB requires the use of an interest rate lower than 7.0%. Use of such an interest rate would considerably increase the Net OPEB Obligation that is disclosed on the employers' financial statement. In particular, the ARC would be \$1,135,330 for the Township and \$1,190,179 for Fire at 4.0%.

**COMMENT B:** Based on the number of plan members as of this valuation, the plan sponsor is required by GASB to perform actuarial valuations at least biennially. An annual actuarial valuation will recompute the required contribution rate each year. This will permit fluctuations and trends in experience to be reflected in the contribution rate on a regular basis.

**COMMENT C:** The contribution rates shown include amortization of the unfunded actuarial accrued liability over 30 years. This is the maximum time period permitted by the Governmental Accounting Standards Board Statement No. 45. A shorter amortization period would result in a higher ARC.

**COMMENT D:** There were changes in benefits for AFSCME-2 and TMNU-1 groups. See summary of benefit provisions for details. Benefit changes for future hires will be reflected as those members are hired.

**COMMENT E:** The expected claims and premiums are \$440,259 in 2011 and \$510,743 in 2012 for the Township groups and \$545,015 and \$588,304 for the Fire group. These amounts are net of retiree and spouse contributions and reflect the anticipated trend, demographic changes, and implicit subsidy.

**COMMENT F:** The plan ARC is much higher primarily due to adverse medical experience. For example, post-65 premiums increased 30% - 35% for all plans since the last valuation.

**COMMENT G:** The small groups within the Township may experience large differences in ARCs as a dollar amount and as a percentage of payroll.



## **COMMENTS (CONCLUDED)**

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**COMMENT H:** Assets were reported and certified by the Township. As the asset base grows, we recommend exploring asset valuation methods. Reported assets for non-Fire divisions were allocated based on the 7% actuarial accrued liability.

**COMMENT I:** At the request of the plan sponsor, valuation results have been split by Township Fund. For purposes of correlating Township Fund division to OPEB groups for substantive plan provisions, we used the following information:

<b><u>Fund</u></b>	<b><u>OPEB Group</u></b>
101	General Township/Board
101-136	Court
206	Fire
226	General Township
249	General Township
230	General Township
266	General Township
584	General Township

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## **SECTION C**

### **RETIREE PREMIUM RATE DEVELOPMENT**

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## **RETIREE PREMIUM RATE DEVELOPMENT**

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Initial premium rates were developed separately for each class of retirees (pre-65 and post-65). The fully-insured rates provided by Ypsilanti Township were utilized to determine the appropriate premium rates. The pre-65 fully-insured premiums are blended rates based on the combined experience of active and pre-65 retired members; therefore, there is an implicit employer subsidy for the non-Medicare eligible retirees since the average costs of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees. The true per capita cost for the pre-65 retirees is developed by adjusting the demographic differences between the active employees and retirees to reflect this implicit rate subsidy for the retirees. For the post-65 retirees, the fully-insured premium rate is used as the basis of the initial per capita cost without adjustments since the rate reflects the actual claims experience of the post-65 retiree group.

For the current township active employees, the only plan available upon retirement is BCBS 904. For the current police and fire retirees the only available plan upon retirement is the BCBS 903. We have developed separate premium rates for future retirees in order to reflect the benefit differences.

Age graded and sex distinct premiums are utilized by this valuation. The premiums developed by the preceding process are appropriate for the unique age and sex distribution currently existing. Over the future years covered by this valuation, the age and sex distribution will most likely change. Therefore, our process “distributes” the average premium over all age/sex combinations and assigns a unique premium for each combination. The age/sex specific premiums more accurately reflect the health care utilization and cost at that age.

## RETIREE PREMIUM RATE DEVELOPMENT (CONCLUDED)

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The combined monthly one-person medical, dental, vision and drug premiums at select ages are shown below.

### Future General Retirees

### Future Fire Retirees

### Current Retirees

Not Eligible for Medicare		
Age	Male	Female
45	\$302.52	\$396.06
50	409.29	463.75
55	534.93	549.86
60	672.03	645.97

Not Eligible for Medicare		
Age	Male	Female
45	\$331.08	\$433.44
50	447.92	507.52
55	585.43	601.77
60	735.46	706.94

Not Eligible for Medicare		
Age	Male	Female
45	\$325.96	\$426.75
50	441.00	499.68
55	576.38	592.47
60	724.10	696.02

Eligible for Medicare		
Age	Male	Female
65	\$367.77	\$338.67
70	424.22	381.46
75	470.96	417.96

Eligible for Medicare		
Age	Male	Female
65	\$480.73	\$442.69
70	554.52	498.63
75	615.61	546.34

Eligible for Medicare		
Age	Male	Female
65	\$472.57	\$435.17
70	545.10	490.15
75	605.15	537.06

The dental and vision premium rates were not “age graded” for this valuation since these claims do not vary significantly by age. The dental rates used for this valuation were \$32.39 for the first person and \$26.58 for the second person for pre-65 retirees and \$32.85 for the first person and \$26.14 for the second person for post-65 retirees. The vision rates used for this valuation were \$8.38 for the first person and \$6.80 for the second person for pre-65 retirees and \$10.48 for the first person and \$6.86 for the second person for post-65 retirees.

Based on the guidance provided by GASB on issues related to Medicare Part D payments to State and Local Governments effective as of June 30, 2006, an employer should apply the measurement requirements of GASB Statement No. 45 to determine the actuarial accrued liabilities, the annual required contribution of the employer, and the annual OPEB cost without reduction for Retiree Drug Subsidy (RDS) payments. Therefore, the impact of the RDS that is part of the Medicare Prescription Drug Improvement and Modernization Act of 2003 is not reflected in this report.

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## **SECTION D**

### **SUMMARY OF BENEFIT PROVISIONS AND VALUATION DATA**

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**MANAGEMENT/NON-UNION/UNION/14B DISTRICT COURT EMPLOYEES  
SUMMARY OF BENEFITS AS OF DECEMBER 31, 2009  
FOR EMPLOYEES WITH RETIREMENTS BEFORE SEPTEMBER 1, 2009**

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**Age Retirement**

The Township provides full retiree health care coverage upon retirement at age 60 with 10 or more years of service. Family coverage is included. Employees who retire from the Township at age 55 with 15 years of service may continue their health care coverage by reimbursing the cost to the Township until age 60 at which time the Township provides full coverage.

**Duty and Non-Duty Disability Retirement**

The Township provides full health care coverage to disability retirees at age 60 with 10 or more years of service. Family coverage is included. Prior to age 60, disability retirees may continue their health care coverage by reimbursing the cost to the Township until age 60 at which time the Township provides full coverage.

**Duty and Non-Duty Death-in-Service**

Surviving spouse of a death-in-service employee may elect health care coverage through COBRA.

**Medicare Eligibility**

Coverage supplements Medicare once retiree is eligible for Medicare. Retiree is required to enroll in Medicare Part A and Part B, when eligible. Retiree is required to pay Medicare B premiums.

**Spouse and Dependent Coverage**

Spouse and eligible dependents are eligible to receive 100% Township paid retiree health care coverage for the life of the retiree. Surviving spouse and eligible dependents of deceased retired members may continue their health care coverage by reimbursing the cost to the Township.

**Employee/Retiree Contributions**

Active employees and retired employees do not contribute toward the cost of retiree health care core benefits.

**MANAGEMENT/NON-UNION/UNION/14B DISTRICT COURT EMPLOYEES  
SUMMARY OF BENEFITS AS OF DECEMBER 31, 2009  
FOR EMPLOYEES WITH RETIREMENTS BEFORE SEPTEMBER 1, 2009**

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**Medical Coverage**

The Township offers the following health care coverage plans:

- Blue Cross Blue Shield Traditional
- Blue Cross Blue Shield PPO
- Blue Cross Blue Shield Medicare Supplemental

**Dental Coverage**

Members and spouses retiring with retiree health care benefits are eligible for Township paid dental benefits.

**Vision Coverage**

Members and spouses retiring with retiree health care benefits are eligible for Township paid vision benefits.

**Life Insurance**

The Township shall provide life insurance in the amount of \$5,000.00 without accidental death and dismemberment for the life of the retiree.

**TEAMSTER MANAGEMENT/NON-UNION EMPLOYEES  
SUMMARY OF BENEFITS AS OF DECEMBER 31, 2009  
DIVISION: TMNU-1**

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**Age Retirement**

- 1) Employees who retire between January 1, 2010 and December 31, 2011 shall be immediately eligible for retiree health care provided they retire within six (6) months of their eligibility date and they are 55 years or older and they have at least fifteen years of service and eligible for regular pension with MERS.
- 2) Employees who will retire after December 31, 2011, but were hired prior to January 1, 2010, will receive retiree health care at age sixty (60) with ten years of service until such time the employee is Medicare eligible. Employees in this group who retire between 55-60 years of age with 15 years of service may continue their health care coverage by reimbursing the cost to the Township until age 60 at which time the Township will pay 100% of cost for the base plan that was in affect at the time of retirement with eligible dependent.
- 3) Any employees hired after January 1, 2010 shall have coverage provided for the employee only at 100% and coverage for dependents at 65%.

Employees hired after January 1, 2010 shall be eligible for retiree health care at age 62 with fifteen (15) years of service. Coverage for employees who retire after December 31, 2011, will change in the future to match any changes negotiated by the union.

Employees hired after January 1, 2010 and retire at age sixty-two (62), the Township will pay 100% of the cost for the base plan that was in affect for the employee only. The cost for coverage for any dependents will be the responsibility of the retiree.

**Duty and Non-Duty Disability Retirement**

The Township provides full health care coverage to disability retirees based on age at disability, years of service and date of hire. Family coverage may be included depending on date of hire. Prior to age 60, disability retirees may continue their health care coverage by reimbursing the cost to the Township until which time they become eligible for Township provided coverage.

**Duty and Non-Duty Death-in-Service**

Surviving spouse of a death-in-service employee may elect health care coverage through COBRA.



**TEAMSTER MANAGEMENT/NON-UNION EMPLOYEES  
SUMMARY OF BENEFITS AS OF DECEMBER 31, 2009  
DIVISION: TMNU-1**

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### **Medicare Eligibility**

Coverage supplements Medicare once retiree is eligible for Medicare. Retiree is required to enroll in Medicare Part A and Part B, when eligible. Retiree is required to pay Medicare B premiums.

### **Spouse and Dependent Coverage**

Spouse and eligible dependents may be eligible to receive Township retiree health care coverage according to language under Section "AGE RETIREMENT". Surviving spouse and eligible dependents of deceased retired members may continue their health care coverage by reimbursing the cost to the Township.

### **Employee/Retiree Contributions**

Active employees and retired employees do not contribute toward the cost of retiree health care core benefits, unless contribution was required as an active employee.

### **Medical Coverage**

The Township offers the following health care coverage plans.

- Blue Cross Blue Shield Traditional
- Blue Cross Blue Shield PPO
- Blue Cross Blue Shield Medicare Supplemental

### **Dental Coverage**

Members retiring with retiree health care benefits are eligible for Township paid dental benefits.

### **Vision Coverage**

Members and spouses retiring with retiree health care benefits are eligible for Township paid vision benefits.

### **Life Insurance**

The Township shall provide life insurance in the amount of \$5,000.00 without accidental death and dismemberment for the life of the retiree.

**AFSCME TOWNSHIP UNION EMPLOYEES**  
**SUMMARY OF BENEFITS AS OF DECEMBER 31, 2009**  
**DIVISION: AFSCME-2**

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**Age Retirement**

- 1) Employees who retire between August 1, 2009 and December 31, 2011 shall be immediately eligible for retiree health care provided they retire within six (6) months of their eligibility date and they are 55 years or older and they have at least fifteen years of service and eligible for regular pension with MERS.
- 2) Employees who will retire after December 31, 2011, but were hired prior to September 1, 2009, will receive retiree health care at age sixty (60) with ten years of service until such time the employee is Medicare eligible. Employees in this group who retire between 55-60 years of age with 15 years of service may continue their health care coverage by reimbursing the cost to the Township until age 60 at which time the Township provides full coverage. Coverage for employees who retire after December 31, 2011, will change in the future to match any changes negotiated by the union.
- 3) Employees hired after September 1, 2009 shall be eligible for retiree health care at age 62. Coverage for employees who retire after December 31, 2011, will change in the future to match any changes negotiated by the union.

**Duty and Non-Duty Disability Retirement**

The Township provides full health care coverage to disability retirees based on age at disability, years of service and date of hire. Family coverage may be included depending on date of hire. Prior to age 60, disability retirees may continue their health care coverage by reimbursing the cost to the Township until which time they become eligible for Township provided coverage.

**Duty and Non-Duty Death-in-Service**

Surviving spouse of a death-in-service employee may elect health care coverage through COBRA.

**Medicare Eligibility**

Coverage supplements Medicare once retiree is eligible for Medicare. Retiree is required to enroll in Medicare Part A and Part B, when eligible. Retiree is required to pay Medicare B premiums.

**AFSCME TOWNSHIP UNION EMPLOYEES**  
**SUMMARY OF BENEFITS AS OF DECEMBER 31, 2009**  
**DIVISION: AFSCME-2**

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### **Spouse and Dependent Coverage**

Spouse and dependents may be eligible to receive Township retiree health care coverage according to language under Section "AGE RETIREMENT". Surviving spouse and eligible dependents of deceased retired members may continue their health care coverage by reimbursing the cost to the Township.

### **Employee/Retiree Contributions**

Active employees and retired employees do not contribute toward the cost of retiree health care core benefits, unless contribution was required as an active employee.

### **Medical Coverage**

The Township offers the following health care coverage plans.

- Blue Cross/Blue Shield Traditional
- Blue Cross/Blue Shield PPO
- Blue Cross/Blue Shield Medicare Supplemental

### **Dental Coverage**

Members retiring with retiree health care benefits are eligible for Township paid dental benefits.

### **Vision Coverage**

Members and spouses retiring with retiree health care benefits are eligible for Township paid vision benefits.

### **Life Insurance**

The Township shall provide life insurance in the amount of \$5,000.00 without accidental death and dismemberment for the life of the retiree.

**14B DISTRICT COURT UNION EMPLOYEES  
SUMMARY OF BENEFITS AS OF DECEMBER 31, 2009  
DIVISION: COURT-3**

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**Age Retirement**

The Township provides full retiree health care coverage upon retirement at age 60 with 10 or more years of service. Family coverage is included. Employees who retire from the Township at age 55 with 15 years of service may continue their health care coverage by reimbursing the cost to the Township until age 60 at which time the Township provides full coverage.

**Duty and Non-Duty Disability Retirement**

The Township provides full health care coverage to disability retirees at age 60 with 10 or more years of service. Family coverage is included. Prior to age 60, disability retirees may continue their health care coverage by reimbursing the cost to the Township until age 60 at which time the Township provides full coverage.

**Duty and Non-Duty Death-in-Service**

Surviving spouse of a death-in-service employee may elect health care coverage through COBRA.

**Medicare Eligibility**

Coverage supplements Medicare once retiree is eligible for Medicare. Retiree is required to enroll in Medicare Part A and Part B, when eligible. Retiree is required to pay Medicare B premiums.

**Spouse and Dependent Coverage**

Spouse and eligible dependents are eligible to receive 100% Township paid retiree health care coverage for the life of the retiree. Surviving spouse and eligible dependents of deceased retired members may continue their health care coverage by reimbursing the cost to the Township.

**Employee/Retiree Contributions**

Active employees and retired employees do not contribute toward the cost of retiree health care core benefits.

**14B DISTRICT COURT UNION EMPLOYEES  
SUMMARY OF BENEFITS AS OF DECEMBER 31, 2009  
DIVISION: COURT-3**

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**Medical Coverage**

The Township offers the following health care coverage plans.

- Blue Cross/Blue Shield Traditional
- Blue Cross/Blue Shield PPO
- Blue Cross/Blue Shield Medicare Supplemental

**Dental Coverage**

Members retiring with retiree health care benefits are eligible for Township paid dental benefits.

**Vision Coverage**

Members and spouses retiring with retiree health care benefits are eligible for Township paid vision benefits.

**Life Insurance**

The Township shall provide life insurance in the amount of \$5,000.00 without accidental death and dismemberment for the life of the retiree.

**TOWNSHIP BOARD EMPLOYEES**  
**SUMMARY OF BENEFITS AS OF DECEMBER 31, 2009**

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\*\*\*SEE RESOLUTION 2008-04 REGARDING HEALTH CARE FOR ELECTED OFFICIALS.\*\*\*

**Age Retirement**

The Township provides full retiree health care coverage to elected Township Board officials and trustees upon attainment of age 55 with 12 or more years of service in the capacity of an elected official and/or trustee provided they are not covered by other health insurance.

**Duty and Non-Duty Disability Retirement**

Township Board Members are not eligible for disability retiree health care benefits.

**Duty and Non-Duty Death-in-Service**

Township Board Members are not eligible for death-in-service retiree health care benefits.

**Medicare Eligibility**

Coverage supplements Medicare once retiree is eligible for Medicare. Retiree is required to enroll in Medicare Part A and Part B, when eligible. Retiree is required to pay Medicare B premiums.

**Spouse and Dependent Coverage**

Township Board Members are not eligible for spouse and dependent retiree health care benefits.

**Employee/Retiree Contributions**

Active employees and retired employees do not contribute toward the cost of retiree health care core benefits.

**Medical Coverage**

The township offers the following health care coverage plans.

- Blue Cross/Blue Shield Traditional
- Blue Cross/Blue Shield PPO
- Blue Cross/Blue Shield Medicare Supplemental

**TOWNSHIP BOARD EMPLOYEES**  
**SUMMARY OF BENEFITS AS OF DECEMBER 31, 2009**

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**Dental Coverage**

Members retiring with retiree health care benefits are eligible for Township paid dental benefits.

**Vision Coverage**

Members retiring with retiree health care benefits are eligible for Township paid vision benefits.

**Life Insurance**

Full-time Board members who meet the retirement guidelines shall receive Life Insurance in the amount of \$5,000 without accidental death and dismemberment, as all other full-time employees.

**FIRE EMPLOYEES**  
**SUMMARY OF BENEFITS AS OF DECEMBER 31, 2009**

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**Age Retirement**

The Township provides Township paid retiree health care coverage upon retirement with 25 or more years of service. Family coverage is included.

**Duty and Non-Duty Disability Retirement**

The Township provides Township paid health care to disability retirees with 25 or more years of service. Benefits commence immediately.

**Duty and Non-Duty Death-in-Service**

Surviving spouses of death-in-service members retiring after January 1, 2005 are eligible for Township paid retiree health care.

**Medicare Eligibility**

Coverage supplements Medicare once retiree/spouse/dependent is eligible for Medicare. Retiree/spouse/dependent is required to enroll in Medicare Part A and Part B, when eligible. Retirees who retired prior to January 1, 1989 are reimbursed the cost of Medicare Part B.

**Spouse and Dependent Coverage**

Spouse and eligible dependents are eligible to receive 100% Township paid retiree health care coverage for the life of the retiree. Township paid coverage continues for surviving spouse and eligible dependents less than 19 years of age of deceased retired member who retired after January 1, 2005. Surviving spouses and eligible dependents of deceased retired members retiring prior to January 1, 2005 may continue their health care coverage by reimbursing the cost to the Township.

**Employee/Retiree Contributions**

Active employees contribute 1% of wage toward retiree health care core benefits. Retired employees do not contribute toward retiree health care core benefits.



**FIRE EMPLOYEES**  
**SUMMARY OF BENEFITS AS OF DECEMBER 31, 2009**

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**Medical Coverage**

The Township offers the following health care coverage plans.

- Blue Cross/Blue Shield Traditional
- Blue Cross/Blue Shield PPO
- Blue Cross/Blue Shield Medicare Supplemental

**Dental Coverage**

Members and spouses retiring with retiree health care benefits are eligible for Township paid dental benefits.

**Vision Coverage**

Members and spouses retiring with retiree health care benefits are eligible for Township paid vision benefits.

**Life Insurance**

For all employees who retire on or after January 1, 1989, the Township shall provide life insurance in the amount of \$35,000.00 without accidental death and dismemberment until the employee reaches age 65. At age 65, the life insurance benefit shall be reduced to a \$5,000.00 death benefit only. For all employees who retire prior to January 1, 1989, the Township will provide life insurance in the amount of \$5,000.00 for the life of the retiree.

*This is a brief summary of the Charter Township of Ypsilanti Employees Retiree Health Care Benefit Fund provisions. In the event that any description contained herein differs from the actual eligibility or benefit, the appropriate employee contract or governing document will prevail.*

**ACTIVE MEMBERS AS OF DECEMBER 31, 2009  
BY ATTAINED AGE AND YEARS OF SERVICE**

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**GENERAL TOWNSHIP/BOARD  
FUND DIVISION 101**

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
30-34		2	1					3	\$ 166,069
35-39	1	2	1					4	193,390
40-44		2	3	3				8	402,651
45-49	1	1		2	1			5	235,998
50-54	3	3	2					8	402,598
55-59		3	2	1				6	359,897
60-64		1		1				2	109,223
65 & Over		1	1	1				3	103,619
<b>Totals</b>	<b>5</b>	<b>15</b>	<b>10</b>	<b>8</b>	<b>1</b>			<b>39</b>	<b>\$1,973,445</b>

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

**Age:** 49.3 years  
**Service:** 10.9 years  
**Annual Pay:** \$50,601

**ACTIVE MEMBERS AS OF DECEMBER 31, 2009**  
**BY ATTAINED AGE AND YEARS OF SERVICE**

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**COURT 14-B**  
**FUND DIVISION 101-136**

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
25-29		1						1	\$ 43,742
35-39			3					3	148,532
40-44		1	1					2	89,148
45-49		1			4			5	226,188
50-54					1			1	56,090
60-64					1			1	45,724
<b>Totals</b>		<b>3</b>	<b>4</b>		<b>6</b>			<b>13</b>	<b>\$609,424</b>

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

**Age:** 44.0 years  
**Service:** 16.0 years  
**Annual Pay:** \$46,879

**ACTIVE MEMBERS AS OF DECEMBER 31, 2009**  
**BY ATTAINED AGE AND YEARS OF SERVICE**

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**FIRE**  
**FUND DIVISION 206**

Attained Age	Years of Service to Valuation Date						Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	No.	Valuation Payroll
30-34		2					2	\$ 142,437
35-39		3	1				4	295,967
40-44			4	2			6	477,345
45-49			2	5	4		11	825,952
50-54				4	4		8	627,094
<b>Totals</b>		<b>5</b>	<b>7</b>	<b>11</b>	<b>8</b>		<b>31</b>	<b>\$2,368,795</b>

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

**Age:** 45.4 years  
**Service:** 15.6 years  
**Annual Pay:** \$76,413

**ACTIVE MEMBERS AS OF DECEMBER 31, 2009**  
**BY ATTAINED AGE AND YEARS OF SERVICE**

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**GENERAL TOWNSHIP**  
**FUND DIVISION 226**

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
25-29		1						1	\$ 47,216
35-39		1	1					2	117,249
50-54	1							1	45,198
<b>Totals</b>	<b>1</b>	<b>2</b>	<b>1</b>					<b>4</b>	<b>\$209,663</b>

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

**Age:** 37.8 years  
**Service:** 7.3 years  
**Annual Pay:** \$52,416

**ACTIVE MEMBERS AS OF DECEMBER 31, 2009**  
**BY ATTAINED AGE AND YEARS OF SERVICE**

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**GENERAL TOWNSHIP**  
**FUND DIVISION 230**

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
50-54	1		1			1		3	\$173,427
55-59	1	1						2	83,241
<b>Totals</b>	<b>2</b>	<b>1</b>	<b>1</b>			<b>1</b>		<b>5</b>	<b>\$256,668</b>

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

**Age:** 53.6 years  
**Service:** 11.0 years  
**Annual Pay:** \$51,334

**ACTIVE MEMBERS AS OF DECEMBER 31, 2009**  
**BY ATTAINED AGE AND YEARS OF SERVICE**

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**GENERAL TOWNSHIP**  
**FUND DIVISION 249**

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
40-44			1					1	\$ 58,780
55-59		1						1	74,823
60-64			1					1	45,448
<b>Totals</b>		<b>1</b>	<b>2</b>					<b>3</b>	<b>\$179,051</b>

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

**Age:** 52.8 years  
**Service:** 9.0 years  
**Annual Pay:** \$59,684

**ACTIVE MEMBERS AS OF DECEMBER 31, 2009**  
**BY ATTAINED AGE AND YEARS OF SERVICE**

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**GENERAL TOWNSHIP**  
**FUND DIVISION 266**

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
40-44			1					1	\$ 45,448
45-49		1						1	57,330
50-54		1	1					2	133,266
<b>Totals</b>		<b>2</b>	<b>2</b>					<b>4</b>	<b>\$236,044</b>

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

**Age:** 48.7 years  
**Service:** 9.4 years  
**Annual Pay:** \$59,011



**FUND DIVISION 584 – ACTIVE MEMBERS AS OF DECEMBER 31, 2009**  
**BY ATTAINED AGE AND YEARS OF SERVICE**

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**GENERAL TOWNSHIP**  
**FUND DIVISION 584**

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
45-49	1	1						2	\$126,412
<b>Totals</b>	<b>1</b>	<b>1</b>						<b>2</b>	<b>\$126,412</b>

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

**Age:** 47.9 years  
**Service:** 5.8 years  
**Annual Pay:** \$63,206

**RETIRED MEMBERS AS OF DECEMBER 31, 2009  
BY ATTAINED AGE**

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**GENERAL TOWNSHIP/BOARD  
101**

Attained Age	Number of Retirees		
	Male	Female	Total
55-59	0	2	2
60-64	1	3	4
65 & Over	10	13	23
<b>Totals</b>	<b>11</b>	<b>18</b>	<b>29</b>

**COURT 14-B  
101-136**

Attained Age	Number of Retirees		
	Male	Female	Total
55-59	0	0	0
60-64	0	0	0
65 & Over	2	0	2
<b>Totals</b>	<b>2</b>	<b>0</b>	<b>2</b>

**FIRE  
206**

Attained Age	Number of Retirees		
	Male	Female	Total
55-59	9	0	9
60-64	4	0	4
65 & Over	25	0	25
<b>Totals</b>	<b>38</b>	<b>0</b>	<b>38</b>

**GENERAL TOWNSHIP  
226**

Attained Age	Number of Retirees		
	Male	Female	Total
55-59	0	0	0
60-64	0	0	0
65 & Over	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>

**RETIRED MEMBERS AS OF DECEMBER 31, 2009  
BY ATTAINED AGE**

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**GENERAL TOWNSHIP  
230**

Attained Age	Number of Retirees		
	Male	Female	Total
55-59	0	0	0
60-64	0	0	0
65 & Over	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>

**GENERAL TOWNSHIP  
249**

Attained Age	Number of Retirees		
	Male	Female	Total
55-59	0	0	0
60-64	0	0	0
65 & Over	1	0	1
<b>Totals</b>	<b>1</b>	<b>0</b>	<b>1</b>

**GENERAL TOWNSHIP  
266**

Attained Age	Number of Retirees		
	Male	Female	Total
55-59	0	0	0
60-64	0	0	0
65 & Over	0	1	1
<b>Totals</b>	<b>0</b>	<b>1</b>	<b>1</b>

**GENERAL TOWNSHIP  
584**

Attained Age	Number of Retirees		
	Male	Female	Total
55-59	0	0	0
60-64	0	0	0
65 & Over	1	0	1
<b>Totals</b>	<b>1</b>	<b>0</b>	<b>1</b>

**DEFERRED MEMBERS AS OF DECEMBER 31, 2009  
BY ATTAINED AGE**

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**GENERAL TOWNSHIP/BOARD  
101**

<b>Attained Age</b>	<b>Number of Retirees</b>		
	<b>Male</b>	<b>Female</b>	<b>Total</b>
Under 55	0	1	1
55-59	2	3	5
<b>Totals</b>	<b>2</b>	<b>4</b>	<b>6</b>

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## **SECTION E**

### **ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS**

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## VALUATION METHODS

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**Actuarial Cost Method.** Normal cost and the allocation of benefit values between service rendered before and after the valuation date was determined using an **Individual Entry-Age Actuarial Cost Method** having the following characteristics:

- (i) the annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement;
- (ii) each annual normal cost is a constant percentage of the member's year by year projected covered pay.

Actuarial gains (losses), as they occur, reduce (increase) the Unfunded Actuarial Accrued Liability.

**Financing of Unfunded Actuarial Accrued Liabilities.** Unfunded Actuarial Accrued Liabilities (UAAL) were amortized by a level (principal and interest combined) percent of payroll contribution. The UAAL were determined using the funding value of assets and actuarial accrued liability calculated as of the valuation date. The UAAL amortization payment is the level percent-of-payroll required to fully amortize the UAAL over a 30-year period beginning on the valuation date. This UAAL payment does not reflect any payments expected to be made between the valuation date and the fiscal year for which the contributions in this report have been calculated.

The salary increase assumption used in this actuarial valuation projects annual salary increases of 4.5% plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases.

Results can be very sensitive to the medical trend assumption. At the request of the plan sponsor, no sensitivity analysis of the medical trend was performed with this valuation.

## ACTUARIAL ASSUMPTIONS

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The actuarial assumptions used in this valuation are the same as those used in the December 31, 2007 OPEB valuation. Since the December 31, 2007 valuation, the MERS demographic assumptions for pension valuations have changed.

***The rate of investment return (discount rate) under a Fully Funding arrangement*** was 7.0% per year compounded annually. The accounting standard permits an investment return assumption at such level in a pre-funded program, where the funding policy is to contribute annual amounts at least as great as the ARC. This rate consists of a real rate of return of 2.5% per year plus a long-term rate of wage inflation of 4.5% a year. This assumption is used to equate the value of payments due at different points in time.

***The rate of investment return (discount rate) under a Pay-As-You-Go arrangement*** was 4.0% per year compounded annually. This rate consists of a real rate of return of (0.5)% per year plus a long-term rate of wage inflation of 4.5% a year. This assumption is used to equate the value of payments due at different points in time. In an unfunded program the investment return assumption must be commensurate with potential earnings on the employers' general account assets.

***The rates of salary increase*** used for individual members are in accordance with the following tables. This assumption is used to project a member's current salary to the salaries upon which future contributions will be based.

### TOWNSHIP EMPLOYEE SALARY SCALE

Sample Years	% Increase in Salary at Sample Ages		
	Base (Economic)	Merit & Longevity	Increase Next Year
20	4.50%	8.40%	12.90%
25	4.50	5.33	9.83
30	4.50	3.26	7.76
35	4.50	2.05	6.55
40	4.50	1.30	5.80
45	4.50	0.81	5.31
50	4.50	0.52	5.02
55	4.50	0.30	4.80
60	4.50	0.00	4.50
Ref	214		

## ACTUARIAL ASSUMPTIONS (CONTINUED)

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### FIRE EMPLOYEE SALARY SCALE

% Increase in Salary at Sample Ages			
Sample Years	Base (Economic)	Merit & Longevity	Increase Next Year
20	4.50%	3.50%	8.00%
25	4.50	3.50	8.00
30	4.50	3.10	7.60
35	4.50	1.60	6.10
40	4.50	0.70	5.20
45	4.50	0.70	5.20
50	4.50	0.70	5.20
55	4.50	0.60	5.10
60	4.50	0.50	5.00
Ref	34		

The number of active members is assumed to remain constant in the future.

The payroll growth rate for financing Unfunded Actuarial Accrued Liabilities was assumed to be 4.5%.



## ACTUARIAL ASSUMPTIONS (CONTINUED)

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*The mortality table* used to project the mortality experience of plan members is the 1994 Group Annuity Mortality Table. The Township group uses a 50% Male – 50% Female blend. For disabled retirees, the regular mortality tables are used with a set forward in ages to reflect the higher expected mortality rates of disabled members. The set forward for the Township actives and retirees is 10 years, the set forward for the Fire actives is 8 years, and the set forward for the Fire retirees is 3 years.

### TOWNSHIP MEMBERS

Sample Attained Ages	Probability of Dying Next Year	Future Life Expectancy (years)
45	0.13%	37.34
50	0.20	32.60
55	0.34	27.98
60	0.62	23.53
65	1.16	19.40
70	1.87	15.66
75	2.99	12.24
80	5.07	9.25
Ref	#261x1sb0yrs0.5Unisex	#262x1sb0yrs0.5Unisex

### FIRE MEMBERS

Sample Attained Ages	Probability of Dying Next Year		Future Life Expectancy (years)	
	Men	Women	Men	Women
45	0.16%	0.10%	35.38	39.68
50	0.26	0.14	30.69	34.89
55	0.44	0.23	26.15	30.17
60	0.80	0.44	21.83	25.59
65	1.45	0.86	17.84	21.28
70	2.37	1.37	14.29	17.30
75	3.72	2.27	11.12	13.60
80	6.20	3.94	8.37	10.31
Ref	#261x1sb0yrs0Unisex		#262x1sb0yrs0Unisex	

Fire members retiring with less than 25 years of service are assumed to receive no Retiree Health Care benefits.

## ACTUARIAL ASSUMPTIONS (CONTINUED)

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*The rates of retirement* used to measure the probability of eligible members retiring during the next year, were as follows:

### TOWNSHIP EMPLOYEES

Retirement Ages	Percent of Eligible Active Members Retiring Within Next Year
55	18%
56	15
57	10
58	15
59	20
60	20
61	24
62	24
63	24
64	27
65	30
66	30
67	30
68	30
69	30
70 and above	100
Ref	765

### FIRE EMPLOYEES

Years of Service	Percent of Eligible Active Members Retiring Within Next Year
25	30%
26	30
27	30
28	50
29	60
30 or more	100

100% of Township Board members were assumed to retire upon attaining age 55 with 10 or more years of service. 100% of Fire members were assumed to retire at age 60.

## ACTUARIAL ASSUMPTIONS (CONTINUED)

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*Rates of separation from active membership* are used to estimate the number of employees at each age that are expected to terminate employment before qualifying for retirement benefits. The withdrawal rates do not apply to members eligible to retire, and do not include separation on account of death or disability. The assumed rates of withdrawal applied in the current valuation are based on years of service for members with less than 5 years of service, and based on age for members with 5 or more years of service.

Sample rates of separation from active employment are shown below:

Sample Ages	Service Index	Percent of Active Members Separating Within Next Year	
		Township	Fire
ALL	0	18.0%	10.0%
	1	18.0	7.0
	2	16.0	5.0
	3	12.0	4.0
	4	10.0	3.5
20	5 & Over	9.0	3.5
25		9.0	3.5
30		9.0	2.9
35		7.0	1.5
40		5.0	0.6
45		4.0	0.5
50		4.0	0.5
55		3.0	0.5
60		3.0	0.5
65		2.0	0.5
Ref		263 #434x1	30 #54x1

## ACTUARIAL ASSUMPTIONS (CONTINUED)

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*Rates of disability* among active members are used to estimate the incidence of member disability in future years.

### TOWNSHIP MEMBERS

Sample Ages	Percent Becoming Disabled Within Next Year
20	0.02%
25	0.02
30	0.02
35	0.06
40	0.06
45	0.11
50	0.24
55	0.41
60	0.41
65	0.41
Ref	#257

### FIRE MEMBERS

Sample Ages	Percent Becoming Disabled Within Next Year	
	Men	Women
20	0.07%	0.03%
25	0.09	0.05
30	0.10	0.07
35	0.14	0.13
40	0.21	0.19
45	0.32	0.28
50	0.52	0.45
55	0.92	0.76
60	1.53	1.10
Ref	#33	#34

## ACTUARIAL ASSUMPTIONS (CONCLUDED)

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*Health care trend rates* used in the valuation were as shown below.

<b>Medical and Drug Trend Rates</b>	
<b>Year</b>	<b>Valuation</b>
2008	9.00%
2009	8.50
2010	8.00
2011	7.50
2012	7.00
2013	6.50
2014	6.00
2015	5.50
2016	5.00
2017	4.50
2018	4.50
2019	4.50
2020 & Later	4.50

<b>Year</b>	<b>Dental</b>	<b>Vision</b>
2008	4.5%	4.5%
2009	4.5	4.5
2010	4.5	4.5
2011	4.5	4.5
2012 & Later	4.5	4.5

## MISCELLANEOUS AND TECHNICAL ASSUMPTIONS

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<b>Decrement Operation:</b>	Disability and mortality decrements do not operate during the first 5 years of service. Disability and withdrawal do not operate during retirement eligibility.
<b>Decrement Timing:</b>	Decrements of all types are assumed to occur mid-year.
<b>Eligibility Testing:</b>	Eligibility for benefits is determined based upon the age nearest birthday and actual service on the date the decrement is assumed to occur.
<b>Incidence of Contributions:</b>	Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.
<b>Marriage Assumption:</b>	70% of Township members and 90% of Fire members are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses for active member valuation purposes.
<b>Medicare Coverage:</b>	Assumed to be available for all covered employees on attainment of age 65.
<b>Election Percentage:</b>	It was assumed that 100% of General, Court, and Fire retirees, and 75% of Township Board retirees would choose to receive retiree health care benefits through the Township. Of those assumed to elect coverage, 70% of General and Court retirees, 0% of Township Board retirees and 90% of Fire retirees are assumed to elect two-person coverage, if eligible. For those that elect two-person coverage, it was assumed that coverage would continue to the spouse upon death of the retiree 50% of the time for General and Court spouses and 100% of the time for Fire spouses, if eligible.
<b>Opt-Out:</b>	General and Court retirees who retire at age 55 with 15 years of service are assumed to opt-out of coverage until age 60.
<b>DROP:</b>	For Fire DROP participants, OPEB benefits are assumed to start upon retirement at the end of the DROP period.
<b>Liability Adjustments:</b>	Health care liabilities for deferred retirees are adjusted by a factor of 150% for potential spouses. For the December 31, 2009 valuation, active member liability has been increased by 4.5% to adjust for data uncertainty.

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## **SECTION F**

### **GASB FINANCIAL DISCLOSURE INFORMATION**

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**This information is presented in draft form for review by the Plan's auditor. Please let us know if there are any items that the auditor changes so that we may maintain consistency with the Plan's financial statements.**

**GASB STATEMENTS NO. 43 AND NO. 45**  
**SCHEDULE OF FUNDING PROGRESS**

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**FIRE**

<b>Valuation Date Dec. 31</b>	<b>Valuation Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</b>	<b>Ratio of Valuation Assets to AAL (a/b)</b>	<b>Valuation Payroll (c)</b>	<b>Ratio of UAAL to Valuation Payroll ([b-a]/c)</b>
2005	\$ 722,655	\$12,047,464	\$11,324,809	6.0%	\$2,449,264	462%
2007	1,549,249	11,509,097	9,959,848	13.5%	2,545,433	391%
2009	2,443,312	13,374,642	10,931,330	18.3%	2,368,795	462%

**GENERAL TOWNSHIP/BOARD - 101**

<b>Valuation Date Dec. 31</b>	<b>Valuation Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</b>	<b>Ratio of Valuation Assets to AAL (a/b)</b>	<b>Valuation Payroll (c)</b>	<b>Ratio of UAAL to Valuation Payroll ([b-a]/c)</b>
2009	1,062,920	8,683,622	7,620,702	12.2%	1,973,445	386%

**COURT 14B – 101-136**

<b>Valuation Date Dec. 31</b>	<b>Valuation Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</b>	<b>Ratio of Valuation Assets to AAL (a/b)</b>	<b>Valuation Payroll (c)</b>	<b>Ratio of UAAL to Valuation Payroll ([b-a]/c)</b>
2009	139,533	1,139,929	1,000,396	12.2%	609,424	164%

Based on 7% rate of return assumption.



**GASB STATEMENTS NO. 43 AND NO. 45**  
**SCHEDULE OF FUNDING PROGRESS**

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**GENERAL TOWNSHIP - 226**

<b>Valuation Date Dec. 31</b>	<b>Valuation Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</b>	<b>Ratio of Valuation Assets to AAL (a/b)</b>	<b>Valuation Payroll (c)</b>	<b>Ratio of UAAL to Valuation Payroll ([b-a]/c)</b>
2009	12,777	104,379	91,602	12.2%	209,663	44%

**GENERAL TOWNSHIP - 230**

<b>Valuation Date Dec. 31</b>	<b>Valuation Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</b>	<b>Ratio of Valuation Assets to AAL (a/b)</b>	<b>Valuation Payroll (c)</b>	<b>Ratio of UAAL to Valuation Payroll ([b-a]/c)</b>
2009	51,653	421,984	370,331	12.2%	256,668	144%

**GENERAL TOWNSHIP - 249**

<b>Valuation Date Dec. 31</b>	<b>Valuation Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</b>	<b>Ratio of Valuation Assets to AAL (a/b)</b>	<b>Valuation Payroll (c)</b>	<b>Ratio of UAAL to Valuation Payroll ([b-a]/c)</b>
2009	55,014	449,445	394,431	12.2%	179,051	220%

Based on 7% rate of return assumption.

**GASB STATEMENTS NO. 43 AND NO. 45**  
**SCHEDULE OF FUNDING PROGRESS**

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**GENERAL TOWNSHIP - 266**

Valuation Date Dec. 31	Valuation Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Ratio of Valuation Assets to AAL (a/b)	Valuation Payroll (c)	Ratio of UAAL to Valuation Payroll ((b-a)/c)
2009	49,905	407,700	357,795	12.2%	236,044	152%

**GENERAL TOWNSHIP - 584**

Valuation Date Dec. 31	Valuation Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Ratio of Valuation Assets to AAL (a/b)	Valuation Payroll (c)	Ratio of UAAL to Valuation Payroll ((b-a)/c)
2009	36,928	301,685	264,757	12.2%	126,412	209%

Based on 7% rate of return assumption.

**GASB STATEMENTS NO. 43 AND NO. 45  
REQUIRED SUPPLEMENTARY INFORMATION**

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Valuation Date	December 31, 2009
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Percent Open
Remaining Amortization Periods	30 Years
Asset Valuation Method	Market
Actuarial Assumptions:	
Discount Rates	7.0% per Year & 4.0% per Year
Projected Salary Increases	4.5% - 12.9%
Expected Health Care Cost Trend Rate	
Medical:	9% initial down to 4.5% ultimate over 10 years
Dental:	4.5% ultimate
Vision:	4.5% ultimate

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## APPENDIX

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## GLOSSARY

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**Accrued Service.** The service credited under the plan which was rendered before the date of the actuarial valuation.

**Actuarial Accrued Liability.** The difference between (i) the actuarial present value of future plan benefits, and (ii) the actuarial present value of future normal cost. Sometimes referred to as "accrued liability" or "past service liability."

**Actuarial Assumptions.** Estimates of future plan experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

**Actuarial Cost Method.** A mathematical budgeting procedure for allocating the dollar amount of the "actuarial present value of future plan benefits" between the actuarial present value of future normal cost and the actuarial accrued liability. Sometimes referred to as the "actuarial funding method."

**Actuarial Equivalent.** A single amount or series of amounts of equal value to another single amount or series of amounts, computed on the basis of the rate(s) of interest and mortality tables used by the plan.

**Actuarial Present Value.** The amount of funds presently required to provide a payment or series of payments in the future. It is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

**Amortization.** Paying off an interest-bearing liability by means of periodic payments of interest and principal, as opposed to paying it off with a lump sum payment.

## **GLOSSARY (CONCLUDED)**

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**Annual Required Contribution (ARC).** The ARC is the normal cost plus the portion of the unfunded actuarial accrued liability to be amortized in the current period. The ARC is an amount that is actuarially determined in accordance with the requirements so that, if paid on an ongoing basis, it would be expected to provide sufficient resources to fund both the normal cost for each year and the amortized unfunded liability.

**Governmental Accounting Standards Board (GASB).** GASB is the private, nonpartisan, nonprofit organization that works to create and improve the rules U.S. state and local governments follow when accounting for their finances and reporting them to the public.

**Medical Trend Rate (Health Care Inflation).** The increase in the cost of providing health care benefits over time. Trend includes such elements as pure price inflation, changes in utilization, advances in medical technology, and cost shifting.

**Normal Cost.** The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as "current service cost." Any payment toward the unfunded actuarial accrued liability is not part of the normal cost.

**Other Postemployment Employee Benefits (OPEB).** OPEB are postemployment benefits other than pensions. OPEB generally takes the form of health insurance and dental, vision, prescription drugs or other health care benefits.

**Reserve Account.** An account used to indicate that funds have been set aside for a specific purpose and are not generally available for other uses.

**Unfunded Actuarial Accrued Liability.** The difference between the actuarial accrued liability and valuation assets. Sometimes referred to as "unfunded accrued liability."

**Valuation Assets.** The value of current plan assets recognized for valuation purposes.