Gabriel Roeder Smith & Company
Consultants & Actuaries

CHARTER TOWNSHIP OF YPSILANTI
OTHER POSTEMPLOYMENT BENEFITS

ACTUARIAL VALUATION REPORT

DECEMBER 31, 2011

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GRS
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June 13, 2012

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 results of the December 31, 2011 Other Post Employment Benefits of the Charter Township of Ypsilanti.

The purpose of the valuation is to measure the Plan's funding progress, to determine the employer's Annual Required Contribution for fiscal years ending December 31, 2013 and 2014, and to determine the actuarial information for Governmental Accounting Standards Board (GASB) Statements No. 43 and 45.

This report was prepared at the request of the Charter Township of Ypsilanti and is intended for the use by the Charter Township of Ypsilanti and those designated or approved by the Township.

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.

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.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

This report should not be relied on for any purpose other than the purpose described above. Determinations of the financial results associated with the benefits described in this report in a manner other than the intended purpose may produce significantly different results.

The signing actuaries are independent of the plan sponsor.

David Kausch is a member of the American Academy of Actuaries (MAAA), and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,

David T. Kausch

David T. Kausch, FSA, EA, MAAA

David L. Hoffman

David L. Hoffman

DTK/DLH:mrb

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

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, 2013 is estimated to be $581,362 for the Township groups in total and $466,764 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 are as follows.

Calendar Year	Fire	General
2013	$461,799	$405,289
2014	495,927	449,794

For additional details please see Section A 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.

Liabilities and Assets

The present value of all benefits expected to be paid to current plan members as of December 31, 2011 is $10,892,042 for the Township group and $10,860,145 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, 2011, is $9,511,973 for the Township group and $9,631,621 for the Fire group. The assets currently set aside for GASB OPEB purposes as of December 31, 2011 are $2,507,020 for the Township group and $2,958,728 for the Fire group.

SECTION A

VALUATION RESULTS

DEVELOPMENT OF THE ANNUAL REQUIRED CONTRIBUTIONS – 7.0%
FOR THE OTHER POSTEMPLOYMENT BENEFITS
FISCAL YEAR BEGINNING JANUARY 1, 2013

	Development of the Annual Required Contribution for January 1, 2013 - December 31, 2013							
Contributions for Fund Division	**101-102**	**101-136**	**206**	**226**	**230**	**249**	**266**	**584**
Total Normal Cost	$ 117,075	$ 28,555	$ 147,014	$ 9,397	$ 24,952	$ 16,895	$ 17,170	$ 10,719
Amortization of Unfunded Actuarial								
Accrued Liabilities	$ 256,694	$ 37,826	$ 339,537	$ 4,964	$ 18,013	$ 13,528	$ 15,709	$ 9,865
(Amortized over 30 years)								
Annual Required Contribution (ARC)	$ 373,769	$ 66,381	$ 486,551	$ 14,361	$ 42,965	$ 30,423	$ 32,879	$ 20,584
Member Portion	0	0	19,787	0	0	0	0	0
Employer Portion	$ 373,769	$ 66,381	$ 466,764	$ 14,361	$ 42,965	$ 30,423	$ 32,879	$ 20,584
Projected Payroll for the Fiscal Year								
Beginning January 1, 2013	$1,894,423	$676,667	$1,978,654	$278,852	$325,739	$193,532	$251,747	$135,505
Annual Required Contribution (ARC)	19.73%	9.81%	24.59%	5.15%	13.19%	15.72%	13.06%	15.19%
Member Portion	0.00%	0.00%	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Employer Portion	19.73%	9.81%	23.59%	5.15%	13.19%	15.72%	13.06%	15.19%
ARC Per Active Participant	$ 10,679	$ 5,106	$ 19,449	$ 2,872	$ 7,161	$ 10,141	$ 8,220	$ 10,292
Annual Required Contribution (ARC)								
For Year beginning January 1, 2014	$ 390,589	$ 69,368	$ 508,446	$ 15,007	$ 44,898	$ 31,792	$ 34,359	$ 21,510
Member Portion	0	0	20,677	0	0	0	0	0
Employer Portion	$ 390,589	$ 69,368	$ 487,768	$ 15,007	$ 44,898	$ 31,792	$ 34,359	$ 21,510

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, 2011

	101-102	101-136	206	226	230	249	266	584
A. Present Value of Future Benefits								
1. Retirees and Beneficiaries	$3,819,476	$ 156,795	$ 6,792,179	$ 0	$ 0	$111,003	$72,086	$127,746
2. Retired Members in Deferral Period	839,130	0	0	0	0	0	0	0
3. Active Members	2,885,168	1,062,622	4,067,966	219,313	603,720	325,110	454,522	215,351
Total Present Value of Future Benefits	$7,543,774	$1,219,417	$10,860,145	$219,313	$603,720	$436,113	$526,608	$343,097
B. Present Value of Future Employer Normal Costs	$ 697,482	$ 209,644	$ 1,064,691	$ 86,808	$123,079	$ 75,267	$107,755	$80,034
C. Present Value of Future Contributions from Current Active Members	$ 0	$ 0	$ 163,833	$ 0	$ 0	$ 0	$ 0	$ 0
D. Actuarial Accrued Liability (A.-B.-C.)	$6,846,292	$1,009,773	$ 9,631,621	$132,505	$480,641	$360,846	$418,853	$263,063
E. Market Value of Assets	$1,804,441	$ 266,140	$ 2,958,728	$ 34,924	$126,680	$ 95,106	$ 110,395	$ 69,334
F. Unfunded Actuarial Accrued Liability (D.-E.)	$5,041,851	$ 743,633	$ 6,672,893	$ 97,581	$353,961	$265,740	$308,458	$193,729
G. Funded Ratio (E./D.)	26.4%	26.4%	30.7%	26.4%	26.4%	26.4%	26.4%	26.4%

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 ILLUSTRATIVE CONTRIBUTION – 4.0%
FOR THE OTHER POSTEMPLOYMENT BENEFITS
FISCAL YEAR BEGINNING JANUARY 1, 2013

Contributions for Fund Division	Development of Illustrative Contribution for January 1, 2013 - December 31, 2013							
	101	101-136	206	226	230	249	266	584
Total Normal Cost	$ 231,823	$ 65,282	$ 327,878	$ 20,650	$ 45,718	$ 30,212	$ 33,841	$ 20,244
Amortization of Unfunded Actuarial								
Accrued Liabilities	$ 269,576	$ 45,269	$ 376,340	$ 7,306	$ 20,098	$ 14,108	$ 17,924	$ 10,258
(Amortized over 30 years)								
Illustrative Contribution	$ 501,399	$110,551	$ 704,218	$ 27,956	$ 65,816	$ 44,320	$ 51,765	$ 30,502
Member Portion	0	0	19,787	0	0	0	0	0
Employer Portion	$ 501,399	$110,551	$ 684,431	$ 27,956	$ 65,816	$ 44,320	$ 51,765	$ 30,502
Projected Payroll for the Fiscal Year								
Beginning January 1, 2013	$1,894,423	$676,667	$1,978,654	$278,852	$325,739	$193,532	$251,747	$135,505
Illustrative Contribution	26.47%	16.34%	35.59%	10.03%	20.21%	22.90%	20.56%	22.51%
Member Portion	0.00%	0.00%	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Employer Portion	26.47%	16.34%	34.59%	10.03%	20.21%	22.90%	20.56%	22.51%
Per Active Participant	$ 14,326	$ 8,504	$ 28,518	$ 5,591	$ 10,969	$ 14,773	$ 12,941	$ 15,251
Illustrative Contribution								
For Year beginning January 1, 2014	$ 523,962	$115,526	$ 735,908	$ 29,214	$ 68,778	$ 46,314	$ 54,094	$ 31,875
Member Portion	0	0	20,677	0	0	0	0	0
Employer Portion	$ 523,962	$115,526	$ 715,230	$ 29,214	$ 68,778	$ 46,314	$ 54,094	$ 31,875

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, 2011

	101-102	101-136	206	226	230	249	266	584
A. Present Value of Future Benefits								
1. Retirees and Beneficiaries	$ 5,140,051	$ 193,377	$ 9,537,168	$ 0	$ 0	$140,372	$ 99,022	$159,004
2. Retired Members in Deferral Period	1,220,782	0	0	0	0	0	0	0
3. Active Members	5,354,725	2,039,411	8,183,129	505,809	989,502	544,433	805,151	398,106
Total Present Value of Future Benefits	$11,715,558	$2,232,788	$17,720,297	$505,809	$ 989,502	$684,805	$ 904,173	$557,110
B. Present Value of Future Employer Normal Costs	$ 1,731,101	$ 592,825	$ 3,139,629	$249,106	$ 252,796	$161,508	$ 249,414	$176,364
C. Present Value of Future Contributions from Current Active Members	$ 0	$ 0	$ 199,003	$ 0	$ 0	$ 0	$ 0	$ 0
D. Actuarial Accrued Liability (A.-B.-C.)	$ 9,984,457	$1,639,963	$14,381,665	$256,703	$ 736,706	$523,297	$ 654,759	$380,746
E. Market Value of Assets	$ 1,804,441	$ 266,140	$ 2,958,728	$ 34,924	$ 126,680	$ 95,106	$ 110,395	$ 69,334
F. Unfunded Actuarial Accrued Liability (D.-E.)	$ 8,180,016	$1,373,823	$11,422,937	$221,779	$ 610,026	$428,191	$ 544,364	$311,412
G. Funded Ratio (E./D.)	18.1%	16.2%	20.6%	13.6%	17.2%	18.2%	16.9%	18.2%

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

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. Our understanding is that the Township intends to continue fully funding the ARC. Based on this, the assumed rate of return is 7.0% which is representative of the expectation on a balanced portfolio. The ARC under this assumption is shown on page A-1. 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% more in line with the Township earnings on general assets. Use of such an interest rate would considerably increase the Net OPEB Obligation that is disclosed on the employers' financial statement. For reference, the ARC would be $832,309 for the Township and $684,431 for Fire using a rate of return assumption of 4.0% as shown on page A-3. We recommend reviewing this and all actuarial assumptions (See Comment H).

COMMENT B: 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. We recommend reviewing the amortization policy.

COMMENT C: 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 D: The expected claims and premiums attributable to retirees and covered spouses are as follows:

Calendar Year	Fire	General
2013	$461,799	$405,289
2014	495,927	449,794

These amounts are net of retiree and spouse contributions and reflect the anticipated trend, demographic changes, and implicit subsidy.

COMMENT E: The plan ARC is much lower primarily due to the premium savings from switching to a high-deductible health care plan for all members. Premiums were materially lower than expected. Based on information from the plan sponsor, the plan change affects current and future retirees. If any groups were grandfathered, the results in this valuation may need to be revised.

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

COMMENT G: The Patient Protection and Affordable Care Act includes an excise tax for high cost (Cadillac) health plans beginning in 2018. Based on the current level of premiums, this plan is not projected to be subject to the tax during the life of the members. However, actual health care costs can be volatile and increase rapidly so a future excise tax may apply.

COMMENT H: The mortality assumption does not contain a margin for future improvement. Life expectancies continue to increase and the lack of an assumption for future improvements may understate funding requirements. We recommend reviewing all actuarial assumptions before the next valuation.

COMMENT I: 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 actuarial accrued liability. Since the ARC is calculated by Fund, the Township may wish to track contributions, benefit and assets by fund on a market value basis.

COMMENT J: 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:

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

SECTION B

RETIREE PREMIUM RATE DEVELOPMENT

RETIREE PREMIUM RATE DEVELOPMENT

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.

The only pre-65 plan available to current and future retirees is BCBS high deductible PPO 006. The only post-65 plan available to current and future retirees is BCBS high deductible PPO 900. It is our understanding the Township no longer offers the BCBS Traditional coverage and the going forward retirees will receive the same level of health benefits (co-pays, deductibles, etc.) as the actives.

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)

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

Current and Future Retirees

Not Eligible for Medicare		
Age	**Male**	**Female**
45	$258.85	$338.88
50	350.20	396.79
55	457.70	470.47
60	575.00	552.71

Eligible for Medicare		
Age	**Male**	**Female**
65	$297.98	$274.40
70	343.72	309.07
75	381.59	338.65

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 $34.33 for the first person and $29.49 for the second person at all ages. The vision rates used for this valuation were $7.85 for the first person and $10.99 for the second person for pre-65 retirees. There is no vision coverage 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.

SECTION C

SUMMARY OF BENEFIT PROVISIONS AND VALUATION DATA

MANAGEMENT/NON-UNION/UNION/14B DISTRICT COURT EMPLOYEES
SUMMARY OF BENEFITS AS OF DECEMBER 31, 2011
FOR EMPLOYEES WITH RETIREMENTS BEFORE SEPTEMBER 1, 2009

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, 2011
FOR EMPLOYEES WITH RETIREMENTS BEFORE SEPTEMBER 1, 2009

Medical Coverage

The Township offers the following health care coverage plans:

- 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, 2011
DIVISION: TMNU-1

Age Retirement

1) Employees who retire between January 1, 2010 and December 31, 2012 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, 2012, 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 effect 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.

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 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, 2011
DIVISION: AFSCME-2

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. <u>Coverage for employees who retire after December 31, 2011, will change in the future to match any changes negotiated by the union.</u>

3) Employees hired after September 1, 2009 shall be eligible for retiree health care at age 62. <u>Coverage for employees who retire after December 31, 2011, will change in the future to match any changes negotiated by the union.</u>

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.

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 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.

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.

Medical Coverage

The Township offers the following health care coverage plans.

- 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.

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. Per Resolution 2008-04, Board officials hired after February 19, 2008 are not eligible for retiree health care.

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 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 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.

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 January1, 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.

Medical Coverage

The Township offers the following health care coverage plans.

- 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.

STATEMENT OF MARKET VALUE OF ASSETS
AS OF DECEMBER 31, 2011

	Non-Fire	Fire	Total
MERS Funding Vehicle	$ 2,964,889	$ -	$ 2,964,889
Cash & Short Term	0	1,218,226	1,218,226
Fixed Income	0	678,049	678,049
Equities	0	1,708,684	1,708,684
Accounts Receivable/(Payable)	(457,869)	(646,231)	(1,104,100)
Total	**$ 2,507,020**	**$ 2,958,728**	**$ 5,465,748**

2-Year Reconciliation of Assets

	Non-Fire	Fire	Total
Market Value as of 12/31/2009	$ 1,408,730	$ 2,443,312	$ 3,852,042
Member Contributions	0	39,215	39,215
Employer Contributions	1,609,349	1,605,168	3,214,517
Investment Return	316,154	51,439	367,593
Health Premiums	(812,777)	(1,169,742)	(1,982,519)
Expenses	(14,436)	(10,664)	(25,100)
Market Value as of 12/31/2011	**$ 2,507,020**	**$ 2,958,728**	**$ 5,465,748**

ACTIVE MEMBERS AS OF DECEMBER 31, 2011
BY ATTAINED AGE AND YEARS OF SERVICE

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									
35-39		1	2	1				4	$ 229,906
40-44	1		5	2	1			9	417,118
45-49		1	1	4	1			7	309,459
50-54	1		1		1			3	283,811
55-59		2	3	2				7	313,519
60-64	1	1	1					3	92,331
65 & Over			1	1				2	88,636
Totals	**3**	**5**	**14**	**10**	**3**			**35**	**$1,734,780**

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

Age:	49.4	years
Service:	12.7	years
Annual Pay:	$49,565	

ACTIVE MEMBERS AS OF DECEMBER 31, 2011
BY ATTAINED AGE AND YEARS OF SERVICE

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
30-34			1					1	$ 42,300
35-39				1				1	50,500
40-44	1		2	1				4	203,220
45-49			1			3		4	177,310
50-54						1		1	44,500
55-59						1		1	56,090
60-64						1		1	45,724
Totals	**1**		**4**	**2**		**6**		**13**	**$619,644**

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

Age:	46.0	years
Service:	18.0	years
Annual Pay:	$47,665	

ACTIVE MEMBERS AS OF DECEMBER 31, 2011
BY ATTAINED AGE AND YEARS OF SERVICE

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	1	1					2	$ 109,454
35-39		2	1				3	213,393
40-44	1		4	1			6	418,462
45-49				2	2		4	323,226
50-54	1			4	2	1	8	674,880
55-59					1		1	72,498
Totals	**3**	**3**	**5**	**7**	**5**	**1**	**24**	**$1,811,913**

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

Age:	45.3	years
Service:	15.0	years
Annual Pay:	$75,496	

ACTIVE MEMBERS AS OF DECEMBER 31, 2011
BY ATTAINED AGE AND YEARS OF SERVICE

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									
30-34			1					1	$ 46,051
35-39		1	1					2	113,755
40-44	1							1	51,701
50-54		1						1	43,846
Totals	**1**	**2**	**2**					**5**	**$ 255,353**

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

Age:	39.9	years
Service:	8.6	years
Annual Pay:	$51,071	

ACTIVE MEMBERS AS OF DECEMBER 31, 2011
BY ATTAINED AGE AND YEARS OF SERVICE

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
35-39	1							1	$ 43,846
50-54		1		1		1		3	173,427
55-59			1					1	44,096
60-64		1						1	36,920
Totals	**1**	**2**	**1**	**1**		**1**		**6**	**$ 298,289**

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

Age: 52.3 years
Service: 11.8 years
Annual Pay: $49,715

ACTIVE MEMBERS AS OF DECEMBER 31, 2011
BY ATTAINED AGE AND YEARS OF SERVICE

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
45-49			1					1	$ 57,096
55-59		1						1	74,823
60-64			1					1	45,304
Totals		**1**	**2**					**3**	**$ 177,223**

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

Age:	54.8	years
Service:	12.0	years
Annual Pay:	$59,074	

ACTIVE MEMBERS AS OF DECEMBER 31, 2011
BY ATTAINED AGE AND YEARS OF SERVICE

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	$ 44,096
50-54		1		1				2	132,698
55-59			1					1	53,738
Totals		**1**	**2**	**1**				**4**	**$230,532**

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

Age:	50.7	years
Service:	13.0	years
Annual Pay:	$57,633	

FUND DIVISION 584 – ACTIVE MEMBERS AS OF DECEMBER 31, 2011 BY ATTAINED AGE AND YEARS OF SERVICE

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	$48,892
50-54		1						1	75,194
Totals		**2**						**2**	**$124,086**

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

Age:	49.9	years
Service:	8.7	years
Annual Pay:	$62,043	

RETIRED MEMBERS AS OF DECEMBER 31, 2011
BY ATTAINED AGE

GENERAL TOWNSHIP/BOARD
101

Attained	Number of Retirees		
Age	Male	Female	Total
55-59	1	4	5
60-64	3	4	7
65 & Over	10	14	24
Totals	**14**	**22**	**36**

COURT 14-B
101-136

Attained	Number of Retirees		
Age	Male	Female	Total
55-59	0	0	0
60-64	0	0	0
65 & Over	2	0	2
Totals	**2**	**0**	**2**

FIRE
206

Attained	Number of Retirees		
Age	Male	Female	Total
55-59	16	0	16
60-64	3	0	3
65 & Over	24	0	24
Totals	**43**	**0**	**43**

GENERAL TOWNSHIP
226

Attained	Number of Retirees		
Age	Male	Female	Total
55-59	0	0	0
60-64	0	0	0
65 & Over	0	0	0
Totals	**0**	**0**	**0**

RETIRED MEMBERS AS OF DECEMBER 31, 2011
BY ATTAINED AGE

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
Totals	**0**	**0**	**0**

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
Totals	**1**	**0**	**1**

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
Totals	**0**	**1**	**1**

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
Totals	**1**	**0**	**1**

DEFERRED MEMBERS AS OF DECEMBER 31, 2011
BY ATTAINED AGE

GENERAL TOWNSHIP/BOARD
101

Attained Age	Number of Retirees		
	Male	Female	Total
Under 55	0	1	1
55-59	1	1	2
Totals	**1**	**2**	**3**

SECTION D

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS

VALUATION METHODS

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.

Asset Valuation Method. Reported Market Value of Assets are used without smoothing. Assets for Fire are reported separately. Assets for the remaining Township divisions are allocated in proportion to actuarial accrued liability on the valuation date.

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

The actuarial assumptions used in this valuation are the same as those used in the December 31, 2009 OPEB valuation.

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. Although not explicitly used, the price inflation assumption is 3.50% per year. Our understanding is that the Township intends to continue fully funding the ARC. 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. The real rate of return relative to the 3.50% price inflation assumption is 0.5% per 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

	% Increase in Salary at Sample Ages		
Sample Years	**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

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%.

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. There is no provision for future mortality improvements.

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	

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 12 or more years of service. 100% of Fire members were assumed to retire at age 60.

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:

		Percent of Active Members Separating Within Next Year	
Sample Ages	**Service Index**	**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

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	Percent Becoming Disabled Within Next Year	
Ages	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

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

Year	Medical and Drug Trend Rates Valuation
2012	9.00%
2013	8.50
2014	8.00
2015	7.50
2016	7.00
2017	6.50
2018	6.00
2019	5.50
2020	5.00
2021	4.50
2022	4.50
2023	4.50
2023 & Later	4.50

Year	Dental	Vision
2012	4.5%	4.5%
2013	4.5	4.5
2014	4.5	4.5
2015	4.5	4.5
2016 & Later	4.5	4.5

MISCELLANEOUS AND TECHNICAL ASSUMPTIONS

Decrement Operation: Disability and mortality decrements do not operate during the first 5 years of service. Disability and withdrawal do not operate during retirement eligibility.

Decrement Timing: Decrements of all types are assumed to occur mid-year.

Eligibility Testing: Eligibility for benefits is determined based upon the age nearest birthday and actual service on the date the decrement is assumed to occur.

Incidence of Contributions: 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.

Marriage Assumption: 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.

Medicare Coverage: Assumed to be available for all covered employees on attainment of age 65.

Election Percentage: 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.

Opt-Out: General and Court retirees who retire at age 55 with 15 years of service are assumed to opt-out of coverage until age 60.

DROP: For Fire DROP participants, OPEB benefits are assumed to start upon retirement at the end of the DROP period.

Liability Adjustments: Health care liabilities for deferred retirees are adjusted by a factor of 150% for potential spouses.

Active Member Data: For the December 31, 2011 valuation, active member service used in the valuation was calculated based on date of hire. Reported service was unchanged from the prior valuation and was materially lower than elapsed time from hire date. Purchased service was reflected where reported.

SECTION E

GASB FINANCIAL DISCLOSURE INFORMATION

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

FIRE

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)
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%
2011	2,958,728	9,631,621	6,672,893	30.7%	1,811,913	368%

GENERAL TOWNSHIP/BOARD - 101

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	$1,062,920	$8,683,622	$7,620,702	12.2%	$1,973,445	386%
2011	1,804,441	6,846,292	5,041,851	26.4%	1,734,780	291%

COURT 14B – 101-136

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	$139,533	$1,139,929	$1,000,396	12.2%	$609,424	164%
2011	266,140	1,009,773	743,633	26.4%	619,644	120%

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

GENERAL TOWNSHIP - 226

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	$12,777	$104,379	$91,602	12.2%	$209,663	44%
2011	34,924	132,505	97,581	26.4%	255,353	38%

GENERAL TOWNSHIP - 230

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	$51,653	$421,984	$370,331	12.2%	$256,668	144%
2011	126,680	480,641	353,961	26.4%	298,289	119%

GENERAL TOWNSHIP - 249

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	$55,014	$449,445	$394,431	12.2%	$179,051	220%
2011	95,106	360,846	265,740	26.4%	177,223	150%

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

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%
2011	110,395	418,853	308,458	26.4%	230,532	134%

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%
2011	69,334	263,063	193,729	26.4%	124,086	156%

Valuation Date	December 31, 2011
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
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

APPENDIX A

OVERVIEW

GASB BACKGROUND

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

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

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.

APPENDIX B

GLOSSARY

GLOSSARY

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)

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.

Net OPEB Obligation (NOO). The NOO is the cumulative difference between the ARC and actual employer contributions with adjustments.

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.

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June 13, 2012

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

Re: Charter Township of Ypsilanti Other Postemployment Benefits Valuation

Dear Ms. Wallin:

Enclosed are 20 copies of our report of the December 31, 2011 actuarial valuation of Charter Township of Ypsilanti Other Postemployment Benefits.

Respectfully submitted,

David T Kausch

David T. Kausch, FSA, EA, MAAA

DK:mrb
Enclosures

cc: Alan Panter