

**ACTUARIAL VALUATION REPORT
AS OF JULY 1, 2017
UNDER GASB STATEMENT NOS. 74 and 75**

**CITY OF EASTPOINTE, MI
RETIREE HEALTH CARE PLAN**

January 11, 2018

Prepared By:



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January 11, 2018

Mr. Randall Blum
City of Eastpointe
23200 Gratiot Ave
Eastpointe, MI 48021

Randall,

Submitted in this report are the July 1, 2017 Actuarial Valuation results for the City of Eastpointe Retiree Health Care Plan.

The purposes of this report are to:

- Provide the Actuarially Determined Contribution (ADC) under GASB Nos. 74 and 75 for the fiscal years ending June 30, 2018 and June 30, 2019; and
- Provide the accounting disclosures under GASB Nos. 74 and 75 for the fiscal years ending June 30, 2018 and June 30, 2019. The GASB Nos. 74 and 75 disclosure is an estimate with final figures to be determined when actual experience is realized at the end of the fiscal year.

We are available to answer any questions on the material in this report or to provide explanations or further details as appropriate. The undersigned credentialed actuary or actuaries meets or collectively meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report. We are not aware of any direct or material indirect financial interest or relationship that would impair the objectivity of our work.

Respectfully submitted,

A handwritten signature in cursive script that reads "James W. Budai".

James W. Budai, FSA, EA, MAAA
Consulting Actuary

IMPORTANT NOTICES

PURPOSE AND USE OF THIS REPORT

The purposes of this report are to:

- Provide the Actuarially Determined Contribution (ADC) under GASB Nos. 74 and 75 for the fiscal years ending June 30, 2018 and June 30, 2019; and
- Provide the accounting disclosures under GASB Nos. 74 and 75 for the fiscal years ending June 30, 2018 and June 30, 2019. The GASB Nos. 74 and 75 disclosure is an estimate with final figures to be determined when actual experience is realized at the end of the fiscal year.

The calculations contained herein have been made on a basis consistent with our understanding of GASB Statement Nos. 74 and 75. Computations for purposes other than these standards may be significantly different from these results and may not be appropriate. Decisions about benefit changes, investment policy, funding policy, benefit security and/or benefit-related issues should not be made solely on the basis of this valuation, but only after careful consideration of alternative economic, financial, demographic and societal factors, including financial scenarios that assume future sustained investment losses. Reliance on information contained in this report by anyone for anything other than the intended purpose could be misleading.

Consequently, this report is prepared solely for the internal business use of the City of Eastpointe. It may not be provided to third parties without our written consent, other than to auditors for use in satisfying accounting reporting requirements or as required due to public record disclosure laws. CBIZ is not responsible for the consequences of any unauthorized use.

LIMITATIONS OF THE VALUATION PROCESS

It is important to note that calculations in this report are mathematical estimates based upon assumptions regarding future events, which may or may not materialize. Actuarial calculations can and do vary from one valuation year to the next, sometimes significantly if the group valued is small. As a result, valuation results may fluctuate over time as the demographics of the group change.

To prepare this valuation report, actuarial assumptions were used to present a single scenario from a wide range of possibilities. Different assumptions or scenarios within the range of possibilities may also be reasonable and results based on those assumptions would be different. Two different actuaries could, quite reasonably, arrive at different results based on the same data and different views of the future. A “sensitivity analysis” shows the degree to which results would be different if you substitute alternative assumptions, from the range of reasonable alternatives possibilities, for those used in this report. We have provided the GASB required sensitivity analysis on the Net OPEB Liability, but we have not been engaged to perform any other type of sensitivity analysis. Therefore, the results of such an analysis other than that required by GASB are not included in this report. At your request, CBIZ is available to perform such a sensitivity analysis.

IMPORTANT NOTICES (CONTINUED)

HOW VALUATIONS IMPACT PLAN COSTS AND CONTRIBUTIONS

Valuations do not affect the ultimate cost of the Plan, only the timing of contributions into the Plan. Plan funding occurs over time. Contributions not made this year, for whatever reason, including errors, remain the responsibility of the Plan sponsor and can be made in later years. If the actuarially calculated contribution amounts are lower or higher over a period of years than necessary, it is normal and expected practice for adjustments to be made to future contribution amounts to account for this, with a view to funding the plan over time.

DATA AND METHODS USED IN PREPARING THIS REPORT

In preparing our report, we have relied on plan provisions, financial information, and employee census data provided by the City of Eastpointe. While we have reviewed the data in accordance with Actuarial Standards of Practice No. 23, we have not verified or audited any of the data or information provided. If any of this information as summarized in this report is inaccurate or incomplete, the results shown could be materially impacted, and this report may need to be revised.

Because modeling all aspects of a situation is not possible or practical, we may use summary information, estimates, or simplifications of calculations to facilitate the modeling of future events in an efficient and cost-effective manner. We may also exclude factors or data that are immaterial in our judgment. Use of such simplifying techniques does not, in our judgment, affect the reasonableness of valuation results for the plan.

PROFESSIONAL STANDARDS

To the best of our knowledge and belief, this report has been prepared in accordance with generally accepted actuarial principles and practices. All costs, liabilities, rates of interest, and other factors in this valuation have been determined based on actuarial assumptions and methods which, taking into account the experience of the employer and reasonable expectations, are reasonable both individually and in the aggregate.

Our advice is purely actuarial in nature. It is not intended to serve as a substitute for legal, accounting, or investing advice.

YOUR RESPONSIBILITIES WHEN READING THIS REPORT

You should notify us after receipt of this report if you disagree with anything contained in the report or are aware of any information that would affect the results of the report that have not been communicated to us.

If you have reason to believe that the assumptions that were used are unreasonable, that the plan provisions are incorrectly described, that important plan provisions relevant to this valuation are not described, that conditions have changed since the calculations were made, that the information provided in this report is inaccurate or is anyway incomplete, or if you need further information in order to make an informed decision on the subject matter of this report, please contact us prior to making such decision or relying on information in the report.

IMPORTANT NOTICES (CONTINUED)

ACTUARIAL CERTIFICATION

I, James W. Budai, FSA, EA, MAAA, am a consulting actuary associated with the firm CBIZ Benefits & Insurance Services, Inc. I am a member of the American Academy of Actuaries and meet its qualification standards to provide statements of actuarial opinion for OPEB valuations. I have completed an actuarial valuation of the medical, pharmacy, dental, and/or life insurance benefits for the City of Eastpointe Retiree Health Care Plan as of July 1, 2017. This report contains the results of the valuation.

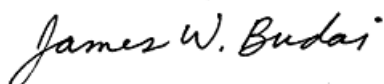
To the best of my knowledge, the information supplied in this report is complete and accurate. In my opinion, the methods and assumptions used in the valuation comply with the Governmental Accounting Standards Board Statement Nos. 74 and 75, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions". The assumptions are related reasonably to the past experience of the Plan, and they represent my best estimate of anticipated experience under the Plan. Nevertheless, the actual costs of the plan in the future will differ from the results of the valuation, as the emerging experience varies from the assumptions projected in the valuation.

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

This report has been prepared for the use and benefit of the City of Eastpointe in assessing the effect of GASB Statement Nos. 74 and 75 on accounting for post-employment benefits other than pensions. It should not be relied upon for other purposes, and it is not intended to benefit any other party. It may be shared in its entirety with all auditors and the general public.

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

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



1/11/2018

James W. Budai, FSA, EA, MAAA
Consulting Actuary

Date

SUMMARY OF VALUATION RESULTS

Valuation Date 7/1/2017

Participant Data	<u>Fire</u>	<u>General</u>	<u>Police</u>	<u>Total</u>
Active Employees	21	28	38	87
Deferred Vested	0	4	0	4
Retirees and Covered Spouses	44	136	100	280
Total	65	168	138	371

Total OPEB Liability (TOL)

Active Employees	\$ 3,088,510	\$ 3,136,583	\$ 5,503,294	\$ 11,728,387
Deferred Vested	-	1,168,745	-	1,168,745
Retirees and Covered Spouses	5,504,521	14,455,223	15,045,653	35,005,397
Total	\$ 8,593,031	\$ 18,760,551	\$ 20,548,947	\$ 47,902,529
	17.94%	39.16%	42.90%	100.00%

Fiduciary Net Position (FNP)	1,479,833	3,230,227	3,538,732	8,248,792
Net OPEB Liability (NOL)	\$ 7,113,198	\$ 15,530,324	\$ 17,010,215	\$ 39,653,737

FNP as a Percentage of TOL 17.22% 17.22% 17.22% 17.22%

Actuarially Determined Contribution (ADC)

Fiscal Year Ending June 30, 2018	\$ 569,582	\$ 921,924	\$ 1,204,676	\$ 2,696,182
Fiscal Year Ending June 30, 2019	590,942	956,497	1,249,853	2,797,292

Estimated OPEB Expense (Income)

Fiscal Year Ending June 30, 2017	\$ 642,081	\$ 1,089,861	\$ 1,382,769	\$ 3,114,711
Fiscal Year Ending June 30, 2018	654,505	1,105,864	1,407,036	3,167,405

Discount Rate Sensitivity

A 1% increase in the discount rate would decrease the Net OPEB Liability by	\$ 5,543,934
A 1% decrease in the discount rate would increase the Net OPEB Liability by	6,812,863

Healthcare Trend Sensitivity

A 1% increase in the healthcare trend would increase the Net OPEB Liability by	\$ 7,158,784
A 1% decrease in the healthcare trend would decrease the Net OPEB Liability by	5,799,549

FIDUCIARY NET POSITION

	7/1/2016 - 6/30/2017		
	OPEB Trust	Pay-as-you-go	Total
Balance as of Beginning of Year	\$ 7,361,447	\$ -	\$ 7,361,447
Employer Contributions	2,652,728	-	2,652,728
Participant Contributions	-	-	-
Investment Income, net of Investment Expenses	645,730	-	645,730
Total Additions	\$ 3,298,458	\$ -	\$ 3,298,458
Benefit Payments	(2,392,271)	-	(2,392,271)
Non-Investment Expenses	(18,842)	-	(18,842)
Total Deductions	\$(2,411,113)	\$ -	\$(2,411,113)
Net Change	\$ 887,345	\$ -	\$ 887,345
Balance as of End of Year	\$ 8,248,792	\$ -	\$ 8,248,792
Money-Weighted Rate of Return	8.63%	0.00%	8.63%

ACTUARIALLY DETERMINED CONTRIBUTION

The Actuarially Determined Contribution (ADC) is based on the Plan's funding policy, which is generally the amount calculated as the Annual Required Contribution under the GASB Statement No. 45 standards.

	<u>Fire</u>	<u>General</u>	<u>Police</u>	<u>Total</u>
a. Actuarial Accrued Liability (AAL)	\$ 8,593,031	\$ 18,760,551	\$ 20,548,947	\$ 47,902,529
b. Actuarial Value of Assets	1,479,833	3,230,227	3,538,732	8,248,792
c. Unfunded AAL [a. - b.]	\$ 7,113,198	\$ 15,530,324	\$ 17,010,215	\$ 39,653,737
d. Amortization Factor	<u>22.3602</u>	<u>22.3602</u>	<u>22.3602</u>	<u>22.3602</u>
e. Amortization Payment [c. / d.]	\$ 318,119	\$ 694,552	\$ 760,736	\$ 1,773,407

The Amortization Factor has been determined using a level percent of pay method over a closed-year 30 period.

f. Long-Term Expected Rate of Return on Plan Assets	6.00%
g. Salary Scale (Ultimate)	3.75%

Actuarially Determined Contribution (ADC) for Fiscal Year Ending June 30, 2018

h. Normal Cost	\$ 219,223	\$ 175,188	\$ 375,751	\$ 770,162
i. Interest [h. x f.]	<u>13,153</u>	<u>10,511</u>	<u>22,545</u>	<u>46,209</u>
j. Total [h. + i.]	\$ 232,376	\$ 185,699	\$ 398,296	\$ 816,371
k. Amortization Payment [e.]	\$ 318,119	\$ 694,552	\$ 760,736	\$ 1,773,407
l. Interest [k. x f.]	<u>19,087</u>	<u>41,673</u>	<u>45,644</u>	<u>106,404</u>
m. Total [k. + l.]	\$ 337,206	\$ 736,225	\$ 806,380	\$ 1,879,811
ADC [j. + m.]	<u>\$ 569,582</u>	<u>\$ 921,924</u>	<u>\$ 1,204,676</u>	<u>\$ 2,696,182</u>

Actuarially Determined Contribution (ADC) for Fiscal Year Ending June 30, 2019

n. Normal Cost [h. x (1 + g.)]	\$ 227,444	\$ 181,758	\$ 389,842	\$ 799,044
o. Interest [n. x f.]	<u>13,647</u>	<u>10,905</u>	<u>23,391</u>	<u>47,943</u>
p. Total [n. + o.]	\$ 241,091	\$ 192,663	\$ 413,233	\$ 846,987
q. Amortization Payment [k. x (1 + g.)]	\$ 330,048	\$ 720,598	\$ 789,264	\$ 1,839,910
r. Interest [q. x f.]	<u>19,803</u>	<u>43,236</u>	<u>47,356</u>	<u>110,395</u>
s. Total [q. + r.]	\$ 349,851	\$ 763,834	\$ 836,620	\$ 1,950,305
ADC [p. + s.]	<u>\$ 590,942</u>	<u>\$ 956,497</u>	<u>\$ 1,249,853</u>	<u>\$ 2,797,292</u>

Since contributions made by the City of Eastpointe based on their current funding policy are expected to be sufficient to finance the payment of benefits solely from the trust, the discount rate used for accounting purposes (shown in the following sections) should be based on the long-term rate of return on trust assets.

GASB STATEMENT NO. 75
OPEB EXPENSE (INCOME)

	<u>Fire</u>	<u>General</u>	<u>Police</u>	<u>Total</u>
OPEB Expense (Income) for FYE June 30, 2018				
Service Cost	\$ 232,376	\$ 185,699	\$ 398,296	\$ 816,371
Interest Cost	503,115	1,094,113	1,205,775	2,803,003
Expected Return on Plan Assets	(93,410)	(189,951)	(221,302)	(504,663)
Recognition of Deferred Outflows/(Inflows) related to:				
Net diff. b/w proj and act earnings	0	0	0	0
Diff. b/w exp and act experience	0	0	0	0
Changes in assumptions	0	0	0	0
OPEB Expense (Income)	\$ 642,081	\$ 1,089,861	\$ 1,382,769	\$ 3,114,711

OPEB Expense (Income) for FYE June 30, 2019				
Service Cost	\$ 241,091	\$ 192,663	\$ 413,233	\$ 846,987
Interest Cost	522,628	1,106,442	1,246,317	2,875,387
Expected Return on Plan Assets	(109,214)	(193,241)	(252,514)	(554,969)
Recognition of Deferred Outflows/(Inflows) related to:				
Net diff. b/w proj and act earnings	0	0	0	0
Diff. b/w exp and act experience	0	0	0	0
Changes in assumptions	0	0	0	0
OPEB Expense (Income)	\$ 654,505	\$ 1,105,864	\$ 1,407,036	\$ 3,167,405

Key Assumptions for OPEB Expense (Income)

Discount Rate	6.00%	6.00%	6.00%	6.00%
Salary Scale (Ultimate)	3.75%	3.75%	3.75%	3.75%
Inflation	2.25%	2.25%	2.25%	2.25%
Expected Return on Assets	6.00%	6.00%	6.00%	6.00%

Deferred Outflows/(Inflows) - Amortization Schedules

Fiscal Year Established	Original Amount	Amortization Amount	Original Amortization Period	Outstanding Balance at End of Year
<u>Net difference between projected and actual earnings</u>				
2019	0	0	5.00	\$ 0
2018	0	0	5.00	0
<u>Differences between expected and actual experience</u>				
2019	0	0	4.95	\$ 0
2018	0	0	4.95	0
<u>Changes in assumptions</u>				
2019	0	0	4.95	\$ 0
2018	0	0	4.95	0

GASB STATEMENT NO. 75

NET OPEB LIABILITY

	Fire	General	Police	Total
Projected Reconciliation of Total OPEB Liability (TOL) for FYE June 30, 2018				
TOL at Beginning of Year	\$ 8,593,031	\$ 18,760,551	\$ 20,548,947	\$ 47,902,529
Service Cost	232,376	185,699	398,296	816,371
Interest Cost	503,115	1,094,113	1,205,775	2,803,003
Net Benefits Paid by Employer	(415,565)	(1,050,674)	(905,403)	(2,371,642)
Diff. b/w exp and act experience	0	0	0	0
Changes in assumptions	0	0	0	0
TOL at End of Year	\$ 8,912,957	\$ 18,989,689	\$ 21,247,615	\$ 49,150,261

Projected Reconciliation of Fiduciary Net Position (FNP) for FYE June 30, 2018				
FNP at Beginning of Year	\$ 1,479,833	\$ 3,230,227	\$ 3,538,732	\$ 8,248,792
Projected Earnings on FNP	93,410	189,951	221,302	504,663
Net diff. b/w proj and act earnings	0	0	0	0
Employer Contributions	569,582	921,924	1,204,676	2,696,182
Total Benefits Paid	(415,565)	(1,050,674)	(905,403)	(2,371,642)
Expenses	0	0	0	0
Participant Contributions	0	0	0	0
FNP at EOY	\$ 1,727,260	\$ 3,291,428	\$ 4,059,307	\$ 9,077,995
Money-Weighted Rate of Return	6.00%	6.00%	6.00%	6.00%

Projected Net OPEB Liability (Asset) as of June 30, 2018				
Total OPEB Liability	\$ 8,912,957	\$ 18,989,689	\$ 21,247,615	\$ 49,150,261
Fiduciary Net Position	1,727,260	3,291,428	4,059,307	9,077,995
Net OPEB Liability (Asset)	\$ 7,185,697	\$ 15,698,261	\$ 17,188,308	\$ 40,072,266
FNP as a % of TOL	19.38%	17.33%	19.10%	18.47%

Key Assumptions for Net OPEB Liability

Discount Rate	6.00%	6.00%	6.00%	6.00%
Salary Scale (Ultimate)	3.75%	3.75%	3.75%	3.75%
Inflation	2.25%	2.25%	2.25%	2.25%
Expected Return on Assets	6.00%	6.00%	6.00%	6.00%

GASB STATEMENT NO. 75

NET OPEB LIABILITY

	Fire	General	Police	Total
Projected Reconciliation of Total OPEB Liability for FYE June 30, 2019				
TOL at Beginning of Year	\$ 8,912,957	\$ 18,989,689	\$ 21,247,615	\$ 49,150,261
Service Cost	241,091	192,663	413,233	846,987
Interest Cost	522,628	1,106,442	1,246,317	2,875,387
Net Benefits Paid by Employer	(404,981)	(1,097,989)	(951,321)	(2,454,291)
Diff. b/w exp and act experience	0	0	0	0
Changes in assumptions	0	0	0	0
TOL at End of Year	\$ 9,271,695	\$ 19,190,805	\$ 21,955,844	\$ 50,418,344

Projected Reconciliation of Fiduciary Net Position for FYE June 30, 2019

FNP at Beginning of Year	\$ 1,727,260	\$ 3,291,428	\$ 4,059,307	\$ 9,077,995
Projected Earnings on FNP	109,214	193,241	252,514	554,969
Net diff. b/w proj and act earnings	0	0	0	0
Employer Contributions	590,942	956,497	1,249,853	2,797,292
Total Benefits Paid	(404,981)	(1,097,989)	(951,321)	(2,454,291)
Expenses	0	0	0	0
Participant Contributions	0	0	0	0
FNP at EOY	\$ 2,022,435	\$ 3,343,177	\$ 4,610,353	\$ 9,975,965
Money-Weighted Rate of Return	6.00%	6.00%	6.00%	6.00%

Projected Net OPEB Liability (Asset) as of June 30, 2019

Total OPEB Liability	\$ 9,271,695	\$ 19,190,805	\$ 21,955,844	\$ 50,418,344
Fiduciary Net Position	2,022,435	3,343,177	4,610,353	9,975,965
Net OPEB Liability (Asset)	\$ 7,249,260	\$ 15,847,628	\$ 17,345,491	\$ 40,442,379
FNP as a % of TOL	21.81%	17.42%	21.00%	19.79%

Key Assumptions for Net OPEB Liability

Discount Rate	6.00%	6.00%	6.00%	6.00%
Salary Scale (Ultimate)	3.75%	3.75%	3.75%	3.75%
Inflation	2.25%	2.25%	2.25%	2.25%
Expected Return on Assets	6.00%	6.00%	6.00%	6.00%

GASB STATEMENT NO. 75
DEFERRED OUTFLOWS (INFLOWS)

	<u>Fire</u>	<u>General</u>	<u>Police</u>	<u>Total</u>
Deferred Inflows of Resources Related to OPEB				
Net diff. b/w proj and act earnings	\$ 0	\$ 0	\$ 0	\$ 0
Diff. b/w exp and act experience	0	0	0	0
Changes in assumptions	0	0	0	0
Total	\$ 0	\$ 0	\$ 0	\$ 0

Deferred Outflows of Resources Related to OPEB				
Net diff. b/w proj and act earnings	\$ 0	\$ 0	\$ 0	\$ 0
Diff. b/w exp and act experience	0	0	0	0
Changes in assumptions	0	0	0	0
Total	\$ 0	\$ 0	\$ 0	\$ 0

Schedule of Deferred Outflows (Inflows)

Amounts reported as deferred outflows or deferred inflows or resources related to OPEBs will be recognized in OPEB expense as follows:

<u>FYE</u>				
2018	0	0	0	0
2019	0	0	0	0
2020	0	0	0	0
2021	0	0	0	0
2022	0	0	0	0
2023+	0	0	0	0

REQUIRED SUPPLEMENTARY INFORMATION

10-Year Schedule of Funding Progress

Actuarial Valuation Date	Fiduciary Net Position (a)	Total OPEB Liability (b)	Net OPEB Liability (Asset) (b - a)	Funded Ratio (a / b)
7/1/2014	\$ 5,642,522	\$ 48,648,509	\$ 43,005,987	11.60%
7/1/2016	7,361,111	35,865,768	28,504,657	20.52%
7/1/2017	8,248,792	47,902,529	39,653,737	17.22%

Actuarial Valuation Date	Annual Covered Payroll (c)	Net OPEB Liability as a Percent of Payroll (b - a) / c
7/1/2014	\$	
7/1/2016		
7/1/2017	5,164,079	767.88%

REQUIRED SUPPLEMENTARY INFORMATION

10-Year Schedule of Employer Contributions

Fiscal Year Ended June 30,	Actuarially Determined Contribution (a)	Actual Contribution (b)	Contribution Deficiency (Excess) (a) - (b)	Covered Payroll (c)	Contributions as a % of Covered Payroll (b) / (c)
6/30/2015	\$ 2,852,737	\$	\$	\$	
6/30/2016	2,852,737				
6/30/2017	2,634,835	2,652,728	(17,893)	5,164,079	51.37%
6/30/2018	2,696,182			5,265,071	
6/30/2019	2,797,292			5,320,063	

Beginning Fiscal Year Ending 2018, the ADC is calculated in accordance with the Employer's funding policy, if one exists. Prior to Fiscal Year Ending 2018, the ADC is equal to the Annual Required Contribution (ARC) as calculated under GASB No. 45.

PROJECTED RETIREE BENEFIT PAYMENTS

First 10 Years of Expected Benefit Payments

Plan Year Beginning July 1,	Fire	General	Police	Total Projected Benefits
2017	415,565	1,050,674	905,403	2,371,642
2018	404,981	1,097,989	951,321	2,454,291
2019	411,367	1,134,116	999,642	2,545,125
2020	422,585	1,142,749	1,074,996	2,640,330
2021	433,473	1,134,398	1,144,442	2,712,313
2022	446,430	1,084,737	1,231,025	2,762,192
2023	476,060	1,120,457	1,321,678	2,918,195
2024	495,638	1,138,008	1,280,741	2,914,387
2025	516,768	1,188,499	1,325,625	3,030,892
2026	563,478	1,234,715	1,344,448	3,142,641

CENSUS DATA

Valuation Census Data

CBIZ Retirement Plan Services has used and relied upon participant data supplied by the plan sponsor as of the valuation date. The Plan Sponsor is responsible for providing an accurate description of all participants eligible for benefits under the plan as of the valuation date and ensuring that the data provided is sufficiently comprehensive and accurate for its intended purpose. Inaccurate data or data not sufficiently comprehensive for its intended purposes may cause the results of our calculations to differ significantly from the results provided herein. Although CBIZ Retirement Plan Services has reviewed the suitability of the data for its intended use in accordance with Actuarial Standard of Practice No. 23, CBIZ Retirement Plan Services has not verified or audited any of the data or information provided.

Participants included in the valuation as of:	7/1/2017
Active employees	87
Terminated participants with vested benefits	4
Retirees and beneficiaries in pay status	280
Total participants	371

ACTUARIAL ASSUMPTIONS

Discount Rates 6.00%

If assets are set aside in an irrevocable trust and these assets along with projected contributions to this trust are expected to be sufficient to pay for expected benefit payments from the Plan, then the discount rate should reflect the estimated long-term investment return. If assets are not set aside in an irrevocable trust, the discount rate should be based on Municipal Bond Rates. If assets are set aside in an irrevocable trust and these assets along with projected contributions to this trust are not expected to be sufficient to pay for expected benefit payments from the Plan, then the discount rate should be based on a blend of the estimated long-term investment return and Municipal Bond Rates.

The discount rate used for this valuation as of July 1, 2017 is based on the long-term investment return on assets set aside in an irrevocable trust used to finance the payment of benefits from the Plan.

Long-Term Expected Rate of Return on Assets 6.00%

Salary Scale

The MERS Salary Scale assumption used in the December 31, 2015 pension valuation. A sample of representative rates are as follows:

Age	Merit/ Longevity Increase	Wage Inflation Increase	Total Salary Increase
20	11.00%	3.75%	14.75%
25	7.20%	3.75%	10.95%
30	3.10%	3.75%	6.85%
35	1.90%	3.75%	5.65%
40	1.20%	3.75%	4.95%
45	0.81%	3.75%	4.56%
50	0.52%	3.75%	4.27%
55	0.30%	3.75%	4.05%
60+	0.00%	3.75%	3.75%

ACTUARIAL ASSUMPTIONS

Inflation 2.25%

Healthy Participant Mortality The MERS Healthy Participant Mortality assumptions used in the December 31, 2015 pension valuation. These are based on a 50% Male - 50% Female blend of three tables; the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%, the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables. A sample of representative rates are shown below:

Age	Rate
20	0.03%
25	0.03%
30	0.03%
35	0.04%
40	0.05%
45	0.08%
50	0.23%
55	0.37%
60	0.58%
65	0.94%
70	1.56%
75	2.51%
80	4.18%

ACTUARIAL ASSUMPTIONS

Disabled Participant Mortality

The MERS Disabled Participant Mortality assumption used in the December 31, 2015 pension valuation. This is based on a 50% Male - 50% Female blend of the RP-2014 Disabled Retiree Mortality Tables. A sample of representative rates are shown below:

Age	Rate
20	0.47%
25	0.54%
30	0.55%
35	0.65%
40	0.82%
45	1.30%
50	1.62%
55	1.89%
60	2.18%
65	2.63%
70	3.43%
75	4.47%
80	6.88%

Withdrawal Rates

The MERS Base withdrawal assumption used in the December 31, 2015 pension valuation, which is based on service. The rates are scaled by 0.2 for Police and 0.8 for all others. A sample of representative rates are as follows:

Years of Service	Base Rate	0.2 Scaled	0.8 Scaled
0	19.60%	3.92%	15.68%
1	16.30%	3.26%	13.04%
2	13.30%	2.66%	10.64%
3	10.50%	2.10%	8.40%
4	8.60%	1.72%	6.88%
5	6.90%	1.38%	5.52%
10	4.60%	0.92%	3.68%
15	3.40%	0.68%	2.72%
20	2.60%	0.52%	2.08%
25	2.20%	0.44%	1.76%
30+	2.20%	0.44%	1.76%

ACTUARIAL ASSUMPTIONS

Disability Incidence

The MERS disability assumption used for the December 31, 2015 pension valuation. These rates are based on age. A sample of representative rates are as follows:

Age	Rate
20	0.02%
25	0.02%
30	0.02%
35	0.05%
40	0.08%
45	0.20%
50	0.29%
55	0.38%
60	0.39%
65	0.39%

Early Retirement

The MERS early retirement assumptions were not used in this valuation. Instead, the MERS withdrawal assumption was allowed to operate during periods of early retirement.

ACTUARIAL ASSUMPTIONS

Retirement Rates

Rates are based on service. These rates are as follows:

Service	Rate
1	5.00%
2	6.00%
3	8.00%
4	11.00%
5	12.00%
6	15.00%
7	16.00%
8	18.00%
9	19.00%
10-17	20.00%
18-22	21.00%
23	22.00%
24-26	24.00%
27-28	25.00%
29	27.00%
30	38.00%
31	31.00%
32	33.00%
33	34.00%
34	36.00%
35	39.00%
36	41.00%
37	44.00%
38	46.00%
39	49.00%
40+	50.00%

ACTUARIAL ASSUMPTIONS

Annual Per Capita Claims Costs

The estimated pre-65 annual per capita claims costs are shown below:

Age	Retiree	Dental	Vision
50	7,545	338	54
51	7,771	348	56
52	8,004	358	57
53	8,244	369	59
54	8,492	380	61
55	8,746	392	63
56	9,009	403	64
57	9,279	416	66
58	9,557	428	68
59	9,844	441	70
60	10,139	454	73
61	10,443	468	75
62	10,757	482	77
63	11,079	496	79
64	11,412	511	82

The same claims costs are applicable for both the retiree and spouse.

The estimated post-65 annual per capita claims costs are shown below:

Age	Plan 0007	Plan 0015	Plan 0017
65	4,640	4,079	3,252
66	4,779	4,202	3,349
67	4,923	4,328	3,450
68	5,070	4,457	3,553
69	5,222	4,591	3,660
70	5,379	4,706	3,751
71	5,514	4,824	3,845
72	5,651	4,944	3,941
73	5,793	5,068	4,040
74	5,938	5,194	4,141
75	6,086	5,324	4,244
76	6,208	5,431	4,329
77	6,332	5,539	4,416
78	6,459	5,650	4,504
79	6,588	5,763	4,594
80	6,719	5,879	4,686
81	6,854	5,996	4,780

ACTUARIAL ASSUMPTIONS

82	6,991	6,116	4,875
83	7,131	6,238	4,973
84	7,273	6,363	5,072
85	7,419	6,490	5,174
86+	7,419	6,620	5,277

Stop-Loss Premiums are applicable for pre-65 coverage and is expected to be the current amount in effect at the time of the valuation. As of July 1, 2017, this is 1,937 per year.

Health Care Claims (Cost) Trend Rates

The estimated increase in Annual Claims Costs are assumed to be as follows:

Years After Valuation	Medical/Rx	Dental/Vision	Stop-Loss
1	8.00%	4.50%	2.50%
2	7.50%	4.50%	2.50%
3	7.00%	4.50%	2.50%
4	6.50%	4.50%	2.50%
5	6.00%	4.50%	2.50%
6	5.50%	4.50%	2.50%
7+	5.00%	4.50%	2.50%

Election Rates

Future Retirees:

100% of future retirees are assumed to elect coverage at retirement. For post-65 coverage, 80% are assumed to elect Plan 0007, 15% are assumed to elect Plan 0015, and 5% are assumed to elect Plan 0017.

Current Retirees:

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

Spousal Election Rates

Future Retirees:

60% of future retirees are assumed to be married at retirement. 100% of married participants at retirement will elect to cover their spouse under the same plan.

Current Retirees and Spouses:

Based on current coverage election.

Spouse Age

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

ACTUARIAL ASSUMPTIONS

Morbidity

Rates by age for the medical/rx age-adjusted costs are as follows (dental and vision are not age-adjusted):

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

Decrement Timing

Mid-Year.

Changes in assumptions since the prior valuation

The Long-Term Expected Rate of Return on Plan Assets was lowered from 7.50% to 6.00%. The Discount Rate was lowered from 7.50% to 6.00%. The Salary Scale, Mortality, Withdrawal, Retirement, and Disability Assumptions were updated to mirror the MERS valuation assumptions.

ACTUARIAL METHODS

Actuarial Cost Method	Liabilities are computed using the Individual Entry-Age Normal - Level Percent of Pay method.
Affordable Care Act (ACA)	Excise taxes on Cadillac plan benefits, if any, were not included in this valuation. Other legislative changes related to ACA were considered in the valuation to the extent they have already been implemented in the plan.
Amortization Method	The Amortization Factor has been determined using a level percent of pay method over a closed-year 30 period.
Asset Method	The Actuarial Value of Assets is equal to the Market Value of Assets.
Claims Costs	<p>According to GASB Standards, when an employer provides benefits to both active employees and retirees through the same plan, the benefits to retirees should be segregated and measured independently for actuarial measurement purposes. The projection of future retiree benefits should be based on claims costs, or age-adjusted premiums approximating claims costs, for retirees, in accordance with actuarial standards issued by the Actuarial Standards Board.</p> <p>Pre-65: Per capita pre-65 claims costs are based on enrollment and paid medical, prescription drug, dental, and vision claims for participants paid from July 1, 2015 through June 30, 2017. Medical, prescription drug, dental, and vision claims are projected to the current fiscal year separately, assuming medical trend rates based on the most recent Segal Survey.</p> <p>Post-65: Per capita post-65 claims costs are based on the age-adjusted fully insured premium rates for each plan.</p> <p>Stop-Loss: The current stop-loss premium as of the valuation is used, increased with inflation.</p>

ACTUARIAL METHODS

Discount Rate	According to GASB 75, if assets are set aside in an irrevocable trust and these assets along with projected contributions to this trust are expected to be sufficient to pay for expected benefit payments from the Plan, then the discount rate should reflect the estimated long-term investment return. If assets are not set aside in an irrevocable trust, the discount rate should be based on Municipal Bond Rates. If assets are set aside in an irrevocable trust and these assets along with projected contributions to this trust are not expected to be sufficient to pay for expected benefit payments from the Plan, then the discount rate should be based on a blend of the estimated long-term investment return and Municipal Bond Rates.
Funding Policy	Benefits are paid according to the GASB Statement No. 45 Annual Required Contribution Calculation.
Medical Benefits Valuation Method	<p>The total costs associated with the plan are determined as the sum of the explicit cost and the implicit cost to the employer.</p> <p>A contribution rate is calculated by the plan sponsor and used as a basis for determining the required (Pre-Medicare) retiree contribution. If the contribution rate is less than the expected cost of a (pre-Medicare) retiree, then there is an implicit cost (subsidy). If both active and retiree experience is combined the contribution rate will be less than the expected cost of a (pre-Medicare) retiree alone.</p> <p>The cost sharing of the contribution rate is referred to as the explicit cost. Therefore, the implicit rate subsidy exists regardless of the premium cost sharing between the retiree and employer; that is to say, even if the retiree pays 100% of the contribution rate.</p>
Changes in methods since the prior valuation	The valuation method has changed and GASB Statement Nos. 74 and 75 have been incorporated to this valuation.

SUMMARY of PLAN PROVISIONS

The following is a summary of what we understand to be the most relevant plan provisions for purposes of actuarial valuations. This summary should not be used for purposes of determining plan benefits. In the event that any description contained herein differs from the actual eligibility or benefit, the appropriate employee contract or government document will prevail.

Plan Sponsor	City of Eastpointe
Plan Name	City of Eastpointe Retiree Health Care Plan (Plan)
Eligibility Requirements	<p>General: Hired before 3/9/2009 and attainment of age 60 with 25 years of service.</p> <p>Non-Duty Disability – Hired before 3/9/2009 and 10 years of service.</p> <p>Fire: Hired before 6/30/2011 and attainment of age 50 with 25 years of service.</p> <p>Non-Duty Disability – Hired before 6/30/2011 and 10 years of service.</p> <p>Duty Disability – Hired before 6/30/2011, no age or service requirements.</p> <p>Police: Hired before 6/30/2012 and attainment of age 50 with 25 years of service.</p> <p>Non-Duty Disability – Hired before 6/30/2012 and 10 years of service.</p> <p>Duty Disability – Hired before 6/30/2011, no age or service requirements.</p>
Insured Type	Pre-65: Self-insured Post-65: Fully insured.
Medical Benefits	<p><u>Benefits</u> Medical, Rx</p> <p><u>Payment Period</u> Until death</p> <p><u>Spousal Benefits</u> Spouses are covered after the retiree dies, until their death.</p>
Retiree Cost Share	<p>Future retirees pay \$29.28 per month for two-person coverage until Medicare.</p> <p>For Non-Duty Disabilities – The City pays 2.5% of the premiums for each year of service while the retiree pays the difference. For example, at 10 years of service, the City pays 25% and the retiree</p>

SUMMARY of PLAN PROVISIONS

pays 75% of the premiums, at 15 years of service, the City pays 37.5% and the retiree pays 62.5% of the premiums, and so on.

Changes in Plan Provisions since the prior valuation

This is the first year CBIZ has performed the valuation.