



December 6, 2019

Ms. Wendy Orcutt  
Executive Director  
City of Ann Arbor  
532 S. Maple Road  
Ann Arbor, Michigan 48103

**Re: Michigan PA 202 Calculations Related to MI Form 5572 (Retirement System Annual Report) –  
City of Ann Arbor Retiree Health Benefits Plan & Trust**

Dear Wendy:

This report includes select information necessary to complete the OPEB reporting requirements under Uniform Assumptions for the State of Michigan's Local Government Retirement System Annual Report (Form No. 5572) for the year ending June 30, 2019. This information is not required to be disclosed in your financial statements. As denoted in this report, section 5(1) of the Act provides the State treasurer with the authority to annually establish uniform actuarial assumptions for purposes of developing the requisite disclosures. There are updated uniform assumptions for fiscal year ending June 30, 2020. More information can be found on the State website in a memo dated October 21, 2019.

This report was prepared at the request of the City and is intended for use by the City and those designated or approved by the City. This report may be provided to parties other than the City only in its entirety and only with the permission of the City. GRS is not responsible for unauthorized use of this report.

Our calculation of the liability associated with the benefits described in this report was performed for the purpose of satisfying the requirements of Michigan PA 202 of 2017. The calculation of the plan's liability for this report is not applicable for funding purposes of the plan. A calculation of the plan's liability for purposes other than satisfying the requirements of Michigan PA 202 of 2017 may produce significantly different results.

The report was based upon information furnished by the City, concerning retiree health benefits, financial transactions, plan provisions, and active members, terminated members, retirees and beneficiaries. We checked for internal reasonability and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by the City.

Ms. Wendy Orcutt  
City of Ann Arbor  
December 6, 2019  
Page 2

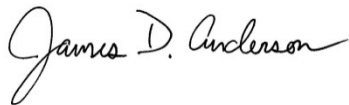
This report complements the actuarial valuation report that was provided to the City and should be considered in conjunction with that report. Please see the actuarial valuation report as of June 30, 2019 for additional discussion of the nature of actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions.

To the best of our knowledge, the information contained with this report is accurate and fairly represents the actuarial position of the City of Ann Arbor Retiree Health Benefits Plan & Trust. All calculations have been made in conformity with generally accepted actuarial principles and practices as well as with the Actuarial Standards of Practice issued by the Actuarial Standards Board.

James D. Anderson, Francois Pieterse and Richard C. Koch, Jr. are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

The signing actuaries are independent of the plan sponsor.

Sincerely,



James D. Anderson, FSA, EA, FCA, MAAA



Francois Pieterse, ASA, FCA, MAAA



Richard C. Koch, Jr., ASA, MAAA

JDA/FP/RCK:sc



## State Reporting Assumptions as of June 30, 2019

The Protecting Local Government Retirement and Benefits Act, Public Act 202 of 2017, was put into law effective December 20, 2017. One outcome of the law is the requirement for the local unit of government to provide select reporting disclosures to the State. Sec. 5(1) of the Act provides the State treasurer with the authority to annually establish uniform actuarial assumptions for purposes of developing the requisite disclosures. Below you will find information which may be used to assist the local unit of government with required reporting.

Uniform Assumptions, as applicable to the measurement and the required disclosures under uniform assumptions are denoted below. Additional discussion of PA 202 and uniform assumptions may be found on the State website in the uniform assumption memo dated September 25, 2018.

Uniform Assumption	PA 202	Valuation Assumption Used	Uniform Assumption Used
Investment Rate of Return Discount Rate <sup>(1)</sup>	Maximum of 7.00%	7.00%	7.00%
Salary Increase	Minimum of 3.50% or based on experience study within last 5 years	3.50% + Merit and longevity (based on experience study performed by the City's prior actuary)	<b>3.50% + Merit and longevity (based on experience study performed by the City's prior actuary)</b>
Mortality	Version of RP-2014 or based on experience study within last 5 years	A version of RP-2014 (based on experience study performed by the City's prior actuary)	<b>A version of RP-2014 (based on experience study performed by the City's prior actuary)</b>
Healthcare Inflation (for Medical and Drug)	Non-Medicare: Initial rate of 8.50% decreasing 0.25% per year to a 4.50% long-term rate Medicare: Initial rate of 7.00% decreasing 0.25% per year to a 4.50% long-term rate	Initial rate of 8.25% decreasing to a 3.50% long-term rate in year 10	<b>Non-Medicare: Initial rate of 8.50% decreasing 0.25% per year to a 4.50% long-term rate Medicare: Initial rate of 7.00% decreasing 0.25% per year to a 4.50% long-term rate</b>
Amortization of the Unfunded Accrued Actuarial Liability: Period	Maximum Period of 30 Years	24 years	<b>24 years</b>
Method	Closed Plans: Level Dollar Open Plans: Level Percent of Payroll or Level Dollar	Level Dollar	<b>Level Dollar</b>
Type	Closed	Closed	<b>Closed</b>

<sup>(1)</sup> A blended rate calculated using GASB 75 methodology. For periods in which projected plan assets are sufficient to make projected benefit payments – maximum of 7.00%; for periods in which projected plan assets are NOT sufficient to make projected benefit payments – 3.00%.

## State Reporting as of June 30, 2019

The following information has been prepared to provide some of the information necessary to complete the OPEB reporting requirements for the State of Michigan's Local Government Retirement System Annual Report (Form 5572). The local unit of government is required to complete/develop all of the remaining reporting requirements necessary for Form 5572. Additional resources are available on the State website.

Line	Descriptive Information	
<b>19</b>	<b>Actuarial Assumptions</b>	
20	Assumed Rate of Investment Return	7.00%
21	Enter discount rate	7.00%
22	Amortization method utilized for funding the system's unfunded actuarial accrued liability, if any	Level Dollar
23	Amortization period utilized for funding the system's unfunded actuarial accrued liability, if any	24
24	Is each division within the system closed to new employees?	No
25	Health care inflation assumption for the next year	8.25%
26	Health care inflation assumption - Long-Term Trend Rate	3.50%
<b>27</b>	<b>Uniform Assumptions<sup>(1)</sup></b>	
28	Enter retirement health care system's actuarial value of assets using uniform assumptions <sup>(3)</sup>	\$ 186,568,711
29	Enter retirement health care system's actuarial accrued liabilities using uniform assumptions <sup>(3)</sup>	\$ 304,182,466
30	Funded ratio using uniform assumptions	Auto <sup>(2)</sup>
31	Actuarially Determined Contribution (ADC) using uniform assumptions <sup>(4)</sup>	\$ 14,165,653
32	All systems combined ADC/Governmental fund revenues	Auto <sup>(2)</sup>

<sup>(1)</sup> Information on lines 28-32 is based on assumptions listed on the prior page.

<sup>(2)</sup> Automatically calculated by State of Michigan Form 5572.

<sup>(3)</sup> As of the June 30, 2019 actuarial valuation date.

<sup>(4)</sup> Calculated as of June 30, 2019 for the fiscal year ending June 30, 2021.