

City of Livonia Employees Retiree Health and Disability Benefits Plan (VEBA)

Summary Annual Report

November 30, 2017

<p>Dear Member:</p> <p>The following is a summary of your Health and Disability Benefits Plan. Each year, an actuarial valuation is prepared to compare assets to liabilities. Assets are held and invested in a trust separate from other City assets. The only disbursements from this trust are to eligible members who are retired or disabled, beneficiaries of eligible members, and for Retirement System expenses.</p> <p>As Health and Disability Board Members, our tasks include making sure trust assets are invested prudently, required City and member contributions are received and that benefits are paid in accordance with the Plan's provisions.</p> <p>Various professionals are hired to help in the administration of the Plan. They are listed in the column to the right.</p> <p>The City is funding the Plan benefits as they accrue in accordance with a sound level percent of payroll funding objective.</p> <p>Respectfully submitted,</p> <p>Board of Trustees City of Livonia Health and Disability Benefits Plan</p>	<p><u>Board Members and Investment Fiduciaries</u></p> <p>Brian Meakin, <i>Chairman</i></p> <p>Mark LaBerge, <i>Trustee</i></p> <p>Gerald G. Sabo, <i>Treasurer</i></p> <p>Harry C. Tatigian, <i>Trustee</i></p> <p>William Tyree, <i>Trustee</i></p> <p>Professional Advisors</p> <p><u>Investment Fiduciaries</u> Joseph Beauparlant, Loomis Sayles <i>Investment Consultant</i></p> <p>John Krakowiak, Morgan Stanley/Graystone <i>Investment Consultant</i></p> <p><u>Service Providers</u> Rodwan Consulting Company, <i>Actuary</i> VanOverbeke, Michaud & Timmony, P.C., <i>Attorney</i></p> <p><u>Board Secretary</u> Denise C. Maier, SPHR <i>Human Resources Director and Secretary to LERS</i></p>												
<p>Actuarial Information Used for this Report:</p> <ol style="list-style-type: none"> 1. 593 active participants 2. 655 retirees/beneficiaries 3. Plan is closed to new hires 4. \$7,037,117 annual benefits 5. \$34,729,209 valuation payroll used 6. Employer's normal cost of health benefits: 4.90% for General, 5.02% for Police and 6.59% for Fire – entry age cost method. 7. Employer's total contribution: \$5,087,461 8. Member contribution rate: 2.00% for General, 2.00% for Police and 2.00% for Fire 9. The required employer contribution for the fiscal year was received 10. 7.5% assumed rate of investment return 11. 4% assumed rate of long-term wage inflation 12. Assumed medical inflation 6% decreasing 0.1% per year to 5.0% 13. 5 year smoothing method used 14. 30 year amortization period used 15. Entry age normal cost method used 16. Funded ratio 58.2% 	<p>2017-2018 Projected Expenditures</p> <p>Pension Payments/ Withdrawals: \$160,000 Refund of Member Contributions: N/A Investment Fees: \$235,000 Memberships/Training/Education/Travel: N/A Administrative Expenses: \$19,000</p>												
<p>Investment Performance*</p> <table style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 15%;"></th> <th style="width: 15%; text-align: center;">1 Year</th> <th style="width: 15%; text-align: center;">3 Year</th> <th style="width: 15%; text-align: center;">5 Year</th> <th style="width: 15%; text-align: center;">7 Year</th> <th style="width: 15%; text-align: center;">10 Year</th> </tr> </thead> <tbody> <tr> <td>Combined Account</td> <td style="text-align: center;">16.2%</td> <td style="text-align: center;">8.0%</td> <td style="text-align: center;">10.6%</td> <td style="text-align: center;">10.17%</td> <td style="text-align: center;">7.5%</td> </tr> </tbody> </table> <p><i>*Calendar year ending November 30, 2017 (net of fees)</i></p>		1 Year	3 Year	5 Year	7 Year	10 Year	Combined Account	16.2%	8.0%	10.6%	10.17%	7.5%	
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City of Livonia Retiree Health and Disability Plan (VEBA) Summary Annual Report (cont.)

Actuarial Valuation Summary

Rodwan Consulting Company was hired to prepare the November 30, 2017 Actuarial Valuation. The funding objective of the Plan is to contribute a contribution that remains level from year to year as a percent of payroll. The actual level of contribution is dependent on past and assumed future experience, including investment performance, and benefit provisions.

Below is a summary of the results:

Employer Contribution Requirements as Percents of Payroll	
General	15.11%
Police	22.78
Fire	19.34

Assets & Liabilities

Funded Status

Market Value of Assets	\$110,340,111
Smoothed Valuation Assets	107,283,551
Actuarial Accrued Liability – Entry Age Cost Method	184,465,800
Funded Ratio	58.2%

The valuation reflects Retirement System changes made prior to November 30, 2017. The assumed rate of investment return was changed to 7.5% from 8.0%.

Actuary's Statement – The System is being funded based on sound actuarial assumptions, methods and level percent of payroll funding objective. For a complete analysis, please review the November 30, 2017 actuarial valuation.

Revenues & Expenditures

Beginning Balance (Market Value) – November 30, 2016	\$96,645,667
Revenues	
Employees' contributions	484,737
Employer contribution	5,087,461
Investment income	15,176,330
Other	<u>0</u>
Total	20,748,528
Expenditures	
Benefit payments	7,037,117
Non-Investment Expenses	<u>16,967</u>
Total	7,054,084
Ending Balance (Market Value) – November 30, 2017	\$110,340,111
Recognized Return on Smoothed Funding Value of Assets	10.3%