ORDER OF BUSINESS

Meeting Called to Order
Scott Miller called the WCERS meeting to order at 8:40 a.m.
Gary Lowe called the VEBA meeting to order at 8:40 a.m.

Roll Call
Monica Boote called the roll

WCERS Members Present:  Kelly Belknap, Nancy Heine, Scott Miller, Ruth Ann Jamnick
WCERS Members Absent:  Gregory Dill, Katie Scott, Corey Mason
VEBA Members Present:   Tina Gavalier, Gary Lowe, Diane Heidt
VEBA Members Absent:    Katie Scott, Corey Mason

Others Present: Monica Boote, Sarah Erskine, Chyanne Duncan and Zachery Bryant, Human Resources Retirement Office; Roberta Allen, Jane Thurston (9:22am) AWARE Representatives; Bob Besenhofer, Michael Ribble, Conduent Consulting; Catherine McClary and Kirsten Osborne, Treasurer’s Office; Amy Cole and Eric Burger, Graystone Consulting; Tom Michaud, VanOverbeke, Michaud & Timmony; Deb Schmitt, Public Health

Public Participation
None

Approval of Regular Agenda
WCERS  N. Heine seconded by K. Belknap motion to approve the regular agenda as presented. All in favor, motion carried.

VEBA  T. Gavalier seconded by D. Heidt motion to approve the regular agenda as presented. All in favor, motion carried.

REGULAR AGENDA

New Business

A. WCERS Actuarial Valuation Results as of 12.31.18

Mr. Ribble presented the draft WCERS December 31, 2018 Actuarial Valuation Report.

The purpose of the Valuation Process determines the amount of contributions to be made to the Washtenaw County Employees Retirement System during each member’s career, which, when combined with investment return, will be sufficient to pay for retiree benefits. In addition, the annual actuarial valuation is performed to satisfy regulatory and accounting requirements, determine the funded ratio, and to explore why the results of the current valuation differ from the result of the valuation of the previous year.
Mr. Ribble discussed member data and how last year's overall liabilities were 0.1% lower of what was expected. The number of reported deaths were greater than expected, but the salary increases were higher than expected offsetting the liability.

Mr. Ribble reviewed the asset data and how the market value of assets decreased to $254 million during 2018 which was lower than the expected $288 million due to the -5.23% return net of expenses being lower than the expected 7.25%. There was no change in benefit provisions from 2017.

Mr. Ribble updated the Board on the upcoming experience study. The review will be completed in conjunction with the 2019 actuarial valuation.

Mr. Ribble then discussed the Mortality table updates, the current assumption utilizes base mortality tables referred to as RP-2014. He also discussed the new mortality table called Pub-2010 that was released in January 2019 that was based on public plan experience. He recommended no changes to the base mortality tables at this time, but would like the Board to consider changing to the Pub-2010 tables for the December 31, 2019 valuation.

The Board then discussed the countywide compensation study that is currently being run and if that will affect the assumptions that the Actuary considers.

Mr. Ribble then discussed the Funding Methodology that is set and is used to determine how to pay for the liabilities of the plan. He went on to discuss the three components which are Actuarial Cost Method, the Asset Valuation Method, and the Amortization Method.

He then discussed the Actuarial Value of Assets. The Actuarial Value of Assets for 2018 was $254 million.

The accrued liability increased from $364 million to $370 million over the past year. Of that growth, about $.3 million was less than expected.

WCERS also had an overall actuarial loss of $5,151,915. This means that the unfunded actuarial accrued liability was $5,151,915 higher than what they would have expected based on last year's valuation. Much of this was due to investment experience on an actuarial basis and salary increases generated.

Mr. Ribble then went on to present and discuss with the Board the Actuarial, Payroll and Economic Assumptions.

The funded ratio decreased this past year from 74.4% to 73.7%. He stated the decrease was due primarily to the unfavorable investment performance and salary increases.

Mr. Ribble then summarized the total employer contributions. They increased from $9,094,443 to $9,799,613 due primarily again to unfavorable investment performances and salary increases. He then lightly discussed shaving time off the amortization period, and the employer contributions for the Defined Benefit and Defined Contribution members.

He then presented the contribution amount and projections. Mr. Ribble discussed the projections and contribution amounts. The Board discussed unfunded liabilities, contributions, and the impacts of the Sheriff’s member’s contributions.

Mr. Ribble discussed funded ratio and the member counts. The Board discussed total member count and projections, refund distributions, and full vesting of participants. There will be a steep climb over the next four years due to the Sheriffs liability debt and the 2018 asset loss. A decrease is expected in the beginning of 2024 due to the wind-down of Sheriffs liability debt.
The funded ratio for the Plan is, again, currently at 73.7%, and it’s projected to be fully funded by 2041. It is recommended to achieve 100% funding sooner. Mr. Ribble then discussed the member count projections. They believe membership in the Plan will be cut in half by 2026. The employer contributions increased from $9.1 to $9.8 Million.

The Board discussed the employer contribution rates and what is suggested and the mortality table that they currently use for the actuarial assumption. The Board also discussed the possibility of conducting an experience study towards the end of the year in preparation for the 2019 valuation. Mr. Ribble stated that the goal for amortization schedule is between 9-20 years for any retirement plan.

B. VEBA Actuarial Valuation Results as of 12.31.18

Bob Besenhofer of Buck Consulting presented the draft VEBA December 31, 2018 Actuarial Valuation Report.

He started his presentation by describing the actuarial process. He explained the new GASB 74/75 standards, new amortization rules, and financial statements and investments. He then explained the basics of the OPEB valuation.

He then summarized the membership data ending in 2017 and 2018. The membership numbers were very close, with 938 Retirees currently receiving benefits in 2018, versus 936 in 2017. The total number of members decreased to 2,274 in 2018, versus 2,364 in 2017.

As from previous years, there were no benefit changes effective January 1, 2019. He then reviewed the changes in benefits that took effect for 2018, including the switch to the Medicare Advantage plan in November 2018. K. Belknap requested to see the actuarial valuation report without including the savings from the Medicare Advantage plan.

Actuarial assumptions were then covered. The per capita claims costs were updated to reflect the most recent year of claims experience. The costs were developed separately for grandfathered and non-grandfathered plans, and per capita claims costs increased at a much lower rate than expected. This resulted in an Actuarial Accrued Liability decrease of 8.0%.

Actuarial methods were then discussed. Mr. Besenhofer explained the cost method, which is how allocation of the future value of present benefits for past service and normal cost for current service is calculated. VEBA uses Entry Age Normal level percentage of pay as its method. This develops normal cost that stays level as a percentage of payroll.

This method is then used for calculating liability. For the amortization of the unfunded portion, payment is determined as a level percentage of payroll. There is now a period of 20 years, declining by 1 year annually. Declining aggregate payroll is not reflected for funding calculations.

Mr. Besenhofer discussed the impacts of the Affordable Care Act. The impact will generally be minimal, as it is an exempt “retiree only” plan. There will be some additional taxes/fees. Blending or not blending pre/post-Medicare per capitas makes a large difference in the tax amount. The current method is to blend and will no longer reflect the Retiree Drug Subsidy (RDS) offset due to the implementation of the Medicare Advantage Plan.

Mr. Besenhofer then went over the reconciliation of the Unfunded Actuarial Liability. The accrued liability from last year’s report is just over $226 million. Due to the expected growth in demographics, passage of time, and per capita health costs, the expected liability increased to $235 million. Overall, the assets are down by $2 million dollars, and the funding percentage has jumped up throughout the years. The Plan is funded 66.5%
The Board discussed that Page 16 of the presentation and page 3 of the report need to be corrected.

They then discussed that the employer contributions in the report states $7 million, but questioned if the County could contribute more than what the Actuary suggests. Mr. Tom Michaud stated that they County can contribute more than what the Actuary projects.

Mr. Besenhofer then discussed with the Board the payroll and employer contribution amounts for the 2017 and 2018 years. If all assumptions are met, the Actuaries are expecting a fully funded plan by the year 2040.

The Board discussed costs and how they are keeping costs down now and in the future. Mr. Besenhofer described how Medicare off sets some of the current costs and they discussed closed group funding projections.

Mr. Besenhofer presented the GASB 74/75 results. The total OPEB liability began at $239 million and ended with $199 million.

The Board discussed the different interest rate assumptions between WCERS and VEBA. Each Board elected their own interest rates.

K. Belknap would like to see the Actuarial Valuation approved at the July 16, 2019 special meeting for WCERS and at the August 7th meeting for VEBA.

The Board discussed the CMH deficit.

**Adjournment**

K. Belknap seconded by N. Heine to adjourn the WCERS meeting at 10:47am. All in favor, motion carried.

D. Heidt seconded by T. Gavalier to adjourn the VEBA meeting at 10:47am. All in favor, motion carried.

**Upcoming Board Meetings**

- **VEBA Regular Meeting, August 7, 2019, 2:30 PM**
  BOC Conference Room,  
  220 North Main Street, Ann Arbor, MI

- **WCERS Special Meeting July 16, 2019, 8:30 AM**
  BOC Conference Room,  
  220 North Main Street, Ann Arbor, MI

- **WCERS Regular Meeting August 27, 2019, 8:30 AM**
  BOC Conference Room,  
  220 North Main Street, Ann Arbor, MI