SPECIAL JOINT MEETING MINUTES OF THE
WASHTENAW COUNTY EMPLOYEES' RETIREMENT COMMISSION
AND THE
VOLUNTARY EMPLOYEES BENEFICIARY ASSOCIATION
June 20, 2018 at 8:30 AM
MSU Extension Classroom, Lower Level, 705 N. Zeeb Rd., Ann Arbor, MI 48103

ORDER OF BUSINESS

Meeting Called to Order
Scott Miller called the WCERS meeting to order at 8:38 a.m.
Gary Lowe called the VEBA meeting to order at 8:38 a.m.

Roll Call
Monica Boote called the roll

WCERS Members Present: Carmel Bacon, Kelly Belknap, Corey Mason, Scott Miller, Conan Smith

WCERS Members Absent: Gregory Dill, Andy LaBarre

VEBA Members Present: Tina Gavalier, Gary Lowe, Corey Mason, Conan Smith

VEBA Members Absent: Diane Heidt

Others Present: Monica Boote, Tami Langenright, Chyanne Duncan and Brandy Galea-Hertrich, Human Resources Retirement Office; Roberta Allen and Jane Thurston (9:22am) AWARE Representatives; Bob Besenhofer, Michael Ribble, Wendy Ludbrook, Conduent Consulting; Catherine McClary and Kirsten Osborne, Treasurer's Office; Timothy Brice and Amy Cole, Graystone Consulting; Frank Judd, VanOverbeke, Michaud & Timmony; Deb Schmitt, Public Health

Public Participation
None

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

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

REGULAR AGENDA

New Business

A. WCERS Actuarial Valuation Results as of 12.31.17

Michael Ribble introduced himself and Wendy Ludbrook. Mr. Ribble notified the Boards that Conduent will be changing their name and company to HIG Capital.

Mr. Judd asked Mr. Ribble about the process of the transition and if the retirement software will remain the same. Mr. Ribble responded that it should be a seamless change over, and it should not affect WCERS or VEBA in any way.

Mr. Ribble then presented the draft WCERS December 31, 2017 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.

The Board then discussed the national mortality tables and demographic experience.

Ms. Ludbrook discussed member data and how last year's overall liabilities were .8% higher of what was expected. The active population shrank from 694 members to 651, due to a steady decline in active membership, as new employees are only participating in the Defined Contribution Plan. The board discussed beneficiary data tables.

Ms. Ludbrook reviewed the asset data and how the market value of assets increased to $280 million during 2017 which was higher than the expected $257 million due to the 15.43% return net of expenses being higher than the expected 7.25%. There was no change in benefit provisions from 2016.

Ms. Ludbrook updated the Board on the upcoming experience study. The review will be completed in conjunction with the 2018 actuarial valuation.

She then discussed the actuarial assumptions funding methodology and the Board discussed funding contribution and lowering the funding years. Currently, The Board has an Entry Age methodology. They have also adopted a smoothing period for the Retirement System of five years. The amortization method determined 22 years, declining one year per valuation. Mr. Ribble recommended for the board to lower the funding year's number.

The Board then discussed the declining membership and amortization schedule.

Ms. Ludbrook then discussed the Actuarial Value of Assets. The Actuarial Value of Assets for 2017 was $270.5 million. She also presented unrecognized and recognized rate of returns.

The accrued liability increased from $355 million to $364 million over the past year. Of that growth, about $2.7 million was more than expected. Due to the closing of the plan, the Actuaries expect the actuarial accrued liability to begin decreasing within the next 12 to 15 years.

WCERS also had an overall actuarial gain of $1,325,521. This means that the unfunded actuarial accrued liability was $1,325,521 lower than what they would have expected based on last year's valuation. Much of this was due to investment experience on an actuarial basis.

The board discussed mortality rates and experience studies, and how to perform them.

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

The funded ratio increased this past year from 73.1% to 74.4%. The increase was due primarily to the favorable investment performance. Asset returns that were less than expected in 2015 will offset the 2017 fund performance over the new few years.

Mr. Ribble then summarized the total employer contributions. They decreased from $9,165.459 to $9,094,443 due primarily again to favorable investment performances. 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 and the Board discussed unfunded liabilities and contributions and possibly making a chart with projections after taking out the Sheriff's members contributions. Mr. Ribble discussed funded ratio and member counts. The Board discussed total member count and projections, refund distributions, and full vesting of participants.

The funded ratio for the Plan is, again, currently at 74.4%, 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 2025. The Board discussed the current and future membership.

The Board discussed conducting an experience study now versus at a later date.

B. VEBA Actuarial Valuation Results as of 12.31.17

Bob Besenhofer of Conduent Consulting presented the draft VEBA December 31, 2017 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 2016 and 2017. The membership numbers were very close, with 936 Retirees currently receiving benefits in 2017, versus 911 in 2016. The total number of members increased to 2,364 in 2017, verses 2,358 in 2016.

As from previous years, there were no benefit changes effective January 1, 2018.

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 5.5%.

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 also to reflect the Retiree Drug Subsidy (RDS) offset.

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 21 years, declining by 1 year annually. Declining aggregate payroll is not reflected for funding calculations.

Mr. Besenhofer then went over the reconciliation of the Unfunded Actuarial Liability. The accrued liability from last year's report is just over $204 million. Due to the expected growth in demographics, passage of time, and per capita health costs, the expected liability increased to $222 million. Overall, the assets are up by $1.8 million dollars, and the funding percentage has jumped up throughout the years.

He 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 2038.

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

Mr. Besenhofer presented the GASB 74/75 results. This has replaced the GASB 43/45 rules. There were some new changes and rules. This did not directly impact funding contributions. Conduent will continue to work with County staff and the auditor to determine how it will impact future accounting.

The Board discussed the report and different challenges that might occur in the future. They also discussed the expected benefit payments.

T. Gavalier seconded by C. Smith to receive and file the 2017 Actuarial Valuation as presented.

All in favor, motion passed.

Adjournment
C. Smith seconded by T. Gavalier to adjourn the VEBA meeting at 10:45am.

The WCERS Board discussed receiving and filing the 2017 Actuarial Valuation.

C. Mason seconded by C. Smith to adjourn the WCERS meeting at 10:47am.

Upcoming Board Meetings

- VEBA Regular Meeting, August 1, 2018, 2:30 PM
  BOC Conference Room,
  220 North Main Street, Ann Arbor, MI

- WCERS Regular Meeting August 28, 2018, 8:30 AM
  BOC Conference Room,
  220 North Main Street, Ann Arbor, MI