



Rochester Hills

Minutes - Draft

Board of Trustees to the Retiree Health Care Trust

Don Cline, Jr., Ryan Deel, Joe Snyder, Kenneth Wissbrun

1000 Rochester Hills Dr
Rochester Hills, MI 48309
(248) 656-4600
Home Page:
www.rochesterhills.org

Wednesday, July 7, 2021

6:00 PM

1000 Rochester Hills Drive

CALL TO ORDER

Member Deel called the Board of Trustees to the Retiree Health Care Trust to order at 6:03 p.m.

ROLL CALL

Present 4 - Don Cline, Ryan Deel, Kenneth Wissbrun and Joe Snyder

Others Present:

*Cynthia J. Billings-Dunn, City Retirement Plan Attorney/Asher Kelly (Virtual)
Daniella Ciolino, City Actuary/Lauterbach & Amen (Virtual)
Chelsea Ditz, Human Resources Director
Michael McLaughlin, Accounting Manager (Virtual)*

NEW BUSINESS

2021-0256 Presentation of 2020 City of Rochester Hills Post Retirement Health Plan - Todd Schroeder & Daniella Ciolino/Lauterbach & Amen, LLP

***Daniella Ciolino**, City Actuary, Lauterbach & Amen, presented the City of Rochester Hills Governmental Accounting Standards Board (GASB) 74/75 Report for Fiscal Year ending on December 31, 2020.*

She stated the following:

- The total Other Post Employment Benefit (OPEB) Liability for the City's Defined Benefit Plan as of December 31, 2020 was \$2,162,008*
- The City's total OPEB Plan Net Position as of December 31, 2020 was \$2,227,014, which results in a Net OPEB difference of +\$65,006 in surplus*
- This is a very strong position for the City to be in as the City's OPEB liability is well funded and complimented the City for being so proactive in managing their OPEB liabilities, as many communities are not in as good as shape.*
- She noted that the demographic trend over the past two years in the number of active employees in the Plan moved down from 49 to 41 active employees, as active employees are retiring. The number of retired employees moved up from 57 to 61 retired employees. In total, the number of participants was reduced from 106 participants to 102 participants, as four participants have either passed away or have received their final supplemental health care reimbursement.*
- She commended the City for contributing employer funding into the Plan for the past two years (2019-2020) in an amount in slight excess of that which was recommended by the Actuarially Determined Contribution (ADC) level; this is another reason why the City is well-funded regarding it's OPEB Liability.*

Mr. Snyder commented that the City has already contributed the identical amount of \$75,110 in 2021 as was contributed in 2019-2020. It is planned to maintain this same level of contribution funding for two more years through 2023, for a total of five years. After which time, it is anticipated that the City's level of contribution will decrease significantly to a more minimal amount on an annual basis.

Ms. Ciolino stated that the City's Net OPEB Liability has decreased over the past year, and will continue to decrease into the future as the retiree's benefits are paid. The City's Retiree Health Care Supplemental Plan is a closed plan, meaning no future participants will be added. She commented further that after considering the actuarial value of the Plan's assets, the City's OPEB Plan is 98.98% funded as of December 31, 2020, which is an increase in percentage funded from 90.93% as of December 31, 2019.

Member discussion ensued regarding the increased lifespan expectancy. Ms. Ciolino responded that she used the most current actuarial Mortality Rate standards in her analysis.

2021-0257 Investment Performance Review

Mr. Snyder presented the Retiree Health Savings Trust Statement as of June 30, 2021 to the Board and commented that the Retiree Healthy Savings Trust is now up to \$2,358,443 as of June 30, 2021, an increase of over \$130,000 above the level it was as of December 31, 2020.

He stated that the current balance amount already includes \$108,960 which was withdrawn out of the Trust Fund in the 2nd Quarter to prove adequate cash flow for the City to pay the retiree benefit amounts for the remainder of this year; no more significant withdrawals from the Trust are anticipated in 2021. The Year-to-Date Trust Fund has returned 6.08% and year-over-year the Trust Fund has returned 20.5%. He noted that this is really good news as the value of the City's Other Post Employment Benefit (OPEB) assets are higher than they were last year, at the same time the City's OPEB liability is trending lower as retiree payments are being made. He stated that he is eager to see how next year's Actuarial Analysis comes in.

2021-0258 Asset Allocation Review

Mr. Snyder stated that since 2019, the Trust has been maintained at a ratio of roughly 50% equity (or stock) investments and 50% fixed investments. To maintain this ratio, the City allocates the Trust Funds between three separate mutual funds with differing fixed Asset Allocation strategies. Funds include a Conservative Growth Fund with a 40/60 mix of stocks/bonds, a Moderate Growth Fund with a 60/40 mix of stocks/bonds, and a Growth Fund with an 80/20 mix of stocks/bonds.

Discussion ensued by the Board Members and it was decided that a 50/50 split between equity and fixed investments was an appropriate investment mix at this time.

2021-0259 Discussion regarding Amending the Retiree Healthcare Supplemental Trust Plan to allow for a Participant's Spouse to be Eligible to receive the benefit

Mr. Snyder explained that the City Staff have received comments from some retired participants who are upset that their spouse's health care premiums are not eligible for reimbursement under the City's existing Supplemental Health Care Benefit Plan Document and Ordinance. After reviewing the Plan Document and conferring with the

City's Retirement Plan Attorney, Ms. Billings, it was determined that the existing language covers the participant as the only individual eligible for the benefit, and not the participant's spouse. The City is not proposing any alterations to the fixed monthly supplemental amount or fixed term of the benefit, rather simply expanding the benefit's eligibility to include both participant and spouse. The proposed changes would become effective as of January 1, 2022.

Ms. Ciolino stated that expanding the supplemental benefit eligibility to include both participant and spouse would have no significant impact on the actuarial analysis she prepared or on the City's overall Other Post Employment Benefit (OPEB) liability level as her analysis factors in the full amount of the benefit being paid out moving forward regardless of who is utilizing it.

Ms. Ditz explained many of the retired participants are Medicare age-eligible whose monthly health care premium amounts are often less than monthly Supplemental Benefit amounts that they are eligible to receive. She explained further that retired couples that are pre-Medicare age are often on the same medical plan. As the City cannot distinguish between the participant and the spouse share on the same combined plan, the City's practice has been to reimburse the participant for the combined monthly premium up to the supplemental amount that they are eligible.

She noted that some retired participants are upset when they become Medicare eligible, and move from a combined plan, which covers reimbursement for the couple, to a lower cost Medicare plan covering the participant only to realize that they cannot utilize the remaining supplemental benefit that the City offers to also help out with their spouse's health care premium.

Mr. McLaughlin added that there was an agreement made in 2016 by former Human Resources Director, Pamela Gordon, which included sixteen retired employees that allowed for that group, the participant and the spouse, both to be eligible for the supplemental health care premium reimbursement. No other retired participant besides this list of sixteen is eligible for their spouse's health care premiums as well.

Member Deel commented that there are inconsistencies in how retired participants are treated, which is not ideal and should be addressed to avoid issues in the future.

Mr. Snyder addressed one final item for the Board Members to consider, the expansion of the eligibility benefit to allow for the spouse of a deceased participant to remain eligible to receive the benefit for the deceased participant's remaining term. He explained that currently, the living spouse of a deceased participant is only eligible to receive their deceased spouse's supplemental benefit for a maximum term of 36 months.

Member Cline asked how many spouses of deceased participants are currently in the 36-month window.

Ms. Ditz responded that there is one spouse of a deceased participant currently in the 36-month window receiving their spouse's benefit.

Ms. Ciolino stated that expanding the supplemental benefit to allow for the spouse of a deceased participant to continue to receive the supplemental benefit for the remainder of the participant's term would have a minor impact on the City's OPEB liability. She has calculated that impact and stated that the City's overall OPEB liability would increase somewhat causing the City's overall OPEB coverage from 98.9% to 94.9%.

Member Wissbrun asked what the net overall cost impact to the City may be in the future by allowing the surviving spouse eligibility for the deceased spouse's supplemental benefit over the long term.

Mr. Snyder stated that the additional cost on a long-term basis would be very minimal and likely in line with what is already planned by the City to be contributed into the Trust on an annual basis.

Ms. Ciolino agreed it would be a minimal amount moving forward.

Member Deel asked if there are any Union issues related to these proposed changes.

Ms. Ditz responded that since these are slightly expanding existing benefits for those eligible retired employees, there are no Union issues; she noted further that there are typically only Union related issues if current benefits offered were proposed to be curtailed in some way.

Member Deel stated that this is another acknowledgement of the appreciation of City Staff, not only while they are actively employed by the City but also into their retirement years. He asked if the City's Retirement Plan Attorney has reviewed the proposed resolution.

Ms. Billings stated that Mr. Snyder prepared the resolution which she has reviewed and found it satisfactory.

Mr. Snyder thanked the Board and stated he would work with the City's Retirement Plan Attorney, Ms. Billings, to make the necessary amendments to the Retiree Health Care Supplement Plan Document and Ordinance language. As this will require a change in the City's Ordinance, there will need to be a first and second reading prior to formal adoption. He stated further, that he plans to bring the revised Plan Document and Ordinance before City Council for approval in August/September, which will allow time for the Human Resources Department to inform eligible supplemental retirees of the plan changes prior to Open Enrollment for the 2022 year.

A motion was made by Deel, seconded by Cline, that this matter be Approved. The motion carried by the following vote:

Aye 4 - Cline, Deel, Wissbrun and Snyder

WHEREAS, the Rochester Hills City Council pursuant to Chapter 82 of the Code of Ordinances, has established a Retiree Health Benefit Plan and Trust.

AND WHEREAS, the purpose of the Plan and Trust is to establish a program to provide additional funding for the health insurance needs of long-term eligible employees for the use of post-employment medical insurance premiums.

AND WHEREAS, the general administration, management and responsibility for the proper operation of the Trust and for making effective and construing the provisions of the Trust shall be vested in the Board of Trustees established by Section 82-174, Board of Trustees, consistent with applicable state and federal laws and regulations.

AND WHEREAS, a Trustee or other fiduciary under the Trust shall discharge his or her duties with respect to the Trust solely in the interest of the Participants for the exclusive purpose of providing benefits to Participants and paying reasonable expenses of

administering the Plan and Trust.

AND WHEREAS, the Board of Trustees has met and discussed the potential to amend the Retiree Health Benefit Plan and Trust Document to allow for the individual eligible participant as well as his/her spouse to both be eligible for reimbursement of post-employment medical insurance premiums.

AND WHEREAS, the Board of Trustees has confirmed with the City Actuary Service provider that any additional costs of expanding the benefit to include both eligible participant and spouse would have a minimal impact on the City's Other Post Employment Benefit (OPEB) liability as the full maximum amount of the benefit per eligible employee is already factored in the actuarial analysis.

RESOLVED, the Board of Trustees for the City's Retiree Health Care Trust recommend that the Rochester hills City Council amend the Retiree Health Benefit Plan and Trust Document to allow for the individual eligible participant as well as his/her spouse to both be eligible for reimbursement of post-employment medical insurance premiums.

ANY OTHER BUSINESS

None.

NEXT MEETING DATE

TBD but targeting May 2022 around the time the FY 2021 Audit is presented to City Council.

ADJOURNMENT

There being no further business before the Board, it was moved by Deel and seconded by Wissbrun, to adjourn the meeting at 6:56 p.m.

Anyone planning to attend the meeting who has need of special assistance under the Americans with Disabilities Act (ADA) is asked to contact the Clerk's Office at 248-841-2460 at least 48 hours prior to the meeting.