



City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS

1000 Rochester Hills Dr.
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Legislative File No: 2019-0308

TO: Mayor and City Council Members
FROM: Joe Snyder, Chief Financial Officer, x2534
DATE: July 15, 2019
SUBJECT: Retiree Health Care Trust / Funding Policy

REQUEST:

The Retiree Health Care Trust Board recommends that the Rochester Hills City Council formally adopt a Funding Policy for the City's Retiree Health Care Trust Defined Benefit (DB) Plan.

BACKGROUND:

On June 13, 2019 the City's Retiree Health Care Trust Board met with City Administration and the City's Actuary (Lauterbach & Amen) to review the City's 2018 Actuarial Valuation Report of the City's Retiree Health Care Trust Plan. One item noted in the Report was that the City of Rochester Hills has no formal Funding Policy for the Plan in place at this time.

Preceding the meeting with the Retiree Health Care Trust Board, City Administration worked with the Actuary to develop a Draft Policy to present and discuss with the Board. The Draft Policy draws upon industry standard best practices to address unfunded liabilities in a prudent and responsible manner.

As of December 31, 2018 the City's Retiree Health Care Trust Plan has a stated Unfunded Liability of \$543,368 (or 77.9% funded). If this Funding Policy is approved by City Council, the City's restated December 31, 2018 Unfunded Liability will be reduced to \$326,417 (or 86.4% funded). This reduction in actuarially calculated Unfunded Liability is due Governmental Accounting Standards Board (GASB) standard default factors utilized as there was no Formal Funding Policy in place, where the entity's factors can be used if the entity has a Formal Funding Policy.

If approved, the Funding Policy recommends a flat Level Dollar contribution to the Retiree Health Care Trust Fund of \$75,110 over each of the next 5-years, this amount is anticipated to be reduced to approximately \$10,000 - \$15,000 annually long-term starting in year #6. Funding would be contributed on an annual basis and will be divided among the General Fund (63%), Fire Fund (13%), and W&S Fund (24%).

This Formal Funding Policy was unanimously approved by the Retiree Health Care Trust Board to recommend for City Council approval. This Policy is also supported by the City's Actuary (Lauterbach & Amen), the City's Auditor (Yeo & Yeo), and City Administration.

RECOMMENDATION:

The Retiree Health Care Trust Board recommends that the Rochester Hills City Council formally adopt a Funding Policy for the City's Retiree Health Care Trust Defined Benefit (DB) Plan.

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Mayor		
Deputy Clerk		

Contract Reviewed by City Attorney Yes N/A