



City of Dearborn InterOffice Memorandum

To: City Council, City Clerk
From: Finance Department
Via: Mayor O'Reilly
Date: April 08, 2013
Subject: Post Employment Health Care Report

Attached is the biennial actuarial report for Post Employment Health Care. The Annual Required Contribution (ARC) and estimated percentage of payroll are shown below:

<u>Annual Required Contribution</u>	<u>ARC</u>	<u>Estimated Percentage of Payroll</u>
Fiscal Year 2014	\$18,104,965	Police and Fire 38.69 % General Emp 54.78 %

As a comparison, Fiscal 2013 is shown below:

<u>Annual Required Contribution</u>	<u>ARC</u>	<u>Estimated Percentage of Payroll</u>
Fiscal Year 2013	\$13,535,617	Police and Fire 27.46 % General Emp 26.69 %

The considerable increase in the ARC is due to a change in the amortization method from level percentage of pay to the level dollar method that is required when groups are closed to new hires. The effect was to increase the Unfunded Actuarial Accrued Liability from \$156 million to \$182 million.

Total Accrued Liability is \$223 million, offset by \$41 million in assets. This results in a funded ratio of 18.6 %.

Percentages of Payroll increased due to the lower Covered Payroll for eligible employees. The General Employee percentage is higher since new hires have not been eligible for Retiree Health Care for several years before it was ended for Police and Fire.

The proposed 2014 Budget is funded as Pay-As-You-Go, which is currently estimated at \$11 million. **Please see the attached detail.**

The actuarial calculations were prepared for purposes of complying with the requirements of Statements No. 43 and No. 45 of the Governmental Accounting Standards Board (GASB). Please receive and file the report.

City of Dearborn
Proposed 2014 Budget
Post Employment Health Care

Per Actuarial Report - 2014						
	General EE		Police / Fire		Total ARC	
	Amount	Percentage	Amount	Percentage		
Employer Normal Cost	1,639,865	10.14%	1,710,060	7.15%		
Active EE Unfunded Liability	2,085,411	12.90%	1,688,697	7.10%		
Retiree Unfunded Liability	5,131,305	31.74%	5,849,627	24.44%		
Total	8,856,581	54.78%	9,248,384	38.69%		18,104,965

Proposed Budget - 2014 Pay-As-You-Go						
	General EE		Police / Fire		Total ARC	
	Amount	Percentage	Amount	Percentage		
Employer Normal Cost	1,639,865	10.14%	1,710,060	7.15%		
Active EE Unfunded Liability	2,085,411	12.90%	1,688,697	7.10%		
Retiree Unfunded Liability	2,151,402	13.30%	1,745,507	7.30%		
Total	5,876,678	36.34%	5,144,264	21.55%		11,020,942

ARC GAP	2,979,903	4,104,120	7,084,023
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ARC = Annual Required Contribution