

**City of Dearborn
General Employees Retirement System
Proposed FY2015, 2016 and 2017 Budget**

This fund accounts for amounts reserved to pay current and future retirement benefits.

Revenue

- The estimated gain on investments is based around the System's Return Assumption of 7.25%. That assumed gain is then allocated based on estimates provided by the City's investment consultant, NEPC, founded on the asset allocation of the System. The Employer contributions are based on the cost to fully fund the Normal Cost and Accrued Liability for Fiscal Year 2015. The Employee contributions are based on Covered Payroll multiplied by the 4% Employee Contribution

Expenditures

- FY 2015 Benefit Payments were estimated based on projecting the current year annuities at a full 12 month cycle and applying a 5% assumed increase based on historical average over the last four years and no pay increases.
- Staff Training and Travel is estimated at \$2,000 per trustee for FY 2015 multiplied by the 5 members of the Board.
- Other professional fees include items such as fees for Independent Medical Exams, outside Counsel, etc.
- Administration/Management fees include custodian fees to Comerica, consultant fees to NEPC, the investment fees to managers in Chapter 22 and the City Administrative Service Fee.
- Actuarial fees paid to GRS include the Annual Valuation, Final Calculation verifications and a Supplemental Report that will be required for compliance with GASB 67/68 beginning in FY 2015. FY 2015 also includes an estimate for conducting an updated Experience Study.
- Operating Supplies, Fees and Permits include expenses such as MAPERS and NCPERS annual registration fees and IRS Letter of Determination filing fees.
- Insurance Costs pertain to the Fiduciary Liability Insurance Policy paid to Nickel and Saph

General Notes

- Per Compliance with Public Act 314, this Fund is now required to have a budget prepared which requires Pension Board and Council Approval
- Funding Status of the System as of June 30, 2013 is at 82.9%
- Beginning January 1, 2013, General Employees began making a 4% nonrefundable contribution to the System.

CITY OF DEARBORN
General Employees Retirement System
Revenue and Fund Equity Trend

	2012-2013	2013-2014	2013-2014	2014-2015	2015-2016	2016-2017
	Actual	Amended Budget	Projected	Proposed	Proposed	Proposed
REVENUE:						
Interest	\$ 9,866		\$ 800	\$ 5,000	\$ 5,000	\$ 5,000
Dividends	2,194,945		1,392,000	1,420,000	1,449,000	1,474,000
Gain/Loss Stocks	4,313,903		6,600,000	6,731,000	6,866,000	6,985,000
Gain/Loss Bonds	320,845		2,097,634	\$ 2,139,000	\$ 2,182,000	\$ 2,220,000
Unrealized Gain/Loss	5,590,195		-			
Contributions From General Funds	4,031,930		4,070,200	3,909,180	3,921,080	3,909,162
Employee Contributions	234,125		500,000	511,000	512,000	511,000
Employer Contributions - Other	778,922		-	-	-	-
Miscellaneous Revenue	424		500	500	500	500
TOTAL REVENUE	17,475,155	-	14,661,134	14,715,680	14,935,580	15,104,662
EXPENSES:						
Retirement Annuities	10,602,611		10,648,850	10,700,000	11,235,000	11,797,000
Duty Disability Annuities	145,767		145,767	141,000	141,000	141,000
Non Duty Disability Annuities	135,399		135,399	136,000	136,000	136,000
Non Duty Death Annuities	382,984		382,984	390,000	390,000	390,000
Duty Death Annuities	-		-	-	-	-
Refund of Employee Contributions	8,502		14,000	40,000	40,000	40,000
Total Benefit Costs	11,275,263	-	11,327,000	11,407,000	11,942,000	12,504,000
Staff Training & Travel	3,773		10,000	10,000	10,000	10,000
Other Professional Services	2,275		5,000	5,000	5,000	5,000
Admin/Management	545,082		580,000	580,000	600,000	600,000
Actuarial Services	15,750		17,000	30,000	20,000	20,000
Operating Supplies, Fees & Permits	411		500	3,000	500	3,000
Insurance & Bonds	7,355		7,800	7,800	8,500	8,500
Total Operating Expenses	574,646	-	620,300	635,800	644,000	646,500
TOTAL EXPENSES	11,849,909	-	11,947,300	12,042,800	12,586,000	13,150,500
EXCESS (DEFICIENCY) REVENUES OVER EXPENSES	5,625,246	-	2,713,834	2,672,880	2,349,580	1,954,162
Beginning Reserves	131,437,173	137,062,419	137,062,419	139,776,253	142,449,133	144,798,713
ENDING RESERVES	\$ 137,062,419	\$ 137,062,419	\$ 139,776,253	\$ 142,449,133	\$ 144,798,713	\$ 146,752,875

**City of Dearborn
Police and Fire Revised Retirement System
Proposed FY2015, 2016 and 2017 Budget**

This fund accounts for amounts reserved to pay current and future retirement benefits.

Revenue

- The estimated gain on investments is based around the System's Return Assumption of 7.25%. That assumed gain is then allocated based on estimates provided by the City's investment consultant, NEPC, founded on the asset allocation of the System. The Employer contributions are based on the cost to fully fund the Normal Cost and Accrued Liability for Fiscal Year 2014. The Employee contributions are based on the the Covered Payroll multiplied by the 5% Employee

Expenditures

- FY 2015 Benefit Payments were estimated based on projecting the current year annuities at a full 12 month cycle and applying a 7% assumed increase based on historical average on regular annuities;2% COLA assumption on all other annuities
- Staff Training and Travel is estimated at \$2,000 per trustee multiplied by the 7 members of the Chapter 23 Board.
- Other professional fees include items such as fees for Independent Medical Exams, outside Counsel, etc.
- Administration/Management fees include custodian fees to Comerica, consultant fees to NEPC, the investment fees to managers in Chapter 23 and the City Administrative Service Fee.
- Actuarial fees paid to GRS include the Annual Valuation, Final Calculation verifications and a Supplemental Report that will be required for compliance with GASB 67/68 beginning in FY 2015. FY 2015 also includes an estimate for conducting an updated Experience Study.
- Operating Supplies, Fees and Permits include expenses such as MAPERS and NCPERS annual registration fees and IRS Letter of Determination filing fees.
- Insurance Costs pertain to the Fiduciary Liability Insurance Policy paid to Nickel and Saph

General Notes

- Per Compliance with Public Act 314, this Fund is now required to have a budget prepared which requires Pension Board and Council Approval
- Funding Status for Fire as of June 30, 2013 is 79.1%, for Police 84.4%.
- Members of Chapter 23 make a 5% refundable contribution to the System.

CITY OF DEARBORN
Police and Fire Revised Retirement System
Revenue and Fund Equity Trend

	2012-2013	2013-2014	2013-2014	2014-2015	2015-2016	2016-2017
	Actual	Amended Budget	Projected	Proposed	Proposed	Proposed
REVENUE:						
Interest	\$ 16,764		\$ 1,500	\$ 10,000	\$ 10,000	\$ 10,000
Dividends	5,151,716.00		2,587,000.00	2,672,000.00	2,767,000.00	2,856,000.00
Gain/Loss Stocks	9,122,122.00		12,288,000.00	12,691,000.00	13,142,000.00	13,566,000.00
Gain/Loss Bonds	587,774.00		3,880,750.00	4,008,000.00	4,150,000.00	4,284,000.00
Unrealized Gain/Loss	7,346,203		-			
Contributions From Other Funds	7,455,603		9,032,286	9,604,338	9,619,301	9,604,643
Employee Contributions	839,003		775,000	828,000	828,000	828,000
Miscellaneous Revenue	293		500	500	500	500
TOTAL REVENUE	30,519,478	-	28,565,036	29,813,838	30,516,801	31,149,143
EXPENSES:						
Retirement Annuities	15,252,343		17,333,900	17,000,000	18,190,000	19,463,000
Duty Disability Annuities	716,360		730,687	731,000	746,000	761,000
Non Duty Disability Annuities	126,434		128,963	130,000	133,000	136,000
Non Duty Death Annuities	171,375		174,803	175,000	179,000	183,000
Duty Death Annuities	213,780		218,056	210,000	214,000	218,000
Refund of Employee Contributions	927,322		600,000	600,000	600,000	600,000
Total Benefit Costs	17,407,614	-	19,186,409	18,846,000	20,062,000	21,361,000
Staff Training & Travel	9,286		14,000	14,000	14,000	14,000
Other Professional Services			5,000	5,000	5,000	5,000
Admin/Management	968,194		990,000	990,000	1,000,000	1,000,000
Actuarial Services	20,425		25,000	40,000	25,000	25,000
Operating Supplies, Fees & Permits	382		500	3,000	500	3,000
Insurance & Bonds	7,301		8,000	8,000	8,500	8,500
Total Operating Expenses	1,005,588	-	1,042,500	1,060,000	1,053,000	1,055,500
TOTAL EXPENSES	18,413,202	-	20,228,909	19,906,000	21,115,000	22,416,500
EXCESS (DEFICIENCY) REVENUES OVER EXPENSES	12,106,276	-	8,336,127	9,907,838	9,401,801	8,732,643
Beginning Reserves	241,800,307	253,906,583	253,906,583	262,242,710	272,150,548	281,552,349
ENDING RESERVES	\$ 253,906,583	\$ 253,906,583	\$ 262,242,710	\$ 272,150,548	\$ 281,552,349	\$ 290,284,992

**City of Dearborn
Policemen's and Firemen's Retirement System
Proposed FY2015, 2016 and 2017 Budget**

This fund accounts for amounts reserved to pay current and future retirement benefits.

Revenue

- The estimated gain on investments is based around the System's Return Assumption of 7.00%. That assumed gain is then allocated based on estimates provided by the City's investment consultant, NEPC, founded on the asset allocation of the System. Although we are assuming the 7.00% return, the gains estimated are decreasing for years 2015-17 due to the fact that the System expenditures exceed the revenues as there are no Employer or Employee Contributions into this closed System.

Expenditures

- FY 2015 Benefit Payments were estimated based on projecting the current year annuities at a full 12 month cycle and applying a 6% assumed decrease based on historical average for the past three years.
- Staff Training and Travel is estimated at \$2,000 each for Finance Director and Pension Administrator, \$2,500 in 2016 and 2017.
- Administration/Management fees include custodian fees to Comerica, consultant fees to NEPC, the investment fees to managers in Chapter 21 and the City Administrative Service Fee.
- Actuarial fees paid to GRS include the Annual Valuation, Final Calculation verifications and a Supplemental Report that will be required for compliance with GASB 67/68 beginning in FY 2015. FY 2015 also includes an estimate for conducting an updated Experience Study.
- Operating Supplies, Fees and Permits include expenses such as MAPERS and NCPERS annual registration fees and IRS Letter of Determination filing fees.
- Insurance Costs pertain to the Fiduciary Liability Insurance Policy paid to Nickel and Saph

General Notes

- Per Compliance with Public Act 314, this Fund is now required to have a budget prepared which requires Pension Board and Council Approval. For FY2014, the Chapter 21 budget was taken to Council for approval. For FY 2015, the Pension funds will be incorporated as part of the City's Budget.
- Funding Status of the System as of June 30, 2013 is at 174.5%

April 15, 2014

CITY OF DEARBORN
Policemen's and Firemen's Retirement System
Revenue and Fund Equity Trend

	2012-2013	2013-2014	2013-2014	2014-2015	2015-2016	2016-2017
	Actual	Amended Budget	Projected	Proposed	Proposed	Proposed
REVENUE:						
Interest	\$ 3,992		\$ 300	\$ 3,000	\$ 3,000	\$ 3,000
Dividends	505,744	225,000	225,000	219,000	213,000	207,000
Gain/Loss Stocks	892,119	1,200,000	1,200,000	1,169,000	1,135,000	1,106,000
Gain/Loss Bonds	233,542	545,000	545,000	\$ 531,000	\$ 516,000	\$ 503,000
Unrealized Gain/Loss	516,060		-			
TOTAL REVENUE	2,151,457	1,970,000	1,970,300	1,922,000	1,867,000	1,819,000
EXPENSES:						
Retirement Annuities	2,288,086	2,288,000	2,288,000	2,290,000	2,153,000	2,024,000
Duty Disability Annuities	144,382	144,000	144,000	144,000	135,000	127,000
Non Duty Disability Annuities	36,467	36,000	36,000	36,000	34,000	32,000
Non Duty Death Annuities	103,474	103,000	103,000	103,000	97,000	91,000
Total Benefit Costs	2,572,409	2,571,000	2,571,000	2,573,000	2,419,000	2,274,000
Staff Training & Travel	-	4,000	4,000	4,000	4,000	4,000
Admin/Management	119,203	125,000	125,000	125,000	125,000	125,000
Actuarial Services	6,400	7,000	7,000	10,000	8,000	8,000
Operating Supplies, Fees & Permits	100	200	200	3,000	3,000	3,000
Insurance & Bonds	3,323	4,000	4,000	4,000	4,500	4,500
Total Operating Expenses	129,026	140,200	140,200	146,000	144,500	144,500
TOTAL EXPENSES	2,701,435	2,711,200	2,711,200	2,719,000	2,563,500	2,418,500
EXCESS (DEFICIENCY) REVENUES OVER EXPENSES	(549,978)	(741,200)	(740,900)	(797,000)	(696,500)	(599,500)
Beginning Reserves	29,001,981	28,452,003	28,452,003	27,711,103	26,914,103	26,217,603
ENDING RESERVES	\$ 28,452,003	\$ 27,710,803	\$ 27,711,103	\$ 26,914,103	\$ 26,217,603	\$ 25,618,103

**City of Dearborn
Retiree Death Benefit Fund
Proposed FY2015, 2016 and 2017 Budget**

This fund accounts for reserves established to support future expenditures for retiree death benefit claims. Retirees have the option to voluntarily purchase this benefit.

General Comments

- Prior to July 1, 2003, this fund was called the Employee Death Benefit Fund, and covered both active and retired employees.

Revenue

- Revenue is estimated to remain the same or slightly decrease from the Fiscal 2013 projections due to lower interest earnings on investments.

Expenditures

- The fund should have enough fund balance to cover claims for about 6 to 8 years at recent experience. With the decline in interest earnings and fund balance, the fund is no longer operating on a "pay-as-you-go" basis. Future claims will have to be funded by future taxpayers.

CITY OF DEARBORN
Retiree Death Benefit Fund
Revenue and Fund Equity Trend

Note: prior to July 1, 2003, this fund was called the Employee Death Benefit Fund, and covered both active and retired employees.

	2012-2013	2013-2014	2013-2014	2014-2015	2015-2016	2016-2017
	Actual	Amended Budget	Projected	Proposed	Proposed	Proposed
REVENUE:						
Interest on investments	\$ 623	\$ 883	\$ 300	\$ 377	\$ 467	\$ 598
Retiree's death benefit premiums	13,001	13,000	13,000	13,000	13,000	13,000
TOTAL REVENUE	13,624	13,883	13,300	13,377	13,467	13,598
EXPENSES:						
Death benefits	57,000	50,000	60,000	60,000	60,000	60,000
TOTAL EXPENSE	57,000	50,000	60,000	60,000	60,000	60,000
TOTAL APPROPRIATIONS	57,000	50,000	60,000	60,000	60,000	60,000
EXCESS (DEFICIENCY) REVENUES OVER EXPENSES	(43,376)	(36,117)	(46,700)	(46,623)	(46,533)	(46,402)
Beginning Reserves	467,710	424,334	424,334	377,634	331,011	284,478
Project/Prior Year Appropriations						
ENDING RESERVES	\$ 424,334	\$ 388,217	\$ 377,634	\$ 331,011	\$ 284,478	\$ 238,076
Current claims reserve	1,547,500	1,509,000	1,509,000	1,509,000	1,509,000	1,509,000
Unreserved balance	(1,123,166)	(1,120,783)	(1,131,366)	(1,177,989)	(1,224,522)	(1,270,924)

April 15, 2014

Prepared by: Department of Finance

**City of Dearborn
Post Employment Health Care Fund
Proposed FY2015, 2016 and 2017 Budget**

This fund accounts for amounts reserved to pay current and future post-employment health insurance expenses.

General Comments

- An actuarial study was prepared to calculate the Fiscal 2015 contribution rate required to comply with Governmental Accounting Standards Board Statements 43 and 45 for Post Employment Health Care. This study is required every two years. The required **average** contribution rate is 57.37% of payroll, assuming full funding and an earnings rate of 7.25%. This rate has doubled from 27.08% in the previous actuary study prepared two years ago. The increase is primarily due to the fund being closed to new hires. This change brought about new actuarial assumptions that greatly increased the unfunded liability of the fund. The total Actuarial Required Contribution (ARC) for the plan for both Fiscal 2014 and 2015 is \$18.1 million. The budget has been prepared to fund \$11.6 million of the contribution for 2015, 16 and 17. This is more in line with the pay-as-you-go amount for 2015. Enterprise Funds continue to contribute at the full contribution rate of 57.37%
- The City has developed a funding method that assigns a percentage of payroll for active employees' normal costs and unfunded liabilities. For retirees, the costs of unfunded liabilities are allocated to departments/divisions based on the staffing history for each division. This amount has been adjusted down to match the pay-as-you-go amount for 2015.

Revenue

- Good investment earnings are expected for Fiscal 2014. We have projected \$1.5 million in gains, but final change in the value of the portfolio is unknown at this time. The value of the portfolio could change up or down depending on the market for the rest of the fiscal year.
- Contributions from payroll for years 2015 through 2017 are budgeted to be essentially pay-as-you-go. This amount is \$11.6 million for 2015. Contributions have been maintained at this level for 2016 and 2017, despite projected increases in costs. This is because of a limitation in the City's payroll budgeting system to apply increases to future years. Interest, dividends and budgeted gains in investment value will help offset projected increases in costs.
- Investment earnings are budgeted to match the actuarially assumed rate of return for the portfolio of 7.25%
- Other revenue is Medicare Part D reimbursements.

Expenditures

- 2014 expenditures for health care are projected to be nearly equal to the budget.
- Increases for retiree health care in 2015, 2016 and 2017 are budgeted as follows:
 - Blue Cross Traditional 11.0%
 - Blue Cross PPO 8.0%
 - Blue Cross Medicare Advantage 5.0%
 - HAP HMO 5.5%
 - HAP Medicare Advantage 4.5%
- Retirees can waive their health care coverage and receive a annual payment of \$1,250 for a single, \$2,000 for a couple, and \$2,500 for a family. Currently, 12 retirees are taking the waiver.

CITY OF DEARBORN
Post Employment Health Care Fund
Revenue and Fund Equity Trend

	2012-2013	2013-2014	2013-2014	2014-2015	2015-2016	2016-2017
	Actual	Amended Budget	Projected	Proposed	Proposed	Proposed
REVENUE:						
Interest & dividends on investments	\$ 2,237,408	\$ 1,000,000	\$ 1,500,000	\$ 1,002,618	\$ 1,003,239	\$ 1,003,873
Change in value of investments	1,136,033	-	1,539,362	2,603,378	2,804,607	2,948,061
Contributions from other funds	13,535,618	11,016,849	11,018,072	11,593,600	11,617,747	11,597,924
Other revenue	345,341	300,000	385,441	350,000	350,000	350,000
TOTAL REVENUE	17,254,400	12,316,849	14,442,875	15,549,596	15,775,593	15,899,858
EXPENSES:						
Health care waiver	44,208	70,000	38,375	35,000	35,000	35,000
Retirees health Insurance	11,089,843	10,842,600	10,633,929	11,400,900	12,230,670	13,128,930
Actuarial fees	20,800	2,900	2,500	21,000	3,000	21,000
Admin/Mgt/Other service	96,077	86,000	101,000	101,000	101,000	101,000
TOTAL EXPENSES	11,250,928	11,001,500	10,775,804	11,557,900	12,369,670	13,285,930
EXCESS (DEFICIENCY) REVENUES OVER EXPENSES	6,003,472	1,315,349	3,667,071	3,991,696	3,405,923	2,613,928
Beginning Reserves	41,504,859	47,508,331	47,508,331	51,175,402	55,167,098	58,573,021
Project/Prior Year Appropriations						
ENDING RESERVES	\$ 47,508,331	\$ 48,823,680	\$ 51,175,402	\$ 55,167,098	\$ 58,573,021	\$ 61,186,949