

City of Livonia Employees Retiree Health and Disability Benefits Plan (VEBA)

Summary Annual Report

November 30, 2021

<p>Dear Member:</p> <p>The following is a summary of your Health and Disability Benefits Plan. Each year, an actuarial valuation is prepared to compare assets to liabilities. Assets are held and invested in a trust separate from other City assets. The only disbursements from this trust are to eligible members who are retired or disabled, beneficiaries of eligible members, and for Retirement System expenses.</p> <p>As Health and Disability Board Members, our tasks include making sure trust assets are invested prudently, required City and member contributions are received and that benefits are paid in accordance with the Plan's provisions.</p> <p>Various professionals are hired to help in the administration of the Plan. They are listed in the column to the right.</p> <p>The City is funding the Plan benefits as they accrue in accordance with a sound level percent of payroll funding objective.</p> <p>Respectfully submitted,</p> <p>Board of Trustees City of Livonia Health and Disability Benefits Plan</p>	<p><u>Board Members and Investment Fiduciaries</u></p> <p>William Tyree, <i>Chair</i></p> <p>Mark LaBerge, <i>Treasurer</i></p> <p>Katheen McIntyre, <i>Trustee</i></p> <p>Gerald Sabo, <i>Trustee</i></p> <p>James Wenson, <i>Trustee</i></p> <p>Professional Advisors</p> <p><u>Investment Fiduciaries</u> Joseph Beauparlant, Loomis Sayles <i>Investment Manager</i></p> <p>David Sowerby, Ancora <i>Investment Manager</i></p> <p>John Krakowiak, Morgan Stanley/Graystone <i>Investment Consultant</i></p> <p><u>Service Providers</u> Foster & Foster, Inc., <i>Actuary</i> VanOverbeke, Michaud & Timmony, P.C., <i>Attorney</i></p> <p><u>Board Secretary</u> Denise C. Maier, SPHR <i>Human Resources Director and Secretary to LERS</i></p>												
<p>Actuarial Information Used for this Report:</p> <ol style="list-style-type: none"> 1. 583 active participants 2. 686 retirees/beneficiaries 3. Plan is closed to new hires 4. \$8,286,693 annual benefits 5. \$38,631,666 valuation payroll used 6. Employer's normal cost of health benefits: 2.08 % for General, 3.90% for Police and 6.93% for Fire – entry age cost method. 7. Employer's total contribution: \$5,956,424 8. Member contribution rate: 2.00% for General, 2.00% for Police and 2.00% for Fire 9. The required employer contribution for the fiscal year was received 10. 7.2% assumed rate of investment return 11. 3.0% assumed rate of long-term wage inflation 12. Assumed medical inflation 5.8% graded to 5.0% 13. Closed 5 year smoothing method used 14. 26 year amortization period used 15. Entry age normal cost method used 16. Funded ratio 63.6 	<p>2021 – 2022 Projected Expenditures</p> <p>Benefit Payments: \$8,390,000 Investment Fees: \$267,000 Memberships/Training/Education/Travel: \$ Administrative Expenses: \$11,000</p>												
<p>Investment Performance*</p> <table style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 15%;"></th> <th style="width: 15%; text-align: center;">1 Year</th> <th style="width: 15%; text-align: center;">3 Year</th> <th style="width: 15%; text-align: center;">5 Year</th> <th style="width: 15%; text-align: center;">7 Year</th> <th style="width: 15%; text-align: center;">10 Year</th> </tr> </thead> <tbody> <tr> <td>Combined Account</td> <td style="text-align: center;">15.2</td> <td style="text-align: center;">12.4</td> <td style="text-align: center;">10.2</td> <td style="text-align: center;">8.4</td> <td style="text-align: center;">10.1</td> </tr> </tbody> </table> <p>*Calendar year ending November 30, 2021 (net of fees)</p>		1 Year	3 Year	5 Year	7 Year	10 Year	Combined Account	15.2	12.4	10.2	8.4	10.1	
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**City of Livonia Retiree Health and Disability Plan (VEBA)
Summary Annual Report (cont.)**

Actuarial Valuation Summary

Foster & Foster, Inc. was hired to prepare the November 30, 2021 Actuarial Valuation. The funding objective of the Plan is to contribute a contribution that remains level from year to year as a percent of payroll. The actual level of contribution is dependent on past and assumed future experience, including investment performance, and benefit provisions.

Below is a summary of the results:

Employer Contribution Requirements as Percents of Payroll	
General	10.26%
Police	24.59
Fire	18.31

Assets & Liabilities

Funded Status

Market Value of Assets	\$138,324,771
Smoothed Valuation Assets	129,932,688
Actuarial Accrued Liability – Entry Age Cost Method	204,403,511
Funded Ratio	63.6%

Actuary’s Statement – The System is being funded based on sound actuarial assumptions, methods and level percent of payroll funding objective. For a complete analysis, please review the November 30, 2021 actuarial valuation.

Revenues & Expenditures

Beginning Balance (Market Value) – November 30, 2020	\$122,755,756
Revenues	
Employees’ contributions	375,139
Employer contribution	5,529,951
Investment income	<u>18,004,346</u>
Total	23,909,436
Expenditures	
Benefit payments	8,286,693
Non-Investment Expenses	<u>53,728</u>
Total	8,340,421
Ending Balance (Market Value) – November 30, 2021	\$138,324,771
Recognized Return on Smoothed Funding Value of Assets	9.65%