



THE CITY OF MARQUETTE

SUMMARY REPORT ON OTHER POST EMPLOYMENT BENEFITS

(OPEB) LIABILITIES

For 2017

In compliance with Act 530 of 2016, Sect. 20 h(7), the City of Marquette is reporting the following information on our plan for other post-employment benefits (OPEB).

PLAN DESCRIPTION:

The City of Marquette's OPEB Plan is a single employer plan administered by the City of Marquette. The Plan was established by the City of Marquette and can be amended at its discretion or in the case of benefits to union employees, through contract negotiations.

Department Head Retiree Health Benefits: Retirees who retired as a Department Head, prior to January 28, 2006, received retiree health care coverage (including vision and dental) paid at 100% by the City for themselves, and their spouse for life. Department Head retirees who retired after that date must have been hired prior to July 28th, 2005 and have worked at least 15 years to receive a pro-rated retirement benefit, capped at retirement.

Middle Management Retiree Health Benefits: Middle Management retirees who retired prior to January 28, 2006, received retiree health care coverage (including vision and dental) reimbursed at 80% by the City for themselves and their spouse for life. Middle Management retirees who retired after that date must have been hired prior to July 28th, 2005 and have worked at least 15 years to receive a pro-rated retirement health benefit, capped at retirement.

Bargaining Unit Retiree Health Benefits: Fixed monthly contributions toward the premium are determined by each Collective Bargaining Agreement for employees retiring with 25 years or more of service and range from \$200/month to \$310/month. Payments continue until retiree reaches age 65.

To be eligible for retiree health coverage, the employee must have been eligible for City group health insurance as an active employee and must meet union contract requirements for full retirement. New hires after September 12, 2012 (City Hall, Public Works bargaining units), firefighters hired July 15, 2013 and Police and Supervisory bargaining unit employees hired after August 6, 2013 are ineligible for any retiree health insurance benefit or subsidy.

The City no longer offers any retiree health insurance or subsidy to any of its newly hired employees.

FUNDING POLICY:

The City of Marquette established a Municipal Employees' Retirement System (MERS) Retiree Health Funding Vehicle (RHFV) in March of 2017 to pre-fund their OPEB liabilities. In April of 2017 a separate RHFV was established for employees of the Wastewater Treatment Plant. Actively employed individuals do not contribute to the plan prior to retirement. The City and the Wastewater Treatment Authority make lump sum payments to their respective RHFV at the end of each fiscal year. The current fund balance in the City's RHFV is \$113,337 and the balance in the Wastewater Treatment Plant RHFV is \$269,368.

STEPS TAKEN TO REDUCE UNFUNDED ACTUARIAL ACCRUED LIABILITY:

In addition to establishing the RHFV's to pre-fund OPEB liability, the following steps have been taken which have reduced the actuarial liability from \$10,953,785 as of December 2011, to \$8,422,352 as of the date of the latest actuarial (September 30, 2017).

- 1) Retiree medical benefit plans have been closed to all future hires (both union and management).
- 2) Benefits for recent management retirees and all future management retirees have been capped, such that the premium subsidy amount paid by the City will never exceed the applicable premium amount on a participant's date of retirement.
- 3) Union employees must work for the City for at least 25 years and reach age 55 to qualify for a subsidy towards their health insurance in retirement. Management employees must work for at least 15 years for a reduced benefit and 25 years for a full benefit.
- 4) The City established a Medicare Advantage Plan for its management retirees and their spouses over age 65, resulting in a lowered premium cost to the City.
- 5) The City has implemented a high-deductible plan with an HRA to reduce retiree health premium costs.
- 6) The City has implemented a pharmacy management program to self-fund its prescription drug program which has resulted in lower retiree health premiums.