GRAND JUNCTION CITY COUNCIL
MONDAY, DECEMBER 14, 2015

WORKSHOP, 5:00 P.M.
CITY HALL AUDITORIUM
250 N. 5TH STREET

To become the most livable community west of the Rockies by 2025

1. **Retiree Health Program:** Information will be presented to City Council on the City's Retiree Health Plan. ***Attachment***

2. **Avalon Theatre Discussion**

3. **Other Business**

4. **Board Reports**

Retiree Health Insurance

2016 Program Description

Program History:

For many years, employees had requested that the City offer a health insurance plan for employees after retirement. Early in 1997, Rocky Mountain Health Plans ("RMHP") expressed a willingness to work with the City on these proposals. The Human Resources Division engaged RMHP and employees to create a plan design that would be acceptable to RMHP, to City employees, and to the City Administration. In early October of 1997, a final plan proposal was put before employees for a vote. By an 83% vote in favor, employees indicated support to proceed with the plan.

Mid-year 2009, The City conducted educational meetings to update employees on the Retiree Health benefit ("Program"). Following those meetings, a vote was taken in August of 2009 to evaluate employee support for Program continuation. That vote resulted in 91% approval with a 47% turnout of eligible voters.

In July 2013 the Employee Advisory Team ("EAT") discussed the need to update the Program structure to help ensure long term financial solvency. The EAT decided by majority vote to increase active employee contributions by 5% annually, incrementally reduce the buy-in schedule, and require participating retirees to pay 10% of single premium with the City paying 90%. The Program revisions were approved by Department Heads and implemented on 1/1/2014.

Why is a Retiree Health Program needed?

Many employees who retire early from the City find individual health insurance rates to be unaffordable. At age 65, (or in cases of disability) Medicare may be available for many employees to deal with serious health problems, but prior to that time, affordable coverage is not available. The Affordable Care Act currently offers exchange provided plans, but with no future certainty as to affordability. Another trend observed nationally is for employees who reach retirement age, are instead staying on the job longer so they can maintain affordable coverage.

Program Goal:

To provide retiree health insurance for employees who retire between the ages of 50 and 65, and for their spouses and dependents, by allowing them to prefund a portion of retiree health coverage while working and purchase like coverage during retirement at affordable rates.

Who Can Participate?

- Employees, along with their spouse and current dependents who have been covered for at least one year by a City employee group plan at the time of retirement, qualify for coverage under the Program if the employee has 15 or more years of service (years as defined from benefit date) for the City, and has not yet reached age 65 or Medicare eligibility (whichever comes first). Dependents who are eligible must be signed up at the time of retirement, and may not be added at a later date.

- Disabled employees (as defined by the City LTD carrier or FPPA), who are no longer able to continue employment with the City, will be allowed to participate at less than age 50 as long as they have completed five years of service and have been enrolled in the Program for at least one year. Participating disabled employees will be subject to a buy-in payment, and will be required to apply for Medicare and convert to that coverage if eligibility is determined by the federal Social Security Administration.

- Enrolled employees must choose coverage at the time of retirement. If an employee elects not to use the coverage at that time, or continues to work beyond the age of eligibility, he/she will not be able to take advantage of the benefit. An employee who is currently covered by another group health plan (e.g. through a spouse's employer) yet wishes to be eligible for future coverage under this Program, may sign an election form and participate. The employee will make contributions per pay period to become eligible for the Program, and enroll for RMHP coverage at least one year prior to his/her retirement date.

- No employee or dependent will be eligible for coverage under the Program unless RMHP coverage has been in effect for that individual for at least one year, so employees not participating in the City RMHP plan should NOT enroll in the Program solely with the hope of future disability coverage. (timing of disability cannot be anticipated)
- Employees who are enrolled in the Program, but later drop RMHP coverage must continue to make payroll contributions into the Program to retain future eligibility. A decision to drop contributions when switching off RMHP coverage will result in forfeiture of any future Program eligibility.
- An employee who is re-employed by another employer, and who becomes eligible for health coverage under the new employer's plan must also notify the City and RMHP of such coverage. Coverage under the Program will become secondary to a new employer's plan coverage.

How Does The Program Work?

All eligible employees who have health coverage through the City will contribute an amount twice monthly as a payroll deduction. Employees who are 48 ½ years of age or older on their hire date will not be required to participate. These employees may elect COBRA benefits upon early retirement. All employees with a participation option must make their choice: 1) within one month of hire, or 2) upon a qualifying event such as loss of alternative coverage, death of spouse, or divorce.

- When an employee and spouse both work for the City and both have City group health coverage, only one of the two will be required to make Program contributions, though they may both choose to pay into the Program so that each can be independently eligible for benefits and accrue years of participation. Upon divorce, years of participation will apply to enrolled employees only.
- At the time of retirement, each eligible employee must choose between the Program and COBRA. If the Program is chosen, COBRA benefits are waived.
- Payroll deductions plus the buy-in amounts described below will be used to fund retiree-only premium for the RMHP single plan in place for the year. For 2016, the Retiree health plan is the RMHP Classic 3000 plan, or, for employees who have participated in the HDHP HSA plan for 5 or more years, have a one-time election of either the HMO HSA 3250B Retiree Plan or RMHP Classic 3000 plan.* **The City-paid portion of retiree-only premium is 90%.** Plan premium rates for retirees may not match the plan rates for active employees. The City-paid share is the same, even if spouse and dependents are on the plan. The retiree's portion of monthly plan premium will be invoiced by the City and payments should be remitted in advance. The 2016 premium rates below apply to retiree-only coverage for each plan option, and include applicable taxes:

For the Classic 3000 Plan:

2016 Total Premium:		City-Paid Share:	Retiree pays(10% + $1.80tax)
Single	$ 609.75	$ 548.77	$ 62.78
Double	$1,219.49	$ 548.77	$ 672.52
Family	$1,615.82	$ 548.77	$1,068.85

For the HMO HSA 3250B Plan:

2016 Total Premium:		City-Paid Share:	Retiree pays(10% + $1.80tax)
Single	$ 490.36	$ 441.32	$ 50.84
Double	$ 980.71	$ 441.32	$ 541.19
Family	$1,299.47	$ 441.32	$ 859.95

A spouse below age 65 who has benefits through the Program may be able to continue in the Program after the retiree reaches Medicare eligibility. A spouse or spouse together with dependent(s) receiving this continuation coverage will pay 100% of premiums and may continue coverage at the current premium rates until he/she reaches Medicare eligibility (or until a COBRA qualifying event such as divorce) by paying the full premium according to the terms of the Program. Eligible dependents may similarly continue coverage if they continue to meet Program eligibility. As long as there remains one parent still on the plan as primary subscriber, dependents may continue coverage until the maximum age of dependents allowable under the terms of the RMHP health plan. Program coverage ceases for anyone who becomes eligible for Medicare.

If the employee's coverage terminates during the year 2016, and only a spouse, or spouse and dependent(s) remain in the Program, premiums for 2016 will be:

	2016 Premium Paid by Family to RMHP:	
	C3000 Plan+ $1.80tax	HMO HSA 3250B Plan+ $1.80tax
Spouse only	$ 611.59	$ 492.16
Spouse + 1 dependent	$1,221.29	$ 982.51
Spouse + 2 or more dependents	$1,617.62	$1,301.27

- When any covered person reaches age 65 or Medicare eligibility, whichever comes earliest, coverage terminates and this person - spouse or employee - must convert to Medicare coverage. When spouse coverage terminates but the retiree remains insured, single premium rates apply. Individuals converting to Medicare may become eligible for Medicare supplemental coverage on an individual basis, and should discuss this coverage option with health care providers.

  Eligible retirees may also continue their enrollment in the Voluntary VSP Vision Benefit. The same vision rates apply plus a 2% administrative fee.

2016 Total Premium Fee:		2%	Amount retiree pays:
Employee	$ 6.55	$ .13	$ 6.68
Double	$13.75	$ .27	$ 14.02
Employee + Children	$12.45	$ .25	$ 12.70
Family	$19.65	$ .39	$ 20.04

Program Funding:

- All current employees with health benefits will pay a flat rate contribution of **$17.60** per pay period for the year 2016. This amount will increase at least 5% annually in future years to allow for medical cost inflation, and to adjust for Program utilization. This contribution is non-refundable.

- Buy-in amounts will be required at retirement according to the chart on the following page.

- Partial Year Calculations: The buy-in amount required is shown in the chart below. The chart amount shown is the exact amount you will pay *on your birthdate* for the year that you attain the age shown in the left column. Amounts are pro-rated upward or downward based on the portion of a year that your retirement date is prior to or following your birthdate.

- In some cases, buy-in amounts may be partially returnable when an employee is no longer able to continue under the plan. Such returns, when applicable, will be based on amount of buy-in reduced by total amount of premium already paid on behalf of the employee from the Program. Once any amount of buy-in is returned, coverage for the retiree and any dependents is terminated and they may not re-enroll in the Program.

Buy-In Chart:

The chart below shows the buy-in requirements for the plan. A one-time buy-in payment is required for all retirees. To estimate your buy-in amount, look up your age as of the birthday which occurs during the retirement year (in the left column), and the year of your retirement year (top row). Follow the row and column for these two to find your buy-in amount as of your birthdate for that year. As described above, retirements on other dates during the year are pro-rated upward or downward depending on how many days before or after your birthdate that the retiree health insurance begins.

Retirements which occur at less than age 50 (due to disability) will require a higher buy-in amount which is not shown in the chart below, but will be calculated by the Human Resources Division.

A supplemental buy-in amount will be required for those who otherwise qualify for retirement under the plan, but have paid into the plan less than 10 years. The amount will be in addition to the buy-in on the chart, and will be calculated by Human Resources for those planning a retirement under those circumstances.

Buy-In Chart

(Buy-in shown as of your birth date. Actual buy-in for other dates will be calculated at retirement.)

		YEAR OF RETIREMENT							
Age at Retirement	Years of Coverage	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
64	1	0	0	0	0	0	0	0	0
63	2	0	0	0	0	0	0	0	0
62	3	594	0	0	0	0	0	0	0
61	4	1242	636	0	0	0	0	0	0
60	5	2037	1329	674	0	0	0	0	0
59	6	2954	2180	1408	714	757	803	851	903
58	7	3979	3161	2309	1495	1585	1680	1781	1888
57	8	5077	4258	3348	2377	2520	2671	2831	3001
56	9	6242	5449	4509	3412	3616	3833	4063	4307
55	10	7479	6745	5809	4681	4962	5260	5575	5910
54	11	8787	8166	7288	6254	6629	7027	7448	7895
53	12	10164	9731	9006	8211	8704	9226	9780	10366
52	13	11592	11457	11032	10679	11319	11999	12718	13482
51	14	13055	13352	13451	13807	14636	15514	16445	17432
50	15	14542	15424	16349	17794	18861	19993	21193	22464

Payment Requirements and Deadlines:

- When applicable, the buy-in amount must be paid to the City of Grand Junction in full within 45 days of retirement. Sources of funds for this payment may include retirement accounts or payments for accrued leave. The City has no letter of understanding from the IRS regarding tax-deductibility of this payment. Employees should seek IRS or tax accountant guidance in making a determination that any part of this payment is tax exempt.
- Once an eligible employee has retired, the retiree must make arrangements to pay his/her share of monthly premium to the City Payroll Clerk. The premium must be paid for each month in advance, and is due by the first of the month. Payments which are delinquent by more than 60 days will be cause for coverage cancellation and forfeiture of further Program benefits. Retirees must pre-pay, or arrange for payments to be made during periods of vacation or extended absence.
- Retirees are responsible for completing all required documentation for the Program.
- Please be aware that when you become Medicare eligible due to disability or as you approach age 65, you must complete a **RMHP DISENROLLMENT FORM** to drop this coverage. It is also your responsibility to submit any required documentation for your dependents.
- The required paperwork must be submitted to the Benefits Coordinator for the City of Grand Junction on or before the 25th of the month preceding the month that the coverage will terminate.

Failure to complete and submit the required paperwork by the mandatory date will result in the retiree becoming responsible for health premium payments that would normally be made by the City. The employee will be responsible for these payments from the time of Medicare eligibility until the disenrollment paperwork is submitted to Human Resources. These premiums will become due in addition to any spouse or dependent premiums which are already being paid by the retiree at the time.

Disability Retirements:
A City employee who is no longer able to continue employment with the City due to disability (as defined by the City LTD carrier or FPPA), may participate in the retiree health plan if he/she has five or more years of service at the time of disability[1]. The buy-in for an employee terminated due to disability at younger than age 50 will be calculated by the Human Resources Division.

An employee who is eligible for the Program due to disability **must apply for both Medicare Part A and Part B coverage**, and **must notify City HR** of Medicare approval and coverage effective date. Program benefits will cease when Medicare coverage becomes effective.

Medicare Applicants – Modified Buy-In Payment and Return Procedure:
When a City employee is requesting Program benefits for reasons of disability, and is applying for disability coverage under Medicare, a different procedure for buy-in payment is available. In these cases, where there is an expectation or hope that Medicare disability coverage will be granted within two years following retirement, the full amount of the calculated buy-in payment is not required to be paid immediately by the retiree, and instead the retiree may elect *full premium pre-payments in lieu of buy-in.*

To qualify for this modified Buy-In Payment Procedure, the retiring employee must sign a form indicating that (s)he will be applying for Medicare benefits. The employee will then be required to notify the City of any developments in their application process, including either acceptance or denial of benefits by Medicare. Upon filling out the required form, the retiree will pay an amount equal to a 6 months advance on the full RMHP cost of 6 months of retiree premiums for a single individual. Dependent premium payments are separately required per the description in pages 2-4 above. No portion of dependent premium payments is returnable.

Six month advance premium payments for the retiree premium must be made for each additional six month period during the disability application process until Medicare benefits are finally awarded or finally denied. These premium payments will be made in lieu of a single buy-In payment at the time of retirement.

Upon a determination of Medicare eligibility, if that determination is made within two years after retirement, the retiree may be eligible to receive a partial return of these retiree-only *premium pre-payments in lieu of buy-in*. The amount returnable to the employee will be the difference between the amount of *retiree* premium paid and the amount of a buy-in for an employee normally planning to receive the retiree health benefit for only the shorter duration of time the benefit is actually received. (from retirement date until Medicare eligibility)

For example: If a retiree pays for 12 months of retiree premium at $600 per month, then becomes Medicare eligible at the end of those 12 months, (s)he will have pre-paid $7,200 in retiree premium. If the normal buy-in required for a retiree planning only a one year retirement in the year that employee retired is $636, then the difference between the $7,200 pre-paid and the $636 buy-in normally required would be returned to the retiree upon Medicare eligibility. These buy-in return rules will apply ONLY when the retiree is making application for Medicare at or near the time of retirement, when the required

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[1] Time of disability for employees with less than 15 years of service will be the date when the employee became unable to perform the full functions of his/her job. This will be the date from which employee was either absent from the job, or not released to full duty by one or more treating physicians.

City form is signed and the City is informed of Medicare eligibility or denial. The form must be signed electing this method of buy-in payment at the time of retirement. Retirees who later become eligible for Medicare but have not notified the City or signed the form will be subject to the more limited buy-in return rule specified in the following paragraph.

At 36 months post-retirement, the disabled retiree must make a decision regarding ongoing retiree coverage. (S)he may continue coverage by making a payment of the remaining amount of buy-in due. The amount required at that time will be the full amount of the original buy-in less the total of *premium payments in lieu of buy-in* made by the retiree. The premium payments counted will not include payments made for dependent premiums. The retiree may also elect to drop coverage at any time within the first 36 months without penalty or further payment obligation. If the retiree chooses to continue coverage beyond 36 months and pays the full buy-in, then later is approved for Medicare, the normal buy-in return rule below will apply, with retiree buy-in being calculated as the sum of final buy-in payment at 36 months, and premiums paid by the City being counted from the 36 month post-retirement date forward.

Normal Buy-In Return Rule:
If the *premium payment in lieu of buy-in* is not selected at retirement, the retiree may still become eligible for a lesser return of buy-in. In these circumstances, If Medicare coverage is in place, or if retiree health coverage is dropped by the retiree for other qualifying reasons, the retiree will be eligible for return of the *unused portion* of the buy-in amount paid: If total premiums paid by the City to RMHP on behalf of the retiree -- from the beginning of retiree coverage until coverage ceases -- are less than the amount of the employee buy-in, the difference (unused portion) will be returned to the employee.

Comparison of Program Plans:
The Program for 2016 offers the RMHP Good Health HMO Classic 3000 plan, or for employees and their dependents who have been covered for five or more years on the HDHP HSA plan, the RMHP HMO HSA 325B plan is an option. If the HMO HSA 3250B plan is chosen by eligible retirees, the benefits are the same as the active employee HDHP plan.

For retirees on the Classic 3000, coverage is similar to the RMHP Good Health HMO Classic 50/75 plan but with some differences, including higher out-of-pocket amounts. A comparison of the out-of-pocket expenses for the two plans is shown below. Complete plan descriptions are available from City HR or from RMHP.

COMPARISON OF HMO CLASSIC 50/75 WITH RETIREE Classic 3000 PLAN:

Active EE HMO plan pays:	***Retiree Classic 3000 pays:***
50% of 1st $1000	50% of 1st $3000
75% of next $6000	80% of next $7500
100% thereafter	100% thereafter
Max. Out of Pocket $2000 individual or $4000 Family	Max. Out of Pocket $3000 individual or $6000 Family

NOTE: All benefits described are applicable to the year 2016, and are currently arranged in cooperation with Rocky Mountain Health Plans. The ability of the City to offer the benefits described in this document are contingent upon actuarial soundness of the program and continued participation of Rocky Mountain Health Plans, or of an alternative health insurance provider or a third party benefits administrator under a self-insured plan.

CITY OF GRAND JUNCTION
RETIREE HEALTH PROGRAM 1998-2015

The City Retiree Health Program ("Program") was initiated in 1998. Then, as now, it is primarily funded by employee contributions. Due to the high cost of individual health plans, and because of the nature and physical demands of their jobs, City employees frequently need to retire earlier than the Medicare eligibility age of 65. Therefore, the City worked with Rocky Mountain Health Plans ("RMPH") and employee groups to develop a program which would be funded by employee contributions, and would offer health coverage to employees who retire between the ages of 50 and 65.

The primary benefit to the City has been an improved ability to manage aging work force issues, which include but are not limited to: reducing risk to those employees in physically demanding jobs thus reducing workers comp exposure, the risk of disability and the personal and organizational costs associated with injury claims; increased opportunities for internal growth and advancement; and reduction of morale, motivation, injury and other management problems that can be associated with the complications of an older workforce remaining on the job instead of retiring because of the high cost of individual health care.

The Program is tightly underwritten so that the number of participants would be a small proportion of the active employees with health insurance. In order to participate, a retiree must have 15 years of service and be at least 50 years of age. The Program coverage ends at the age of 65 or Medicare eligibility whichever comes first.

Since the plan was initiated in 1998, 129 employees have retired with the benefit (as of 12/1/15). This has included the following mix of employees by department:

Program Retirees By Dept:	
Public Works, Planning, Utilities	58
Fire	30
Police	14
Administration	13
Parks & Recreation	9
Visitor and Convention Services	5
Total:	129

Within the 129 participants, 20% are employees working for enterprise fund operations.

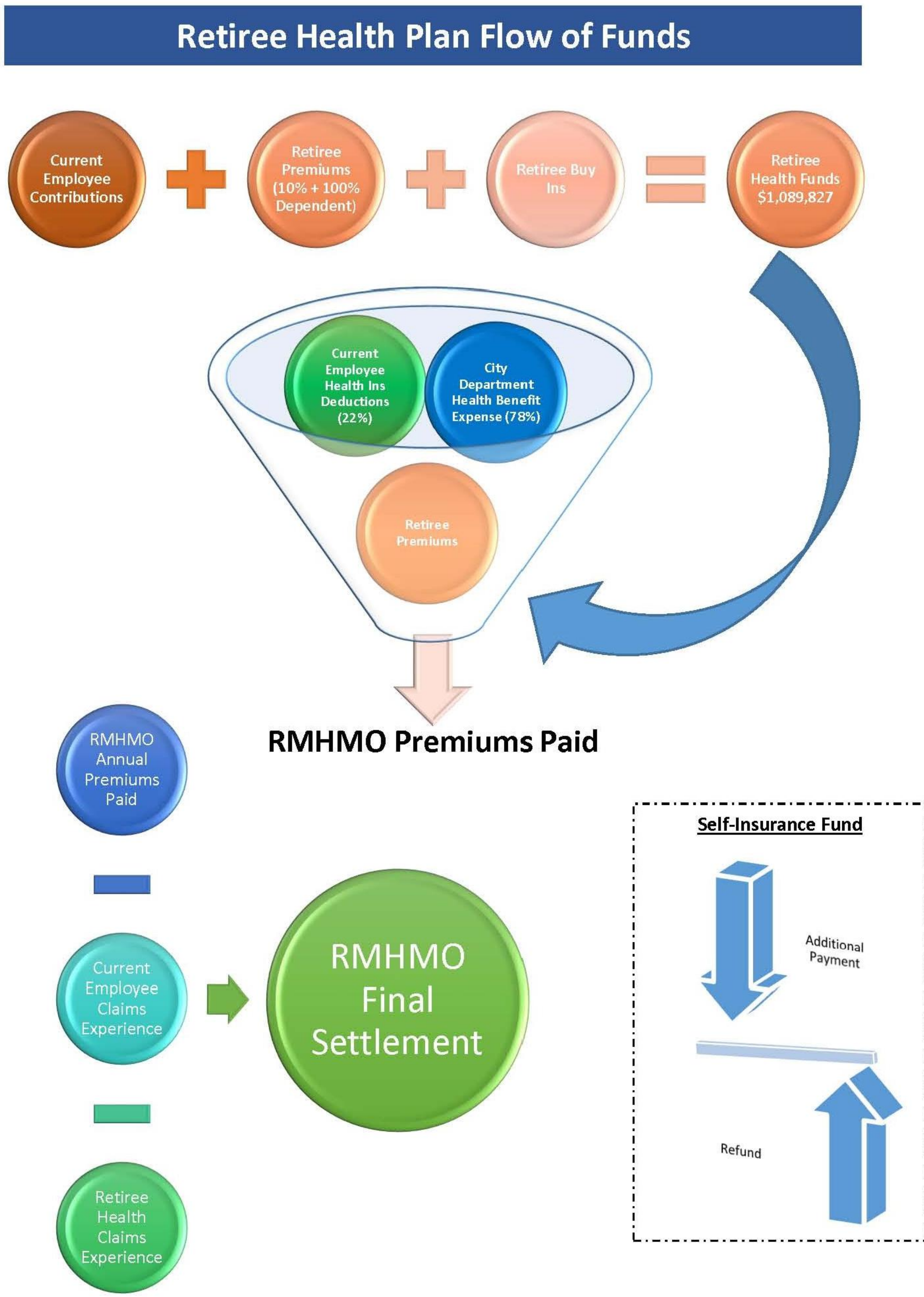
The coverage allows a range of options and in many cases permits an earlier retirement. For disabled employees, it offers health coverage which is often transitional to Social Security disability benefits. The availability of health insurance before age 65 under the Affordable Care Act mandate remains uncertain; however, it is certain at this point in time that the Program is more affordable than plans currently provided through the health care exchange.

CITY OF GRAND JUNCTION
RETIREE HEALTH PROGRAM 1998-2015

In 2010 as a result of the severe economic downturn, the organization was faced with making significant reductions in budget. The City was able to utilize the retiree health benefit to encourage the early retirement of 17 employees in order to reduce workforce and the cost of labor. The retiree health program was designed to have all retiree premiums paid by employee contributions and a one-time buy-in at retirement. The employee contribution rates and retiree benefits are periodically modified in cooperation with employee groups to maintain adequate funding of retiree premiums. The most recent benefit change recommended by Human Resources was to place retiree health funds into a trust, to be managed by a board of trustees. Annual employee and retiree contributions total $428,000 and retiree premiums are about $475,000 a year. The retiree health fund currently stands at about $1.1 million dollars. Placing these funds into a trust will permit greater investment options with potentially higher returns. Current investment returns on the retiree health funds are .49% for 2015. It is anticipated the investment returns within a trust could yield closer to 5% to 7%. Biweekly contributions from employees are anticipated to increase to $17.60 a pay period in 2016 and by a vote of the employees the contributions will increase 5% each year to offset inflation. Retirees pay 10% of the individual premium and dependents pay 100%. The terms and funding plan as anticipated for 2016, most importantly the establishment of the trust, will significantly improve the financial solvency of the Program.

GASB OPEB (Other Post-Employment Benefits) rules require reporting of liabilities in a way that does not allow the City to count employee contributions into the fund. The GASB rules also require reporting of "implicit subsidy," which is a measure of how much the City's health costs are increased by the inclusion of the older retiree group on its employee health insurance plans. The 5 year average implicit subsidy is $266,000, 3.7% of annual claims experience. This amount does not consider the impact on employee health costs had the Program not been implemented and older workers remained employed and enrolled in active employee health insurance plans. National figures for average public employee retirement ages show that our Program retirees leave on average 3.5 years earlier than other occupations. If the Program were not in place, it is likely that older workers would stay employed longer, exposing the City to their increased health cost utilization and/or workers compensation claims.

While GASB requires reporting of the implicit subsidy as a City liability on the assumption that retiree participation drives up overall health costs, in actuality, we find our health cost to be favorable in comparison to our market. Our average annual premium refund over the past 10 years has been $190,403 and over the past 5 years has been $408,866.

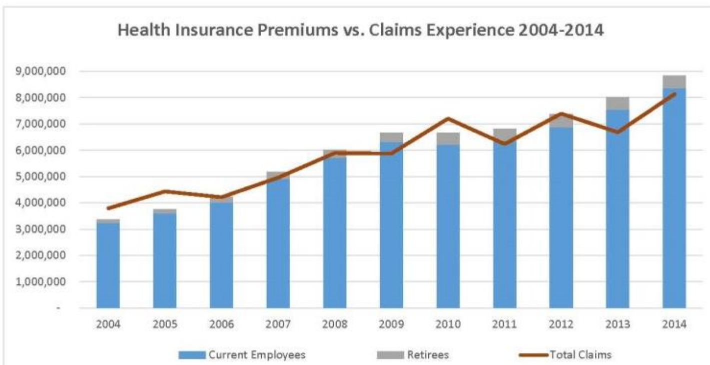

Retiree Health Plan Flow of Funds
Current Employee Contributions
Retiree Premiums (10% + 100% Dependent)
Retiree Buy Ins
Retiree Health Funds $1,089,827
Current Employee Health Ins Deductions (22%)
City Department Health Benefit Expense (78%)
Retiree Premiums
RMHMO Premiums Paid
RMHMO Annual Premiums Paid
Current Employee Claims Experience
Retiree Health Claims Experience
RMHMO Final Settlement
Self-Insurance Fund
Additional Payment
Refund

12/9/15

7.

City of Grand Junction Historical Health Claims Experience

Year	RMHMO Premiums Paid: Current Employees	RMHMO Premiums Paid: Retirees	RMHMO Premiums Paid: Total Premiums Paid	Actual Claims Experience: Current Employees	Actual Claims Experience: Retirees	Actual Claims Experience: Total Claims	RMHMO Final Settlement: Current Employees	RMHMO Final Settlement: Retirees (Implicit Subsidy)	RMHMO Final Settlement: Implicit Subsidy % of Retiree Claims	RMHMO Final Settlement: Implicit Subsidy % of Total Claims	RMHMO Final Settlement: Total Settlement Refund/ (Payment)	
2004	3,234,913	119,843	3,354,756	3,579,968	207,675	3,787,643	(345,055)	(87,832)	42%	2%	(432,887)	
2005	3,610,966	152,262	3,763,228	4,239,074	193,917	4,432,991	(628,108)	(41,655)	21%	1%	(669,763)	
2006	4,020,955	197,905	4,218,860	3,926,983	281,151	4,208,134	93,972	(83,246)	30%	2%	10,726	
2007	4,917,502	250,209	5,167,711	4,464,864	489,771	4,954,635	452,638	(239,562)	49%	5%	213,076	
2008	5,722,664	305,227	6,027,891	5,343,159	546,453	5,889,612	379,505	(241,226)	44%	4%	138,279	
2009	6,311,676	352,946	6,664,622	5,309,260	564,686	5,873,946	1,002,416	(211,740)	37%	4%	790,676	
2010	6,212,138	446,202	6,658,340	6,379,115	819,778	7,198,893	(166,977)	(373,576)	46%	5%	(540,553)	
2011	6,351,064	453,972	6,805,036	5,583,788	648,074	6,231,862	767,276	(194,102)	30%	3%	573,174	
2012	6,884,037	484,322	7,368,359	6,648,941	742,678	7,391,619	235,096	(258,356)	35%	3%	(23,260)	
2013	7,539,704	471,176	8,010,880	5,910,003	774,029	6,684,032	1,629,701	(302,853)	39%	5%	1,326,848	
2014	8,365,002	475,461	8,840,463	7,454,411	677,933	8,132,344	910,591	(202,472)	30%	2%	708,119	
10 Year Average	**6,317,062**	**370,953**		**5,883,957**	**594,615**		**433,106**	**(223,662)**	**38%**	**3.8%**	**190,403**	Refund
5 Year Average	**7,070,389**	**466,227**		**6,395,252**	**732,498**		**675,137**	**(266,272)**	**36%**	**3.7%**	**408,866**	



Note: This document data does not tie with the Cavanaugh Macdonald Actuarial Valuation as it includes full retiree premiums, including dependents, that are excluded under GASB 45.

12/9/2015

8.

CM

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CITY OF
Grand Junction
COLORADO

City of Grand Junction
Report on the Actuarial Valuation of
Other Post-Employment Benefits Plan

Prepared as of June 30, 2014

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9.

Cavanaugh Macdonald
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The experience and dedication you deserve

December 23, 2014

Mr. David Roper
Risk Manager
City of Grand Junction
250 N. 5th Street
Grand Junction, CO 81501-6199

Dear Mr. Roper:

Governmental Accounting Standards Board Statements No. 43 and No. 45 require actuarial valuations of retiree health care and other post-employment benefit plans. We are submitting the results of the actuarial valuation of City of Grand Junction's (the City) Retiree Health Insurance Program (the Plan) prepared as of June 30, 2014. While not verifying the data at the source, the actuary performed tests for consistency and reasonability. The valuation indicates that the Annual Required Contribution (ARC) under GASB Statement 45 is $1,224,286, or 3.34% of active covered payroll, payable for the fiscal year ending December 31, 2014.

The promised medical and drug benefits of the Plan are included in the actuarially calculated contribution rates which were developed using the projected unit credit actuarial cost method. GASB requires the discount rate used to value a plan be based on the likely return of the assets held in trust to pay benefits. As of June 30, 2014, the Plan has no assets in trust solely to provide benefits to retirees and their beneficiaries. Therefore, the valuation is based on an assumed interest rate of 4.00%. The unfunded accrued liability is being amortized by regular annual contributions as a level percentage of payroll within a 30-year period, on the assumption that payroll will increase by 3.50% annually.

The assumptions recommended by the actuary are in the aggregate reasonably related to the prior experience and to reasonable expectations of anticipated experience under the Plan and meet the parameters for the disclosures under GASB Statements No. 43 and No. 45. Since the prior valuation, the valuation's mortality assumption have been revised to include projection to 2021 to account for mortality improvements. Also, the per capita costs of health care and the rates of health care inflation used to project the per capita costs have been revised since the previous valuation to reflect updated experience. Last, the results reflect a partial contribution for health care now required for retiree coverage.

This is to certify that the independent consulting actuaries are members of the American Academy of Actuaries and meet the qualification standards of the American Academy of Actuaries to render the actuarial opinion contained herein, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the health care plans and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the Plan.

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Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein. In our opinion, if the required contributions to a trust are made by the employer from year to year in the future at the levels required on the basis of the successive actuarial valuations, the Plan will operate in an actuarially sound manner.

If you have any questions about this information, please call us at 678-388-1700.

Respectfully submitted,

Eric Gary, FSA, FCA, MAAA
Chief Health Actuary

Brian C. Nichols, EA, FCA, MAAA
Senior Actuary

EG/BCN:bcn

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SECTION I - SUMMARY OF PRINCIPAL RESULTS

1. For convenience of reference, the principal results of the valuation are summarized below:

As of June 30, 2014	Implicit Subsidy	Explicit Subsidy	Total
Number of Active Employees*	578	578	578
Number of Retirees	49	49	49
Number of Surviving/Covered Spouses	18	18	18
Total	645	645	645
Annual Salaries*	$36,628,908	$36,628,908	$36,628,908
Present Value of Expected Benefit Payments:			
Active Employees	$ 9,738,064	$ 9,407,459	$19,145,523
Retirees and Surviving/Covered Spouses	1,392,663	1,418,433	2,811,096
Total	$11,130,727	$10,825,892	$21,956,619
Actuarial Value of Assets	$ 0	$ 0	$ 0
Unfunded Actuarial Accrued Liability (UAAL)	$ 6,280,966	$ 6,109,978	$12,390,944
Amortization Period (Years)	30	30	30
Annual Required Contribution (ARC) in Dollars:			
Normal Cost	$ 391,993	$ 389,759	$ 781,752
UAAL	224,320	218,214	442,534
Total	$ 616,313	$ 607,973	$ 1,224,286
ARC as a Percent of Active Covered Payroll:			
Normal Cost	1.07%	1.06%	2.13%
UAAL	0.61%	0.60%	1.21%
Total	1.68%	1.66%	3.34%
Discount Rate	4.00%	4.00%	4.00%**

*Includes only those active employees identified as participating in the Plan.

2. For illustrative purposes, the principal results of the valuation are summarized below assuming advanced funding of the explicit subsidy liability and a valuation discount rate of 7.50% for the liabilities associated with the explicit subsidy:

As of June 30, 2014	Implicit Subsidy	Explicit Subsidy	Total
Number of Active Employees*	578	578	578
Number of Retirees	49	49	49
Number of Surviving/Covered Spouses	18	18	18
Total	645	645	645
Annual Salaries*	$36,628,908	$36,628,908	$36,628,908
Present Value of Expected Benefit Payments:			
Active Employees	$ 9,738,064	$ 5,609,847	$15,347,911
Retirees and Surviving/Covered Spouses	1,392,663	1,279,291	2,671,954
Total	$11,130,727	$ 6,889,138	$18,019,865
Actuarial Value of Assets	$ 0	$ 1,122,161	$ 1,122,161
Unfunded Actuarial Accrued Liability (UAAL)	$ 6,280,966	$ 3,340,124	$ 9,621,090
Amortization Period (Years)	30	30	30
Annual Required Contribution (ARC) in Dollars:			
Normal Cost	$ 391,993	$ 235,682	$ 627,675
UAAL	224,320	182,930	407,250
Total	$ 616,313	$ 418,612	$ 1,034,925
Expected Employee Contributions	(0)	(287,314)	(287,314)
Total Employer ARC	$ 616,313	$ 131,298	$ 747,611
ARC as a Percent of Active Covered Payroll:			
Normal Cost	1.07%	0.64%	1.71%
UAAL	0.61%	0.50%	1.11%
Total	1.68%	1.14%	2.82%
Expected Employee Contributions	(0.00%)	(0.78%)	(0.78%)
Total Employer ARC	1.68%	0.36%	2.04%
Discount Rate	4.00%	7.50%	5.23%**

* Includes only those active employees identified as participating in the Plan.

** The single equivalent discount rate producing a present value of expected benefit payments equaling the combined present value of expected benefit payments of the separate components.

SECTION I - SUMMARY OF PRINCIPAL RESULTS (CONTINUED)

3. The valuation indicates that the Annual Required Contribution (ARC) under GASB Statement No. 45 is $1,224,286, or 3.34% of active covered payroll payable for the fiscal year ending December 31, 2014. Actual net claims and net premiums paid on behalf of retirees may be treated as employer contributions in relation to the ARC. Comments on the valuation results as of June 30, 2014 are given in Section IV and further discussion of the contribution levels is set out in Sections V and VI.
4. The last valuation was performed as of June 30, 2012. The following changes have been made since the previous valuation:
    - The assumed rates of mortality were updated to project to 2021.
    - The assumed per capita costs of health care were updated.
    - The assumed rates of health care inflation used to project the per capita health care costs were revised.
    - A partial contribution for health care is required for retiree coverage.
5. Schedule D of this report outlines the full set of actuarial assumptions and methods employed in the current valuation.
6. The valuation takes into account the Plan as in effect June 30, 2014.

SECTION II - MEMBERSHIP DATA

Data regarding the membership of the Plan for use as a basis of the valuation were furnished by the City. Schedule B provides detailed information regarding the membership data.

SECTION III - ASSETS

As of June 30, 2014, no plan assets are held in trust solely to provide benefits to retirees and their beneficiaries in accordance with the terms of the Plan. Schedule C provides information regarding the assets for valuation purposes.

SECTION IV - COMMENTS ON VALUATION

1. Schedule A of this report outlines the results of the actuarial valuation. The results are shown based upon a discount rate of 4.00%, assuming the Plan would fund the OPEB liability on a Pay-As-You-Go basis. If the employer contributions are increased to the required levels, the Plan will be operating in an actuarially sound manner and the discount rate for valuing liabilities could be increased. The valuation was prepared in accordance with the actuarial assumptions and the actuarial cost method, which are described in Schedule D.

2. Since the previous valuation, the assumed rates of mortality have been revised to project to 2021. In addition, the assumed rates of health care inflation used to project the per capita health care costs have been revised. Last, the results reflect a partial contribution for health care now required for retiree coverage.

3. An increase in the normal cost and active accrued liability, as compared to the prior valuation, has occurred, and appears to be mainly due to the increase in the per capita costs of health care assumption resulting from the claims experience of the retiree group.

4. The valuation shows the Plan has an actuarial accrued liability of $9,579,848 for benefits expected to be paid on account of the present active membership, based on service to the valuation date. The liability on account of benefits payable to retirees amounts to $2,811,096. The total actuarial accrued liability of the Plan amounts to $12,390,944. Against these liabilities, the Plan has present assets for valuation purposes of $0. Therefore, the unfunded actuarial accrued liability is equal to $12,390,944.

SECTION V - CONTRIBUTIONS PAYABLE UNDER THE PLAN

1. The actuarially determined employer contribution rates based on the June 30, 2014 actuarial valuation are shown in the following table.

Annual Required Contribution Rate (ARC)		
Component	% of Active Covered Payroll:	Dollar Amount
Normal Cost	2.13%	$781,752
Accrued Liability	1.21%	442,534
Total	3.34%	$1,224,286

2. The valuation indicates a normal contribution of $781,752, or 2.13% of total active covered payroll, is required to meet the cost of benefits currently accruing.
3. The unfunded actuarial accrued liability amounts to $12,390,944 as of the valuation date. An accrued liability contribution of $442,534, or 1.21% of total active covered payroll, is sufficient to amortize the unfunded actuarial accrued liability over a 30-year period, based on a 4.00% investment rate of return and the assumption payroll will increase by 3.50% annually.
4. The total Annual Required Contribution is, therefore, $1,224,286, or 3.34% of total active covered payroll.

SECTION VI - COMMENTS ON LEVEL OF FUNDING

The valuation indicates that a recommended employer contribution of $1,224,286, or 3.34% of covered payroll, is required to meet the parameters established under GASB Statements No. 43 and No. 45. This corresponds to a contribution required to meet the cost of benefits currently accruing and provide for the amortization of the unfunded actuarial accrued liability over a period of 30 years.

SECTION VII - ACCOUNTING INFORMATION

1. Governmental Accounting Standards Board Statements No. 43 and No. 45 set forth certain items of required supplementary information to be disclosed in the financial statements of the Plan and the employer. One such item is the distribution of the number of employees by type of membership, as shown in the following table.

Number of Active and Retired Members As of June 30, 2014	
Actives*	578
Retirees	49
Surviving spouses and spouses	18
Total	645

*Includes only those active employees identified as participating in the Plan.

2. Another such item is the Schedule of Funding Progress, as shown in the following table.

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2010*	$0	$ 7,816,003	$ 7,816,003	0.00%	$35,958,809	21.74%
6/30/2012	$0	$10,265,131	$10,265,131	0.00%	$34,112,302	30.09%
6/30/2014	$0	$12,390,944	$12,390,944	0.00%	$36,628,908	33.83%

*Results prior to 6/30/2012 were reported by the prior actuary.

SECTION VII - ACCOUNTING INFORMATION (CONTINUED)

3. Following is information to assist the City in the calculation of the Annual OPEB Cost (AOC) and the Net OPEB Obligation (NOO) for the fiscal year ending December 31, 2014.

Annual OPEB Cost and Net OPEB Obligation Fiscal Year Ending December 31, 2014	
(a) Employer Annual Required Contribution	$1,224,286
(b) Valuation Discount Rate	4.00%
(c) Interest on Net OPEB Obligation: (i) * (b)	$66,775
(d) Amortization Factor	28.000
(e) Adjustment to Annual Required Contribution: (i) / (d)	$59,621
(f) Annual OPEB Cost: (a) + (c) – (e)	$1,231,440
(g) Employer contributions for Fiscal Year ending December 31, 2014	TBD
(h) Increase in Net OPEB Obligation: (f) – (g)	TBD
(i) Net OPEB Obligation at beginning of Fiscal Year	$1,669,381
(j) Net OPEB Obligation at end of Fiscal Year: (h) + (i)	TBD

Trend Information			
Fiscal Year Ending	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (NOO)
12/31/2011	$553,500	55.7%	$898,177
12/31/2012	$1,001,806	60.3%	$1,296,398
12/31/2013	$1,003,512	62.8%	$1,669,381
12/31/2014	$1,231,440	TBD	TBD

SECTION VII - ACCOUNTING INFORMATION (CONTINUED)

4. The information presented in the required supplementary schedules was determined as part of the actuarial valuation as of June 30, 2014. Additional information as of the latest actuarial valuation follows.

Valuation date	June 30, 2014
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percent of Pay, Open
Remaining amortization period	30 Years
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment Rate of Return*	4.00%
*Includes inflation at	3.00%
	Pre-Medicare
Health care cost trend rate	7.50%
Ultimate trend rate	5.00%
Year of Ultimate trend rate	2019

The assumed investment rate of return reflects the fact that no assets are set aside within the City that are legally held exclusively for retiree health benefits. If a trust or equivalent arrangement were set up for this purpose, the investment rate of return could be increased.

SCHEDULE A – RESULTS OF THE VALUATION

Valuation Date		June 30, 2014	June 30, 2012
1.	Payroll	$36,628,908	$34,112,302
2.	Actuarial Accrued Liability (AAL) Present value of prospective benefits payable in respect of:		
	(a) Present active members	$9,579,848	$7,500,401
	(b) Present retired members and spouses, if applicable	2,811,096	2,764,730
	(c) Total actuarial accrued liability	$12,390,944	$10,265,131
3.	Present Assets for Valuation Purposes	$0	$0
4.	Unfunded Actuarial Accrued Liability (UAAL) [(2c) – (3)]	$12,390,944	$10,265,131
5.	Amortization Period	30	30
6.	Normal Contribution	$781,752	$631,339
7.	UAAL Contribution	442,534	366,618
8.	Total Annual Required Contribution (ARC) [(6) + (7)]	$1,224,286	$997,957
9.	Normal Contribution as a Percent of Payroll [(6) ÷ (1)]	2.13%	1.85%
10.	UAAL Contribution as a Percent of Payroll [(7) ÷ (1)]	1.21%	1.08%
11.	Total ARC as a Percent of Payroll [(9) + (10)]	3.34%	2.93%
12.	Discount Rate	4.00%	4.00%

Projected Cash Flows			
Year Ending	Implicit Subsidy	Explicit Subsidy	Total
6/30/2015	$259,759	$325,336	$585,095
6/30/2016	$321,693	$382,639	$704,332
6/30/2017	$355,867	$397,439	$753,306
6/30/2018	$400,689	$455,343	$856,032
6/30/2019	$457,455	$497,931	$955,386
6/30/2020	$479,791	$508,326	$988,117
6/30/2021	$512,243	$503,348	$1,015,591
6/30/2022	$560,675	$527,815	$1,088,490
6/30/2023	$602,293	$557,648	$1,159,941
6/30/2024	$588,605	$575,334	$1,163,939

SCHEDULE B – MEMBERSHIP DATA EXHIBITS

Distribution of Active Members*
As of June 30, 2014

Attained Age	Years of Service to Valuation Date: Less than 1 Year	1 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 or more	Totals
Under 25	4	8	0	0	0	0	0	0	0	12
25 - 29	7	26	7	0	0	0	0	0	0	40
30 - 34	7	23	42	1	0	0	0	0	0	73
35 - 39	3	17	40	11	0	0	0	0	0	71
40 - 44	1	7	27	38	15	2	0	0	0	90
45 - 49	2	9	24	20	18	7	2	0	0	82
50 - 54	0	3	24	21	16	13	8	3	0	88
55 - 59	1	2	11	17	17	17	6	11	4	86
60 - 64	0	0	1	4	5	7	5	3	8	33
65 - 69	0	0	1	0	0	0	1	0	1	3
70 & Over	0	0	0	0	0	0	0	0	0	0
Totals	25	95	177	112	71	46	22	17	13	578

*Includes only those active employees identified as participating in the Plan.

Statistics for Active Members
As of June 30, 2014

Number	Average Age	Average Service
578	44.5	11.4

SCHEDULE B – MEMBERSHIP DATA EXHIBITS (CONTINUED)

Distribution of Inactive Members As of June 30, 2014			
	Health Care		
Age	Retirees	Covered/Surviving Spouses	Total
Under 50	0	0	0
50-54	3	2	5
55-59	16	6	22
60-64	30	10	40
65 & Over	0	0	0
Totals	49	18	67

Statistics for Inactive Members As of June 30, 2014	
	Average Age
Service Retirees	60.8
Disabled Retirees	58.2
Surviving/Covered Spouses	59.2

SCHEDULE C - PLAN ASSETS

GASB Statement No. 43 and No. 45 define plan assets as resources, usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, or equivalent arrangement, in which (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employers or plan administrator, for the payment of benefits in accordance with the terms of the plan.

As of June 30, 2014, no plan assets are held in trust solely to provide benefits to retirees and their beneficiaries in accordance with the terms of the Plan. If a qualified trust or equivalent arrangement were set up for this purpose, the investment rate of return may be increased.

SCHEDULE D - OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS

VALUATION DATE: June 30, 2014

DISCOUNT RATE: 4.00% per annum, compounded annually.

ACTUARIAL METHOD: Costs were determined using the Projected Unit Credit (PUC) Actuarial Cost Method. Under this method, the present value of future benefits is pro-rated by accrued service over total service to expected retirement.

ASSET VALUATION METHOD: Market value

HEALTH CARE COST TREND RATES: Following is a chart detailing the trend assumptions applied to annual per capita health care costs and premiums.

Year Beginning July 1	Medical and Prescription Cost Trend
2014	7.75%
2015	6.75%
2016	6.25%
2017	5.75%
2018	5.25%
2019 and beyond	5.00%

AGE RELATED MORBIDITY: Per capita health care costs are adjusted to reflect expected cost changes related to age. The increase to the net incurred claims was assumed to be:

Participant Age	Annual Increase
< 30	0.0%
30 – 34	1.0%
35 – 39	1.5%
40 – 44	2.0%
45 – 49	2.6%
50 – 54	3.3%
55 – 59	3.6%
60 – 64	4.2%
65 – 69	3.0%
70 – 74	2.5%
75 – 79	2.0%
80 – 84	1.0%
85 - 89	0.5%
90 and over	0.0%

SPOUSE COVERAGE IN HEALTH CARE PLANS: Use of actual census data and current plan elections for spouses of current retirees. For spouses of future retirees, it is assumed that female spouses are three years younger than males.

SCHEDULE D - OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

ANTICIPATED PLAN PARTICIPATION: The assumed annual rates of member participation and election of spouse coverage are as follows:

	Health Care
Healthy Member	80%
Disabled Member	60%
Spouse	45%

ANNUAL EXPECTED MEDICAL/RX CLAIMS *(MEDICAL AND RX ARE AGE ADJUSTED TO AGE 65):* Following is a chart detailing expected medical and prescription claims age adjusted to age 65 for single coverage for the year following the valuation date. The assumed health care claims costs are based on a review of recent experience and the premium equivalent rates provided by the City.

Medical and Prescription Drug
$13,265

RATES OF RETIREMENT, MORTALITY, TERMINATION, AND DISABILITY: The rates of retirement and termination reflect plan experience for the period July 1, 2007 through June 30, 2012.

RETIREMENT: Members are assumed to take retirement at the annual rates shown in the table below.

Age	Rate
50	2%
51	2%
52	2%
53	2%
54	4%
55	10%
56	14%
57	11%
58	6%
59	8%
60	18%
61	24%
62	14%
63	11%
64	16%

SCHEDULE D - OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

HEALTHY MORTALITY (PRE-RETIREMENT AND POST-RETIREMENT): RP-2000 Combined Mortality Table Projected with Scale AA to 2021. Representative values of the assumed annual rates of mortality are as follows:

Age	Male	Female
20	0.02%	0.01%
25	0.03%	0.02%
30	0.04%	0.02%
35	0.07%	0.04%
40	0.09%	0.05%
45	0.11%	0.08%
50	0.15%	0.12%
55	0.24%	0.23%
60	0.48%	0.46%
65	0.95%	0.87%
70	1.62%	1.51%

DISABLED MORTALITY: RP-2000 Disabled Life Mortality Table. Representative values of the assumed annual rates of disabled mortality are as follows:

Age	Male	Female
25	2.26%	0.75%
30	2.26%	0.75%
35	2.26%	0.75%
40	2.26%	0.75%
45	2.26%	0.75%
50	2.90%	1.15%
55	3.54%	1.65%
60	4.20%	2.18%

SCHEDULE D - OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

DISABILITY: Representative values of the assumed annual rates of disability are as follows:

Age	Rate
20	0.00%
25	0.02%
30	0.05%
35	0.07%
40	0.09%
45	0.12%
50	0.15%
55	0.25%
60	0.48%

TERMINATION: Representative values of the rates assumed in this valuation for withdrawal from active service for reasons other than death, disability or retirement with a pension benefit are presented in the following tables.

Termination				
	Years of Service			
Age	0-1	2-4	5-9	10 or more
20	10.79%	9.22%	n/a	n/a
25	13.04%	11.14%	10.37%	n/a
30	11.17%	8.83%	6.71%	5.57%
35	10.07%	7.16%	5.72%	5.77%
40	9.55%	6.73%	4.81%	4.77%
45	9.29%	6.16%	4.66%	4.29%
50	9.36%	5.79%	4.26%	4.01%
55	8.11%	5.08%	2.07%	1.01%
60 & over	8.18%	5.10%	1.70%	0.23%

SCHEDULE E - SUMMARY OF MAIN PLAN PROVISIONS AS INTERPRETED FOR VALUATION PURPOSES

ELIGIBILITY

At the time of retirement, participating employees of the City, their spouses, and current dependents qualify for retiree health care coverage under the Plan if the employee has attained at least age fifty and has 15 or more years of service (years as defined from benefit date) with the City, and has not yet reached age sixty-five or Medicare eligibility (whichever comes first).

Disabled participating employees (as defined by the City LTD carrier or FPPA) who are no longer able to continue employment with the City will be eligible for retiree health care coverage at any age as long as they have completed five years of service and have been enrolled in the Plan for at least one year.

Eligible employees must elect retiree health care coverage under the Plan at the time of retirement. If an employee does not elect retiree health care coverage under the Plan at that time, or continues to work beyond the age of eligibility, he/she will not be able to take advantage of the benefit. An employee who is currently covered by another group health plan (e.g., through a spouse's employer), yet wishes to be eligible for future coverage under the Plan, may sign an election form and participate. The employee will then pay the per-paycheck contribution required of participating employees and will become eligible to utilize the early retirement benefit by switching coverage to one of the City's active employee health care plans at least one year prior to his/her retirement date.

No employee, spouse, or dependent will be eligible for retiree health care coverage under the Plan unless coverage under one of the City's active employee health care plans has been in effect for that individual for at least one year. Employees not currently participating in one of the City's active employee health care plans are discouraged from participating in the Plan solely for the purpose of future disability coverage, as timing of disability cannot be anticipated.

Employees who are participating in the Plan, but later drop coverage from one of the City's active employee health care plans must continue to make required participating employee payroll contributions to retain future eligibility. A decision to drop the required participating employee payroll contributions when switching-off coverage from one of the City's active employee health care plans will result in forfeiture of any future benefits eligibility.

A retiree covered under the Plan who is re-employed by another employer, and who becomes eligible for health coverage under the new employer's plan must also notify the City and the third-party administrator of such coverage. Retiree coverage under the Plan will become secondary to a new employer's health care plan coverage.

AFFORDABLE CARE ACT

The impact of the Affordable Care Act (ACA) was addressed in this valuation. Review of the information currently available did not identify any specific provisions of the ACA that are anticipated to significantly impact results. While the impact of certain provisions such as the excise tax on high-value health insurance plans beginning in 2018 (if applicable), mandated benefits and participation changes due to the individual mandate should be recognized in the determination of liabilities, overall future plan costs and the resulting liabilities are driven by amounts employers and retirees can afford (i.e., trend). The trend assumption forecasts the anticipated increase to initial per capita costs, taking into account health care cost inflation, increases in benefit utilization, plan changes, government-mandated benefits, and technological advances. Given the uncertainty regarding the ACA's implementation (e.g., the impact of excise tax on high-value health insurance plans, changes in participation resulting from the implementation of state-based health insurance exchanges), continued monitoring of the ACA's impact on the Plan's liability will be required.

SCHEDULE E - SUMMARY OF MAIN PLAN PROVISIONS AS INTERPRETED FOR VALUATION PURPOSES (CONTINUED)

BENEFITS

Health Care
As of January 1, 2015, the City pays 90% of the retiree only premium for the current retiree health care plans administered by Rocky Mountain Health Plans (RMHP). For 2014, the only coverage option is the Good Health HMO Classic 3000 Plan. Beginning January 1, 2015, retirees may also enroll in the RMHP HDHP 3250 Plan. For purposes of this valuation, it is assumed that 100% of current and future retirees will elect the Classic 3000 Plan. Spouses and other dependents may remain in the plan by paying 100% of the additional, required contribution. Coverage for retirees, spouses, and dependents ends at the earlier of each individual's attainment of age sixty-five, or eligibility for Medicare, whichever comes first.

The portion of the retiree premium paid by the City is funded by active employee contributions made during the working lifetime of the employee, plus a one-time lump sum payment at retirement. As no assets are held in trust solely to provide benefits to retirees and their beneficiaries in accordance with the terms of the Plan, this funding arrangement does not qualify as an asset for valuation purposes under GASB Statements No. 43 and No. 45.

COBRA and Survivorship Benefits
Former employees and dependents not eligible for benefits under the terms of the Plan may be eligible for coverage under COBRA. The liability associated with COBRA benefits is deemed to be de minimis and a liability is not included for COBRA benefits in the results of this valuation. Upon a retiree's death, the retiree's surviving spouse may retain coverage until age sixty-five or Medicare eligibility, whichever comes first.

COST OF COVERAGE

As of January 1, 2015, participation in the Plan requires retirees to pay 10% of the single rate and the full rate for the benefits applicable to their dependents.

Monthly Health Care Contributions
The following chart details the monthly health care premiums for retirees, spouses, and dependents as of January 1, 2015.

Medical Coverage Tier	RMHP Good Health Classic 3000		
	Retiree	City	Total
Single	$ 59.30	$ 533.71	$ 593.01
Retiree + Spouse	651.05	533.71	1,184.76
Retiree + Family	1,035.69	533.71	1,569.40

Medical Coverage Tier	RMHP HDHP 3250		
	Retiree	City	Total
Single	$ 47.71	$ 429.43	$ 477.14
Retiree + Spouse	523.60	429.43	953.03
Retiree + Family	832.95	429.43	1,262.38

SCHEDULE E - SUMMARY OF MAIN PLÁN PROVISIONS AS INTERPRETED FOR VALUATION PURPOSES (CONTINUED)

Buy-In Payments
The following amounts are assumed to be paid by the employee on the date of retirement.

Years of Coverage	Retiree Age	Retirement Year									
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1	64	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
2	63	0	0	0	0	0	0	0	0	0	0
3	62	594	0	0	0	0	0	0	0	0	0
4	61	1,242	636	0	0	0	0	0	0	0	0
5	60	2,037	1,329	674	0	0	0	0	0	0	0
6	59	2,954	2,180	1,408	714	757	803	851	903	957	1,014
7	58	3,979	3,161	2,309	1,495	1,585	1,680	1,781	1,888	2,001	2,121
8	57	5,077	4,258	3,348	2,377	2,520	2,671	2,831	3,001	3,181	3,372
9	56	6,242	5,449	4,509	3,412	3,616	3,833	4,063	4,307	4,566	4,840
10	55	7,479	6,745	5,809	4,681	4,962	5,260	5,575	5,910	6,264	6,640
11	54	8,787	8,166	7,288	6,254	6,629	7,027	7,448	7,895	8,369	8,871
12	53	10,164	9,731	9,006	8,211	8,704	9,226	9,780	10,366	10,988	11,648
13	52	11,592	11,457	11,032	10,679	11,319	11,999	12,718	13,482	14,290	15,148
14	51	13,055	13,352	13,451	13,807	14,636	15,514	16,445	17,432	18,478	19,586
15	50	14,542	15,424	16,349	17,794	18,861	19,993	21,193	22,464	23,812	25,241
16	49	19,140	20,298	21,515	23,270	24,666	26,146	27,715	29,378	31,140	33,009
17	48	23,738	25,172	26,681	28,746	30,471	32,299	34,237	36,291	38,469	40,777
18	47	28,336	30,045	31,848	34,222	36,276	38,452	40,759	43,205	45,797	48,545
19	46	32,934	34,919	37,014	39,698	42,080	44,605	47,281	50,118	53,125	56,313
20	45	37,532	39,793	42,180	45,175	47,885	50,758	53,804	57,032	60,454	64,081
21	44	42,129	44,667	47,346	50,651	53,690	56,911	60,326	63,945	67,782	71,849
22	43	46,727	49,540	52,512	56,127	59,495	63,064	66,848	70,859	75,110	79,617
23	42	51,325	54,414	57,679	61,603	65,299	69,217	73,370	77,772	82,439	87,385
24	41	55,923	59,288	62,845	67,079	71,104	75,370	79,892	84,686	89,767	95,153
25	40	60,521	64,162	68,011	72,555	76,909	81,523	86,415	91,600	97,096	102,92

SCHEDULE E - SUMMARY OF MAIN PLAN PROVISIONS AS INTERPRETED FOR VALUATION PURPOSES (CONTINUED)

Active Employees Payroll Deductions
The estimated amount of active employee payroll deductions. For calendar year 2014, an amount of $15.96 per pay period over twenty-six pay periods is assumed. Employee payroll deductions are assumed to increase by 5.00% each calendar year.