City Council Working Session

February 13, 2012

Agenda

- System Keynotes
- Trust Performance, Market Returns, Investment Strategy
- Actuarial Results, Funded Levels, Contributions, Demographics

CAA ERS
City of Ann Arbor
Employees' Retirement System

City Ordinance Defines Trustee Responsibilities

A Trustee or other fiduciary under the Retirement System shall discharge his or her duties with respect to the Retirement System solely in the interest of the Members and Beneficiaries for the exclusive purpose of providing benefits to Members and Beneficiaries and paying reasonable expenses of administering the Retirement System.

A Trustee shall discharge his or her duties and act with the care, skill, prudence and diligence under the circumstances then prevailing which a prudent person, acting in a similar capacity and familiar with those matters, would use in the conduct of a similar enterprise with similar aims.

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Retirement System Mission

- The City of Ann Arbor Employees Retirement System Board of Trustees exists to serve all participants and beneficiaries with respect, sensitivity, fairness, and excellence.

- By holding ourselves to the highest standard of conduct and ethics, we will faithfully perform our fiduciary duty for the oversight, administration, and interpretation of all applicable laws which govern the Retirement System.

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Trustees

- Jeremy Flack - Fire Trustee, Chairman 1/1/2009
- Alexa Nerdrum - Citizen Trustee ,Vice Chairman 12/18/2006
- Dave Monroe - Police Trustee, Secretary 1/1/2010
- Terry Clark - General Member Trustee 1/1/2010
- Tom Crawford - City CFO 7/06/2004
- Brock Hastie - Citizen Trustee appointed 11/4/2010
- Mark Heusel - Citizen Trustee 5/2/2011
- Steve Powers - City Administrator 9/2011
- Brian Rogers - General Member Trustee 9/15/2011

- Note: Present composition, which does not reflect changes due to City Charter

City of Ann Arbor Employees' Retirement System

Majority of Recommended Items From the Blue Ribbon Committee Have Been Implemented by the Board

- *Schedule for service provider review and RFP*
- *Audit Committee supervising actuarial and auditor selection*
- *Target 100% Funding of the Retirement System*
  - *Funded level at 88% for 2011*
- *City Council initiatives directed to plan design and sustainability*

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Key Changes in Last 12-18 Months

- New Actuary, Investment Manager, Medical Director, Executive Director and Pension Analyst, Benefit Calculation System under Development
- New providers and Staff are on board; transition has been smooth
- New Plan provisions due to Ordinance changes and bargaining agreements are incorporated into administrative processes

  -Changes in contributions by most employee groups increased from 5% to 6%

  -Longer Vesting and FAC for new hires

City of Ann Arbor Employees' Retirement System

Financial Picture Improving for Pension Plan

- Market return for FY 2011, 23%
- 88% Funded ratio for the Retirement System down in recent years - still fairly high relative to other plans, national average is about 77% , Michigan about 86%
- Plan's assets recovering from financial crisis, $415 M at fiscal year end 6-30-2011
- $404 M currently

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Key Pension Trends

- Conservative Assumption - 7% return target
- 20 of 87 Michigan pension plans use 7% or below
- 9% reduction in active employees, 7% net increase in retirees
- With reasonable projections, expected future City contributions will be approximately $10-12M over the next few years for Pension
- Required contributions of $9.7M for 2013 vs. $9.4 M for 2012 for Retirement Plan

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Key VEBA Trends

- VEBA funded status at 34%, with $82 M in assets
- Market returns of 28% reduced UAAL
- ARC $12.4 M in 2013, vs. $14.9 M in 2012
- FY 2011 favorable claims experience vs. FY 2010 poor experience
- July/August Plan design changes reduced the normal cost and UAAL
- Long term plan changes will substantially reduce future OPEB costs from an unchanged plan design

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VEBA Compliance

Payment of health care benefits from Retirement System stopped

- *VCP process required reimbursements to Retirement Plan*
- *Repaid to date: $14.2 million*
- *Balance remaining: $1.96 million*

City of Ann Arbor Employees' Retirement System

NEW Investment Manager Financial Review and Restructure

- Diversify to rebalance, reduce risk
  - *Redeploy domestic small and mid cap $$ to new asset classes*
  - *Consolidate index providers, reducing costs and complexity, move away from securities lending*
  - *Emerging Market equity managers funded in January 2012*

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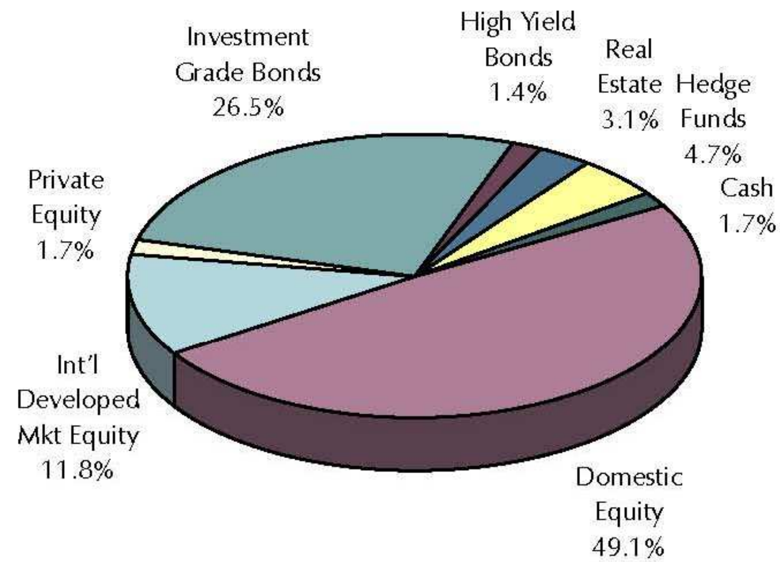
NEW Investment Manager Financial Review and Restructure

- Diversify to seek inflation and interest rate protection
  - *Emerging Market debt managers search in process*
  - *Bank Loans manager to be funded early 2012*
  - *Additional funding to be allocated to TIPS*
  - *Consider private equity, natural resources, alternative core real estate*

City of Ann Arbor Employees' Retirement System

City of Ann Arbor
Employees' Retirement System

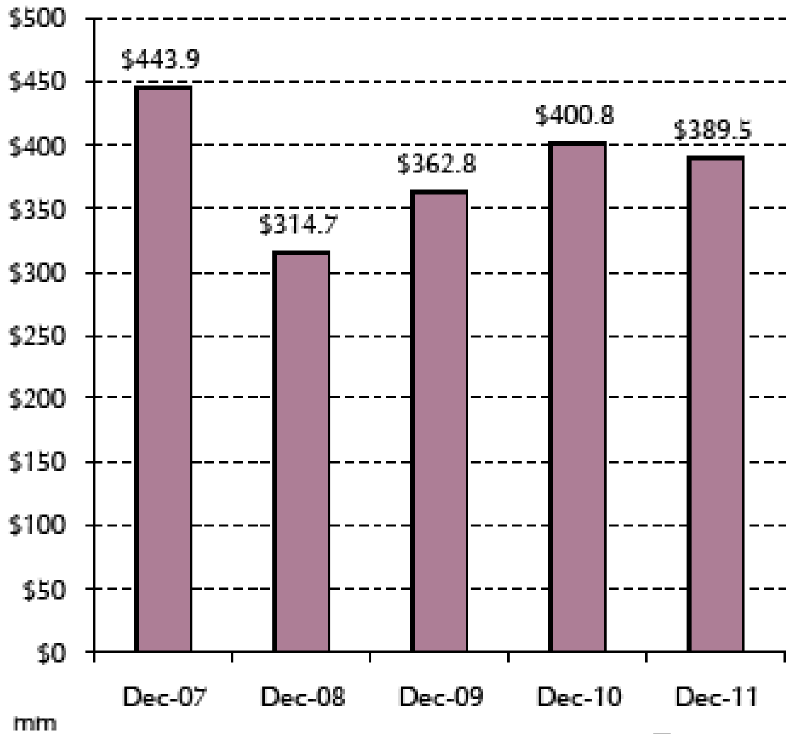
Aggregate Assets
as of 6/30/11

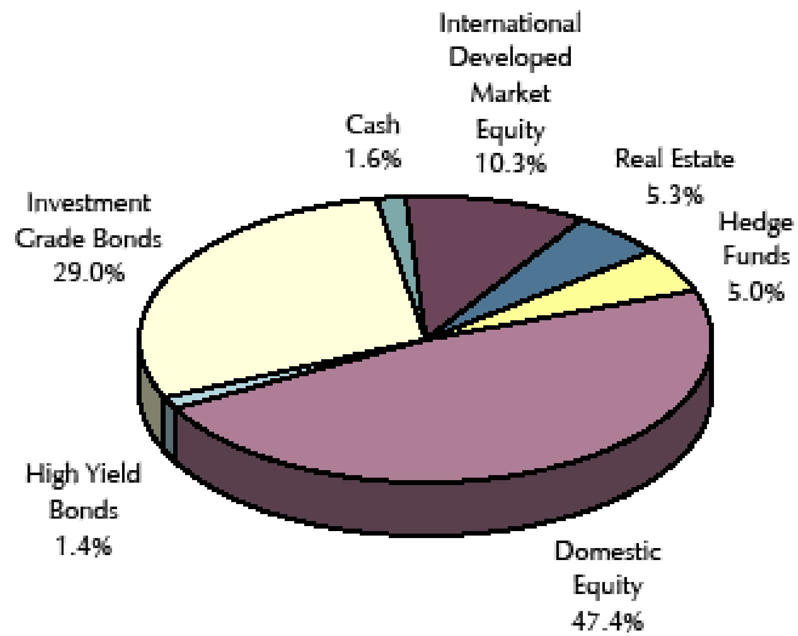


Financial Assets Levels recovering from 2008-2009 financial crises

City of Ann Arbor Employees' Retirement System

Aggregate Assets as of 12/31/11





Financial Assets Levels recovering from 2008-2009 financial crises –significant volatility, balance at $404 million

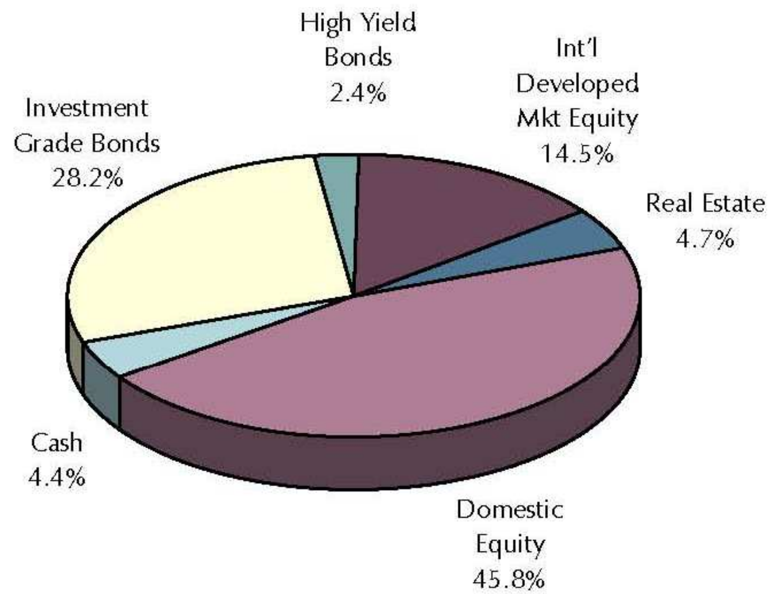
City of Ann Arbor Employees' Retirement System

Aggregate Assets Performance as of 12/31/11

	4Q11 (%)	FYTD[1] (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	20 YR (%)	Inception Date	Since Inception (%)
Total Retirement System	**7.2**	**-4.8**	**0.4**	**11.2**	**1.5**	**5.2**	**7.6**	**10/1/90**	**8.4**
Net of Fees	**7.1**	**-4.9**	**0.2**	**10.9**	**NA**	**NA**	**NA**		**NA**
Policy Benchmark[2]	*5.0*	*-3.5*	*1.9*	*12.1*	*1.9*	*5.3*	*7.6*		*8.6*
Actual Allocation Benchmark	*6.5*	*-3.0*	*NA*	*NA*	*NA*	*NA*	*NA*		*NA*
60% MSCI ACWI/40% Barclays Aggregate	*4.5*	*-6.4*	*-2.1*	*10.1*	*1.8*	*5.8*	*NA*		*NA*
Domestic Equity	13.3	-6.3	0.5	17.5	0.8	4.4	8.0	10/1/90	9.1
Russell 3000	*12.1*	*-5.0*	*1.0*	*14.9*	*0.0*	*3.5*	*8.0*		*9.4*
International Developed Market Equity	6.5	-17.4	-12.4	11.7	-0.8	7.3	NA	10/1/95	8.5
MSCI EAFE	*3.3*	*-16.3*	*-12.1*	*7.6*	*-4.7*	*4.7*	*4.6*		*3.8*
Investment Grade Bonds[3]	1.6	2.7	6.1	8.4	7.1	6.0	6.5	10/1/90	7.0
Barclays Aggregate	*1.1*	*5.0*	*7.8*	*6.8*	*6.5*	*5.8*	*6.5*		*7.1*
High Yield Bonds	3.9	-1.7	3.1	NA	NA	NA	NA	7/1/09	14.6
Barclays High Yield	*6.5*	*0.0*	*5.0*	*24.1*	*7.5*	*8.9*	*8.2*		*16.5*
Hedge Funds	-0.1	-1.0	-2.1	NA	NA	NA	NA	7/1/09	5.9
HFRI Fund Weighted Composite Index	*1.3*	*-5.6*	*-4.8*	*8.0*	*2.3*	*5.9*	*10.6*		*5.7*
Real Estate[4]	-1.8	-1.8	7.9	-11.1	-4.8	NA	NA	7/1/03	4.1
NCREIF ODCE Equal Weighted	*3.5*	*3.5*	*18.0*	*-7.1*	*-0.4*	*5.5*	*6.8*		*-7.5*

[1] Fiscal year began July 1.
[2] As of 3Q 2011, the Policy Benchmark comprises 31% Russell 3000 Index, 12% MSCI EAFE Index, 6% MSCI EM Index, 3% Russell 3000 + 3% (1 qtr lagged), 19% Barclays Aggregate, 8% Barclays U.S. TIPS, 3% Barclays High Yield, 2% CSFB Leveraged Loan Index, 2% JPM GBI-EM Global Diversified Index, 9% NCREIF ODCE (equal weighted), 3% DJ-UBS Commodity Index, and 2% HFRI Fund Weighted Composite Index.
[3] Prior to July 2011, Investment Grade Bonds included an allocation to High Yield.
[4] Returns are as of September 30, 2011.

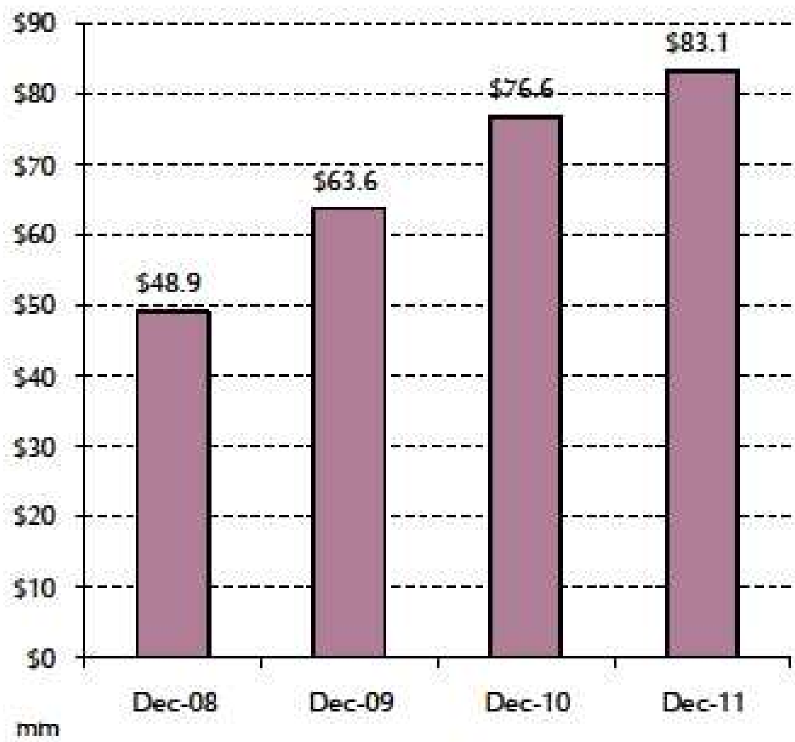
City of Ann Arbor VEBA	Aggregate Assets as of 6/30/11

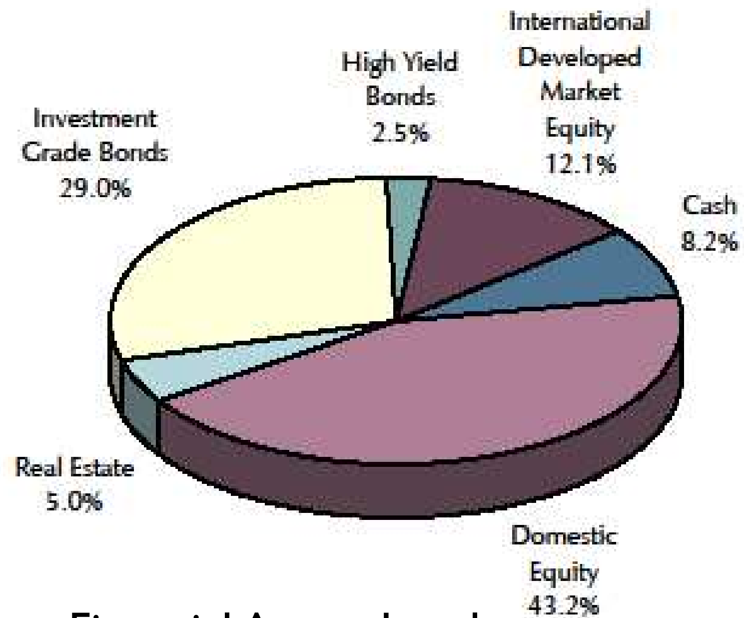


Financial Assets Levels recovering from 2008-2009

City of Ann Arbor
VEBA

Aggregate Assets
as of 12/31/11





Financial Assets Levels recovering from 2008-2009 financial crises- Substantial performance gains from managers

Aggregate Assets
Performance as of 12/31/11

	4Q11 (%)	FYTD[1] (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
Total VEBA	**8.4**	**-3.8**	**2.6**	**14.4**	**3.3**	**4.5**	**10/1/99**	**5.0**
Net of Fees	**8.3**	**-3.9**	**2.2**	**14.0**	**NA**	**NA**		**NA**
Policy Benchmark[2]	*6.5*	*-3.6*	*1.6*	*13.5*	*2.8*	*5.0*		*4.4*
Actual Allocation Benchmark	*5.9*	*-1.0*	*NA*	*NA*	*NA*	*NA*		*NA*
60% MSCI ACWI / 40% Barclays Aggregate	*4.5*	*-6.4*	*-2.1*	*10.1*	*1.8*	*5.8*		*NA*
Domestic Equity	14.0	-5.8	2.2	19.6	1.8	3.2	10/1/99	3.6
Russell 3000	*12.1*	*-5.0*	*1.0*	*14.9*	*0.0*	*3.5*		*2.4*
International Developed Market Equity	8.8	-16.8	-10.8	NA	NA	NA	7/1/09	11.8
MSCI EAFE	*3.3*	*-16.3*	*-12.1*	*7.6*	*-4.7*	*4.7*		*6.0*
Investment Grade Bonds[3]	1.5	4.4	8.1	7.8	7.4	6.2	10/1/00	6.6
Barclays Aggregate	*1.1*	*5.0*	*7.8*	*6.8*	*6.5*	*5.8*		*6.3*
High Yield Bonds	4.7	1.2	5.7	NA	NA	NA	7/1/09	13.8
Barclays High Yield	*6.5*	*0.0*	*5.0*	*24.1*	*7.5*	*8.9*		*16.5*
Real Estate	16.6	-0.7	10.8	23.0	0.1	NA	3/1/05	8.2
NAREIT Equity	*15.3*	*-2.1*	*8.3*	*21.0*	*-1.4*	*10.2*		*6.0*

[1] Fiscal year began July 1.
[2] As of 3Q 2011, the Policy Benchmark comprises 38% Russell 3000 Index, 11% MSCI EAFE Index, 6% MSCI EM Index, 10% Barclays Aggregate, 9% Barclays U.S. TIPS, 6% Barclays High Yield, 4% CSFB Leveraged Loan Index, 3% JPM GBI-EM Global Diversified Index, 10% NCREIF ODCE (equal weighted), and 3% DJ-UBS Commodity Index.
[3] Prior to July 2011, Investment Grade Bonds included an allocation to High Yield.

Pension & VEBA Valuation Process

- What is the Actuarial Valuation?
  - *A snapshot of the actuarial position of a pension plan or post-retirement benefits plan at a given point in time*

- Why do we do it?
  - *Satisfy regulatory and accounting requirements*
  - *Determine funded ratio and amount of City contributions and project these elements into the future*
  - *Check to see if there are sufficient financial resources to meet future benefit promises*

City of Ann Arbor
Employees' Retirement System

Benefit Provisions

Benefit provisions are described in Chapter 18, City Ordinance

Reflected in this years valuation:

- *AAPOA for Police Service Specialists effective 8/14/2011 – member contribution changed to 6%.*

Not yet reflected in this valuation, but reflected in projections:

- *Non-union new hires and rehires effective 7/1/2011 - 10 years of vesting and 5 years average salary.*
- *AFSCME new hires effective 8/29/2011 - 10 years of vesting and 5 years average salary.*
- *AAPOA new hires on or after 1/1/2012 - member contribution changed to 6%. Also, 10 years of vesting and 5 years average salary.*

Provision changes for new hires will impact contributions and liabilities in the future.

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Key Drivers for June 30, 2011 Pension Actuarial Valuation Results

- Valuation results changed from last year's valuation due to:
  - *Market value returns of over 23% compared to 7% assumed*
  - *Payroll decreased by almost 6% compared to 3.5% assumed*
  - *60 retirements compared to 20.1 assumed*
  - *Plan provisions (mostly affecting projections for this cycle)*
  - *Actuarial transition increased liabilities and decreased normal cost*

- Outcome: Funded status to be higher than anticipated and employer contributions to be lower than anticipated

Actuarial Assumptions

- Demographic (future events that relate to people)
  - Retirement
  - Termination
  - Disability
  - Death

- Economic (future events that relate to money)
  - Interest rate - 7.00% per year
  - Salary increase (individual, varies by age)
  - Real return – 3.50%
  - Payroll growth – 3.50%

The latest assumptions were adopted for use with the June 30, 2008 actuarial valuation. We will coordinate the timing of the next experience review.

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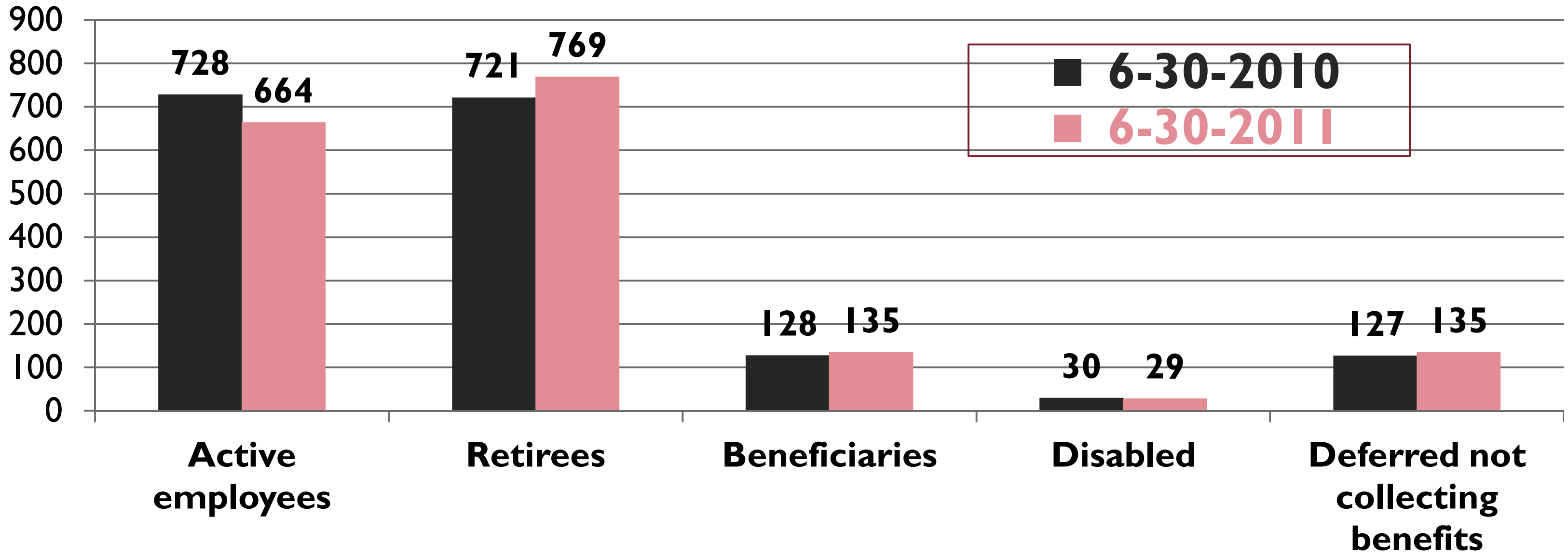
Member Data
Active vs. Retiree



Actives down 9% due to RIF and retirements, retirees in pay up 7%

Asset Data

Transactions	June 30, 2011	June 30, 2010
Additions		
Contributions	15,092,277	15,686,621
Net Investment Income	80,403,845	39,902,489
Total	95,496,122	55,589,110
Deductions		
Benefits and Expenses	28,898,588	28,142,662
Net Increase	66,597,534	27,446,448
Net Assets Held in Trust for Pension Benefits		
Beginning of Year	348,610,560	321,164,113
End of Year	415,208,094	348,610,561
Estimated net investment return	23.37%	12.50%

Returns > 7% assumed rate of return, resulting in lower contributions and higher funded ratio than expected as of June 30, 2011

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Actuarial Value of Assets

Total Fair Value of Assets as of June 30, 2011				415,208,094
Return to be Spread				
	Fiscal Year	**Return to be Spread**	**Unrecognized Percent**	**Unrecognized Return**
	2011	50,875,233	80%	40,700,186
	2010	9,848,233	60%	5,908,940
	2009	(110,917,005)	40%	(44,366,802)
	2008	(53,842,180)	20%	(10,768,436)
			Total	(8,526,112)
Actuarial Value of Assets (Fair value less return recognized)				**423,734,206**
Rate of Return for the Year on Actuarial Value of Assets				**3.78%**
Rate of Return for the Year on Market Value of Assets				**23.37%**

Historical returns		
YE 6/30	**AVA**	**MVA**
2002	4.60%	-3.90%
2003	2.50%	0.60%
2004	2.60%	11.90%
2005	1.90%	8.20%
2006	4.30%	8.60%
2007	8.50%	16.30%
2008	7.20%	-5.70%
2009	1.30%	-20.00%
2010	1.60%	12.50%
2011	3.78%	23.37%
average	3.83%	5.19%
range	7.20%	43.37%

While it is tedious to understand the derivation of the actuarial value of assets above, the impact of the AVA on controlling volatility cannot be understated, as seen on the right. While the average returns for actuarial and market are not quite 150 bp apart, the range for MVA is 6 times that of AVA – which would lead to contribution volatility if MVA were used.

Refer to Section 2.3 of the actuarial valuation report, beginning on page 19, for more information on the actuarial value of assets.

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Net Actuarial Gain or Loss

Development of Actuarial Loss for year ended June 30, 2011		
in thousands		
June 30, 2010 Actuarial Accrued Liability	466,883	
Expected June 30, 2010 Actuarial Accrued Liability		477,514
Actual June 30, 2010 Actuarial Accrued Liability		481,330
Liability Loss		3,816
June 30, 2010 Actuarial Value of Assets	421,387	
Expected June 30, 2010 Actuarial Value of Assets		437,109
Actual June 30, 2010 Actuarial Value of Assets		423,734
Actuarial Asset Loss		13,375
Total Actuarial Loss		17,191

The actuarial loss of $17,191,000 means that the unfunded actuarial accrued liability was $17,191,000 higher than we would have expected based on the assumptions.

All that being said, the loss was less than expected based on last years projections, resulting in "positive" actuarial results as we will see over the next few pages.

Refer to Sections 1.3 and 1.4 of the actuarial valuation report, beginning on page 11, for more information on the Actuarial Gain or Loss submitted for the valuation.

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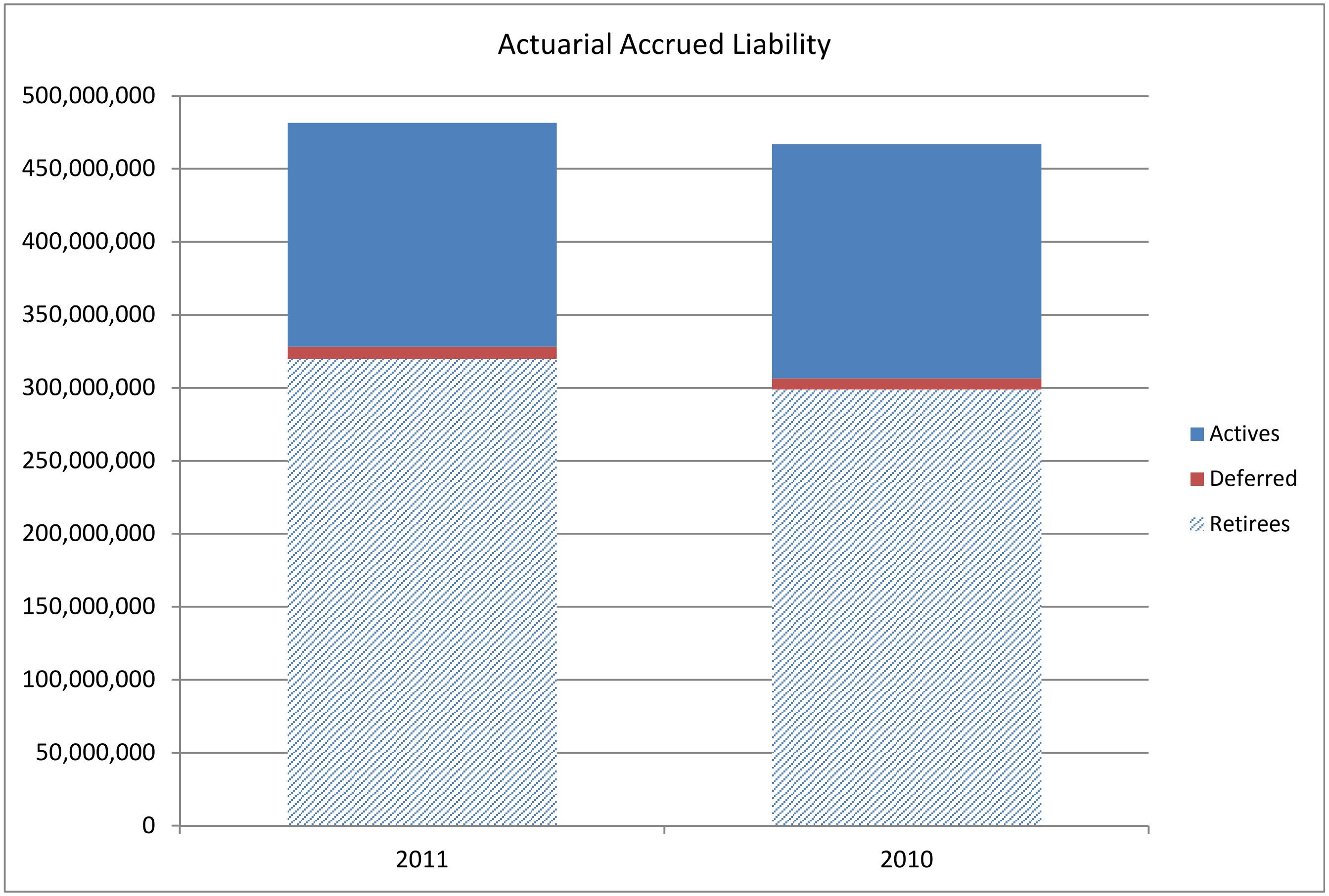
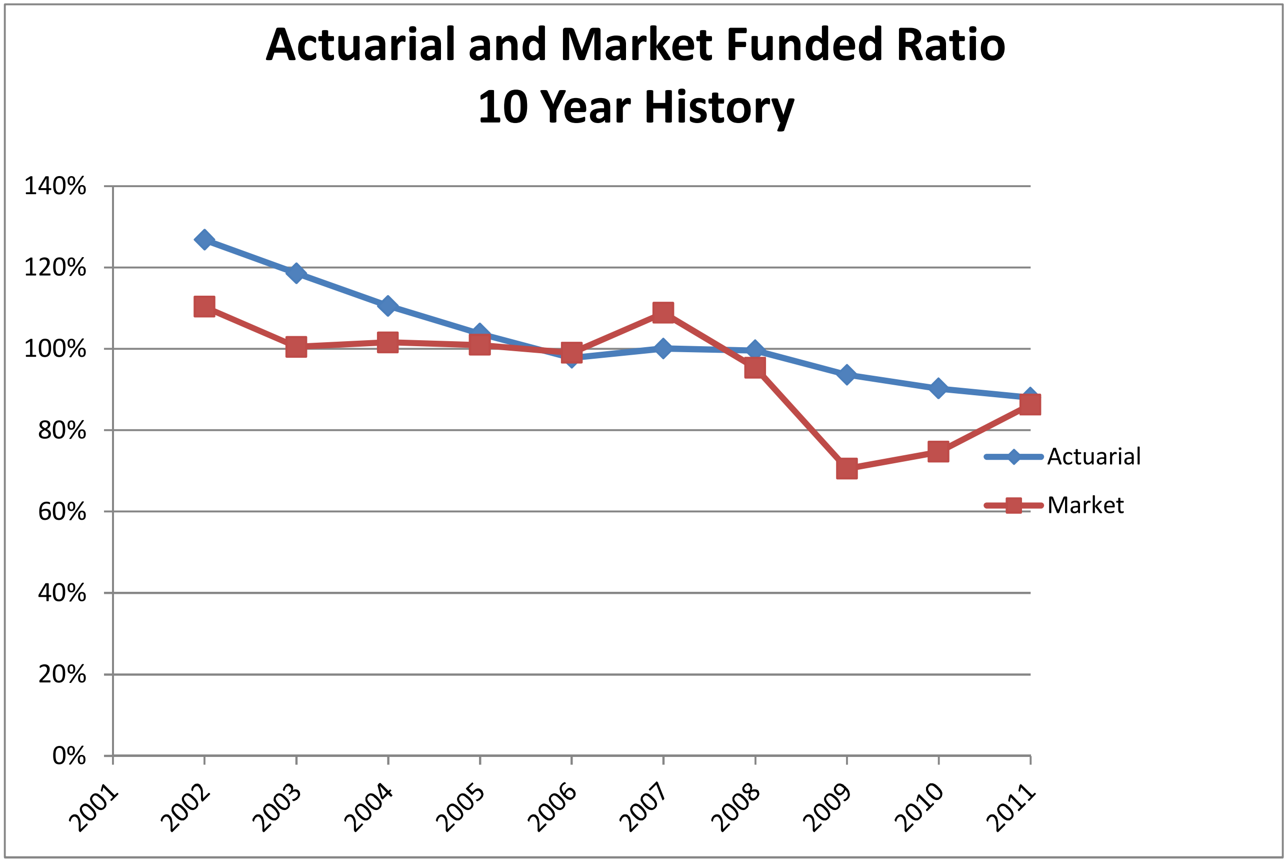
Actuarial Accrued Liability



The actuarial accrued liability increased from $467 million to $481 million during the past year. In an open plan such as the City of Ann Arbor Employees' Retirement System, liabilities are expected to grow from one year to the next as more benefits accrue and the membership approaches retirement.

City of Ann Arbor Employees' Retirement System

Funded Ratio

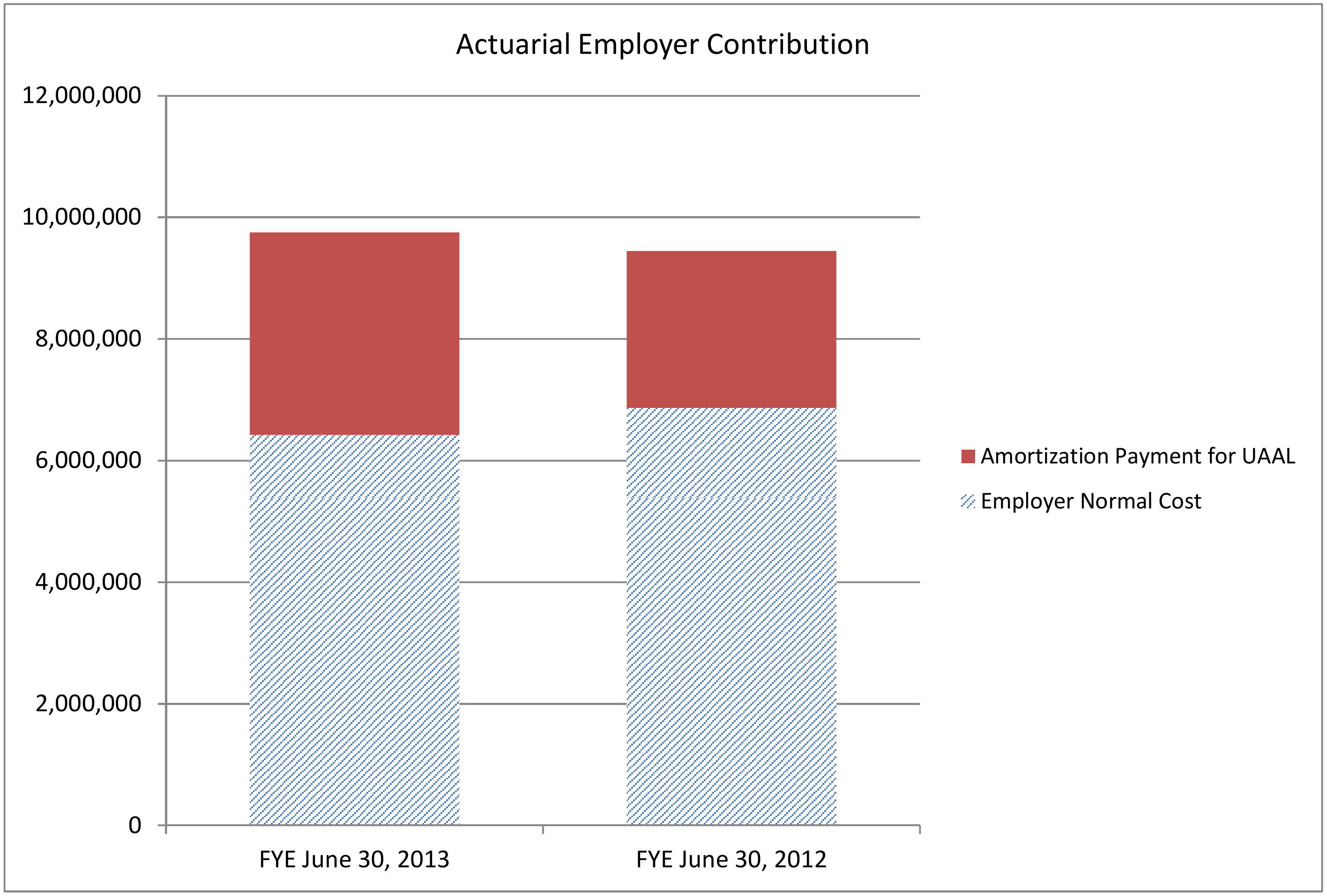


The funded ratio did slip this past year from 90.3% to 88%, but was projected to slip even more to 86.30%. Net actuarial experience resulted in the funded ratio not slipping as far as was projected in last years valuation.

The funded ratio is shown on both a market and actuarial basis. Actuarial basis is used for computing contributions to alleviate contribution volatility.

City of Ann Arbor Employees' Retirement System

Employer Contribution



The employer normal cost contribution decreased from last year as a direct result of a decrease in payroll. The amortization payment for unfunded actuarial accrued liability increased as the unfunded actuarial accrued liability increased from $45 million to $58 million.

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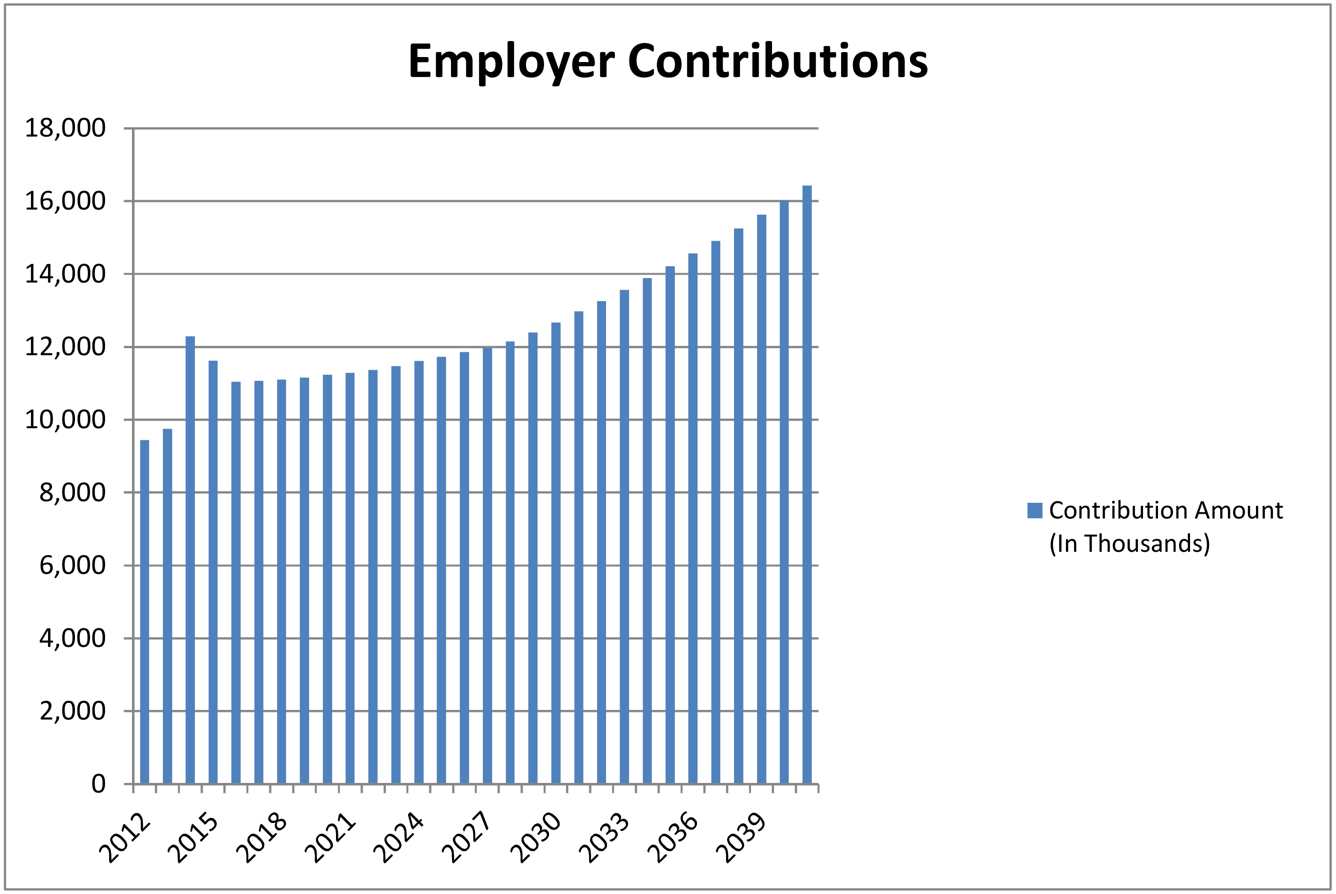
Projections – Contributions



The spike in employer contribution in 2014 is directly related to the Funded Ratio falling to 81% as of June 30, 2013. The unfunded liability will be almost double the amount it is as of this valuation, with a doubling of the payment for unfunded actuarial accrued liability being the result.

After asset gains and losses are reflected in this projection by FYE 2016, increases are primarily due to assumed increases in payroll.

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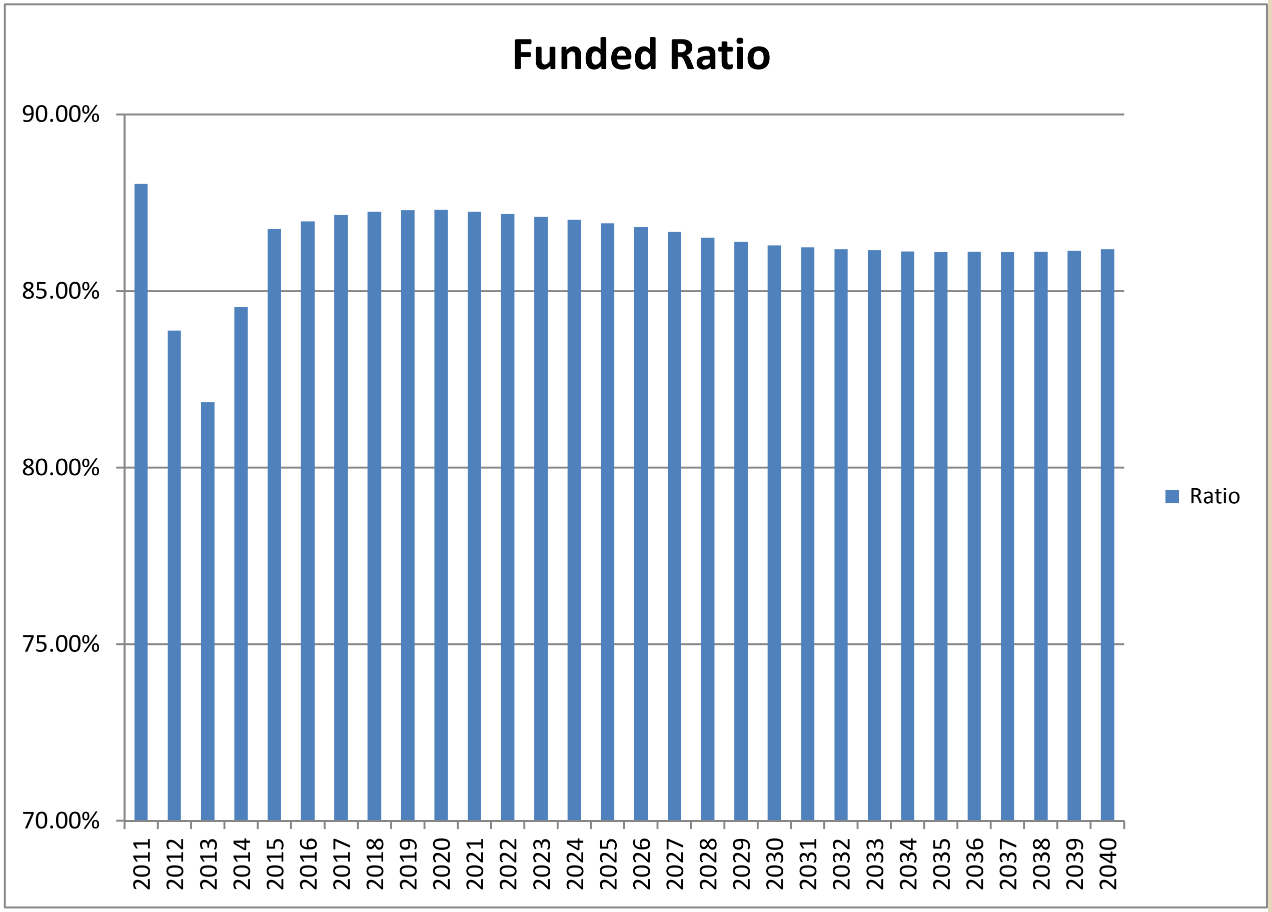
Projections – Funded Ratio



The funded ratio is projected to continue to slip over the next two valuations as the losses from 2008 and 2009 are finally recognized in the valuation, and will rise as gains from 2010 and 2011 are recognized. Of course the projection to the left is predicated on the System achieving all assumptions, including a 7.00% return.

Based on our understanding of the rolling 25 year amortization policy, the System is not expected to achieve 100% funding. This policy decision should be addressed and clarified.

City of Ann Arbor
Employees' Retirement System

Key Takeaways

- During the year ended June 30, 2011, greater investment returns and lower salaries than expected, more retirements than expected and actuarial transition, changes all generated better than expected results compared to the June 30, 2010 projections

- 2012 / 2013 employer contribution is $9,748,510

  -2011/2012 employer contribution was $9,440,000

  -Based on projection from June 30, 2010 valuation, we expected $10,784,00

- Funded Ratio of 88%;

  -June 30, 2010 funded ratio was 90.3%

  -Based on projection from June 30, 2010 valuation, we expected a funded ratio of 86.3%

- The funded status will continue to slip in the next few years as the last of the returns from 2008 and 2009 are reflected in the valuation, resulting in higher contributions. Returns from 2010 and 2011 could reverse this trend.

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Events Impacting June 30, 2011 VEBA Valuation Results

- Valuation results changed from last year due to:
  - *Market value returns of over 28% compared to 7% assumed (reduces UAAL)*
  - *Payroll decreased by almost 6% compared to 3.5% increase assumed (reduces Normal Cost)*
  - *Fiscal year 2011 favorable claim experience versus FY 2010 poor experience, relative to expected (reduces UAAL and NC)*
  - *July/August 2010 Plan changes reflected (reduces UAAL and NC)*
  - *New Plan design for certain new hires affects ARC projection (NC)*
- Results: ARC and AOC lower than anticipated based on the June 30, 2010 report

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Development of FY 2013 Annual OPEB Cost - 1

Normal Cost	General Members	Police Members	Fire Members	Totals
1. Active Members a. Health benefits	8.14%	8.09%	9.59%	
b. Life benefits	0.22%	0.11%	0.12%	
2. Total Normal Cost (As a % of pay)	8.36%	8.20%	9.71%	8.51%
3. Expected Member Contribution (As a % of pay)	0.00%	0.00%	0.00%	0.00%
4. Expected Member Contribution (Dollar amount)	0	0	0	0
5. Employer Normal Cost (As a % of pay)	8.36%	8.20%	9.71%	8.51%
6. Employer Normal Cost (Dollar amount)	$2,541,000	$878,000	$642,000	$4,061,000

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Development of FY 2013 Annual OPEB Cost - 2

Unfunded Actuarial Liability	General Members	Police Members	Fire Members	Totals
7. Amortization of Unfunded Actuarial Liability Assets Allocated by AAL (As a % of pay)				
a. Actives	4.58%	6.00%	5.76%	
b. Inactives	11.42%	13.21%	15.37%	
8. Total Unfunded Actuarial Liability Assets Allocated by AAL (As a % of pay)	16.00%	19.21%	21.13%	17.44%
9. Amortization of Unfunded Actuarial Accrued Liability (Dollar amount)	4,865,000	2,055,000	1,398,000	$8,318,000

- Assets allocated proportional to Actuarial Accrued Liability above
- Previous report used "FIFO" accounting to allocate assets
  - Resulted in much more even UAAL split

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Development of FY 2013 Annual OPEB Cost - 3

ARC & Annual OPEB Cost	General Members	Police Members	Fire Members	Totals
10. ARC (As a % of pay)	24.37%	27.41%	30.84%	25.95%
11.ARC (Dollar amount)	$7,406,000	$2,933,000	$2,040,000	$12,379,000
12.Adjustment to the ARC (Estimated Dollar Amount)				($485,000)
13.Interest on Net OPEB Obligation (Estimated Dollar Amount)				$634,000
14.Annual OPEB cost (Estimated Dollar amount)				$12,528,000

- Reason ARC not equal to Annual OPEB Cost (AOC)
  - June 30, 2011 Net OPEB Obligation (NOO) of almost $8,908,000
  - IRS limits on VEBA contributions reduced historical ARC contributions
  - AOC = ARC + interest on NOO + prescribed adjustment to ARC
  - AOC is amount needed to avoid increase in NOO (additional $$ needed to reduce it)

Note: AOC contribution = benefits paid (not drawn from trust) + VEBA contribution.

Actuarial Assumptions

- Demographic (future events that relate to people)
  - Retirement
  - Termination
  - Disability
  - Death
- Economic (future events that relate to money)
  - Interest rate - 7.00% per year
  - Payroll growth - 3.50%
  - Health care trend
  - Per capita claims costs
- Trend and per capita costs are specific to retiree health valuation and are critical
  - Favorable per capita costs reduced by 8% relative to expected
  - Ultimate trend increased from 3.5% to 4.5%, in line with other retiree health valuations

The latest demographic, interest, and payroll assumptions were adopted for use with the June 30, 2008 actuarial valuation. We will coordinate the timing of the next experience review (will coincide with pension plan review).

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Benefit Changes

- New plan designs for actives/future retirees introduced in July 2010 (not reflected in prior report)
- Non-Union and Police Professional new hires receive $2,500 per year of service rather than the DB health coverage (can be used to offset contributions, if electing City's retiree health coverage)
- Impact to long-term projections is significant:

FYE June 30	AOC - W/ Change	AOC - No Change	$ Difference	% Difference
2011	14,533,000	14,533,000	-	0.0%
2021	13,374,000	16,784,000	3,410,000	25.5%
2031	15,374,000	23,208,000	7,834,000	51.0%
2041	18,609,000	31,649,000	13,040,000	70.1%

Provision changes for new hires, will impact contributions and liabilities in the future.

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Thirty-Year Projections *(Selected Years)*

Table of Projected Actuarial Results*

Financial Projection($'s in 000's)

Investment return 7.00%; New entrants assumed to replace current employees

Fiscal Year	Actuarial Asset (BOY)	Actuarial Liability (BOY)	Funding Ratio	Surplus (Deficit)	Employer Contribs	Benefit Payments	Expected Return	Asset Gain/(loss)	Actuarial Asset (EOY)
2012	82,416	241,122	34.18%	(158,706)	14,859	10,665	5,916	(1,765)	90,762
2013	90,762	251,281	36.12%	(160,519)	12,528	11,590	6,386	165	98,250
2014	98,250	261,203	37.61%	(162,953)	12,671	12,544	6,882	3,509	108,767
2015	108,767	270,846	40.16%	(162,079)	12,639	13,585	7,581	2,877	118,279
2016	118,279	280,103	42.23%	(161,824)	12,641	14,659	8,209	288	124,759
2021	144,450	318,908	45.30%	(174,458)	13,374	19,618	9,893	12	148,111
2026	156,355	345,076	45.31%	(188,721)	14,300	24,102	10,602	0	157,154
2031	154,414	358,318	43.09%	(203,904)	15,374	28,021	10,366	0	152,134
2036	139,565	359,280	38.85%	(219,715)	16,707	29,460	9,323	0	136,135
2041	122,361	358,547	34.13%	(236,186)	18,609	30,003	8,166	0	119,133

- 2012 contribution from prior report (2013 and later assumed to be AOC)
  - Does not draw down Net OPEB Obligation
  - Employer contribution and benefit payments very close together
  - So cash needed into trust will be highly leveraged against returns and assumptions
  - ARC based on 30-year open period as a level % of payroll
  - Assumes new hire plan and current plan both in the same trust

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Key Takeaways

- During the year ended June 30, 2011, greater investment returns, lower salaries than expected, favorable claim experience, and Plan changes (somewhat offset by change in trend assumption) generated results that were better than expected when compared to the June 30, 2010 projections

  -FY 2013 employer contribution is $12,528,000

  -FY 2012 employer contribution was $14,859,000

- Existing Net OPEB Obligation of almost $9 million
- Plan change for some new hires greatly impacts long-term projections
- Cash contributions to the VEBA are leveraged by assumptions and experience, since pay-as-you-cost is very close to AOC right now

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Future Considerations

- Desire to pay down existing Net OPEB obligation?
- Amortization period for UAAL
  - *Current 30-year open as level % of pay is most allowed by GASB*
  - *Results in lowest current ARC/AOC, but higher future levels*
- Will new hires under $2,500 Plan assets be deposited into existing VEBA?
  - *If separate trust, two separate GASB 43 accountings/reports needed going forward*
  - *Can still be one combined GASB 45 accounting*
  - *In either case, $2,500 only funded in aggregate and claimed during retirement (else AOC for current plan increases significantly in early years)*

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