

FINANCE, CLAIMS AND ACCOUNTS COMMITTEE MEETING MINUTES

August 26, 2014

A special meeting of the Chippewa County Board of Commissioners' Finance, Claims and Accounts Committee was held on Tuesday, August 26, 2014 at the Chippewa County Building in Sault Ste. Marie, Michigan. Chairman Cooper called the meeting to order at 9:05 a.m. with a quorum present.

MEMBERS PRESENT: Don Cooper, Scott Shackleton, George Kinsella, Don McLean and Ted Postula

MEMBERS ABSENT: None

OTHERS PRESENT: Chuck Leonhardt, Christine Lundquist, Mike Bitnar, Jim German and Kelly Church

Additions / Deletions to the Agenda

None

Approval of the Agenda

It was moved by Commissioner Shackleton, supported by Commissioner McLean, to approve the agenda as presented. On a voice vote, the motion CARRIED.

Agenda Items

OPEB (Unfunded Health Care)

The Committee received information on the County's Health Care Retirement Vehicle combined with the information from the recently completed OPEB actuarial that includes the estimates for the County, the Health Department and the Chippewa County EDC. With regards to the ARC (Annual Required Contribution) the County's next three year contributions should be \$1,561,771, 1,537,092 and \$1,514,111 to meet the needs of retiree health care; the Health Department's contributions should be \$1,082,811, \$1,073,808 and \$1,061,307 and the EDC is as follows: \$101,805, \$101,021 and \$99,438. The main purpose of this meeting was to cover section 4b. of Policy No. 314 ó OPEB Health Care Retirement Vehicle Annual Funding ó which states that an annual factor, will be determined from the actuarial, the ARC and difference between current employees vs the retirees that will be fair, equitable and logical, and to be shared with the Health Department. Included were sample illustrations with regards to when the OPEB Health Care Retirement Vehicle, could start to pay the Retiree's annual premium. Additional illustrations will be completed based on the funding and will be projected for ten and fifteen years. Illustrations of potential percentages were also received by the Committee, and were based on the first six months of the year, and determining how to split the percentage between all employees, full-time employees or full-time employees with retiree health care. Discussion, with many questions and comments were offered, while determining the Committee's decision.

It was moved by Commissioner Shackleton, supported by Commissioner McLean, in determining the annual factor for the OPEB Health Care Retirement Vehicle Annual Funding Policy that the County will utilize the all employees' method to provide \$50,000 in funding to the OPEB fund, which will be approximately .85% per employee; which will be budgeted. On a voice vote, the motion CARRIED.

2015 Budget Fact Sheet

The Committee was updated on the following rates to be used for the FY2015 budget process: short term/long term/life, MERS, Health Care and worker's compensation rates. No action was required.

Sheriff's Department Transportation Van

The Committee was updated on the 2008 Ford transport van, with over 213,000 miles, that has a major failure, including the transmission, universal and drives shaft all came apart. The Sheriff's Department is requesting an immediate bid go out to purchase a new transport vehicle from Fund 267.

It was moved by Commissioner Shackleton, supported by Commissioner Postula, to approve the RFQ for a new transport van be released, that the disposal of the 2008 Ford transport van to approved, and to allow the Administrator to approve the low bid. On a voice vote, the motion CARRIED.

Committee and Chairman's Comments

None

Adjourn

It was moved by Commissioner McLean, supported by Commissioner Postula, to adjourn the meeting.

Chairman Cooper declared the meeting adjourned at 9:52 a.m.

Kelly J. Church, Recorder

Don Cooper, Chairman

This is an illustration for the unfunded accrued liability
 Actual results can and will vary. See assumptions below.

Chippewa County

Unfunded accrued Liability

12/31/2013

Year	Value of assets		Return on		Total Annual cont	Value of assets 3,247,516.00
	DTRF Contribution	Current Employee	Investment Rate of 5%	Retiree Payment		
2014	\$500,000.00	0.00	162,375.80		662,375.80	3,909,891.80
1 2015	\$500,000.00	50,000.00	195,494.59		745,494.59	4,655,386.39
2 2016	\$500,000.00	50,000.00	232,769.32		782,769.32	5,438,155.71
3 2017	\$500,000.00	50,000.00	271,907.79		821,907.79	6,260,063.49
4 2018	\$500,000.00	50,000.00	313,003.17		863,003.17	7,123,066.67
5 2019	\$500,000.00	50,000.00	356,153.33		906,153.33	8,029,220.00
6 2020	\$500,000.00	50,000.00	401,461.00		951,461.00	8,980,681.00
7 2021	\$500,000.00	50,000.00	449,034.05		999,034.05	9,979,715.05
8 2022	\$500,000.00	50,000.00	498,985.75		1,048,985.75	11,028,700.81
9 2023	\$500,000.00	50,000.00	551,435.04		1,101,435.04	12,130,135.85
10 2024	\$500,000.00	50,000.00	606,506.79		1,156,506.79	13,286,642.64
11 2025	\$500,000.00	50,000.00	664,332.13		1,214,332.13	14,500,974.77
12 2026	\$500,000.00	50,000.00	725,048.74		1,275,048.74	15,776,023.51
13 2027			788,801.18	\$325,000.00	463,801.18	16,239,824.68
14 2028			811,991.23	\$1,440,480.00	-628,488.77	15,611,335.92
15 2029			780,566.80	\$1,440,480.00	-659,913.20	14,951,422.71
16 2030			747,571.14	\$1,440,480.00	-692,908.86	14,258,513.85
17 2031			712,925.69	\$1,440,480.00	-727,554.31	13,530,959.54
18 2032			676,547.98	\$1,440,480.00	-763,932.02	12,767,027.52
19 2033			638,351.38	\$1,440,480.00	-802,128.62	11,964,898.90
20 2034			598,244.94	\$1,440,480.00	-842,235.06	11,122,663.84
21 2035			556,133.19	\$1,440,480.00	-884,346.81	10,238,317.03
22 2036			511,915.85	\$1,440,480.00	-928,564.15	9,309,752.89
23 2037			465,487.64	\$1,440,480.00	-974,992.36	8,334,760.53
24 2038			416,738.03	\$1,440,480.00	-1,023,741.97	7,311,018.56
25 2039			365,550.93	\$1,440,480.00	-1,074,929.07	6,236,089.48
26 2040			311,804.47	\$1,440,480.00	-1,128,675.53	5,107,413.96
27 2041			255,370.70	\$1,440,480.00	-1,185,109.30	3,922,304.66
28 2042			196,115.23	\$1,440,480.00	-1,244,364.77	2,677,939.89
29 2043			133,896.99	\$1,440,480.00	-1,306,583.01	1,371,356.88
30 2044			68,567.84	\$1,440,480.00	-1,371,912.16	-555.27

Handwritten notes:
 Chippewa County
 12/31/2013
 3,247,516.00
 12/31/2013
 3,247,516.00
 12/31/2013
 3,247,516.00

Totals \$6,500,000.00 \$600,000.00 \$14,465,088.73 \$24,813,160.00 -\$3,248,071.27

Assumptions for illustration for the unfunded accrued liability

Future Benefits

Retiree, Beneficiaries, terminated	Chippewa County \$7,140,102.00
Active Members	\$15,221,140.00

Assumptions used in the above calculation

Present Value of Future Benefits \$22,361,242.00

Present Value is the present value of all benefits projected to be paid from the plan for past and future service to current members

Actuarial Accrued Liability 17,616,773.00

Actuarial Accrued Liability is the portion of the present value allocated to the past service.

Assumed an annual return on investment rate of 5% which is also the rate used on the actuarial.
(This will not be the actual rate obtained, it may be lower or higher depending on the market. This rate is for illustration purposes only)

Assumed no decline or increase in market value over the 30 year period. (This will not be the case as the market always changes especially over a 30 year period)

Assumed liability will be paid off in 30 years (This will not be the case as some employees may live longer than 30 years from 2014)

Assumed an average annual premium based upon the present value of \$22,361,242 over 30 years @ 5%
(This will not be the case as the premium will fluctuate based upon the number of employees receiving health insurance.)