

County of Muskegon, Michigan
Retiree Health Care Benefit (Other Postemployment Benefit or OPEB)
Informational Report regarding Retiree Health Funding Status
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018
Based on Actuarial Valuation of Retiree Medical Benefits as of October 1, 2016

OVERVIEW

The County of Muskegon offers medical, prescription drug and dental insurance to qualifying retirees and their qualifying dependents. Medicare retirees receive Medical and Rx coverage through a Medicare Advantage plan. Pre-Medicare retirees are covered through a plan whose coverage features are the same as the active plan. Coverage is available for life. The level of retiree premium contribution as a percentage of the plan premium varies based on date of hire and years of service. Spouses of covered retirees and surviving spouses pay full plan premiums in all cases.

RETIREE HEALTH FUNDED STATUS

As reported in Muskegon County's Summary Annual Report for Other Postemployment Benefits, funded status was as follows as of September 30, 2018:

Actuarial Accrued Liability: \$132.44 million
Actuarial Value of Assets: \$53.85 million
Funded Ratio: 40.7%

Public Act 530 of 2016 requires, among other things, that when a Michigan local government's Summary Annual Report reports a retiree health actuarial accrued liability that is not at least 60% funded, a report must be posted to its website indicating steps that are being taken to address the unfunded liability.

ACTIONS TAKEN BY MUSKEGON COUNTY TO ADDRESS UNFUNDED ACTUARIAL ACCRUED LIABILITY

- As of November 1, 2014, all retiree health defined benefit groups are closed to new members. New hires after this date are not eligible for retiree health benefits. The County has implemented a Health Care Savings Plan (HCSP) that has an employer defined contribution. The accumulated funds in the HCSP may be used to cover healthcare expenses upon retirement.
- Effective November 1, 2016, Medicare-eligible retirees were transferred from a fully-insured Preferred Provider Organization (PPO) plan to a fully-insured Medicare Advantage plan that is less expensive to the employer.
- The County transitioned all medical plan prescription tier copays from \$7 generic, \$12 brand, 50% of non-formulary drug cost to \$10 generic, \$20 brand, \$80 non-formulary effective February 1, 2015.
- Effective January 1, 2019, the County is switching providers of the Medicare Advantage Plan for post-65 retirees. It is estimated that this will reduce costs by approximately \$1.9 million per year in comparison to the previous provider.
- Also effective January 1, 2019, new pre-65 retirees that are still eligible for retiree health benefits will only be offered a high-deductible plan or a Health Savings Account (HSA) plan.