

**County of Muskegon, Michigan**  
**Retiree Health Care Benefit (Other Postemployment Benefit or OPEB)**  
**Informational Report regarding Retiree Health Funding Status**  
**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 October 1, 2016:

Actuarial Accrued Liability: \$87.7 million  
Actuarial Value of Assets: \$48.9 million  
Funded Ratio: 55.8%

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 historically offered one medical plan option to retirees, which was a no-deductible high cost plan. Recently a high-deductible plan has been added as a second plan option for retirees. Consideration is being given to offering only the high-deductible plan option.
- 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.
- The most recent actuarial report indicates that the County is contributing approximately 40% of the actuarially determined Annual Required Contribution (ARC) for fiscal 2017. The intent is to gradually increase this percentage over time as the budget permits.