

Bay County Voluntary Employees' Beneficiary Association (VEBA)

Summary Annual Report to Members December 31, 2019

Dear VEBA Plan Member:

The Voluntary Employees' Beneficiary Association (VEBA), which is managed by the VEBA Board of Trustees, is designed to provide medical benefits to you, your spouse, and covered dependents once you retire, become disabled, or upon your death. ***The County also supports a pension plan which is separate from the VEBA.***

The VEBA Board's fiduciary responsibility to you is to supervise the general administration of Bay County's Retiree Health Benefit Plan (Plan) and invest the Plan's assets. Our Board retains professional advisors to assist us in fulfilling these duties.

We have prepared this summary report to give you a brief review of the VEBA and how it operates. We hope you will find it useful and informative. However, a summary report cannot cover all the details of the VEBA, which is governed by the provisions of the Retiree Health Benefit Plan and the VEBA's Trust Document. Additional information about the VEBA including the Plan, Trust Document and the actuarial valuation is available in the Finance Office or can be accessed via the County's website.

Respectfully submitted,

Board of Trustees Bay County VEBA

- Steve Gray – Chairperson
- Matthew Pett – Vice Chairperson
- Jon Morse – Sergeant at Arms
- Kim Coonan
- Kristal Gonzales
- Ernie Krygier
- Tom Ryder
- Sandy Shutt
- Shawna Walraven
- Jan Histed – Secretary

Plan Administrator

- Katie Zanotti

Auditors/Accountants

- Rehmann

Actuaries and Consultants

- Gabriel, Roeder, Smith & Company

Legal Counsel

- Heather Brady-Pitcher

Custodial Bank

- Comerica Bank

Investment Consultant

- AndCo

Investment Managers

- American Funds EuroPacific
- Clarkston
- C.S. McKee L.P.
- DFA
- Dodge & Cox
- Loomis Sayles
- Lord Abbett & Co.
- MFS Investment Management

Summary Results of the Actuarial Valuation

The VEBA's financial objective is to accumulate amounts to pay all or some of the benefits promised. This objective will only be met if the Employer of the respective Employee group contributes the amounts recommended by the actuary.

The Board of Trustees of the Bay County Voluntary Employees' Beneficiary Association provides for the payment of the employer contributions as described in the Bay County Board of Commissioners Resolution No. 2001-242.

To determine an appropriate employer contribution level for the ensuing year and to gauge how the VEBA's funding is meeting this fundamental objective, an independent firm of actuaries and employee benefit consultants, Gabriel, Roeder, Smith & Company, conducts annual actuarial valuations.

These valuations are based on the VEBA's past experience, information about current participation and financial markets, and assumptions concerning the VEBA's future demographic and economic activity. The results of the December 31, 2019 valuation regarding active and retired employees, based on the established funding objective, are summarized below:

| | |
|-----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation Date | December 31, 2019 |
| Actuarial Cost Method | Individual Entry Age Normal Cost |
| Amortization Method | Level dollar amount for General County, Library, Medical Care Facility, Sheriff's Department, and Road Commission. Level percent-of-payroll for DWS and BABH. |
| Open/Closed Plan | General County, Medical Care Facility [^] , Sheriff's Department, and Road Commission [^] are closed to new hires. DWS, Library and BABH are open. |
| Amortization Periods | 20 years closed for General County, DWS, Library, and Sheriff's Department. 18 years closed for Medical Care Facility. 16 years closed for BABH. 10 years closed for Road Commission. |
| Asset Valuation Method | Market value |
| Retirees and Beneficiaries Receiving Benefits | 682 |
| Deferred Vested Members | 0 |
| Active Plan Members | <u>1,052</u> |
| Total | 1,734 |
| Principal Actuarial Assumptions: | |
| Net Investment Return | 7.00% |
| Projected Salary Increases | 3.25% pay inflation plus merit and longevity |

[^] Members hired after the reported closure dates continue to be eligible for life insurance benefits.

Actuarially Determined Contributions (ADC) Years Ending December 31, 2022 and December 31, 2023

| ADC for the Year Ending | General County | DWS | Library | BMCF | Sheriff's Dept. | Road Comm. | Total | BABH |
|----------------------------|-------------------|----------------|-----------------|------------------|--------------------|------------------|------------------|--------------------|
| December 31, 2022 | | | | | | | | |
| Normal Cost \$ | \$ 481,467 | \$240,971 | \$60,455 | \$ 216,814 | \$ 142,210 | \$ 331,700 | \$ 1,473,617 | \$ 203,635 |
| UAL Contribution \$ | <u>1,281,205</u> | <u>178,090</u> | <u>(84,940)</u> | <u>1,703,376</u> | <u>416,156</u> | <u>2,604,527</u> | <u>6,098,414</u> | <u>(1,169,174)</u> |
| Total ADC \$ | 1,762,672 | 419,061 | 0 | 1,920,190 | 558,366 | 2,936,227 | 7,596,516 | 0 |
| December 31, 2023 | | | | | | | | |
| Total ADC \$ | 1,720,420 | 432,680 | 0 | 1,903,381 | 549,944 | 2,928,053 | 7,534,478 | 0 |

| Funded Status | General County | DWS | Library | BMCF | Sheriff's Dept. | Road Comm. | Total | BABH |
|------------------------------------|-------------------|--------|---------|---------|--------------------|---------------|---------|---------|
| AAL#* | \$28.05 | \$9.12 | \$1.73 | \$29.15 | \$9.01 | \$18.64 | \$95.69 | \$ 7.83 |
| Applied Assets * (Market Value) | 15.78 | 6.93 | 2.54 | 13.67 | 5.02 | 2.11 | 46.05 | 20.08 |
| % Funded | 56.3% | 76.0% | 147.1% | 46.9% | 55.8% | 11.3% | 48.1% | 256.5% |

Actuarial Accrued Liabilities
* \$ Millions

Actuary's Opinion

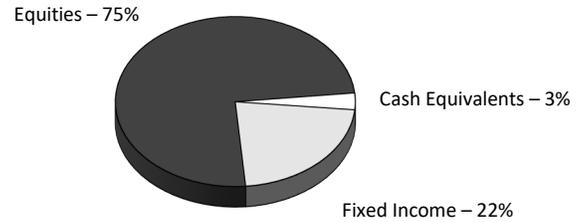
It is the actuary's opinion that the contribution amounts recommended in the most recent actuarial report are sufficient to meet the System's financial objective, assuming the employer contributes those amounts to the VEBA. Gabriel, Roeder, Smith & Company is not responsible for any contributions not made to the VEBA. The funding of the VEBA is the responsibility of the employers.

Summary Financial Information

Revenues & Expenditures

| | <u>2019</u> |
|------------------------------------------|---------------------|
| Market Value - January 1 | \$53,116,701 |
| Revenues | |
| Member contributions | 0 |
| Employer contributions | 2,054,896 |
| Investment income | 11,050,439 |
| Miscellaneous income | <u>0</u> |
| Total | 13,105,335 |
| Expenditures | |
| Health care benefits | 0 |
| Refund of member contributions | 0 |
| Administrative expenses | 86,457 |
| Professional training/education expenses | 0 |
| Travel expenses | 0 |
| Investment expenses | <u>0</u> |
| Total | 86,457 |
| Audit Adjustment | 0 |
| Market Value - December 31 | <u>\$66,135,579</u> |

Investments (Market Value)



The market rate of return on Plan assets net of expenses for the year ended December 31, 2019 was 20.89%.

Average Annual Market Rate of Return

Period Ending December 31, 2019

| | |
|---------|--------|
| 1-Year | 20.89% |
| 3-Year | 9.36% |
| 5-Year | 7.39% |
| 7-Year | 9.14% |
| 10-Year | 8.23% |

Projected Expenses for the Next Fiscal Year

| | |
|---------------------------------|-----------|
| Administrative | \$ 22,683 |
| Professional Training/Education | 0 |
| Travel | 0 |
| Investment | 176,000 |
| Professional | 70,000 |

Brief Summary of Primary Benefit Provisions

(Please refer to the Retiree Health Care Plan Document for a complete description)

| Employee Group | Retiree Health Normal/Early Retirement Eligibility | Benefit Provisions ^{8&9} |
|---------------------------------------------------------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| General County[~] Dispatchers | (b) [*] or (c) or (f) [*] or (g) or (h) | Health Including Rx: County pays retiree and spouse coverage depending on years of service at retirement [^] . Dental/Vision: No |
| Nurses | (b) [#] or (f) [#] | |
| Circuit Court G.E.L.C. | (b) [@] or (f) [@] | |
| Probate Court USWA | (a) or (e) | |
| Remaining General Groups | (b) [*] or (f) [*] | |
| Road Commission^{***} | (j) | Health Including Rx: Effective 1/1/2016 retiree contributions towards coverage will be the same as active member contributions. At Medicare eligibility, the retiree and/or spouse will be moved to Medicare Advantage or equivalent with no cost. Dental/Vision: Yes |
| Sheriff's Department⁺ Road Patrol | (b) [*] or (f) [*] or (g) | Health Including Rx: Sheriff's Department pays retiree and spouse coverage depending on years of service at retirement [^] . Dental/Vision: No |
| Road Patrol Supervisory Unit | (b) [@] or (f) [@] or (g) | |
| Correction Facility Officers | (b) [*] or (f) [*] or (g) | |
| BABH | (d) or (e) or (i) | Health Including Rx: BABH pays retiree and spouse coverage depending on years of service at retirement [^] . Dental/Vision: BABH provides for retirees with at least 20 years of service. Spousal coverage depends on the years of service at retirement [^] . |
| Medical Care Facility Members Hired Before April 19, 2007 | (a) or (e) or (h) | Health Including Rx: MCF pays full cost of retiree and spouse coverage if retired before 1/15/2010. If retired after 1/15/2010 MCF pays a portion of the cost of retiree and spouse coverage [%] . Dental/Vision: MCF pays full cost of retiree and, spouse coverage if retired between 1/1/2001 and 1/15/2010. If retired after 1/15/2010 MCF pays a portion of the cost of retiree and spouse coverage [%] . |
| Members Hired Between April 19, 2007 and January 15, 2010 | (c) or (h) | |
| Members Hired After January 15, 2010 | Not eligible for health insurance, but continue to be eligible for life insurance | |
| DWS | (b) [!] or (f) [!] or (h) | Health Including Rx: DWS pays retiree and spouse coverage depending on Hourly vs. Salary and years of service at retirement [^] . Dental/Vision: Hourly-Retirees can opt to pay for coverage. Salary-DWS pays retiree and spouse coverage depending on years of service at retirement [^] . |
| Library | (d) or (f) ^{**} | Health Including Rx: Library pays 50% of retiree premium if retired on or after age 55 with 30+ years of service. Library pays 50% of retiree premium if retired after age 60 but before age 65. If retired after age 65, Library pays 100% of premium. Dental/Vision: No |

- (a) Age 55 with 8 yrs of service
- (b) Age 55 with 8/10 yrs of service
- (c) Age 55 with 25 yrs of service
- (d) Age 55 with 30 yrs of service
- (e) Age 60 with 8 yrs of service
- (f) Age 60 with 8/10 yrs of service
- (g) 25 yrs of service regardless of age
- (h) 30 yrs of service regardless of age
- (i) Age 62 with 10 yrs of service
- (j) 15 years of service regardless of age

- @ 10 years of service for members hired after 1/1/2006.
- * 10 years of service for members hired after 1/1/2007.
- # 10 years of service for members hired after 1/1/2012.
- ! 10 years of service for members hired after 7/1/2008.
- ** 10 years of service for members hired after 3/1/2008.
- ^ Please refer to respective collective bargaining agreements to find the eligibility/vesting schedule.
- & Life Insurance benefits are offered to some employee groups. Life insurance amounts vary by group and date of retirement.
- % Please refer to the collective bargaining agreement to find information regarding the application of an employee cost share for retirements after 1/15/2010.
- \$ Please refer to respective collective bargaining agreements to find more information regarding benefit eligibility under other forms of retirement.
- + Employees hired after 1/1/2012 are not eligible for health care in retirement.
- *** Employees hired after 1/1/2016 are not eligible for health care in retirement., but continue to be eligible for life insurance.
- ~ Employees hired after 1/1/2020 are not eligible for life insurance.