



nyhart

January 24, 2017

MANAGEMENT SUMMARY

City of Dover, Delaware

Retiree Health Benefits



Certification

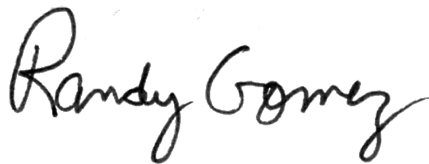
This report was prepared for the City of Dover to summarize the results of the GASB 45 accounting reports as of June 30, 2016, and may not be appropriate for other uses. Please contact Nyhart prior to disclosing this report to any other party or relying on its content for any purpose other than the intended use.

Accounting results are based on the same data, assumptions, methods and plan provisions as described in the 6/30/2015 GASB 45 report prepared by the City's prior actuary except as noted in the Nyhart 6/30/2016 GASB 45 report and further described in this report.

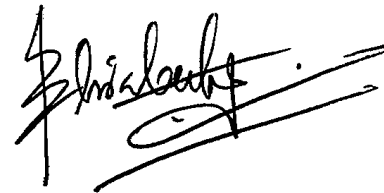
The discount rate and other economic assumptions have been selected by the Plan Sponsor. To our knowledge, there have been no significant events prior to the current year's measurement date or as of the date of this report that could materially affect the results contained herein.

This report has been prepared in accordance with generally accepted actuarial principles and practice. Neither Nyhart nor any of its employees has any relationship with the plan or its sponsor that could impair or appear to impair the objectivity of this report.

The undersigned are compliant with the continuing education requirements of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States.



Randy Gomez, FSA, FCA, MAAA



Evi Laksana, ASA, MAAA

A lot of changes



New actuary



Interim valuation changes and results



Fresh look at where things are and where they are going

Transition to Nyhart



Key Figures

Measurements as of 7/1/2014	Prior Actuary 6/30/2015 Full Valuation	Nyhart 6/30/2016 Limited Update	Difference
Actuarial Accrued Liability	\$51,224,524	\$66,600,509	\$15,373,985
Actuarial Value of Assets	(\$18,752,196)	(\$22,448,290)	\$3,696,094
Funded Ratio	36.6%	33.7%	(2.9%)
Actuarially Required Contribution	\$3,809,600	\$5,125,687	\$1,316,087

- For the transition from the prior actuary, Nyhart reviewed data, plan provisions, & assumptions summarized by the prior actuary in the 7/1/2014 valuation report.
- Significant change made by Nyhart was to include the value of implicit subsidy for pre-Medicare benefits required by actuarial standards of practice.
- Healthcare trend rates were modified to reflect actual plan experience from 7/1/2014 to 7/1/2015.

Liability Increase Sources



Key Factors

	Actuarial Accrued Liability Impact	Description
Impact of Premium Rate Experience	+\$4,083,000	Based on actual premium rate increases from 2014/15 to 2016/17
Impact of Implicit Subsidy	+\$8,823,000	Required by Actuarial Standards of Practice (ASOP) #6
Net Impact	+\$12,906,000	

ACTUARY'S COMMENT

The City is a participating entity in the State of Delaware community-rated health plans. Active and pre-Medicare retiree experience is blended together for these plans and premium rates do not vary by age. This triggers the application of ASOP #6 in the valuation.

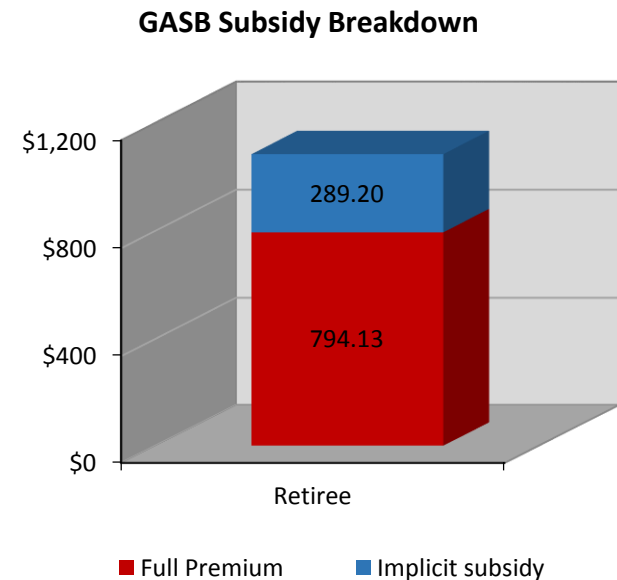
Premium rates on average increased close to 25% since the prior valuation. The rate of increase was greater than expected based on the trend assumption from the prior actuary's report.

Subsidy Illustration



Implicit Subsidy

PPO	Per Capita Cost (A)	Premium Rate (B)	Implicit Subsidy (C) = (A) - (B)
Retiree Only Coverage	\$1,083.33	\$794.13	\$289.20



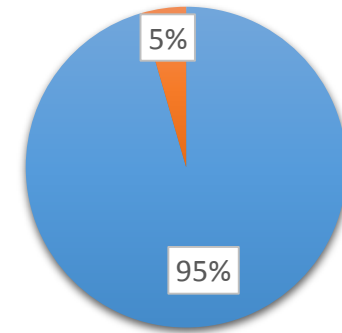
- Example of a retiree, age 60, on the Comprehensive PPO plan.
- Per Capita Costs represent estimated cost of coverage for a retiree age 60. Implicit Subsidy is the additional employer liability when the inherently higher health care cost for retired employees is not directly reflected in the determination of the premium rates.
- Actuarial Standards of Practice (ASOP) 6 state an implicit subsidy exists for health plans that comingle claims experience of active employees and retirees in setting of a blended premium rate for all plan participants.

OPEB Trust Assets

Trust Summary

Market Value Summary	6/30/2015	6/30/2016
Net OPEB Assets	\$22,448,290	\$24,043,162
% Mutual Funds	97.6%	95.5%
% Cash/Equivalents	2.4%	4.5%
Asset Rate of Return	2.5%	2.1%

**Asset Breakdown
June 30, 2016**



■ Mutual Funds ■ Cash/Cash Equivalents

ACTUARY'S COMMENT

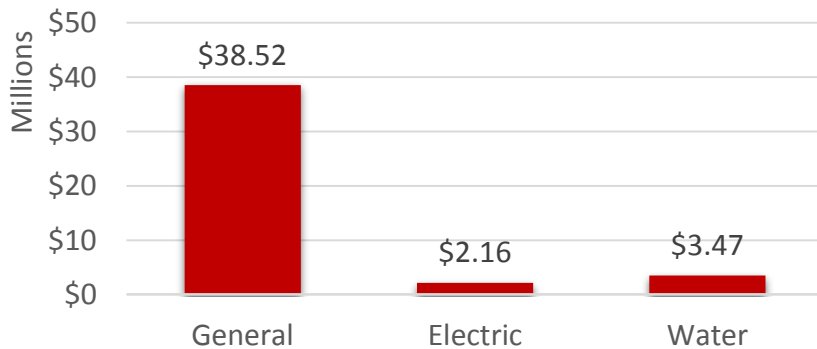
Trust asset return for FY 2016 was 2.1% versus expected 6.5% (net of trust expenses). Consistent underperformance of trust investments over an extended period of time can cause under funding of future retiree health benefits. Nyhart recommends an experience study using forward looking simulations be completed prior to GASB 74/75 implementation.



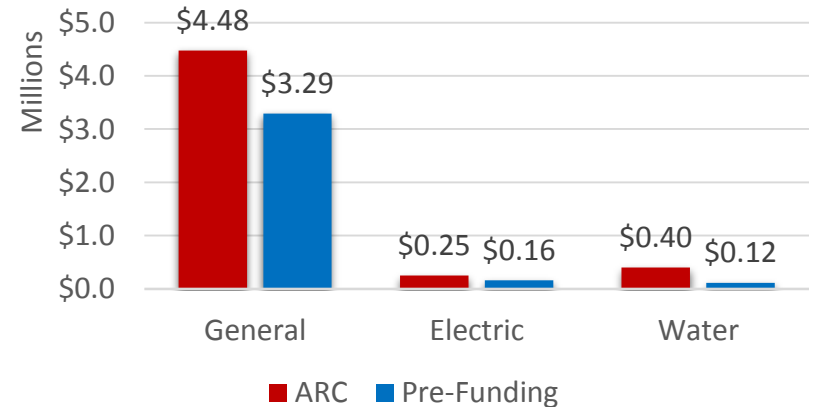
GASB 45 Accounting Results by Group

Group	General	Water	Electric
Actuarial Accrued Liability	\$50,159,093	\$3,990,734	\$12,450,682
Actuarial Value of Assets	(\$11,635,925)	(\$1,830,545)	(\$8,981,820)
Unfunded Actuarial Accrued Liability	\$38,523,168	\$2,160,189	\$3,468,862
Annual Required Contribution	\$4,476,281	\$248,111	\$401,2955
Employer Contribution for Pre-Funding	\$3,295,855	\$300,009	\$1,709,143
Benefit Payments	(\$1,419,406)	(\$165,748)	(\$539,435)

Unfunded Liability as of 6/30/2016



Annual Required Contribution and Funding as of 6/30/2016



Looking ahead



Full Actuarial Update for FY 2016/17



Review of Assumptions and GASB 74/75 Implementation



Long-term Projections and Planning