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County Executive Warren Evans “Recovery Plan” reduces retiree health care liability by \$850M

Independent Actuaries verify 64% reduction in report to County’s Chief Financial Officer

Health care liabilities were expected to spike to \$1.8 billion in 2015 without restructuring

DETROIT, FEBRUARY 2, 2016 – As part of the comprehensive “Recovery Plan” to stabilize Wayne County finances and eliminate deficits, County Executive Warren C. Evans’ administration dramatically reduced its total retiree health care liability by 64% from \$1.325 billion in 2014 to just \$471 million in 2015. Retiree health care liabilities were expected to spike in 2015 to \$1.8 billion, if no remedial measures were taken.

The Actuarial Valuation completed by Nyhart Actuary & Employment Benefits was completed in accordance with the [Governmental Accounting Standards Board Statement No. 45](#) (GASB 45) which “establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.”

“The restructuring of County retiree healthcare was the single largest contributor to restoring solvency,” said County Executive Evans. “The report demonstrates how critical this restructuring was to stabilizing County finances. We are now able to devote more resources to services for our residents while, at the same time, ensuring retirees have access to affordable health care.”

Wayne County was able to achieve more than \$850 million in savings by changing some retirees to more cost-effective health plans and providing others with need-based stipends to purchase their own insurance.

(Results are shown in thousands)

	FY 2013/14 ¹			FY 2014/15		
	MHA	County	Total	MHA	County	Total
AAAs of beginning of year	\$ 8,075	\$ 1,325,669	\$ 1,333,744	\$ 5,432	\$ 471,224	\$ 476,656
Normal cost as of beginning of year	0	23,662	23,662	0	1,680	1,680
Expected benefit payments during the year	(303)	(34,891)	(35,194)	(201)	(16,185)	(16,386)
Interest adjustment to end of year	317	5,322	5,359	213	18,596	18,809
Expected AAL as of end of year	\$ 8,089	\$ 1,367,722	\$ 1,375,811	\$ 5,444	\$ 475,315	\$ 480,759
Actuarial (gain) / loss due to experience	6,270	463,529	469,799	0	0	0
Preliminary AAAs of end of year reflecting actual experience	\$ 14,359	\$ 1,831,251	\$ 1,845,610	\$ 5,444	\$ 475,315	\$ 480,759
Actuarial (gain) / loss due to plan provisions	(9,346)	(1,416,179)	(1,425,525)	0	0	0
Actuarial (gain) / loss due to assumption changes	419	5,615	5,657	0	0	0
Actual AAAs of end of year	\$ 5,432	\$ 471,224	\$ 476,656	\$ 5,444	\$ 475,315	\$ 480,759

Furthermore, the actuarial report projects only manageable increases in retiree health care costs over the next decade.

“The savings here are real and long-term,” said County Executive Evans. “We are not kicking the can down the road or resorting to balance sheet gimmicks. This restructuring of retiree health care costs will play a significant role to ensure Wayne County’s fiscal health for years to come.”

Since taking office last year, CEO Evans has made fiscal responsibility a priority. In further implementations of the “Recovery Plan” the Evans’ administration eliminated Wayne County’s \$82.2 million accumulated deficit and reduced the County’s structural deficit by 93% from \$53.4 million to just \$3.7 million in 2015.

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