

Bay County Voluntary Employees' Beneficiary Association (VEBA)

SUMMARY ANNUAL REPORT TO MEMBERS DECEMBER 31, 2015

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 – Chairman
- Richard Brzezinski – Vice Chairman
- Kristal Gonzales
- Richard Gromaski
- Thomas Herek
- Jon Morse
- Matthew Pett
- Thomas Ryder
- Thomas Starkweather
- Jan Histed - Secretary

Plan Administrator

- Katie Meeth

Auditors/Accountants

- Rehmann

Actuaries and Consultants

- Gabriel Roeder Smith & Company

Legal Counsel

- Shawna Walraven

Custodial Bank

- Northern Trust

Investment Consultant

- AndCo

Investment Managers

- C.S. McKee L.P.
- Dodge & Cox
- 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 biennial 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, 2015 valuation regarding active and retired employees, based on the established funding objective, are summarized below:

Valuation Date	December 31, 2015
Actuarial Cost Method	Individual Entry Age Normal Cost
Amortization Method	Level dollar amount for General County, Library, Sheriff's Department, and BMCF. Level percent-of-payroll for DWS, BABH, and Road Commission.
Open/Closed Plan	General County, Library, Sheriff's Department, and BMCF are closed to new hires. All other groups are open.
Amortization Periods	26 years closed for General County, Library, Sheriff's Department, and DWS. 24 years closed for BMCF. 22 years closed for BABH. 16 years closed for Road Commission.
Asset Valuation Method	Market value
Retirees and Beneficiaries Receiving Benefits	599
Deferred Vested Members	0
Active Plan Members	943
Total	1,542
Principal Actuarial Assumptions:	
Net Investment Return	5.00% for all groups except BABH which uses 7.50%
Projected Salary Increases	3.5% pay inflation plus merit and longevity

Annual Required Contributions (ARC) Fiscal Years Beginning January 1, 2016 and January 1, 2017

ARC For Fiscal Year	General County	DWS	Library	BMCF	Sheriff's Dept.	Road Comm.	Total	BABH
January 1, 2016								
Normal Cost \$	\$1,276,222	\$259,505	\$124,756	\$ 667,479	\$ 406,128	\$ 606,251	\$ 3,340,341	\$ 186,490
UAL Contribution \$	2,969,433	390,293	187,738	2,802,460	800,139	2,120,070	9,270,133	(401,914)
Total ARC \$	4,245,655	649,798	312,494	3,469,939	1,206,267	2,726,321	12,610,474	0
January 1, 2017								
Total ARC \$	4,164,943	672,541	306,893	3,425,283	1,191,107	2,821,742	12,582,509	0

Funded Status	General County	DWS	Library	BMCF	Sheriff's Dept.	Road Comm.	Total	BABH
AAL#*	\$53.13	\$12.87	\$4.40	\$48.23	\$14.76	\$30.69	\$164.08	\$ 8.50
Applied assets * (smoothed market value)	9.38	4.55	1.64	8.60	2.98	0.90	28.05	14.40
%funded	17.7%	35.3%	37.2%	17.8%	20.2%	2.9%	17.1%	169.3%
# 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

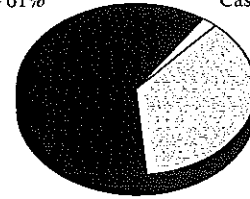
Revenues & Expenditures

Investments (Market Value)

	<u>2015</u>
Market Value - January 1	\$42,126,643
Revenues	
Member contributions	0
Employer contributions	337,562
Investment income	181,543
Miscellaneous income	<u>0</u>
Total	519,105
Expenditures	
Health care benefits	0
Refund of member contributions	0
Administrative expenses	198,243
Professional training/education expenses	0
Travel expenses	0
Investment expenses	<u>0</u>
Total	198,243
Market Value - December 31	<u>\$42,447,505</u>

Equities - 61%

Cash Equivalents - 2%



Fixed Income - 37%

The market rate of return on Plan assets net of expenses for the year ended December 31, 2015 was 0.43%.

Average Annual Market Rate of Return Period Ending December 31, 2015

1-Year	0.40%
3-Year	9.03%
5-Year	7.18%
7-Year	10.09%
10-Year	4.37%

Projected Expenses for the Next Fiscal Year

Administrative	\$ 21,735
Professional Training/Education	0
Travel	0
Investment	190,000
Professional	39,300

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 ^{&§}
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 [^] .
Nurses	(b) [#] or (f) [#]	Dental/Vision: No
Circuit Court G.E.L.C.	(b) [@] or (f) [@]	
Probate Court USWA	(a) or (e)	
Remaining General Groups	(b) [†] or (f) [†]	
ROAD COMMISSION	(b) [†] or (f) [†] or (h)	Health Including Rx: Road Commission pays retiree and spouse coverage depending on years of service at retirement [^] . 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 [§] . The retiree share of the premium is either 10% or 20% (based on hours worked). Dental/Vision: MCF pays full cost of retiree and, spouse coverage if retired after 1/1/2001. If retired after 1/15/2010 MCF pays a portion of the cost of retiree and spouse coverage [§] . The retiree share of the premium is either 10% or 20% (based on hours worked).
Members Hired After April 19, 2007	(c) or (h)	
Members Hired After January 15, 2010	Not eligible for health insurance	
DWS	(b) [†] or (f) [†] of (h)	Health Including Rx: DWS pays retiree and spouse coverage depending on 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	(b) ^{**} 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. Retiree may purchase spousal and/or dependent coverage. 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

- @ 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 3/1/2007.
- ! 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 1/15/10.
- § 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.