



July 21, 2017

Dear Retiree:

Effective October 1, 2017 the stipend that is received from the Medicare Supplemental Trust Fund for IAFF retirees will be **reduced** from **\$140** per month to **\$115** per month and the surviving spouse benefit will be reduced from **\$70** per month to **\$57.50** per month.

The IAFF/City of Grand Rapids Trustees would like to take this time to explain the reasoning behind the reduction of the stipend amount.

- The financial sustainability of the Trust Fund is a primary reason for the reduction. Ideally, the Fund's outflows should approximately match the Fund's inflows. Preserving the principal assets and growth for long term use are the primary objectives of the Fund.
- Financial contributions to the Fund are based on a percentage (%) of employee payroll; this % has gone down as the number of employees has been reduced over the years.
- The number of recipients will continue to grow rapidly over the next 5 years based on the IAFF age demographics.
- The investment returns of the Fund have done very well and have had healthy earnings however, the above financial demands given the number of retirees have outpaced the financial returns to cover the unit.
- The reduction is consistent with other financial advice received from the actuarial study for the Fund.

The Medicare Supplemental Trust Fund Committee is required to do their fiduciary responsibility in making sure that this Fund remains sustainable for the current and future Medicare eligible retirees.

Any questions regarding this notification can be directed to the City of Grand Rapids at (616) 456-3300.

Sincerely,

A handwritten signature in blue ink that reads "Mari Beth Jelks". The signature is written in a cursive, flowing style.

Mari Beth Jelks
Managing Director of Administrative Services

MBJ/lkr

Copy: IAFF