AQUARIUS
CAPITAL

CITY OF GARDEN CITY

OTHER POSTEMPLOYMENT BENEFITS (OPEB)
REPORTING IN ACCORDANCE WITH GASB 74/75
FISCAL YEAR
JULY 1, 2018 TO JUNE 30, 2019

Prepared by: AQUARIUS CAPITAL SOLUTIONS GROUP LLC
Original Issue Date: September 4, 2019
Revised Issue Date: October 21, 2019

October 21, 2019

Mr. Brian J. Marciniak, CPA
Deputy Treasurer
City of Garden City
6000 Middlebelt Road
Garden City, MI 48135-2499

Re: Report - GASB 74/75 Valuation for Fiscal Year July 1, 2018 to June 30, 2019

Dear Mr. Marciniak:

Enclosed is a revised analysis of estimated costs for other postemployment benefits (OPEB) under Government Accounting Standards Board (GASB) No. 74/75 for the City of Garden City (the "City"). This reflects an update in the number of excluded lives to include Court employees hired after 2009. The valuation was done for fiscal year July 1, 2018 to June 30, 2019 for the City. The attached report was completed in accordance with generally accepted actuarial principles and practices.

The calculations contained herein are done for the sole purpose of reporting GASB 75 results for the audited financial statements. Fiscal year July 1, 2018 to June 30, 2019 is the second year under GASB 75 reporting for the City, with July 1, 2017 to June 30, 2018 being the first year of implementation for GASB 75. Our organization was the consulting actuary for the City for the prior year's report.

Financial Results

Included in the analysis is a Table of Contents. Sections I-II of the report, which is five pages, includes the financial forecast for GASB 75 for the City. The Net OPEB Liability as of year-end June 30, 2019 is $135.604 million, which is based on the projected pay-as-you-go results for fiscal year July 1, 2018 to June 30, 2019.

Pages 1-4 of the report illustrate the financial projections for the plan as of year-end June 30, 2019 to assist your auditors with accounting for the respective plan year. Although the auditors may only require pages 1-4, we recommend forwarding the report in its entirety. The remainder of the report will include additional documentation and disclosures.

Results for this valuation are based on census information provided by your organization in August 2019. This is based on a total of 331 active employees and retirees, reflecting the sum of 112 active employees and 219 retirees. The active counts include 20 employees that opted out of medical as actives but are assumed to elect coverage in retirement.

A total of fifty-nine (59) employees were included in the census file that would not be eligible for OPEB benefits in retirement due to the eligibility formula provided by the City. *These 59 individuals, which include 7 Court employees hired after 2009, are included in the active employee counts but assumed to not have a liability for valuation purposes.*

Covered Benefits and Claim Cost Assumptions

Medical, including prescription drugs, is provided on a fully insured basis with Blue Cross/Blue Shield of Michigan. Life insurance is provided on a fully insured basis for certain groups with a $5,000 face (benefit) amount. Coverage for dental, vision and reimbursements for Medicare Part B and D premium rates are not subsidized or provided by the City.

For detailed and accurate description of benefits, we recommend that you review the City's plan documents for determining benefits, eligibility, etc. Summaries in this report are illustrative and solely to assist the reviewer to understand the types of benefits that were valued and reflected in this report. These summaries should not be used for any other purposes. Employee contracts and collective bargaining agreements specific to retiree benefits were not reviewed. Results based on information as provided by the City.

Base medical, including pharmacy, plan costs for pre-65 and post-65 retirees are based on fully insured premium rates provided by the City and modified to reflect a weighted average enrollment based on premium rates provided for each of the medical plan options available to employees. These are illustrated on page 12 of this report. Plan costs are based 100% before retiree contributions and assumed to include all administrative expenses and PPACA fees due at this time.

Sensitivity Analysis

Section I (page 3) of the report includes a sensitivity analysis as of fiscal year-end June 30, 2019 based on varying the discount interest rate and the healthcare cost inflation rate (trend) for GASB 74/75. We illustrate two scenarios for each variable of discount rate and trend rate as prescribed under GASB 74/75. The discount rate used was 3.1%, which is consistent with discount rates in the market today and consistent with the prescribed discount rate under GASB 74/75. The prior valuation discount rate was 3.5%. Details of the discount rate assumption are described further in the report in Section IV, page 11.

Overview of Deferred Inflows and Outflows (Actuarial Gain/Loss)

Fiscal year July 1, 2018 to June 30, 2019 is the second year under GASB 75 reporting for the City, with July 1, 2017 to June 30, 2018 being the first year of implementation for GASB 75. As such, deferred inflows and outflows are calculated along with the amortization of those inflows/outflows and are illustrated in page 5 of the report.

The actuarial loss was approximately $4.8 million when comparing results from the prior year’s reporting as of June 30, 2018 to the current valuation of July 1, 2018. This was primarily driven by the increase in liability due to a reduction in discount rate from 3.5% to 3.1%. This liability increase is partially offset by changes in demographics (e.g., employee counts, etc.) and assumptions (e.g., plan costs, etc.) since the prior valuation. This includes the exclusion of the 7 Court employees hired after 2009.

The amortization of the deferred outflows for the current year is approximately $0.5 million with approximately $4.3 million balance for the deferred outflows as of June 30, 2019. Since benefits are not funded, the deferred inflow balance and amortization is zero. See page 5 of the report for details.

Demographic Information

Section III of the report illustrates additional information pertaining to the underlying census information including age and sex analysis for active and retired employees along with summaries of the active population by age and years of service. Census analysis is illustrated separately for actives and retirees. As part of the report, we also included a comparison of census demographic information to the prior valuation report of July 1, 2016. This is highlighted on pages 8 through 10 of the report.

Some highlights of census demographic information as of the July 1, 2018 valuation date are as follows:

- For retirees, the overall average age is 65.7 years, which reflects an average age of 56.3 for pre-65 retirees and 72.3 for post-65 retirees.
- For actives, the average age is 40.5 years and average years of service of 9.7.
- Of the active population, 6.3% of the population (7 employees) is eligible to retire. These counts include 52 employees that were hired after specified dates, so these individuals are not eligible for OPEB benefits in retirement.
- 23.2% actives and 28.8% retirees valued were female.
- 34.8% actives and 41.6% retirees elect single coverage. Retirees including surviving spouses and certain separately reported dependents, so the single participation percentage is illustrated with a higher percentage as compared to the prior valuation.

Assumptions & Definitions

As part of this report, we include supporting documentation such as a summary of assumptions and key definitions (glossary), which are provided in Sections IV through VI. This includes assumptions for health care costs, contribution rates, healthcare inflation, decrement tables (e.g., probability of death, turnover, disability, and retirement) and other provisions. The GASB 74/75 results on pages 1-5 are based on the assumptions and cost methods as prescribed under GASB 74/75 (e.g., discount rate, aging requirements, actuarial cost method under Entry Age Normal, etc.)

The mortality table used for the current valuation was the RP 2014 Healthy Male and Female Tables based on the Combined Healthy Table for both pre and post-retirement with mortality improvement. Other decrement tables for turnover, disability and retirement are illustrated in the report. See pages 11-15 for details on assumptions and definitions.

Healthcare Reform

The Patient Protection and Affordable Care Act (PPACA) enacted in March 2010 (Healthcare Reform) includes several fees and/or taxes levied on employer groups either directly (e.g., self-funded employer groups which calculates and pays the fees directly) or indirectly (e.g., fully insured groups in which the health insurer pays and passes on to the group in their premium rates). Consistent with the prior valuation, fees associated with PPACA are reflected in the valuation and described in more detail on page 12 of the report.

Information Reviewed

We based our analysis on reviewing electronic census information provided in August 2019 (record-by-record review), retiree plan information, cost information (e.g., premium rates), year-end audited financial statements as of June 30, 2018, and other summary information of retiree benefits and eligibility.

We also gathered additional information from the City through emails and other correspondence to confirm retiree benefit information, census confirmations, and assumptions. Salary information was also incorporated into the valuation to reflect the prescribed actuarial cost method for GASB 75.

The projected Net OPEB Liability as of June 30, 2019 reflects the projected pay-as-you-go results for fiscal year July 1, 2018 to June 30, 2019.

Data Reliance & Limitations

In our review, we have relied on the information provided by the City. We have not audited or verified the accuracy of the information provided. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

This report and all attachments contained herein are for the internal use of the City. It may not be provided to other parties without prior consent. If consent is granted, the report must be provided in its entirety. We understand the City intends to distribute this letter and attachments to its auditor in connection with the reporting of results of this report for the sole use of preparation of audited financial statements. Aquarius consents to this distribution as long as the report is provided in its entirety and the auditor is advised to have an actuary review the work.

This report is provided to the City for the purpose of calculating results under GASB 75. Information in this report may not be appropriate to use for other purposes. Aquarius does not intend to benefit from the overall results of the report, and we assume no duty, liability or obligation to parties that use this work for other reasons other than its intention, *i.e.*, reporting of GASB 75 for financial statements.

Furthermore, our understanding is that the City does not maintain assets in a separate irrevocable OPEB trust, so no disclosure reporting would be required under GASB 74. If the City elects to set up an OPEB trust and contribute assets towards the plan, then please let us know so that we can reflect accordingly, including providing any additional disclosures that may be required under GASB 74.

Actuarial Opinion

I, Michael L. Frank, ASA, FCA, MAAA, am President and Actuary of Aquarius Capital Solutions Group LLC. I am an Associate of the Society of Actuaries, Fellow of Conference of Consulting Actuaries, and Member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

The attached report was completed in accordance with generally accepted actuarial principles and practices.

Independence Certification

Our organization and its employees are independent of the City and do not have any conflicts of interest as it relates to the services performed on behalf of the City in the preparation of this report.

We hope that this report is beneficial. When convenient, please contact me so that we can schedule a call or meeting to review the report in more detail. We are available to walk through the report with your auditors as well to assist with the implementation of GASB 74/75 reporting for the current fiscal year.

In addition, please extend thanks to you and your team for assistance in the gathering of information to help us complete this analysis. Their assistance was much appreciated. We look forward to working with you in the future.

Sincerely,

Michael L. Frank, A.S.A., M.A.A.A., F.C.A.
President & Actuary
American Academy of Actuaries ID No. 21342

cc: Donald Rusconi – Aquarius Capital

Enclosure

CITY OF GARDEN CITY

GASB NO. 75

VALUATION AS OF JULY 1, 2018

Prepared by: Aquarius Capital Solutions Group LLC
Original Issue Date: September 4, 2019
Revised Issue Date: October 21, 2019

TABLE OF CONTENTS

SECTION I: GASB NO. 75 REPORTING TO YEAR END JUNE 30, 2019 REPORTING

(First Year of Implementation of GASB No. 75 is Fiscal Year July 1, 2017 to June 30, 2018)

Section A: Reported OPEB Liability as of Year End June 30, 2019

1	Discount Rate		3.10%
2	Present Value of Future Benefits as of Year End June 30, 2019	$	146,992,375
3	OPEB Liability as of Year End June 30, 2019	$	135,604,252
4	Plan Fiduciary Net Position as of Year End June 30, 2019	$	-
5	Net OPEB Liability as of Year End June 30, 2019: (3) - (4)	$	135,604,252
6	Plan Fiduciary Net Position as a Percentage of OPEB Liability: (4) / (3)		0.00%
7	Total Annual Salary (Compensation) based on Valuation Census, excluding ineligible participants for retiree benefits	$	4,127,872
8	Net OPEB Liability as a Percentage of Annual Salary: (5) / (7)		3285.09%
9	Total Employee Census Counts for Valuation		
	a. Active Employees (including fifty-two ineligible participants)		112
	b. Retired Employees (includes surviving dependents and some separately reported spouses)		219
	c. Subtotal: (8a) + (8b)		331

Section B: Projected Expense Calculation as of Year End June 30, 2019

1	Service Cost with Interest to Year End - Period July 1, 2018 to June 30, 2019	$	624,759
2	Interest Cost - Period July 1, 2018 to June 30, 2019		
	a. Discount Rate based on prior year end discount percentage: (1)		3.50%
	b. OPEB Liability as of the Prior Year End June 30, 2018 Reporting: Page 2, Line 1	$	128,958,128
	c. Actual Benefit Payments - Illustrated as Project for Period July 1, 2018 to June 30, 2019	$	3,270,533
	d. Interest Cost (excluding interest on service cost): (2a) x [(2b) - (2c) / 2]	$	4,456,300
3	Investment Return - Period July 1, 2018 to June 30, 2019	$	-
4	Employee Contributions - Period July 1, 2018 to June 30, 2019	$	-
	(Amount is illustrated as zero since employer contributions are illustrated net of employee contributions)		
5	Administrative Expenses	$	-
6	Plan Changes	$	-
7	Amortization of Unrecognized Amounts		
	a. Liability (Gain)/Loss: Page 5, Section III-B, Line 4a	$	537,289
	b. Asset (Gain)/Loss: Page 5, Section III-B, Line 4a	$	-
	c. Net (Gain)/Loss: (a) - (b)	$	537,289
8	Total Expense - Period July 1, 2018 to June 30, 2019	$	5,618,348

Notes:

a. This is the second year of implementation for GASB 75 and deferred outflows/inflows are illustrated on page 5.
b. Employee contributions are illustrated above as zero since benefit payments are illustrated net of employee contributions.
c. Section B, Line 2 interest cost calculation is based on prior year end liability and discount rate of 3.5%.

SECTION I: GASB NO. 75 REPORTING TO YEAR END JUNE 30, 2019 REPORTING (CONTINUED)
(First Year of Implementation of GASB No. 75 is Fiscal Year July 1, 2017 to June 30, 2018)

Section C: Reconciliation of Net OPEB Liability as of Year End June 30, 2019

		Total OPEB Liability		Plan Fiduciary Net Position		Net OPEB Liability
1 Balance Recognized as of Beginning of Year (End of Prior Year) (Prior Year End Audit Report and Actuarial Valuation)	$	128,958,128	$	-	$	128,958,128
2 Changes Recognized for Fiscal Year						
a. Service Cost (including interest): Section B, Line 1	$	624,759	$	-	$	624,759
b. Interest on Total OPEB Liability: Section B, Line 2d	$	4,456,300	$	-	$	4,456,300
c. Change in Benefit Terms: Section B, Line 6	$	-	$	-	$	-
d. Change in Expected to Actual	$	-	$	-	$	-
e. Changes in Assumptions	$	4,835,598	$	-	$	4,835,598
f. Benefit Payments: Section B, Line 2c	$	(3,270,533)	$	(3,270,533)	$	-
g. Contributions from Employer	$	-	$	3,270,533	$	(3,270,533)
h. Contributions from Employees	$	-	$	-	$	-
i. Net Investment Income	$	-	$	-	$	-
j. Administrative Expenses: Section B, Line 5	$	-	$	-	$	-
k. Net Changes: (a) + … + (j)	$	6,646,124	$	-	$	6,646,124
3 Balance Recognized as of End Year - June 30, 2019 (1) + (2k)	$	135,604,252	$	-	$	135,604,252

Notes:
a. This is the second year of implementation for GASB 75 and deferred outflows/inflows are illustrated on page 5.
b. Employee contributions are illustrated above as zero since benefit payments are illustrated net of employee contributions.

SECTION I: GASB NO. 75 REPORTING TO YEAR END JUNE 30, 2019 REPORTING (CONTINUED)

(First Year of Implementation of GASB No. 75 is Fiscal Year July 1, 2017 to June 30, 2018)

Section D: Discount (Interest) Rate Sensitivity as of Year End June 30, 2019

	Current Valuation Discount Rate 3.10%	Discount Rate Less 1% 2.10%	Discount Rate Plus 1% 4.10%
1 OPEB Liability as of Year End June 30, 2019			
a. OPEB Liability	$ 135,604,252	$ 165,171,508	$ 113,483,228
b. Ratio to Current Valuation Assumptions	n/a	121.80%	83.69%
2 Plan Fiduciary Net Position as of Year End June 30, 2019			
a. Plan Fiduciary Net Position	$ -	$ -	$ -
b. Ratio to Current Valuation Assumptions	n/a	n/a	n/a
3 Net OPEB Liability as of Year End June 30, 2019			
a. OPEB Liability: (1a) - (2a)	$ 135,604,252	$ 165,171,508	$ 113,483,228
b. Ratio to Current Valuation Assumptions	n/a	121.80%	83.69%

Note: Sensitivity analysis for discount (interest) rate is illustrated as of end of year.

Section E: Healthcare Cost Inflation (Trend) Rate Sensitivity as of Year End June 30, 2019

	Current Valuation Discount Rate	Trend Rate Less 1%	Trend Rate Plus 1%
1 OPEB Liability as of Year End June 30, 2019			
a. OPEB Liability	$ 135,604,252	$ 111,327,439	$ 169,513,166
b. Ratio to Current Valuation Assumptions	n/a	82.10%	125.01%
2 Plan Fiduciary Net Position as of Year End June 30, 2019			
a. Plan Fiduciary Net Position	$ -	$ -	$ -
b. Ratio to Current Valuation Assumptions	n/a	n/a	n/a
3 Net OPEB Liability as of Year End June 30, 2019			
a. OPEB Liability: (1a) - (2a)	$ 135,604,252	$ 111,327,439	$ 169,513,166
b. Ratio to Current Valuation Assumptions	n/a	82.10%	125.01%

Note: Sensitivity analysis for healthcare cost inflation (trend) rate is illustrated as of end of year.

SECTION II: ACTUARIALLY DETERMINED CONTRIBUTION

Summary of Financial Results as of July 1, 2018

1	Discount Rate for Current Period (See Page 1, Section I-A, Line 1 of Report)		3.10%
2	Net OPEB Liability Amortization Factor (PV 30 yrs at 3.1%, BOY)		19.9493
3	Net OPEB Liability as of July 1, 2018 (See Page 1, Section I-B, Line 2b of Report)	$	128,958,128
4	Service Cost with Interest - July 1, 2018 to June 30, 2019 (See Page 1, Section I-B, Line 1 of Report)	$	624,759
5	30 Year Amortization of Net OPEB Liability (3) / (2) * [1 + (1)]	$	6,664,686
6	Actuarially Determined Contribution (4) + (5)	$	7,289,445
7	Projected Pay-As-You-Go (See Page 1, Section I-B, Line 2c of Report)	$	3,270,533
8	Total Annual Payroll (See Page 1, Section I-A, Line 7 of Report)	$	4,127,872

SECTION III: SUMMARY OF DEFERRED INFLOWS & OUTFLOWS

Section A: Summary of Deferred Inflows & Outflows before Amortization

		Deferred Outflows	Deferred Inflows
1	Difference Between Actual and Expected Experience (Page 2, Line 2d)	$ -	$ -
2	Net Difference Between Expected and Actual Earnings on OPEB Investments	$ -	$ -
3	Impact due to Changes in Assumptions (Page 2, Line 2e)	$ 4,835,598	$ -
4	Subtotal: (1) + (2) + (3)	$ 4,835,598	$ -

Note: Line 3 above is primarily driven by the change in discount rate from the prior year calculation as prescribed under GASB 75.

Section B: Amortization of Deferred Inflows & Outflows as of Year End

1 Amortization of Difference Between Actual and Expected Experience

a. Difference Between Actual and Expected Experience	$ -	
b. Amortization Period in Years: Average Expected Future Working Lifetime	9	Years
c. Annual Amortization Payment for Current Period: (1a) / (1b)	$ -	
d. Remaining Balance as of the end of the Fiscal Year: (1a) - (1c)	$ -	
e. Prior Year Amortization Payment	$ -	
f. Total Amortization Payment for the Current and Prior Periods: (1c) + (1e)	$ -	

2 Amortization of Net Difference Between Expected and Actual Earnings on OPEB Investments

a. Difference Between Actual and Expected Experience	$ -	
b. Amortization Period in Years (Five Years)	5	Years
c. Annual Amortization Payment: (2a) / (2b)	$ -	
d. Remaining Balance as of the end of the Fiscal Year: (2a) - (2c)	$ -	
e. Prior Year Amortization Payment	$ -	
f. Total Amortization Payment for the Current and Prior Periods: (2c) + (2e)	$ -	

3 Amortization of Impact due to Changes in Assumptions

a. Impact due to Changes in Assumptions	$ 4,835,598	
b. Amortization Period in Years: Average Expected Future Working Lifetime	9	Years
c. Annual Amortization Payment: (3a) / (3b)	$ 537,289	
d. Remaining Balance as of the end of the Fiscal Year: (3a) - (3c)	$ 4,298,309	
e. Prior Year Amortization Payment	$ -	
f. Total Amortization Payment for the Current and Prior Periods: (3c) + (3e)	$ 537,289	

4 Amortization of Deferred Outflows & Inflows of Resources for Current Year

a. Amortization of Deferred Outflows of Resources: (1f) + (3f)	$ 537,289
b. Amortization of Deferred Inflows of Resources: (2f)	$ -

Note:
The prior valuation did not have any deferred outflows or inflows since a first time valuation under GASB75. As a result, lines 1e, 2e and 3e are zero.

SECTION IV - SUMMARY OF FINANCIAL INFORMATION INCLUDING SENSITIVITY ANALYSIS

Summary of Financial Results with Sensitivity Analysis (July 1, 2018 Valuation Date)	Base Scenario Val. Discount Rate of 3.10%	Sensitivity Analysis Val. Discount Rate of 4.10%	Sensitivity Analysis Val. Discount Rate of 2.10%	Healthcare Cost Trend Rate Assumptions Increased 1%	Healthcare Cost Trend Rate Assumptions Decreased 1%
1 Total Employee Lives					
a. Actives	112	112	112	112	112
b. Retirees	219	219	219	219	219
c. Subtotal	331	331	331	331	331
2 Present Value of Future Benefits (PVFB) as of July 1, 2018					
a. Actives	$ 35,414,879	$ 26,724,494	$ 47,767,422	$ 49,739,090	$ 25,636,425
b. Retirees	$ 110,379,109	$ 94,389,519	$ 130,936,477	$ 133,460,410	$ 93,530,980
c. Subtotal	$ 145,793,988	$ 121,114,013	$ 178,703,899	$ 183,199,500	$ 119,167,405
d. % Actives as ratio of Subtotal	24.3%	22.1%	26.7%	27.2%	21.5%
e. Sensitivity Analysis of Subtotal: Ratio to Base Scenario for PVFB		83.1%	122.6%	125.7%	81.7%
3 Accrued Liability (AL) as of July 1, 2018					
a. Actives	$ 23,763,199	$ 17,265,891	$ 33,434,863	$ 33,325,207	$ 17,232,341
b. Retirees	$ 110,379,109	$ 94,389,519	$ 130,936,477	$ 133,460,410	$ 93,530,980
c. Subtotal	$ 134,142,308	$ 111,655,410	$ 164,371,340	$ 166,785,617	$ 110,763,321
d. % Actives as ratio of Subtotal	17.7%	15.5%	20.3%	20.0%	15.6%
e. Sensitivity Analysis of Subtotal: Ratio to Base Scenario for AL		83.2%	122.5%	124.3%	82.6%
4 Assets as of July 1, 2018	$ -	$ -	$ -	$ -	$ -
5 Unfunded Accrued Liability (UAL) (3c) - (4)	$ 134,142,308	$ 111,655,410	$ 164,371,340	$ 166,785,617	$ 110,763,321
6 Service Cost with Interest					
a. Service Cost at Year End:	$ 624,759	$ 587,525	$ 653,243	$ 878,421	$ 451,681
b. Ratio to Valuation Results for Service Cost		94.0%	104.6%	140.6%	72.3%
7 Pay-As-You-Go Benefits - Illustrated as Projected	$ 3,270,533	$ 3,270,533	$ 3,270,533	$ 3,270,533	$ 3,270,533
8 Ratio of AL to Pay-As-You-Go: (3c) / (7)	41.02	34.14	50.26	51.00	33.87
9 Ratio of Service Cost to Pay-As-You-Go: (6a) / (7)	0.19	0.18	0.20	0.27	0.14
10 Average Annual Pay-As-You-Go Benefit per Retiree (7) / (1b)	$ 14,934	$ 14,934	$ 14,934	$ 14,934	$ 14,934
11 Three Year Projection of Pay-As-You-Go Costs					
a. Year 1: July 1, 2018 to June 30, 2019: (7)	$ 3,270,533	$ 3,270,533	$ 3,270,533	$ 3,270,533	$ 3,270,533
b. Year 2: July 1, 2019 to June 30, 2020	$ 3,372,369	$ 3,372,369	$ 3,372,369	$ 3,372,369	$ 3,372,369
c. Year 3: July 1, 2020 to June 30, 2021	$ 3,626,533	$ 3,626,533	$ 3,626,533	$ 3,659,796	$ 3,593,272
12 Discount Rate	3.10%	4.10%	2.10%	3.10%	3.10%
13 Interest Cost for Fiscal Year July 1, 2018 to June 30, 2019 (3c) x (12) - (7) x (12) / 2; excludes interest on service cost	$ 4,107,718	$ 4,510,826	$ 3,417,458	$ 5,119,661	$ 3,382,970
14 Accrued Liability (AL) as of June 30, 2019 (3c) + (6a) - (7) + (13)	$ 135,604,252	$ 113,483,228	$ 165,171,508	$ 169,513,166	$ 111,327,439
15 Assets as of June 30, 2019	$ -	$ -	$ -	$ -	$ -
16 Unfunded Accrued Liability (UAL) as of June 30, 2019 (14) - (15)	$ 135,604,252	$ 113,483,228	$ 165,171,508	$ 169,513,166	$ 111,327,439
17 Present Value of Future Benefits (PVFB) as of June 30, 2019 (2c) x [1 + (12)] - (7) x [1 + (12) / 2]	$ 146,992,375	$ 122,742,109	$ 179,151,807	$ 185,557,458	$ 119,540,368

Note: All costs are net of retiree contributions. See pages 1-2 for financial statement information. Interest cost (line 13 above) is different from pages 1-2 in report.

SECTION V: SUMMARY OF FINANCIAL INFORMATION INCLUDING GAIN/LOSS ANALYSIS

Summary of Experienced (Gain)/Loss as of July 1, 2018

1	Experience (Gain)/Loss on Unfunded Accrued Liability as of July 1, 2018 (See Page 2, Line 2e of Report)	$	4,835,598
2	Projected Unfunded Accrued Liability as of June 30, 2018 (See Page 2, Line 1 of Report)	$	128,958,128
3	Ratio of (Gain)/Loss to Prior Valuation Unfunded Accrued Liability (1) / (2)		3.7%

Notes:

A. The primary driver of the actuarial gain/loss was due to the change in assumptions since the prior valuation (e.g., discount rate), which is partially offset by changes in demographics for the active population. The impact of the change in discount rate from 3.5% (prior year) to 3.1% (current year) increased the liability $10.2 million. Changes in demographics include more accurate reporting of class by the City (e.g., Police, Fire, Court, etc.) since the prior valuation.

B. The above actuarial gain/loss is amortized and reflected in the deferred inflows/outflows summary. See page 5, Section A, Line 3 for details.

SECTION VI: SUMMARY OF CENSUS INFORMATION

Summary of Retiree Enrollment, including Dependents, by Age Band and Gender, calculated as of July 1, 2018

Age Band	Female	Male	Total	% Female	% Total
Under 50	4	13	17	23.5%	7.8%
50 to 54	3	14	17	17.6%	7.8%
55 to 59	1	15	16	6.3%	7.3%
60 to 64	17	23	40	42.5%	18.3%
65 to 69	17	38	55	30.9%	25.1%
70 to 74	8	24	32	25.0%	14.6%
75 to 79	6	18	24	25.0%	11.0%
80 to 84	5	5	10	50.0%	4.6%
85 to 89	2	6	8	25.0%	3.7%
90 to 94	-	-	-	n/a	0.0%
95 +	-	-	-	n/a	0.0%
Subtotal	63	156	219	28.8%	100.0%

	Female	Male	Total	% Female	% Total
Pre 65	25	65	90	27.8%	41.1%
Post 65	38	91	129	29.5%	58.9%
Subtotal	63	156	219	28.8%	100.0%

	Female	Male	Total
Average Age - Pre 65	58.6	55.4	56.3
Average Age - Post 65	72.4	72.2	72.3
Average Age - Total	66.9	65.2	65.7

Note:
The above counts include fourteen (14) surviving spouses, plus additional dependent spouses that were separately reported.

SECTION VI: SUMMARY OF CENSUS INFORMATION (CONTINUED)

Summary Active Employees by Age Band and Years of Service, calculated as of July 1, 2018

	Years of Service									
Age Band	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 +	Subtotal	% Subtotal
Under 25	7	-	-	-	-	-	-	-	7	6.3%
25 to 29	17	2	-	-	-	-	-	-	19	17.0%
30 to 34	7	4	-	-	-	-	-	-	11	9.8%
35 to 39	9	-	3	-	2	-	-	-	14	12.5%
40 to 44	2	1	8	1	2	-	-	-	14	12.5%
45 to 49	4	-	4	1	8	3	-	-	20	17.9%
50 to 54	1	-	2	7	5	-	-	-	15	13.4%
55 to 59	3	2	-	1	2	1	1	-	10	8.9%
60 to 64	-	-	-	-	1	-	-	-	1	0.9%
Age 65 +	-	-	-	-	-	1	-	-	1	0.9%
Subtotal	50	9	17	10	20	5	1	-	112	100.0%
% Subtotal	44.6%	8.0%	15.2%	8.9%	17.9%	4.5%	0.9%	0.0%	100.0%	

Actives	Female	Male	Total
Average Age:	43.5	39.6	40.5
Average Years of Service:	9.8	9.6	9.7

Count by Gender	Female	Male	Total	% Female
Total	26	86	112	23.2%

Actives by Service Category	Female	Male	Total	% Female	% Total
Actives Not Yet Eligible for Benefits	25	80	105	23.8%	93.8%
Actives Eligible for Benefits	1	6	7	14.3%	6.3%
Total	26	86	112	23.2%	100.0%

Note:

1. Fifty-nine (59) employees had hire dates after the above specified dates and are assumed not to be eligible for retirement benefits. These individuals are included in the census summary, but these individuals are assumed not to have an OPEB liability for valuation purposes.

2. A total of twenty (20) active employees waived (opted out) of medical and are assumed to elect medical in retirement.

SECTION VI: SUMMARY OF CENSUS INFORMATION (CONTINUED)

Comparison of Census Information to the Prior Valuation

	July 1, 2018	July 1, 2016	Difference	% Difference
Summary of Counts				
Actives	112	105	7	6.7%
Retirees	219	183	36	19.7%
Total	331	288	43	14.9%
Retiree Counts - % Pre-65	41.1%	47.5%	-6.4%	-13.5%
Average Age				
o Actives - Valuation Age	40.5	41.8	(1.3)	-3.1%
o Actives - Hire Age	30.8	31.2	(0.4)	-1.3%
o Pre-65 Retirees	56.3	55.8	0.5	0.9%
o Post-65 Retirees	72.3	75.8	(3.5)	-4.6%
o Total Retirees	65.7	66.3	(0.6)	-0.9%
Actives Avg. Years of Service	9.7	10.6	(0.9)	-8.5%
Actives Eligible for Benefits				
o Total	7	3	4	133.3%
% Eligible for Benefits	6.3%	2.9%	3.4%	117.2%
Gender				
% Female - Active	23.2%	23.8%	-0.6%	-2.5%
% Female - Retiree	28.8%	30.6%	-1.8%	-6.0%
Coverage Tier				
% Single - Active	34.8%	37.1%	-2.3%	-6.2%
% Single - Retiree	41.6%	19.7%	21.9%	111.2%

Note:
The above retiree counts are greater than the prior valuation since the current valuation included reporting of spouse information as a separate record from the employee.

SECTION VII: SUMMARY OF ASSUMPTIONS

Valuation Date	July 1, 2018
Initial Implementation Year for GASB No. 74/75	Implementation Year for GASB 74/75 was July 1, 2017 to June 30, 2018 Effective for fiscal years beginning after June 15, 2017, the City is required to reflect the impact of GASB Statements 74/75. The impact to financial statements as a result of these new GASB Statements include, but are not limited to, the amount of the OPEB liability to be reported on the financial statements, the selected actuarial cost method, discount rate used, and disclosures in the audited financial statements. Details are described throughout the report.
Purpose of Work	This report is provided to your organization for the purpose of calculation results under GASB No. 74/75. Information in this report may not be appropriate to use for other purposes. Aquarius does not intend to benefit from the overall results of the report and we assume no duty, liability or obligation to parties that use this work for reasons other than its intention, i.e., reporting of GASB No. 74/75 for financial statements. Pages 1-3 reflect results under GASB No. 74/75. GASB No. 75 replaced GASB No. 45 in the last valuation. Our organization was consulting actuary for the prior valuation.
Discount Rate	3.10% The selected discount rate is based on the prescribed discount interest rate methodology under GASB No. 74/75 using an average of three 20-year bond indices (e.g., Bond Buyer-20 Bond GO - 3.50%, S&P Municipal Bond 20 Year High Grade Rate Index - 2.79%, and Fidelity GA AA 20 Years - 3.13%) as of June 30, 2019. Our understanding is that the City did not establish an OPEB trust, so assets would be zero for this valuation, similar to last year. The selected discount rate was rounded to the nearest 0.1% for valuation purposes.
GASB No. 75 Implementation Requirement Dates	Your organization is required to reflect the impact of GASB Statements 75 effective for fiscal years beginning after June 15, 2017. The impact to financial statements as a result of these new GASB Statements include, but are not limited to, the amount of the Net OPEB Obligation to be reported on the financial statements, the selected actuarial cost method, discount rate used, and disclosures in the audited financial statements. Details are described throughout the report.
Assets	Not valued since benefit is unfunded. Assets are zero.
Expected Return on Assets	Not applicable. Assets are zero.
Use of OPEB Trusts	The financial impact of GASB Statements 74 & 75 are illustrated at the end of the report. Our understanding is that your organization did not established an OPEB trust, so reporting under GASB Statements 74 would not be required.
Information for Valuation	All information was provided by your organization.
Retirement Assumptions	Valuation of active and retired population.
Retirement Benefits	Coverage for pre-65 and post-65 retirement benefits.
Covered Benefits	Medical, including prescription drugs, is provided on a fully insured basis with Blue Cross/Blue Shield of Michigan. Life insurance is provided on a fully insured basis for certain groups with a $5,000 face (benefit) amount. Coverage for dental, vision and reimbursements for Medicare Part B and D premium rates are not subsidized or provided by the City.
Insurance Coverage and Funding Basis	Medical, including prescription drugs, is self-funded and administered by Blue Cross Blue Shield of Michigan for each plan with multiple pre-65 and post-65 plan options. Life insurance benefits are offered on a fully insured basis. A list of the plan offerings and their associated premium can be found in Section VII, page 14 of this report.
Actuarial Cost Method	Entry Age Normal as a Percentage of Payroll
Health Care Cost Trend Assumption	The following assumptions are used for annual healthcare cost inflation (trend):

	Year	Pre-65	Post 65
Year 1 Trend	July 1, 2019	9.0%	9.0%
Ultimate Trend	July 1, 2027 & Later	5.0%	5.0%
Grading Per Year		0.5%	0.5%

Starting Claim Cost	Base plan costs are assumed to be effective July 1, 2020 are based on the provided monthly premium rates provided, which are illustrated by coverage tier and plan on page 10 of this report. Plan costs are based on 100% before retiree contributions and are assumed to include all administrative expenses plus the required PPACA fees due at this time. Plan costs for July 2018 and beyond are trended forward using the trend rates illustrated under the "Health Care Cost Trend Assumptions" section above. Base plan costs provided by your organization are assumed to be fully experience rated so an aging factor is applied to costs consistent with Actuarial Standards of Practice No. 6 in anticipation even though plans are community rated in nature. In the anticipation of implementation of GASB 75, an aging assumption of 3.0% per year is used for the valuation.

SECTION VII: SUMMARY OF ASSUMPTIONS (CONTINUED)

Starting Claim Cost

Below is a summary of monthly costs for pre-65 medical by coverage tier.

	Single	Dual	Family
Pre-65	$671.69	$1,617.98	$2,040.33

Below is a summary of monthly costs for post-65 medical by coverage tier.

	Single	Dual/Family
Post-65	$611.00	$1,209.86

The above premium rates are for the period August 1, 2018 to July 31, 2019 and reflected a weighted average of premium rates based on enrollment information provided.

Medicare Part B and Part D Reimbursements

No subsidized reimbursements are provided for Medicare Part B or Part D premiums to retirees or their spouses.

Healthcare Reform Impact

The Patient Protection and Affordable Care Act (PPACA) enacted in March 2010 (Healthcare Reform) includes several fees and/or taxes levied on employer groups either directly (e.g., self-funded employer groups which calculates and pays the fees directly) or indirectly (e.g., fully insured employer groups in which the health insurer pays and passes on to the group in their premium rates.) The fees included in this valuation are 1) Comparative Effectiveness Research fee, 2) Health Insurance Industry fee, and 3) High Cost Plans Excise Tax ("Cadillac tax"). The Reinsurance Assessment, also initiated with the passing of the PPACA, was a short-term fee levied on fully insured and self-funded employer groups between 2014 and 2016.

The Comparative Effectiveness Research fee runs through 2019 and is tax deductible. The initial fee was $1 per participant per year increasing to $2 in the next year. Subsequent years are increased based on medical inflation. The fee applies to post-65 retirees where Medicare is the primary payer.

The Health Insurance Industry fee is based on targeted fixed fees to be paid by the health insurance industry and is not tax deductible. The total fee amount to be paid by health insurers starts at $8 billion in 2014 and increases to $14.3 billion in 2018. After 2018, the fee increases annually based on premium growth. The fee was suspended for the 2017 plan year and will resume in 2018 with the estimated fee to be approximately 3.0% to 4.0% of premium. The fee applies to fully insured plans including Medicare Advantage plans and excludes self-funded employer sponsored group health plans. Effective with legislation passed on January 22, 2018, this fee is suspended again for the 2019 plan year but will resume in 2020.

The High Cost Plans Excise tax includes a 40% tax ("Cadillac tax") on high cost plans that will be levied on insurers and third party administrators (TPA) beginning in 2022 and will be tax deductible. It will be calculated separately for single and family coverage and will be equal to 40% of the excess of per employee plan costs, net of patient cost sharing, over the 2022 stated cost limits of:

o - $10,200 single / $27,500 family
o - $11,850 single / $30,950 family for retirees age 55-64

The 2022 limits above may be increased if higher than expected trends are realized from 2010 through 2022 in the benchmark plan. The benchmark plan is the Federal Employees Health Benefits Plan (FEHBP) Blue Cross/Blue Shield standard option. The limits will be adjusted to the extent per employee costs in the benchmark plan increase by more than 55% from 2010 to 2022 (for example, if the benchmark plan increase is 60% between 2010 and 2022, the cost limits will increase by the excess over 55% or 5%.) The final 2022 limits will increase by CPI + 1% for 2023 and by CPI thereafter. For this valuation, it is assumed that CPI will be 3% in 2023 and beyond.

For valuation purposes, it is assumed the trend adjustments to the cost limits in the benchmark plan (FEHBP) are equal to actual premium increases in the FEHBP plan for 2010 through 2019 and projected increases in costs from 2020 through 2022 as listed in the "Health Care Cost Trend Assumption" above. For each year from 2022 and beyond, the excess of projected future premiums over future adjusted cost limits are multiplied by 40%. It is assumed that any excise tax payable by a TPA or insurer will be passed on to the entity through increased premiums or costs (whether billed separately or not.)

This valuation includes changes to the Cadillac tax based on legislation passed on January 22, 2018, which delays the implementation of the tax to January 1, 2022 as well as continuing to allow the tax payments to be deductible for federal tax purposes. As stated previously, it is assumed the provided plan cost rates are inclusive of the applicable PPACA fees due at this time with the exception of the High Cost Plans Excise Tax described above.

Plan Design Changes

Valuation assumes no changes in future plan designs (e.g., deductibles, coinsurance, etc.) from current benefits offered for the current plan year. It is assumed that the current level of benefits will remain, with no modifications to avoid the potential excise tax imposed by the Patient Protection and Affordable Care Act (PPACA) described in detail above.

SECTION VII: SUMMARY OF ASSUMPTIONS (CONTINUED)

Census Information

Participant data was provided by your organization in August 2019. We relied on information as being accurate and we have not conducted any data audits.

New Hires

This valuation is based on a closed group and does not reflect the impact of future new entrants (e.g., new hires after date of data collection, i.e., August 2019) into the plan.

Retirement System (PERS & PFRS)

Employees are assumed to participate in the Municipal Employees' Retirement System (MERS) of Michigan. The decrement is based on the report published by the MERS with an effective date of December 31, 2016.

Mortality

RP 2014 Healthy Male and Female Tables are based on the Combined Healthy Table for both pre & post retirement projected with mortality improvements using Projection Scale AA for 4.5 years, (i.e., from date of table to the valuation date), plus fifteen (15) years generational improvement.

Turnover Assumptions

This reflects rate of separation from the active plan and excludes retirement and disability. Turnover table varies by age, gender and years of service with rates of turnover based on MERS.

Disability Assumptions

This reflects disability assumptions from the active plan and is based on age. This is the assumption based on MERS.

Retirement Assumptions

This reflects rate of retirement from the active plan and is based on age and class of employees, similar to the assumptions from the prior valuation report.

Retirement Age	General	Police	Fire
45	0%	45%	25%
46	0%	45%	25%
47	0%	45%	25%
48	25%	45%	25%
49	25%	45%	25%
50	25%	45%	25%
51	25%	45%	25%
52	25%	15%	20%
53	25%	15%	20%
54	25%	15%	15%
55	25%	15%	10%
56	25%	15%	15%
57	25%	25%	30%
58	40%	100%	100%
59	40%	100%	100%
60	40%	100%	100%
61	40%	100%	100%
62	40%	100%	100%
63	40%	100%	100%
64	40%	100%	100%
65	40%	100%	100%
66	40%	100%	100%
67	40%	100%	100%
68	100%	100%	100%
69	100%	100%	100%
70 & Above	100%	100%	100%

Retirement Eligibility Assumptions

Eligibility for early retirement is based on meeting a criteria of minimum age and/or years of service (YOS) requirements. For the City, retirement eligibility is based on hire date and years of service with employees hired prior to July 1, 2009 required to have a minimum of age and years of continuous service to be eligible for retiree benefits. Employees hired after July 1, 2009 or for Firefighters (IAFF) after July 1, 2011 are not eligible for retiree benefits. District Court employees hired after 2009 are not eligible for retiree benefits. For employees within the hire date requirement, the age and service requirements are as follows:

Class of Employees	Retirement Eligibility
Police & Fire	Earlier of age 55 with 10 YOS or 25 YOS with no age requirement
All Other Employees	Earlier of age 60 with 10 YOS or 25 YOS with no age requirement

Fifty-nine (59) employees had hire dates after the above specified dates and are assumed not to be eligible for retirement benefits. (This includes 7 Court employees hired after 2009.) These individuals are illustrated in the employee counts in Section VI of this report.

Retiree Contribution Rates

Contribution rates were valued on an individual by individual basis for retiree coverage as reported by the City. Most current retirees have a contribution rate of 0% (non-contributory) with seven (7) retirees contributing a portion of the cost toward retiree medical coverage. Future retirees that meet the minimum years of service, they are eligible for subsidized coverage. Retiree contribution rates are 0% (non-contributory) for future retirees per City.

Payroll Information

Payroll information was provided and reflected in the valuation for reporting purposes. Salary increase is assumed to be 3.0% per year. Reported salary amounts reflects all covered lives including actives not assumed to receive retirement benefits.

% Future Retirees Opting Out

It is assumed that 100% participation for those covered as actives. All eligible active and retiree employee records provided by your organization were valued.

SECTION VII: SUMMARY OF ASSUMPTIONS (CONTINUED)

Employee Contracts & Collective Bargaining Agreements	For detailed and accurate description of benefits, we recommend that you review the City's plan documents for determining benefits, eligibility, etc. Summaries in this report are illustrative and solely to assist the reviewer to understand the types of benefits that were valued and reflected in this report. These summaries should not be used for any other purposes. Employee contracts and collective bargaining agreements specific to retiree benefits were not reviewed. Results based on information as provided by the City.
Valuation of Spouses & Marital Status	Spouses are valued for benefits similar to retired employees. Current retirees with spouses are assumed to be married to those spouses at and throughout retirement while those without spouses (or not covering a spouse) are assumed to be single at and throughout retirement. Spousal information for active employees and retirees were provided. For the valuation, 100% of employees enrolled with family coverage are assumed to elect family coverage with the remaining enrollees electing single coverage. For the 18/19 year, some dependent spouses were separately reported and counted separately in the report.
Spouse Age Assumptions	It is assumed that female spouses are three years younger than male employees and male spouses are three years older than female employees unless actual spouse date of birth information is provided. Spousal dates of birth were provided for this valuation for retirees and reflected in the valuation. The above assumption was used for actives since spouse dates of birth were not provided.
Surviving Spouses & Dependents	Surviving spouses continue to get subsidized medical coverage until death or if they remarry.
Waivers (Opt Outs)	The valuation includes waivers and those individuals are assumed to elect single coverage if electing coverage in retirement. 100% of these employees are assumed to elect coverage through the City's plan with any spouses assumed to elect coverage elsewhere (e.g., spouse's plan, health insurance exchange, etc.). The selected health plans for waivers are assumed to elect an average plan option for pre-65 and post-65 coverage based on a weighted average of current enrollment. A total of twenty (20) active employees waived (opted out) of medical and are assumed to elect medical in retirement.
Vesteds & Leave of Absence	There were no individuals listed as vested in benefits (although terminated) or on leave of absence.
COBRA & Terminated Participants	There were no individuals listed as COBRA or terminated from the plan.
Missing Census Information	
o Dates of Birth	No active employees were missing date of birth, so no special adjustments were needed. Seven (7) retirees, including dependents, were missing date of birth and information was not available in the prior valuation. It was assumed that these individuals would have the same average age, which was sixty-six (66), as the prior valuation average.
o Dates of Hire	No active employees were missing date of hire, so no special adjustments were needed. Two (2) employees with similar names appear to have their dates of hire reversed based on a review of prior valuation census data, so dates were adjusted.
o Gender	No employees were missing gender, so no special adjustments were needed.
o Class	Employee class was provided for the current valuation as compared to the prior valuation, which reflected assumptions and matching of prior census information (e.g., 2016 valuation reflected review of information from the 2012 valuation census files).
o Coverage Tier	No enrolled employees (actives or retirees) were missing coverage tier, so no special adjustments were needed.
o Salary	Salary was provided for all active employees so no assumptions were made for missing information.
Special Adjustments	No other special adjustments were provided since client data was complete for purposes of completing the valuation. All active and retired employees provided were valued. Fifty-nine (59) employees had hire dates after the above specified dates and are assumed not to be eligible for retirement benefits. (This includes 7 Court employees hired after 2009.) These individuals are illustrated in the employee counts in
Medicare Tax Subsidy	The Medicare tax subsidy is not reflected in valuation. There is no offset in premium rates charged to employer and post-65 costs are illustrated gross of subsidy.
Eligible Population	Population reflects all benefit eligible employees provided. Any new hires after date of data collection are not reflected in the valuation.
Rounding of Results	Results are illustrated to the nearest dollar. In using unrounded results (exact dollars), no implication is made as to the degree of precision in those results. Clients and their auditors should apply their own judgement as to the desirability of rounding when transferring results from this valuation report to the client's financial statements.
Initial Year of Recognition of GASB No. 43/45 & 74/75	We have not reviewed the audited financials of client so are not providing an opinion on when client should recognize and comply with GASB 43/45 & 74/75. We rely on the opinion of your organization and auditor for this determination.
Other Comments	Actuarial methods, considerations, and analyses used in forming this certification conform to the appropriate Standards of Practice and guidelines of the Actuarial Standards Board (ASB).

SECTION VIII: DEFINITIONS & GLOSSARY

Other Post Employment Benefits (OPEB)	Medical, dental, vision, life and other health benefits provided to terminated or retired employees including their dependents and beneficiaries.
Actuarial Present Value of Future Benefits (PVFB)	Present value of all benefits expected to be paid by the employer, net of expected retiree contributions, based on actuarial assumptions used in the valuation.
Accrued Liability (AL)	This is the past service liability or present value of all benefits earned to date. Since retiree medical benefits are not accrued based on a specific formula like a pension plan, the accounting standard requires the benefits to be earned ratably from date of hire to date of full eligibility for benefits. For retirees and actives that are immediately eligible to retire and receive full benefits, the AL equals the PVFB. For actives not yet eligible to retire, it equals a pro-rata portion of the PVFB based on past service to total service to retirement eligibility for that employee. This is consistent with the Total OPEB Liability under GASB 74 & 75 reporting.
Unfunded Accrued Liability (UAL)	This is the excess of the AL over Plan Fiduciary Net Position (OPEB trust assets). This would also be referred to as the Total Net OPEB Liability, reflecting the Total OPEB Liability less the Plan Fiduciary Net Position.
Actuarial Cost Method	A procedure for allocating the Actuarial Present Value of Future Benefits (PVFB) to time periods, usually in the form of Normal Cost and an Accrued Liability (AL). This actuarial cost method is prescribed under GASB 74 & 75.
Service Cost (Normal Cost)	The proportion of the PVFB of a plan's benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method used in the valuation. This is the cost of OPEB attributed to the current year of service.
Pay-As-You-Go	This is a method of financing a postretirement benefit plan under which the contributions to the plan are generally made at about the same time and amount as benefits and expenses become due.
Plan Fiduciary Net Position	The current market value of assets placed in an irrevocable OPEB trust.
Closed Group Valuation	This means that it does not consider the Actuarial PVFB associated with future entrants.
Decrement Rates	This includes mortality, turnover, disability and retirement rate assumptions. This is used to determine the likelihood of an employee qualifying for OPEB and when benefits will commence. Mortality is also used to determine probability of individuals to live and continue to receive benefits.
Covered Payroll	The payroll of the active employees that are provided OPEB benefits.
Discount Rate	Assumption used for converting present value of future benefits less future contributions into today's dollar amounts.
Projected Unit Credit	This is an actuarial cost method whereby the costs of benefits earned is funded each year and the value of the accrued liability reflects the benefits earned to date. This was the most common method used under GASB No. 45.
Individual Entry Age Normal	This is an actuarial cost method whereby costs are determined as of the entry age of the employee until his/her exiting of active service. This allocation can be done on a level dollar or level percentage of pay. This method is prescribed under GASB No. 75.
Deferred Inflows/Outflows of Resources	This balance reflects amounts resulting from experience gains/losses that have not been recognized in the current OPEB expense calculations, but will be potentially reflected in future years. For the City, this amount is illustrated on page 4.
Plan Members	The individuals covered by the terms of an OPEB plan. The plan membership generally includes employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits.
Substantive Plan	The terms of the OPEB plan as understood by the employer and its plan members. The plan is assumed to be a single employer plan unless noted otherwise in the report.
Recognition Year for GASB No. 74 & 75	The effective date for reporting GASB No. 74 is for fiscal years beginning after June 15, 2016. The effective date for reporting GASB No. 75 is for fiscal years beginning after June 15, 2017. GASB No. 74 & 75 replaced GASB No 43 & 45.
Recognition Year for GASB No. 43 & 45	2007-08 Fiscal Year: This impacts public agencies with total annual revenue of $100 million or more must comply in the fiscal year after December 15, 2006. 2008-09 Fiscal Year: This impacts public agencies with total annual revenue between $10 million and $100 million must comply in the fiscal year after December 15, 2007. 2009-10 Fiscal Year: This impacts public agencies with total annual revenue less than $10 million must comply in the fiscal year after December 15, 2008.