



**AQUARIUS
CAPITAL**

CITY OF GARDEN CITY

OTHER POSTEMPLOYMENT BENEFITS (OPEB) REPORTING IN ACCORDANCE WITH GASB 74/75 FISCAL YEAR JULY 1, 2019 TO JUNE 30, 2020

**Prepared by: AQUARIUS CAPITAL SOLUTIONS GROUP LLC
Original Date: July 9, 2020
Revised Date: October 20, 2020**

October 20, 2020

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

Re: Report - GASB 75 Roll Forward for Fiscal Year July 1, 2019 to June 30, 2020

Dear Mr. Marciniak:

Enclosed is an 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 the roll forward calculation for fiscal year July 1, 2019 to June 30, 2020 for the City. The attached report was completed in accordance with generally accepted actuarial principles and practices with calculations contained herein completed for the sole purpose of reporting GASB 74 & 75 results for the audited financial statements. The report includes information required for yearend June 30, 2020 disclosure information with measurement date of June 30, 2020. The attached report includes a table of contents. Highlights are as follows:

- J Census Information: Results are based on census and payroll 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. Fifty-nine (59) employees were included in the prior valuation 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. This is the same information as the prior full valuation for fiscal year 2018/2019.
- J Assumptions: All assumptions are the same as the prior valuation, retiree contribution rates, salary (payroll), salary increase assumptions, decrement tables (e.g., probability of death, turnover, disability and retirement), actuarial cost method, and other provisions as reported in the prior valuation report with issue date of October 21, 2019. All assumptions are the same except for discount rate, healthcare plan costs and trend rates, which is summarized below. Healthcare plan costs are based on the most current available premium rates and reflect actual pay-as-you-go with an assumption for implicit subsidy. See page 6 for details.
- J Change from Prior Valuation: The selected discount rate is based on the prescribed discount interest rate methodology under GASB No. 75 based on an average of three 20-year bond indices (e.g., Bond Buyer-20 Bond GO, S&P Municipal Bond 20 Year High Grade Rate Index, Fidelity GA AA 20 Years) as of June 30, 2020 (most current quarter available) and rounded to the nearest 0.01%.

This average discount rate is 2.44%, which is a change from the prior valuation discount rate of 3.10%. See page 6 of the attached report for details on the discount rate changes. This resulted in a calculation of deferred inflows/outflows, which is illustrated on page 4 of the report.

- J Sensitivity Analysis and Other Disclosure Requirements: For sensitivity analysis, we illustrate two discount interest rates scenarios and healthcare cost inflation (trend) rate scenarios as prescribed under GASB 75. These scenarios should be disclosed in your audited financial statements. See page 3 of the attached report for details. We also included an actuarially determined contribution rate on page 5 of the report.
- J Audit Report as of June 30, 2019: We reviewed the prior year's audit report and results matched the prior year's actuarial report, so no additional adjustments were made to the starting balance for the current fiscal year's beginning liability.
- J Deferred Inflows/Outflows: Page 4, Section B, Line 5 of the report illustrates the deferred inflows/outflows for both the current and prior years. Since the current year is a roll forward calculation, the assumptions and census information are the same as the prior valuation, except the one change in the discount rate assumption (i.e., 3.10% to 2.44%) plus updates in healthcare costs (current rates plus trend rates). The favorable premium increases since the prior valuation resulting in a liability reduction, which was partially offset by the liability increase due to change in discount rate. Furthermore, the plan is unfunded, so actual to expected investment returns are not recognized, so no additional deferred inflows/outflows due to assets, similar to past years.
- J Report Purpose: The roll forward calculation is done for the sole purpose of reporting GASB 75 results for the audited financial statements and may not be appropriate for use for any other purposes other than GASB 75 reporting. Results are based on the expected (projected) pay-as-you-go results for the current fiscal year. Similar to the prior fiscal year, reporting under GASB 45 is no longer applicable.
- J Assets/OPEB Trust: Our assumption is that the City will not be funding benefits during this fiscal year, consistent with prior years, so no separate OPEB trust (and no requirement to report under GASB74 requirements). If the City elected to set up an asset in the future, then please let us know.
- J Data Reliance and Limitations: We relied on information provided by the City including census information and retirement benefit information, including retiree contribution rates and eligibility requirements for the prior valuation and did not make any updates for the current roll forward calculation. 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 intend 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.

We do 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 stated intention.

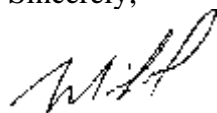
J Actuarial Certification: I, Michael L. Frank, ASA, FCA, MAAA, am President and Actuary of Aquarius Capital Solutions Group LLC. I am an Associate of the Society of Actuaries, Fellow of Conference of Consulting Actuaries, and Member of the American Academy of Actuaries and I meet the Qualification Standards 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.

J 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 information is beneficial. If you have any questions or require additional information for yearend reporting, then please contact me at (914) 933-0063.

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



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City of Garden City
Valuation Roll Forward under GASB No. 74/75 Projected to Year End June 30, 2020

SECTION I: GASB NO. 74/75 REPORTING TO YEAR END JUNE 30, 2020 REPORTING

(Implementation Year for GASB 74/75 is July 1, 2017 to June 30, 2018)

Section A: Reported OPEB Liability as of Year End June 30, 2020

1 Discount Rate at End of Year		2.44%
2 Present Value of Future Benefits as of Year End June 30, 2020	\$	146,391,296
3 Total OPEB Liability as of Year End June 30, 2020	\$	127,312,340
4 Plan Fiduciary Net Position as of Year End June 30, 2020	\$	-
5 Net OPEB Liability as of Year End June 30, 2020: (3) - (4)	\$	127,312,340
6 Plan Fiduciary Net Position as a Percentage of OPEB Liability: (4) / (3)		0.00%
7 Total Annual Salary (Compensation) based on Prior Valuation Report	\$	4,127,872
8 Net OPEB Liability as a Percentage of Annual Salary: (5) / (7)		3084.21%
9 Total Employee Census Counts for Valuation		
a. Active Employees		112
b. Retired Employees (including vested terminations)		219
c. Subtotal: (8a) + (8b)		<u>331</u>

Section B: Projected Expense Calculation as of Year End June 30, 2020

1 Service Cost with Interest - Period July 1, 2019 to June 30, 2020	\$	995,945
2 Interest Cost - Period July 1, 2019 to June 30, 2020		
a. Discount Rate at the Beginning of the Year (Prior Year End)		3.10%
b. Total OPEB Liability as of June 30, 2019 for prior yearend	\$	135,604,252
c. Annual Benefit Payments - Illustrated as Actual with Assumed Implicit Subsidy for Period July 1, 2019 to June 30, 2020	\$	3,774,947
d. Interest Cost: (2a) x [(2b) - (2c) / 2]	\$	4,145,220
3 Investment Return - Period July 1, 2019 to June 30, 2020	\$	-
4 Employee Contributions - Period July 1, 2019 to June 30, 2020 (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 4, Section B, Line 5	\$	(532,934)
b. Asset (Gain)/Loss: This is zero since benefits are unfunded	\$	<u>-</u>
c. Net (Gain)/Loss: (7a) - (7b)	\$	(532,934)
8 Total Expense - Period July 1, 2019 to June 30, 2020 (1) + (2d) + (3) + (4) + (5) + (6) + (7c)	\$	4,608,231

Note:

Results reflect a roll forward based on the prior year's valuation report with an issue date of October 21, 2019.



SECTION I: GASB NO. 74/75 REPORTING TO YEAR END JUNE 30, 2020 REPORTING (CONTINUED)

(Implementation Year for GASB 74/75 is July 1, 2017 to June 30, 2018)

Section C: Reconciliation of Net OPEB Liability as of Year End June 30, 2020

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
1 Balance Recognized as of Beginning of Year (End of Prior Year) (Results for prior valuation report matched June 30, 2019 audit report, page 40)	\$ 135,604,252	\$ -	\$ 135,604,252
2 Changes Recognized for Fiscal Year			
a. Service Cost	\$ 995,945	\$ -	\$ 995,945
b. Interest on Total OPEB Liability: Section B, Line 2d	\$ 4,145,220	\$ -	\$ 4,145,220
c. Change in Benefit Terms: Section B, Line 6	\$ -	\$ -	\$ -
d. Change in Expected to Actual	\$ -	\$ -	\$ -
e. Changes in Assumptions	\$ (9,658,130)	\$ -	\$ (9,658,130)
f. Benefit Payments: Section B, Line 2c (Reflects Actual)	\$ (3,774,947)	\$ (3,774,947)	\$ -
g. Contributions from Employer	\$ -	\$ 3,774,947	\$ (3,774,947)
h. Contributions from Employees	\$ -	\$ -	\$ -
i. Net Investment Income: Section B, Line 3	\$ -	\$ -	\$ -
j. Administrative Expenses: Section B, Line 5	\$ -	\$ -	\$ -
k. Net Changes: (a) + ... + (j)	\$ (8,291,912)	\$ -	\$ (8,291,912)
3 Balance Recognized as of End Year - June 30, 2020 (1) + (2k)	\$ 127,312,340	\$ -	\$ 127,312,340

Notes:

- a. Employee contributions are illustrated above as zero since employer contributions are illustrated net of employee contributions.
- b. This fiscal year is the third year of implementation for GASB No. 75 with deferred inflows or outflows of resources illustrated on page 4.
- c. Line 2(e) reflects change in discount rate, trend and plan costs from prior valuation. See page 7 for details on the discount rate selection.
- c. Line 2(f) reflects actual reported benefit payments net of employee contributions with an assumed implicit subsidy as reported on October 20, 2020.



SECTION I: GASB NO. 74/75 REPORTING TO YEAR END JUNE 30, 2020 REPORTING (CONTINUED)

(Implementation Year for GASB 74/75 is July 1, 2017 to June 30, 2018)

Section D: Discount (Interest) Rate Sensitivity as of Year End June 30, 2020

	Current Valuation Discount Rate <u>2.44%</u>	Discount Rate Less 1% <u>1.44%</u>	Discount Rate Plus 1% <u>3.44%</u>
1 Total OPEB Liability as of Year End June 30, 2020			
a. OPEB Liability	\$ 127,312,340	\$ 151,136,692	\$ 108,494,099
b. Ratio to Current Valuation Assumptions	n/a	118.71%	85.22%
2 Plan Fiduciary Net Position as of Year End June 30, 2020			
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, 2020			
a. OPEB Liability: (1a) - (2a)	\$ 127,312,340	\$ 151,136,692	\$ 108,494,099
b. Ratio to Current Valuation Assumptions	n/a	118.71%	85.22%

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, 2020

	Current Valuation Discount Rate	Trend Rate Less 1%	Trend Rate Plus 1%
1 OPEB Liability as of Year End June 30, 2020			
a. OPEB Liability	\$ 127,312,340	\$ 108,076,207	\$ 155,222,012
b. Ratio to Current Valuation Assumptions	n/a	84.89%	121.92%
2 Plan Fiduciary Net Position as of Year End June 30, 2020			
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, 2020			
a. OPEB Liability: (1a) - (2a)	\$ 127,312,340	\$ 108,076,207	\$ 155,222,012
b. Ratio to Current Valuation Assumptions	n/a	84.89%	121.92%

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



SECTION II: SUMMARY OF DEFERRED INFLOWS & OUTFLOWS

Section A: Summary of Deferred Inflows & Outflows as of June 30, 2020 before Amortization for Current Year

	Deferred Outflows	Deferred Inflows
1 Difference Between Actual and Expected Experience	\$ -	\$ -
2 Net Difference Between Expected and Actual Earnings on OPEB Investments	\$ -	\$ -
3 Impact due to Changes in Assumptions (Page 2, Line 2e)	\$ (9,658,130)	\$ -
4 Subtotal: (1) + (2) + (3)	\$ (9,658,130)	\$ -

Section B: Amortization of Deferred Inflows & Outflows as of June 30, 2020

1 Amortization of Difference Between Actual and Expected Experience for Current Year		
a. Difference Between Actual and Expected Experience	\$ -	
b. Amortization Period in Years: Average Expected Future Working Lifetime		3 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 for Current Year		
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 for Current Year		
a. Impact due to Changes in Assumptions	\$ (9,658,130)	
b. Amortization Period in Years: Average Expected Future Working Lifetime		3 Years
c. Annual Amortization Payment: (3a) / (3b)	\$ (3,219,377)	
d. Remaining Balance as of the end of the Fiscal Year: (3a) - (3c)	\$ (6,438,753)	
e. Prior Year Amortization Payment	\$ -	
f. Total Amortization Payment for the Current and Prior Periods: (3c) + (3e)	\$ (3,219,377)	
4 Amortization of Deferred Outflows & Inflows of Resources for Current Year		
a. Amortization of Deferred Outflows of Resources for Current Year: (1f) + (3f)	\$ (3,219,377)	
b. Amortization of Deferred Inflows of Resources for Current Year: (2f)	\$ -	

5 Amortization Schedule of Deferred Inflows & Outflows as of Year End June 30, 2020 (All Years)

Amortized Item	Initial Year	Amortization Period in Years	Initial Balance	Beginning of Year Unamortized Balance	Amortization Amount for Fiscal Year 2019/2020	End of Year Unamortized Balance as of June 30, 2020
Change in Assumptions	2018-2019	3	\$ 4,835,598	\$ 4,298,309	\$ 2,686,443	\$ 1,611,866
Change in Assumptions (Line 3 above)	2019-2020	3	\$ (9,658,130)	\$ (9,658,130)	\$ (3,219,377)	\$ (6,438,753)
Totals			\$ (4,822,532)	\$ (5,359,821)	\$ (532,934)	\$ (4,826,887)

Below is an amortization schedule by year. The amortization period from 2018-2019 was modified with the incremental adjustment added to 2019-20 fiscal year.

Amortization Schedule	Initial Year 2018-19	Initial Year 2019-20	Combined Years
2018-2019	\$ 537,289	n/a	\$ 537,289
2019-2020	\$ 2,686,443	\$ (3,219,377)	\$ (532,934)
2020-2021	\$ 1,611,866	\$ (3,219,377)	\$ (1,607,511)
2021-2022	\$ -	\$ (3,219,376)	\$ (3,219,376)
2022-2023	\$ -	\$ -	\$ -
Subtotal	\$ 4,835,598	\$ (9,658,130)	\$ (4,822,532)



SECTION III: ACTUARIALY DETERMINED CONTRIBUTION

Summary of Financial Results for Fiscal Year July 1, 2019 to June 30, 2020

1 Discount Rate as of Measurement Date (See Page 1, Section A, Line 1 of Report)	2.44%
2 Net OPEB Liability Amortization Factor (Present Value 30 Years at 2.44%, as of the Beginning of Year)	21.6135
3 Net OPEB Liability as of Beginning of Fiscal Year (See Page 1, Section B, Line 2b)	\$ 135,604,252
4 Service Cost with Interest (See Page 1, Section B, Line 1)	\$ 995,945
5 30 Year Amortization of Net OPEB Liability (3) / (2) * [1 + (1)]	\$ 6,427,140
6 Actuarially Determined Contribution (4) + (5)	\$ 7,423,085
7 Projected Pay-As-You-Go for Fiscal Year July 1, 2019 to June 30, 2020 (See Page 1, Section B, Line 2c)	\$ 3,774,947
8 Total Annual Payroll (See Page 1, Section A, Line 7)	\$ 4,127,872



SECTION IV: OTHER DISCLOSURE INFORMATION FOR GASB 75 ROLL FORWARD

Below is a summary of additional information for the roll forward calculation.

Last Valuation Report Issue Date	October 21, 2019
Last Valuation Date	July 1, 2018
Measurement Date	June 30, 2020
Last Valuation Fiscal Year	Fiscal Year July 1, 2018 to June 30, 2019
Actuarial Cost Method	Entry Age Normal as a Level Percentage of Payroll
Discount Rate for Prior Valuation	3.10%
Discount Rate for Current Roll Forward	2.44%
Other Assumptions & Demographics	<p>See Prior Valuation Report with issue date of October 21, 2019 for other assumptions. This includes census, payroll, decrement tables, and other assumptions.</p> <p>Plan costs were updated for medical for pre-65 and post-65 retirees with pre-65 rates based on the actual rates for the period August 1, 2019 to July 31, 2020 and post-65 rates based on the actual rates for the period January 1, 2020 to December 31, 2020.</p> <p>Healthcare cost inflation rates were updated to reflect a starting trend rate of 8.0% beginning in 2021 and reducing by 0.25% to an ultimate trend rate of 4.50% as of 2035 and later.</p> <p>The OPEB plan is unfunded so there are no assets or investment returns in a separate OPEB trust.</p>

Discount Rate Selection for Roll Forward

Bond Buyer 20-Bond GO	2.21%	Discount rate reported as of June 30, 2020
S&P Municipal Bond 20 Year HG	2.66%	Discount rate reported as of June 30, 2020
Fidelity GO AA - 20 Yrs	2.45%	Discount rate reported as of June 30, 2020
Average of Three Rates Above	2.44%	Average rounded to nearest 0.01%
Selected Discount Rate for Roll Forward	2.44%	