

# City of Royal Oak Retiree Health Care Plan

GASB Statement Nos. 74 and 75, Accounting and Financial  
Reporting for Postemployment Benefits Other Than Pensions  
June 30, 2025



September 17, 2025

Board of Trustees  
City of Royal Oak Retiree Health Care Plan  
Royal Oak, Michigan

Dear Trustees:

This report provides information on behalf of the City of Royal Oak Retiree Health Care Plan in connection with the Governmental Accounting Standards Board (GASB) Statement Nos. 74 and 75. GASB Statement No. 74 is the accounting standard which applies to Other Postemployment Benefits (OPEB) plans that are administered through trusts or equivalent arrangements. GASB Statement No. 75 establishes accounting and financial reporting requirements for state and local government employers that provide their employees with postemployment benefits other than pensions.

The calculation of the liability associated with the benefits described in this report was performed for the purpose of satisfying the requirements of GASB Statement Nos. 74 and 75. The calculation of the plan's liability for this report is not applicable for funding purposes of the plan. A calculation of the plan's liability for purposes other than satisfying the requirements of GASB Statement Nos. 74 and 75 may produce significantly different results. This report may be provided to parties other than the City of Royal Oak Retiree Health Care Plan only in its entirety and only with the permission of the City. GRS is not responsible for unauthorized use of this report.

This report is based upon information, furnished to us by the City, concerning OPEB, active members, deferred vested members, retirees and beneficiaries, and financial data. This information was checked for internal consistency, but it was not audited.

Based on the available data, the information contained in this report is accurate and fairly represents the actuarial position of the City of Royal Oak Retiree Health Care Plan as of the reporting date. All calculations have been made in conformity with generally accepted actuarial principles and practices as well as the Actuarial Standards of Practice. If you have reason to believe that the information provided in this report is inaccurate, or is in any way incomplete, or if you need further information in order to make an informed decision on the subject matter of this report, please contact the authors of the report prior to making such decision.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

This report was prepared using our proprietary valuation model and related software which, in our professional judgment, have the capability to provide results that are consistent with the purposes of the valuation and have no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

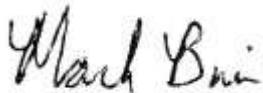
Section I of the report details the calculation of the single discount rate and is not required to be included in your financial statements. However, this information may be requested by your auditors; therefore, we have included it in this report.

In addition, Section J of this report contains some of the information necessary to complete the OPEB reporting requirements for the State of Michigan's Local Government Retirement System Annual Report (Form 5572). This information is not required to be included in your financial statements.

The signing actuaries are independent of the plan sponsor.

Mark Buis and Michael D. Kosciuk are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,  
Gabriel, Roeder, Smith & Company



Mark Buis, FSA, EA, FCA, MAAA



Michael D. Kosciuk, FSA, EA, FCA, MAAA

MB/MDK:sc

C3249

Auditor's Note – This information is intended to assist in preparation of the financial statements of the City of Royal Oak Retiree Health Care Plan. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.

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## **SECTION A**

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### **EXECUTIVE SUMMARY**

# Executive Summary as of June 30, 2025

	<b>2025</b>
Actuarial Valuation Date	June 30, 2024
Measurement Date of the Net OPEB Liability	June 30, 2025
Employer's Fiscal Year Ending Date (Reporting Date)	June 30, 2025

## Membership

Number of	
- Retirees and Beneficiaries	429
- Inactive, Nonretired Members	1
- Active Members	70
- Total	<hr/> 500
Covered Payroll <sup>2</sup>	\$ 8,305,596

## Net OPEB Liability

Total OPEB Liability	\$ 113,838,742
Plan Fiduciary Net Position	<hr/> 169,291,420
Net OPEB Liability	\$ (55,452,678)
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	148.71 %
Net OPEB Liability as a Percentage of Covered Payroll	(667.65)%

## Development of the Single Discount Rate

Single Discount Rate	7.25 %
Long-Term Expected Rate of Investment Return	7.25 %
Long-Term Municipal Bond Rate <sup>3</sup>	5.20 %
Last year ending June 30 in the 2026 to 2125 projection period for which projected benefit payments are fully funded	2125

<b>Total OPEB Expense</b>	\$ (9,290,536)
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## Deferred Outflows and Deferred Inflows of Resources by Source to be Recognized in Future OPEB Expenses

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 0	\$ 0
Changes in assumptions	0	0
Net difference between projected and actual earnings on OPEB plan investments	4,690,106	8,597,309
<b>Total</b>	<b>\$ 4,690,106</b>	<b>\$ 8,597,309</b>

<sup>1</sup> As of the actuarial valuation date; GRS does not have membership counts as of June 30, 2025. City staff and auditors may decide that providing membership counts as of the valuation date is sufficient to meet GASB disclosure requirements. Alternatively, City staff may decide to update the membership counts to be as of the Plan's fiscal year end.

<sup>2</sup> Payroll provided separately by the employer.

<sup>3</sup> Source: "20-Bond GO Index" is the Bond Buyer Index, general obligation, 20 years to maturity, mixed quality. In describing this index, the Bond Buyer notes that the bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA. The rate shown is as of June 26, 2025, the most recent date available on or before the measurement date.

# Discussion

## Accounting Standard

For Other Postemployment Benefit (OPEB) plans that are administered through trusts or equivalent arrangements, Governmental Accounting Standards Board (GASB) Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," replaces the requirements of GASB Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." Similarly, GASB Statement No. 75 establishes standards for state and local government employers (as well as non-employer contributing entities) to account for and disclose net OPEB liability, OPEB expense, and other information associated with providing OPEB to their employees (and former employees) on their financial statements.

GASB Statement Nos. 74 and 75 are effective for fiscal years beginning after June 15, 2016 and June 15, 2017, respectively.

The following discussion provides a summary of the information that is required to be disclosed under these accounting standards. A number of these disclosure items are provided in this report. However, certain information, such as notes regarding accounting policies and investments, is not included in this report. As a result, the plan sponsor will be responsible for preparing and disclosing the non-actuarial information needed to comply with these accounting standards.

## Financial Statements

GASB Statement No. 75 requires state and local government employers to recognize the net OPEB liability and the OPEB expense on their financial statements, along with the related deferred outflows and inflows of resources. The net OPEB liability is the difference between the total OPEB liability and the Plan's fiduciary net position. In traditional actuarial terms, this is analogous to the accrued liability less the market value of assets.

GASB Statement No. 75 states the employer contributions made to the OPEB plan subsequent to the measurement date and before the end of the employer's reporting period should be reported as a deferred outflow of resources. The information contained in this report does not incorporate any employer contributions made subsequent to the measurement date of June 30, 2025.

The OPEB expense recognized each fiscal year is equal to the change in the net OPEB liability from the beginning of the year to the end of the year, adjusted for deferred recognition of the liability and investment experience.

GASB Statement No. 74 requires defined benefit OPEB plans which are administered as trusts or equivalent arrangements to present two financial statements: a statement of fiduciary net position and a statement of changes in fiduciary net position. The statement of fiduciary net position presents the assets and liabilities of the OPEB plan at the end of the OPEB plan's reporting period. The statement of changes in fiduciary net position presents the additions, such as contributions and investment income, and deductions, such as benefit payments and expense, and net increase or decrease in the fiduciary net position.

## Notes to Financial Statements

GASB Statement No. 75 requires the notes of the employer's financial statements to disclose the total OPEB expense, the OPEB plan's liabilities and assets, and deferred outflows of resources and inflows of resources related to OPEB.

GASB Statement Nos. 74 and 75 require the notes of the financial statements for employers and OPEB plans to include certain additional information. The list of disclosure items should include:

- The name of the OPEB plan, the administrator of the OPEB plan, and the identification of whether the OPEB plan is a single-employer, agent, or cost-sharing OPEB plan;
- A description of the benefits provided by the plan;
- A brief description of changes in benefit terms or assumptions that affected the measurement of the total OPEB liability since the prior measurement date;
- The number of plan members by category and if the plan is closed;
- A description of the plan's funding policy, which includes member and employer contribution requirements;
- The OPEB plan's investment policies;
- The OPEB plan's fiduciary net position and the net OPEB liability;
- The net OPEB liability using +/- 1% on the discount rate;
- The net OPEB liability using +/- 1% on the healthcare trend rate;
- Significant assumptions and methods used to calculate the total OPEB liability;
- Inputs to the discount rates; and
- Certain information about mortality assumptions and the dates of experience studies.

OPEB plans that are administered through trusts or equivalent arrangements are required to disclose additional information in accordance with GASB Statement No. 74. This information includes:

- The composition of the OPEB plan's Board and the authority under which benefit terms may be amended;
- A description of how fair value is determined;
- Information regarding certain reserves and investments, which include concentrations of investments greater than or equal to 5%, receivables, and insurance contracts excluded from plan assets; and
- Annual money-weighted rate of return.

## Required Supplementary Information

GASB Statement No. 74 requires a 10-year fiscal history of:

- Sources of changes in the net OPEB liability;
- Information about the components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability, and the net OPEB liability as a percent of covered-employee payroll;
- Comparison of the actual employer contributions to the actuarially determined contributions based on the plan's funding policy; and
- For plans with an actuarially determined contribution, the schedule covering each of the 10 most recent fiscal years of the actuarially determined contribution, contributions to the OPEB plan and related ratios.

## Frequency and Timing of the Actuarial Valuation

An actuarial valuation to determine the total OPEB liability is required to be performed at least every two years. For the employer's financial reporting purposes, the net OPEB liability and OPEB expense should be measured as of the employer's "measurement date," which may not be earlier than the employer's prior fiscal year-end date. If the actuarial valuation used to determine the total OPEB liability is not calculated as of the measurement date, the total OPEB liability is required to be rolled-forward from the actuarial valuation date to the measurement date.

The total OPEB liability shown in this report is based on an actuarial valuation performed as of June 30, 2024 and a measurement date of June 30, 2025.

## Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects 1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits); and 2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on OPEB plan investments is 7.25%; the municipal bond rate is 5.20% (based on the weekly rate closest to but not later than the measurement date of The Bond Buyer "20-Bond GO Index"); and the resulting Single Discount Rate is 7.25%.

## Actuarial Assumptions

The actuarial assumptions used to value the liabilities are outlined in detail in Section H. The assumptions include details on the healthcare trend assumption, the aging factors, as well as the cost method used to develop the OPEB expense.

## **Future Uncertainty or Risk**

Future results may differ from those anticipated in this valuation. Reasons include, but are not limited to:

- Actual medical trend differing from expected;
- Changes in the healthcare plan designs offered to active and retired members; and
- Participant behavior differing from expected; e.g.,
  - Elections at retirement;
  - One-person versus two-person coverage elections; and
  - Time of retirement or termination.

## **Benefits Valued**

The benefit provisions that were valued are described in Section E. The valuation is required to be performed on the current benefit terms and existing legal agreements. Consideration is to be given to the written plan document as well as other communications between the employer and plan members and an established pattern of practice for cost sharing. The summary of major plan provisions is designed to outline principal plan benefits. If the plan summary is not in accordance with the actual provisions, please alert the actuaries immediately, so they can both be sure the proper provisions are valued.

## **Effective Date and Transition**

GASB Statement Nos. 74 and 75 are effective for fiscal years beginning after June 15, 2016, and June 15, 2017, respectively.

## **SECTION B**

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### **FINANCIAL STATEMENTS**

Auditor's Note – This information is intended to assist in preparation of the financial statements of the City of Royal Oak Retiree Health Care Plan. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.

# Statement of OPEB Expense under GASB Statement No. 75

## Fiscal Year Ended June 30, 2025

### A. Expense

1. Service Cost	\$ 424,758
2. Interest on the Total OPEB Liability	8,082,112
3. Current-Period Benefit Changes	0
4. Employee Contributions (made negative for addition here)	0
5. Projected Earnings on Plan Investments (made negative for addition here)	(11,297,876)
6. OPEB Plan Administrative Expense	32,677
7. Other Changes in Plan Fiduciary Net Position	(106,429)
8. Recognition of Outflow (Inflow) of Resources due to Liabilities	(2,972,999)
9. Recognition of Outflow (Inflow) of Resources due to Assets	(3,452,779)
<b>10. Total OPEB Expense</b>	<b>\$ (9,290,536)</b>

### Recognition of Deferred Outflows and Inflows of Resources

Differences between expected and actual experience and changes in assumptions are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period.

At the beginning of the current measurement period, the expected remaining service lives of all active employees in the plan was approximately 376 years. Additionally, the total plan membership (active employees and inactive employees) was 500. As a result, the average of the expected remaining service lives for purposes of recognizing the applicable deferred outflows and inflows of resources established in the current measurement period is 1 year.

Additionally, differences between projected and actual earnings on OPEB plan investments should be recognized in OPEB expense using a systematic and rational method over a closed five-year period. For this purpose, the deferred outflows and inflows of resources are recognized in the OPEB expense as a level dollar amount over the closed period identified above.

# Statement of Outflows and Inflows Arising from Current Reporting Period Fiscal Year Ended June 30, 2025

## **A. Outflows (Inflows) of Resources Due to Liabilities**

1. Difference between expected and actual experience of the Total OPEB Liability (gains) or losses	\$ (9,518,047)
2. Assumption Changes (gains) or losses	\$ 6,543,885
3. Recognition period for Liabilities: Average of the expected remaining service lives of all employees {in years}	1.0000
4. Outflow (Inflow) of Resources to be recognized in the current OPEB expense for the difference between expected and actual experience of the Total OPEB Liability	\$ (9,518,047)
5. Outflow (Inflow) of Resources to be recognized in the current OPEB expense for assumption changes	\$ 6,543,885
6. Outflow (Inflow) of Resources to be recognized in the current OPEB expense due to Liabilities	<hr/> \$ (2,974,162)
7. Deferred Outflow (Inflow) of Resources to be recognized in future OPEB expenses for the difference between expected and actual experience of the Total OPEB Liability	\$ 0
8. Deferred Outflow (Inflow) of Resources to be recognized in future OPEB expenses for assumption changes	\$ 0
9. Deferred Outflow (Inflow) of Resources to be recognized in future OPEB expenses due to Liabilities	<hr/> \$ 0

## **B. Outflows (Inflows) of Resources Due to Assets**

1. Net difference between projected and actual earnings on OPEB plan investments (gains) or losses	\$ (4,381,231)
2. Recognition period for Assets {in years}	5.0000
3. Outflow (Inflow) of Resources to be recognized in the current OPEB expense due to Assets	\$ (876,246)
4. Deferred Outflow (Inflow) of Resources to be recognized in future OPEB expenses due to Assets	\$ (3,504,985)

# Statement of Outflows and Inflows Arising from Current and Prior Reporting Periods Fiscal Year Ended June 30, 2025

## A. Outflows and Inflows of Resources by Source to be Recognized in Current OPEB Expense

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	\$ 0	\$ 9,520,711	\$ (9,520,711)
2. Assumption changes	6,547,712	0	6,547,712
3. Net difference between projected and actual earnings on OPEB plan investments	4,690,107	8,142,886	(3,452,779)
<b>4. Total</b>	<b>\$ 11,237,819</b>	<b>\$ 17,663,597</b>	<b>\$ (6,425,778)</b>

## B. Deferred Outflows and Deferred Inflows of Resources by Source to be Recognized in Future OPEB Expenses

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
1. Differences between expected and actual experience	\$ 0	\$ 0	\$ 0
2. Assumption changes	0	0	0
3. Net difference between projected and actual earnings on OPEB plan investments	4,690,106	8,597,309	(3,907,203)
<b>4. Total</b>	<b>\$ 4,690,106</b>	<b>\$ 8,597,309</b>	<b>\$ (3,907,203)</b>

## C. Deferred Outflows and Deferred Inflows of Resources by Year to be Recognized in Future OPEB Expenses

Year Ending June 30	Net Deferred Outflows of Resources
2026	\$ 1,985,761
2027	(2,704,344)
2028	(2,312,373)
2029	(876,247)
2030	0
Thereafter	0
<b>Total</b>	<b>\$ (3,907,203)</b>

Employer contributions that were made subsequent to the measurement date of the net OPEB liability and prior to the end of the employer's reporting period should be reported by the employer as a deferred outflow of resources related to OPEB. The information contained in this report does not incorporate any contributions made subsequent to the measurement date.

# Recognition of Deferred Outflows and Inflows of Resources

## Fiscal Year Ended June 30, 2025

Year Established	Initial Amount	Initial Recognition Period	Current Year Recognition	Remaining Recognition	Remaining Recognition Period
<b>Deferred Outflow (Inflow) Due to Differences Between Expected and Actual Experience on Liabilities</b>					
2024	\$ (4,441,895)	1.0006	\$ (2,664)	\$ 0	0.0000
2025	(9,518,047)	1.0000	<u>(9,518,047)</u>	0	0.0000
<b>Total</b>			<b>\$ (9,520,711)</b>	<b>\$ 0</b>	
<b>Deferred Outflow (Inflow) Due to Assumption Changes</b>					
2024	\$ 6,382,601	1.0006	\$ 3,827	\$ 0	0.0000
2025	6,543,885	1.0000	<u>6,543,885</u>	0	0.0000
<b>Total</b>			<b>\$ 6,547,712</b>	<b>\$ 0</b>	
<b>Deferred Outflow (Inflow) Due to Differences Between Projected and Actual Earnings on Plan Investments</b>					
2021	\$ (27,192,713)	5.0000	\$ (5,438,541)	\$ 0	0.0000
2022	23,450,534	5.0000	4,690,107	4,690,106	1.0000
2023	(1,959,869)	5.0000	(391,974)	(783,947)	2.0000
2024	(7,180,627)	5.0000	(1,436,125)	(4,308,377)	3.0000
2025	(4,381,231)	5.0000	<u>(876,246)</u>	<u>(3,504,985)</u>	4.0000
<b>Total</b>			<b>\$ (3,452,779)</b>	<b>\$ (3,907,203)</b>	

# Statement of Fiduciary Net Position as of June 30, 2025

	<u>2025</u>
<b>Assets</b>	
Cash and Deposits	\$ 66,359
Receivables	
Accounts Receivable - Sale of Investments	\$ 0
Accrued Interest and Other Dividends	0
Contributions	0
Accounts Receivable - Other	<u>111,740</u>
Total Receivables	<u><u>\$ 111,740</u></u>
Investments	
Fixed Income	\$ 0
Domestic Equities	0
International Equities	0
Real Estate	0
Other - Mutual Funds	<u>169,201,065</u>
Total Investments	<u><u>\$ 169,201,065</u></u>
<b>Total Assets</b>	<u><u><u>\$ 169,379,164</u></u></u>
<b>Liabilities</b>	
Payables	
Accounts Payable - Purchase of Investments	\$ 0
Accrued Expenses	87,744
Accounts Payable - Other	<u>0</u>
<b>Total Liabilities</b>	<u><u>\$ 87,744</u></u>
<b>Net Position Restricted for OPEB</b>	<u><u><u>\$ 169,291,420</u></u></u>

# Statement of Changes in Fiduciary Net Position for Year Ended June 30, 2025

	<u>2025</u>
<b>Additions</b>	
Contributions	
Employer	\$ 1,403,334
Nonemployer contributing entities	0
Active Employees	0
Other	0
Total Contributions	<u>\$ 1,403,334</u>
Investment Income	
Net Appreciation in Fair Value of Investments	\$ 10,789,004
Interest and Dividends	5,431,443
Less Investment Expense	<u>(541,340)</u>
Net Investment Income	<u>\$ 15,679,107</u>
Other	\$ 106,429
<b>Total Additions</b>	<u>\$ 17,188,870</u>
<b>Deductions</b>	
Benefit Payments	\$ 5,917,993
OPEB Plan Administrative Expense	32,677
Other	0
<b>Total Deductions</b>	<u>\$ 5,950,670</u>
<b>Net Increase in Net Position</b>	<b>\$ 11,238,200</b>
<b>Net Position Restricted for OPEB</b>	
Beginning of Year	\$ 158,053,220
End of Year	<u>\$ 169,291,420</u>

## **SECTION C**

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### **REQUIRED SUPPLEMENTARY INFORMATION**

Auditor's Note – This information is intended to assist in preparation of the financial statements of the City of Royal Oak Retiree Health Care Plan. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.

**Schedule of Changes in Net OPEB Liability and Related Ratios**  
**Current Reporting Period**  
**Fiscal Year Ended June 30, 2025**

**A. Total OPEB Liability**

1. Service cost	\$ 424,758
2. Interest on the Total OPEB Liability	8,082,112
3. Changes of benefit terms	0
4. Difference between expected and actual experience of the Total OPEB Liability <sup>1</sup>	(9,518,047)
5. Changes of assumptions	6,543,885
6. Benefit payments, including refunds of employee contributions	<u>(5,917,993)</u>
<b>7. Net change in Total OPEB Liability</b>	<b>(385,285)</b>
<b>8. Total OPEB Liability – Beginning</b>	<b>114,224,027</b>
<b>9. Total OPEB Liability – Ending</b>	<b><u>\$ 113,838,742</u></b>

**B. Plan Fiduciary Net Position**

1. Contributions – employer	\$ 1,403,334
2. Contributions – nonemployer contributing entities	0
3. Contributions – employee	0
4. Net investment income	15,679,107
5. Benefit payments, including refunds of employee contributions	(5,917,993)
6. OPEB plan administrative expense	(32,677)
7. Other	<u>106,429</u>
<b>8. Net change in Plan Fiduciary Net Position</b>	<b>11,238,200</b>
<b>9. Plan Fiduciary Net Position – Beginning</b>	<b>158,053,220</b>
<b>10. Plan Fiduciary Net Position – Ending</b>	<b><u>\$ 169,291,420</u></b>

**C. Net OPEB Liability**

<b>D. Plan Fiduciary Net Position as a percentage of the Total OPEB Liability</b>	<b>148.71 %</b>
<b>E. Covered-employee payroll<sup>2</sup></b>	<b>\$ 8,305,596</b>
<b>F. Net OPEB Liability as a percentage of covered-employee payroll</b>	<b>(667.65)%</b>

<sup>1</sup> Includes difference between actual and expected benefit payments.

<sup>2</sup> Payroll separately provided by the employer.

# Schedules of Required Supplementary Information

## Schedule of Changes in Net OPEB Liability and Related Ratios Multiyear

### Last 10 Fiscal Years (which may be built prospectively)

Fiscal year ending June 30,	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<b>Total OPEB Liability</b>										
Service cost	\$ 424,758	\$ 637,991	\$ 631,433	\$ 682,280	\$ 691,092	\$ 854,604	\$ 727,780	\$ 703,060	\$ 733,902	
Interest on the Total OPEB Liability	8,082,112	11,063,012	10,592,512	10,455,359	10,032,197	9,863,756	9,494,786	9,329,734	9,160,807	
Changes of benefit terms	-	(48,953,154)	-	-	-	-	-	-	-	
Difference between expected and actual experience <sup>1</sup>	(9,518,047)	(4,441,895)	(6,901,502)	(1,481,728)	(1,393,664)	(645,224)	(10,208,287)	(438,850)	(192,395)	
Changes of assumptions	6,543,885	6,382,601	8,774,515	-	4,288,384	-	20,859,970	-	-	
Benefit payments, including refunds of employee contributions	(5,917,993)	(5,477,609)	(7,743,547)	(7,733,894)	(7,819,881)	(7,516,243)	(7,282,202)	(7,670,977)	(7,343,424)	
<b>Net change in Total OPEB Liability</b>	<b>(385,285)</b>	<b>(40,789,054)</b>	<b>5,353,411</b>	<b>1,922,017</b>	<b>5,798,128</b>	<b>2,556,893</b>	<b>13,592,047</b>	<b>1,922,967</b>	<b>2,358,890</b>	
<b>Total OPEB Liability - Beginning</b>	<b>114,224,027</b>	<b>155,013,081</b>	<b>149,659,670</b>	<b>147,737,653</b>	<b>141,939,525</b>	<b>139,382,632</b>	<b>125,790,585</b>	<b>123,867,618</b>	<b>121,508,728</b>	
<b>Total OPEB Liability - Ending (a)</b>	<b>\$ 113,838,742</b>	<b>\$ 114,224,027</b>	<b>\$ 155,013,081</b>	<b>\$ 149,659,670</b>	<b>\$ 147,737,653</b>	<b>\$ 141,939,525</b>	<b>\$ 139,382,632</b>	<b>\$ 125,790,585</b>	<b>\$ 123,867,618</b>	
<b>Plan Fiduciary Net Position</b>										
Employer contributions <sup>2</sup>	\$ 1,403,334	\$ 1,521,253	\$ 1,431,059	\$ 1,535,406	\$ 962,809	\$ 1,086,472	\$ 695,837	\$ 716,492	\$ 119,383,923	
Nonemployer contributing entities contributions	-	-	-	-	-	-	-	-	-	
Employee contributions	-	-	-	-	-	-	-	-	-	
OPEB plan net investment income	15,679,107	17,504,207	11,782,848	(12,300,159)	36,176,429	940,267	6,227,182	6,858,726	3,500,699	
Benefit payments, including refunds of employee contributions	(5,917,993)	(5,477,609)	(7,743,547)	(7,733,894)	(7,819,881)	(7,516,243)	(7,282,202)	(7,670,977)	(7,343,424)	
OPEB plan administrative expense	(32,677)	(16,674)	(31,462)	(21,973)	(37,268)	(23,788)	(40,178)	(257,029)	(126,663)	
Other	106,429	282,644	278,333	268,576	263,247	(7)	393,885	506,996	(288,792)	
<b>Net change in Plan Fiduciary Net Position</b>	<b>11,238,200</b>	<b>13,813,821</b>	<b>5,717,231</b>	<b>(18,252,044)</b>	<b>29,545,336</b>	<b>(5,513,299)</b>	<b>(5,476)</b>	<b>154,208</b>	<b>115,125,743</b>	
<b>Plan Fiduciary Net Position - Beginning<sup>3</sup></b>	<b>158,053,220</b>	<b>144,239,399</b>	<b>138,522,168</b>	<b>156,774,212</b>	<b>127,228,876</b>	<b>132,742,175</b>	<b>132,747,651</b>	<b>132,323,704</b>	<b>16,868,443</b>	
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 169,291,420</b>	<b>\$ 158,053,220</b>	<b>\$ 144,239,399</b>	<b>\$ 138,522,168</b>	<b>\$ 156,774,212</b>	<b>\$ 127,228,876</b>	<b>\$ 132,742,175</b>	<b>\$ 132,477,912</b>	<b>\$ 131,994,186</b>	
<b>Net OPEB Liability - Ending (a) - (b)</b>	<b>\$ (55,452,678)</b>	<b>\$ (43,829,193)</b>	<b>\$ 10,773,682</b>	<b>\$ 11,137,502</b>	<b>\$ (9,036,559)</b>	<b>\$ 14,710,649</b>	<b>\$ 6,640,457</b>	<b>\$ (6,687,327)</b>	<b>\$ (8,126,568)</b>	
<b>Plan Fiduciary Net Position as a percentage</b>										
of Total OPEB Liability	148.71%	138.37%	93.05%	92.56%	106.12%	89.64%	95.24%	105.32%	106.56%	
Covered-employee payroll <sup>4</sup>	\$ 8,305,596	\$ 8,952,124	\$ 10,603,701	\$ 10,818,348	\$ 11,642,228	\$ 12,401,383	\$ 13,668,537	\$ 14,183,345	\$ 14,971,828	
Net OPEB Liability as a percentage of covered-employee payroll	(667.65)%	(489.60)%	101.60%	102.95%	(77.62)%	118.62%	48.58%	(47.15)%	(54.28)%	

1 Includes difference between actual and expected benefit payments.

2 2017 Employer Contributions includes \$107,971,344 from February 2017 issuance of bonds.

3 Beginning of year Plan Fiduciary Net Position was revised in 2018 and 2019.

4 Payroll separately provided by the employer.

# Schedules of Required Supplementary Information

## Schedule of the Net OPEB Liability Multiyear

**Last 10 Fiscal Years (which may be built prospectively)**

FY Ending June 30,	Total OPEB Liability	Plan Net Position	Net OPEB Liability	Plan Net Position as a % of Total OPEB Liability	Covered Payroll <sup>1</sup>	Net OPEB Liability as a % of Covered Payroll
2016						
2017	\$ 123,867,618	\$ 131,994,186	\$ (8,126,568)	106.56 %	\$ 14,971,828	(54.28)%
2018	125,790,585	132,477,912	(6,687,327)	105.32 %	14,183,345	(47.15)%
2019	139,382,632	132,742,175	6,640,457	95.24 %	13,668,537	48.58 %
2020	141,939,525	127,228,876	14,710,649	89.64 %	12,401,383	118.62 %
2021	147,737,653	156,774,212	(9,036,559)	106.12 %	11,642,228	(77.62)%
2022	149,659,670	138,522,168	11,137,502	92.56 %	10,818,348	102.95 %
2023	155,013,081	144,239,399	10,773,682	93.05 %	10,603,701	101.60 %
2024	114,224,027	158,053,220	(43,829,193)	138.37 %	8,952,124	(489.60)%
2025	113,838,742	169,291,420	(55,452,678)	148.71 %	8,305,596	(667.65)%

<sup>1</sup> Payroll separately provided by the employer.

## Schedule of Contributions Multiyear

### Last 10 Fiscal Years

FY Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll^	Actual Contribution as a % of Covered Payroll
2016					
2017	\$ 11,412,360	\$ 119,383,923	* \$(107,971,563)	\$ 14,971,828	797.39 %
2018	389,082	716,492	(327,410)	14,183,345	5.05 %
2019	369,967	695,837	(325,870)	13,668,537	5.09 %
2020	1,021,651	1,086,472	(64,821)	12,401,383	8.76 %
2021	940,979	962,809	(21,830)	11,642,228	8.27 %
2022	1,498,790	1,535,406	(36,616)	10,818,348	14.19 %
2023	1,390,614	1,431,059	(40,445)	10,603,701	13.50 %
2024	1,519,662	1,521,253	(1,591)	8,952,124	16.99 %
2025	1,384,276	1,403,334	(19,058)	8,305,596	16.90 %

\* Includes \$107,971,344 from February 2017 issuance of bonds.

<sup>^</sup> Payroll separately provided by the employer.

# Notes to Schedule of Contributions

## Methods and Assumptions Used to Determine Contribution Amounts for the Fiscal Year Ending June 30, 2025\*:

Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	15 years
Asset Valuation Method	Market Value of Assets
Inflation	3.00%
Salary Increases	3.0% to 5.2%, including inflation.
Investment Rate of Return	7.25%, net of OPEB plan investment expense, including inflation.
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	<ul style="list-style-type: none"><li>• Healthy Pre-Retirement: The RP-2014 Employee Generational Mortality Tables, with blue-collar adjustments and extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2017.</li><li>• Healthy Post-Retirement: The RP-2014 Healthy Annuitant Generational Mortality Tables, with blue-collar adjustments and extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2017.</li><li>• Disability Retirement: The RP-2014 Disabled Mortality Table, extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2017.</li></ul>
Health Care Trend Rates	Pre-65: 7.50% trend for the first year, gradually decreasing to 3.50% in year 12. Post-65: 6.25% trend for the first year, gradually decreasing to 3.50% in year 12.
Aging Factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"
Expenses	Investment expenses are net of the investment returns; administrative expenses are included in the premium costs.

## Other Information:

Notes	New assumptions were reflected in the June 30, 2024 actuarial valuation and are reflected in the Total OPEB Liability (TOL) as of June 30, 2025. For more information regarding these assumptions, see section H.
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\* Based on valuation assumptions used in the June 30, 2022 valuation.

## Schedule of Investment Returns Multiyear

### Last 10 Fiscal Years

FY Ending June 30,	Annual Return <sup>1</sup>
2016	
2017	5.73 %
2018	5.52 %
2019	5.09 %
2020	0.71 %
2021	29.40 %
2022	(7.87)%
2023	8.87 %
2024	12.51 %
2025	10.12 %

<sup>1</sup> Annual money-weighted rate of return, net of investment expenses.

## **SECTION D**

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### **NOTES TO FINANCIAL STATEMENTS**

Auditor's Note – This information is intended to assist in preparation of the financial statements of the City of Royal Oak Retiree Health Care Plan. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.

## Long-Term Expected Return on Plan Assets

The assumed rate of investment return was adopted by the plan's trustees after considering input from the plan's investment consultant(s). Additional information about the assumed rate of investment return is included in our actuarial valuation report as of June 30, 2024.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the OPEB plan's target asset allocation as of June 30, 2025, these best estimates are summarized in the following table:

### Asset Allocation

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Large Cap	25.00 %	5.50 %
Domestic Small/Mid	17.00 %	6.41 %
International Developed	10.00 %	7.07 %
International Emerging	4.00 %	6.77 %
Domestic Fixed Income	29.00 %	2.29 %
Real Estate	10.00 %	6.27 %
Private Equity	5.00 %	6.63 %
<b>Total</b>	<b>100.00 %</b>	

*\* Based on inflation of 2.41%.*

The figures in the above table were supplied by the City of Royal Oak. Gabriel, Roeder, Smith & Company does not provide investment advice.

## Single Discount Rate

A Single Discount Rate of 7.25% was used to measure the total OPEB liability. This Single Discount Rate was based on the expected rate of return on OPEB plan investments of 7.25%. The projection of cash flows used to determine this Single Discount Rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

## Summary of Membership Information<sup>1</sup>

The following table provides a summary of the number of participants in the plan:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	429
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	1
Active Plan Members	70
Total Plan Members	500

<sup>1</sup> As of the actuarial valuation date; GRS does not have membership counts as of June 30, 2025. City staff and auditors may decide that providing membership counts as of the valuation date is sufficient to meet GASB disclosure requirements. Alternatively, City staff may decide to update the membership counts to be as of the Plan's fiscal year end.

## Sensitivity of Net OPEB Liability

Regarding the sensitivity of the net OPEB liability to changes in the Single Discount Rate, the following presents the plan's net OPEB liability, calculated using a Single Discount Rate of 7.25%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

### Sensitivity of Net OPEB Liability to the Single Discount Rate Assumption

Current Single Discount		
1% Decrease	Rate Assumption	1% Increase
<b>6.25%</b>	<b>7.25%</b>	<b>8.25%</b>
\$ (43,372,552)	\$ (55,452,678)	\$ (65,625,553)

Regarding the sensitivity of the net OPEB liability to changes in the health care cost trend rates, the following presents the plan's net OPEB liability, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

### Sensitivity of Net OPEB Liability to the Health Care Cost Trend Rate Assumption

Current Health Care Cost		
1% Decrease	Trend Rate Assumption	1% Increase
\$ (66,573,684)	\$ (55,452,678)	\$ (42,346,341)

## **SECTION E**

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### **SUMMARY OF BENEFITS**

## Summary of Benefits

Except as noted below, this report complements the actuarial valuation report prepared as of June 30, 2024, and information herein should be considered along with the information from that report, especially for additional discussions of the nature of actuarial calculations and for more information related to benefit provisions.

## **SECTION F**

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### **DEVELOPMENT OF BASELINE CLAIMS COSTS**

## Development of Baseline Claims Costs

Except as noted below, this report complements the actuarial valuation report prepared as of June 30, 2024, and information herein should be considered along with the information from that report, especially for additional discussions of the nature of actuarial calculations and for more information related to baseline claims costs.

## **SECTION G**

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### **SUMMARY OF PARTICIPANT DATA**

## Summary of Participant Data

This report complements the actuarial valuation report prepared as of June 30, 2024, and information herein should be considered along with the information from that report, especially for additional discussions of the nature of actuarial calculations and for more information related to participant data.

## **SECTION H**

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### **VALUATION METHODS AND ACTUARIAL ASSUMPTIONS**

## Valuation Methods and Actuarial Assumptions Used for the Valuation

**Actuarial Cost Method.** Normal cost and the allocation of benefit values between service rendered before and after the valuation date were determined using an **Individual Entry-Age Actuarial Cost Method** having the following characteristics:

- (i) The annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement; and
- (ii) Each annual normal cost is a constant percentage of the member's year by year projected covered pay.

Actuarial gains/(losses), as they occur, reduce (increase) the Unfunded Actuarial Accrued Liability.

**Financing of Unfunded Actuarial Accrued Liabilities.** Unfunded Actuarial Accrued Liabilities (UAAL) were amortized on a level dollar basis. The UAAL were determined using the funding value of assets and actuarial accrued liability calculated as of the valuation date. The UAAL amortization payment is the amount required to fully amortize the UAAL over the 14-year period beginning with the fiscal year ending June 30, 2026. This UAAL payment reflects payments expected to be made between the valuation date and the fiscal year for which the contributions in this report have been calculated. The 14-year amortization factor used is 8.9245.

## Actuarial Assumptions

The rationale for the rates of merit and seniority salary increase, retirement rates, early retirement rates, rates of separation from active membership, and disability rates used in this valuation is included in the City of Royal Oak Retirement System's five-year Experience Study Report, dated October 24, 2023, for the period of July 1, 2017 through June 30, 2022.

**The rate of investment return** was 7.25% a year, compounded annually net after investment and administrative expenses.

The assumed real return is the rate of return in excess of price inflation. Considering other assumptions used in the valuation, the 7.25% nominal rate translates to a net real return of 4.00% a year.

**The rates of salary increase** used for individual members are in accordance with the following table. This assumption is used to project a member's current salary to the salaries upon which future contributions will be based.

Sample Ages	% Increase in Salary at Sample Ages				
	Merit and Seniority		Base (Economic)	Increase Next Year	
	General	Police/Fire		General	Police/Fire
20	2.16%	1.69%	3.25%	5.41%	4.94%
25	1.76%	1.69%	3.25%	5.01%	4.94%
30	1.51%	1.69%	3.25%	4.76%	4.94%
35	1.34%	1.18%	3.25%	4.59%	4.43%
40	1.20%	0.44%	3.25%	4.45%	3.69%
45	0.94%	0.14%	3.25%	4.19%	3.39%
50	0.64%	0.08%	3.25%	3.89%	3.33%
55	0.37%	0.02%	3.25%	3.62%	3.27%
60	0.09%	0.00%	3.25%	3.34%	3.25%
65	0.00%	0.00%	3.25%	3.25%	3.25%
Ref	760	761	3.25%		

The number of active members is assumed to decrease in the future.

## Actuarial Assumptions (Continued)

*The mortality tables* used were as follows:

### General

- **Healthy Pre-Retirement:** Pub-2010 General Employee Mortality Tables, amount-weighted, and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.
- **Healthy Post-Retirement:** Pub-2010 General Healthy Retiree Mortality Tables, amount-weighted, and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.
- **Disability Retirement:** Pub-2010 Non-Safety Disabled Retiree Mortality Tables, amount-weighted, and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.

### Police and Fire

- **Healthy Pre-Retirement:** Pub-2010 Safety Employee Mortality Tables, amount-weighted, and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.
- **Healthy Post-Retirement:** Pub-2010 Safety Healthy Retiree Mortality Tables, amount-weighted, and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.
- **Disability Retirement:** Pub-2010 Safety Disabled Retiree Mortality Tables, amount-weighted, and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.

## Actuarial Assumptions (Continued)

### General

Sample Attained	Healthy Pre-Retirement		Healthy Post-Retirement		Disabled Retirement	
	Future Life Expectancy (Years)*		Future Life Expectancy (Years)*		Future Life Expectancy (Years)*	
	Ages	Men	Women	Men	Women	Men
55	34.26	36.31	30.80	33.63	23.03	25.89
60	29.35	31.28	26.08	28.75	19.84	22.53
65	24.57	26.34	21.56	24.01	16.86	19.20
70	19.91	21.50	17.27	19.45	14.00	15.79
75	15.36	16.77	13.32	15.19	11.21	12.48
80	10.93	12.21	9.83	11.35	8.61	9.52

### Police and Fire

Sample Attained	Healthy Pre-Retirement		Healthy Post-Retirement		Disabled Retirement	
	Future Life Expectancy (Years)*		Future Life Expectancy (Years)*		Future Life Expectancy (Years)*	
	Ages	Men	Women	Men	Women	Men
55	33.56	35.97	30.68	32.66	29.49	31.64
60	28.56	30.92	25.78	27.74	24.79	26.99
65	23.68	25.93	21.16	23.07	20.41	22.62
70	18.95	21.00	16.85	18.66	16.34	18.46
75	14.46	16.26	12.91	14.57	12.59	14.53
80	10.27	11.79	9.47	10.94	9.35	10.94

\* Based on retirements in 2025. Retirements in future years will reflect improvements in life expectancy.

## Actuarial Assumptions (Continued)

**The rates of retirement** used to measure the probability of eligible members retiring during the next year were as follows:

Retirement Ages		Percents of Active Members Retiring within Next Year			All Police, Police and Fire Department Heads, and Fire Hired Before 10/1/09	
General	Police Service Aides	Fire Hired Before 10/1/09 & All Police	Fire Hired After 10/1/09	Retirement Service	Department Heads, and Fire Hired Before 10/1/09	
<b>45-49</b>						
50	15%	32.5%		60%	25	60%
51	10%	27.5%		60%	26	60%
52	10%	27.5%		60%	27	60%
53	10%	27.5%		40%	28	40%
54	10%	27.5%		40%	29	40%
55	10%	27.5%	40%	40%	30	40%
56	10%	27.5%	40%	40%	31	40%
57	10%	27.5%	40%	40%	32	40%
58	10%	27.5%	40%	40%	33	40%
59	10%	27.5%	40%	40%	34	40%
60	10%	27.5%	40%	40%	35	40%
61	10%	27.5%	40%	40%	36	40%
62	30%	47.5%	40%	40%	37	40%
63	15%	32.5%	40%	40%	38	40%
64	15%	32.5%	40%	40%	39	40%
65	50%	100%	100%	100%	40	100%
66	40%					
67	40%					
68	40%					
69	40%					
70	100%					
Ref.	625	3412	3411	3411		3411

## Actuarial Assumptions (Concluded)

**Rates of disability** among active members.

Sample Ages	% of Active Members Becoming Disabled within Next Year		
	General & PSA		
	Male	Female	Police & Fire
20	0.04%	0.02%	0.08%
25	0.05%	0.03%	0.11%
30	0.05%	0.04%	0.19%
35	0.07%	0.07%	0.23%
40	0.11%	0.10%	0.53%
45	0.16%	0.14%	0.60%
50	0.26%	0.23%	0.71%
55	0.46%	0.38%	0.83%
60	0.77%	0.55%	0.90%
Ref.	33	34	45

**Rates of separation from active membership** were as shown below (rates do not apply to members eligible to retire and do not include separation on account of death or disability). This assumption measures the probabilities of members remaining in employment.

Sample Ages	Years of Service	% of Active Members Separating within Next Year *	
		General & PSA	Police & Fire
ALL	0	12.00%	10.00%
		9.00%	7.00%
		7.00%	5.00%
		5.00%	4.00%
		4.50%	3.50%
25	5 & Over	4.50%	2.50%
		4.00%	2.00%
		3.50%	1.25%
		2.50%	0.75%
		2.00%	0.50%
		1.50%	0.25%
		1.00%	0.25%
		1.00%	0.25%
		1.00%	0.25%
Ref.		29	30
		1300	1177

## Miscellaneous and Technical Assumptions

<b>Decrement Operation</b>	Disability and mortality decrements do not operate during the first five years of service. Disability also does not operate during retirement eligibility.
<b>Decrement Timing</b>	Decrements of all types are assumed to occur mid-year.
<b>Eligibility Testing</b>	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
<b>Incidence of Contributions</b>	Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.
<b>Marriage Assumption</b>	90% of males and females are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses for active member valuation purposes.
<b>Pay Increase Timing</b>	Beginning of year.
<b>Medicare Coverage</b>	Assumed to be available for all covered employees on attainment of age 65.
<b>Election Percentage</b>	It was assumed that 95% of eligible future retirees would choose to receive retiree health care benefits through the City. Of those assumed to elect coverage, 70% of males and 70% of females in the General groups were assumed to elect two-person coverage and 80% of males and 80% of females in the Police/Fire groups were assumed to elect two-person coverage, if eligible. For those that elect two-person coverage, it was assumed that coverage would continue to the spouse upon death of the retiree, if eligible.

## **SECTION I**

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### **CALCULATION OF THE SINGLE DISCOUNT RATE**

## Calculation of the Single Discount Rate

GASB Statement No. 74 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total OPEB Liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a municipal bond rate is required, as described in the following paragraph.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects 1) the long-term expected rate of return on OPEB plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits); and 2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on OPEB plan investments is 7.25%; the municipal bond rate is 5.20%; and the resulting SDR is 7.25%.

The tables in this section provide background for the development of the SDR.

The **Projection of Contributions** table shows the development of expected contributions in future years. Normal Cost contributions for future hires are not included (nor are their liabilities).

The **Projection of Plan Fiduciary Net Position** table shows the development of expected asset levels in future years.

The **Present Values of Projected Benefits** table shows the development of the SDR. It breaks down the benefit payments into present values for funded and unfunded portions and shows the equivalent total at the SDR.

The projections in this report are strictly for the purpose of determining the GASB single discount rate and are different from a funding projection for the ongoing plan.

There may be cases where schedules do not add or where they do not exactly balance to other related schedules due to rounding.

The projection of cash flows used to determine the SDR assumed the following:

- In all years, the total contributions will be equal to the actuarially computed employer contribution; and
- Contributions and benefit payments occur halfway through the year.

# Single Discount Rate Development

## Projection of Contributions

Year	Projected Contributions from Current Employees	Projected Service Cost and Expense Contributions	Projected UAL Contributions	Projected Total Contributions
1	\$ 0	\$ 420,264	\$ (420,264)	0
2	\$ 0	\$ 369,806	\$ (369,806)	0
3	\$ 0	\$ 316,267	\$ (316,267)	0
4	\$ 0	\$ 251,866	\$ (251,866)	0
5	\$ 0	\$ 202,182	\$ (202,182)	0
6	\$ 0	\$ 159,761	\$ (159,761)	0
7	\$ 0	\$ 116,688	\$ (116,688)	0
8	\$ 0	\$ 88,224	\$ (88,224)	0
9	\$ 0	\$ 70,878	\$ (70,878)	0
10	\$ 0	\$ 59,350	\$ (59,350)	0
11	\$ 0	\$ 49,741	\$ (49,741)	0
12	\$ 0	\$ 40,641	\$ (40,641)	0
13	\$ 0	\$ 33,505	\$ (33,505)	0
14	\$ 0	\$ 28,456	\$ (28,456)	0
15	\$ 0	\$ 23,286	\$ 0	\$ 23,286
16	\$ 0	\$ 18,630	\$ 0	\$ 18,630
17	\$ 0	\$ 15,130	\$ 0	\$ 15,130
18	\$ 0	\$ 11,666	\$ 0	\$ 11,666
19	\$ 0	\$ 8,659	\$ 0	\$ 8,659
20	\$ 0	\$ 6,394	\$ 0	\$ 6,394
21	\$ 0	\$ 4,511	\$ 0	\$ 4,511
22	\$ 0	\$ 3,057	\$ 0	\$ 3,057
23	\$ 0	\$ 1,822	\$ 0	\$ 1,822
24	\$ 0	\$ 991	\$ 0	\$ 991
25	\$ 0	\$ 591	\$ 0	\$ 591
26	\$ 0	\$ 309	\$ 0	\$ 309
27	\$ 0	\$ 134	\$ 0	\$ 134
28	\$ 0	\$ 36	\$ 0	\$ 36
29	\$ 0	\$ 0	\$ 0	\$ 0
30	\$ 0	\$ 0	\$ 0	\$ 0
31	\$ 0	\$ 0	\$ 0	\$ 0
32	\$ 0	\$ 0	\$ 0	\$ 0
33	\$ 0	\$ 0	\$ 0	\$ 0
34	\$ 0	\$ 0	\$ 0	\$ 0
35	\$ 0	\$ 0	\$ 0	\$ 0
36	\$ 0	\$ 0	\$ 0	\$ 0
37	\$ 0	\$ 0	\$ 0	\$ 0
38	\$ 0	\$ 0	\$ 0	\$ 0
39	\$ 0	\$ 0	\$ 0	\$ 0
40	\$ 0	\$ 0	\$ 0	\$ 0
41	\$ 0	\$ 0	\$ 0	\$ 0
42	\$ 0	\$ 0	\$ 0	\$ 0
43	\$ 0	\$ 0	\$ 0	\$ 0
44	\$ 0	\$ 0	\$ 0	\$ 0
45	\$ 0	\$ 0	\$ 0	\$ 0
46	\$ 0	\$ 0	\$ 0	\$ 0
47	\$ 0	\$ 0	\$ 0	\$ 0
48	\$ 0	\$ 0	\$ 0	\$ 0
49	\$ 0	\$ 0	\$ 0	\$ 0
50	\$ 0	\$ 0	\$ 0	\$ 0

The projections in this report are strictly for the purpose of determining the GASB single discount rate and are different from a funding projection for the ongoing plan.

# Single Discount Rate Development

## Projection of Plan Net Position

Year	Projected Beginning	Projected Total	Projected	Projected	Projected	Projected
	Plan Net Position	Contributions	Benefit Payments	Administrative Expenses	Investment Earnings at 7.250%	Ending Plan Net Position
	(a)	(b)	(c)	(d)	(d)	(f)=(a)+(b)-(c)+(d)
1	\$ 169,291,420	\$ 0	\$ 7,984,307	\$ 0	\$ 11,989,261	\$ 173,296,373
2	173,296,373	0	8,388,237	0	12,265,234	177,173,370
3	177,173,370	0	8,723,773	0	12,534,366	180,983,962
4	180,983,962	0	9,022,999	0	12,799,976	184,760,940
5	184,760,940	0	9,294,194	0	13,064,148	188,530,894
6	188,530,894	0	9,542,921	0	13,328,611	192,316,584
7	192,316,584	0	9,732,633	0	13,596,317	196,180,268
8	196,180,268	0	9,928,416	0	13,869,461	200,121,313
9	200,121,313	0	10,089,999	0	14,149,432	204,180,746
10	204,180,746	0	9,800,600	0	14,454,048	208,834,194
11	208,834,194	0	9,578,548	0	14,799,332	214,054,978
12	214,054,978	0	9,564,456	0	15,178,341	219,668,863
13	219,668,863	0	9,547,031	0	15,585,968	225,707,799
14	225,707,799	0	9,448,911	0	16,027,285	232,286,174
15	232,286,174	23,286	9,367,886	0	16,507,933	239,449,506
16	239,449,506	18,630	9,279,924	0	17,030,241	247,218,453
17	247,218,453	15,130	9,089,895	0	17,600,133	255,743,820
18	255,743,820	11,666	8,845,859	0	18,226,790	265,136,418
19	265,136,418	8,659	8,557,831	0	18,917,905	275,505,150
20	275,505,150	6,394	8,288,297	0	19,679,157	286,902,404
21	286,902,404	4,511	7,983,550	0	20,516,245	299,439,610
22	299,439,610	3,057	7,695,149	0	21,435,412	313,182,930
23	313,182,930	1,822	7,355,700	0	22,443,848	328,272,900
24	328,272,900	991	7,092,522	0	23,547,215	344,728,584
25	344,728,584	591	6,884,491	0	24,747,647	362,592,331
26	362,592,331	309	6,635,007	0	26,051,644	382,009,278
27	382,009,278	134	6,395,369	0	27,467,901	403,081,944
28	403,081,944	36	6,177,413	0	29,003,429	425,907,996
29	425,907,996	0	5,947,023	0	30,666,522	450,627,495
30	450,627,495	0	5,705,167	0	32,467,300	477,389,628
31	477,389,628	0	5,453,804	0	34,416,507	506,352,331
32	506,352,331	0	5,194,568	0	36,525,536	537,683,298
33	537,683,298	0	4,902,927	0	38,807,418	571,587,789
34	571,587,789	0	4,598,627	0	41,276,331	608,265,493
35	608,265,493	0	4,319,436	0	43,945,408	647,891,465
36	647,891,465	0	4,038,744	0	46,828,288	690,681,009
37	690,681,009	0	3,758,784	0	49,940,501	736,862,726
38	736,862,726	0	3,481,602	0	53,298,548	786,679,672
39	786,679,672	0	3,209,588	0	56,919,964	840,390,049
40	840,390,049	0	2,944,653	0	60,823,402	898,268,798
41	898,268,798	0	2,688,485	0	65,028,735	960,609,049
42	960,609,049	0	2,442,412	0	69,557,168	1,027,723,804
43	1,027,723,804	0	2,207,573	0	74,431,351	1,099,947,582
44	1,099,947,582	0	1,985,732	0	79,675,476	1,177,637,326
45	1,177,637,326	0	1,777,124	0	85,315,413	1,261,175,615
46	1,261,175,615	0	1,580,911	0	91,378,927	1,350,973,631
47	1,350,973,631	0	1,397,565	0	97,895,813	1,447,471,878
48	1,447,471,878	0	1,227,351	0	104,897,998	1,551,142,525
49	1,551,142,525	0	1,069,931	0	112,419,727	1,662,492,321
50	1,662,492,321	0	925,431	0	120,497,733	1,782,064,624

The projections in this report are strictly for the purpose of determining the GASB single discount rate and are different from a funding projection for the ongoing plan.

# Single Discount Rate Development

## Projection of Plan Net Position (Concluded)

Year	Projected Beginning Plan Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Administrative Expenses	Projected Investment Earnings at 7.250%	Projected Ending Plan Net Position
	(a)	(b)	(c)	(d)	(d)	(f)=(a)+(b)-(c)+(d)
51	\$ 1,782,064,624	\$ 0	\$ 794,199	\$ 0	\$ 129,171,399	\$ 1,910,441,824
52	1,910,441,824	0	675,793	0	138,482,963	2,048,248,994
53	2,048,248,994	0	569,980	0	148,477,752	2,196,156,766
54	2,196,156,766	0	476,267	0	159,204,403	2,354,884,902
55	2,354,884,902	0	394,583	0	170,715,102	2,525,205,421
56	2,525,205,421	0	324,207	0	183,065,846	2,707,947,060
57	2,707,947,060	0	264,364	0	196,316,746	2,903,999,443
58	2,903,999,443	0	213,803	0	210,532,345	3,114,317,985
59	3,114,317,985	0	171,489	0	225,781,946	3,339,928,442
60	3,339,928,442	0	136,652	0	242,139,945	3,581,931,735
61	3,581,931,735	0	108,211	0	259,686,197	3,841,509,721
62	3,841,509,721	0	85,080	0	278,506,425	4,119,931,066
63	4,119,931,066	0	66,431	0	298,692,636	4,418,557,272
64	4,418,557,272	0	51,508	0	320,343,568	4,738,849,332
65	4,738,849,332	0	39,645	0	343,565,165	5,082,374,851
66	5,082,374,851	0	30,266	0	368,471,099	5,450,815,684
67	5,450,815,684	0	23,090	0	395,183,315	5,845,975,909
68	5,845,975,909	0	17,665	0	423,832,624	6,269,790,868
69	6,269,790,868	0	13,400	0	454,559,361	6,724,336,828
70	6,724,336,828	0	10,048	0	487,514,062	7,211,840,842
71	7,211,840,842	0	7,421	0	522,858,197	7,734,691,618
72	7,734,691,618	0	5,381	0	560,764,951	8,295,451,188
73	8,295,451,188	0	3,817	0	601,420,075	8,896,867,446
74	8,896,867,446	0	2,641	0	645,022,796	9,541,887,601
75	9,541,887,601	0	1,779	0	691,786,788	10,233,672,610
76	10,233,672,610	0	1,162	0	741,941,223	10,975,612,670
77	10,975,612,670	0	735	0	795,731,892	11,771,343,828
78	11,771,343,828	0	449	0	853,422,412	12,624,765,790
79	12,624,765,790	0	265	0	915,295,510	13,540,061,035
80	13,540,061,035	0	151	0	981,654,420	14,521,715,304
81	14,521,715,304	0	83	0	1,052,824,357	15,574,539,577
82	15,574,539,577	0	45	0	1,129,154,118	16,703,693,651
83	16,703,693,651	0	24	0	1,211,017,789	17,914,711,416
84	17,914,711,416	0	12	0	1,298,816,577	19,213,527,980
85	19,213,527,980	0	6	0	1,392,980,778	20,606,508,752
86	20,606,508,752	0	3	0	1,493,971,884	22,100,480,633
87	22,100,480,633	0	2	0	1,602,284,846	23,702,765,477
88	23,702,765,477	0	1	0	1,718,450,497	25,421,215,974
89	25,421,215,974	0	0	0	1,843,038,158	27,264,254,132
90	27,264,254,132	0	0	0	1,976,658,425	29,240,912,556
91	29,240,912,556	0	0	0	2,119,966,160	31,360,878,717
92	31,360,878,717	0	0	0	2,273,663,707	33,634,542,424
93	33,634,542,424	0	0	0	2,438,504,326	36,073,046,749
94	36,073,046,749	0	0	0	2,615,295,889	38,688,342,639
95	38,688,342,639	0	0	0	2,804,904,841	41,493,247,480
96	41,493,247,480	0	0	0	3,008,260,442	44,501,507,922
97	44,501,507,922	0	0	0	3,226,359,324	47,727,867,247
98	47,727,867,247	0	0	0	3,460,270,375	51,188,137,622
99	51,188,137,622	0	0	0	3,711,139,978	54,899,277,600
100	54,899,277,600	0	0	0	3,980,197,626	58,879,475,226

The projections in this report are strictly for the purpose of determining the GASB single discount rate and are different from a funding projection for the ongoing plan.

# Single Discount Rate Development

## Present Values of Projected Benefits

Year	Projected Beginning		Projected		Funded Portion of Projected Benefit Payments	Unfunded Portion of Projected Benefit Payments	Present Value of Funded Benefit Payments using Expected Return Rate (v)	Present Value of Unfunded Benefit Payments using Municipal Bond Rate (vf)	Present Value of All Benefit Payments using Single Discount Rate (SDR)
	Plan	Net Position	Projected Benefit Payments	Projected Benefit Payments					
(a)	(b)	(c)	(d)	(e)	(f)=(d)*v^( (a)-.5)	(g)=(e)*vf^( (a)-.5)	(h)=(c)/(1+SDR)^(a-.5)		
1	\$ 169,291,420	\$ 7,984,307	\$ 7,984,307	\$ 0	\$ 7,709,720	\$ 0	\$ 7,709,720		
2	173,296,373	8,388,237	8,388,237	0	7,552,222	0	7,552,222		
3	177,173,370	8,723,773	8,723,773	0	7,323,372	0	7,323,372		
4	180,983,962	9,022,999	9,022,999	0	7,062,531	0	7,062,531		
5	184,760,940	9,294,194	9,294,194	0	6,783,033	0	6,783,033		
6	188,530,894	9,542,921	9,542,921	0	6,493,759	0	6,493,759		
7	192,316,584	9,732,633	9,732,633	0	6,175,156	0	6,175,156		
8	196,180,268	9,928,416	9,928,416	0	5,873,544	0	5,873,544		
9	200,121,313	10,089,999	10,089,999	0	5,565,627	0	5,565,627		
10	204,180,746	9,800,600	9,800,600	0	5,040,555	0	5,040,555		
11	208,834,194	9,578,548	9,578,548	0	4,593,334	0	4,593,334		
12	214,054,978	9,564,456	9,564,456	0	4,276,528	0	4,276,528		
13	219,668,863	9,547,031	9,547,031	0	3,980,174	0	3,980,174		
14	225,707,799	9,448,911	9,448,911	0	3,672,977	0	3,672,977		
15	232,286,174	9,367,886	9,367,886	0	3,395,320	0	3,395,320		
16	239,449,506	9,279,924	9,279,924	0	3,136,074	0	3,136,074		
17	247,218,453	9,089,895	9,089,895	0	2,864,201	0	2,864,201		
18	255,743,820	8,845,859	8,845,859	0	2,598,886	0	2,598,886		
19	265,136,418	8,557,831	8,557,831	0	2,344,303	0	2,344,303		
20	275,505,150	8,288,297	8,288,297	0	2,116,986	0	2,116,986		
21	286,902,404	7,983,550	7,983,550	0	1,901,303	0	1,901,303		
22	299,439,610	7,695,149	7,695,149	0	1,708,736	0	1,708,736		
23	313,182,930	7,355,700	7,355,700	0	1,522,947	0	1,522,947		
24	328,272,900	7,092,522	7,092,522	0	1,369,191	0	1,369,191		
25	344,728,584	6,884,491	6,884,491	0	1,239,190	0	1,239,190		
26	362,592,331	6,635,007	6,635,007	0	1,113,551	0	1,113,551		
27	382,009,278	6,395,369	6,395,369	0	1,000,777	0	1,000,777		
28	403,081,944	6,177,413	6,177,413	0	901,324	0	901,324		
29	425,907,996	5,947,023	5,947,023	0	809,052	0	809,052		
30	450,627,495	5,705,167	5,705,167	0	723,682	0	723,682		
31	477,389,628	5,453,804	5,453,804	0	645,033	0	645,033		
32	506,352,331	5,194,568	5,194,568	0	572,842	0	572,842		
33	537,683,298	4,902,927	4,902,927	0	504,131	0	504,131		
34	571,587,789	4,598,627	4,598,627	0	440,878	0	440,878		
35	608,265,493	4,319,436	4,319,436	0	386,118	0	386,118		
36	647,891,465	4,038,744	4,038,744	0	336,622	0	336,622		
37	690,681,009	3,758,784	3,758,784	0	292,110	0	292,110		
38	736,862,726	3,481,602	3,481,602	0	252,279	0	252,279		
39	786,679,672	3,209,588	3,209,588	0	216,847	0	216,847		
40	840,390,049	2,944,653	2,944,653	0	185,499	0	185,499		
41	898,268,798	2,688,485	2,688,485	0	157,913	0	157,913		
42	960,609,049	2,442,412	2,442,412	0	133,761	0	133,761		
43	1,027,723,804	2,207,573	2,207,573	0	112,727	0	112,727		
44	1,099,947,582	1,985,732	1,985,732	0	94,545	0	94,545		
45	1,177,637,326	1,777,124	1,777,124	0	78,893	0	78,893		
46	1,261,175,615	1,580,911	1,580,911	0	65,438	0	65,438		
47	1,350,973,631	1,397,565	1,397,565	0	53,938	0	53,938		
48	1,447,471,878	1,227,351	1,227,351	0	44,167	0	44,167		
49	1,551,142,525	1,069,931	1,069,931	0	35,899	0	35,899		
50	1,662,492,321	925,431	925,431	0	28,952	0	28,952		

The projections in this report are strictly for the purpose of determining the GASB single discount rate and are different from a funding projection for the ongoing plan.

## Single Discount Rate Development

### Present Values of Projected Benefits (Concluded)

The projections in this report are strictly for the purpose of determining the GASB single discount rate and are different from a funding projection for the ongoing plan.

## **SECTION J**

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### **MICHIGAN PUBLIC ACT 202**

# State Reporting Assumptions as of June 30, 2025

The Protecting Local Government Retirement and Benefits Act, Public Act 202 of 2017 (PA 202), was put into law effective December 20, 2017. One outcome of the law is the requirement for the local unit of government to provide select reporting disclosures to the State. Section 5(1) of the Act provides the State treasurer with the authority to annually establish uniform actuarial assumptions for purposes of developing the requisite disclosures. Below you will find information which may be used to assist the local unit of government with required reporting.

Uniform Assumptions, as applicable to the measurement and the required disclosures under uniform assumptions, are denoted below. Additional discussion of PA 202 and uniform assumptions may be found on the State website in the *Public Act 202: Selection of the Uniform Assumptions for Fiscal Year 2025* memo dated March 4, 2025.

Uniform Assumption	PA 202	Valuation Assumption Used	Uniform Assumption Used
Investment Rate of Return Discount Rate	Maximum of 7.00% <sup>1</sup>	7.25%	<b>7.00%</b>
Salary Increase	Minimum of 3.65% or based on experience study within last 5 years	3.25% (based on experience study dated October 24, 2023)	3.25% (based on experience study dated October 24, 2023)
Mortality	A version of Pub-2010 mortality tables with future mortality improvement projected generationally using scale MP-2021 or based on experience study within last 5 years	A version of Pub-2010 mortality tables with future mortality improvement projected generationally using scale MP-2021	A version of Pub-2010 mortality tables with future mortality improvement projected generationally using scale MP-2021
Healthcare Inflation (for Medical and Drug)	Non-Medicare: Initial rate of 7.50% decreasing 0.25% per year to a 4.50% long-term rate Medicare: Initial rate of 5.75% decreasing 0.25% per year to a 4.50% long-term rate	Non-Medicare: Initial rate of 7.25% decreasing to a long-term rate of 3.50% in year 15 Medicare: Initial rate of 6.50% decreasing to a long-term rate of 3.50% in year 15	<b>Non-Medicare: Initial rate of 7.50% decreasing 0.25% per year to a 4.50% long-term rate</b> <b>Medicare: Initial rate of 5.75% decreasing 0.25% per year to a 4.50% long-term rate</b>
Amortization of the Unfunded Accrued Actuarial Liability: Period	Maximum Period of 24 Years	15 years <sup>2</sup>	15 years <sup>2</sup>
Method	Closed Plans: Level Dollar Open Plans: Level Percent of Payroll or Level Dollar	Level Dollar	Level Dollar
Type	Closed	Closed	Closed

<sup>1</sup> A blended rate calculated using GASB Statement No. 75 methodology. For periods in which projected plan assets are sufficient to make projected benefit payments – maximum of 7.00%; for periods in which projected plan assets are NOT sufficient to make projected benefit payments – 3.93%.

<sup>2</sup> For the fiscal year ending June 30, 2025.

# State Reporting as of June 30, 2025

The following information has been prepared to provide some of the information necessary to complete the OPEB reporting requirements for the State of Michigan's Local Government Retirement System Annual Report (Form 5572). The local unit of government is required to complete/develop all of the remaining reporting requirements necessary for Form 5572. Additional resources are available on the State website.

Line	Descriptive Information	
19	Actuarial Assumptions <sup>1</sup>	
20	Assumed Rate of Investment Return	7.25%
21	Enter discount rate	7.25%
22	Amortization method utilized for funding the system's unfunded actuarial accrued liability, if any	Level Dollar
23	Amortization period utilized for funding the system's unfunded actuarial accrued liability, if any <sup>2</sup>	15
24	Is each division within the system closed to new employees?	yes
25	Health care inflation assumption for the next year	See Below <sup>3</sup>
26	Health care inflation assumption - Long-Term Trend Rate	3.50%
27	Uniform Assumptions <sup>4</sup>	
28	Enter retirement health care system's actuarial value of assets using uniform assumptions	\$ 154,639,107
29	Enter retirement health care system's actuarial accrued liabilities using uniform assumptions	\$ 117,506,151
30	Funded ratio using uniform assumptions	131.6%
31	Actuarially Determined Contribution (ADC) using uniform assumptions <sup>5</sup>	\$ -
32	All systems combined ADC/Governmental fund revenues	Auto <sup>6</sup>

<sup>1</sup> Information on lines 20-26 can be found in the June 30, 2024 funding valuation report, dated November 22, 2024.

<sup>2</sup> For the fiscal year ending June 30, 2025.

<sup>3</sup> 7.25% Non-Medicare age; 6.50% Medicare age.

<sup>4</sup> Information on lines 28-32 is based on the Uniform Assumptions Used, listed on the prior page, as of the most recent valuation date, June 30, 2024. Benefits valued were the same as those described on page 21 of this report.

<sup>5</sup> For the fiscal year ending June 30, 2025.

<sup>6</sup> Automatically calculated by State of Michigan Form 5572.

## **SECTION K**

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### **GLOSSARY OF TERMS**

## Glossary of Terms

<b>Accrued Service</b>	Service credited under the system that was rendered before the date of the actuarial valuation.
<b>Actuarial Accrued Liability (AAL)</b>	The AAL is the difference between the actuarial present value of all benefits and the actuarial value of future normal costs. The definition comes from the fundamental equation of funding which states that the present value of all benefits is the sum of the Actuarial Accrued Liability and the present value of future normal costs. The AAL may also be referred to as “accrued liability” or “actuarial liability.”
<b>Actuarial Assumptions</b>	These assumptions are estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and compensation increases. Actuarial assumptions are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (compensation increases, payroll growth, inflation and investment return) consist of an underlying real rate of return plus an assumption for a long-term average rate of inflation.
<b>Actuarial Cost Method</b>	A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of the OPEB trust benefits between future normal cost and actuarial accrued liability. The actuarial cost method may also be referred to as the “actuarial funding method.”
<b>Actuarial Equivalent</b>	A single amount or series of amounts of equal actuarial value to another single amount or series of amounts, computed on the basis of appropriate actuarial assumptions.
<b>Actuarial Gain (Loss)</b>	The difference in liabilities between actual experience and expected experience during the period between two actuarial valuations is the gain (loss) on the accrued liabilities.
<b>Actuarial Present Value (APV)</b>	The amount of funds currently required to provide a payment or series of payments in the future. The present value is determined by discounting future payments at predetermined rates of interest and probabilities of payment.
<b>Actuarial Valuation</b>	The actuarial valuation report determines, as of the actuarial valuation date, the service cost, total OPEB liability, and related actuarial present value of projected benefit payments for OPEB.
<b>Actuarial Valuation Date</b>	The date as of which an actuarial valuation is performed.

## Glossary of Terms

<b>Actuarially Determined Contribution (ADC) or Annual Required Contribution (ARC)</b>	A calculated contribution into an OPEB plan for the reporting period, most often determined based on the funding policy of the plan. Typically, the Actuarially Determined Contribution has a normal cost payment and an amortization payment.
<b>Amortization Method</b>	The method used to determine the periodic amortization payment may be a level dollar amount, or a level percent of pay amount. The period will typically be expressed in years, and the method will either be “open” (meaning, reset each year) or “closed” (the number of years remaining will decline each year).
<b>Amortization Payment</b>	The amortization payment is the periodic payment required to pay off an interest-discounted amount with payments of interest and principal.
<b>Cost-of-Living Adjustments</b>	Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.
<b>Cost-Sharing Multiple-Employer Defined Benefit OPEB Plan (cost-sharing OPEB plan)</b>	A multiple-employer defined benefit OPEB plan in which the OPEB obligations to the employees of more than one employer are pooled and OPEB plan assets can be used to pay the benefits of the employees of any employer that provides benefits through the OPEB plan.
<b>Covered-Employee Payroll</b>	The payroll of employees that are provided with benefits through the OPEB plan.
<b>Deferred Inflows and Outflows</b>	The deferred inflows and outflows of OPEB resources are amounts used under GASB Statement No. 75 in developing the annual OPEB expense. Deferred inflows and outflows arise with differences between expected and actual experiences; changes of assumptions. The portion of these amounts not included in the OPEB expense should be included in the deferred inflows or outflows of resources.
<b>Discount Rate</b>	For GASB purposes, the discount rate is the single rate of return that results in the present value of all projected benefit payments to be equal to the sum of the funded and unfunded projected benefit payments, specifically:
	<ol style="list-style-type: none"><li>1. The benefit payments to be made while the OPEB plans' fiduciary net position is projected to be greater than the benefit payments that are projected to be made in the period; and</li><li>2. The present value of the benefit payments not in (1) above, discounted using the municipal bond rate.</li></ol>

## Glossary of Terms

### **Entry Age Actuarial Cost Method (EAN)**

The EAN is a cost method for allocating the costs of the plan between the normal cost and the accrued liability. The actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis (either level dollar or level percent of pay) over the earnings or service of the individual between entry age and assumed exit age(s). The portion of the actuarial present value allocated to a valuation year is the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is the actuarial accrued liability. The sum of the accrued liability plus the present value of all future normal costs is the present value of all benefits.

### **Fiduciary Net Position**

The fiduciary net position is the market value of the assets of the trust dedicated to the defined benefit provisions.

### **GASB**

The Governmental Accounting Standards Board is an organization that exists in order to promulgate accounting standards for governmental entities.

### **Long-Term Expected Rate of Return**

The long-term rate of return is the expected return to be earned over the entire trust portfolio based on the asset allocation of the portfolio.

### **Money-Weighted Rate of Return**

The money-weighted rate of return is a method of calculating the returns that adjusts for the changing amounts actually invested. For purposes of GASB Statement No. 74, the money-weighted rate of return is calculated as the internal rate of return on OPEB plan investments, net of OPEB plan investment expense.

### **Multiple-Employer Defined Benefit OPEB Plan**

A multiple-employer plan is a defined benefit OPEB plan that is used to provide OPEB payments to the employees of more than one employer.

### **Municipal Bond Rate**

The Municipal Bond Rate is the discount rate to be used for those benefit payments that occur after the assets of the trust have been depleted.

### **Net OPEB Liability (NOL)**

The NOL is the liability of employers and non-employer contributing entities to plan members for benefits provided through a defined benefit OPEB plan.

### **Non-Employer Contributing Entities**

Non-employer contributing entities are entities that make contributions to an OPEB plan that is used to provide OPEB payments to the employees of other entities. For purposes of the GASB accounting statements, plan members are not considered non-employer contributing entities.

## Glossary of Terms

<b>Normal Cost</b>	The portion of the actuarial present value allocated to a valuation year is called the “normal cost.” For purposes of application to the requirements of this Statement, the term normal cost is the equivalent of service cost.
<b>Other Postemployment Benefits (OPEB)</b>	All postemployment benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits regardless of the manner in which they are provided. Other postemployment benefits do not include termination benefits.
<b>Real Rate of Return</b>	The real rate of return is the rate of return on an investment after adjustment to eliminate inflation.
<b>Service Cost</b>	The service cost is the portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.
<b>Total OPEB Expense</b>	The total OPEB expense is the sum of the following items that are recognized at the end of the employer’s fiscal year: <ol style="list-style-type: none"><li>1. Service Cost</li><li>2. Interest on the Total OPEB Liability</li><li>3. Current-Period Benefit Changes</li><li>4. Employee Contributions (made negative for addition here)</li><li>5. Projected Earnings on Plan Investments (made negative for addition here)</li><li>6. OPEB Plan Administrative Expense</li><li>7. Other Changes in Plan Fiduciary Net Position</li><li>8. Recognition of Outflow (Inflow) of Resources due to Liabilities</li><li>9. Recognition of Outflow (Inflow) of Resources due to Assets</li></ol>
<b>Total OPEB Liability (TOL)</b>	The TOL is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service.
<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	The UAAL is the difference between actuarial accrued liability and valuation assets.
<b>Valuation Assets</b>	The valuation assets are the assets used in determining the unfunded liability of the plan. For purposes of GASB Statement Nos. 74 and 75, the valuation assets are equal to the market value of assets.