

# 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, 2020





September 23, 2020

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.

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 No. 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,



Mark Buis, FSA, EA, FCA, MAAA



Michael D. Kosciuk, ASA, EA, ACA, MAAA

MB/MDK:dj

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, 2020

	<b>2020</b>
Actuarial Valuation Date	June 30, 2018
Measurement Date of the Net OPEB Liability	June 30, 2020
Employer's Fiscal Year Ending Date (Reporting Date)	June 30, 2020

## Membership

Number of <sup>1</sup>	
- Retirees and Beneficiaries	425
- Inactive, Nonretired Members	2
- Active Members	154
- Total	581
Covered Payroll <sup>2</sup>	\$ 12,401,383

## Net OPEB Liability

Total OPEB Liability	\$ 141,939,525
Plan Fiduciary Net Position	127,228,876
Net OPEB Liability	\$ 14,710,649
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	89.64 %
Net OPEB Liability as a Percentage of Covered Payroll	118.62 %

## 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>	2.45 %
Last year ending June 30 in the 2021 to 2120 projection period for which projected benefit payments are fully funded	2120

**Total OPEB Expense** \$ 9,438,229

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 0	\$ 289,061
Changes in assumptions	0	0
Net difference between projected and actual earnings on OPEB plan investments	10,732,267	0
<b>Total</b>	\$ 10,732,267	\$ 289,061

<sup>1</sup> As of the actuarial valuation date; GRS does not have membership counts as of June 30, 2020. 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: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year GO AA Index" as of June 30, 2020. In describing this index, Fidelity notes that the municipal curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.



# Discussion

## Accounting Standard

For Other Post-Employment 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, 2020.

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, 2018 and a measurement date of June 30, 2020.

## 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 2.45% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA 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, 2020

### A. Expense

1. Service Cost	\$	854,604
2. Interest on the Total OPEB Liability		9,863,756
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)		(9,389,866)
6. OPEB Plan Administrative Expense		23,788
7. Other Changes in Plan Fiduciary Net Position		7
8. Recognition of Outflow (Inflow) of Resources due to Liabilities		4,578,444
9. Recognition of Outflow (Inflow) of Resources due to Assets		3,507,496
<b>10. Total OPEB Expense</b>	<b>\$</b>	<b>9,438,229</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 1,053 years. Additionally, the total plan membership (active employees and inactive employees) was 581. 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 1.8116 years.

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, 2020

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

1. Difference between expected and actual experience of the Total OPEB Liability (gains) or losses	\$	(645,224)
2. Assumption Changes (gains) or losses	\$	0
3. Recognition period for Liabilities: Average of the expected remaining service lives of all employees {in years}		1.8116
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	\$	(356,163)
5. Outflow (Inflow) of Resources to be recognized in the current OPEB expense for assumption changes	\$	0
6. Outflow (Inflow) of Resources to be recognized in the current OPEB expense due to Liabilities	\$	(356,163)
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	\$	(289,061)
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	\$	(289,061)

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

1. Net difference between projected and actual earnings on OPEB plan investments (gains) or losses	\$	8,449,599
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	\$	1,689,920
4. Deferred Outflow (Inflow) of Resources to be recognized in future OPEB expenses due to Assets	\$	6,759,679

# Statement of Outflows and Inflows Arising from Current and Prior Reporting Periods Fiscal Year Ended June 30, 2020

## 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	\$ 5,200,533	\$ (5,200,533)
2. Assumption changes	9,778,977	0	9,778,977
3. Net difference between projected and actual earnings on OPEB plan investments	3,507,496	0	3,507,496
<b>4. Total</b>	<b>\$ 13,286,473</b>	<b>\$ 5,200,533</b>	<b>\$ 8,085,940</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	\$ 289,061	\$ (289,061)
2. Assumption changes	0	0	0
3. Net difference between projected and actual earnings on OPEB plan investments	10,732,267	0	10,732,267
<b>4. Total</b>	<b>\$ 10,732,267</b>	<b>\$ 289,061</b>	<b>\$ 10,443,206</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
2021	\$ 3,218,436
2022	3,081,082
2023	2,453,769
2024	1,689,919
2025	0
Thereafter	0
<b>Total</b>	<b>\$ 10,443,206</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, 2020

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>					
2018	\$ (438,850)	2.3095	\$ (58,812)	\$ 0	0.0000
2019	(10,208,287)	1.8825	(4,785,558)	0	0.0000
2020	(645,224)	1.8116	(356,163)	(289,061)	0.8116
<b>Total</b>			<b>\$ (5,200,533)</b>	<b>\$ (289,061)</b>	
<b>Deferred Outflow (Inflow) Due to Assumption Changes</b>					
2019	\$ 20,859,970	1.8825	\$ 9,778,977	\$ 0	0.0000
2020	0	1.8116	0	0	0.8116
<b>Total</b>			<b>\$ 9,778,977</b>	<b>\$ 0</b>	
<b>Deferred Outflow (Inflow) Due to Differences Between Projected and Actual Earnings on Plan Investments</b>					
2017	\$ 2,132,076	5.0000	\$ 426,415	\$ 426,416	1.0000
2018	3,136,561	5.0000	627,312	1,254,625	2.0000
2019	3,819,245	5.0000	763,849	2,291,547	3.0000
2020	8,449,599	5.0000	1,689,920	6,759,679	4.0000
<b>Total</b>			<b>\$ 3,507,496</b>	<b>\$ 10,732,267</b>	



## Statement of Fiduciary Net Position as of June 30, 2020

	<b>2020</b>
<b>Assets</b>	
Cash and Deposits	\$ 57,133
Receivables	
Accounts Receivable - Sale of Investments	\$ 0
Accrued Interest and Other Dividends	0
Contributions	0
Accounts Receivable - Other	6,084
Total Receivables	\$ 6,084
Investments	
Fixed Income	\$ 0
Domestic Equities	0
International Equities	0
Real Estate	0
Other - Mutual Funds	127,260,238
Total Investments	\$ 127,260,238
<b>Total Assets</b>	<b>\$ 127,323,455</b>
<b>Liabilities</b>	
Payables	
Accounts Payable - Purchase of Investments	\$ 0
Accrued Expenses	94,579
Accounts Payable - Other	0
Total Liabilities	\$ 94,579
<b>Net Position Restricted for OPEB</b>	<b>\$ 127,228,876</b>

## Statement of Changes in Fiduciary Net Position for Year Ended June 30, 2020

	<b>2020</b>
<b>Additions</b>	
Contributions	
Employer	\$ 1,086,472
Nonemployer contributing entities	0
Active Employees	0
Other	0
<b>Total Contributions</b>	<b>\$ 1,086,472</b>
Investment Income	
Net Appreciation in Fair Value of Investments	\$ (2,485,276)
Interest and Dividends	3,756,584
Less Investment Expense	(331,041)
<b>Net Investment Income</b>	<b>\$ 940,267</b>
Other	\$ 0
<b>Total Additions</b>	<b>\$ 2,026,739</b>
 <b>Deductions</b>	
Benefit Payments	\$ 7,516,243
OPEB Plan Administrative Expense	23,788
Other	7
<b>Total Deductions</b>	<b>\$ 7,540,038</b>
<b>Net Increase in Net Position</b>	<b>\$ (5,513,299)</b>
 <b>Net Position Restricted for OPEB</b>	
Beginning of Year	\$ 132,742,175
End of Year	<b>\$ 127,228,876</b>

## 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, 2020

<b>A. Total OPEB Liability</b>	
1. Service cost	\$ 854,604
2. Interest on the Total OPEB Liability	9,863,756
3. Changes of benefit terms	0
4. Difference between expected and actual experience of the Total OPEB Liability <sup>1</sup>	(645,224)
5. Changes of assumptions	0
6. Benefit payments, including refunds of employee contributions	(7,516,243)
<b>7. Net change in Total OPEB Liability</b>	<b>2,556,893</b>
<b>8. Total OPEB Liability – Beginning</b>	<b>139,382,632</b>
<b>9. Total OPEB Liability – Ending</b>	<b>\$ 141,939,525</b>
<b>B. Plan Fiduciary Net Position</b>	
1. Contributions – employer	\$ 1,086,472
2. Contributions – nonemployer contributing entities	0
3. Contributions – employee	0
4. Net investment income	940,267
5. Benefit payments, including refunds of employee contributions	(7,516,243)
6. OPEB plan administrative expense	(23,788)
7. Other	(7)
<b>8. Net change in Plan Fiduciary Net Position</b>	<b>(5,513,299)</b>
<b>9. Plan Fiduciary Net Position – Beginning</b>	<b>132,742,175</b>
<b>10. Plan Fiduciary Net Position – Ending</b>	<b>\$ 127,228,876</b>
<b>C. Net OPEB Liability</b>	<b>\$ 14,710,649</b>
<b>D. Plan Fiduciary Net Position as a percentage of the Total OPEB Liability</b>	<b>89.64 %</b>
<b>E. Covered-employee payroll<sup>2</sup></b>	<b>\$ 12,401,383</b>
<b>F. Net OPEB Liability as a percentage of covered-employee payroll</b>	<b>118.62 %</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,	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Total OPEB Liability</b>										
Service cost	\$ 854,604	\$ 727,780	\$ 703,060	\$ 733,902						
Interest on the Total OPEB Liability	9,863,756	9,494,786	9,329,734	9,160,807						
Changes of benefit terms	-	-	-	-						
Difference between expected and actual experience <sup>1</sup>	(645,224)	(10,208,287)	(438,850)	(192,395)						
Changes of assumptions	-	20,859,970	-	-						
Benefit payments, including refunds of employee contributions	(7,516,243)	(7,282,202)	(7,670,977)	(7,343,424)						
<b>Net change in Total OPEB Liability</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>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>\$ 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>	\$ 1,086,472	\$ 695,837	\$ 716,492	\$ 119,383,923						
Nonemployer contributing entities contributions	-	-	-	-						
Employee contributions	-	-	-	-						
OPEB plan net investment income	940,267	6,227,182	6,858,726	3,500,699						
Benefit payments, including refunds of employee contributions	(7,516,243)	(7,282,202)	(7,670,977)	(7,343,424)						
OPEB plan administrative expense	(23,788)	(40,178)	(257,029)	(126,663)						
Other	(7)	393,885	506,996	(288,792)						
<b>Net change in Plan Fiduciary Net Position</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>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>\$ 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>\$ 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 of Total OPEB Liability</b>	89.64%	95.24%	105.32%	106.56%						
<b>Covered-employee payroll<sup>4</sup></b>	\$ 12,401,383	\$ 13,668,537	\$ 14,183,345	\$ 14,971,828						
<b>Net OPEB Liability as a percentage of covered-employee payroll</b>	118.62%	48.58%	(47.15)%	(54.28)%						

**Notes to Schedule:**

- 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
2011						
2012						
2013						
2014						
2015						
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 %

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

# Schedule of Contributions Multiyear

## Last 10 Fiscal Years

<u>FY Ending June 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll<sup>^</sup></u>	<u>Actual Contribution as a % of Covered Payroll</u>
2011					
2012					
2013					
2014					
2015					
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 %

\* 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, 2020\*:

Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	20 years
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
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	9.0% trend for the first year, gradually decreasing to 3.0% in year 10.
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 N/A

*\* Based on valuation assumptions used in the June 30, 2018 valuation.*



# Schedule of Investment Returns Multiyear

## Last 10 Fiscal Years

<u>FY Ending June 30,</u>	<u>Annual Return<sup>1</sup></u>
2011	
2012	
2013	
2014	
2015	
2016	
2017	5.73 %
2018	5.52 %
2019	5.09 %
2020	0.71 %

<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, 2018.

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, 2020, these geometric best estimates are summarized in the following table:

### Asset Allocation

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic Large Cap	30.00 %	5.05 %
Domestic Small/ Mid	15.00 %	5.20 %
International Developed	15.00 %	7.20 %
International Emerging	5.00 %	8.50 %
Domestic Fixed Income	15.00 %	0.80 %
Real Estate	10.00 %	4.60 %
Private Equity	10.00 %	7.80 %
<b>Total</b>	<b>100.00 %</b>	

*\* Based on inflation of 2.0%.*

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	425
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	2
Active Plan Members	154
Total Plan Members	<u>581</u>

<sup>1</sup> As of the actuarial valuation date; GRS does not have membership counts as of June 30, 2020. 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

<b>1% Decrease</b>	<b>Current Single Discount Rate Assumption</b>	<b>1% Increase</b>
<b>6.25%</b>	<b>7.25%</b>	<b>8.25%</b>
\$ 30,851,403	\$ 14,710,649	\$ 1,215,159

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

<b>1% Decrease</b>	<b>Current Health Care Cost Trend Rate Assumption</b>	<b>1% Increase</b>
\$ (886,601)	\$ 14,710,649	\$ 33,119,712

## **SECTION E**

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### **SUMMARY OF BENEFITS**

## Summary of Benefits

This report complements the actuarial valuation report prepared as of June 30, 2018, 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

This report complements the actuarial valuation report prepared as of June 30, 2018, 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, 2018, 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 a 19-year period beginning with the fiscal year ending June 30, 2021. 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 19-year amortization factor used is 10.5081.

## Actuarial Assumptions

This report complements the actuarial valuation report prepared as of June 30, 2018, 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 actuarial assumptions.

On December 20, 2019, the "Further Consolidated Appropriations Act of 2020," H.R. 1865, was signed into law. The Act repeals the "Cadillac tax" which was a tax provision from the Affordable Care Act (ACA). As a result, any liability/provision analysis included as part of the prior funding valuation is no longer required. In addition, no further adjustments associated with the "Cadillac tax" are required. The repeal of the "Cadillac tax" does not have an impact on Total OPEB Liabilities shown in this report because no load was applied as part of the June 30, 2018 funding valuation.

## 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 2.45%; 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 Benefit Payments** 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	\$ 786,197	\$ 154,782	\$ 940,979
2	0	706,128	1,525,966	2,232,094
3	0	636,675	1,526,313	2,162,989
4	0	577,561	1,526,313	2,103,874
5	0	517,744	1,526,313	2,044,057
6	0	452,725	1,526,313	1,979,038
7	0	390,319	1,526,313	1,916,633
8	0	333,140	1,526,313	1,859,453
9	0	276,453	1,526,313	1,802,766
10	0	231,435	1,526,313	1,757,748
11	0	189,629	1,526,313	1,715,943
12	0	140,007	1,526,313	1,666,320
13	0	98,998	1,526,313	1,625,311
14	0	71,638	1,526,313	1,597,951
15	0	53,962	1,526,313	1,580,275
16	0	40,888	1,526,313	1,567,201
17	0	31,076	1,526,313	1,557,389
18	0	23,633	1,526,313	1,549,946
19	0	17,742	1,526,313	1,544,055
20	0	13,253	0	13,253
21	0	9,934	0	9,934
22	0	7,610	0	7,610
23	0	5,566	0	5,566
24	0	3,745	0	3,745
25	0	2,452	0	2,452
26	0	1,628	0	1,628
27	0	1,020	0	1,020
28	0	560	0	560
29	0	282	0	282
30	0	153	0	153
31	0	73	0	73
32	0	28	0	28
33	0	7	0	7
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 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)
1	\$ 127,228,876	\$ 940,979	\$ 8,836,355	\$ 0	\$ 8,942,894	\$ 128,276,394
2	128,276,394	2,232,094	9,425,157	0	9,043,852	130,127,183
3	130,127,183	2,162,989	9,997,340	0	9,155,194	131,448,026
4	131,448,026	2,103,874	10,512,604	0	9,230,499	132,269,795
5	132,269,795	2,044,057	10,960,693	0	9,271,987	132,625,146
6	132,625,146	1,979,038	11,405,387	0	9,279,597	132,478,394
7	132,478,394	1,916,633	11,739,815	0	9,254,823	131,910,035
8	131,910,035	1,859,453	11,908,822	0	9,205,562	131,066,227
9	131,066,227	1,802,766	12,012,800	0	9,138,663	129,994,856
10	129,994,856	1,757,748	12,097,627	0	9,056,364	128,711,341
11	128,711,341	1,715,943	12,198,208	0	8,958,238	127,187,314
12	127,187,314	1,666,320	12,244,785	0	8,844,320	125,453,169
13	125,453,169	1,625,311	12,315,010	0	8,714,633	123,478,103
14	123,478,103	1,597,951	12,350,816	0	8,569,191	121,294,430
15	121,294,430	1,580,275	12,152,935	0	8,417,293	119,139,063
16	119,139,063	1,567,201	11,995,132	0	8,266,183	116,977,315
17	116,977,315	1,557,389	11,886,251	0	8,112,985	114,761,437
18	114,761,437	1,549,946	11,771,667	0	7,956,150	112,495,866
19	112,495,866	1,544,055	11,594,792	0	7,797,986	110,243,115
20	110,243,115	13,253	11,415,663	0	7,586,520	106,427,225
21	106,427,225	9,934	11,240,784	0	7,315,979	102,512,353
22	102,512,353	7,610	11,035,176	0	7,039,390	98,524,178
23	98,524,178	5,566	10,807,405	0	6,758,287	94,480,626
24	94,480,626	3,745	10,552,578	0	6,474,141	90,405,934
25	90,405,934	2,452	10,277,450	0	6,188,478	86,319,414
26	86,319,414	1,628	9,987,000	0	5,902,521	82,236,564
27	82,236,564	1,020	9,679,901	0	5,617,430	78,175,113
28	78,175,113	560	9,347,678	0	5,334,791	74,162,786
29	74,162,786	282	9,033,760	0	5,055,068	70,184,375
30	70,184,375	153	8,734,488	0	4,777,287	66,227,328
31	66,227,328	73	8,411,176	0	4,501,913	62,318,138
32	62,318,138	28	8,084,835	0	4,230,118	58,463,450
33	58,463,450	7	7,761,437	0	3,962,171	54,664,191
34	54,664,191	0	7,428,014	0	3,698,600	50,934,777
35	50,934,777	0	7,085,513	0	3,440,415	47,289,679
36	47,289,679	0	6,736,461	0	3,188,578	43,741,795
37	43,741,795	0	6,382,494	0	2,943,963	40,303,264
38	40,303,264	0	6,025,156	0	2,707,396	36,985,504
39	36,985,504	0	5,666,317	0	2,479,639	33,798,825
40	33,798,825	0	5,306,690	0	2,261,413	30,753,549
41	30,753,549	0	4,948,846	0	2,053,375	27,858,078
42	27,858,078	0	4,595,247	0	1,856,047	25,118,878
43	25,118,878	0	4,247,719	0	1,669,833	22,540,992
44	22,540,992	0	3,908,249	0	1,495,027	20,127,769
45	20,127,769	0	3,578,564	0	1,331,810	17,881,015
46	17,881,015	0	3,260,763	0	1,180,239	15,800,491
47	15,800,491	0	2,955,404	0	1,040,277	13,885,364
48	13,885,364	0	2,664,117	0	911,804	12,133,051
49	12,133,051	0	2,389,385	0	794,546	10,538,213
50	10,538,213	0	2,131,288	0	688,113	9,095,038

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 Investment Earnings at 7.250%	Projected Ending Plan Net Position
	(a)	(b)	(c)	(d)	(f)=(a)+(b)-(c)+(d)
51	\$ 9,095,038	\$ 0	\$ 1,889,543	\$ 592,093	\$ 7,797,588
52	7,797,588	0	1,664,774	506,033	6,638,847
53	6,638,847	0	1,458,001	429,389	5,610,234
54	5,610,234	0	1,268,543	361,562	4,703,253
55	4,703,253	0	1,095,693	301,962	3,909,522
56	3,909,522	0	939,195	249,990	3,220,317
57	3,220,317	0	798,188	205,045	2,627,175
58	2,627,175	0	672,039	166,535	2,121,671
59	2,121,671	0	560,161	133,871	1,695,381
60	1,695,381	0	462,180	106,454	1,339,655
61	1,339,655	0	377,481	83,681	1,045,855
62	1,045,855	0	305,087	64,959	805,726
63	805,726	0	243,536	49,741	611,931
64	611,931	0	191,632	37,540	457,839
65	457,839	0	148,759	27,895	336,975
66	336,975	0	113,784	20,378	243,569
67	243,569	0	85,484	14,614	172,699
68	172,699	0	63,000	10,277	119,975
69	119,975	0	45,483	7,078	81,571
70	81,571	0	32,121	4,770	54,220
71	54,220	0	22,169	3,141	35,192
72	35,192	0	14,934	2,020	22,277
73	22,277	0	9,801	1,266	13,742
74	13,742	0	6,258	773	8,257
75	8,257	0	3,886	460	4,831
76	4,831	0	2,348	267	2,751
77	2,751	0	1,378	150	1,522
78	1,522	0	786	82	819
79	819	0	435	44	428
80	428	0	234	23	216
81	216	0	123	11	105
82	105	0	62	5	48
83	48	0	30	2	20
84	20	0	13	1	8
85	8	0	6	0	2
86	2	0	2	0	0
87	0	0	0	0	0
88	0	0	0	0	0
89	0	0	0	0	0
90	0	0	0	0	0
91	0	0	0	0	0
92	0	0	0	0	0
93	0	0	0	0	0
94	0	0	0	0	0
95	0	0	0	0	0
96	0	0	0	0	0
97	0	0	0	0	0
98	0	0	0	0	0
99	0	0	0	0	0
100	0	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

## Present Values of Projected Benefits

Year	Projected Beginning Plan Net Position	Projected Benefit Payments	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)
(a)	(b)	(c)	(d)	(e)	(f)=(d)*v^(a)-.5	(g)=(e)*vf^(a)-.5	(h)=(c)/(1+SDR)^(a)-.5
1	\$ 127,228,876	\$ 8,836,355	\$ 8,836,355	\$ 0	\$ 8,532,464	\$ 0	\$ 8,532,464
2	128,276,394	9,425,157	9,425,157	0	8,485,797	0	8,485,797
3	130,127,183	9,997,340	9,997,340	0	8,392,497	0	8,392,497
4	131,448,026	10,512,604	10,512,604	0	8,228,483	0	8,228,483
5	132,269,795	10,960,693	10,960,693	0	7,999,267	0	7,999,267
6	132,625,146	11,405,387	11,405,387	0	7,761,128	0	7,761,128
7	132,478,394	11,739,815	11,739,815	0	7,448,671	0	7,448,671
8	131,910,035	11,908,822	11,908,822	0	7,045,130	0	7,045,130
9	131,066,227	12,012,800	12,012,800	0	6,626,241	0	6,626,241
10	129,994,856	12,097,627	12,097,627	0	6,221,940	0	6,221,940
11	128,711,341	12,198,208	12,198,208	0	5,849,576	0	5,849,576
12	127,187,314	12,244,785	12,244,785	0	5,474,976	0	5,474,976
13	125,453,169	12,315,010	12,315,010	0	5,134,150	0	5,134,150
14	123,478,103	12,350,816	12,350,816	0	4,801,004	0	4,801,004
15	121,294,430	12,152,935	12,152,935	0	4,404,740	0	4,404,740
16	119,139,063	11,995,132	11,995,132	0	4,053,656	0	4,053,656
17	116,977,315	11,886,251	11,886,251	0	3,745,324	0	3,745,324
18	114,761,437	11,771,667	11,771,667	0	3,458,480	0	3,458,480
19	112,495,866	11,594,792	11,594,792	0	3,176,237	0	3,176,237
20	110,243,115	11,415,663	11,415,663	0	2,915,773	0	2,915,773
21	106,427,225	11,240,784	11,240,784	0	2,677,022	0	2,677,022
22	102,512,353	11,035,176	11,035,176	0	2,450,402	0	2,450,402
23	98,524,178	10,807,405	10,807,405	0	2,237,599	0	2,237,599
24	94,480,626	10,552,578	10,552,578	0	2,037,145	0	2,037,145
25	90,405,934	10,277,450	10,277,450	0	1,849,914	0	1,849,914
26	86,319,414	9,987,000	9,987,000	0	1,676,115	0	1,676,115
27	82,236,564	9,679,901	9,679,901	0	1,514,755	0	1,514,755
28	78,175,113	9,347,678	9,347,678	0	1,363,886	0	1,363,886
29	74,162,786	9,033,760	9,033,760	0	1,228,982	0	1,228,982
30	70,184,375	8,734,488	8,734,488	0	1,107,942	0	1,107,942
31	66,227,328	8,411,176	8,411,176	0	994,808	0	994,808
32	62,318,138	8,084,835	8,084,835	0	891,572	0	891,572
33	58,463,450	7,761,437	7,761,437	0	798,050	0	798,050
34	54,664,191	7,428,014	7,428,014	0	712,136	0	712,136
35	50,934,777	7,085,513	7,085,513	0	633,380	0	633,380
36	47,289,679	6,736,461	6,736,461	0	561,471	0	561,471
37	43,741,795	6,382,494	6,382,494	0	496,008	0	496,008
38	40,303,264	6,025,156	6,025,156	0	436,586	0	436,586
39	36,985,504	5,666,317	5,666,317	0	382,829	0	382,829
40	33,798,825	5,306,690	5,306,690	0	334,295	0	334,295
41	30,753,549	4,948,846	4,948,846	0	290,679	0	290,679
42	27,858,078	4,595,247	4,595,247	0	251,664	0	251,664
43	25,118,878	4,247,719	4,247,719	0	216,905	0	216,905
44	22,540,992	3,908,249	3,908,249	0	186,080	0	186,080
45	20,127,769	3,578,564	3,578,564	0	158,865	0	158,865
46	17,881,015	3,260,763	3,260,763	0	134,972	0	134,972
47	15,800,491	2,955,404	2,955,404	0	114,062	0	114,062
48	13,885,364	2,664,117	2,664,117	0	95,870	0	95,870
49	12,133,051	2,389,385	2,389,385	0	80,171	0	80,171
50	10,538,213	2,131,288	2,131,288	0	66,677	0	66,677

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)

Year	Projected Beginning Plan Net Position	Projected Benefit Payments	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)
(a)	(b)	(c)	(d)	(e)	(f)=(d)*v <sup>(a)-5</sup>	(g)=(e)*vf <sup>(a)-5</sup>	(h)=(c)/(1+SDR) <sup>(a)-5</sup>
51	\$ 9,095,038	\$ 1,889,543	\$ 1,889,543	\$ 0	\$ 55,118	\$ 0	\$ 55,118
52	7,797,588	1,664,774	1,664,774	0	45,279	0	45,279
53	6,638,847	1,458,001	1,458,001	0	36,974	0	36,974
54	5,610,234	1,268,543	1,268,543	0	29,995	0	29,995
55	4,703,253	1,095,693	1,095,693	0	24,157	0	24,157
56	3,909,522	939,195	939,195	0	19,307	0	19,307
57	3,220,317	798,188	798,188	0	15,299	0	15,299
58	2,627,175	672,039	672,039	0	12,010	0	12,010
59	2,121,671	560,161	560,161	0	9,334	0	9,334
60	1,695,381	462,180	462,180	0	7,181	0	7,181
61	1,339,655	377,481	377,481	0	5,468	0	5,468
62	1,045,855	305,087	305,087	0	4,121	0	4,121
63	805,726	243,536	243,536	0	3,067	0	3,067
64	611,931	191,632	191,632	0	2,250	0	2,250
65	457,839	148,759	148,759	0	1,629	0	1,629
66	336,975	113,784	113,784	0	1,162	0	1,162
67	243,569	85,484	85,484	0	814	0	814
68	172,699	63,000	63,000	0	559	0	559
69	119,975	45,483	45,483	0	376	0	376
70	81,571	32,121	32,121	0	248	0	248
71	54,220	22,169	22,169	0	159	0	159
72	35,192	14,934	14,934	0	100	0	100
73	22,277	9,801	9,801	0	61	0	61
74	13,742	6,258	6,258	0	36	0	36
75	8,257	3,886	3,886	0	21	0	21
76	4,831	2,348	2,348	0	12	0	12
77	2,751	1,378	1,378	0	7	0	7
78	1,522	786	786	0	3	0	3
79	819	435	435	0	2	0	2
80	428	234	234	0	1	0	1
81	216	123	123	0	0	0	0
82	105	62	62	0	0	0	0
83	48	30	30	0	0	0	0
84	20	13	13	0	0	0	0
85	8	6	6	0	0	0	0
86	2	2	2	0	0	0	0
87	0	0	0	0	0	0	0
88	0	0	0	0	0	0	0
89	0	0	0	0	0	0	0
90	0	0	0	0	0	0	0
91	0	0	0	0	0	0	0
92	0	0	0	0	0	0	0
93	0	0	0	0	0	0	0
94	0	0	0	0	0	0	0
95	0	0	0	0	0	0	0
96	0	0	0	0	0	0	0
97	0	0	0	0	0	0	0
98	0	0	0	0	0	0	0
99	0	0	0	0	0	0	0
100	0	0	0	0	0	0	0
<b>Totals</b>					\$ 146,011,127	\$ 0	\$ 146,011,127

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, 2020

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.

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 3.50% or based on experience study within last 5 years	3.00% + Merit and longevity (based on experience study dated September 28, 2018)	3.00% + Merit and longevity (based on experience study dated September 28, 2018)
Mortality	Version of Pub-2010 with generational mortality improvement using scale MP-2018 or based on experience study within last 5 years	A version of RP-2014 (based on experience study dated September 28, 2018)	A version of RP-2014 (based on experience study dated September 28, 2018)
Healthcare Inflation (for Medical and Drug)	Non-Medicare: Initial rate of 8.25% decreasing 0.25% per year to a 4.50% long-term rate Medicare: Initial rate of 6.50% decreasing 0.25% per year to a 4.50% long-term rate	Initial rate of 9.00% decreasing to a long-term rate of 3.00% in year 10	<b>Non-Medicare: Initial rate of 8.25% decreasing 0.25% per year to a 4.50% long-term rate Medicare: Initial rate of 6.50% decreasing 0.25% per year to a 4.50% long-term rate</b>
Amortization of the Unfunded Accrued Actuarial Liability: Period	Maximum Period of 29 Years	20 years <sup>2</sup>	20 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 – 3.50%.

<sup>2</sup> For the fiscal year ending June 30, 2020.

## State Reporting as of June 30, 2020

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	
<b>19</b>	<b>Actuarial Assumptions<sup>1</sup></b>	
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>	20
24	Is each division within the system closed to new employees?	yes
25	Health care inflation assumption for the next year	9.00%
26	Health care inflation assumption - Long-Term Trend Rate	3.00%
<b>27</b>	<b>Uniform Assumptions<sup>3</sup></b>	
28	Enter retirement health care system's actuarial value of assets using uniform assumptions	\$ 134,564,918
29	Enter retirement health care system's actuarial accrued liabilities using uniform assumptions	\$ 148,637,856
30	Funded ratio using uniform assumptions	90.5%
31	Actuarially Determined Contribution (ADC) using uniform assumptions <sup>4</sup>	\$ 3,062,080
32	All systems combined ADC/Governmental fund revenues	Auto <sup>5</sup>

<sup>1</sup> Information on lines 20-26 can be found in the June 30, 2018 funding valuation report, dated November 27, 2018.

<sup>2</sup> For the fiscal year ending June 30, 2020.

<sup>3</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, 2018.

<sup>4</sup> For the fiscal year ending June 30, 2020.

<sup>5</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>	<p>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:</p> <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

<b>Entry Age Actuarial Cost Method (EAN)</b>	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.
<b>Fiduciary Net Position</b>	The fiduciary net position is the market value of the assets of the trust dedicated to the defined benefit provisions.
<b>GASB</b>	The Governmental Accounting Standards Board is an organization that exists in order to promulgate accounting standards for governmental entities.
<b>Long-Term Expected Rate of Return</b>	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.
<b>Money-Weighted Rate of Return</b>	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.
<b>Multiple-Employer Defined Benefit OPEB Plan</b>	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.
<b>Municipal Bond Rate</b>	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.
<b>Net OPEB Liability (NOL)</b>	The NOL is the liability of employers and non-employer contributing entities to plan members for benefits provided through a defined benefit OPEB plan.
<b>Non-Employer Contributing Entities</b>	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 post-employment 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.