

# City of Grosse Pointe Park 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

Ms. Jane M. Blahut, Finance Director  
City of Grosse Pointe Park Retiree Health Care Plan  
15115 East Jefferson Avenue  
Grosse Pointe Park, Michigan 48230

Dear Ms. Blahut:

This report provides information on behalf of the City of Grosse Pointe Park 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 Net OPEB Liability is not an appropriate measure for measuring the sufficiency of plan assets to cover the estimated cost of settling the employer's benefit obligation. The Net OPEB Liability is not an appropriate measure for assessing the need for or amount of future employer contributions. 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 Grosse Pointe Park 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 complements the actuarial valuation report prepared as of December 31, 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, economic, demographic, health care trend, morbidity assumptions, and benefit provisions.

This report is based upon information, furnished to us by the City, concerning Other Postemployment Benefits (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 Grosse Pointe Park 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.

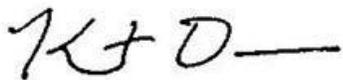
Section I of the report details the calculation of the single discount rate and is not required to be included in your financial statements. However, this information may be requested by your auditors, therefore, we have included it in this report.

In addition, in Section J of this report, please find 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.

Kurt Dosson and Mark Buis 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,



Kurt Dosson, ASA, MAAA



Mark Buis, FSA, EA, FCA, MAAA

KD/MB:sc

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Auditor’s Note – This information is intended to assist in preparation of the financial statements of the City of Grosse Pointe Park 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	December 31, 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	54
- Inactive, Nonretired Members	0
- Active Members	43
- Total	97
Covered Payroll <sup>2</sup>	\$ 3,193,731

## Net OPEB Liability

Total OPEB Liability	\$ 18,721,586
Plan Fiduciary Net Position	53,124
Net OPEB Liability	\$ 18,668,462
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	0.28 %
Net OPEB Liability as a Percentage of Covered Payroll	584.53 %

## Development of the Single Discount Rate

Single Discount Rate	7.00 %
Long-Term Expected Rate of Investment Return	7.00 %
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** \$ (984,129)

## 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	\$ 1,661,695
Changes in assumptions	3,085,622	9,089,024
Net difference between projected and actual earnings on OPEB plan investments	0	1,873
<b>Total</b>	\$ 3,085,622	\$ 10,752,592

<sup>1</sup> As of the Actuarial Valuation Date. GRS does not have the membership counts as of June 30, 2020. The City of Grosse Pointe Park staff and auditors may decide that providing membership counts as of the valuation date is sufficient. Alternatively, the City may decide to update the membership counts to be as of the Plan's fiscal year end.

<sup>2</sup> Payroll separately provided 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 Municipal 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 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, 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 December 31, 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 7.00%; 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 7.00%.

## 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. All assumptions are expectations of future experience, not market measures. The rationale for the rates of merit and longevity salary increase, base wage inflation, rates of mortality, early retirement rates, rates of separation from active membership, and disability rates used in this valuation is included in the MERS five-year experience study for the period January 1, 2009 to December 31, 2013 performed by the prior MERS pension actuary. We recently completed an independent analysis of plan experience for the period January 1, 2014 to December 31, 2018. Recommended changes from this analysis are expected to be implemented in the first funding valuation completed following adoption of the changes by the MERS Retirement Board.

## 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 Grosse Pointe Park 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	\$	486,727
2. Interest on the Total OPEB Liability		946,218
3. Current-Period Benefit Changes		0
4. Employee Contributions (made negative for addition here)		(30,100)
5. Projected Earnings on Plan Investments (made negative for addition here)		(783)
6. OPEB Plan Administrative Expense		0
7. Other Changes in Plan Fiduciary Net Position		0
8. Recognition of Outflow (Inflow) of Resources due to Liabilities		(2,385,723)
9. Recognition of Outflow (Inflow) of Resources due to Assets		(468)
<b>10. Total OPEB Expense</b>	<b>\$</b>	<b>(984,129)</b>

### Recognition of Deferred Outflows and Inflows of Resources

Differences between expected and actual experience and changes in assumptions are recognized in the 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 375 years. Additionally, the total plan membership (active employees and inactive employees) was 97 as of the valuation date. 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 3.8657 years.

Additionally, differences between projected and actual earnings on OPEB plan investments should be recognized in the 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	\$ (215,302)
2. Assumption Changes (gains) or losses	\$ (12,165,464)
3. Recognition period for Liabilities: Average of the expected remaining service lives of all employees {in years}	3.8657
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	\$ (55,695)
5. Outflow (Inflow) of Resources to be recognized in the current OPEB expense for assumption changes	\$ (3,147,027)
6. Outflow (Inflow) of Resources to be recognized in the current OPEB expense due to Liabilities	\$ (3,202,722)
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	\$ (159,607)
8. Deferred Outflow (Inflow) of Resources to be recognized in future OPEB expenses for assumption changes	\$ (9,018,437)
9. Deferred Outflow (Inflow) of Resources to be recognized in future OPEB expenses due to Liabilities	\$ (9,178,044)

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

1. Net difference between projected and actual earnings on OPEB plan investments (gains) or losses	\$ (2,341)
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	\$ (468)
4. Deferred Outflow (Inflow) of Resources to be recognized in future OPEB expenses due to Assets	\$ (1,873)



# 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	\$ 899,226	\$ (899,226)
2. Assumption changes	1,713,472	3,199,969	(1,486,497)
3. Net difference between projected and actual earnings on OPEB plan investments	0	468	(468)
<b>4. Total</b>	<b>\$ 1,713,472</b>	<b>\$ 4,099,663</b>	<b>\$ (2,386,191)</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	\$ 1,661,695	\$ (1,661,695)
2. Assumption changes	3,085,622	9,089,024	(6,003,402)
3. Net difference between projected and actual earnings on OPEB plan investments	0	1,873	(1,873)
<b>4. Total</b>	<b>\$ 3,085,622</b>	<b>\$ 10,752,592</b>	<b>\$ (7,666,970)</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	\$ (2,386,191)
2022	(2,507,242)
2023	(2,773,068)
2024	(469)
2025	0
2026	0
Thereafter	0
<b>Total</b>	<b>\$ (7,666,970)</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.

See paragraph 44 of GASB 75 for single and agent employers with trusted plans.

Also, Question 4.32 of Implementation Guide No. 2017-1 provides additional guidance for trusted plans.

# Recognition of Deferred Outflows and Inflows of Resources

## Fiscal Year Ended June 30, 2020

Year Reporting	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	\$ (157,033)	4.3333	\$ (36,239)	\$ (48,316)	1.3333
2019	(3,068,356)	3.8008	(807,292)	(1,453,772)	1.8008
2020	(215,302)	3.8657	(55,695)	(159,607)	2.8657
<b>Total</b>			<b>\$ (899,226)</b>	<b>\$ (1,661,695)</b>	
<b>Deferred Outflow (Inflow) Due to Assumption Changes</b>					
2018	\$ (229,413)	4.3333	\$ (52,942)	\$ (70,587)	1.3333
2019	6,512,566	3.8008	1,713,472	3,085,622	1.8008
2020	(12,165,464)	3.8657	(3,147,027)	(9,018,437)	2.8657
<b>Total</b>			<b>\$ (1,486,497)</b>	<b>\$ (6,003,402)</b>	
<b>Deferred Outflow (Inflow) Due to Differences Between Projected and Actual Earnings on Plan Investments</b>					
2018	\$ 0	5.0000	\$ 0	\$ 0	2.0000
2019	0	5.0000	0	0	3.0000
2020	(2,341)	5.0000	(468)	(1,873)	4.0000
<b>Total</b>			<b>\$ (468)</b>	<b>\$ (1,873)</b>	

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

## To Be Provided by the System

	2020
<b>Assets</b>	
Cash and Deposits	
Receivables	
Accounts Receivable - Sale of Investments	
Accrued Interest and Other Dividends	
Contributions	
Accounts Receivable - Other	
Total Receivables	
Investments	
Global Fixed Income	
Global Equities	
Real Estate	
Diversifying Strategies / Other	
Total Investments	
<b>Total Assets</b>	
<b>Liabilities</b>	
Payables	
Accounts Payable - Purchase of Investments	
Accrued Expenses	
Accounts Payable - Other	
<b>Total Liabilities</b>	
<b>Net Position Restricted for OPEB</b>	\$ 53,124

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

	2020
<b>Additions</b>	
Contributions	
Employer <sup>1</sup>	\$ 655,585
Nonemployer contributing entities	0
Active Employees	30,100
Other	0
Total Contributions	\$ 685,685
Investment Income	
Net Appreciation in Fair Value of Investments	\$ 3,152
Interest and Dividends	0
Less Investment Expense	(28)
Net Investment Income	\$ 3,124
Other	\$ 0
<b>Total Additions</b>	<b>\$ 688,809</b>
 <b>Deductions</b>	
Benefit Payments <sup>1</sup>	\$ 635,685
OPEB Plan Administrative Expense	0
Other	0
<b>Total Deductions</b>	<b>\$ 635,685</b>
<b>Net Increase in Net Position</b>	<b>\$ 53,124</b>
 <b>Net Position Restricted for OPEB</b>	
Beginning of Year	\$ 0
End of Year	\$ 53,124

<sup>1</sup> Includes amounts being paid outside of the Trust.

## 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 Grosse Pointe Park 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	\$ 486,727
2. Interest on the Total OPEB Liability	946,218
3. Changes of benefit terms	0
4. Difference between expected and actual experience of the Total OPEB Liability	(215,302)
5. Changes of assumptions <sup>1</sup>	(12,165,464)
6. Benefit payments, including refunds of employee contributions <sup>2</sup>	(635,685)
<b>7. Net change in Total OPEB Liability</b>	<b>(11,583,506)</b>
<b>8. Total OPEB Liability – Beginning</b>	<b>30,305,092</b>
<b>9. Total OPEB Liability – Ending</b>	<b>\$ 18,721,586</b>
<b>B. Plan Fiduciary Net Position</b>	
1. Contributions – employer <sup>2</sup>	\$ 655,585
2. Contributions – nonemployer contributing entities	0
3. Contributions – employee <sup>3</sup>	30,100
4. Net investment income	3,124
5. Benefit payments, including refunds of employee contributions <sup>2</sup>	(635,685)
6. OPEB plan administrative expense	0
7. Other	0
<b>8. Net change in Plan Fiduciary Net Position</b>	<b>53,124</b>
<b>9. Plan Fiduciary Net Position – Beginning</b>	<b>0</b>
<b>10. Plan Fiduciary Net Position – Ending</b>	<b>\$ 53,124</b>
<b>C. Net OPEB Liability</b>	<b>\$ 18,668,462</b>
<b>D. Plan Fiduciary Net Position as a percentage of the Total OPEB Liability</b>	<b>0.28 %</b>
<b>E. Covered-employee payroll<sup>4</sup></b>	<b>\$ 3,193,731</b>
<b>F. Net OPEB Liability as a percentage of covered-employee payroll</b>	<b>584.53 %</b>

<sup>1</sup> City began pre-funding in Fiscal Year 2020 – large decrease attributable to discount rate change from a pay-as-you-go municipal bond rate to the expected rate of return on pre-funding assets.

<sup>2</sup> Includes amounts being paid outside of the Trust.

<sup>3</sup> PA 149 – Retiree Health Contribution.

<sup>4</sup> Payroll separately provided by the employer.

## Schedules of Required Supplementary Information

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

Fiscal Year Ending June 30,	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Total OPEB Liability</b>										
Service cost	\$ 486,727	\$ 325,334	\$ 396,186							
Interest on the Total OPEB Liability	946,218	942,916	917,288							
Changes of benefit terms	0	0	0							
Difference between expected and actual experience	(215,302)	(3,068,356)	(157,033)							
Changes of assumptions	(12,165,464)	6,512,566	(229,413)							
Benefit payments, including refunds of employee contributions <sup>1</sup>	(635,685)	(584,231)	(637,176)							
<b>Net change in Total OPEB Liability</b>	<b>(11,583,506)</b>	<b>4,128,229</b>	<b>289,852</b>							
<b>Total OPEB Liability - Beginning</b>	<b>30,305,092</b>	<b>26,176,863</b>	<b>25,887,011</b>							
<b>Total OPEB Liability - Ending (a)</b>	<b>\$ 18,721,586</b>	<b>\$ 30,305,092</b>	<b>\$ 26,176,863</b>							
<b>Plan Fiduciary Net Position</b>										
Employer contributions <sup>1</sup>	\$ 655,585	\$ 545,269	\$ 598,538							
Nonemployer contributing entities contributions	0	0	0							
Employee contributions <sup>2</sup>	30,100	38,962	38,638							
OPEB plan net investment income	3,124	0	0							
Benefit payments, including refunds of employee contributions <sup>1</sup>	(635,685)	(584,231)	(637,176)							
OPEB plan administrative expense	0	0	0							
Other	0	0	0							
<b>Net change in Plan Fiduciary Net Position</b>	<b>53,124</b>	<b>0</b>	<b>0</b>							
<b>Plan Fiduciary Net Position - Beginning</b>	<b>0</b>	<b>0</b>	<b>0</b>							
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 53,124</b>	<b>\$ 0</b>	<b>\$ 0</b>							
<b>Net OPEB Liability - ending (a) - (b)</b>	<b>\$ 18,668,462</b>	<b>\$ 30,305,092</b>	<b>\$ 26,176,863</b>							
<b>Plan Fiduciary Net Position as a percentage of Total OPEB Liability</b>	<b>0.28 %</b>	<b>0.00 %</b>	<b>0.00 %</b>							
<b>Covered-employee payroll<sup>3</sup></b>	<b>\$ 3,193,731</b>	<b>\$ 3,991,753</b>	<b>\$ 3,731,451</b>							
<b>Net OPEB Liability as a percentage of covered-employee payroll</b>	<b>584.53 %</b>	<b>759.19 %</b>	<b>701.52 %</b>							

**Notes to Schedule:**

N/A

<sup>1</sup> Includes amounts being paid outside of the Trust.

<sup>2</sup> PA 149 – Retiree Health Contribution.

<sup>3</sup> Payroll separately provided by the employer.



## Schedules of Required Supplementary Information

### Schedule of the Net OPEB Liability Multiyear

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						
2018	\$ 26,176,863	\$ 0	\$ 26,176,863	0.00 %	\$ 3,731,451	701.52 %
2019	30,305,092	0	30,305,092	0.00 %	3,991,753	759.19 %
2020	18,721,586	53,124	18,668,462	0.28 %	3,193,731	584.53 %

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

## Schedule of Contributions Multiyear

FY Ending June 30,	Actuarially Determined Contribution	Actual Contribution <sup>1</sup>	Contribution Deficiency (Excess)	Covered Payroll <sup>2</sup>	Actual Contribution as a % of Covered Payroll
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018	\$ 2,052,693	\$ 598,538	\$ 1,454,155	\$ 3,731,451	16.04 %
2019	2,064,895	545,269	1,519,626	3,991,753	13.66 %
2020	2,054,055	655,585	1,398,470	3,193,731	20.53 %

<sup>1</sup> Includes amounts being paid outside of the Trust.

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



## 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 Grosse Pointe Park 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.

# Single Discount Rate

A Single Discount Rate of 7.00% 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 7.00%. The projection of cash flows used to determine this Single Discount Rate assumed that employer contributions will be made at rates equal to the projected benefit payments plus \$60,000 each year. Based on this assumption, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments. 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	54
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	0
Active Plan Members	<u>43</u>
Total Plan Members	97

<sup>1</sup> *As of the Actuarial Valuation Date. GRS does not have the membership counts as of June 30, 2020. The City of Grosse Pointe Park staff and auditors may decide that providing membership counts as of the valuation date is sufficient. Alternatively, the City 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 7.00%, 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>6.00%</b>	<b>7.00%</b>	<b>8.00%</b>
\$ 20,978,226	\$ 18,668,462	\$ 16,742,392

Regarding the sensitivity of the Net OPEB Liability to changes in the healthcare 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 Healthcare Cost Trend Rate Assumption

<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rate Assumption</b>	<b>1% Increase</b>
\$ 16,435,843	\$ 18,668,462	\$ 21,366,022

**SECTION E**

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**SUMMARY OF BENEFITS**

## Summary of Benefits

This report complements the actuarial valuation report prepared as of December 31, 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 December 31, 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 December 31, 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

This report complements the actuarial valuation report prepared as of December 31, 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 valuation methods and actuarial assumptions.

The long-term rate of investment return used for GASB Statement No. 74 and No. 75 reporting purposes was 7.00%.

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 December 31, 2018 funding valuation.

## Miscellaneous and Technical Assumptions

This report complements the actuarial valuation report prepared as of December 31, 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 miscellaneous and technical assumptions.

### **Experience Studies**

Certain actuarial assumptions were based upon the results of an experience study for MERS. A five-year experience study for the period January 1, 2009 to December 31, 2013 presented the results of this study. We recently performed an analysis of plan experience for the period January 1, 2014 to December 31, 2018. Recommended changes from this analysis are expected to be implemented in the first funding valuation completed following adoption of the changes by the MERS Retirement Board.

### **Aging Factors**

The tables used to model the impact of aging on claims utilization were developed by the Society of Actuaries in 2013. The other OPEB specific assumptions (health care trend, plan elections, etc.) are reviewed during each OPEB valuation and updated as needed.

### **Roll-Forward Disclosure**

The Total OPEB Liability shown in this report is based on an actuarial valuation performed as of December 31, 2018 and a measurement date of June 30, 2020. The roll-forward procedure increases the December 31, 2018 actuarial accrued liability with normal cost and interest and decreases it with expected benefit payments.

## 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 7.00%; the municipal bond rate is 2.45%; and the resulting SDR is 7.00%.

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

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 SDR and are different from a funding projection for the ongoing plan. There may be cases when schedules do not add or where they do not exactly balance to other related schedules due to rounding.

We understand that the employer makes retiree health benefit payments from a source external to the trust as they come due. Additionally, the City has begun making a contribution in excess of the annual retiree health benefit payment to a qualifying trust.

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

- The employer intends to make contributions equal to the projected benefit payments (net of active employee contributions) plus an additional \$60,000, and that contributions of this magnitude continue until the plan is fully funded; and
- Contributions and benefit payments occur halfway through the year.

# Single Discount Rate Development Projection of Plan Net Position

Year	Projected Beginning Plan Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Investment Earnings at 7.00%	Projected Ending Plan Net Position
	(a)	(b)	(c)	(d)	(e)=(a)+(b)-(c)+(d)
1	\$ 53,124	\$ 982,158	\$ 922,158	\$ 5,783	\$ 118,907
2	118,907	1,064,903	1,004,903	10,388	189,295
3	189,295	1,150,419	1,090,419	15,315	264,610
4	264,610	1,233,933	1,173,933	20,587	345,197
5	345,197	1,323,124	1,263,124	26,228	431,426
6	431,426	1,398,319	1,338,319	32,264	523,690
7	523,690	1,463,574	1,403,574	38,723	622,413
8	622,413	1,533,963	1,473,963	45,633	728,046
9	728,046	1,580,742	1,520,742	53,028	841,074
10	841,074	1,645,585	1,585,585	60,940	962,014
11	962,014	1,747,109	1,687,109	69,405	1,091,419
12	1,091,419	1,809,343	1,749,343	78,464	1,229,883
13	1,229,883	1,825,982	1,765,982	88,156	1,378,039
14	1,378,039	1,845,059	1,785,059	98,527	1,536,566
15	1,536,566	1,862,493	1,802,493	109,624	1,706,191
16	1,706,191	1,852,203	1,792,203	121,498	1,887,688
17	1,887,688	1,814,496	1,754,496	134,203	2,081,891
18	2,081,891	1,781,587	1,721,587	147,797	2,289,688
19	2,289,688	1,781,009	1,721,009	162,343	2,512,031
20	2,512,031	1,778,635	1,718,635	177,907	2,749,937
21	2,749,937	1,733,806	1,673,806	194,560	3,004,497
22	3,004,497	1,679,523	1,619,523	212,379	3,276,877
23	3,276,877	1,652,429	1,592,429	231,446	3,568,322
24	3,568,322	1,618,177	1,558,177	251,847	3,880,169
25	3,880,169	1,564,217	1,504,217	273,676	4,213,846
26	4,213,846	1,532,566	1,472,566	297,034	4,570,879
27	4,570,879	1,527,908	1,467,908	322,026	4,952,905
28	4,952,905	1,505,873	1,445,873	348,768	5,361,673
29	5,361,673	1,471,669	1,411,669	377,382	5,799,055
30	5,799,055	1,442,750	1,382,750	407,998	6,267,053
31	6,267,053	1,400,377	1,340,377	440,758	6,767,811
32	6,767,811	1,357,795	1,297,795	475,811	7,303,623
33	7,303,623	1,322,257	1,262,257	513,318	7,876,941
34	7,876,941	1,279,648	1,219,648	553,450	8,490,391
35	8,490,391	271,747	1,170,713	563,396	8,154,821
36	8,154,821	50	1,115,542	532,456	7,571,785
37	7,571,785	36	1,064,815	493,388	7,000,393
38	7,000,393	27	1,012,448	455,192	6,443,165
39	6,443,165	20	948,714	418,379	5,912,849
40	5,912,849	12	889,932	383,279	5,406,208
41	5,406,208	3	837,702	349,611	4,918,120
42	4,918,120	0	784,427	317,278	4,450,971
43	4,450,971	0	730,479	286,434	4,006,926
44	4,006,926	0	676,262	257,216	3,587,880
45	3,587,880	0	622,239	229,742	3,195,382
46	3,195,382	0	568,962	204,100	2,830,521
47	2,830,521	0	516,954	180,349	2,493,916
48	2,493,916	0	466,694	158,516	2,185,738
49	2,185,738	0	418,628	138,597	1,905,707
50	1,905,707	0	373,200	120,558	1,653,065



# 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 7.00%	Projected Ending Plan Net Position
	(a)	(b)	(c)	(d)	(e)=(a)+(b)-(c)+(d)
51	\$ 1,653,065	\$ 0	\$ 330,768	\$ 104,333	\$ 1,426,631
52	1,426,631	0	291,455	89,836	1,225,012
53	1,225,012	0	255,260	76,968	1,046,720
54	1,046,720	0	222,241	65,624	890,102
55	890,102	0	192,425	55,686	753,364
56	753,364	0	165,747	47,032	634,649
57	634,649	0	142,105	39,536	532,080
58	532,080	0	121,384	33,069	443,765
59	443,765	0	103,361	27,507	367,911
60	367,911	0	87,691	22,736	302,957
61	302,957	0	74,058	18,659	247,557
62	247,557	0	62,253	15,187	200,491
63	200,491	0	52,051	12,243	160,683
64	160,683	0	43,191	9,762	127,254
65	127,254	0	35,486	7,687	99,455
66	99,455	0	28,807	5,971	76,619
67	76,619	0	23,078	4,569	58,109
68	58,109	0	18,237	3,440	43,313
69	43,313	0	14,175	2,544	31,682
70	31,682	0	10,798	1,846	22,730
71	22,730	0	8,039	1,315	16,005
72	16,005	0	5,858	919	11,066
73	11,066	0	4,204	630	7,492
74	7,492	0	2,965	422	4,950
75	4,950	0	2,038	276	3,188
76	3,188	0	1,365	176	2,000
77	2,000	0	888	109	1,221
78	1,221	0	562	66	725
79	725	0	345	39	419
80	419	0	206	22	235
81	235	0	119	12	129
82	129	0	67	7	69
83	69	0	36	4	36
84	36	0	19	2	18
85	18	0	10	1	9
86	9	0	5	0	4
87	4	0	3	0	2
88	2	0	1	0	1
89	1	0	1	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



# 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 <sup>(a)-5</sup>	(g)=(e)*vf <sup>(a)-5</sup>	(h)=(c)/(1+SDR) <sup>(a)-5</sup>
1	\$ 53,124	\$ 922,158	\$ 922,158	\$ 0	\$ 891,483	\$ 0	\$ 891,483
2	118,907	1,004,903	1,004,903	0	907,922	0	907,922
3	189,295	1,090,419	1,090,419	0	920,734	0	920,734
4	264,610	1,173,933	1,173,933	0	926,403	0	926,403
5	345,197	1,263,124	1,263,124	0	931,578	0	931,578
6	431,426	1,338,319	1,338,319	0	922,463	0	922,463
7	523,690	1,403,574	1,403,574	0	904,150	0	904,150
8	622,413	1,473,963	1,473,963	0	887,377	0	887,377
9	728,046	1,520,742	1,520,742	0	855,644	0	855,644
10	841,074	1,585,585	1,585,585	0	833,765	0	833,765
11	962,014	1,687,109	1,687,109	0	829,113	0	829,113
12	1,091,419	1,749,343	1,749,343	0	803,455	0	803,455
13	1,229,883	1,765,982	1,765,982	0	758,035	0	758,035
14	1,378,039	1,785,059	1,785,059	0	716,096	0	716,096
15	1,536,566	1,802,493	1,802,493	0	675,785	0	675,785
16	1,706,191	1,792,203	1,792,203	0	627,970	0	627,970
17	1,887,688	1,754,496	1,754,496	0	574,540	0	574,540
18	2,081,891	1,721,587	1,721,587	0	526,881	0	526,881
19	2,289,688	1,721,009	1,721,009	0	492,247	0	492,247
20	2,512,031	1,718,635	1,718,635	0	459,410	0	459,410
21	2,749,937	1,673,806	1,673,806	0	418,155	0	418,155
22	3,004,497	1,619,523	1,619,523	0	378,126	0	378,126
23	3,276,877	1,592,429	1,592,429	0	347,476	0	347,476
24	3,568,322	1,558,177	1,558,177	0	317,759	0	317,759
25	3,880,169	1,504,217	1,504,217	0	286,687	0	286,687
26	4,213,846	1,472,566	1,472,566	0	262,294	0	262,294
27	4,570,879	1,467,908	1,467,908	0	244,359	0	244,359
28	4,952,905	1,445,873	1,445,873	0	224,945	0	224,945
29	5,361,673	1,411,669	1,411,669	0	205,256	0	205,256
30	5,799,055	1,382,750	1,382,750	0	187,898	0	187,898
31	6,267,053	1,340,377	1,340,377	0	170,224	0	170,224
32	6,767,811	1,297,795	1,297,795	0	154,034	0	154,034
33	7,303,623	1,262,257	1,262,257	0	140,015	0	140,015
34	7,876,941	1,219,648	1,219,648	0	126,438	0	126,438
35	8,490,391	1,170,713	1,170,713	0	113,425	0	113,425
36	8,154,821	1,115,542	1,115,542	0	101,009	0	101,009
37	7,571,785	1,064,815	1,064,815	0	90,109	0	90,109
38	7,000,393	1,012,448	1,012,448	0	80,072	0	80,072
39	6,443,165	948,714	948,714	0	70,123	0	70,123
40	5,912,849	889,932	889,932	0	61,475	0	61,475
41	5,406,208	837,702	837,702	0	54,081	0	54,081
42	4,918,120	784,427	784,427	0	47,329	0	47,329
43	4,450,971	730,479	730,479	0	41,190	0	41,190
44	4,006,926	676,262	676,262	0	35,639	0	35,639
45	3,587,880	622,239	622,239	0	30,646	0	30,646
46	3,195,382	568,962	568,962	0	26,189	0	26,189
47	2,830,521	516,954	516,954	0	22,239	0	22,239
48	2,493,916	466,694	466,694	0	18,763	0	18,763
49	2,185,738	418,628	418,628	0	15,730	0	15,730
50	1,905,707	373,200	373,200	0	13,105	0	13,105



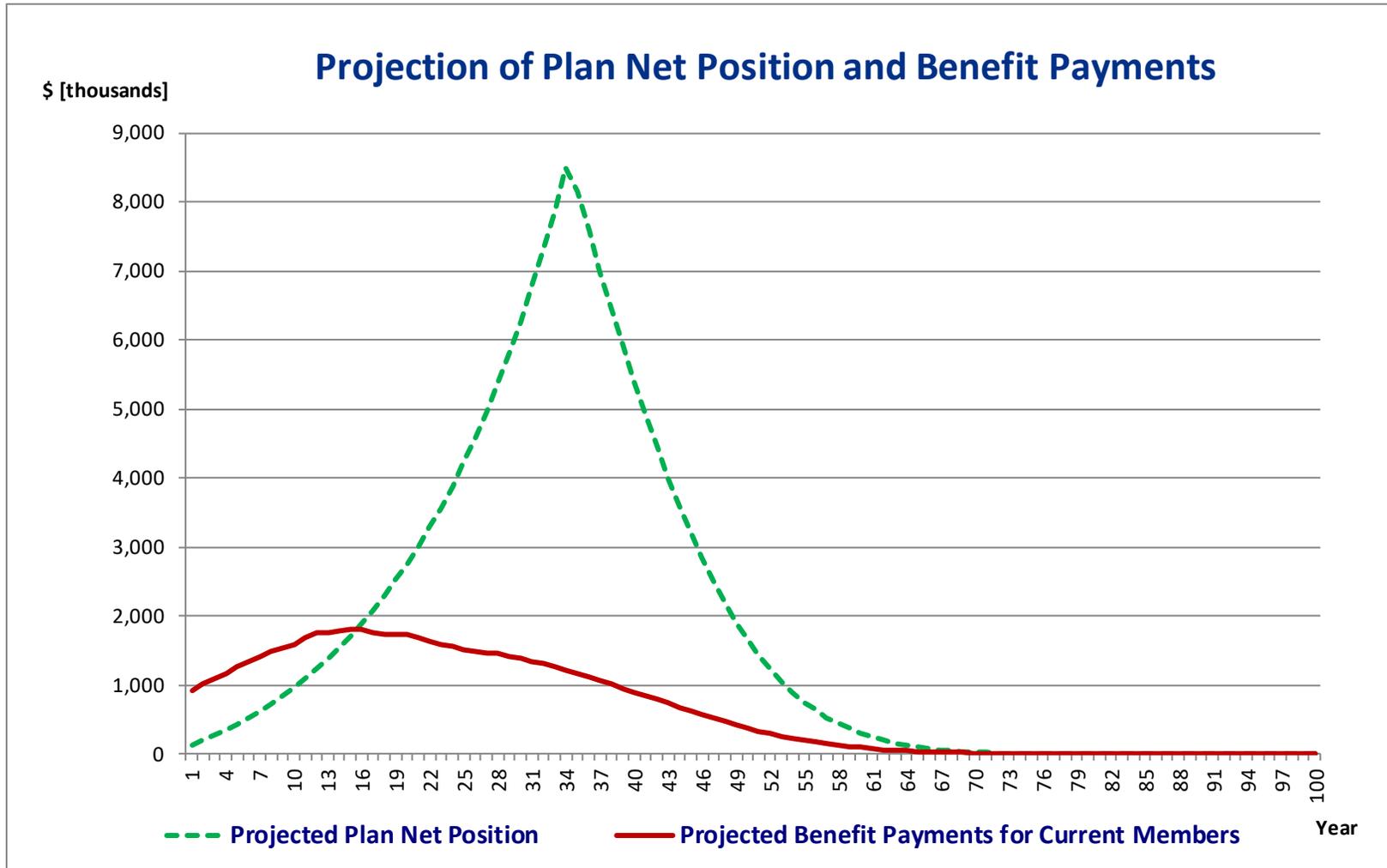
# Single Discount Rate Development

## 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	\$ 1,653,065	\$ 330,768	\$ 330,768	\$ 0	\$ 10,855	\$ 0	\$ 10,855
52	1,426,631	291,455	291,455	0	8,939	0	8,939
53	1,225,012	255,260	255,260	0	7,317	0	7,317
54	1,046,720	222,241	222,241	0	5,954	0	5,954
55	890,102	192,425	192,425	0	4,818	0	4,818
56	753,364	165,747	165,747	0	3,878	0	3,878
57	634,649	142,105	142,105	0	3,108	0	3,108
58	532,080	121,384	121,384	0	2,481	0	2,481
59	443,765	103,361	103,361	0	1,974	0	1,974
60	367,911	87,691	87,691	0	1,565	0	1,565
61	302,957	74,058	74,058	0	1,236	0	1,236
62	247,557	62,253	62,253	0	971	0	971
63	200,491	52,051	52,051	0	758	0	758
64	160,683	43,191	43,191	0	588	0	588
65	127,254	35,486	35,486	0	452	0	452
66	99,455	28,807	28,807	0	343	0	343
67	76,619	23,078	23,078	0	257	0	257
68	58,109	18,237	18,237	0	189	0	189
69	43,313	14,175	14,175	0	138	0	138
70	31,682	10,798	10,798	0	98	0	98
71	22,730	8,039	8,039	0	68	0	68
72	16,005	5,858	5,858	0	46	0	46
73	11,066	4,204	4,204	0	31	0	31
74	7,492	2,965	2,965	0	21	0	21
75	4,950	2,038	2,038	0	13	0	13
76	3,188	1,365	1,365	0	8	0	8
77	2,000	888	888	0	5	0	5
78	1,221	562	562	0	3	0	3
79	725	345	345	0	2	0	2
80	419	206	206	0	1	0	1
81	235	119	119	0	1	0	1
82	129	67	67	0	0	0	0
83	69	36	36	0	0	0	0
84	36	19	19	0	0	0	0
85	18	10	10	0	0	0	0
86	9	5	5	0	0	0	0
87	4	3	3	0	0	0	0
88	2	1	1	0	0	0	0
89	1	1	1	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>					\$ 19,785,960	\$ 0	\$ 19,785,961



## Projection of Plan Net Position and Benefit Payments



**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 in the *Public Act 202: Selection of the Uniform Assumptions for Fiscal Year 2020* memo dated October 21, 2019.

Uniform Assumption	PA 202	Valuation Assumption Used	Uniform Assumption Used
Investment Rate of Return Discount Rate <sup>1</sup>	Maximum of 7.00%	3.62%	<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 issued by prior MERS Pension actuary)	3.00% + Merit and longevity (based on experience study issued by prior MERS Pension actuary)
Mortality	Version of Pub-2010 tables with generational mortality improvement using scale MP-2018 or based on an experience study within last 5 years	A version of RP-2014 (based on experience study issued by prior MERS Pension actuary)	<b>Version of Pub-2010 tables with generational mortality improvement using scale MP-2019 (based on experience study issued by MERS Pension actuary)</b>
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	Non-Medicare: Initial rate of 8.50% decreasing 0.25% per year to a 4.50% long-term rate Medicare: Initial rate of 7.00% decreasing 0.25% per year to a 4.50% long-term rate	<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 <sup>2</sup>	Maximum Period of 29 Years	23 years	23 years
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 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	3.62%
21	Enter discount rate	3.62%
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>	23
24	Is each division within the system closed to new employees?	Yes
25	Health care inflation assumption for the next year	8.50%
26	Health care inflation assumption - Long-Term Trend Rate	4.50%
<b>27</b>	<b>Uniform Assumptions<sup>3</sup></b>	
28	Enter retirement health care system's actuarial value of assets using uniform assumptions	\$ -
29	Enter retirement health care system's actuarial accrued liabilities using uniform assumptions	\$ 18,114,859
30	Funded ratio using uniform assumptions	0.0%
31	Actuarially Determined Contribution (ADC) using uniform assumptions <sup>2</sup>	\$ 1,781,623
32	All systems combined ADC/Governmental fund revenues	Auto <sup>4</sup>

- <sup>1</sup> Information on lines 20-26 can be found in the December 31, 2018 funding valuation report, dated August 21, 2019.
- <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, December 31, 2018.
- <sup>4</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

## **Actuarially Determined Contribution (ADC) or Annual Required Contribution (ARC)**

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.

## **Amortization Method**

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).

## **Amortization Payment**

The amortization payment is the periodic payment required to pay off an interest-discounted amount with payments of interest and principal.

## **Cost-of-Living Adjustments**

Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.

## **Cost-Sharing Multiple-Employer Defined Benefit OPEB Plan (Cost-Sharing OPEB Plan)**

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.

## **Covered-Employee Payroll**

The payroll of employees that are provided with benefits through the OPEB plan.

## **Deferred Inflows and Outflows**

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.

## **Discount Rate**

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:

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
2. The present value of the benefit payments not in (1) above, discounted using the municipal bond rate.

# 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.