

City of Taylor

# Other Postemployment Benefits

Actuarial Valuation Report

June 30, 2018



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December 7, 2018

Ms. Sheila Gorski-Schulte  
Director of Human Resources/Risk Management  
City of Taylor  
23555 Goddard Road  
Taylor, Michigan 48180

Dear Ms. Gorski-Schulte:

Submitted in this report are the results of an Actuarial Valuation of the benefit values associated with the employer financed retiree health benefits provided by the City of Taylor. The date of the valuation was June 30, 2018.

This report was prepared at the request of the City of Taylor and is intended for use by the Plan and those designated or approved by the City. This report may be provided to parties other than the City only in its entirety and only with the permission of the City. GRS is not responsible for unauthorized use of this report.

The purpose of the valuation is to measure the Plan's financial status, to determine the Actuarially Determined Contribution for the fiscal years ending June 30, 2019, June 30, 2020 and June 30, 2021. This report should not be relied on for any purpose other than the purposes described herein. Determinations of financial results, associated with the benefits described in this report, for purposes other than those identified above may be significantly different.

The contribution rate in this report is determined using the actuarial assumptions and methods disclosed in Section D of this report. This report does not include a more robust assessment of the risks of future experience not meeting the actuarial assumptions. Additional assessment of risks was outside the scope of this assignment.

The findings in this report are based on data and other information through June 30, 2018. The valuation was based upon information furnished by the City concerning Plan benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by the City.

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 (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

The signing actuaries are independent of the plan sponsor.

Brad Lee Armstrong and Jeffrey T. Tebeau 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.

To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of the plan as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices and with the Actuarial Standards of Practice issued by the Actuarial Standards Board.

Respectfully submitted,



Brad Lee Armstrong, ASA, EA, FCA, MAAA



Jeffrey T. Tebeau, FSA, EA, MAAA

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# EXECUTIVE SUMMARY

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# Executive Summary

## Actuarially Determined Contribution

Please note that beginning with the fiscal year ending June 30, 2017, GASB Statement No. 43 was replaced by GASB Statement No. 74. Also, beginning with the fiscal year ending June 30, 2018, GASB Statement No. 45 was replaced by GASB Statement No. 75. The report dated November 2, 2018 complies with the actuarial requirements of GASB Statements No. 75 beginning with the fiscal year ending June 30, 2018. As such, there will no longer be an “Annual Required Contribution” calculated in the valuation reports. Therefore, we have determined the “Actuarially Determined Contribution” for subsequent years.

We have calculated the Actuarially Determined Contribution (ADC) for the fiscal years ending June 30, 2019, June 30, 2020 and June 30, 2021 under the interest rate assumption of 3.62%. Below is a summary of the results.

The ADC for the fiscal year ending June 30, 2019 is estimated to be \$5,760,231 for the General group, \$433,237 for the Court group and \$10,729,219 for the Police/Fire group. The expected retiree health care claims and premium amounts paid during the fiscal year ending June 30, 2019 are estimated to be \$4,318,792 for the General group, \$111,585 for the Court group, and \$4,299,852 for the Police/Fire group. These amounts reflect the employer portion of the retiree only premium rates and the implicit subsidy for retirees and covered spouses.

For additional details please see Section A of the report.

## Liabilities and Assets

The present value of all benefits expected to be paid to current Plan members as of June 30, 2018 is \$137,115,315 for the General group, \$8,136,400 for the Court group, and \$169,009,300 for the Police/Fire group. The actuarial accrued liability, which is the portion of the present value of all benefits attributable to service accrued by Plan members as of June 30, 2018, is \$132,339,196 for the General group, \$5,466,140 for the Court group, and \$155,957,193 for the Police/Fire group. The assets currently set aside for GASB OPEB purposes as of June 30, 2018 are \$0 for all groups.

## SECTION A

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### VALUATION RESULTS

## Development of the Actuarially Determined Contributions for the Other Postemployment Benefits

### Fiscal Years Ending June 30, 2019, June 30, 2020 and June 30, 2021

Contributions for	Development of the Actuarially Determined Contribution for		
	General	Court	Police/Fire
Total Normal Cost	\$1,194,175	\$244,641	\$2,273,789
Amortization of Unfunded Actuarial Accrued Liabilities (Amortized over 30 years)	\$4,566,056	\$ 188,596	\$8,455,430
Actuarially Determined Contribution (ADC) For Fiscal Year Ending June 30, 2019	\$5,760,231	\$433,237	\$10,729,219
ARC Per Active Participant	\$ 64,722	\$ 27,077	\$ 132,459
Actuarially Determined Contribution (ADC) For Fiscal Year Ending June 30, 2020	\$5,931,985	\$449,012	\$10,719,754
ADC Per Active Participant	\$ 66,652	\$ 28,063	\$ 132,343
Actuarially Determined Contribution (ADC) For Fiscal Year Ending June 30, 2021	\$6,109,451	\$465,362	\$10,494,785
ADC Per Active Participant	\$ 68,646	\$ 29,085	\$ 129,565

The results on this page are calculated under the assumption that the employer funding policy is to contribute only the pay-as-you-go health care premium/claims contributions and have no plan assets. Under this policy, the employer should use an investment return assumption similar to that of the general fund earnings. **Therefore, the investment return assumption used to calculate the liabilities shown above is 3.62%.**

The unfunded actuarial accrued liabilities were amortized as a level percent of active member payroll over a closed period of 30 years for General and Court beginning with the Fiscal Year Ending June 30, 2019.

The unfunded actuarial accrued liabilities were amortized as a level dollar amount over a closed period of 30 years for Police/Fire with the Fiscal Year Ending June 30, 2019.



## Determination of Unfunded Actuarial Accrued Liability as of JUNE 30, 2018

	General	Court	Police/Fire
A. Present Value of Future Benefits			
1. Retirees and Beneficiaries	\$ 89,625,019	\$ 2,829,947	\$ 115,652,052
2. Retired Members in Deferral Period	13,584,047	0	1,682,498
3. Active Members	<u>33,906,249</u>	<u>5,306,453</u>	<u>51,674,750</u>
Total Present Value of Future Benefits	\$ 137,115,315	\$ 8,136,400	\$ 169,009,300
B. Present Value of Future Employer Normal Costs	\$ 4,776,119	\$ 2,670,260	\$ 13,052,107
C. Present Value of Future Contributions from Current Active Members	\$ 0	\$ 0	\$ 0
D. Actuarial Accrued Liability (A.-B.-C.)	\$ 132,339,196	\$ 5,466,140	\$155,957,193
E. Market Value of Assets	\$ 0	\$ 0	\$ 0
F. Unfunded Actuarial Accrued Liability (D.-E.)	\$ 132,339,196	\$ 5,466,140	\$155,957,193
G. Funded Ratio (E./D.)	0.0%	0.0%	0.0%

The results on this page are calculated under the assumption that the employer funding policy is to contribute only the pay-as-you-go health care premium/claims contributions and have no plan assets. Under this policy, the employer should use an investment return assumption similar to that of the general fund earnings. **Therefore, the investment return assumption used to calculate the liabilities shown above is 3.62%.**

The funded ratio measurement shown above is inappropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the City's benefit obligations.

## Comments

**Comment A:** One of the key assumptions used in any valuation of the cost of Other Postemployment Benefits (OPEB) is the rate of return on Plan assets. Higher assumed investment returns will result in a lower Actuarially Determined Contribution (ADC). Lower returns will tend to increase the computed ADC. Based on our understanding of the City’s funding policy and an absence of Plan assets as of June 30, 2018, we have calculated the liability and the resulting ADC using an assumed long term rate of investment of 3.62%. This is the municipal bond rate based on the daily rate closest to but not later than the measurement date of the Fidelity “20-Year Municipal GO AA Index”.

**Comment B:** The contribution amounts shown include amortization of the unfunded actuarial accrued liability over closed period of 30 years with the Fiscal Year Ending June 30, 2019.

**Comment C:** For the fiscal years ending June 30, 2019, June 30, 2020 and June 30, 2021, the estimated claims and/or premiums paid by the employer on behalf of retirees are as follows:

	With Implicit Rate			Without Implicit Rate		
	FYE 2019	FYE 2020	FYE 2021	FYE 2019	FYE 2020	FYE 2021
<b>General</b>	\$4,318,792	\$4,782,725	\$5,173,218	\$3,798,362	\$4,201,918	\$4,552,812
<b>Court</b>	111,585	129,843	145,364	102,842	118,535	133,977
<b>Police/Fire</b>	4,299,852	4,703,246	5,149,390	4,086,687	4,482,229	4,923,392

**Comment D:** Several actuarial assumptions were updated since the last valuation. The assumed rate of investment return and the actuarial assumptions used to measure the rates of mortality have been updated in this valuation. The retirement, disability, and withdrawal assumptions were updated for Court and the salary assumptions have been updated across all groups in order to be consistent with the pension valuations. In addition, the healthcare inflation assumption was updated, as was the excise tax load (see Comment E). Overall, the impact of these assumption changes was an increase in liabilities and the ADC. The remaining assumptions are believed to be reasonable, but we suggest a more thorough review prior to completion of the next OPEB valuation. See section D for a further discussion of the actuarial assumptions used.

**Comment E:** Favorable healthcare premium experience since the last valuation resulted in slightly lower liabilities before the application of assumption changes. In addition, revised benefit provisions that affected retiree eligibility and retiree cost sharing reduced the liabilities of the plan.

## Comments (Concluded)

**Comment F: Excise Tax on High-Cost Employer Health Plans (aka Cadillac Tax) Effective 1/1/2022.** The “Cadillac” tax is a 40% excise tax paid by the coverage provider (employer and/or insurer) on the value of health plan costs in excess of certain thresholds. Many plans are below the thresholds today, but are likely to exceed them in the next decade. The thresholds will be indexed at CPI-U, which is lower than the medical inflation rates affecting the cost of the plans. There is considerable uncertainty about how the tax would be applied, and considerable latitude in grouping of participants for tax purposes. Combining early retiree and Medicare eligible retiree costs is allowed and can keep plans under the thresholds for a longer period of time.

For this Plan it is intended that, for purposes of the test, the pre and post Medicare members will be blended. The Plan Sponsor will need to decide whether to reduce benefits to avoid the tax, or how the additional cost will be allocated between the employer and the members. The excise tax is projected to be between 5%-10% of premiums. A 4.5% load was applied to all health care liabilities to approximate the cost for future excise tax.

## **SECTION B**

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### **RETIREE PREMIUM RATE DEVELOPMENT**

## Retiree Premium Rate Development

Initial premium rates were developed for the two classes of retirees (pre-65 and post-65). Members have healthcare coverage through fully-insured BCBSM plans, fully insured BCN plans or fully-insured HAP plans. The City also funds HRA payments directly to the provider for the gap between the High Deductible Plan and the member out-of-pocket liability (available only to Active employees and pre-65 retirees). Illustrative rates that include the HRA costs were provided. We used the rates which include the HRA costs in the development of the rates which will be used in the valuation. Overall the composite retiree premiums since the July 1, 2014 valuation were less than expected.

All of the pre-65 BCBSM fully-insured premiums are assumed to be blended rates based on the combined experience of active and pre-65 retired members; therefore, there is an implicit employer subsidy for the non-Medicare eligible retirees since the average costs of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees. The true per capita cost for the pre-65 retirees is developed by adjusting the demographic differences between the active employees and retirees to reflect this implicit rate subsidy for the retirees. For the post-65 retirees, the fully-insured premium rate is used as the basis of the initial per capita cost without adjustments since the rate reflects the demographics of the post-65 retiree group.

The benefit options available to future retirees are different than current retirees. We have developed separate premium rates for future retirees in order to reflect the benefit differences since the differences are material.

Age graded and sex distinct premiums are utilized by this valuation. The premiums developed by the preceding process are appropriate for the unique age and sex distribution currently existing. Over the future years covered by this valuation, the age and sex distribution will most likely change. Therefore, our process "distributes" the average premium over all age/sex combinations and assigns a unique premium for each combination. The age/sex specific premiums more accurately reflect the health care utilization and cost at that age.

## Retiree Premium Rate Development (Concluded)

The combined monthly one-person medical, and drug premiums at select ages are shown below:

### Current and Future Retirees

#### Future Retirees

Not Eligible for Medicare		
Age	Male	Female
45	\$ 553.47	\$ 763.86
50	720.68	887.81
55	948.34	1,035.44
60	1,224.83	1,206.04

#### Current Retirees

Not Eligible for Medicare		
Age	Male	Female
45	\$ 549.85	\$ 758.87
50	715.97	882.01
55	942.14	1,028.68
60	1,216.82	1,198.15

#### Eligible for Medicare

Eligible for Medicare		
Age	Male	Female
65	\$ 765.55	\$722.06
70	833.96	806.98
75	895.69	873.99

#### Eligible for Medicare

Eligible for Medicare		
Age	Male	Female
65	\$ 821.54	\$ 774.87
70	894.95	866.00
75	961.20	937.92

James E. Pranschke is a Member of the American Academy of Actuaries (MAAA) and meets the Qualification Standards of the American Academy of Actuaries to certify the per capita retiree health care rates shown above.

*James E. Pranschke*

James E. Pranschke, FSA, MAAA

## SECTION C

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### **SUMMARY OF BENEFIT PROVISIONS AND VALUATION DATA**

The plan provisions described in this section were compiled to the best of our ability based on information provided by the City. In some cases where information was limited, assumptions were made that were generally based on corresponding provisions in the Retirement System. In the event that any description contained herein differs from the actual eligibility or benefit, the appropriate employee contract or governing document will prevail. If you have reason to believe that the plan provisions are incorrectly described, that important plan provisions relevant to this valuation are not described, or that conditions have changed since the calculations were made, you should contact the authors of this report prior to relying on information in the report.

# Fire

## Summary of Benefits as of June 30, 2018

### Retiree Health Care Benefit

**Hired before 8/1/2016 and Retired before 9/1/2017** – The City provides fully paid retiree health care for the retiree, spouse and eligible dependents with 0% cost share.

**Hired before 8/1/2016 and Retired on or after 9/1/2017** – The City provides retiree health care for the retiree, spouse and eligible dependents with 20% cost share with the following annual caps: \$3,000 Family/ \$2,500 Two-person / \$2,000 Single.

**Hired on or after 8/1/2016** – No benefit coverage in retirement. Participation in MERS Health Savings Plan.

### Normal Retirement

**Eligibility** – Any age with 20 or more years of service or age 60 regardless of service.

### Deferred (Vested) Retirement

**Eligibility** – 10 or more years of service. Benefit commences at date retirement would have occurred if member had remained in employment.

### Duty Death Before Retirement Benefits

**Eligibility** – Death while actively employed. Payable to the employee's un-remarried spouse for life and dependents per federal/state law.

### Non-Duty Death Before Retirement Benefits

**Eligibility** – Death while actively employed after 10 years of service. Payable to the employee's un-remarried spouse for life and dependents per federal/state law.

### Death After Retirement

Upon the death of the retiree, the City continues coverage of retiree health care for the lifetime of the un-remarried spouse and dependents per federal/state law.

### Duty Disability Retirement

**Eligibility** – No age or service requirement.

### Non-Duty Disability Retirement

**Eligibility** – 5 or more years of service.

**Opt-Out** – **Hired before 8/1/2011** – The City offers \$150/\$300/\$400 for single/two-person/family coverage respectively in lieu of retiree health care coverage.

**Medicare Eligibility** – Retirees are required to enroll in Medicare once eligible. The City reimburses the retiree for their Medicare Part B premium.

**Dental/Optical** – Retiree is responsible for dental and optical premiums.

**Life Insurance** – Retirees are not eligible for life insurance.



# Police Patrol

## Summary of Benefits as of June 30, 2018

### Retiree Health Care Benefit

**Hired before 9/1/2011 and Retired before 6/30/2011** – The City provides fully paid retiree health care for the retiree, spouse and eligible dependents with 0% cost share.

**Hired before 9/1/2011 and Retired on or after 6/30/2011 through 8/31/2011** - The City provides retiree health care for the retiree, spouse and eligible dependents with 10% cost share with a \$3,000 annual cap.

**Hired before 9/1/2011 and Retired after 9/1/2011 before 2/1/2017** - The City provides retiree health care for the retiree, spouse and eligible dependents with 10% cost share with a \$2,500 annual cap.

**Hired before 9/1/2011 and Retired on or after 2/1/2017** - The City provides retiree health care for the retiree, spouse and eligible dependents with 20% cost share with the following annual caps: \$3,000 Family/ \$2,500 Two-person / \$2,000 Single.

**Members after 9/1/2012** – No benefit coverage in retirement. Participation in MERS Health Savings Plan.

### Normal Retirement

**Eligibility** – Any age with 20 or more years of service or age 60 regardless of service.

### Deferred (Vested) Retirement

**Eligibility** – 10 or more years of service. Benefit commences at date retirement would have occurred if member had remained in employment.

### Duty Death Before Retirement Benefits

**Eligibility** – Death while actively employed. Payable to the employee's un-remarried spouse for life.

### Non-Duty Death Before Retirement Benefits

**Eligibility** – Death while actively employed after 10 years of service. Payable to the employee's un-remarried spouse for life.

### Death After Retirement

Upon the death of the retiree, the City continues coverage of retiree health care for the lifetime of the un-remarried spouse.

### Duty Disability Retirement

**Eligibility** - No age or service requirement.

### Non-Duty Disability Retirement

**Eligibility** – 5 or more years of service.

**Opt-Out – Hired before 9/1/2011** – The City offers \$150/\$300/\$400 for single/two-person/family coverage respectively in lieu of retiree health care coverage.

## Police Patrol (Concluded) Summary of Benefits as of June 30, 2018

**Medicare Eligibility** – Retirees are required to enroll in Medicare once eligible. The City of Taylor reimburses the retiree for their Medicare Part B premium.

**Dental/Optical** – Retiree is responsible for dental and optical premiums.

**Life Insurance** – Retirees are not eligible for life insurance.

# Public Service Officers (Cadets)

## Summary of Benefits as of June 30, 2018

### Retiree Health Care Benefit

**Amount** – The City provides fully paid retiree health care for the retiree, spouse and eligible dependents.

All retired employees will be required to pay 20% of the annual premium or illustrative rate for medical and prescription drug coverage up to an annual \$4,500 (four thousand five hundred) cap. City health coverage is not available for Medicare eligible PSO retirees.

### Normal Retirement

**Eligibility** – Age 55 or greater with 25 or more years of service.

### Deferred (Vested) Retirement

Public safety officers are not eligible for Deferred (Vested) Retirement.

### Duty Death Before Retirement Benefits

Public safety officers are not eligible for Duty Death Before Retirement Benefits.

### Non-Duty Death Before Retirement Benefits

Public safety officers are not eligible for Non-Duty Death Before Retirement Benefits.

### Death After Retirement

Upon the death of the retiree, the City continues coverage of retiree health care for the lifetime of the un-remarried spouse.

### Duty Disability Retirement

Public safety officers are not eligible for Duty Disability Retirement.

### Non-Duty Disability Retirement

Public safety officers are not eligible for Non-Duty Disability Retirement.

**Opt-Out** – The City does not provide payment in lieu of retiree health care coverage.

**Medicare Eligibility** – Retirees are required to enroll in Medicare once eligible. City health coverage is not available for Medicare eligible PSO retirees.

**Dental/Optical** – Retiree is responsible for dental and optical premiums.

**Life Insurance** – Retirees are not eligible for life insurance.

# Police Command

## Summary of Benefits as of June 30, 2018

### Retiree Health Care Benefit

**Retired Prior to 7/1/2006** - The City provides fully paid retiree health care for the retiree, spouse and eligible dependents with 0% cost share.

**Retired under CBA: 7/1/2006 through 6/30/2011** - The City provides retiree health care for the retiree, spouse and eligible dependents with 10% cost share of premium in effect at the time of retirement (No rate increases) with a \$2,250 annual cap.

**Retired under CBA: 7/1/2011 through 3/21/2017** - The City provides retiree health care for the retiree, spouse and eligible dependents with 20% cost share and no annual cap.

**Retired under CBA: 3/22/2017 through 6/30/2022** - The City provides retiree health care for the retiree, spouse and eligible dependents with 20% cost share and no annual cap if retired on or before 4/1/2017 and with the following annual caps if retired after 4/1/2017: \$3,000 Family/ \$2,500 Two-person / \$2,000 Single.

### Normal Retirement

**Eligibility** - Any age with 25 or more years of service or age 60 regardless of service.

### Deferred (Vested) Retirement

**Eligibility** - 10 or more years of service. Benefit commences at date retirement would have occurred if member had remained in employment.

### Duty Death Before Retirement Benefits

**Eligibility** - Death while actively employed. Payable to the employee's un-remarried spouse for life and dependents per federal/state law.

### Non-Duty Death Before Retirement Benefits

**Eligibility** – Death while actively employed after 10 years of service. Payable to the employee's un-remarried spouse for life and dependents per federal/state law.

### Death After Retirement

Upon the death of the retiree, the City continues coverage of retiree health care for the lifetime of the un-remarried spouse and dependents per federal/state law.

### Duty Disability Retirement

**Eligibility** - No age or service requirement.

### Non-Duty Disability Retirement

**Eligibility** – 5 or more years of service.

**Opt-Out – Hired before 9/1/2011** – The City offers \$150/\$300/\$400 for single/two-person/family coverage respectively in lieu of retiree health care coverage.

## **Police Command (Concluded)**

### **Summary of Benefits as of June 30, 2018**

**Medicare Eligibility** – Retirees are required to enroll in Medicare once eligible. The City of Taylor reimburses the retiree for their Medicare Part B premium.

**Dental/Optical** – Retiree is responsible for dental and optical premiums.

**Life Insurance** – Retirees are not eligible for life insurance.

# Court Employees/Court Supervisors Summary of Benefits as of June 30, 2018

## Retiree Health Care Benefit

**Amount** - The City provides fully paid retiree health care for the retiree, spouse and eligible dependents.

Retirees shall pay a percentage of the City's monthly costs for the medical insurance plan selected in accordance with the following schedule:

<u>Service</u>	<u>Medical Premium Retiree Co-Payment</u>	
	<u>Hired before 12/31/2014</u>	<u>Hired after 1/1/2015</u>
Vested - 12 years	35% - No Cap	35% - No Cap
13 - 24 years	25% - No Cap	25% - No Cap
25 years & over	10% capped at an annual maximum of \$4,500	10% - No Cap

## Normal Retirement

**Eligibility** - Age 55 with 25 or more years of service, or age 60 with 10 years of service.

## Deferred (Vested) Retirement

**Eligibility** - 10 or more years of service. Benefit commences at date retirement would have occurred if member had remained in employment.

## Duty Death Before Retirement Benefits

**Eligibility** - Death while actively employed. Payable to the employee's spouse for life.

## Non-Duty Death Before Retirement Benefits

**Eligibility** - Death while actively employed after 10 years of service. Payable to the employee's spouse for life.

## Death After Retirement

Upon the death of the retiree, the City continues coverage of retiree health care for the lifetime of the spouse.

## Duty Disability Retirement

**Eligibility** - No age or service requirement.

# Court Employees/Court Supervisors (Concluded)

## Summary of Benefits as of June 30, 2018

### Non-Duty Disability Retirement

**Eligibility** – 10 or more years of service.

**Opt-Out** – The City does not provide payment in lieu of retiree health care coverage.

**Medicare Eligibility** – Retirees are required to enroll in Medicare once eligible. The City of Taylor reimburses the retiree for their Medicare Part B premium.

**Dental/Optical** – Retiree is responsible for dental and optical premiums.

**Life Insurance** – The City provides \$6,000 of life insurance to retirees.

# Local 1128 AFSCME

## Summary of Benefits as of June 30, 2018

### Retiree Health Care Benefit

**Hired before 11/24/2014 and Retired before 5/1/2015** - The City provides fully paid retiree health care for the retiree, spouse and eligible dependents with 0% cost share.

**Hired before 11/24/2014 and Retired on or after 5/1/2015** – City provides fully paid retiree health care for the retiree, spouse and eligible dependents with applicable cost share:

Vested to 24 years of service: 20% cost share with \$4,500 annual cap.

25 years of service: 0% cost share.

**DC Participants: Employees hired after 12/22/2004** – City provides fully paid retiree health care for the retiree, spouse and eligible dependents with applicable cost share:

Hired Before 11/24/2014- Vested to 24 years of service: 20% cost share. 25 years of service: 0% cost share.

Hired on or after 11/24/2014 – 20% cost share.

### Normal Retirement

**Eligibility if Hired On or After 8/4/88** - Age 55 with 10 or more years of service or age 50 with 25 or more years of service.

**Eligibility if Hired Before 8/4/88** - Earlier of: (a) Age 55 with 8 or more years of service (10 or more years if hired after 8/1/82), or (b) 25 years of service.

### Early Retirement

**Eligibility if Hired On or After 8/4/88** - Age 50 with 10 or more years of service.

**Eligibility if Hired Before 8/4/88** - Earlier of: (a) Age 48 with 8 or more years of service (10 or more years if hired after 8/1/82), or (b) 18 years of service.

### Deferred (Vested) Retirement

**Eligibility** - 8 or more years of service (10 or more years if hired after 8/1/82). Benefit commences at age 55.

### Death Before Retirement Benefits

**Eligibility** - Death while actively employed after 8 or more years of service (10 or more years if hired after 8/1/82). Payable to the employee's un-remarried spouse for life.

### Death After Retirement

Upon the death of the retiree, the City continues full coverage of retiree health care for the lifetime of the un-remarried spouse.

### Disability Retirement

**Eligibility if Hired On or After 8/4/88** - 10 years of service credited in System, and must be eligible to receive Social Security disability benefits.

**Eligibility if Hired Before 8/4/88** - No age or service requirement, but must be eligible to receive Social Security disability benefits.



## Local 1128 AFSCME (Concluded) Summary of Benefits as of June 30, 2018

**Opt-Out** – The City does not provide payment in lieu of retiree health care coverage.

**Medicare Eligibility** – Retirees are required to enroll in Medicare once eligible. The City of Taylor reimburses the retiree for their Medicare Part B premium for retirees retired before 10/3/2000.

**Dental** – Retiree is responsible for dental premiums.

**Life Insurance** – The City provides \$10,000 of life insurance.

# Local 1917

## Summary of Benefits as of June 30, 2018

### Retiree Health Care Benefit

**Retired before 6/1/2015** - The City provides fully paid retiree health care for the retiree, spouse and eligible dependents with 0% cost share.

**Retired on or after 6/1/2015** – City provides fully paid retiree health care for the retiree, spouse and eligible dependents with applicable cost share:

Vested to 24 years of service: 20% cost share with \$4,500 annual cap.

25 years of service: 0% cost share.

**DC Participants: Employees hired after 12/22/2004** – City provides fully paid retiree health care for the retiree, spouse and eligible dependents with applicable cost share:

Vested to 24 years of service: 20% cost share.

25 years of service: 0% cost share.

### Normal Retirement

**Eligibility if Hired On or After 8/4/88** - Age 55 with 10 or more years of service or age 50 with 25 or more years of service.

**Eligibility if Hired Before 8/4/88** - Earlier of: (a) Age 55 with 8 or more years of service or (b) 25 years of service.

### Early Retirement

**Eligibility if Hired On or After 8/4/88** - Age 50 with 10 or more years of service.

**Eligibility if Hired Before 8/4/88** - Earlier of: (a) Age 48 with 8 or more years of service or (b) 18 years of service.

### Deferred (Vested) Retirement

**Eligibility** - 8 or more years of service (10 or more years if hired after 8/4/88). Benefit commences at age 55.

### Death Before Retirement Benefits

**Eligibility** - Death while actively employed after 8 or more years of service (10 or more years if hired after 8/4/88). Payable to the employee's spouse for life.

### Death After Retirement

Upon the death of the retiree, the City continues full coverage of retiree health care for the lifetime of the spouse.

### Disability Retirement

**Eligibility if Hired On or After 8/4/88** - 10 years of service credited in System, and must be eligible to receive Social Security disability benefits.

**Eligibility if Hired Before 8/4/88** - No age or service requirement, but must be eligible to receive Social Security disability benefits.

## Local 1917 (Concluded) Summary of Benefits as of June 30, 2018

**Opt-Out** – The City does not provide payment in lieu of retiree health care coverage.

**Medicare Eligibility** – Retirees are required to enroll in Medicare once eligible. The City reimburses the retiree for their Medicare Part B premium.

**Dental** – The City provides dental benefits for those retired after 7/1/99.

**Life Insurance** – The City provides \$20,000 of life insurance.

# Taylor Governmental Management and Administrative Employees Association

## Summary of Benefits as of June 30, 2018

### Retiree Health Care Benefit

**Hired before 1/1/2011 and Retired before 1/1/2011** – The City provides fully paid retiree health care for the retiree, spouse and eligible dependents.

**Hired before 1/1/2011 and Retired after 1/1/2011** – The Medical premium co-payment shall extend to retirees. Retirees shall pay a percentage of the City’s monthly cost for the medical insurance plan selected in accordance with the following schedule:

Service	Medical Premium Retiree Co-Payment
Vested - 12 years	35%
13 - 20 years	25%
21 years & over	10%

**Hired on or after 1/1/2011 – Age 55 with 25 years of Service:** The City provides retiree health care for the retiree, spouse and eligible dependents with 20% cost share.

Age 65: No coverage.

### Normal Retirement

**Eligibility if Hired Before 05/18/88** - Age 55 with 4 or more years of service or any age with 25 or more years of service.

**Eligibility if Hired Between 05/18/88 and 01/01/11** - Age 55 with 5 or more years of service.

**Eligibility if Hired On or After 01/01/11** - Age 55 with 25 or more years of service.

### Early Retirement

**Eligibility** - Any age with 5 or more years of service (4 years if hired before 05/18/88).

### Deferred (Vested) Retirement

**Eligibility** - 5 or more years of service (4 years if hired before 05/18/88). Benefit commences at age 55.

### Death Before Retirement Benefits

**Eligibility** - Death while actively employed after 5 or more years of service (4 years if hired before 05/18/88). Payable to the employee's spouse for life.

### Death After Retirement

Upon the death of the retiree, the City continues full coverage of retiree health care for the lifetime of the spouse.

### Disability Retirement

**Eligibility** - No age or service requirement, but must be eligible to receive Social Security Disability Benefits.

# Taylor Governmental Management and Administrative Employees Association (Concluded) Summary of Benefits as of June 30, 2018

**Opt-Out** – The City offers \$1,200 annually through age 65 in lieu of retiree health care coverage.

**Medicare Eligibility** – Retirees are required to enroll in Medicare once eligible. The City of Taylor reimburses the retiree for their Medicare Part B premium.

**Dental** – The City provides dental benefits for retirees.

**Vision** – The City provides vision benefits for retirees.

**Life Insurance** – The City provides \$30,000 of life insurance.

# Elected Officials

## Summary of Benefits as of June 30, 2018

### Retiree Health Care Benefit

**First Elected/Appointed prior to 11/8/2005** – The City provides retiree health care for the retiree, spouse, and eligible dependents with the cost share in effect at the date of retirement.

**First Elected/Appointed after 11/8/2005** – No benefit coverage in retirement.

### Normal Retirement

**Eligibility if Elected On or After 11/27/89** - Age 55 with 5 or more years of service.

**Eligibility if Elected Before 11/27/89** - Age 55 with 4 or more years of service or any age with 25 or more years of service.

### Early Retirement

**Eligibility** - Any age with 5 or more years of service (4 years if elected before 11/27/89).

### Deferred (Vested) Retirement

**Eligibility** - 5 or more years of service (4 years if elected before 11/27/89). Benefit commences at age 55.

### Death Before Retirement Benefits

**Eligibility** - Death while actively employed after 5 or more years of service (4 years if elected before 11/27/89). Payable to the employee's spouse for life.

### Death After Retirement

Upon the death of the retiree, the City continues full coverage of retiree health care for the lifetime of the spouse.

### Disability Retirement

**Eligibility** - No age or service requirement, but must be eligible to receive Social Security Disability Benefits.

**Opt-Out** – The City does not provide payment in lieu of retiree health care coverage.

**Medicare Eligibility** – Retirees are required to enroll in Medicare once eligible. The City of Taylor reimburses the retiree for their Medicare Part B premium.

**Dental** – Retiree is responsible for retired dental premiums.

**Life Insurance** – Retirees are not eligible for life insurance.

## General – Active Members as of June 30, 2018 by Attained Age and Years of Service

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
20-24	2							2	\$ 90,085
25-29	3							3	116,942
30-34	1							1	52,530
35-39	1		4	5				10	501,940
40-44	3		2	4	2			11	635,453
45-49	3		2	6	7	2		20	1,096,461
50-54	1	1	1	3	3	2		11	548,111
55-59	2		4	7	2	1		16	861,883
60-64	4		1	3	1	1		10	551,136
65 & Over	3	1	1					5	242,673
<b>Totals</b>	<b>23</b>	<b>2</b>	<b>15</b>	<b>28</b>	<b>15</b>	<b>6</b>		<b>89</b>	<b>\$ 4,697,214</b>

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

**Age:** 49.3 years  
**Service:** 14.2 years  
**Annual Pay:** \$52,778

## Court – Active Members as of June 30, 2018 by Attained Age and Years of Service

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
20-24	1							1	\$ 30,593
25-29	2							2	74,129
30-34									
35-39	1			1				2	80,684
40-44	2							2	72,771
45-49					1			1	50,982
50-54	2		1	1	1	1		6	261,359
55-59									
60-64				1				1	44,596
65 & Over				1				1	45,657
<b>Totals</b>	<b>8</b>		<b>1</b>	<b>4</b>	<b>2</b>	<b>1</b>		<b>16</b>	<b>\$ 660,771</b>

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

**Age:** 44.9 years  
**Service:** 11.2 years  
**Annual Pay:** \$41,298



## Police/Fire – Active Members as of June 30, 2018 by Attained Age and Years of Service

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
20-24	2							2	\$ 66,464
25-29	3							3	102,114
30-34	1	1						2	82,152
35-39			2	11				13	839,938
40-44			1	31	2			34	2,362,591
45-49		1		15		2		18	1,115,478
50-54				3	3			6	383,134
55-59				1	1			2	109,712
60-64									
65 & Over							1	1	45,760
<b>Totals</b>	<b>6</b>	<b>2</b>	<b>3</b>	<b>61</b>	<b>6</b>	<b>2</b>	<b>1</b>	<b>81</b>	<b>\$ 5,107,343</b>

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

**Age:** 42.9 years  
**Service:** 17.1 years  
**Annual Pay:** \$63,054

## Retired Members as of June 30, 2018 by Attained Age

### General Retirees

Attained Age	Number of Retirees		
	Male	Female	Totals
Under 55	3	6	9
55-59	10	11	21
60-64	23	16	39
65 & Over	81	69	150
<b>Totals</b>	<b>117</b>	<b>102</b>	<b>219</b>

### Court Retirees

Attained Age	Number of Retirees		
	Male	Female	Totals
Under 55	0	1	1
55-59	0	1	1
60-64	0	1	1
65 & Over	1	3	4
<b>Totals</b>	<b>1</b>	<b>6</b>	<b>7</b>

### Police/Fire Retirees

Attained Age	Number of Retirees		
	Male	Female	Totals
Under 55	46	2	48
55-59	17	1	18
60-64	28	1	29
65 & Over	95	20	115
<b>Totals</b>	<b>186</b>	<b>24</b>	<b>210</b>

Only members currently receiving or eligible to receive OPEB benefits in the future were shown above. There are 217 retirees eligible for life insurance benefits and 3 retirees are valued as receiving a payment in lieu of benefits.

## Deferred Members as of June 30, 2018 by Attained Age

### General Members in Deferral Period

Attained Age	Number		
	Male	Female	Totals
Under 50	8	6	14
50-54	5	1	6
55 & Over	3	0	3
<b>Totals</b>	<b>16</b>	<b>7</b>	<b>23</b>

### Police/Fire Members in Deferral Period

Attained Age	Number		
	Male	Female	Totals
Under 50	1	1	2
50-54	0	0	0
55 & Over	0	0	0
<b>Totals</b>	<b>1</b>	<b>1</b>	<b>2</b>

Only members currently receiving or eligible to receive OPEB benefits in the future were shown above.

## **SECTION D**

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### **ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS**

## Valuation Methods and Assumptions

**Actuarial Cost Method.** Normal cost and the allocation of benefit values between service rendered before and after the valuation date was 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.

**The rate of investment return (discount rate)** was 3.62% per year compounded annually. This is the municipal bond rate based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index". This assumption is used to equate the value of payments due at different points in time. In an unfunded program the investment return assumption must be commensurate with potential earnings on the employers' general account assets.

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

Actuarial assumptions are adopted by the City after consulting with the actuary. Several assumptions were updated for the June 30, 2018 valuation. Demographic assumptions general follow those of the pension plans, as applicable. All assumptions are based on future expectations, not market measures.

## Actuarial Assumptions

*The rates of salary increase* used for individual members are in accordance with the following tables. This assumption is used to project a member's current salary to the salaries upon which future contributions will be based. General members were assumed to have a flat 1.0% salary increase regardless of age or service.

### Police/Fire

#### % Increase in Salary at Sample Ages

Sample Age	Base (Economic)	Merit & Longevity	Increase Next
			Year
20	3.50 %	3.00 %	6.50 %
25	3.50	3.00	6.50
30	3.50	2.60	6.10
35	3.50	1.10	4.60
40	3.50	0.20	3.70
45	3.50	0.20	3.70
50	3.50	0.20	3.70
55	3.50	0.10	3.60
60	3.50	0.00	3.50

### Court

#### % Increase in Salary at Sample Ages

Sample Age	Base (Economic)	Merit & Longevity	Increase Next
			Year
20	3.75 %	11.00 %	14.75 %
25	3.75	7.20	10.95
30	3.75	3.10	6.85
35	3.75	1.90	5.65
40	3.75	1.20	4.95
45	3.75	0.81	4.56
50	3.75	0.52	4.27
55	3.75	0.30	4.05
60	3.75	0.00	3.75

## Actuarial Assumptions (Continued)

*The mortality table*, for post-retirement mortality, used in evaluating allowances to be paid was the RP-2014 Healthy Annuitant mortality table, projected from 2006 to 2025 with Scale MP-2017. Related values are shown below.

The pre-retirement mortality table used was the RP-2014 Employee mortality table, projected from 2006 to 2025 with Scale MP-2017. The pre-retirement mortality table used for Long-Term Disability (LTD) members was the RP-2014 Disabled mortality table, projected from 2006 to 2025 with Scale MP-2017.

### Healthy Retirees

Sample Attained Ages	Probability of Dying Next Year		Future Life Expectancy (years)	
	Men	Women	Men	Women
50	0.3850 %	0.2613 %	32.61	35.08
55	0.5415	0.3632	28.29	30.56
60	0.7688	0.5516	24.10	26.17
65	1.1222	0.8243	20.09	21.96
70	1.6708	1.2539	16.29	17.93
75	2.6245	2.0174	12.75	14.15
Ref	#2135x1sb0yrs0Unisex		#2136x1sb0yrs0Unisex	

### Disabled Retirees

Sample Attained Ages	Probability of Dying Next Year		Future Life Expectancy (years)	
	Men	Women	Men	Women
50	1.9321 %	1.1241 %	23.09	27.21
55	2.2068	1.4521	20.32	23.80
60	2.6321	1.8063	17.58	20.59
65	3.2287	2.1368	14.93	17.44
70	4.0198	2.7482	12.37	14.31
75	5.3111	3.9548	9.90	11.36
Ref	#2137x1sb0yrs0Unisex		#2138x1sb0yrs0Unisex	

## Actuarial Assumptions (Continued)

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

### Age Based Retirement

Retirement Ages	Percent of Eligible Active Members Retiring Within Next Year	
	Locals 1128 & 1917	Court
50	50 %	
51	50	
52	50	
53	50	
54	50	
55	50	18 %
56	10	15
57	10	10
58	10	15
59	10	20
60	100	20
61		24
62		24
63		24
64		27
65		30
66		30
67		30
68		30
69		30
70		100

All General members not listed in the above table were assumed to retire at their earliest normal retirement age.



# Actuarial Assumptions (Continued)

## Service Based Retirement

Years of Service	Percent of Eligible Active Members Retiring Within Next Year		
	Police Corp/Patrol	Police Command	Fire
20	70 %		30 %
21	20		20
22	20		20
23	20		20
24	20		20
25	100	50 %	50
26		40	50
27		40	50
28		40	50
29		40	50
30		90	100
31		40	
32		100	

Police/Fire members not eligible for service retirement were assumed to retire no later than age 60.

Public Service Officers (Cadets) were assumed to retire at first eligibility.

**The early retirement assumption** used in the valuation was as follows:

For members in Local 1128 AFSCME and Local 1917 hired on or after 8/4/88, an early retirement rate of 5% was assumed for 5 years prior to normal retirement.

For all General members not listed above, an early retirement rate of 5% was assumed for 7 years prior to normal retirement.

## Court Members

Retirement Ages	Percent of Eligible Active Members Retiring Early Within Next Year
50	2.0 %
51	2.0
52	3.3
53	3.8
54	5.6
55	4.3
56	4.2
57	4.1
58	5.0
59	6.2

Police/Fire are not eligible for early retirement.

## Actuarial Assumptions (Continued)

**Rates of separation from active membership** are used to estimate the number of employees at each age that are expected to terminate employment before qualifying for retirement benefits. The withdrawal rates do not apply to members eligible to retire, and do not include separation on account of death or disability.

Sample rates of separation from active employment are shown below:

Sample Ages	Service Index	Percent of Active Members Separating Within Next Year			Service Index	Percent of Active Members Separating Within Next Year
		General	Police	Fire		Court
ALL	0		10.0 %	8.0 %	0	16.3 %
	1		8.0	6.0	1	16.3
	2		6.0	4.5	2	13.3
	3		4.0	3.0	3	10.5
	4		3.0	2.0	4	8.6
20	5 & Over	7.9 %	3.0	2.0	5	6.9
25		7.7	3.0	2.0	10	4.6
30		7.2	2.6	1.7	15	3.4
35		6.3	1.5	0.9	20	2.6
40		5.2	0.6	0.34	25	2.2
45		4.0	0.3	0.3		
50		2.6	0.3	0.3		
55		0.9	0.3	0.3		
60		0.1	0.3	0.3		
65		0.0	0.3	0.3		
Ref			14	13		1114

## Actuarial Assumptions (Concluded)

**Rates of disability** among active members are used to estimate the incidence of member disability in future years. 100% of the General member disabilities were assumed to be non-duty, 85% of the Court member disabilities were assumed to be non-duty, and 50% of the Police/Fire member disabilities were assumed to be non-duty.

Sample Ages	Percent Becoming Disabled Within Next Year		
	Court	General and Police/Fire	
		Men	Women
20	0.02 %	0.07 %	0.03 %
25	0.02	0.09	0.05
30	0.02	0.10	0.07
35	0.05	0.14	0.13
40	0.08	0.21	0.19
45	0.20	0.32	0.28
50	0.29	0.52	0.45
55	0.38	0.92	0.76
60	0.39	1.53	1.10
Ref	#1106	#33	#34

**Health care trend rates** used in the valuation were as shown below:

Medical and Drug Trend	
Year	Rates
2019	9.00 %
2020	8.25
2021	7.50
2022	6.75
2023	6.25
2024	5.75
2025	5.25
2026	4.75
2027	4.25
2028	3.50
2029	3.50
2030	3.50
2031 & Later	3.50

## Miscellaneous and Technical Assumptions

<b>Decrement Operation:</b>	Disability and mortality decrements do not operate during the first 5 years of service. Disability and withdrawal do not operate during retirement eligibility.
<b>Decrement Timing:</b>	Decrements of all types are assumed to occur mid-year.
<b>Eligibility Testing:</b>	Eligibility for benefits is determined based upon the age nearest birthday and actual service on the date the decrement is assumed to occur.
<b>Incidence of Contributions:</b>	Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.
<b>Marriage Assumption:</b>	100% of General members, 70% of Court members, and 90% of Police/Fire members are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses for active member valuation purposes.
<b>Medicare Coverage:</b>	Assumed to be available for all covered employees on attainment of age 65.
<b>Election Percentage:</b>	It was assumed that 85% of retirees would choose to receive retiree health care benefits through the City. Of those assumed to elect coverage, 76% are assumed to elect two-person coverage, if eligible. For those that elect two-person coverage, it was assumed that coverage would continue to the spouse upon death of the retiree, if eligible.
<b>Loads:</b>	Health care liabilities for deferred retirees are loaded 160% for potential spouses. Health care liabilities for retirees are loaded by 101% for Medicare Part B Reimbursements.
<b>Health Care Trend Rates:</b>	Health care trend rates were assumed to increase on July 1 each year.
<b>Opt-Out:</b>	Retirees who have opted out of health care are assumed to continue opting-out. Retirees who receive payments in lieu of health care are assumed to receive their current payment amount for life.  Retirees not age eligible are assumed to begin receiving benefits at the age they become eligible.

## Miscellaneous and Technical Assumptions (Concluded)

**Excise Tax:**

All costs were increased by 4.5% to reflect the projected excise tax from the Affordable Care Act.

**Participating Active Members:**

Members hired after a certain date are not eligible for retiree health care provided by the city. Fire members with a hire date after 8/1/2016 were excluded from the valuation. Police Patrol members hired after 9/1/2011 were excluded from the valuation.

## APPENDIX

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### GLOSSARY

# Glossary

**Accrued Service.** The service credited under the plan which was rendered before the date of the actuarial valuation.

**Actuarial Accrued Liability.** The difference between (i) the actuarial present value of future plan benefits, and (ii) the actuarial present value of future normal cost. Sometimes referred to as "accrued liability" or "past service liability."

**Actuarial Assumptions.** Estimates of future plan experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

**Actuarial Cost Method.** A mathematical budgeting procedure for allocating the dollar amount of the "actuarial present value of future plan benefits" between the actuarial present value of future normal cost and the actuarial accrued liability. Sometimes referred to as the "actuarial funding method."

**Actuarial Equivalent.** A single amount or series of amounts of equal value to another single amount or series of amounts, computed on the basis of the rate(s) of interest and mortality tables used by the plan.

**Actuarial Present Value.** The amount of funds presently required to provide a payment or series of payments in the future. It is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

**Amortization.** Paying off an interest-bearing liability by means of periodic payments of interest and principal, as opposed to paying it off with a lump sum payment.

**Actuarially Determined Contribution (ADC).** The ADC is the normal cost plus the portion of the unfunded actuarial accrued liability to be amortized in the current period. The ADC is an amount that is actuarially determined in accordance with the requirements so that, if paid on an ongoing basis, it would be expected to provide sufficient resources to fund both the normal cost for each year and the amortized unfunded liability.

**Governmental Accounting Standards Board (GASB).** GASB is the private, nonpartisan, nonprofit organization that works to create and improve the rules U.S. state and local governments follow when accounting for their finances and reporting them to the public.

**Medical Trend Rate (Health Care Inflation).** The increase in the cost of providing health care benefits over time. Trend includes such elements as pure price inflation, changes in utilization, advances in medical technology, and cost shifting.

**Normal Cost.** The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as "current service cost." Any payment toward the unfunded actuarial accrued liability is not part of the normal cost.

## Glossary (Concluded)

**Other Postemployment Employee Benefits (OPEB).** OPEB are postemployment benefits other than pensions. OPEB generally takes the form of health insurance and dental, vision, prescription drugs or other health care benefits.

**Reserve Account.** An account used to indicate that funds have been set aside for a specific purpose and are not generally available for other uses.

**Unfunded Actuarial Accrued Liability.** The difference between the actuarial accrued liability and valuation assets. Sometimes referred to as "unfunded accrued liability."

**Valuation Assets.** The value of current plan assets recognized for valuation purposes.