

City of Fraser Retiree Health Care Plan

GASB Statement Nos. 74 and 75, Accounting and Financial
Reporting for Postemployment Benefits Other Than Pensions
June 30, 2019





August 16, 2019

Mr. Timothy M. Sadowski
City Treasurer
City of Fraser Retiree Health Care Plan
33000 Garfield Road
Fraser, Michigan 48026

Dear Mr. Sadowski:

This report provides information on behalf of the City of Fraser 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 Fraser Retiree Health Care Plan only in its entirety and only with the permission of the City of Fraser. GRS is not responsible for unauthorized use of this report.

This report complements the actuarial valuation report prepared as of June 30, 2017, 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 of Fraser, 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 Fraser 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.

Section J of the report includes information necessary for completing the City of Fraser Form 5572 for State of Michigan reporting. This information is not required to be included in your financial statements.

The signing actuaries are independent of the plan sponsor.

Laura Frankowiak 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,



Laura Frankowiak, ASA, FCA, MAAA



Mark Buis, FSA, EA, FCA, MAAA

LF/MB:ah



Auditor’s Note – This information is intended to assist in preparation of the financial statements of the City of Fraser 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

EXECUTIVE SUMMARY

Executive Summary as of June 30, 2019

	2019
Actuarial Valuation Date	June 30, 2017
Measurement Date of the Net OPEB Liability	June 30, 2019
Employer's Fiscal Year Ending Date (Reporting Date)	June 30, 2019
Membership	
Number of [#]	
- Retirees and Beneficiaries	101
- Inactive, Non-Retired Members	14
- Active Members	44
- Total	159
Covered Payroll [^]	\$ 3,772,187
Net OPEB Liability	
Total OPEB Liability	\$ 41,313,595
Plan Fiduciary Net Position	210,096
Net OPEB Liability	\$ 41,103,499
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	0.51 %
Net OPEB Liability as a Percentage of Covered Payroll	1,089.65 %
Development of the Single Discount Rate	
Single Discount Rate	5.75 %
Long-Term Expected Rate of Investment Return	5.75 %
Long-Term Municipal Bond Rate*	3.13 %
Last year ending June 30 in the 2020 to 2119 projection period for which projected benefit payments are fully funded	2119
Total OPEB Expense	\$ (2,498,084)

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	\$ 254,683
Changes in assumptions	0	8,281,097
Net difference between projected and actual earnings on OPEB plan investments	263	0
Total	\$ 263	\$ 8,535,780

As of the actuarial valuation date. GRS does not have membership counts as of June 30, 2019. City staff and auditors may decide that providing membership counts as of the valuation date is sufficient to meet GASB disclosure requirements. Alternatively, the City may decide to update the membership counts to be as of the Plan's fiscal year end.

[^] Payroll provided separately by the employer.

* Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year GO AA Index" as of June 28, 2019. 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, 2019.

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 pension liability is not calculated as of the measurement date, the total OPEB liability is required to be rolled forward from the actuarial valuation date to the measurement date.

The total OPEB liability shown in this report is based on an actuarial valuation performed as of June 30, 2017 and a measurement date of June 30, 2019.

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 5.75%; the municipal bond rate is 3.13% (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 5.75%.

Actuarial Assumptions

The actuarial assumptions used to value the liabilities are outlined in detail in Section H. The assumptions include details on the health care trend assumption, the aging factors, as well as the cost method used to develop the OPEB expense. Certain actuarial assumptions were based upon the results of the MERS 5-year experience study for the period January 1, 2009 to December 31, 2013 performed by the prior MERS pension actuary. We have not performed an independent analysis of plan experience, but we anticipate beginning the next 5-year experience study for the period January 1, 2014 to December 31, 2018 later in 2019.

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 health care 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 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

FINANCIAL STATEMENTS

Auditor's Note – This information is intended to assist in preparation of the financial statements of the City of Fraser 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, 2019

A. Expense

1. Service Cost	\$	958,738
2. Interest on the Total OPEB Liability		1,922,925
3. Current-Period Benefit Changes		0
4. Employee Contributions (made negative for addition here)		0
5. Projected Earnings on Plan Investments (made negative for addition here)		(3,741)
6. OPEB Plan Administrative Expense		316
7. Other Changes in Plan Fiduciary Net Position		0
8. Recognition of Outflow (Inflow) of Resources due to Liabilities		(5,376,388)
9. Recognition of Outflow (Inflow) of Resources due to Assets		66
10. Total OPEB Expense	\$	(2,498,084)

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.

As of the valuation date, the expected remaining service lives of all active employees in the plan was approximately 419 years. Additionally, the total plan membership (active employees and inactive employees) was 159, 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 2.6376 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, 2019

A. Outflows (Inflows) of Resources due to Liabilities

1. Difference between expected and actual experience of the Total OPEB Liability (gains) or losses	\$ (313,732)
2. Assumption Changes (gains) or losses	\$ (13,158,589)
3. Recognition period for Liabilities: Average of the expected remaining service lives of all employees {in years}	2.6376
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	\$ (118,946)
5. Outflow (Inflow) of Resources to be recognized in the current OPEB expense for assumption changes	\$ (4,988,849)
6. Outflow (Inflow) of Resources to be recognized in the current OPEB expense due to Liabilities	<u>\$ (5,107,795)</u>
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	\$ (194,786)
8. Deferred Outflow (Inflow) of Resources to be recognized in future OPEB expenses for assumption changes	\$ (8,169,740)
9. Deferred Outflow (Inflow) of Resources to be recognized in future OPEB expenses due to Liabilities	<u>\$ (8,364,526)</u>

B. Outflows (Inflows) of Resources due to Assets

1. Net difference between projected and actual earnings on OPEB plan investments (gains) or losses	\$ 329
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	\$ 66
4. Deferred Outflow (Inflow) of Resources to be recognized in future OPEB expenses due to Assets	\$ 263

Statement of Outflows and Inflows Arising from Current and Prior Reporting Periods Fiscal Year Ended June 30, 2019

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	\$ 212,888	\$ (212,888)
2. Assumption changes	0	5,163,500	(5,163,500)
3. Net difference between projected and actual earnings on OPEB plan investments	66	0	66
4. Total	\$ 66	\$ 5,376,388	\$ (5,376,322)

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	\$ 254,683	\$ (254,683)
2. Assumption changes	0	8,281,097	(8,281,097)
3. Net difference between projected and actual earnings on OPEB plan investments	263	0	263
4. Total	\$ 263	\$ 8,535,780	\$ (8,535,517)

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
2020	\$ (5,278,983)
2021	(3,256,665)
2022	66
2023	65
2024	0
Thereafter	0
Total	\$ (8,535,517)

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, 2019

Year Established	Initial Amount	Initial Recognition Period	Current Year Recognition	Remaining Recognition	Remaining Recognition Period
Deferred Outflow (Inflow) due to Differences Between Expected and Actual Experience on Liabilities					
2018	\$ (247,781)	2.6376	\$ (93,942)	\$ (59,897)	0.6376
2019	(313,732)	2.6376	(118,946)	(194,786)	1.6376
Total			\$ (212,888)	\$ (254,683)	
Deferred Outflow (Inflow) due to Assumption Changes					
2018	\$ (460,659)	2.6376	\$ (174,651)	\$ (111,357)	0.6376
2019	(13,158,589)	2.6376	(4,988,849)	(8,169,740)	1.6376
Total			\$ (5,163,500)	\$ (8,281,097)	
Deferred Outflow (Inflow) due to Differences Between Projected and Actual Earnings on Plan Investments					
2018	\$ 0	5.0000	\$ 0	\$ 0	3.0000
2019	329	5.0000	66	263	4.0000
Total			\$ 66	\$ 263	

Statement of Fiduciary Net Position as of June 30, 2019

	2019
Assets	
Cash and Deposits	\$ 0
Receivables	
Accounts Receivable - Sale of Investments	\$ 0
Accrued Interest and Other Dividends	0
Contributions	-
Accounts Receivable - Other	0
Total Receivables	\$ 0
Investments	
Fixed Income	\$ 0
Domestic Equities	0
International Equities	-
Real Estate	0
Other	210,096
Total Investments	\$ 210,096
Total Assets	\$ 210,096
Liabilities	
Payables	
Accounts Payable - Purchase of Investments	\$ 0
Accrued Expenses	-
Accounts Payable - Other	0
Total Liabilities	\$ 0
Net Position Restricted for OPEB	\$ 210,096

Statement of Changes in Fiduciary Net Position for Year Ended June 30, 2019

	2019
Additions	
Contributions	
Employer*	\$ 1,678,728
Nonemployer contributing entities	0
Active Employees	0
Other	0
Total Contributions	\$ 1,678,728
Investment Income	
Net Appreciation in Fair Value of Investments	\$ 0
Interest and Dividends	3,412
Less Investment Expense	0
Net Investment Income	\$ 3,412
Other	\$ 0
Total Additions	\$ 1,682,140
 Deductions	
Benefit Payments*	\$ 1,471,728
OPEB Plan Administrative Expense	316
Other	0
Total Deductions	\$ 1,472,044
Net Increase in Net Position	\$ 210,096
 Net Position Restricted for OPEB	
Beginning of Year	\$ 0
End of Year	\$ 210,096

* Includes amount being paid outside of the Trust.

SECTION C

REQUIRED SUPPLEMENTARY INFORMATION

Auditor's Note – This information is intended to assist in preparation of the financial statements of the City of Fraser 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, 2019

A. Total OPEB liability	
1. Service cost	\$ 958,738
2. Interest on the total OPEB liability	1,922,925
3. Changes of benefit terms	0
4. Difference between expected and actual experience of the total OPEB liability	(313,732)
5. Changes of assumptions	(13,158,589)
6. Benefit payments, including refunds of employee contributions*	(1,471,728)
7. Net change in total OPEB liability	(12,062,386)
8. Total OPEB liability – beginning	53,375,981
9. Total OPEB liability – ending	\$ 41,313,595
B. Plan fiduciary net position	
1. Contributions – employer*	\$ 1,678,728
2. Contributions – nonemployer contributing entities	0
3. Contributions – employee	0
4. Net investment income	3,412
5. Benefit payments, including refunds of employee contributions*	(1,471,728)
6. OPEB plan administrative expense	(316)
7. Other	0
8. Net change in plan fiduciary net position	210,096
9. Plan fiduciary net position – beginning	0
10. Plan fiduciary net position – ending	\$ 210,096
C. Net OPEB liability	\$ 41,103,499
D. Plan fiduciary net position as a percentage of the total OPEB liability	0.51 %
E. Covered-employee payroll[^]	\$ 3,772,187
F. Net OPEB liability as a percentage of covered-employee payroll	1,089.65 %

* Includes amounts being paid outside of the Trust.

[^] 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,	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total OPEB liability										
Service cost	\$ 958,738	\$ 972,690								
Interest on the total OPEB liability	1,922,925	1,866,367								
Changes of benefit terms	0	0								
Difference between expected and actual experience	(313,732)	(247,781)								
Changes of assumptions	(13,158,589)	(460,659)								
Benefit payments, including refunds of employee contributions*	(1,471,728)	(1,388,659)								
Net change in total OPEB liability	(12,062,386)	741,958								
Total OPEB liability - beginning	53,375,981	52,634,023								
Total OPEB liability - ending (a)	\$ 41,313,595	\$ 53,375,981								
Plan fiduciary net position										
Employer contributions*	\$ 1,678,728	\$ 1,388,659								
Nonemployer contributing entities contributions	0	0								
Employee contributions	0	0								
OPEB plan net investment income	3,412	0								
Benefit payments, including refunds of employee contributions*	(1,471,728)	(1,388,659)								
OPEB plan administrative expense	(316)	0								
Other	0	0								
Net change in plan fiduciary net position	210,096	0								
Plan fiduciary net position - beginning	0	0								
Plan fiduciary net position - ending (b)	\$ 210,096	\$ 0								
Net OPEB liability - ending (a) - (b)	\$ 41,103,499	\$ 53,375,981								
Plan fiduciary net position as a percentage of total OPEB liability	0.51 %	0.00 %								
Covered-employee payroll	\$ 3,772,187	\$ 4,416,566								
Net OPEB liability as a percentage of covered-employee payroll[^]	1,089.65 %	1,208.54 %								
Notes to Schedule:										
N/A										

* Includes amounts being paid outside of the Trust.

[^] 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 [^]	Net OPEB Liability as a % of Covered Payroll
2010						
2011						
2012						
2013						
2014						
2015						
2016						
2017						
2018	\$ 53,375,981	\$ 0	\$ 53,375,981	\$ 0	\$ 4,416,566	1,208.54 %
2019	\$ 41,313,595	\$ 210,096	\$ 41,103,499	\$ 0	\$ 3,772,187	1,089.65 %

[^] Payroll separately provided by the employer.

Schedule of Contributions Multiyear

FY Ending June 30,	Actuarially Determined Contribution	Actual Contribution*	Contribution Deficiency (Excess)	Covered Payroll [^]	Actual Contribution as a % of Covered Payroll
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018	\$ 3,597,282	\$ 1,388,659	\$ 2,208,623	\$ 4,416,566	31.44 %
2019	\$ 3,601,371	\$ 1,678,728	\$ 1,922,643	\$ 3,772,187	44.50 %

* Includes amounts being paid outside of the Trust.

[^] Payroll separately provided by the employer.

Notes to Schedule of Contributions

Methods and Assumptions Used to Determine Contribution Amounts for the Fiscal Year Ending June 30, 2019*:

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Dollar
Remaining Amortization Period	19 years, closed
Asset Valuation Method	Market value of assets
Price Inflation	2.50%
Wage Inflation	4.00%
Salary Increases	4.00% to 17.00%
Investment Rate of Return	4.50%, net of OPEB plan investment expense
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	The RP-2000 Mortality Combined Healthy Tables projected 20 years with U.S. Projection Scale BB.
Health Care Trend Rates	Initial trend of 9.00% gradually decreasing to an ultimate trend rate of 4.00% in year 10
Excise Tax	No load was applied in connection with the "Cadillac" tax.
Aging Factors	Based on an internal GRS study using several pricing manuals from National Health Care Consultant groups and incorporating analysis and data from an SOA survey regarding aging practices used in health care valuations.

Other Information:

Notes	There were no benefit changes during the year. The mortality tables and other demographic assumptions were updated to be consistent with the MERS pension assumptions. The new assumptions were reflected in the June 30, 2017 funding valuation which develops the contribution amounts for the fiscal years ending June 30, 2020 and June 30, 2021. The new assumptions were also reflected in the development of the Total OPEB Liability as of June 30, 2019.
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** Based on valuation assumptions used in the June 30, 2015 actuarial valuation.*

SECTION D

NOTES TO FINANCIAL STATEMENTS

Auditor's Note – This information is intended to assist in preparation of the financial statements of the City of Fraser 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 5.75% 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 5.75%. The projection of cash flows used to determine this Single Discount Rate assumed that employer contributions will be made at amounts equal to the projected benefit payments each year, plus a \$207,000 contribution each year for the next 30 years (as discussed on page 24). Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Summary of Membership Information#

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

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	101
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	14
Active Plan Members	44
Total Plan Members	159

As of the actuarial valuation date, GRS does not have membership counts as of June 30, 2019. City staff and auditors may decide that providing membership counts as of the valuation date is sufficient to meet GASB disclosure requirements. 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 5.75%, 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

1% Decrease	Current Single Discount Rate Assumption	1% Increase
4.75%	5.75%	6.75%
\$ 46,577,860	\$ 41,103,499	\$ 36,585,777

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

1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
\$ 35,815,449	\$ 41,103,499	\$ 47,613,106

SECTION E

SUMMARY OF BENEFITS

Summary of Benefits

This report complements the actuarial valuation report prepared as of June 30, 2017, 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

DEVELOPMENT OF BASELINE CLAIMS COSTS

Development of Baseline Claims Costs

This report complements the actuarial valuation report prepared as of June 30, 2017, 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

SUMMARY OF PARTICIPANT DATA

Summary of Participant Data

This report complements the actuarial valuation report prepared as of June 30, 2017, 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

VALUATION METHODS AND ACTUARIAL ASSUMPTIONS

Valuation Methods and Actuarial Assumptions

This report complements the actuarial valuation report prepared as of June 30, 2017, 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. 75 reporting purposes was 5.75%.

Miscellaneous and Technical Assumptions

This report complements the actuarial valuation report prepared as of June 30, 2017, 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 the MERS 5-year experience study for the period January 1, 2009 to December 31, 2013 performed by the prior MERS pension actuary.

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 was determined by an actuarial valuation as of June 30, 2017 and a measurement date of June 30, 2019. The roll-forward procedure increases the June 30, 2017 actuarial accrued liability with normal cost and interest and decreases it with expected benefit payments.

SECTION I

CALCULATION OF THE SINGLE DISCOUNT RATE

Calculation of the Single Discount Rate

GASB Statement Nos. 74 and 75 include 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 5.75%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 5.75%.

The tables in this section provide background for the development of the Single Discount Rate.

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 Single Discount Rate (SDR). It breaks down the benefit payments into present values for funded and unfunded portions and shows the equivalent total at the SDR.

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

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

- The City will continue their current contribution policy for a period of years. Namely, it is assumed that the City is willing and able to contribute:
 - In all years, the projected benefit payments as they come due; plus
 - an additional contribution of \$207,000 for fiscal years 2019 through 2048;
- In years where no unfunded actuarial accrued liability exists, it is assumed that the City will make contributions equal to the projected service cost; 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 5.750%	Projected Ending Plan Net Position
	(a)	(b)	(c)	(e)	(f)=(a)+(b)-(c)-(d)+(e)
1	\$ 210,096	\$ 2,121,539	\$ 1,914,539	\$ 17,949	\$ 435,045
2	435,045	2,268,730	2,061,730	30,883	672,928
3	672,928	2,407,268	2,200,268	44,561	924,489
4	924,489	2,491,131	2,284,131	59,026	1,190,515
5	1,190,515	2,590,065	2,383,065	74,323	1,471,838
6	1,471,838	2,738,553	2,531,553	90,499	1,769,337
7	1,769,337	2,914,436	2,707,436	107,605	2,083,942
8	2,083,942	3,053,960	2,846,960	125,695	2,416,636
9	2,416,636	3,147,763	2,940,763	144,825	2,768,461
10	2,768,461	3,240,540	3,033,540	165,055	3,140,516
11	3,140,516	3,349,919	3,142,919	186,448	3,533,963
12	3,533,963	3,458,445	3,251,445	209,071	3,950,034
13	3,950,034	3,517,124	3,310,124	232,995	4,390,030
14	4,390,030	3,556,075	3,349,075	258,295	4,855,324
15	4,855,324	3,607,632	3,400,632	285,049	5,347,374
16	5,347,374	3,627,200	3,420,200	313,342	5,867,716
17	5,867,716	3,593,979	3,386,979	343,262	6,417,977
18	6,417,977	3,553,493	3,346,493	374,902	6,999,879
19	6,999,879	3,517,445	3,310,445	408,361	7,615,240
20	7,615,240	3,502,089	3,295,089	443,744	8,265,985
21	8,265,985	3,448,545	3,241,545	481,162	8,954,147
22	8,954,147	3,425,152	3,218,152	520,732	9,681,878
23	9,681,878	3,379,514	3,172,514	562,576	10,451,454
24	10,451,454	3,336,988	3,129,988	606,827	11,265,281
25	11,265,281	3,269,167	3,062,167	653,622	12,125,903
26	12,125,903	3,152,775	2,945,775	703,107	13,036,010
27	13,036,010	3,077,460	2,870,460	755,439	13,998,449
28	13,998,449	3,008,354	2,801,354	810,779	15,016,228
29	15,016,228	2,893,350	2,686,350	869,301	16,092,529
30	16,092,529	2,603,210	2,603,210	925,320	17,017,849
31	17,017,849	2,560,503	2,560,503	978,526	17,996,376
32	17,996,376	2,501,524	2,501,524	1,034,792	19,031,167
33	19,031,167	2,424,740	2,424,740	1,094,292	20,125,460
34	20,125,460	421,315	2,352,067	1,102,481	19,297,187
35	19,297,187	903	2,284,932	1,044,840	18,057,998
36	18,057,998	707	2,198,185	976,040	16,836,561
37	16,836,561	544	2,104,767	908,451	15,640,789
38	15,640,789	417	2,021,250	842,058	14,462,014
39	14,462,014	310	1,933,276	776,770	13,305,818
40	13,305,818	224	1,840,997	712,902	12,177,946
41	12,177,946	95	1,744,738	650,774	11,084,077
42	11,084,077	0	1,644,961	590,703	10,029,819
43	10,029,819	0	1,542,071	533,000	9,020,748
44	9,020,748	0	1,436,996	477,957	8,061,708
45	8,061,708	0	1,330,544	425,830	7,156,994
46	7,156,994	0	1,223,749	376,836	6,310,081
47	6,310,081	0	1,117,824	331,141	5,523,399
48	5,523,399	0	1,013,737	288,858	4,798,520
49	4,798,520	0	912,499	250,047	4,136,068
50	4,136,068	0	815,060	214,718	3,535,726

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 5.750%	Projected Ending Plan Net Position
	(a)	(b)	(c)	(e)	(f)=(a)+(b)-(c)-(d)+(e)
51	\$ 3,535,726	\$ 0	\$ 722,293	\$ 182,829	\$ 2,996,262
52	2,996,262	0	634,665	154,293	2,515,891
53	2,515,891	0	552,710	128,995	2,092,176
54	2,092,176	0	476,645	106,788	1,722,320
55	1,722,320	0	406,937	87,497	1,402,880
56	1,402,880	0	343,560	70,926	1,130,246
57	1,130,246	0	286,691	56,862	900,417
58	900,417	0	236,311	45,075	709,181
59	709,181	0	192,318	35,326	552,189
60	552,189	0	154,585	27,369	424,973
61	424,973	0	122,660	20,959	323,272
62	323,272	0	96,163	15,862	242,971
63	242,971	0	74,654	11,855	180,171
64	180,171	0	57,260	8,737	131,648
65	131,648	0	43,231	6,344	94,761
66	94,761	0	32,146	4,537	67,152
67	67,152	0	23,545	3,194	46,802
68	46,802	0	16,928	2,211	32,085
69	32,085	0	11,919	1,507	21,673
70	21,673	0	8,274	1,012	14,411
71	14,411	0	5,691	667	9,387
72	9,387	0	3,837	431	5,982
73	5,982	0	2,530	272	3,724
74	3,724	0	1,629	168	2,262
75	2,262	0	1,023	101	1,340
76	1,340	0	626	59	773
77	773	0	373	34	434
78	434	0	216	19	237
79	237	0	121	10	127
80	127	0	66	5	66
81	66	0	35	3	33
82	33	0	18	1	17
83	17	0	9	1	8
84	8	0	5	0	4
85	4	0	2	0	2
86	2	0	1	0	1
87	1	0	1	0	0
88	0	0	0	0	0
89	0	0	0	0	0
90	0	0	0	0	0
91	0	0	0	0	0
92	0	0	0	0	0
93	0	0	0	0	0
94	0	0	0	0	0
95	0	0	0	0	0
96	0	0	0	0	0
97	0	0	0	0	0
98	0	0	0	0	0
99	0	0	0	0	0
100	0	0	0	0	0

Single Discount Rate Development

Present Values of Projected Benefits

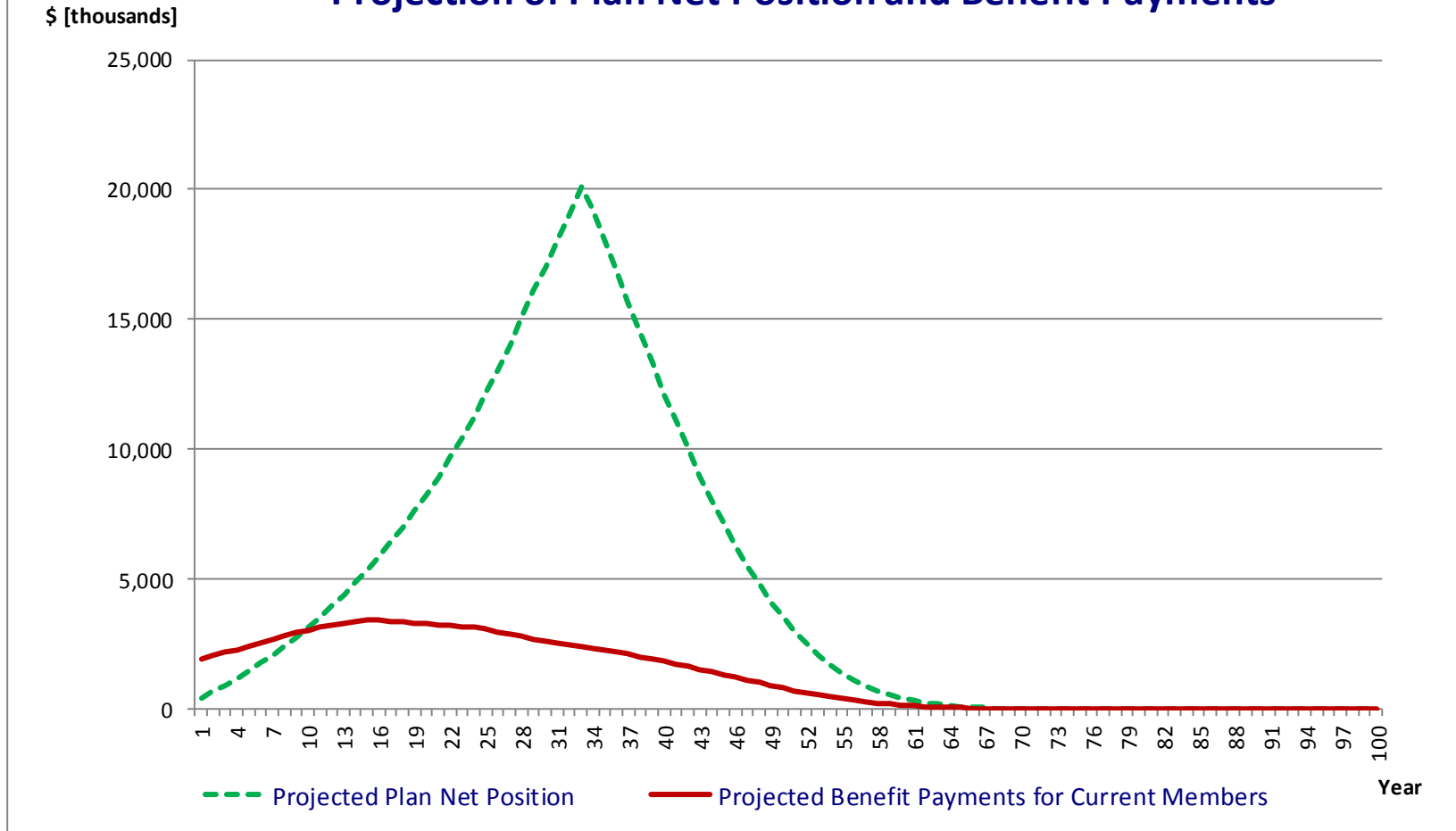
Year	Projected Beginning Plan Net Position	Projected Benefit Payments	Funded Portion of Projected Benefit Payments	Unfunded Portion of Projected Benefit Payments	Present Value of Funded Benefit Payments using Expected Return Rate (v)	Present Value of Unfunded Benefit Payments using Municipal Bond Rate (vf)	Present Value of All Benefit Payments using Single Discount Rate (SDR)
(a)	(b)	(c)	(d)	(e)	(f)=(d)*v ^{(a)-5}	(g)=(e)*vf ^{(a)-5}	(h)=(c)/(1+SDR) ^{(a)-5}
1	\$ 210,096	\$ 1,914,539	\$ 1,914,539	\$ 0	\$ 1,861,762	\$ 0	\$ 1,861,762
2	435,045	2,061,730	2,061,730	0	1,895,882	0	1,895,882
3	672,928	2,200,268	2,200,268	0	1,913,263	0	1,913,263
4	924,489	2,284,131	2,284,131	0	1,878,190	0	1,878,190
5	1,190,515	2,383,065	2,383,065	0	1,852,995	0	1,852,995
6	1,471,838	2,531,553	2,531,553	0	1,861,422	0	1,861,422
7	1,769,337	2,707,436	2,707,436	0	1,882,503	0	1,882,503
8	2,083,942	2,846,960	2,846,960	0	1,871,882	0	1,871,882
9	2,416,636	2,940,763	2,940,763	0	1,828,424	0	1,828,424
10	2,768,461	3,033,540	3,033,540	0	1,783,554	0	1,783,554
11	3,140,516	3,142,919	3,142,919	0	1,747,388	0	1,747,388
12	3,533,963	3,251,445	3,251,445	0	1,709,433	0	1,709,433
13	3,950,034	3,310,124	3,310,124	0	1,645,658	0	1,645,658
14	4,390,030	3,349,075	3,349,075	0	1,574,490	0	1,574,490
15	4,855,324	3,400,632	3,400,632	0	1,511,799	0	1,511,799
16	5,347,374	3,420,200	3,420,200	0	1,437,824	0	1,437,824
17	5,867,716	3,386,979	3,386,979	0	1,346,438	0	1,346,438
18	6,417,977	3,346,493	3,346,493	0	1,258,008	0	1,258,008
19	6,999,879	3,310,445	3,310,445	0	1,176,791	0	1,176,791
20	7,615,240	3,295,089	3,295,089	0	1,107,643	0	1,107,643
21	8,265,985	3,241,545	3,241,545	0	1,030,396	0	1,030,396
22	8,954,147	3,218,152	3,218,152	0	967,338	0	967,338
23	9,681,878	3,172,514	3,172,514	0	901,769	0	901,769
24	10,451,454	3,129,988	3,129,988	0	841,306	0	841,306
25	11,265,281	3,062,167	3,062,167	0	778,323	0	778,323
26	12,125,903	2,945,775	2,945,775	0	708,027	0	708,027
27	13,036,010	2,870,460	2,870,460	0	652,411	0	652,411
28	13,998,449	2,801,354	2,801,354	0	602,085	0	602,085
29	15,016,228	2,686,350	2,686,350	0	545,974	0	545,974
30	16,092,529	2,603,210	2,603,210	0	500,309	0	500,309
31	17,017,849	2,560,503	2,560,503	0	465,344	0	465,344
32	17,996,376	2,501,524	2,501,524	0	429,905	0	429,905
33	19,031,167	2,424,740	2,424,740	0	394,051	0	394,051
34	20,125,460	2,352,067	2,352,067	0	361,457	0	361,457
35	19,297,187	2,284,932	2,284,932	0	332,048	0	332,048
36	18,057,998	2,198,185	2,198,185	0	302,072	0	302,072
37	16,836,561	2,104,767	2,104,767	0	273,508	0	273,508
38	15,640,789	2,021,250	2,021,250	0	248,374	0	248,374
39	14,462,014	1,933,276	1,933,276	0	224,646	0	224,646
40	13,305,818	1,840,997	1,840,997	0	202,292	0	202,292
41	12,177,946	1,744,738	1,744,738	0	181,291	0	181,291
42	11,084,077	1,644,961	1,644,961	0	161,629	0	161,629
43	10,029,819	1,542,071	1,542,071	0	143,281	0	143,281
44	9,020,748	1,436,996	1,436,996	0	126,258	0	126,258
45	8,061,708	1,330,544	1,330,544	0	110,548	0	110,548
46	7,156,994	1,223,749	1,223,749	0	96,147	0	96,147
47	6,310,081	1,117,824	1,117,824	0	83,049	0	83,049
48	5,523,399	1,013,737	1,013,737	0	71,221	0	71,221
49	4,798,520	912,499	912,499	0	60,623	0	60,623
50	4,136,068	815,060	815,060	0	51,205	0	51,205

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 ^{(a)-5}	(g)=(e)*vf ^{(a)-5}	(h)=(c)/(1+SDR) ^{(a)-5}
51	\$ 3,535,726	\$ 722,293	\$ 722,293	\$ 0	\$ 42,910	\$ 0	\$ 42,910
52	2,996,262	634,665	634,665	0	35,654	0	35,654
53	2,515,891	552,710	552,710	0	29,361	0	29,361
54	2,092,176	476,645	476,645	0	23,944	0	23,944
55	1,722,320	406,937	406,937	0	19,331	0	19,331
56	1,402,880	343,560	343,560	0	15,433	0	15,433
57	1,130,246	286,691	286,691	0	12,178	0	12,178
58	900,417	236,311	236,311	0	9,492	0	9,492
59	709,181	192,318	192,318	0	7,305	0	7,305
60	552,189	154,585	154,585	0	5,552	0	5,552
61	424,973	122,660	122,660	0	4,166	0	4,166
62	323,272	96,163	96,163	0	3,089	0	3,089
63	242,971	74,654	74,654	0	2,267	0	2,267
64	180,171	57,260	57,260	0	1,645	0	1,645
65	131,648	43,231	43,231	0	1,174	0	1,174
66	94,761	32,146	32,146	0	826	0	826
67	67,152	23,545	23,545	0	572	0	572
68	46,802	16,928	16,928	0	389	0	389
69	32,085	11,919	11,919	0	259	0	259
70	21,673	8,274	8,274	0	170	0	170
71	14,411	5,691	5,691	0	111	0	111
72	9,387	3,837	3,837	0	70	0	70
73	5,982	2,530	2,530	0	44	0	44
74	3,724	1,629	1,629	0	27	0	27
75	2,262	1,023	1,023	0	16	0	16
76	1,340	626	626	0	9	0	9
77	773	373	373	0	5	0	5
78	434	216	216	0	3	0	3
79	237	121	121	0	2	0	2
80	127	66	66	0	1	0	1
81	66	35	35	0	0	0	0
82	33	18	18	0	0	0	0
83	17	9	9	0	0	0	0
84	8	5	5	0	0	0	0
85	4	2	2	0	0	0	0
86	2	1	1	0	0	0	0
87	1	1	1	0	0	0	0
88	0	0	0	0	0	0	0
89	0	0	0	0	0	0	0
90	0	0	0	0	0	0	0
91	0	0	0	0	0	0	0
92	0	0	0	0	0	0	0
93	0	0	0	0	0	0	0
94	0	0	0	0	0	0	0
95	0	0	0	0	0	0	0
96	0	0	0	0	0	0	0
97	0	0	0	0	0	0	0
98	0	0	0	0	0	0	0
99	0	0	0	0	0	0	0
100	0	0	0	0	0	0	0
				Totals	45208239	0	45208239

Projection of Plan Net Position and Benefit Payments



SECTION J



MICHIGAN PUBLIC ACT 202

State Reporting Assumptions as of June 30, 2019

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. Sec. 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 uniform assumption memo dated September 25, 2018.

Uniform Assumption	PA 202	Valuation Assumption Used	Uniform Assumption Used
Investment Rate of Return Discount Rate [^]	Maximum of 7.00%	5.75%	5.75%
Salary Increase	Minimum of 3.50% or based on experience study within last 5 years	3.75% + Merit and longevity (based on experience study issued by prior MERS Pension actuary)	3.75% + Merit and longevity (based on experience study issued by prior MERS Pension actuary)
Mortality	Version of RP-2014 or based on experience study within last 5 years	A version of RP-2014 (based on experience study issued by prior MERS Pension actuary)	A version of RP-2014 (based on experience study issued by prior MERS Pension actuary)
Healthcare Inflation (for Medical and Drug)	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	Initial rate of 9.00% decreasing to a 3.75% long-term rate in year 10	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
Amortization of the Unfunded Accrued Actuarial Liability: Period	Maximum Period of 30 Years	19 years	19 years
Method	Closed Plans: Level Dollar Open Plans: Level Percent of Payroll or Level Dollar	Level Dollar	Level Dollar
Type	Closed	Closed	Closed

[^] A blended rate calculated using GASB Statement No. 75 methodology. For periods in which projected plan assets are sufficient to make projected benefit payments – maximum of 7.00%; for periods in which projected plan assets are NOT sufficient to make projected benefit payments – 3.00%.

State Reporting as of June 30, 2019

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

Line	Descriptive Information	
19	Actuarial Assumptions	
20	Assumed Rate of Investment Return	5.75%
21	Enter discount rate	5.75%
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	19
24	Is each division within the system closed to new employees?	yes
25	Health care inflation assumption for the next year	9.00%
26	Health care inflation assumption - Long-Term Trend Rate	3.75%
27	Uniform Assumptions[^]	
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 ^{**}	41,324,551
30	Funded ratio using uniform assumptions	Auto*
31	Actuarially Determined Contribution (ADC) using uniform assumptions [#]	4,401,685
32	All systems combined ADC/Governmental fund revenues	Auto*

[^] Information on lines 28-32 is based on assumptions listed on the prior page.

* Automatically calculated by State of Michigan Form 5572.

For the fiscal year ending June 30, 2019.

** As of the valuation date (June 30, 2017).

SECTION K

GLOSSARY OF TERMS

Glossary of Terms

Accrued Service	Service credited under the system that was rendered before the date of the actuarial valuation.
Actuarial Accrued Liability (AAL)	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."
Actuarial Assumptions	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.
Actuarial Cost Method	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.
Actuarial Equivalent	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.
Actuarial Gain (Loss)	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.
Actuarial Present Value (APV)	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.
Actuarial Valuation	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.
Actuarial Valuation Date	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: <ol style="list-style-type: none">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; and2. 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

Normal Cost	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.
Other Postemployment Benefits (OPEB)	All postemployment benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits regardless of the manner in which they are provided. Other post-employment benefits do not include termination benefits.
Real Rate of Return	The real rate of return is the rate of return on an investment after adjustment to eliminate inflation.
Service Cost	The service cost is the portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.
Total OPEB Expense	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">1. Service Cost2. Interest on the Total OPEB Liability3. Current-Period Benefit Changes4. Employee Contributions (made negative for addition here)5. Projected Earnings on Plan Investments (made negative for addition here)6. OPEB Plan Administrative Expense7. Other Changes in Plan Fiduciary Net Position8. Recognition of Outflow (Inflow) of Resources due to Liabilities9. Recognition of Outflow (Inflow) of Resources due to Assets
Total OPEB Liability (TOL)	The TOL is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service.
Unfunded Actuarial Accrued Liability (UAAL)	The UAAL is the difference between actuarial accrued liability and valuation assets.
Valuation Assets	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.



August 16, 2019

Mr. Timothy M. Sadowski
City Treasurer
City of Fraser Retiree Health Care Plan
33000 Garfield Road
Fraser, Michigan 48026

Dear Mr. Sadowski:

Please find enclosed copies of the GASB Statements Nos. 74 and 75 report of the City of Fraser Retiree Health Care Plan.

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 OPEB that are provided to employees of state and local governments.

Sincerely,

A handwritten signature in blue ink that reads "Laura Frankowiak".

Laura Frankowiak, ASA, FCA, MAAA

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Enclosures