



CBIZ Retirement & Investment Solutions

CBIZ Benefits & Insurance Services, Inc.
P.O. Box 31420
Independence, OH 44131
Phone: 800.220.1560
<http://retirement.cbiz.com>

October 12, 2022

Randall Blum
City of Eastpointe
23200 Gratiot Avenue
Eastpointe, MI 48021

RE: Actuarial Valuation of Other Post-Employment Benefits under GASB Statements No. 74 and 75 as of June 30, 2022

Dear Randall,

Enclosed are the results of the Actuarial Valuation of Other Post-Employment Benefits (OPEBs) under GASB Statements No. 74 and 75 for the City of Eastpointe Retiree Health Care Plan.

The Fiduciary Net Position (FNP) realized a loss, which will be recognized in OPEB Expense evenly over 5 years, beginning with fiscal year ending June 30, 2022.

The Total OPEB Liability (TOL) decreased from the prior year for multiple reasons. The main driver of the decrease in TOL was the elimination of the older post-65 plans (Plans 7, 15, and 17). The majority of retirees in these plans were moved to a plan which have premiums lower by about 50%. Overall, the decrease in TOL as a result of the elimination of these plans was about \$12m. In addition, the TOL decreased due to updates in expected pre-65 claims costs, stop-loss fees, and fixed administrative fees being less than expected. These aggregated changes in TOL will be recognized as an outflow in OPEB Expense beginning with fiscal year ending June 30, 2022.

The TOL also decreased due to experience changes from demographic updates, including several deaths since the prior valuation, and a couple of participants no longer covered.

The results shown herein include splits by Fire, General, and Police divisions. The TOL for each division changed in the same direction (decreased) for each division. However, demographic updates for the Fire Division increased slightly due to a few new retirements with spousal coverage.

The following table outlines the changes in TOL spilt out by divisions.

| | Summary of changes in Total OPEB Liability by divisions | | | |
|---|--|-----------------------|-----------------------|------------------------|
| | Fire | General | Police | Total |
| Expected Pre-65 Claims Costs | (30,163) | (32,534) | (219,313) | (282,010) |
| Expected Post-65 Claims Costs | (2,141,741) | (4,874,232) | (5,040,995) | (12,056,968) |
| Expected Plan Participation | (4,380) | (1,196) | (4,962) | (10,538) |
| Expected Stop-Loss and Fixed Admin Fees | (63,644) | (32,032) | (182,875) | (278,551) |
| Experience (Gain) Loss | 62,371 | (420,009) | (364,598) | (722,236) |
| Total | \$ (2,177,557) | \$ (5,360,003) | \$ (5,812,743) | \$ (13,350,303) |

Also included in the enclosed report is a projected GASB Statements No. 74 and 75 disclosure for the fiscal year ending June 30, 2023. These projected results will be finalized once actual experience is realized and an updated actuarial valuation is completed.

We have also provided the information necessary for Public Act 202 of 2017 Compliance Reporting.

Please review the results thoroughly. If you have any further questions or concerns, feel free to reach out to me by phone at 614.793.2577, or by email me at james.budai@cbiz.com.

Respectfully,

James Budai

James W. Budai, FSA, FCA, MAAA, EA
Consulting Actuary

**ACTUARIAL VALUATION
OF
OTHER POST EMPLOYMENT BENEFITS (OPEBS)
AS OF JUNE 30, 2022
AND
GASB STATEMENTS NO. 74 AND 75**

CITY OF EASTPOINTE

October 12, 2022

Prepared By:



CBIZ Retirement & Investment Solutions
P.O. Box 31420
Independence, OH 44131
Phone (800) 220-1560

TABLE OF CONTENTS

We are pleased to submit this report of OPEB Expense and Net OPEB Liability disclosure items for the June 30, 2022 fiscal year end reporting, as required by GASB Statements No. 74 and 75 for the City of Eastpointe Retiree Health Care Plan. Below is an outline of the sections included in this report.

| Contents | Page |
|---|-------------|
| Summary of Valuation Results | 1 |
| Important Notices | 2 |
| Fiduciary Net Position | 5 |
| Actuarially Determined Contribution (Based on Funding Policy) | 6 |
| Actuarially Determined Contribution (Financial Reporting) | 7 |
| GASB Statements No. 74 and 75 | 8 |
| GASB Statements No. 74 and 75 - Fire Division | 12 |
| GASB Statements No. 74 and 75 - General Division | 16 |
| GASB Statements No. 74 and 75 - Police Division | 20 |
| Required Supplementary Information | 24 |
| Projected Retiree Benefit Payments | 26 |
| Public Act 202 of 2017 - Compliance Guide | 27 |
| Data | 29 |
| Actuarial Assumptions | 30 |
| Actuarial Methods | 42 |
| Summary of Plan Provisions | 45 |

SUMMARY OF VALUATION RESULTS

| Valuation Date | 6/30/2022 | 6/30/2022 | 6/30/2022 | 6/30/2022 |
|--|---------------------|---------------------|---------------------|----------------------|
| Divisions | Fire | General | Police | Total |
| Participant Data | | | | |
| Active Employees | 9 | 3 | 12 | 24 |
| Deferred Retirees | 0 | 0 | 0 | 0 |
| Retirees and Covered Spouses | 52 | 114 | 114 | 280 |
| Total | 61 | 117 | 126 | 304 |
| Total OPEB Liability (TOL) | | | | |
| Active Employees | \$ 1,286,886 | \$ 167,926 | \$ 1,840,764 | \$ 3,295,576 |
| Deferred Retirees | 0 | 0 | 0 | 0 |
| Retirees and Covered Spouses | 4,489,670 | 5,825,521 | 12,068,758 | 22,383,949 |
| Total | \$ 5,776,556 | \$ 5,993,447 | \$ 13,909,522 | \$ 25,679,525 |
| Fiduciary Net Position (FNP)* | <u>2,255,747</u> | <u>2,341,002</u> | <u>5,433,252</u> | <u>10,030,001</u> |
| Net OPEB Liability (Asset) | <u>\$ 3,520,809</u> | <u>\$ 3,652,445</u> | <u>\$ 8,476,270</u> | <u>\$ 15,649,524</u> |
| FNP as a % of TOL | 39.05% | 39.06% | 39.06% | 39.06% |
| Normal Cost at Valuation Date | \$ 40,588 | \$ 3,177 | \$ 61,106 | \$ 104,871 |
| As a percentage of payroll | 5.00% | 1.72% | 5.48% | 4.97% |
| Actuarially Determined Contribution (ADC) for Year Ending | | | | |
| June 30, 2023 | \$ 323,210 | \$ 293,836 | \$ 739,135 | \$ 1,356,181 |
| June 30, 2024 | 324,507 | 293,937 | 741,087 | 1,359,531 |
| OPEB Expense (Income) for Year Ending | | | | |
| June 30, 2022 | \$ 89,779 | \$ (591,683) | \$ 181,752 | \$ (320,152) |
| June 30, 2023 (Projected) | (94,046) | (863,158) | (200,667) | (1,157,871) |
| Long-Term Rate of Return on Plan Assets | 6.50% | 6.50% | 6.50% | 6.50% |
| Municipal Bond Rate | 4.09% | 4.09% | 4.09% | 4.09% |
| Year Assets Depleted | N/A | N/A | N/A | N/A |
| Single Equivalent Discount Rate | 6.50% | 6.50% | 6.50% | 6.50% |

IMPORTANT NOTICES

PURPOSE AND USE OF THIS REPORT

CBIZ has prepared this report exclusively for the City of Eastpointe subject to this limitation; the City of Eastpointe may direct us to provide this report to its auditors in connection with audits of the plan or its sponsoring entities used in satisfying accounting reporting requirements or as required due to public record disclosure laws. CBIZ is not responsible for use of this report by any other party.

The only purposes of this report are to:

- Provide the Actuarially Determined Contribution for the fiscal years ending June 30, 2023 and June 30, 2024;
- Provide the GASB Statements No. 74 and 75 disclosure as of June 30, 2022;
- Provide the estimated GASB Statements No. 74 and 75 disclosures as of June 30, 2023 (subject to change once actual experience is realized); and
- Provide the information necessary for Public Act 202 of 2017 reporting for fiscal year ending 2022.

This report may not be used for any other purpose; CBIZ is not responsible for the consequences of any unauthorized use. All parts of this report, including any documents incorporated by reference, are integral to understanding and explaining its contents; no part may be taken out of context, used or relied upon without reference to the report as a whole. Its content may not be modified, incorporated into or used in other material, sold or otherwise provided, in whole or in part, to any other person or entity without CBIZ's permission.

HOW VALUATIONS IMPACT PLAN COSTS AND CONTRIBUTIONS

Valuations do not affect the ultimate cost of the Plan, only the timing of contributions into the Plan. Plan funding occurs over time. Contributions not made this year, for whatever reason, including errors, remain the responsibility of the Plan sponsor and can be made in later years. If the actuarially calculated contribution amounts are lower or higher than necessary over a period of years, it is normal and expected practice for adjustments to be made to future contribution amounts to account for this, with a view to funding the plan over time.

LIMITATIONS OF THE VALUATION PROCESS

It is important to note that calculations shown in this report are mathematical estimates based upon assumptions regarding future events, which may or may not materialize. Actuarial calculations can and do vary from one valuation year to the next, sometimes significantly if the group valued is small. As a result, valuation results may fluctuate over time as the demographics of the group change.

IMPORTANT NOTICES (CONT.)

LIMITATIONS OF THE VALUATION PROCESS (CONTINUED)

To prepare an actuarial valuation, actuarial assumptions are used in a forward looking financial and demographic model to present a single scenario from a wide range of possibilities. The future is uncertain and the plan's actual experience will differ from those assumptions; these differences may be significant or material because actuarial estimates can be very sensitive to the assumptions made and, in some cases, to the interaction between the assumptions. Different assumptions or scenarios within the range of possibilities may also be considered reasonable and results based on those assumptions would be different. Two different actuaries could, quite reasonably, arrive at different results based on the same data and different views of the future. A "sensitivity analysis" shows the degree to which results would be different if alternative assumptions were substituted from the range of reasonable alternative possibilities, from those used in this report. We have provided the GASB required sensitivity analysis on the NOL, but have not been engaged to perform any other type of sensitivity analysis. Therefore, the results of such an analysis other than that required by GASB are not included in this report. CBIZ is available to perform such an analysis upon request. Assumptions may also be changed from one valuation to the next because of changes in mandated requirements, plan experience, changes in expectations about the future and other factors. A change in assumptions is not an indication that prior estimates were unreasonable when made.

DATA, ASSUMPTIONS, METHODS, AND PLAN PROVISIONS

In preparing our report, we have relied on employee census, financial information, claims and/or premium data, and plan provisions provided by the City of Eastpointe. While we have not audited the data, we have reviewed it for reasonableness and consistency in accordance with Actuarial Standards of Practice No. 23.

Certain actuarial assumptions, such as the discount rate, are prescribed by regulation or statute. Based on the information provided to us, we believe the remaining actuarial assumptions are reasonable for the purposes described in this report (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, represent our best estimate of the plan's anticipated experience with respect to those assumptions. The City of Eastpointe is responsible for reviewing the assumptions referenced and advising CBIZ as to any information it deems worthy of consideration in the determination of assumptions.

IMPORTANT NOTICES (CONT.)

The methods used for the results contained herein are consistent with our understanding of those required by GASB. Computations for purposes other than these standards may be significantly different from these results and may not be appropriate. Because modeling all aspects of a situation is not possible or practical, we may use summary information, estimates, or simplifications of calculations to facilitate the modeling of future events in an efficient and cost-effective manner. We may also exclude factors or data that are immaterial in our judgment. Use of such simplifying techniques does not, in our judgment, affect the reasonable of the valuation results.

CBIZ has relied on the plan provisions provided by the City of Eastpointe. The City of Eastpointe is solely responsible for the validity, accuracy and comprehensiveness of this information. If any plan provisions supplied are not accurate and complete, the results of any calculation may differ significantly from the results that would be obtained with accurate and complete information, and this report may need to be revised. A summary of our understanding of the plan provisions is provided in this report.

Our advice is purely actuarial in nature. It is not intended to service as a substitute for legal, accounting, or investment advice.

PROFESSIONAL QUALIFICATIONS

I am available to answer any questions on the material presented in this report or to provide explanations or further details as appropriate. The undersigned credentialed actuary meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report. I am not aware of any direct or material indirect financial interest or relationship, including investments or other services that could create a conflict of interest, that would impair or appear to impair the objectivity of this work.



James W. Budai, FSA, FCA, EA, MAAA
Consulting Actuary

10/12/2022

Date

FIDUCIARY NET POSITION

| Statement of Changes in Fiduciary Net Position | 7/1/2021 - 6/30/2022 | | |
|---|-----------------------------|----------------------|----------------------|
| | OPEB Trust | Pay-as-you-go | Total |
| Balance as of Beginning of Year | \$ 10,043,817 | \$ 532,419 | \$ 10,576,236 |
| Employer Contributions | - | 2,426,300 | 2,426,300 |
| Employee Contributions | - | - | - |
| Retiree Premium Contributions | - | - | - |
| Investment Income, net of investment expenses | <u>(826,508)</u> | <u>1,645</u> | <u>(824,863)</u> |
| Total Additions | \$ (826,508) | \$ 2,427,945 | \$ 1,601,437 |
| Benefit Payments | - | (2,121,156) | (2,121,156) |
| Non-Investment Expenses | <u>(18,016)</u> | <u>(8,500)</u> | <u>(26,516)</u> |
| Total Deductions | \$ (18,016) | \$ (2,129,656) | \$ (2,147,672) |
| Net Change | \$ (844,524) | \$ 298,289 | \$ (546,235) |
| Balance as of End of Year | <u>\$ 9,199,293</u> | <u>\$ 830,708</u> | <u>\$ 10,030,001</u> |
| Money-Weighted Rate of Return | -7.70% | N/A | -7.70% |

ACTUARILY DETERMINED CONTRIBUTION (FUNDING POLICY)

Under GASB Statements No. 74 and 75, the Actuarially Determined Contribution (ADC) is calculated in accordance with the Employer's funding policy. If the Employer does not have a formal, written funding policy, but has irrevocable assets, the ADC is calculated based on the 5-year average of historical contributions as a percentage of either the ADC or Covered Payroll, along with relevant facts and circumstances.

The funding policy of the Plan is to contribute the amount that would be equal to the Annual Required Contribution under GASB Statement No. 45.

Development of ADC under GASB Statements No. 74 and 75 based on funding policy

Year Ending:

Normal Cost Component

| | <u>6/30/2024</u> | <u>6/30/2023</u> |
|----------------------------------|-------------------|-------------------|
| | (Projected) | |
| Normal Cost at beginning of year | \$ 108,017 | \$ 104,871 |
| Interest through end of year | 7,021 | 6,817 |
| Expected Administrative Expenses | 0 | 0 |
| Total Normal Cost | <u>\$ 115,038</u> | <u>\$ 111,688</u> |

Amortization Component

| | |
|---|---------------------|
| Actuarial Accrued Liability at beginning of year | \$ 25,679,525 |
| Assets at beginning of year | <u>10,030,001</u> |
| Unfunded Actuarial Accrued Liability at beginning of year | 15,649,524 |
| Amortization Factor | 13.3924 |
| Amortization Payment | \$ 1,168,538 |
| Interest through end of year | <u>75,955</u> |
| Total Amortization Payment | <u>\$ 1,244,493</u> |

Actuarial Cost Method

Entry Age Normal as a Percentage of Payroll

| | | |
|-------------------------|-------------------------------------|-------|
| Discount Rate | 6.50% | 6.50% |
| Salary Scale (Ultimate) | 3.00% | 3.00% |
| Amortization Method | Level Dollar over a Closed 27 years | |

Salary Scale (Ultimate)

Amortization Method

Actuarially Determined Contribution

| | | |
|-------------------------------|--------------|--------------|
| Expected Covered Payroll | \$ 1,359,531 | \$ 1,356,181 |
| ADC as a % of Covered Payroll | 1,990,917 | 2,058,395 |
| | 68.29% | 65.89% |

Since expected actuarially determined contributions made by the City of Eastpointe are expected to be sufficient to finance the payment of benefits solely from the trust, the discount rate used for GASB Statements No. 74 and 75 accounting purposes (shown in the following sections) should be based on the long-term rate of return on trust assets.

ACTUARILY DETERMINED CONTRIBUTION (FINANCIAL REPORTING)

Consistent with Public Act 202 of 2017, the Actuarially Determined Contribution (ADC) must be calculated in the same manner as the Act's Annual Required Contribution (ARC), which is defined as the sum of the normal cost payment and the annual amortization payment for past service costs to fund the Unfunded Actuarial Accrued Liability.

The ADC calculated below is in compliance with Public Act 202 of 2017, namely Numbered Letter 2018-3, which also requires an amortization period no greater than 27 years and a level dollar method for plans that are closed to new hires. Key actuarial assumptions that may be used in the calculation of the ADC are discussed below.

Year Ending:

Normal Cost Component

| | 6/30/2024 | 6/30/2023 |
|----------------------------------|-------------------|------------------|
| | (Projected) | |
| Normal Cost at beginning of year | \$ 108,017 | 104,871 |
| Interest through end of year | 7,021 | 6,817 |
| Expected Administrative Expenses | 0 | 0 |
| Total Normal Cost | \$ 115,038 | 111,688 |

Amortization Component

| | |
|---|---------------------|
| Actuarial Accrued Liability at beginning of year | \$ 25,679,525 |
| Assets at beginning of year | 10,030,001 |
| Unfunded Actuarial Accrued Liability at beginning of year | 15,649,524 |
| Amortization Factor | 13.3924 |
| Amortization Payment | \$ 1,168,538 |
| Interest through end of year | 75,955 |
| Total Amortization Payment | \$ 1,244,493 |

Actuarial Cost Method

Entry Age Normal as a Percentage of Payroll

Discount Rate

6.50%

6.50%

Salary Scale (Ultimate)

3.00%

3.00%

Amortization Method

Level Dollar over a Closed 27 years

Actuarially Determined Contribution

\$ 1,359,531

Expected Covered Payroll

1,990,917

2,058,395

ADC as a % of Covered Payroll

68.29%

65.89%

GASB STATEMENTS NO. 74 AND 75

| | FYE | FYE |
|--|-----------------------|---------------------|
| | 6/30/2023 | 6/30/2022 |
| OPEB Expense (Income) | (Projected) | (Actual) |
| Service Cost | \$ 108,172 | \$ 167,875 |
| Interest Cost | 1,606,083 | 2,441,708 |
| Non-Investment Administrative Expenses | 0 | 26,516 |
| Employee Contributions | 0 | 0 |
| Projected Earnings on Fiduciary Net Position | (629,424) | (696,509) |
| Recognition of Deferred Outflows (Inflows) related to: | | |
| Net difference between projected and actual earnings. | 135,233 | 118,193 |
| Difference between expected and actual experience | (1,150,790) | (1,150,790) |
| Changes in assumptions | (1,227,145) | (1,227,145) |
| Contributions subsequent to the measurement date | 0 | 0 |
| Ad Hoc Postemployment Benefit Changes | 0 | 0 |
| OPEB Expense (Income) | <u>\$ (1,157,871)</u> | <u>\$ (320,152)</u> |

| Development of Interest Cost on: | % of Period | | |
|---|--------------------|---------------------|---------------------|
| Beginning of Year Total OPEB Liability | 100% | 1,669,169 | 2,505,191 |
| Service Cost | 50% | 3,516 | 5,456 |
| Net Benefit Payments | 50% | (66,602) | (68,939) |
| Total Interest Cost on Total OPEB Liability | | <u>\$ 1,606,083</u> | <u>\$ 2,441,708</u> |

| Development of Projected Earnings on: | % of Period | | |
|--|--------------------|-------------------|-------------------|
| Beginning of Year Fiduciary Net Position | 100% | 651,950 | 687,455 |
| Employer Contributions | 50% | 44,076 | 78,855 |
| Net Benefit Payments | 50% | (66,602) | (68,939) |
| Non-Investment Administrative Expenses | 50% | 0 | (862) |
| Total Projected Earnings on Fiduciary Net Position | | <u>\$ 629,424</u> | <u>\$ 696,509</u> |

Key Assumptions for OPEB Expense (Income)

| | | |
|---------------------------|-------|-------|
| Discount Rate | 6.50% | 6.50% |
| Annual Wage Increase | 3.00% | 3.00% |
| Expected Return on Assets | 6.50% | 6.50% |

GASB STATEMENTS NO. 74 AND 75 (CONT.)

Deferred Outflows/(Inflows) - Amortization Schedules

| Fiscal Year Established | Original Amount | Original Amortization Period | Amortization Amount | Outstanding Balance at 6/30/2023 | Outstanding Balance at 6/30/2022 |
|---|---------------------|------------------------------------|------------------------|--|--|
| <u>Net difference between projected and actual earnings</u> | | | | | |
| 6/30/2018 | \$ (85,205) | 5.00 | \$ (17,041) | \$ 0 | \$ 0 |
| 6/30/2019 | 530,789 | 5.00 | 106,158 | 0 | 106,157 |
| 6/30/2020 | 607,562 | 5.00 | 121,513 | 121,510 | 243,023 |
| 6/30/2021 | (1,983,559) | 5.00 | (396,711) | (793,426) | (1,190,137) |
| 6/30/2022 | <u>1,521,372</u> | 5.00 | <u>304,274</u> | <u>912,824</u> | <u>1,217,098</u> |
| | \$ 590,959 | | \$ 118,193 | \$ 240,908 | \$ 376,141 |
| <u>Differences between expected and actual experience</u> | | | | | |
| 6/30/2018 | \$ (4,122,263) | 9.97 | \$ (413,467) | \$ (1,641,461) | \$ (2,054,928) |
| 6/30/2019 | (951,913) | 9.80 | (97,133) | (466,248) | (563,381) |
| 6/30/2020 | (4,630,245) | 10.11 | (457,987) | (2,798,297) | (3,256,284) |
| 6/30/2021 | (1,155,330) | 10.21 | (113,156) | (815,862) | (929,018) |
| 6/30/2022 | <u>(722,236)</u> | 10.46 | <u>(69,047)</u> | <u>(584,142)</u> | <u>(653,189)</u> |
| | \$ (11,581,987) | | \$ (1,150,790) | \$ (6,806,010) | \$ (7,456,800) |
| <u>Changes in assumptions</u> | | | | | |
| 6/30/2018 | \$ (3,051,549) | 9.97 | \$ (306,074) | \$ (1,215,105) | \$ (1,521,179) |
| 6/30/2019 | 2,895,831 | 9.80 | 295,493 | 1,418,366 | 1,713,859 |
| 6/30/2020 | 879,704 | 10.11 | 87,013 | 531,652 | 618,665 |
| 6/30/2021 | (983,269) | 10.21 | (96,305) | (694,354) | (790,659) |
| 6/30/2022 | <u>(12,628,067)</u> | 10.46 | <u>(1,207,272)</u> | <u>(10,213,523)</u> | <u>(11,420,795)</u> |
| | \$ (12,887,350) | | \$ (1,227,145) | \$ (10,172,964) | \$ (11,400,109) |

GASB STATEMENTS NO. 74 AND 75 (CONT.)

| | FYE 6/30/2023 | FYE 6/30/2022 |
|---|-----------------------------|-----------------------------|
| Reconciliation of Total OPEB Liability (TOL) | (Projected) | (Actual) |
| TOL at End of Prior Year | \$ 25,679,525 | \$ 38,541,401 |
| Service Cost | 108,172 | 167,875 |
| Interest Cost | 1,606,083 | 2,441,708 |
| Ad Hoc Postemployment Benefit Changes | 0 | 0 |
| Differences between expected and actual experience | 0 | (722,236) |
| Changes in assumptions | 0 | (12,628,067) |
| Net Benefits Paid By Employer | (2,049,309) | (2,121,156) |
| TOL at End of Year | <u><u>\$ 25,344,471</u></u> | <u><u>\$ 25,679,525</u></u> |
| Reconciliation of Fiduciary Net Position (FNP) | | |
| FNP at End of Prior Year | \$ 10,030,001 | \$ 10,576,236 |
| Projected Earnings on FNP | 629,424 | 696,509 |
| Net difference between projected and actual earnings | 0 | (1,521,372) |
| Employer Contributions | 1,356,181 | 2,426,300 |
| Net Benefits Paid By Employer | (2,049,309) | (2,121,156) |
| Non-Investment Administrative Expenses | 0 | (26,516) |
| FNP at End of Year | <u><u>\$ 9,966,297</u></u> | <u><u>\$ 10,030,001</u></u> |
| Money-Weighted Rate of Return | 6.50% | -7.70% |
| Net OPEB Liability (Asset) | | |
| Total OPEB Liability | \$ 25,344,471 | \$ 25,679,525 |
| Fiduciary Net Position | 9,966,297 | 10,030,001 |
| Net OPEB Liability | <u><u>\$ 15,378,174</u></u> | <u><u>\$ 15,649,524</u></u> |
| FNP as a % of TOL | 39.32% | 39.06% |
| Sensitivity Analysis on NOL | | |
| NOL - 1% Increase in Discount Rate | \$ 13,143,943 | \$ 13,386,280 |
| NOL - 1% Decrease in Discount Rate | 18,040,929 | 18,346,762 |
| NOL - 1% Increase in Healthcare Trend | 18,050,779 | 18,356,265 |
| NOL - 1% Decrease in Healthcare Trend | 13,124,041 | 13,366,441 |
| Key Assumptions for Net OPEB Liability (NOL) | | |
| Discount Rate | 6.50% | 6.50% |
| Annual Wage Increase | 3.00% | 3.00% |
| Expected Return on Assets | 6.50% | 6.50% |

GASB STATEMENTS NO. 74 AND 75 (CONT.)

| | FYE | FYE |
|--|-----------------------------|-----------------------------|
| | 6/30/2023 | 6/30/2022 |
| | (Projected) | (Actual) |
| Deferred Inflows of Resources Related to OPEB | | |
| Net difference between projected and actual earnings | \$ 0 | \$ 0 |
| Difference between expected and actual experience | 6,306,010 | 7,456,800 |
| Changes in assumptions | <u>12,122,982</u> | <u>13,732,633</u> |
| Total | <u><u>\$ 18,428,992</u></u> | <u><u>\$ 21,189,433</u></u> |

Deferred Outflows of Resources Related to OPEB

| | | |
|--|----------------------------|----------------------------|
| Net difference between projected and actual earnings | \$ 240,908 | \$ 376,141 |
| Difference between expected and actual experience | 0 | 0 |
| Changes in assumptions | <u>1,950,018</u> | <u>2,332,524</u> |
| Total | <u><u>\$ 2,190,926</u></u> | <u><u>\$ 2,708,665</u></u> |

Schedule of Deferred Outflows (Inflows)

Amounts reported as deferred outflows or deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

| FYE 06/30/2023 | | | FYE 06/30/2022 | | |
|----------------|----------------|--|----------------|----------------|--|
| | (Projected) | | | (Actual) | |
| 2024 | \$ (2,348,862) | | 2023 | \$ (2,242,702) | |
| 2025 | (2,470,376) | | 2024 | (2,348,862) | |
| 2026 | (2,073,659) | | 2025 | (2,470,376) | |
| 2027 | (2,356,337) | | 2026 | (2,073,659) | |
| 2028 | (1,698,076) | | 2027 | (2,356,337) | |
| 2029+ | (5,290,756) | | 2028+ | (6,988,832) | |

GASB STATEMENTS NO. 74 AND 75

Fire Division

| | FYE | FYE |
|--|--------------------|-------------------|
| | 6/30/2023 | 6/30/2022 |
| OPEB Expense (Income) | (Projected) | (Actual) |
| Service Cost | \$ 41,865 | \$ 75,797 |
| Interest Cost | 363,207 | 496,269 |
| Non-Investment Administrative Expenses | 0 | 5,375 |
| Employee Contributions | 0 | 0 |
| Projected Earnings on Fiduciary Net Position | (143,498) | (141,182) |
| Recognition of Deferred Outflows (Inflows) related to: | | |
| Net difference between projected and actual earnings. | 50,634 | 59,774 |
| Difference between expected and actual experience | (147,529) | (147,529) |
| Changes in assumptions | (214,192) | (214,192) |
| Contributions subsequent to the measurement date | 0 | 0 |
| Ad Hoc Postemployment Benefit Changes | 0 | 0 |
| OPEB Expense (Income) | <u>\$ (49,513)</u> | <u>\$ 134,312</u> |

| Development of Interest Cost on: | % of Period | | |
|---|--------------------|-------------------|-------------------|
| Beginning of Year Total OPEB Liability | 100% | 375,476 | 507,780 |
| Service Cost | 50% | 1,361 | 2,463 |
| Net Benefit Payments | 50% | (13,630) | (13,974) |
| Total Interest Cost on Total OPEB Liability | | <u>\$ 363,207</u> | <u>\$ 496,269</u> |

| Development of Projected Earnings on: | % of Period | | |
|--|--------------------|-------------------|-------------------|
| Beginning of Year Fiduciary Net Position | 100% | 146,624 | 139,347 |
| Employer Contributions | 50% | 10,504 | 15,984 |
| Net Benefit Payments | 50% | (13,630) | (13,974) |
| Non-Investment Administrative Expenses | 50% | 0 | (175) |
| Total Projected Earnings on Fiduciary Net Position | | <u>\$ 143,498</u> | <u>\$ 141,182</u> |

Key Assumptions for OPEB Expense (Income)

| | | |
|---------------------------|-------|-------|
| Discount Rate | 6.50% | 6.50% |
| Annual Wage Increase | 3.00% | 3.00% |
| Expected Return on Assets | 6.50% | 6.50% |

GASB STATEMENTS NO. 74 AND 75 (CONT.)

Fire Division

Deferred Outflows/(Inflows) - Amortization Schedules

| Fiscal Year Established | Original Amount | Original Amortization Period | Amortization Amount | Outstanding Balance at 6/30/2023 | Outstanding Balance at 6/30/2022 |
|---|--------------------|------------------------------------|------------------------|--|--|
| <u>Net difference between projected and actual earnings</u> | | | | | |
| 6/30/2018 | \$ 45,694 | 5.00 | \$ 9,138 | \$ 0 | 0 |
| 6/30/2019 | 50,053 | 5.00 | 10,011 | 0 | 10,009 |
| 6/30/2020 | 48,204 | 5.00 | 9,641 | 9,640 | 19,281 |
| 6/30/2021 | (153,460) | 5.00 | (30,692) | (61,384) | (92,076) |
| 6/30/2022 | <u>308,382</u> | <u>5.00</u> | <u>61,676</u> | <u>185,030</u> | <u>246,706</u> |
| | \$ 298,873 | | \$ 59,774 | \$ 133,286 | \$ 183,920 |
| <u>Differences between expected and actual experience</u> | | | | | |
| 6/30/2018 | \$ (667,579) | 9.97 | \$ (66,959) | \$ (265,825) | \$ (332,784) |
| 6/30/2019 | (24,171) | 9.80 | (2,466) | (11,841) | (14,307) |
| 6/30/2020 | (632,681) | 10.11 | (62,580) | (382,361) | (444,941) |
| 6/30/2021 | (219,383) | 10.21 | (21,487) | (154,922) | (176,409) |
| 6/30/2022 | <u>62,371</u> | <u>10.46</u> | <u>5,963</u> | <u>50,445</u> | <u>56,408</u> |
| | \$ (1,481,443) | | \$ (147,529) | \$ (764,504) | \$ (912,033) |
| <u>Changes in assumptions</u> | | | | | |
| 6/30/2018 | \$ (583,064) | 9.97 | \$ (58,482) | \$ (232,172) | \$ (290,654) |
| 6/30/2019 | 580,329 | 9.80 | 59,217 | 284,244 | 343,461 |
| 6/30/2020 | 203,547 | 10.11 | 20,133 | 123,015 | 143,148 |
| 6/30/2021 | (213,569) | 10.21 | (20,918) | (150,815) | (171,733) |
| 6/30/2022 | <u>(2,239,928)</u> | <u>10.46</u> | <u>(214,142)</u> | <u>(1,811,644)</u> | <u>(2,025,786)</u> |
| | \$ (2,252,685) | | \$ (214,192) | \$ (1,787,372) | \$ (2,001,564) |

GASB STATEMENTS NO. 74 AND 75 (CONT.)

Fire Division

| | FYE | FYE |
|---|---------------------|---------------------|
| | 6/30/2023 | 6/30/2022 |
| Reconciliation of Total OPEB Liability (TOL) | (Projected) | (Actual) |
| TOL at End of Prior Year | \$ 5,776,556 | \$ 7,812,005 |
| Service Cost | 41,865 | 75,797 |
| Interest Cost | 363,207 | 496,269 |
| Ad Hoc Postemployment Benefit Changes | 0 | 0 |
| Differences between expected and actual experience | 0 | 62,371 |
| Changes in assumptions | 0 | (2,239,928) |
| Net Benefits Paid By Employer | <u>(419,392)</u> | <u>(429,958)</u> |
| TOL at End of Year | <u>\$ 5,762,236</u> | <u>\$ 5,776,556</u> |
| Reconciliation of Fiduciary Net Position (FNP) | | |
| FNP at End of Prior Year | \$ 2,255,747 | \$ 2,143,803 |
| Projected Earnings on FNP | 143,498 | 141,182 |
| Net difference between projected and actual earnings | 0 | (308,382) |
| Employer Contributions | 323,210 | 491,811 |
| Net Benefits Paid By Employer | (419,392) | (429,958) |
| Non-Investment Administrative Expenses | 0 | (5,375) |
| Impact of Asset Reallocation based on TOL | 0 | 222,666 |
| FNP at End of Year | <u>\$ 2,303,063</u> | <u>\$ 2,255,747</u> |
| Money-Weighted Rate of Return | 6.50% | -7.32% |
| Net OPEB Liability (Asset) | | |
| Total OPEB Liability | \$ 5,762,236 | \$ 5,776,556 |
| Fiduciary Net Position | <u>2,303,063</u> | <u>2,255,747</u> |
| Net OPEB Liability | <u>\$ 3,459,173</u> | <u>\$ 3,520,809</u> |
| FNP as a % of TOL | 39.97% | 39.05% |
| Sensitivity Analysis on NOL | | |
| NOL - 1% Increase in Discount Rate | \$ 2,940,074 | \$ 3,000,420 |
| NOL - 1% Decrease in Discount Rate | 4,077,745 | 4,140,918 |
| NOL - 1% Increase in Healthcare Trend | 4,097,487 | 4,160,709 |
| NOL - 1% Decrease in Healthcare Trend | 2,923,507 | 2,983,812 |
| Key Assumptions for Net OPEB Liability (NOL) | | |
| Discount Rate | 6.50% | 6.50% |
| Annual Wage Increase | 3.00% | 3.00% |
| Expected Return on Assets | 6.50% | 6.50% |

GASB STATEMENTS NO. 74 AND 75 (CONT.)

Fire Division

| | FYE | FYE |
|---|----------------------------|----------------------------|
| | 6/30/2023 | 6/30/2022 |
| | (Projected) | (Actual) |
| Deferred Inflows of Resources Related to OPEB | | |
| Net difference between projected and actual earnings | \$ 0 | \$ 0 |
| Difference between expected and actual experience | 814,949 | 968,441 |
| Changes in assumptions | <u>2,194,631</u> | <u>2,488,173</u> |
| Total | <u><u>\$ 3,009,580</u></u> | <u><u>\$ 3,456,614</u></u> |
| Deferred Outflows of Resources Related to OPEB | | |
| Net difference between projected and actual earnings | \$ 133,286 | \$ 183,920 |
| Difference between expected and actual experience | 50,445 | 56,408 |
| Changes in assumptions | <u>407,259</u> | <u>486,609</u> |
| Total | <u><u>\$ 590,990</u></u> | <u><u>\$ 726,937</u></u> |

Schedule of Deferred Outflows (Inflows)

Amounts reported as deferred outflows or deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

| | FYE 06/30/2023 | | FYE 06/30/2022 | |
|-------|----------------|--|----------------|--------------|
| | (Projected) | | (Actual) | |
| 2024 | \$ (321,097) | | 2023 | \$ (311,087) |
| 2025 | (330,737) | | 2024 | (321,097) |
| 2026 | (300,043) | | 2025 | (330,737) |
| 2027 | (357,954) | | 2026 | (300,043) |
| 2028 | (247,632) | | 2027 | (357,954) |
| 2029+ | (861,127) | | 2028+ | (1,108,759) |

GASB STATEMENTS NO. 74 AND 75

General Division

| | FYE | FYE |
|--|---------------------|---------------------|
| | 6/30/2023 | 6/30/2022 |
| OPEB Expense (Income) | (Projected) | (Actual) |
| Service Cost | \$ 3,277 | \$ 5,205 |
| Interest Cost | 372,466 | 711,676 |
| Non-Investment Administrative Expenses | 0 | 7,743 |
| Employee Contributions | 0 | 0 |
| Projected Earnings on Fiduciary Net Position | (144,500) | (203,381) |
| Recognition of Deferred Outflows (Inflows) related to: | | |
| Net difference between projected and actual earnings. | 2,342 | (16,183) |
| Difference between expected and actual experience | (705,442) | (705,442) |
| Changes in assumptions | (508,853) | (508,853) |
| Contributions subsequent to the measurement date | 0 | 0 |
| Ad Hoc Postemployment Benefit Changes | 0 | 0 |
| OPEB Expense (Income) | <u>\$ (980,710)</u> | <u>\$ (709,235)</u> |

| Development of Interest Cost on: | % of Period | | |
|---|--------------------|-------------------|-------------------|
| Beginning of Year Total OPEB Liability | 100% | 389,574 | 731,637 |
| Service Cost | 50% | 107 | 169 |
| Net Benefit Payments | 50% | (17,215) | (20,130) |
| Total Interest Cost on Total OPEB Liability | | <u>\$ 372,466</u> | <u>\$ 711,676</u> |

| Development of Projected Earnings on: | % of Period | | |
|--|--------------------|-------------------|-------------------|
| Beginning of Year Fiduciary Net Position | 100% | 152,165 | 200,737 |
| Employer Contributions | 50% | 9,550 | 23,026 |
| Net Benefit Payments | 50% | (17,215) | (20,130) |
| Non-Investment Administrative Expenses | 50% | 0 | (252) |
| Total Projected Earnings on Fiduciary Net Position | | <u>\$ 144,500</u> | <u>\$ 203,381</u> |

Key Assumptions for OPEB Expense (Income)

| | | |
|---------------------------|-------|-------|
| Discount Rate | 6.50% | 6.50% |
| Annual Wage Increase | 3.00% | 3.00% |
| Expected Return on Assets | 6.50% | 6.50% |

GASB STATEMENTS NO. 74 AND 75 (CONT.)

General Division

Deferred Outflows/(Inflows) - Amortization Schedules

| Fiscal Year Established | Original Amount | Original Amortization Period | Amortization Amount | Outstanding Balance at 6/30/2023 | Outstanding Balance at 6/30/2022 |
|---|------------------------------|------------------------------------|----------------------------|--|--|
| <u>Net difference between projected and actual earnings</u> | | | | | |
| 6/30/2018 | \$ (92,616) | 5.00 | \$ (18,524) | \$ 0 | 0 |
| 6/30/2019 | 285,876 | 5.00 | 57,175 | 0 | 57,176 |
| 6/30/2020 | 644,343 | 5.00 | 128,869 | 128,867 | 257,736 |
| 6/30/2021 | (1,362,757) | 5.00 | (272,551) | (545,104) | (817,655) |
| 6/30/2022 | <u>444,241</u> | 5.00 | <u>88,848</u> | <u>266,545</u> | <u>355,393</u> |
| | <u><u>\$ (80,913)</u></u> | | <u><u>\$ (16,183)</u></u> | <u><u>\$ (149,692)</u></u> | <u><u>\$ (147,350)</u></u> |
| <u>Differences between expected and actual experience</u> | | | | | |
| 6/30/2018 | \$ (1,628,824) | 9.97 | \$ (163,373) | \$ (648,586) | \$ (811,959) |
| 6/30/2019 | (567,993) | 9.80 | (57,958) | (278,203) | (336,161) |
| 6/30/2020 | (3,696,845) | 10.11 | (365,662) | (2,234,197) | (2,599,859) |
| 6/30/2021 | (799,396) | 10.21 | (78,295) | (564,511) | (642,806) |
| 6/30/2022 | <u>(420,009)</u> | 10.46 | <u>(40,154)</u> | <u>(339,701)</u> | <u>(379,855)</u> |
| | <u><u>\$ (7,113,067)</u></u> | | <u><u>\$ (705,442)</u></u> | <u><u>\$ (4,065,198)</u></u> | <u><u>\$ (4,770,640)</u></u> |
| <u>Changes in assumptions</u> | | | | | |
| 6/30/2018 | \$ (1,406,065) | 9.97 | \$ (141,030) | \$ (559,885) | \$ (700,915) |
| 6/30/2019 | 928,528 | 9.80 | 94,748 | 454,788 | 549,536 |
| 6/30/2020 | 357,769 | 10.11 | 35,388 | 216,217 | 251,605 |
| 6/30/2021 | (262,237) | 10.21 | (25,684) | (185,185) | (210,869) |
| 6/30/2022 | <u>(4,939,994)</u> | 10.46 | <u>(472,275)</u> | <u>(3,995,444)</u> | <u>(4,467,719)</u> |
| | <u><u>\$ (5,321,999)</u></u> | | <u><u>\$ (508,853)</u></u> | <u><u>\$ (4,069,509)</u></u> | <u><u>\$ (4,578,362)</u></u> |

GASB STATEMENTS NO. 74 AND 75 (CONT.)

General Division

| | FYE 6/30/2023 | FYE 6/30/2022 |
|---|---------------------|---------------------|
| Reconciliation of Total OPEB Liability (TOL) | (Projected) | (Actual) |
| TOL at End of Prior Year | \$ 5,993,447 | \$ 11,255,947 |
| Service Cost | 3,277 | 5,205 |
| Interest Cost | 372,466 | 711,676 |
| Ad Hoc Postemployment Benefit Changes | 0 | 0 |
| Differences between expected and actual experience | 0 | (420,009) |
| Changes in assumptions | 0 | (4,939,994) |
| Net Benefits Paid By Employer | <u>(529,692)</u> | <u>(619,378)</u> |
| TOL at End of Year | <u>\$ 5,839,498</u> | <u>\$ 5,993,447</u> |
| Reconciliation of Fiduciary Net Position (FNP) | | |
| FNP at End of Prior Year | \$ 2,341,002 | \$ 3,088,261 |
| Projected Earnings on FNP | 144,500 | 203,381 |
| Net difference between projected and actual earnings | 0 | (444,241) |
| Employer Contributions | 293,836 | 708,480 |
| Net Benefits Paid By Employer | (529,692) | (619,378) |
| Non-Investment Administrative Expenses | 0 | (7,743) |
| Impact of Asset Reallocation based on TOL | 0 | (587,758) |
| FNP at End of Year | <u>\$ 2,249,646</u> | <u>\$ 2,341,002</u> |
| Money-Weighted Rate of Return | 6.50% | -8.50% |
| Net OPEB Liability (Asset) | | |
| Total OPEB Liability | \$ 5,839,498 | \$ 5,993,447 |
| Fiduciary Net Position | <u>2,249,646</u> | <u>2,341,002</u> |
| Net OPEB Liability | <u>\$ 3,589,852</u> | <u>\$ 3,652,445</u> |
| FNP as a % of TOL | 38.52% | 39.06% |
| Sensitivity Analysis on NOL | | |
| NOL - 1% Increase in Discount Rate | \$ 3,104,386 | \$ 3,154,180 |
| NOL - 1% Decrease in Discount Rate | 4,161,771 | 4,239,442 |
| NOL - 1% Increase in Healthcare Trend | 4,142,439 | 4,219,600 |
| NOL - 1% Decrease in Healthcare Trend | 3,114,471 | 3,164,531 |
| Key Assumptions for Net OPEB Liability (NOL) | | |
| Discount Rate | 6.50% | 6.50% |
| Annual Wage Increase | 3.00% | 3.00% |
| Expected Return on Assets | 6.50% | 6.50% |

GASB STATEMENTS NO. 74 AND 75 (CONT.)

General Division

| | FYE | FYE |
|---|----------------------------|-----------------------------|
| | 6/30/2023 | 6/30/2022 |
| Deferred Inflows of Resources Related to OPEB | (Projected) | (Actual) |
| Net difference between projected and actual earnings | \$ 149,692 | \$ 147,350 |
| Difference between expected and actual experience | 4,065,198 | 4,770,640 |
| Changes in assumptions | 4,740,514 | 5,379,503 |
| Total | <u><u>\$ 8,955,404</u></u> | <u><u>\$ 10,297,493</u></u> |
| Deferred Outflows of Resources Related to OPEB | | |
| Net difference between projected and actual earnings | \$ 0 | \$ 0 |
| Difference between expected and actual experience | 0 | 0 |
| Changes in assumptions | 671,005 | 801,141 |
| Total | <u><u>\$ 671,005</u></u> | <u><u>\$ 801,141</u></u> |

Schedule of Deferred Outflows (Inflows)

Amounts reported as deferred outflows or deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

| | FYE 06/30/2023 | | FYE 06/30/2022 | |
|-------|-----------------------|--|-----------------------|----------------|
| | (Projected) | | (Actual) | |
| 2024 | \$ (1,269,131) | | 2023 | \$ (1,211,953) |
| 2025 | (1,398,000) | | 2024 | (1,269,131) |
| 2026 | (1,125,446) | | 2025 | (1,398,000) |
| 2027 | (1,205,154) | | 2026 | (1,125,446) |
| 2028 | (917,257) | | 2027 | (1,205,154) |
| 2029+ | (2,369,411) | | 2028+ | (3,286,668) |

GASB STATEMENTS NO. 74 AND 75

Police Division

| | FYE 6/30/2023 | FYE 6/30/2022 |
|--|---------------------|-------------------|
| | (Projected) | (Actual) |
| OPEB Expense (Income) | | |
| Service Cost | \$ 63,030 | \$ 86,873 |
| Interest Cost | 870,410 | 1,233,763 |
| Non-Investment Administrative Expenses | 0 | 13,398 |
| Employee Contributions | 0 | 0 |
| Projected Earnings on Fiduciary Net Position | (341,426) | (351,946) |
| Recognition of Deferred Outflows (Inflows) related to: | | |
| Net difference between projected and actual earnings. | 82,257 | 74,602 |
| Difference between expected and actual experience | (297,819) | (297,819) |
| Changes in assumptions | (504,100) | (504,100) |
| Contributions subsequent to the measurement date | 0 | 0 |
| Ad Hoc Postemployment Benefit Changes | 0 | 0 |
| OPEB Expense (Income) | <u>\$ (127,648)</u> | <u>\$ 254,771</u> |

| Development of Interest Cost on: | % of Period | | |
|---|--------------------|-------------------|---------------------|
| Beginning of Year Total OPEB Liability | 100% | 904,119 | 1,265,774 |
| Service Cost | 50% | 2,048 | 2,824 |
| Net Benefit Payments | 50% | (35,757) | (34,835) |
| Total Interest Cost on Total OPEB Liability | | <u>\$ 870,410</u> | <u>\$ 1,233,763</u> |

| Development of Projected Earnings on: | % of Period | | |
|--|--------------------|-------------------|-------------------|
| Beginning of Year Fiduciary Net Position | 100% | 353,161 | 347,371 |
| Employer Contributions | 50% | 24,022 | 39,845 |
| Net Benefit Payments | 50% | (35,757) | (34,835) |
| Non-Investment Administrative Expenses | 50% | 0 | (435) |
| Total Projected Earnings on Fiduciary Net Position | | <u>\$ 341,426</u> | <u>\$ 351,946</u> |

Key Assumptions for OPEB Expense (Income)

| | | |
|---------------------------|-------|-------|
| Discount Rate | 6.50% | 6.50% |
| Annual Wage Increase | 3.00% | 3.00% |
| Expected Return on Assets | 6.50% | 6.50% |

GASB STATEMENTS NO. 74 AND 75 (CONT.)

Police Division

Deferred Outflows/(Inflows) - Amortization Schedules

| Fiscal Year Established | Original Amount | Original Amortization Period | Amortization Amount | Outstanding Balance at 6/30/2023 | Outstanding Balance at 6/30/2022 |
|--|-----------------------|------------------------------------|------------------------|--|--|
| <u>Net difference between projected and actual earnings</u> | | | | | |
| 6/30/2018 | \$ (38,283) | 5.00 | \$ (7,655) | \$ 0 | 0 |
| 6/30/2019 | 194,860 | 5.00 | 38,972 | 0 | 38,972 |
| 6/30/2020 | (84,985) | 5.00 | (16,997) | (16,997) | (33,994) |
| 6/30/2021 | (467,342) | 5.00 | (93,468) | (186,938) | (280,406) |
| 6/30/2022 | <u>768,749</u> | 5.00 | <u>153,750</u> | <u>461,249</u> | <u>614,999</u> |
| | <u>\$ 372,999</u> | | <u>\$ 74,602</u> | <u>\$ 257,314</u> | <u>\$ 339,571</u> |
| <u>Differences between expected and actual experience</u> | | | | | |
| 6/30/2018 | \$ (1,825,860) | 9.97 | \$ (183,135) | \$ (727,050) | \$ (910,185) |
| 6/30/2019 | (359,749) | 9.80 | (36,709) | (176,204) | (212,913) |
| 6/30/2020 | (300,719) | 10.11 | (29,745) | (181,739) | (211,484) |
| 6/30/2021 | (136,551) | 10.21 | (13,374) | (96,429) | (109,803) |
| 6/30/2022 | <u>(364,598)</u> | 10.46 | <u>(34,856)</u> | <u>(294,886)</u> | <u>(329,742)</u> |
| | <u>\$ (2,987,477)</u> | | <u>\$ (297,819)</u> | <u>\$ (1,476,308)</u> | <u>\$ (1,774,127)</u> |
| <u>Changes in assumptions</u> | | | | | |
| 6/30/2018 | \$ (1,062,420) | 9.97 | \$ (106,562) | \$ (423,048) | \$ (529,610) |
| 6/30/2019 | 1,386,974 | 9.80 | 141,528 | 679,334 | 820,862 |
| 6/30/2020 | 318,388 | 10.11 | 31,492 | 192,420 | 223,912 |
| 6/30/2021 | (507,463) | 10.21 | (49,703) | (358,354) | (408,057) |
| 6/30/2022 | <u>(5,448,145)</u> | 10.46 | <u>(520,855)</u> | <u>(4,406,435)</u> | <u>(4,927,290)</u> |
| | <u>\$ (5,312,666)</u> | | <u>\$ (504,100)</u> | <u>\$ (4,316,083)</u> | <u>\$ (4,820,183)</u> |

GASB STATEMENTS NO. 74 AND 75 (CONT.)

Police Division

| | FYE | FYE |
|---|----------------------|----------------------|
| | 6/30/2023 | 6/30/2022 |
| Reconciliation of Total OPEB Liability (TOL) | (Projected) | (Actual) |
| TOL at End of Prior Year | \$ 13,909,522 | \$ 19,473,449 |
| Service Cost | 63,030 | 86,873 |
| Interest Cost | 870,410 | 1,233,763 |
| Ad Hoc Postemployment Benefit Changes | 0 | 0 |
| Differences between expected and actual experience | 0 | (364,598) |
| Changes in assumptions | 0 | (5,448,145) |
| Net Benefits Paid By Employer | <u>(1,100,225)</u> | <u>(1,071,820)</u> |
| TOL at End of Year | <u>\$ 13,742,737</u> | <u>\$ 13,909,522</u> |
| Reconciliation of Fiduciary Net Position (FNP) | | |
| FNP at End of Prior Year | \$ 5,433,252 | \$ 5,344,172 |
| Projected Earnings on FNP | 341,426 | 351,946 |
| Net difference between projected and actual earnings | 0 | (768,749) |
| Employer Contributions | 739,135 | 1,226,009 |
| Net Benefits Paid By Employer | <u>(1,100,225)</u> | <u>(1,071,820)</u> |
| Non-Investment Administrative Expenses | 0 | (13,398) |
| Impact of Asset Reallocation based on TOL | 0 | 365,092 |
| FNP at End of Year | <u>\$ 5,413,588</u> | <u>\$ 5,433,252</u> |
| Money-Weighted Rate of Return | 6.50% | -7.45% |
| Net OPEB Liability (Asset) | | |
| Total OPEB Liability | \$ 13,742,737 | \$ 13,909,522 |
| Fiduciary Net Position | <u>5,413,588</u> | <u>5,433,252</u> |
| Net OPEB Liability | <u>\$ 8,329,149</u> | <u>\$ 8,476,270</u> |
| FNP as a % of TOL | 39.39% | 39.06% |
| Sensitivity Analysis on NOL | | |
| NOL - 1% Increase in Discount Rate | \$ 7,099,483 | \$ 7,231,680 |
| NOL - 1% Decrease in Discount Rate | 9,801,413 | 9,966,402 |
| NOL - 1% Increase in Healthcare Trend | 9,810,853 | 9,975,956 |
| NOL - 1% Decrease in Healthcare Trend | 7,086,063 | 7,218,098 |
| Key Assumptions for Net OPEB Liability (NOL) | | |
| Discount Rate | 6.50% | 6.50% |
| Annual Wage Increase | 3.00% | 3.00% |
| Expected Return on Assets | 6.50% | 6.50% |

GASB STATEMENTS NO. 74 AND 75 (CONT.)

Police Division

| | FYE | FYE |
|---|----------------------------|----------------------------|
| | 6/30/2023 | 6/30/2022 |
| Deferred Inflows of Resources Related to OPEB | (Projected) | (Actual) |
| Net difference between projected and actual earnings | \$ 0 | \$ 0 |
| Difference between expected and actual experience | 1,476,308 | 1,774,127 |
| Changes in assumptions | 5,187,837 | 5,864,957 |
| Total | <u><u>\$ 6,664,145</u></u> | <u><u>\$ 7,639,084</u></u> |
| Deferred Outflows of Resources Related to OPEB | | |
| Net difference between projected and actual earnings | \$ 257,314 | \$ 339,571 |
| Difference between expected and actual experience | 0 | 0 |
| Changes in assumptions | 871,754 | 1,044,774 |
| Total | <u><u>\$ 1,129,068</u></u> | <u><u>\$ 1,384,345</u></u> |

Schedule of Deferred Outflows (Inflows)

Amounts reported as deferred outflows or deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

| | FYE 06/30/2023 | | FYE 06/30/2022 | |
|-------|----------------|----------|----------------|----------|
| | (Projected) | (Actual) | (Projected) | (Actual) |
| 2024 | \$ (758,634) | 2023 | \$ (719,662) | |
| 2025 | (741,639) | 2024 | (758,634) | |
| 2026 | (648,170) | 2025 | (741,639) | |
| 2027 | (793,229) | 2026 | (648,170) | |
| 2028 | (533,187) | 2027 | (793,229) | |
| 2029+ | (2,060,218) | 2028+ | (2,593,405) | |

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress*

| Actuarial Valuation Date | 6/30/2022 | 6/30/2021 | 6/30/2020 |
|---|-------------------|-------------------|-------------------|
| a. Fiduciary Net Position | \$ 10,030,001 | \$ 10,576,236 | \$ 9,196,139 |
| b. Total OPEB Liability | <u>25,679,525</u> | <u>38,541,401</u> | <u>41,410,844</u> |
| c. Net OPEB Liability (b. - a.) | 15,649,524 | 27,965,165 | 32,214,705 |
| d. Funded Ratio (a. / b.) | 39.06% | 27.44% | 22.21% |
| e. Net Annual Covered Payroll | \$ 2,109,601 | \$ 3,928,170 | \$ 3,928,170 |
| f. Net OPEB Liability as a Percentage of Payroll (c. / e.) | 741.82% | 711.91% | 820.09% |
| Actuarial Valuation Date | 6/30/2019 | 6/30/2018 | 6/30/2017 |
| a. Fiduciary Net Position | \$ 9,252,234 | \$ 8,781,173 | \$ 8,244,392 |
| b. Total OPEB Liability | <u>44,362,395</u> | <u>41,672,318</u> | <u>47,902,529</u> |
| c. Net OPEB Liability (b. - a.) | 35,110,161 | 32,891,145 | 39,658,137 |
| d. Funded Ratio (a. / b.) | 20.86% | 21.07% | 17.21% |
| e. Net Annual Covered Payroll | \$ 4,015,077 | \$ 4,897,039 | \$ 5,164,079 |
| f. Net OPEB Liability as a Percentage of Payroll (c. / e.) | 874.46% | 671.65% | 767.96% |

*Completed using information in our records, which may not contain the complete history of the plan.

REQUIRED SUPPLEMENTARY INFORMATION (CONT.)

Schedule of Employer Contributions*

| Fiscal Year Ended | Actuarially Determined Contribution (a) | Actual Contribution (b) | Contribution Deficiency (Excess) (a) - (b) | Covered Payroll (c) | Contribution as a % of Covered Payroll (b) / (c) |
|-------------------|--|----------------------------|--|------------------------|--|
| 6/30/2013 | \$ 3,101,027 | \$ 3,468,430 | \$ (367,403) | \$ 7,633,276 | 45.44% |
| 6/30/2014 | 3,101,027 | 3,435,241 | (334,214) | 6,088,182 | 56.42% |
| 6/30/2015 | 2,852,737 | 3,356,213 | (503,476) | 6,088,182 | 55.13% |
| 6/30/2016 | 2,852,737 | 3,066,262 | (213,525) | 4,250,532 | 72.14% |
| 6/30/2017 | 2,634,835 | 2,652,728 | (17,893) | 5,164,079 | 51.37% |
| 6/30/2018 | 2,696,182 | 2,634,836 | 61,346 | 4,897,039 | 53.80% |
| 6/30/2019 | 2,097,749 | 2,983,583 | (885,834) | 4,015,077 | 74.31% |
| 6/30/2020 | 2,345,166 | 2,527,577 | (182,411) | 3,928,170 | 64.34% |
| 6/30/2021 | 2,760,634 | 2,432,415 | 328,219 | 3,928,170 | 61.92% |
| 6/30/2022 | 2,367,283 | 2,426,300 | (59,017) | 2,109,601 | 115.01% |
| ** 6/30/2023 | 1,356,181 | 1,356,181 | 0 | 2,058,395 | 65.89% |
| ** 6/30/2024 | 1,359,531 | 1,359,531 | 0 | 1,990,917 | 68.29% |

*Completed using information in our records, which may not contain the complete history of the plan.

**Fiscal Years Ending 06/30/2023 and 06/30/2024 actual contributions and covered payroll have been estimated.

Beginning Fiscal Year Ending 2020, the ADC is calculated in accordance with the requirements of Public Act 202 of 2017, namely Numbered Letter 2018-3. For Fiscal Years Ended 2018 and 2019, the ADC is calculated in accordance with the Employer's funding policy, substantive or otherwise. Prior to Fiscal Year Ending 2018, the ADC is equal to the Annual Required Contribution (ARC) as calculated under GASB No. 45.

PROJECTED RETIREE BENEFIT PAYMENTS

Exhibit A is a graph that shows the projection of expected benefit payments under the OPEB plan for all locations. These payments only reflect those participants who have already been hired or who are retired. Expected benefit payments are equal to the number of retirees each year times the per retiree cost to the employer, and it includes the implicit liability, if applicable. The first year's projected benefit payments total is \$2,049,309. As the last participants retire and then reach the end of their benefit period, the benefit payments decline and eventually would reach zero. Exhibit B is a table showing the first 10 years of expected benefit payments.

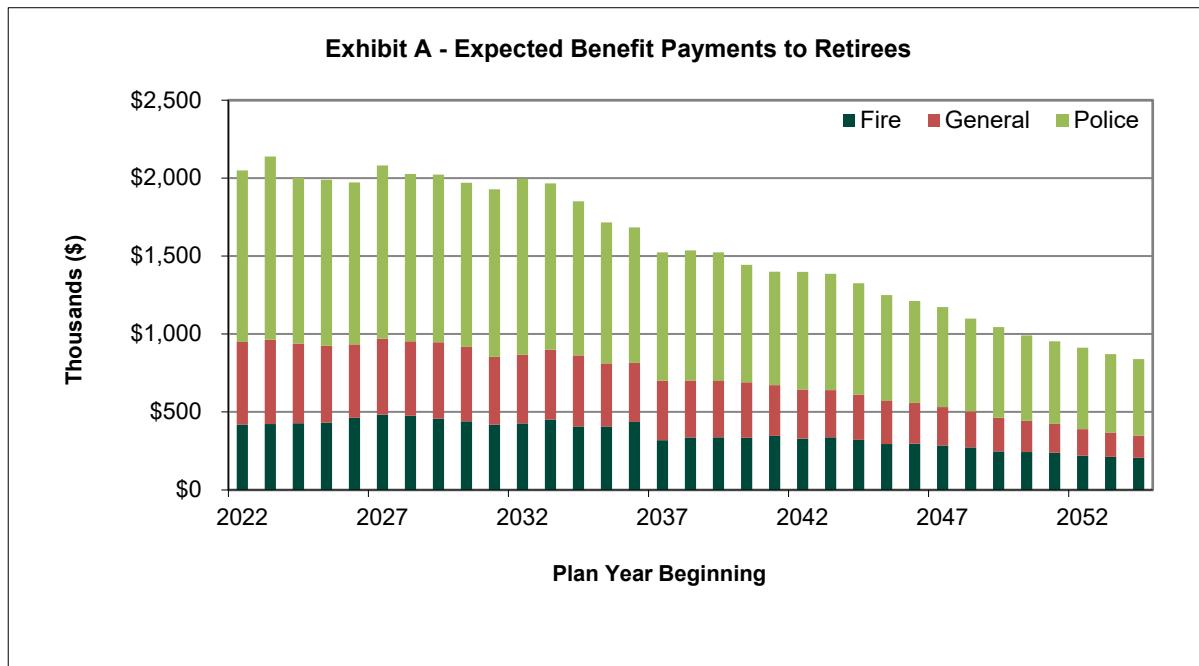


Exhibit B: First 10 Years of Expected Benefit Payments

**Plan Year
Beginning**

| July 1 | | Fire | General | Police | Total |
|--------|----|---------|------------|--------------|--------------|
| 2022 | \$ | 419,392 | \$ 529,692 | \$ 1,100,225 | \$ 2,049,309 |
| 2023 | | 422,265 | 540,479 | 1,175,405 | 2,138,149 |
| 2024 | | 427,798 | 511,138 | 1,062,723 | 2,001,659 |
| 2025 | | 431,371 | 493,175 | 1,064,461 | 1,989,007 |
| 2026 | | 462,779 | 470,423 | 1,038,529 | 1,971,731 |
| 2027 | | 482,953 | 486,134 | 1,111,672 | 2,080,759 |
| 2028 | | 475,860 | 477,307 | 1,072,797 | 2,025,964 |
| 2029 | | 456,648 | 490,198 | 1,075,444 | 2,022,290 |
| 2030 | | 439,289 | 477,260 | 1,053,817 | 1,970,366 |
| 2031 | \$ | 418,449 | \$ 434,461 | \$ 1,074,527 | \$ 1,927,437 |

PUBLIC ACT 202 OF 2017
FORM 5572 COMPLIANCE GUIDE

| Line | Description | Valuation Information |
|--------------------------------|--|---------------------------------|
| Fiscal Year End Date | | 6/30/2022 |
| Measurement Date | | 6/30/2022 |
| Valuation Date | | 6/30/2022 |
| Descriptive Information | | |
| 1 | Is this unit a primary unit (County, Twp, City, Village)? | Yes |
| 2 | Name of Retirement Health Care System | City of Eastpointe |
| 3 | Financial Information | |
| 4 | Actuarial Value of Assets (AVA) | \$ 10,030,001 |
| 5 | Actuarial Accrued Liability (AAL) | 25,679,525 |
| 6 | Funded Ratio: (4) / (5) | 39.06% |
| 7 | Actuarially Determined Contribution (ADC) | \$ 2,367,283 |
| 7a | Is ADC calculated in compliance with Numbered Letter 2018-3 | Yes |
| 8 | Governmental Fund Revenues* | \$ 26,120,050 |
| 9 | ADC as a % of Governmental Revenues: (7) / (8) | 9.06% |
| 10 | Membership** | |
| 11 | Number of Active Members | 24 |
| 12 | Number of Inactive Members (entitled to future benefits) | 0 |
| 13 | Number of Retirees and Beneficiaries | 280 |
| 14 | Net Benefits Paid on Behalf of the Retirees and Beneficiaries | \$ 2,121,156 |
| 15 | Investment Performance | |
| 16 | Actual Rate of Return - Prior 1-year period | -7.70% |
| 17 | Actual Rate of Return - Prior 5-year period | Contact Investment Advisors |
| 18 | Actual Rate of Return - Prior 10-year period | Contact Investment Advisors |
| 19 | Actuarial Assumptions | |
| 20 | Assumed Rate of Investment Return | 6.50% |
| 21 | Discount Rate | 6.50% |
| 22 | Amortization Method for Funding the Unfunded Accrued Liability | Level Dollar |
| 23 | Amortization Period as of Measurement Date | 27 |
| 24 | Is Plan Closed to New Participants? | Yes |
| 25 | Immediate Health Care Trend Assumption | Pre-65: 7.25% Post-65: 5.50% |
| 26 | Ultimate Health Care Trend Assumption | 4.50% |

*Revenues have been estimated; amount must be updated to actual revenues upon completion of Form 5572.

PUBLIC ACT 202 OF 2017
FORM 5572 COMPLIANCE GUIDE

| Line | Description | Valuation Information |
|----------------------|---|-----------------------|
| Fiscal Year End Date | | 6/30/2022 |
| Measurement Date | | 6/30/2022 |
| Valuation Date | | 6/30/2022 |
| 27 | Uniform Assumptions | |
| 28 | Actuarial Value of Assets (AVA) using Uniform Assumptions | 10,030,001 |
| 29 | Actuarial Accrued Liability (AAL) using Uniform Assumptions | \$ 25,679,525 |
| 30 | Funded Ratio: (28) / (29) | 39.06% |
| 31 | Actuarially Determined Contribution (ADC) | \$ 1,273,409 |
| 32 | ADC as a % of Governmental Revenues: (31) / (8) | 4.88% |
| 36 | Does Plan Trigger "Unfunded Status"? | No |

Primary Units: Yes, if Funded Ratio is less than 40% AND ARC is greater than 12% of Governmental Fund Revenues

Non- Primary Units: Yes, if Funded Ratio is less than 40%

Development of ADC using Uniform Assumptions

| 6/30/2022 | | |
|--------------------------------------|-------------------|------------------|
| <u>Normal Cost Component</u> | | |
| Normal Cost | \$ | <u>104,871</u> |
| <u>Amortization Component</u> | | |
| Actuarial Accrued Liability | \$ | 25,679,525 |
| Assets | <u>10,030,001</u> | |
| Unfunded Actuarial Accrued Liability | <u>15,649,524</u> | |
| Amortization Factor | <u>13.3924</u> | |
| Amortization Payment | <u>1,168,538</u> | |
| | | <u>1,273,409</u> |

| | |
|------------------------------|---|
| Actuarial Cost Method | Entry Age Normal as a Percentage of Payroll |
| Discount Rate | 6.50% |
| Salary Scale (Ultimate) | 3.00% |
| Amortization Method: | Level Dollar |
| Amortization Period (years): | 27 |
| Plan Type (Open vs. Closed) | Closed |

DESCRIPTION OF CENSUS DATA

Data

CBIZ Retirement & Investment Solutions has used and relied upon participant data supplied by the plan sponsor as of the valuation date. The Plan Sponsor is responsible for providing an accurate description of all participants eligible for benefits under the plan as of the valuation date and ensuring that the data provided is sufficiently comprehensive and accurate for its intended purpose. Inaccurate data or data not sufficiently comprehensive for its intended purposes may cause the results of our calculations to differ significantly from the results provided herein. Although CBIZ Retirement & Investment Solutions has reviewed the suitability of the data for its intended use in accordance with Actuarial Standard of Practice No. 23, CBIZ Retirement & Investment Solutions has not verified or audited any of the data or information provided.

| As of June 30, 2022 | Fire | General | Police | Total |
|------------------------------|-------------|----------------|---------------|--------------|
| Active Employees | 9 | 3 | 12 | 24 |
| Deferred Retirees | 0 | 0 | 0 | 0 |
| Retirees and Covered Spouses | 52 | 114 | 114 | 280 |
| Total Participants | 61 | 117 | 126 | 304 |

ACTUARIAL ASSUMPTIONS

Long-Term Rate of Return on Assets

For GASB 74 / 75 purposes:

6.50% per year for determining June 30, 2022 Net OPEB Liability and fiscal year ending June 30, 2023 projected expense determination.

6.50% per year for determining June 30, 2021 Net OPEB Liability and fiscal year ended June 30, 2022 expense determination.

Assets are held in the MERS Retirement Health Funding Vehicle and are invested in the MERS Total Market Portfolio. The MERS Total Market Portfolio is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes including real estate, private equity, and commodities. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets.

The main asset classes held in the MERS Total Market Portfolio are provided below. The target allocations and best estimates of arithmetic real rates of return for each asset class are summarized in the following table.

Allocations as of June 30, 2022

| Asset Class | Target Allocation (a) | Long Term Expected (b) | Real Rate of Return (a x b) |
|---------------------|-----------------------|------------------------|-----------------------------|
| Global Equity | 60.00% | 7.00% | 4.20% |
| Global Fixed Income | 20.00% | 4.50% | 0.90% |
| Private Investments | 20.00% | 9.50% | 1.90% |
| Total | 100.00% | | 7.00% |

A more conservative assumption of 6.50% has been used, which still falls within the reasonable range of expectations of the MERS of Michigan actuaries per their most recent experience analysis. This rate also conforms to the maximum investment return outlined in the Uniform Assumptions Memo for 2022.

For Public Act (PA) 202 of 2017 purposes:

6.50% as of June 30, 2022

ACTUARIAL ASSUMPTIONS

Municipal Bond Rate 4.09% as of June 30, 2022

2.18% as of June 30, 2021

Rationale: Based on the S&P Municipal Bond 20-Year High Grade Rate Index as of the measurement date.

Minimum Rate under PA 202 of 2017 2.16% as of June 30, 2022

Rationale: Based on the Minimum Rate outlined in the Uniform Assumptions published by the Michigan Department of Treasury for fiscal year 2020 reporting. This rate is used for periods in which plan assets are not sufficient to make projected benefit payments. This is reflective of the index rate for 20-year, tax-exempt, general obligation municipal bonds with an average rate of AA/Aa or higher through June 24, 2021.

2.20% as of June 30, 2021

Rationale: Based on the Minimum Rate outlined in the Uniform Assumptions published by the Michigan Department of Treasury for fiscal year 2020 reporting. This rate is used for periods in which plan assets are not sufficient to make projected benefit payments. This is reflective of the index rate for 20-year, tax-exempt, general obligation municipal bonds with an average rate of AA/Aa or higher through June 25, 2020.

ACTUARIAL ASSUMPTIONS

Discount Rate

For GASB 74 / 75 purposes:

6.50% per year for determining June 30, 2022 Net OPEB Liability and fiscal year ending June 30, 2023 expense determination.

6.50% per year for determining June 30, 2021 Net OPEB Liability and fiscal year ending June 30, 2022 expense determination.

Rationale: Since expected actuarially determined contributions are expected to be sufficient to finance payment of benefits solely from the trust, the discount rate used for accounting purposes is based on the Long-Term Rate of Return on Assets.

For Public Act (PA) 202 of 2017 purposes:

6.50% as of June 30, 2022

Rationale: Since expected actuarially determined contributions are expected to be sufficient to finance payment of benefits solely from the trust, the discount rate used PA 202 of 2017 reporting is based on the Long-Term Rate of Return on Assets, limited to 6.85%

ACTUARIAL ASSUMPTIONS

Annual Wage Increases

The MERS Salary Scale assumption used in the most recent pension valuation, which is based on service. Sample rates are as follows:

| Service | Base Wage Inflation | Merit and Longevity | Total Pay Increase |
|---------|---------------------|---------------------|--------------------|
| 0 | 3.00% | 6.70% | 9.70% |
| 1 | 3.00% | 4.60% | 7.60% |
| 2 | 3.00% | 3.20% | 6.20% |
| 3 | 3.00% | 2.70% | 5.70% |
| 4 | 3.00% | 2.30% | 5.30% |
| 5 | 3.00% | 1.90% | 4.90% |
| 6 | 3.00% | 1.70% | 4.70% |
| 7 | 3.00% | 1.30% | 4.30% |
| 8 | 3.00% | 1.20% | 4.20% |
| 9 | 3.00% | 1.20% | 4.20% |
| 10 | 3.00% | 1.10% | 4.10% |
| 20 | 3.00% | 0.60% | 3.60% |
| 30 | 3.00% | 0.20% | 3.20% |
| 40 | 3.00% | 0.00% | 3.00% |

Rationale: The Employer does not have enough data to conduct a fully credible experience analysis with respect to compensation increases. The current assumption is based on the most recent actuarial valuation of benefits through MERS. Said assumptions are based on an experience study conducted using actual MERS experience from 2014 - 2018.

Inflation

2.50% per year.

Rationale: The current assumption has been selected to coincide with the GASB Notes provided by MERS.

ACTUARIAL ASSUMPTIONS

Healthy Participant Mortality

Pre-Retirement: Pub-2010 General Employees Amount-Weighted Mortality Table without adjustment, for males and females.

Healthy Retirees: Pub-2010 General Retiree Mortality Table Amount-Weighted Mortality Table scaled by a factor of 106%, for males and females.

The mortality assumptions include a margin for future mortality improvements using Scape MP-2019 projected fully-generationally from the central year of data, 2010.

Rationale: The Employer does not have enough data to conduct a fully credible experience analysis with respect to mortality. The current assumption is based on the one used in the most recent actuarial valuation of pension benefits through MERS. Said assumptions are based on an experience study conducted using actual MERS experience from 2014 - 2018.

Disabled Participant Mortality

Disabled Retirees: Pub-2010 Non-Safety Disabled Retirees Amount-Weighted Mortality Table without adjustment, for males and females.

The mortality assumptions include a margin for future mortality improvements using Scape MP-2019 projected fully-generationally from the central year of data, 2010.

Rationale: The Employer does not have enough data to conduct a fully credible experience analysis with respect to mortality. The current assumption is based on the one used in the most recent actuarial valuation of pension benefits through MERS. Said assumptions are based on an experience study conducted using actual MERS experience from 2014 - 2018.

ACTUARIAL ASSUMPTIONS

Withdrawal Rates

Participants are assumed to terminate employment for reasons other than death, disability, or retirement in accordance with the MERS withdrawal assumptions, which are annual rates varying by service and division (Public Safety versus General Employees). Sample rates are as follows:

| Years of Service | General Employees | Public Safety Employees |
|------------------|-------------------|-------------------------|
| 0 | 23.40% | 13.90% |
| 1 | 19.50% | 11.60% |
| 2 | 15.80% | 9.40% |
| 3 | 12.50% | 7.40% |
| 4 | 10.30% | 6.10% |
| 5 | 8.30% | 4.90% |
| 10 | 5.40% | 3.20% |
| 15 | 4.00% | 2.40% |
| 20 | 3.10% | 1.80% |
| 25+ | 2.60% | 1.50% |

Rationale: The Employer does not have enough data to conduct a fully credible experience analysis with respect to withdrawal rates. The current assumption is based on the one used in the most recent actuarial valuation of pension benefits through MERS. Said assumptions are based on an experience study conducted using actual MERS experience from 2014 - 2018.

ACTUARIAL ASSUMPTIONS

Disability Incidence

Participants are assumed to terminate employment due to disability in accordance with the MERS disability incidence assumption, which are annual rates varying by age. Sample rates are as follows:

| Age | Rates |
|-----|-------|
| 20 | 0.02% |
| 25 | 0.02% |
| 30 | 0.02% |
| 35 | 0.05% |
| 40 | 0.08% |
| 45 | 0.20% |
| 50 | 0.29% |
| 55 | 0.38% |
| 60 | 0.39% |
| 65 | 0.39% |

Rationale: The Employer does not have enough data to conduct a fully credible experience analysis with respect to withdrawal rates. The current assumption is based on the one used in the most recent actuarial valuation of pension benefits through MERS. Said assumptions are based on an experience study conducted using actual MERS experience from 2014 - 2018.

ACTUARIAL ASSUMPTIONS

Retirement Rates

Participants are assumed to retire in accordance with annual rates varying by years of service. Sample rates are as follows.

| Years of Service | Rates |
|------------------|--------|
| Under 5 | 15.00% |
| 5-9 | 15.00% |
| 10-20 | 20.00% |
| 21 | 22.00% |
| 22 | 24.00% |
| 23 | 26.00% |
| 24 | 30.00% |
| 25 | 34.00% |
| 26-30 | 25.00% |
| 31-34 | 28.00% |
| 35-39 | 25.00% |
| 40+ | 25.00% |

100% retirement is assumed at age 85.

Rationale: The Employer does not have enough data to conduct a fully credible experience analysis with respect to retirement rates. The current assumption is based on the one used in the most recent actuarial valuation of pension benefits through MERS. Said assumptions are based on an experience study conducted using actual MERS experience from 2014 - 2018. MERS retirement rates are based on pension replacement ratios; for purposes of this valuation, they have been converted to service-related rates to reflect similar expectations.

ACTUARIAL ASSUMPTIONS

Annual Claims Costs

The estimated annual claims costs are shown below.

| Age | Medical /Rx | Stop-Loss | Fixed Admin Fee |
|-----|--------------|--------------|-----------------|
| 50 | 8,442 | 3,429 | 913 |
| 51 | 8,780 | 3,429 | 913 |
| 52 | 9,131 | 3,429 | 913 |
| 53 | 9,496 | 3,429 | 913 |
| 54 | 9,876 | 3,429 | 913 |
| 55 | 10,271 | 3,429 | 913 |
| 56 | 10,682 | 3,429 | 913 |
| 57 | 11,109 | 3,429 | 913 |
| 58 | 11,553 | 3,429 | 913 |
| 59 | 12,015 | 3,429 | 913 |
| 60 | 12,496 | 3,429 | 913 |
| 61 | 12,996 | 3,429 | 913 |
| 62 | 13,516 | 3,429 | 913 |
| 63 | 14,056 | 3,429 | 913 |
| 64 | 14,619 | 3,429 | 913 |
| Age | Plan 33 / 41 | Plan 34 / 36 | |
| 65 | 1,468 | 2,382 | |
| 66 | 1,504 | 2,442 | |
| 67 | 1,542 | 2,503 | |
| 68 | 1,581 | 2,565 | |
| 69 | 1,620 | 2,629 | |
| 70 | 1,704 | 2,766 | |
| 71 | 1,738 | 2,822 | |
| 72 | 1,773 | 2,878 | |
| 73 | 1,809 | 2,936 | |
| 74 | 1,845 | 2,994 | |
| 75 | 1,885 | 3,059 | |
| 76 | 1,913 | 3,105 | |
| 77 | 1,942 | 3,152 | |
| 78 | 1,971 | 3,199 | |
| 79 | 2,000 | 3,247 | |
| 80 | 1,984 | 3,220 | |
| 81 | 2,004 | 3,253 | |
| 82 | 2,024 | 3,285 | |
| 83 | 2,044 | 3,318 | |
| 84 | 2,065 | 3,351 | |
| 85+ | 2,085 | 3,385 | |

ACTUARIAL ASSUMPTIONS

Health Care Claims (Cost) Trend Rates

The estimated increase in Annual Claims Costs are assumed to be as follows:

| Years After Meas. Date | Medical / Pharmacy | | Stop Loss / Fixed Fees |
|------------------------|--------------------|---------|------------------------|
| | Pre 65 | Post 65 | |
| 1 | 7.25% | 5.50% | 2.25% |
| 2 | 7.00% | 5.25% | 2.25% |
| 3 | 6.75% | 5.00% | 2.25% |
| 4 | 6.50% | 4.75% | 2.25% |
| 5 | 6.25% | 4.50% | 2.25% |
| 6 | 6.00% | 4.50% | 2.25% |
| 7 | 5.75% | 4.50% | 2.25% |
| 8 | 5.50% | 4.50% | 2.25% |
| 9 | 5.25% | 4.50% | 2.25% |
| 10 | 5.00% | 4.50% | 2.25% |
| 11 | 4.75% | 4.50% | 2.25% |
| 12+ | 4.50% | 4.50% | 2.25% |

Claims costs and premium equivalent rates are assumed to increase according to the above healthcare trend.

Rationale: The medical / pharmacy baseline trend increases are the Uniform Assumptions published in accordance with Public Act 202 of 2017. They are based on a survey of over 100 health insurers, managed care organizations, pharmacy benefit managers, and third party administrators, about forecasted health plan cost trends. Respondents included the five largest health insurance payers in the U.S., the five largest pharmacy benefits managers in the U.S., and the largest health insurance plan in the State of Michigan. The healthcare trend survey was published by Segal Consulting in Fall 2020.

ACTUARIAL ASSUMPTIONS

Election Rates

Future Retirees:

100% of future retirees are assumed to elect coverage at retirement. Different plans are offered for post-65 coverage. Retirees are assumed to elect the different plans at the following percentages:

| Plan | Rate |
|------|--------|
| 33 | 2.00% |
| 34 | 9.00% |
| 36 | 86.00% |
| 41 | 3.00% |

Current Retirees:

Based on current coverage election. It is assumed no one will opt-in or opt-out of coverage once initial retirement election has been made.

Rationale: The assumed rate of participation incorporated into these measurements is based on observations of the plan's past experience, the actuary's experience with plans of a similar size, plan design and retiree contribution level.

Spousal Election Rates

Future Retirees:

70% of participants are assumed to be married at retirement. 100% of future married retirees are assumed to elect to cover their spouse under the same plan at retirement.

Current Retirees and Spouses:

Based on current coverage election. It is assumed no one will opt-in or opt-out of coverage once initial retirement election has been made.

Rationale: The assumed rate of participation incorporated into these measurements is based on observations of the plan's past experience, the actuary's experience with plans of a similar size, plan design and retiree contribution level.

Spouse Age

Females are assumed to be 3 years younger than males.

Rationale: The spousal assumptions incorporated into these measurements is based on observations of the plan's past experience, the actuary's experience with plans of a similar size, plan design and retiree contribution level.

ACTUARIAL ASSUMPTIONS

Morbidity

Annual per capita claims costs are adjusted by age, as follows:

| Age | Rate |
|----------|-------|
| Under 65 | 4.00% |
| 65-69 | 2.50% |
| 70-74 | 2.00% |
| 75-79 | 1.50% |
| 80-84 | 1.00% |
| 85+ | 0.00% |

Decrement Timing

Mid-year.

Changes in Actuarial Assumptions since the prior valuation

The Municipal Bond rate increased from 2.18% to 4.09%. However, this change did not impact the valuation results.

The Minimum Rate in accordance with the Uniform Assumptions Memo decreased from 2.20% to 2.16%, however this change did not impact the valuation results.

Annual Claims Costs were updated to reflect experience since the previous valuation. The Morbidity assumptions were updated.

The Plan Election Rates were updated to incorporate the new post-65 plans.

ACTUARIAL METHODS

Actuarial Cost Method Individual Entry Age Normal as a level percentage of payroll.

Actuarially Determined Contribution The Actuarially Determined Contribution (ADC) is calculated in accordance with Public Act 202 of 2017 and/or the Employer's funding and investment policy.

Amortization Methods The Amortization Factor in the Actuarially Determined Contribution has been determined using a level dollar method (for closed plans) or a level percentage of pay method (for open plans) over a closed period no greater than 30 years.

Amortization Methods Deferred Inflows (Outflows) are amortized in OPEB Expense (Income) as follows:

- Differences between projected and actual earnings are amortized over 5 years.
- Differences between expected and actual experience are amortized over the average future service lives of all participants.
- Changes in assumptions are amortized over the average future service lives of all participants.

ACTUARIAL METHODS

Annual Claims Costs

According to GASB Standards, when an employer provides benefits to both active employees and retirees through the same plan, the benefits to retirees should be segregated and measured independently for actuarial measurement purposes. The projection of future retiree benefits should be based on an age-adjusted claims costs curve or age-adjusted premiums approximating claims costs in accordance with actuarial standards issued by the Actuarial Standards Board.

Pre-65: Annual per capita claims costs were developed using paid medical and pharmacy claims and enrollment data, net of stop-loss reimbursements, from July 1, 2020 - June 30, 2022. Medical and pharmacy data were analyzed separately, and projected to the current claims year based on the anticipated trend rates from the most recent Segal Survey. The resulting costs were then adjusted for age-specific starting costs using average ages and the morbidity assumptions outlined herein to reflect the relationship between costs and increasing age. Assumed trend rates were as follows:

| | Pre-65 | |
|------|---------|-------|
| | Medical | Rx |
| 2020 | 6.80% | 7.10% |
| 2021 | 7.70% | 7.30% |
| 2022 | 7.30% | 8.40% |

Post-65: Medicare-eligible per-capita costs were developed using the fully-insured premium rates for the 2022 plan year, as provided by the insurer. Rates were then disaggregated into age-specific starting costs using average ages and the morbidity assumptions outlined herein to reflect the relationship between costs and increasing age.

Discount Rate

According to GASB Nos. 74 & 75, if assets are set aside in an irrevocable trust and these assets along with projected contributions to this trust are expected to be sufficient to pay for expected benefit payments from the Plan, then the discount rate should reflect the estimated long-term investment return. If assets are not set aside in an irrevocable trust, the discount rate should be based on Municipal Bond Rates. If assets are set aside in an irrevocable trust and these assets along with projected contributions to this trust are not expected to be sufficient to pay for expected benefit payments from the Plan, then the discount rate should be based on a blend of the estimated long-term investment return and Municipal Bond Rates.

ACTUARIAL METHODS

Funding Policy

The funding policy of the Plan is to contribute the amount that would be equal to the Annual Required Contribution under GASB Statement No. 45.

Medical Benefits**Valuation Method**

The total costs associated with the plan are determined as the sum of the explicit cost and the implicit cost, if any, to the employer. The explicit cost is equal to the premiums paid minus the retiree contributions.

Participant Data Methods

Participant data used was supplied by the plan sponsor. The plan sponsor provides us with data on all participants as of the valuation date. We have reviewed the data and have no reason to doubt its substantial accuracy.

Retiree Opt-Out

None.

Changes in Actuarial Methods since the prior valuation

None.

SUMMARY of PLAN BENEFITS

The following is a summary of what we understand to be the most relevant plan provisions for purposes of actuarial valuations. This summary should not be used for purposes of determining plan benefits. In the event that any description contained herein differs from the actual eligibility or benefit, the appropriate employee contract or government document will prevail.

| | |
|--------------------------------------|--|
| Plan Sponsor | City of Eastpointe |
| Plan Name | City of Eastpointe Retiree Health Care Plan (Plan) |
| Eligibility Requirements | Eligibility is closed to new hires. Age and service requirements and applicable hire dates by division are as follows: |
| | |
| Fire | <ul style="list-style-type: none"> • Hired before June 30, 2011; • Attainment of age 50 with 25 years of service |
| Fire – Non-Duty Disability | <ul style="list-style-type: none"> • Hired before June 30, 2011 • 10 years of service |
| General | <ul style="list-style-type: none"> • Hired before March 9, 2009; • Attainment of age 60 with 25 years of service |
| General – Non-Duty Disability | <ul style="list-style-type: none"> • Hired before March 9, 2009 • 10 years of service |
| Police | <ul style="list-style-type: none"> • Hired before June 30, 2012; • Attainment of age 50 with 25 years of service |
| Police – Non-Duty Disability | <ul style="list-style-type: none"> • Hired before June 30, 2012 • 10 years of service |
| Police –Duty Disability | <ul style="list-style-type: none"> • Hired before June 30, 2011 • No age or service requirements |
| Insured Type | Pre-65: Self-insured Post-65: Fully insured. |

SUMMARY of PLAN BENEFITS

Retiree BenefitsBenefits

Medical and pharmacy

Length of Benefits

Retiree: Benefits cease upon death

Spouse: Benefits may continue after the retiree dies, until the spouse's death

Annual Premiums

Annual premiums in effect for 2022 are as follows:

| Plan | Pre-65 | Post-65 |
|---------|---------|---------|
| Plan 33 | \$6,390 | \$1,805 |
| Plan 34 | \$9,084 | unknown |
| Plan 36 | \$9,769 | \$2,930 |
| Plan 41 | \$6,138 | \$1,805 |

Retiree Contributions

Future retirees pay \$29.28 per month for two-person coverage until Medicare Eligible

Non-Duty Disabilities – The City pay 2.50% of the premiums for each year of service while the retiree pays the difference. At 10 years of service, the City pays 25% and the retirees pay 75%, at 15 years of service, the City pays 37.5% and the retiree pays 62.5%, and so on.

Changes in Plan Benefits recognized since the last valuation

None.