

# Bay City Retiree Health Care Plan

GASB Statement No. 75, Accounting and Financial Reporting for  
Postemployment Benefits Other Than Pensions

Fiscal Year Ending September 30, 2023





July 17, 2023

Ms. Scotty Jones  
Finance Director  
City of Bay City  
1901 Fifth St.  
Bay City, TX 77414

Dear Ms. Jones:

This report provides information on behalf of the Bay City Retiree Health Care Plan in connection with the Governmental Accounting Standards Board (GASB) Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." 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 No. 75. The calculation of the plan's liability for this report is not applicable for funding purposes of the plan. A calculation of the plan's liability for purposes other than satisfying the requirements of GASB Statement No. 75 may produce significantly different results. This report may be provided to parties other than Bay City only in its entirety and only with the permission of the City. GRS is not responsible for unauthorized use of this report.

This report complements the actuarial valuation report prepared as of December 31, 2021, and information herein should be considered along with the information from that report, especially for additional information related to participant data, benefit provisions and actuarial assumptions.

This report is based upon information, furnished to us by the City, concerning other postemployment benefits (OPEB), active members, deferred vested members, retirees and beneficiaries, and financial data. This information was checked for internal consistency, but it was not audited.

Based on the available data, the information contained in this report is accurate and fairly represents the actuarial position of the Bay City 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. The assumptions used for the measurements are reasonable and appropriate for the purposes for which they have been used. 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 author of the report prior to making such decision.

Ms. Scotty Jones

July 17, 2023

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This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

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.

The signing individuals are independent of the plan sponsor.

Mr. Orth and Mr. Fritz 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,

**Gabriel, Roeder, Smith & Company**



Blake Orth, FSA, EA, MAAA



Andy Fritz, EA, MAAA



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# SECTION A

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## EXECUTIVE SUMMARY

# Executive Summary

Actuarial Valuation Date	December 31, 2021
Measurement Date of the Total OPEB Liability	December 31, 2022
Employer's Fiscal Year Ending Date (Reporting Date)	September 30, 2023

**Membership\***

Number of	
- Retirees and Beneficiaries	1
- Inactive, Nonretired Members	0
- Active Members	134
- Total	135
Covered Payroll	\$ 7,745,526

**Total OPEB Liability**

Total OPEB Liability	\$ 261,536
Total OPEB Liability as a Percentage of Covered Payroll	3.38 %

**Development of the Single Discount Rate**

Long-Term Municipal Bond Rate**	4.05 %
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**Total OPEB Expense**

	\$ 32,939
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**Balances of Deferred Outflows and Deferred Inflows of Resources Related to OPEB**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 16,455	\$ 21,555
Changes in assumptions	39,973	73,515
Contributions subsequent to the measurement date	9,644	
<b>Total</b>	\$ 66,072	\$ 95,070

\* The membership counts provided above are as of the valuation date.

\*\* Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in the Fidelity "20-Year Municipal GO AA Index" as of December 31, 2022.



# Discussion

## Accounting Standard

GASB Statement No. 75 replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

Reporting under GASB 75 is effective for fiscal years commencing after June 15, 2017.

The following discussion provides a summary of the information that is required to be disclosed under this new accounting standard. A number of these disclosure items are provided in this report. However, certain information within the OPEB note disclosure regarding accounting policies and investments (if any) is not included in this report. As a result, the employer is responsible for preparing and disclosing the non-actuarial information needed to comply with these accounting standards.

## Financial Statements

For plans that do not have formal trusts, GASB Statement No. 75 requires state and local government employers to recognize the total OPEB liability and the OPEB expense on their financial statements, along with the related deferred outflows and inflows of resources. In traditional actuarial terms, the total OPEB liability is analogous to the actuarial accrued liability.

In addition to the deferred outflows/inflows related to plan experience and assumption changes, GASB Statement No. 75 states the benefit payments and administrative costs incurred subsequent to the measurement date and before the end of the employer's reporting period should be reported as a deferred outflow of resources.

## Implicit Subsidy

GASB Statements No. 75 and No. 68 are conceptually very similar in terms of the liability which is recognized on the balance sheet, the expense calculation, and the corresponding deferred outflows and inflows of resources. The main differences between the standards are related to the differences between pension and health care benefits. One particular difference is a concept referred to as the "implicit subsidy", which applies to health plans that utilize blended premiums, that has no counterpart in GASB Statement No. 68. The City's health plan utilizes a "blended premium" structure. Said another way, the overall health care premiums for active employees and non-Medicare retirees are stated in terms of a single "blended premium". The difference between the underlying retiree claims and the blended overall health care premium is referred to as an "implicit" or "hidden" subsidy. Because the underlying claims costs for a non-Medicare retiree are on average higher than the blended premium, there is a positive implicit subsidy for the non-Medicare retirees.

GASB defines the employer provided OPEB benefit as the difference between the underlying claims costs and the premium contributions made by retirees. As a result, the employer's portion of the blended health care premium is not what GASB considers the employer benefit. In order to account for the employer provided OPEB benefit, as it's defined by GASB, the explicit premium subsidies need to be adjusted to reflect the implicit subsidy (the difference between the estimated retiree claims and the overall premiums).

## Implicit Subsidy (continued)

For plans that use a blended premium structure, Illustrations B1-1 and B1-2 of Implementation Guide No. 2017-3 describe how a portion of the payments made on behalf of the active employees should be reclassified as benefit payments for retiree health care to reflect the retirees' underlying claims costs. Adjusting the explicit health care costs for active employees and retirees by the implicit subsidy estimates provided in this report is equivalent to the reclassification described in the Implementation Guide. **It's important to note that the implicit subsidy is considered an employer contribution and any employer contributions related to OPEB need to include the implicit subsidy.** This report provides the estimated implicit subsidy for the measurement period and for the purpose of the deferred outflow of resources related to benefit payments made after the measurement date.

To summarize, because the health plan utilizes blended premiums, the benefit payments for GASB Statement No. 75 purposes need to include an adjustment for the implicit subsidy. This adjustment reflects the underlying cost of the benefits provided to retirees, which is how GASB defines the employer's OPEB benefit/liability. This adjustment is needed for the benefits during the measurement period and also for the purpose of the deferred outflow related to the benefits paid after the measurement date.

## Timing and Frequency 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 total OPEB liability and OPEB expense should be measured as of the employer's "measurement date" which may not be earlier than the employer's prior fiscal year end-date. If the actuarial valuation used to determine the total OPEB liability is not calculated as of the measurement date, the total OPEB liability is required to be rolled forward from the actuarial valuation date to the measurement date.

The total OPEB liability shown in this report is based on an actuarial valuation performed as of December 31, 2021. Update procedures were used to roll forward the total OPEB liability to the measurement date of December 31, 2022.

## Discount Rate

For plans that do not have a formal trust that meets GASB's requirements, the discount rate should equal the 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. For the purpose of this valuation, the municipal bond rate is 4.05% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index").





## Notes to Financial Statements

Paragraphs 162 – 171 of GASB Statement No. 75 discuss the note disclosures and required supplementary information (RSI) for plans that do not have formal assets. We recommend employers review these paragraphs as well as Illustration 4 in Appendix C of GASB Statement No. 75, which provides sample note disclosures and RSI for a single-employer plan that is not administered through a formal trust. 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 (if any), deferred outflows of resources and inflows of resources related to OPEB, and descriptive information about the plan. The requirements listed below apply to OPEB plans that do not have formal assets that meet the criteria in paragraph 4 of GASB Statement No. 75.

- **Plan Description:**
  - The name of the OPEB plan, the administrator of the OPEB plan, and the identification of the OPEB plan as a single-employer or multiple-employer OPEB plan.
  - A brief description of the types of benefits provided by the plan, automatic or ad hoc postemployment benefit changes including COLAs, and terms or policies regarding the sharing of benefit-related costs with inactive plan members.
  - The authority under which benefit terms are established or may be changed.
  - The number of plan members by category and if the plan is closed.
  - A brief description of member and employer contribution requirements.
  - The fact that there are no assets accumulated in a trust.
- **The total OPEB liability**
- **Significant assumptions and other inputs used to measure the total OPEB liability**
  - Significant assumptions include: Inflation, healthcare cost trend rates, salary changes, ad hoc postemployment benefit changes, and the sharing of benefit-related costs with inactive plan members.
  - If applicable, the patterns of practice relied upon for projecting the sharing of benefit-related costs with inactive plan members.
  - Source of the assumptions for mortality and dates of experience studies.
- **Measure of the total OPEB liability using +/- 1% on the health care trend rate.**
- **On the discount rate:**
  - The discount rate used and the change in the discount rate since the prior fiscal year-end.
  - The municipal bond rate used and the source of that rate.
  - Measure of the net OPEB liability using +/- 1% on the discount rate.
- **The measurement date, the date of the actuarial valuation, and if applicable the fact that update procedures were used to roll forward the total OPEB liability.**
- **A brief description of changes in benefit terms or assumptions that affected the measurement of the total OPEB liability since the prior measurement date.**
- **A brief description of changes made between the measurement date and reporting date.**
- **The employer's contributions (including benefit payments that are not paid/reimbursed by a formal trust) made subsequent to the measurement date.**

## Required Supplementary Information for Plans that Do Not Have Formal Assets

GASB Statement No. 75 requires a 10-year fiscal history of:

- Sources of changes in the total OPEB liability.
- Information about the total OPEB liability and related ratios, including the total OPEB liability as a percent of covered-employee payroll.

## Actuarial Assumptions

The demographic assumptions are based on the assumptions that were developed for the defined benefit plan in which the City participates (TMRS). The assumptions are based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS). The demographic assumptions that are specific to OPEB are based on the plan's individual experience and are revisited during each full valuation. The healthcare trend assumption is based on the framework developed in the Society of Actuaries' Getzen Model.

## Future Uncertainty or Risk

Future results may differ from those anticipated in this valuation. Reasons include, but are not limited to:

- Actual medical trend differing from expected;
- Changes in the healthcare plan designs offered to active and retired members; and
- Participant behavior or experience differing from expected;
  - Elections at retirement;
  - One-person versus two-person coverage elections;
  - Time of retirement or termination;
  - Catastrophic claims.

## Benefits Valued

The benefit provisions are the same as those used in the valuation report as of December 31, 2021.

## Effective Date and Transition

GASB Statement No. 75 is effective for an employer's fiscal years beginning after June 15, 2017.

**SECTION B**

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**FINANCIAL SCHEDULES**

# Schedule of Changes in Total OPEB Liability and Related Ratios

## Fiscal Year Ending September 30, 2023

<b>Total OPEB liability</b>	
Service cost	\$ 31,339
Interest on the total OPEB liability	5,772
Changes of benefit terms	0
Difference between expected and actual experience of the total OPEB liability	(1,548)
Changes of assumptions	(65,612)
Benefit payments	(12,905)
<b>Net change in total OPEB liability</b>	(42,954)
<b>Total OPEB liability – beginning</b>	304,490
<b>Total OPEB liability – ending</b>	261,536
<b>Covered-employee payroll</b>	\$ 7,745,526
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	3.38 %

The ending Total OPEB Liability was as of December 31, 2022.

Changes of assumptions reflect a change in the discount rate from 1.84% as of December 31, 2021 to 4.05% as of December 31, 2022.

The benefit payments during the measurement period were determined as follows:

- |                           |    |          |                                 |
|---------------------------|----|----------|---------------------------------|
| a. Age-adjusted premiums  | \$ | 31,447   | (retiree contributions * 1.696) |
| b. Retiree contributions  |    | (18,542) | (data provided by the City)     |
| c. Total benefit payments | \$ | 12,905   |                                 |

The 1.696 factor equals the ratio of the expected retiree claims to the expected retiree contributions. The underlying retiree claims were estimated using age-adjusted premiums.



## Recognition of Deferred Outflows and Deferred Inflows of Resources

Differences between expected and actual experience and changes in assumptions are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period.

The expected remaining service lives of all active employees in the plan was approximately 1,018 years. Additionally, the total plan membership (active employees and inactive employees) was 135. 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 7.5444 years.

## Statement of Outflows and Inflows Arising from Current Reporting Period

	Recognition Period (or amortization years)	Total (Inflow) or Outflow	2023 Recognized in current OPEB expense	Deferred (Inflow) or Outflow in future expense
<b>Due to Liabilities:</b>				
Differences in expected and actual experience	7.5444	\$ (1,548)	\$ (205)	\$ (1,343)
Assumption changes	7.5444	\$ (65,612)	\$ (8,697)	\$ (56,915)
<b>Total</b>		<b>\$ (67,160)</b>	<b>\$ (8,902)</b>	<b>\$ (58,258)</b>

This table is provided to document sources of the new deferred inflows and outflows resulting from the current reporting year. The table is not a required disclosure. The required disclosures regarding deferred inflows and outflows of resources related to OPEB are shown on the following page.

## Statement of OPEB Expense under GASB Statement No. 75 Fiscal Year Ending September 30, 2023

Service Cost	\$ 31,339
Interest on the Total OPEB Liability	5,772
Current-Period Benefit Changes	0
OPEB Plan Administrative Expense	0
Recognition of Current Year Outflow (Inflow) due to Liabilities	(8,902)
Amortization of Prior Year Outflow (Inflow) due to Liabilities	4,730
<b>Total OPEB Expense</b>	<b>\$ 32,939</b>



## Balances of Deferred Outflows and Deferred Inflows of Resources Related to OPEB

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 16,455	\$ 21,555
Changes in assumptions	39,973	73,515
Contributions subsequent to the measurement date	9,644	
<b>Total</b>	\$ 66,072	\$ 95,070

Employer contributions (benefit payments for unfunded plans) made subsequent to the measurement date of the total OPEB liability (December 31, 2022) and prior to the end of the employer's reporting period (September 30, 2023) should be reported by the employer as a deferred outflow related to OPEB. See paragraph 159 of GASB Statement No. 75 for plans that do not have formal assets.

The deferred outflow of \$9,644 for benefit payments paid after the measurement date was developed using the expected employer provided benefits from the most recent actuarial valuation.

## Deferred Outflows and Deferred Inflows to be Recognized in Future OPEB Expense

Year Ending September 30	Net Deferred Outflows/(Inflows)
2024	\$ (4,172)
2025	(4,172)
2026	(5,490)
2027	(4,216)
2028	(7,170)
Thereafter	(13,422)
<b>Total</b>	\$ (38,642)

## Deferred Outflows and Inflows – Amortization Schedule

	Remaining Recognition Period	Outflow/(Inflow) at beginning of Fiscal Year (or created in current year)	Fiscal Year Ending							Outflow/(Inflow) at end of Fiscal Year
			2023	2024	2025	2026	2027	2028	Thereafter	
<b>Differences in Experience</b>										
2023	7.5444	(1,548)	(205)	(205)	(205)	(205)	(205)	(205)	(318)	(1,343)
2022	6.5444	19,423	2,968	2,968	2,968	2,968	2,968	2,968	1,615	16,455
2021	5.4057	(1,528)	(282)	(282)	(282)	(282)	(282)	(118)	0	(1,246)
2020	4.9984	(22,934)	(4,589)	(4,589)	(4,589)	(4,589)	(4,578)	0	0	(18,345)
2019	4.0311	(826)	(205)	(205)	(205)	(205)	(6)	0	0	(621)
2018	3.0311	0	0	0	0	0	0	0	0	0
Total			\$ (2,313)	\$ (2,313)	\$ (2,313)	\$ (2,313)	\$ (2,103)	\$ 2,645	\$ 1,297	\$ (5,100)
<b>Assumption Changes</b>										
2023	7.5444	(65,612)	(8,697)	(8,697)	(8,697)	(8,697)	(8,697)	(8,697)	(13,430)	(56,915)
2022	6.5444	(15,491)	(2,367)	(2,367)	(2,367)	(2,367)	(2,367)	(2,367)	(1,289)	(13,124)
2021	5.4057	16,649	3,080	3,080	3,080	3,080	3,080	1,249	0	13,569
2020	4.9984	29,543	5,910	5,910	5,910	5,910	5,903	0	0	23,633
2019	4.0311	(4,624)	(1,148)	(1,148)	(1,148)	(1,148)	(32)	0	0	(3,476)
2018	3.0311	4,134	1,363	1,363	1,363	45	0	0	0	2,771
Total			\$ (1,859)	\$ (1,859)	\$ (1,859)	\$ (3,177)	\$ (2,113)	\$ (9,815)	\$ (14,719)	\$ (33,542)
<b>Total Recognized in Future Expense</b>				\$ (4,172)	\$ (4,172)	\$ (5,490)	\$ (4,216)	\$ (7,170)	\$ (13,422)	\$ (38,642)

This table is provided to document sources of the outstanding deferred inflows and outflows from year to year. The table is not a required disclosure. The required disclosures regarding deferred inflows and outflows of resources related to OPEB are shown on the previous page.

# Actuarial Assumptions and Methods

**Valuation Date:** December 31, 2021

## Methods and Assumptions:

Actuarial Cost Method	Individual Entry-Age Normal
Discount Rate	4.05% as of December 31, 2022
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables published through 2019 to account for future mortality improvements.
Health Care Trend Rates	Initial rate of 6.75% declining to an ultimate rate of 4.15% after 12 years.
Participation Rates	20% of those retiring between ages 50 and 65 were assumed to elect medical coverage through the City's plan.

## Other Information:

Notes The discount rate changed from 1.84% as of December 31, 2021 to 4.05% as of December 31, 2022.



## Discount Rate

For plans that do not have formal assets, the discount rate should equal the 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. For the purpose of this valuation, the municipal bond rate is 4.05% (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-Year Municipal GO AA Index”). The discount rate was 1.84% as of the prior measurement date.

## Plan Assets

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

## Summary of Membership Information

The following table provides a summary of the number of participants in the plan as of December 31, 2021:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	1
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	0
Active Plan Members	<u>134</u>
Total Plan Members	135

Note: Membership information should be disclosed as of the measurement date (December 31, 2022). Because valuations are performed biennially, GRS does not have the membership counts as of the measurement date. It is the responsibility of the plan sponsor to disclose the membership counts as of December 31, 2022.

## Rollforward Disclosure

The actuarial valuation was performed as of December 31, 2021. Update procedures were used to roll forward the total OPEB liability to December 31, 2022.

## Sample Disclosures and Required Supplementary Information (RSI)

Illustration 4 in Appendix C of GASB Statement No. 75 provides sample note disclosures and required supplementary information for a single-employer plan that is not administered through a formal trust.

### Sensitivity of Total OPEB Liability to the Discount Rate Assumption

Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the plan’s total OPEB liability, calculated using a discount rate of 4.05%, as well as what the plan’s total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

<b>1% Decrease</b>	<b>Current Discount Rate Assumption</b>	<b>1% Increase</b>
<b>3.05%</b>	<b>4.05%</b>	<b>5.05%</b>
\$ 288,983	\$ 261,536	\$ 237,649

### Sensitivity of Total OPEB Liability to the Healthcare Cost Trend Rate Assumption

Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, the following presents the plan’s total OPEB liability, calculated using the assumed trend rates as well as what the plan’s total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rate Assumption</b>	<b>1% Increase</b>
\$ 231,591	\$ 261,536	\$ 297,930

## SECTION C

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### REQUIRED SUPPLEMENTARY INFORMATION

## Schedule of Changes in Total OPEB Liability and Related Ratios Last 10 Fiscal Years (which may be built prospectively)

Fiscal year ending September 30,	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>						
Service cost	\$ 31,339	\$ 20,169	\$ 16,267	\$ 11,851	\$ 13,282	\$ 11,720
Interest on the total OPEB liability	5,772	5,820	6,967	8,323	7,294	7,406
Changes of benefit terms	0	0	0	0	0	0
Difference between expected and actual experience	(1,548)	22,391	(2,092)	(36,701)	(1,646)	0
Changes of assumptions	(65,612)	(17,858)	22,809	47,273	(9,216)	10,949
Benefit payments	<u>(12,905)</u>	<u>(13,858)</u>	<u>(2,657)</u>	<u>(5,236)</u>	<u>(4,832)</u>	<u>(4,923)</u>
<b>Net change in total OPEB liability</b>	(42,954)	16,664	41,294	25,510	4,882	25,152
<b>Total OPEB liability - beginning</b>	304,490	287,826	246,532	221,022	216,140	190,988
<b>Total OPEB liability - ending</b>	<u>261,536</u>	<u>304,490</u>	<u>287,826</u>	<u>246,532</u>	<u>221,022</u>	<u>216,140</u>
<b>Covered-employee payroll</b>	\$ 7,745,526	\$ 7,485,636	\$ 6,975,907	\$ 6,575,716	\$ 6,973,473	\$ 6,759,060
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	3.38 %	4.07 %	4.13 %	3.75 %	3.17 %	3.20 %
<b>Notes to Schedule:</b>						
Discount Rate	4.05 %	1.84 %	2.00 %	2.75 %	3.71 %	3.31 %

Changes of assumptions reflect the effects of changes in the discount rate each period. The discount rate at the beginning of FYE 2018 was 3.81%.

FYE22 - The methodology for determining service cost was changed and the dependent coverage assumption for males was increased.

FYE20 - The demographic assumptions were updated to reflect the 2019 TMRS Experience Study and the health care trend rates were updated.



# SECTION D

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## GLOSSARY OF TERMS

# Glossary of Terms

<b>Accrued Service</b>	Service credited under the system that was rendered before the date of the actuarial valuation.
<b>Actuarial Assumptions</b>	These assumptions are estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and compensation increases. Actuarial assumptions are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (compensation increases, payroll growth, inflation and investment return) consist of an underlying real rate of return plus an assumption for a long-term average rate of inflation.
<b>Actuarial Cost Method</b>	A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of the OPEB trust benefits between future normal cost and actuarial accrued liability. The actuarial cost method may also be referred to as the actuarial funding method.
<b>Actuarial Gain/(Loss)</b>	The difference in liabilities between actual experience and expected experience during the period between two actuarial valuations is the gain (loss) on the accrued liabilities.
<b>Actuarial Valuation</b>	The actuarial valuation report determines, as of the actuarial valuation date, the service cost, total OPEB liability, and related actuarial present value of projected benefit payments for OPEB.
<b>Actuarial Valuation Date</b>	The date as of which an actuarial valuation is performed.
<b>Actuarially Determined Contribution (ADC) or Annual Required Contribution (ARC)</b>	A calculated contribution into an OPEB plan for the reporting period, most often determined based on the funding policy of the plan. Typically, the Actuarially Determined Contribution has a normal cost payment and an amortization payment.
<b>Covered-Employee Payroll</b>	The payroll of employees that are provided with benefits through the OPEB plan.
<b>Deferred Inflows and Outflows</b>	The deferred inflows and outflows of OPEB resources are amounts used under GASB Statement No. 75 in developing the annual OPEB expense. Deferred inflows and outflows arise with differences between expected and actual experiences; changes of assumptions. The portion of these amounts not included in the OPEB expense should be included in the deferred inflows or outflows of resources.

# Glossary of Terms

## Discount Rate

For GASB purposes, the discount rate is the single rate of return that results in the present value of all projected benefit payments to be equal to the sum of the funded and unfunded projected benefit payments, specifically:

1. The benefit payments to be made while the OPEB plans' fiduciary net position is projected to be greater than the benefit payments that are projected to be made in the period; and
2. The present value of the benefit payments not in (1) above, discounted using the municipal bond rate.

For plans that do not have formal assets, the discount rate will equal the prevailing municipal bond rate.

## 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 ages(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.

## 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.



# Glossary of Terms

<b>Non-Employer Contributing Entities</b>	Non-employer contributing entities are entities that make contributions to an OPEB plan that is used to provide OPEB payments to the employees of other entities. For purposes of the GASB accounting statements, plan members are not considered non-employer contributing entities.
<b>Other Postemployment Benefits (OPEB)</b>	All postemployment benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits regardless of the manner in which they are provided. Other post-employment benefits do not include termination benefits.
<b>Real Rate of Return</b>	The real rate of return is the rate of return on an investment after adjustment to eliminate inflation.
<b>Service Cost</b>	The service cost is the portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.
<b>Total OPEB Expense</b>	<p>The total OPEB expense is the sum of the following items that are recognized at the end of the employer’s fiscal year:</p> <ol style="list-style-type: none"><li>1. Service Cost</li><li>2. Interest on the Total OPEB Liability</li><li>3. Current-Period Benefit Changes</li><li>4. Employee Contributions (made negative for addition here)</li><li>5. Projected Earnings on Plan Investments (made negative for addition here)</li><li>6. OPEB Plan Administrative Expense</li><li>7. Other Changes in Plan Fiduciary Net Position</li><li>8. Recognition of Outflow (Inflow) of Resources due to Liabilities</li><li>9. Recognition of Outflow (Inflow) of Resources due to Assets</li></ol> <p>Note: Items 5, 7 and 9 are not applicable to unfunded plans.</p>
<b>Total OPEB Liability (TOL)</b>	The TOL is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service.