

City of Taylor General Employees Retirement System

GASB Statement Nos. 67 and 68 Accounting and
Financial Reporting for Pensions
December 31, 2017



October 19, 2018

Board of Trustees
City of Taylor General
Employees Retirement System
Taylor, Michigan

Ladies and Gentlemen:

This report provides information required by the City of Taylor General Employees Retirement System in connection with the Governmental Accounting Standards Board (GASB) Statement No. 67 “Financial Reporting for Pension Plans” and Governmental Accounting Standards Board (GASB) Statement No. 68 “Accounting and Financial Reporting for Pensions.”

Our actuarial calculations for this report were prepared for the purpose of complying with the requirements of GASB Statement Nos. 67 and 68. These calculations have been made on a basis that is consistent with our understanding of these Statements.

Our calculation of the liability associated with the benefits described in this report was performed for the purpose of satisfying the requirements of GASB Statement Nos. 67 and 68. The calculation of the plan’s liability for this report may not be applicable for funding purposes of the plan. A calculation of the plan’s liability for purposes other than satisfying the requirements of GASB Statement Nos. 67 and 68 may produce significantly different results. This report may be provided to parties other than the City of Taylor General Employees Retirement System only in its entirety and only with the permission of the City of Taylor General Employees Retirement System. GRS is not responsible for unauthorized use of this report.

This report is based upon information, furnished to us by the City of Taylor General Employees Retirement System, concerning retirement and ancillary benefits, active members, deferred vested members, retirees and beneficiaries, and financial data. This information was checked for internal consistency, but it was not audited.

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an actuarial valuation performed as of December 31, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending December 31, 2017 using generally accepted actuarial principles.

This report complements the actuarial valuation report that was provided to the City of Taylor General Employees Retirement System and should be considered in conjunction with that report. Please see the actuarial valuation report as of December 31, 2016 for additional discussion of the nature of actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions.

This report is intended to assist in preparation of the financial statements of the City of Taylor General Employees Retirement System. Financial statements are the responsibility of the reporting entity and not the actuary. The statements are subject to an auditor's review. Please let us know if the plan's auditor recommends any changes.

To the best of our knowledge, the information contained within this report is accurate and fairly represents the actuarial position of the City of Taylor General Employees Retirement System. All calculations have been made in conformity with generally accepted actuarial principles and practices as well as with the Actuarial Standards of Practice issued by the Actuarial Standards Board.

The signing individuals are independent of the plan sponsor.

Brad Lee Armstrong is a Member of the American Academy of Actuaries (MAAA) and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,



Brad Lee Armstrong, ASA, EA, FCA, MAAA



David L. Hoffman

BLA/DLH:ah



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SECTION A

EXECUTIVE SUMMARY

Executive Summary as of December 31, 2016

Actuarial Valuation Date	December 31, 2016
Measurement Date of the Net Pension Liability	December 31, 2017
Employer's Fiscal Year Ending Date (Reporting Date)	December 31, 2017

Membership

Number of	
- Retirees and Beneficiaries	261
- Inactive, Nonretired Members	24
- Active Members	53
- Total	338
Covered Payroll#	\$ 2,645,503

Net Pension Liability

Total Pension Liability	\$ 82,529,785
Plan Fiduciary Net Position	41,838,868
Net Pension Liability	\$ 40,690,917
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	50.70 %
Net Pension Liability as a Percentage of Covered Payroll	1,538.12 %

Development of the Single Discount Rate

Single Discount Rate	7.50 %
Long-Term Expected Rate of Investment Return	7.50 %
Long-Term Municipal Bond Rate*	3.31 %
Last year ending December 31 in the 2018 to 2117 projection period for which projected benefit payments are fully funded	2117

Total Pension Expense \$ 3,186,300

Deferred Outflows and Deferred Inflows of Resources by Source to be Recognized in Future Pension Expenses

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,257,930	2,501,980
Total	\$ 1,257,930	\$ 2,501,980

*Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of December 28, 2017. In describing this index, Fidelity notes that the municipal curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax exempt securities.

Projected payroll based on the valuation date. This may not be the same as "covered payroll" as defined in GASB Statement No. 67.

Discussion

Accounting Standard

For pension plans that are administered through trusts or equivalent arrangements, Governmental Accounting Standards Board (GASB) Statement No. 67 establishes standards of financial reporting for separately issued financial reports and specifies the required approach for measuring the pension liability. Similarly, GASB Statement No. 68 establishes standards for state and local government employers (as well as non-employer contributing entities) to account for and disclose the net pension liability, pension expense, and other information associated with providing retirement benefits to their employees (and former employees) on their basic financial statements.

The following discussion provides a summary of the information that is required to be disclosed under these accounting standards. A number of these disclosure items are provided in this report. However, certain information, such as notes regarding accounting policies and investments, is not included in this report and the Retirement System and/or plan sponsor will be responsible for preparing and disclosing that information to comply with these accounting standards.

Financial Statements

GASB Statement No. 68 requires state or local governments to recognize the net pension liability and the pension expense on their financial statements. The net pension liability is the difference between the total pension liability and the plan's fiduciary net position. In traditional actuarial terms, this is analogous to the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

Paragraph 57 of GASB Statement No. 68 states, "Contributions to the pension plan from the employer subsequent to the measurement date of the collective net pension liability and before the end of the employer's reporting period should be reported as a deferred outflow of resources related to pensions." The information contained in this report does not incorporate any contributions made to the City of Taylor General Employees Retirement System subsequent to the measurement date of December 31, 2017.

The pension expense recognized each fiscal year is equal to the change in the net pension liability from the beginning of the year to the end of the year, adjusted for deferred recognition of the liability and investment experience.

Pension plans that prepare their own, stand-alone financial statements are required to present two financial statements – a statement of fiduciary net position and a statement of changes in fiduciary net position in accordance with GASB Statement No. 67. The *statement of fiduciary net position* presents the assets and liabilities of the pension plan at the end of the pension plan's reporting period. The *statement of changes in fiduciary net position* presents the additions, such as contributions and investment income, and deductions, such as benefit payments and expenses, and net increase or decrease in the fiduciary net position.

Notes to Financial Statements

GASB Statement No. 68 requires the notes of the employer's financial statements to disclose the total pension expense, the pension plan's liabilities and assets, and deferred outflows and inflows of resources related to pensions.

GASB Statement Nos. 67 and 68 require the notes of the financial statements for the employers and pension plans, to include certain additional information. The list of disclosure items should include:

- a description of benefits provided by the plan;
- the type of employees and number of members covered by the pension plan;
- a description of the plan's funding policy, which includes member and employer contribution requirements;
- the pension plan's investment policies;
- the pension plan's fiduciary net position, net pension liability, and the pension plan's fiduciary net position as a percentage of the total pension liability;
- the net pension liability using a discount rate that is 1% higher and 1% lower than used to calculate the total pension liability and net pension liability for financial reporting purposes;
- significant assumptions and methods used to calculate the total pension liability;
- inputs to the discount rates; and
- certain information about mortality assumptions and the dates of experience studies.

Retirement systems that issue stand-alone financial statements are required to disclose additional information in accordance with GASB Statement No. 67. This information includes:

- the composition of the pension plan's Board and the authority under which benefit terms may be amended;
- a description of how fair value is determined; and
- information regarding certain reserves and investments, which include concentrations of investments greater than or equal to 5%, receivables, and insurance contracts excluded from plan assets.

Required Supplementary Information

GASB Statement No. 67 requires a 10-year fiscal history of:

- sources of changes in the net pension liability;
- information about the components of the net pension liability and related ratios, including the pension plan's fiduciary net position as a percentage of the total pension liability, and the net pension liability as a percent of covered-employee payroll; and
- a comparison of the actual employer contributions to the actuarially determined contributions based on the plan's funding policy.

Timing of the Valuation

An actuarial valuation to determine the total pension liability is required to be performed at least every two years. The net pension liability and pension expense should be measured as of the pension plan's fiscal year end (measurement date) on a date that is within the employer's prior fiscal year. If the actuarial valuation used to determine the total pension liability is not calculated as of the measurement date, the total pension liability is required to be rolled forward from the actuarial valuation date to the measurement date.

The total pension liability shown in this report is based on an actuarial valuation performed as of December 31, 2016 and a measurement date of December 31, 2017.

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on the Bond Buyer Index, general obligation, 20 years to maturity, mixed quality. The Bond Buyer notes that the bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.31% (based on the weekly rate closest to but not later than the measurement date of the "20-Bond GO Index" from the Bond Buyer Index, general obligation, 20 years to maturity, mixed quality); and the resulting Single Discount Rate is 7.50%.

SECTION B

FINANCIAL STATEMENTS

Auditor's Note – This information is intended to assist in preparation of the financial statements of the City of Taylor General Employees Retirement System. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.

Statement of Pension Expense Under GASB Statement No. 68

Fiscal Year Ended December 31, 2017

A. Expense

1. Service Cost	\$ 239,269
2. Interest on the Total Pension Liability	5,991,735
3. Current-Period Benefit Changes	0
4. Employee Contributions (made negative for addition here)	(179,943)
5. Projected Earnings on Plan Investments (made negative for addition here)	(2,797,933)
6. Pension Plan Administrative Expense	121,697
7. Other Changes in Plan Fiduciary Net Position	0
8. Recognition of Outflow (Inflow) of Resources due to Liabilities	(189,764)
9. Recognition of Outflow (Inflow) of Resources due to Assets	1,239
10. Total Pension Expense	<u>\$ 3,186,300</u>

Statement of Outflows and Inflows Arising from Current Reporting Period Fiscal Year Ended December 31, 2017

A. Outflows (Inflows) of Resources due to Liabilities

1. Difference between expected and actual experience of the Total Pension Liability (gains) or losses	\$ (216,865)
2. Assumption Changes (gains) or losses	\$ 27,101
3. Recognition period for Liabilities: Average of the expected remaining service lives of all employees {in years}	1.0000
4. Outflow (Inflow) of Resources to be recognized in the current pension expense for the difference between expected and actual experience of the Total Pension Liability	\$ (216,865)
5. Outflow (Inflow) of Resources to be recognized in the current pension expense for assumption changes	\$ 27,101
6. Outflow (Inflow) of Resources to be recognized in the current pension expense due to Liabilities	\$ (189,764)
7. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses for the difference between expected and actual experience of the Total Pension Liability	\$ -
8. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses for assumption changes	\$ -
9. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses due to Liabilities	\$ -

B. Outflows (Inflows) of Resources due to Assets

1. Net difference between projected and actual earnings on pension plan investments (gains) or losses	\$(3,127,475)
2. Recognition period for Assets {in years}	5.0000
3. Outflow (Inflow) of Resources to be recognized in the current pension expense due to Assets	\$ (625,495)
4. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses due to Assets	\$(2,501,980)

Statement of Outflows and Inflows Arising from Current and Prior Reporting Periods Fiscal Year Ended December 31, 2017

A. Outflows and Inflows of Resources due to Liabilities and Assets to be Recognized in Current Pension Expense

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Due to Liabilities	\$ 27,101	\$ 216,865.00	\$ (189,764)
2. Due to Assets	626,734	625,495	1,239
3. Total	\$ 653,835	\$ 842,360.00	\$ (188,525)

B. Outflows and Inflows of Resources by Source to be Recognized in Current Pension Expense

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	\$ -	\$ 216,865.00	\$ (216,865)
2. Assumption Changes	27,101	-	27,101
3. Net Difference between projected and actual earnings on pension plan investments	626,734	625,495	1,239
4. Total	\$ 653,835	\$ 842,360.00	\$ (188,525)

C. Deferred Outflows and Deferred Inflows of Resources by Source to be Recognized in Future Pension Expenses

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
1. Differences between expected and actual experience	\$ -	\$ -	\$ -
2. Assumption Changes	-	-	-
3. Net Difference between projected and actual earnings on pension plan investments	1,257,930	2,501,980	(1,244,050)
4. Total	\$ 1,257,930	\$ 2,501,980.00	\$ (1,244,050)

D. Deferred Outflows and Deferred Inflows of Resources by Year to be Recognized in Future Pension Expenses

Year Ending June 30	Net Deferred Outflows of Resources
2018	\$ 1,239
2019	1,237
2020	(621,031)
2021	(625,495)
2022	0
Thereafter	0
Total	\$ (1,244,050)

Statement of Fiduciary Net Position as of December 31, 2017

Assets

Cash in Bank	\$ 9,601
Receivables	
Accounts Receivable	\$ 13,444
Accrued Income Receivable	83,560
Contributions	-
Accounts Receivable - Other	-
Total Receivables	<u>\$ 97,004</u>
Investments	<u>\$ 41,732,263</u>
Total Assets	<u>\$ 41,838,868</u>

Liabilities

Payables	
Accounts Payable - Purchase of Investments	\$ -
Accrued Expenses	-
Accounts Payable - Other	-
Total Liabilities	<u>\$ -</u>
Net Position Restricted for Pensions	<u>\$ 41,838,868</u>

Statement of Changes in Fiduciary Net Position for Year Ended December 31, 2016

Additions

Contributions		
Employer	\$	3,720,318
Employee		179,943
Other		-
Total Contributions		<u>\$ 3,900,261</u>
Investment Income		
Net Appreciation in Fair Value of Investments	\$	5,346,034
Interest and Dividends		692,955
Less Investment Expense		<u>(113,581)</u>
Net Investment Income		<u>\$ 5,925,408</u>
Other	\$	-
Total Additions		<u><u>\$ 9,825,669</u></u>

Deductions

Benefit Payments, including Refunds of Employee Contributions	\$	6,563,201
Pension Plan Administrative Expense		121,697
Other		-
Total Deductions		<u>\$ 6,684,898</u>
Net Increase in Net Position		\$ 3,140,771

Net Position Restricted for Pensions

Beginning of Year		<u>\$ 38,698,097</u>
End of Year		<u><u>\$ 41,838,868</u></u>

SECTION C

REQUIRED SUPPLEMENTARY INFORMATION

Auditor's Note – This information is intended to assist in preparation of the financial statements of the City of Taylor General Employees Retirement System. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.

Schedules of Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios Current Period

Fiscal Year Ended December 31, 2017

A. Total Pension Liability	
1. Service Cost	\$ 239,269
2. Interest on the Total Pension Liability	5,991,735
3. Changes of benefit terms	0
4. Difference between expected and actual experience of the Total Pension Liability	(216,865)
5. Changes of assumptions	27,101
6. Benefit payments, including refunds of employee contributions	(6,563,201)
7. Net change in Total Pension Liability	\$ (521,961)
8. Total Pension Liability – Beginning	\$ 83,051,746
9. Total Pension Liability – Ending	<u>\$ 82,529,785</u>
 B. Plan Fiduciary Net Position	
1. Contributions – Employer	\$ 3,720,318
2. Contributions – Employee	179,943
3. Net investment income	5,925,408
4. Benefit payments, including refunds of employee contributions	(6,563,201)
5. Pension Plan Administrative Expense	(121,697)
6. Other	-
7. Net change in Plan Fiduciary Net Position	\$ 3,140,771
8. Plan Fiduciary Net Position – Beginning	38,698,097
9. Plan Fiduciary Net Position – Ending	<u>\$ 41,838,868</u>
C. Net Pension Liability	<u>\$ 40,690,917</u>
D. Plan Fiduciary Net Position as a percentage of the Total Pension Liability	50.70%
E. Covered-Employee Payroll#	\$ 2,645,503
F. Net Pension Liability as a percentage of Covered-Employee Payroll	1,538.12 %

Projected payroll based on the December 31, 2015 valuation. This may not be the same as “covered payroll” as defined in GASB Statement No. 67.

Schedules of Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

Ultimately 10 Fiscal Years Will Be Displayed

Calendar year ending December 31,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Pension Liability										
Service Cost	\$ 239,269	\$ 278,100	\$ 306,468	\$ 295,422						
Interest on the Total Pension Liability	5,991,735	5,933,218	5,610,828	5,970,109						
Benefit Changes	-	-	-	-						
Difference between Expected and Actual Experience	(216,865)	914,633	1,318,385	-						
Assumption Changes	27,101	-	3,166,569	-						
Benefit Payments	(6,563,201)	(6,089,417)	(6,089,658)	(6,083,112)						
Refunds	-	-	-	-						
Net Change in Total Pension Liability	(521,961)	1,036,534	4,312,592	182,419						
Total Pension Liability - Beginning	\$ 83,051,746	\$ 82,015,212	\$ 77,702,620	\$ 77,520,201						
Total Pension Liability - Ending (a)	\$ 82,529,785	\$ 83,051,746	\$ 82,015,212	\$ 77,702,620						
Plan Fiduciary Net Position										
Employer Contributions	\$ 3,720,318	\$ 3,530,436	\$ 3,317,662	\$ 2,725,322						
Employee Contributions	179,943	164,004	114,369	192,334						
Pension Plan Net Investment Income	5,925,408	2,764,949	(115,718)	1,909,582						
Benefit Payments	(6,563,201)	(6,089,417)	(6,089,658)	(6,083,112)						
Refunds	-	-	-	-						
Pension Plan Administrative Expense	(121,697)	(65,783)	(206,733)	(127,101)						
Other	-	-	-	(179,015)						
Net Change in Plan Fiduciary Net Position	\$ 3,140,771	\$ 304,189	\$ (2,980,078)	\$ (1,561,990)						
Plan Fiduciary Net Position - Beginning	\$ 38,698,097	\$ 38,393,908	\$ 41,373,986	\$ 42,935,976						
Plan Fiduciary Net Position - Ending (b)	\$ 41,838,868	\$ 38,698,097	\$ 38,393,908	\$ 41,373,986						
Net Pension Liability - Ending (a) - (b)	\$ 40,690,917	\$ 44,353,649	\$ 43,621,304	\$ 36,328,634						
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	50.70 %	46.60 %	46.81 %	53.25 %						
Covered-Employee Payroll#	\$ 2,645,503	\$ 3,092,088	\$ 3,405,502	\$ 3,171,020						
Net Pension Liability as a Percentage of Covered-Employee Payroll	1,538.12 %	1,434.42 %	1,280.91 %	1,145.64 %						

Notes to Schedule:

None

Projected payroll based on the valuation date. This may not be the same as "covered payroll" as defined in GASB Statement No. 67.

Schedules of Required Supplementary Information

Schedule of the Net Pension Liability

Ultimately 10 Fiscal Years Will Be Displayed

Calendar Year Ending December 31,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll#	Net Pension Liability as a % of Covered Payroll
2014	\$ 77,702,620	\$ 41,373,986	\$ 36,328,634	53.25 %	\$ 3,171,020	1,145.64 %
2015	82,015,212	38,393,908	43,621,304	46.81 %	3,405,502	1,280.91 %
2016	83,051,746	38,698,097	44,353,649	46.60 %	3,092,088	1,434.42 %
2017	82,529,785	41,838,868	40,690,917	50.70 %	2,645,503	1,538.12 %

Projected payroll based on the valuation date. This may not be the same as "covered payroll" as defined in GASB Statement No. 67.

Schedule of Contributions

Ultimately 10 Fiscal Years Will Be Displayed

Calendar Year Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll#	Actual Contribution as a % of Covered Payroll
2014	\$ 2,725,322	\$ 2,725,322	\$ -	\$ 3,171,020	85.94 %
2015	3,317,662	3,317,662	-	3,405,502	97.42%
2016	3,530,436	3,530,436	-	3,092,088	114.18%
2017	3,720,318	3,720,318	-	2,645,503	140.63%

Projected payroll based on the prior year valuation. This may not be the same as "covered payroll" as defined in GASB Statement No. 67.

Notes to Schedule of Contributions

Valuation Date:	December 31, 2016
Notes	The roll-forward of total pension liability from December 31, 2016 to December 31, 2017 reflects expected service cost and interest reduced by actual benefit payments and administrative expenses. Actuarially determined contribution rates are calculated as of December 31, which is 1.5 years prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates for Calendar Year Ending December 31, 2017:

Actuarial Cost Method	Aggregate
Amortization Method	Level dollar, closed
Remaining Amortization Period	24 years from the December 31, 2015 valuation.
Asset Valuation Method	5-Year smoothed market
Wage Inflation	2.50%
Salary Increases	1.00%
Investment Rate of Return	7.50%. This rate consists of 2.75% for price inflation and 4.75% for the real rate of return.
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2014 Healthy Annuitant Mortality Table for males and females, projected from 2006 to 2025 with Scale MP-2017.

Other Information:

Notes	There were no benefit or assumption changes during the year.
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SECTION D

NOTES TO FINANCIAL STATEMENTS

Auditor's Note – This information is intended to assist in preparation of the financial statements of the City of Taylor General Employees Retirement System. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.

Long-Term Expected Return on Plan Assets

The assumed rate of investment return was adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(s). Additional information about the assumed rate of investment return is included in our actuarial valuation report as of December 31, 2016.

Best estimates of arithmetic real rates of return as of the measurement date will be supplied by the Retirement System's investment consultant.

Single Discount Rate

A Single Discount Rate of 7.50% was used to measure the total pension liability. This Single Discount Rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability to changes in the Single Discount Rate, the following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

Sensitivity of Net Pension Liability to the Single Discount Rate Assumption

	1% Decrease 6.50%	Current Single Discount Rate Assumption 7.50%	1% Increase 8.50%
Total Pension Liability (TPL)	\$ 90,207,033	\$ 82,529,785	\$ 75,955,721
Net Position Restricted for Pensions	41,838,868	41,838,868	41,838,868
Net Pension Liability (NPL)	\$ 48,368,165	\$ 40,690,917	\$ 34,116,853

Summary of Population Statistics as of December 31, 2016

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	261
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	24
Active Plan Members	<u>53</u>
Total Plan Members	338

SECTION E

SUMMARY OF BENEFITS

Brief Summary of Benefit Provisions Applicable to Local 1128 AFSCME (For Members Hired Before 8/4/88)

Normal Retirement

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

Annual Amount - In accordance with the following:

Years of Service	Annual Benefit as a % of Final Average Earnings
8 or more (hired before 8/1/82)	55.00%
10 or more (hired after 8/1/82)	55.00

Type of Final Average Compensation - Average of best 5 years prior to retirement date.

Early Retirement

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

Annual Amount - Computed as a normal retirement benefit based on final average compensation at early retirement date, multiplied by a fraction made up of the number of years of service at early retirement divided by the number of years of potential service at normal retirement, and multiplied by the Table A actuarial reduction factor to reflect retirement prior to normal retirement date.

Late Retirement

Eligibility - Any age after normal retirement date.

Annual Amount - Computed as a normal retirement benefit but increased by 2% of final average compensation at late retirement date for each year worked between the normal retirement date and the late retirement date.

Deferred (Vested) Retirement

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

Annual Amount - Computed as a normal retirement benefit based on service and final average compensation at time of termination of employment.

Brief Summary of Benefit Provisions Applicable to Local 1128 AFSCME (For Members Hired Before 8/4/88) (Concluded)

Death Before Retirement Benefits

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

Annual Amount - Equal to 50% of the retirement benefit the employee could have received if eligible for retirement at date of death. If the employee is not eligible to retire at date of death, the benefit begins at earliest date the employee could have retired had the employee survived. If the employee is not married at date of death, or has less than the required years of service, the employee's named beneficiary will receive a refund of employee's contributions with interest.

Death After Retirement

In accordance with optional form of benefit elected by employee, if any.

Disability Retirement

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

Annual Amount - 66 2/3% of earnings with a maximum benefit of \$2,000/month. The benefit is re-calculated at normal retirement based on normal retirement benefit formula.

Member Contributions - 5% of compensation.

Interest on Member Contributions - 5% Annually.

Brief Summary of Benefit Provisions Applicable to Local 1917 (For Members Hired Before 8/4/88)

Normal Retirement

Eligibility - Earlier of: (a) Age 55 with 8 or more years of service and (b) 25 years of service.

Annual Amount - In accordance with the following:

Years of Service	Annual Benefit as a % of Final Average Earnings
8 or more	55.00%

Type of Final Average Compensation - Average of best 5 years prior to retirement date.

Early Retirement

Eligibility - Earlier of: (a) Age 48 with 8 or more years of service and (b) 18 years of service.

Annual Amount - Computed as a normal retirement benefit based on final average compensation at early retirement date and multiplied by the Table A actuarial reduction factor to reflect retirement prior to normal retirement date.

Late Retirement

Eligibility - Any age after normal retirement date.

Annual Amount - Computed as a normal retirement benefit but actuarially increased to reflect late retirement on the basis of the factors specified in Table H, and based on final average compensation at late retirement date.

Deferred (Vested) Retirement

Eligibility - 8 or more years of service. Benefit commences at age 55.

Annual amount - Computed as a normal retirement benefit based on service and final average compensation at time of termination of employment.

Brief Summary of Benefit Provisions Applicable to Local 1917 (For Members Hired Before 8/4/88) (Concluded)

Death Before Retirement Benefits

Eligibility - Death while actively employed after 8 or more years of service. Payable to the employee's spouse for life.

Annual Amount - Equal to 50% of the retirement benefit the employee could have received if eligible for retirement at date of death. If the employee is not eligible to retire at date of death, the benefit begins at earliest date the employee could have retired had the employee survived. If the employee is not married at date of death, or has less than the required years of service, the employee's named beneficiary will receive a refund of employee's contributions with interest.

Death After Retirement

In accordance with optional form of benefit elected by employee, if any.

Disability Retirement

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

Annual Amount - 66 2/3% of earnings with a maximum benefit of \$1,500/month. The benefit is re-calculated at normal retirement based on normal retirement benefit formula.

Member Contributions - 5% of compensation.

Interest on Member Contributions - 5% Annually.

Brief Summary of Benefit Provisions Applicable to Taylor Governmental Management and Administrative Employees Association (For Members Hired Before 5/18/88)

Normal Retirement

Eligibility - Age 55 with 4 or more years of service or any age with 25 or more years of service.

Annual Amount - In accordance with the following:

Years of Service	Annual Benefit as a % of Final Average Earnings
4	30.00%
5	36.25
6	42.50
7	48.75
8	55.00
9	55.00
10	55.00
11	55.00
12	55.00
13 or more	65.00

Type of Final Average Compensation - Average of best 5 years prior to retirement date.

Early Retirement

Eligibility - Any age with 4 or more years of service.

Annual Amount - Computed as a normal retirement benefit based on final average compensation at early retirement date and multiplied by the Table A actuarial reduction factor to reflect retirement prior to normal retirement date.

Late Retirement

Eligibility - Anytime following eligibility for normal retirement and having attained 13 years of service.

Annual amount - Computed as a normal retirement benefit but actuarially increased to reflect late retirement on the basis of the factors specified in Table H, and based on final average compensation at late retirement date.

Brief Summary of Benefit Provisions Applicable to Taylor Governmental Management and Administrative Employees Association (For Members Hired Before 5/18/88) (Concluded)

Deferred (Vested) Retirement

Eligibility - 4 or more years of service. Benefit commences at age 55.

Annual amount - Computed as a normal retirement benefit based on service and final average compensation at time of termination of employment.

Death Before Retirement Benefits

Eligibility - Death while actively employed after 4 or more years of service. Payable to the employee's spouse for life.

Annual Amount - If an employee who is vested in the pension plan dies prior to retirement, his/her beneficiary will receive the employee's accrued pension benefit for life actuarially adjusted based on the age of the beneficiary at the time the benefit is paid. Beneficiary shall be defined as: spouse or (in the absence of a spouse) minor children until the age of 21.

Death After Retirement

In accordance with optional form of benefit elected by employee, if any.

Disability Retirement

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

Annual Amount - 66 2/3% of earnings with a maximum benefit of \$2,000/month. The benefit is re-calculated at normal retirement based on normal retirement benefit formula.

Member Contributions - 5% of compensation.

Interest on Member Contributions - 2% Annually.

Brief Summary of Benefit Provisions Applicable to Elected Officials (For Members Elected Before 11/27/89)

Normal Retirement

Eligibility - Age 55 with 4 or more years of service or any age with 25 or more years of service.

Annual Amount - In accordance with the following:

<u>Years of Service</u>	<u>Annual Benefit as a % of Final Average Earnings</u>
4	30.00%
5	36.25
6	42.50
7	48.75
8	55.00
9	55.00

Type of Final Average Compensation - Average of best 5 years prior to retirement date.

Early Retirement

Eligibility - Any age with 4 or more years of service.

Annual Amount - Computed as a normal retirement benefit based on final average compensation at early retirement date and multiplied by the Table A actuarial reduction factor to reflect retirement prior to normal retirement date.

Late Retirement

Eligibility - Anytime following eligibility for normal retirement and having attained 8 years of service.

Annual amount - Computed as a normal retirement benefit but actuarially increased to reflect late retirement on the basis of the factors specified in Table H, and based on final average compensation at late retirement date.

Deferred (Vested) Retirement

Eligibility - 4 or more years of service. Benefit commences at age 55.

Annual amount - Computed as a normal retirement benefit based on service and final average compensation at time of termination of employment.

Brief Summary of Benefit Provisions Applicable to Elected Officials (For Members Elected Before 11/27/89) (Concluded)

Death Before Retirement Benefits

Eligibility - Death while actively employed after 4 or more years of service. Payable to the employee's spouse for life.

Annual Amount - Equal to 50% of the retirement benefit the employee could have received if eligible for retirement at date of death. If the employee is not eligible to retire at date of death, the benefit begins at earliest date the employee could have retired had the employee survived. If the employee is not married at date of death, or has less than 4 years of service, the employee's named beneficiary will receive a refund of employee's contributions with interest.

Death After Retirement

In accordance with optional form of benefit elected by employee, if any.

Disability Retirement

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

Annual Amount - 66 2/3% of earnings with a maximum benefit of \$2,000/month. The benefit is re-calculated at normal retirement based on normal retirement benefit formula.

Member Contributions - 5% of compensation.

Interest on Member Contributions - 5% Annually.

Brief Summary of Benefit Provisions Applicable to Local 1128 AFSCME (For Members Hired On or After 8/4/88)

Normal Retirement

Eligibility - Age 55 with 10 or more years of service; or age 50 and 25 or more years of service beginning January 1, 2009. Employees hired after 12/22/2004 are not eligible to participate.

Annual Amount - 2.2% of Final Average Compensation per year of service to a maximum of 25 years of service.

Type of Final Average Compensation - Average of best 5 consecutive years prior to retirement date, excluding vacation, sick leave and other banks.

Early Retirement

Eligibility - Age 50 with 10 or more years of service.

Annual Amount - Computed as a normal retirement benefit based on final average compensation at early retirement date and multiplied by the Table A actuarial reduction factor to reflect retirement prior to normal retirement date.

Late Retirement

Eligibility - Age 55 and 10 or more years of service; or age 50 and 25 or more years of service beginning January 1, 2009.

Annual Amount - Computed as a normal retirement benefit but increased by 2.2% of final average compensation per year of service worked between the normal retirement date and the late retirement date.

Deferred (Vested) Retirement

Eligibility - 10 or more years of service. Benefit commences at age 55.

Annual Amount - Computed as a normal retirement benefit based on service and final average compensation at time of termination of employment.

Death Before Retirement Benefits

Eligibility - Death while actively employed after 10 or more years of service. Payable to the employee's spouse or dependent child(ren).

Annual Amount - Refund of employee's contributions or 50% of the employee's vested benefit, whichever is higher. If the employee is not eligible to retire at date of death, the benefit begins at the earliest date the employee could have retired had the employee survived. If the employee is not married nor has any dependent child(ren) at date of death, or has less than the required years of service, the employee's named beneficiary will receive a refund of employee's contributions.

Brief Summary of Benefit Provisions Applicable to Local 1128 AFSCME (For Members Hired On or After 8/4/88) (Concluded)

Death After Retirement

In accordance with optional form of benefit elected by employee, if any.

Disability Retirement

Eligibility - 10 years of service credited in System, and must be eligible to receive Social Security disability benefits.

Annual Amount - 2% of final average compensation per year of service. The benefit is re-calculated at normal retirement based on normal retirement benefit formula.

Member Contributions

5% of compensation, excluding cash payouts for vacation banks, sick leave banks and all other banks.

Brief Summary of Benefit Provisions Applicable to Local 1917 (For Members Hired On or After 8/4/88)

Normal Retirement

Eligibility - Age 55 with 10 or more years of service; or age 50 and 25 or more years of service beginning January 1, 2009. Employees hired after 12/22/2004 are not eligible to participate.

Annual Amount - 2.2% of Final Average Compensation per year of service to a maximum of 25 years of service.

Type of Final Average Compensation - Average of best 5 consecutive years prior to retirement date, excluding vacation, sick leave and other banks.

Early Retirement

Eligibility - Age 50 with 10 or more years of service.

Annual Amount - Computed as a normal retirement benefit based on final average compensation at early retirement date and multiplied by the Table A actuarial reduction factor to reflect retirement prior to normal retirement date.

Late Retirement

Eligibility - Age 55 and 10 or more years of service; or age 50 and 25 or more years of service beginning January 1, 2009.

Annual Amount - Computed as a normal retirement benefit but actuarially increased to reflect late retirement on the basis of the factors specified in Table H, and based on final average compensation at late retirement date.

Deferred (Vested) Retirement

Eligibility - 10 or more years of service. Benefit commences at age 55.

Annual Amount - Computed as a normal retirement benefit but based on service and final average compensation at time of termination of employment.

Death Before Retirement Benefits

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

Annual Amount - Equal to 50% of the retirement benefit the employee could have received if eligible for retirement at date of death. If the employee is not eligible to retire at date of death, the benefit begins at earliest date the employee could have retired had the employee survived. If the employee is not married at date of death, or has less than the required years of service, the employee's named beneficiary will receive a refund of employee's contributions.

Brief Summary of Benefit Provisions Applicable to Local 1917 (For Members Hired On or After 8/4/88) (Concluded)

Death After Retirement - In accordance with optional form of benefit elected by employee, if any.

Disability Retirement

Eligibility - 10 years of service credited in System, and must be eligible to receive Social Security disability benefits.

Annual Amount – 2.2% of final average compensation per year of service. The benefit is re-calculated at normal retirement based on normal retirement benefit formula.

Member Contributions - 5% of compensation, excluding cash payouts for vacation banks, sick leave banks and all other banks.

Brief Summary of Benefit Provisions Applicable to Taylor Governmental Management and Administrative Employees Association (For Members Hired On or After 5/18/88)

Normal Retirement

Eligibility - Age 55 with 5 or more years of service. Employees hired after 3/6/2001 are not eligible to participate. Employees transferred from another bargaining unit on or after November 1, 2008 are not eligible to participate.

Annual Amount - The percentage of Final Average Earnings (FAE) as described below for service that was accrued before 1/1/2011, plus 2.25% of the FAE for each year accrued after 1/1/2011, not to exceed 65%.

For service accrued before 1/1/2011:

<u>Years of Service</u>	<u>Annual Benefit as a % of Final Average Earnings</u>
5	30.00%
6	32.50
7	35.00
8	37.50
9	40.00
10	42.50
11	45.00
12	47.50
13	52.50
14	60.00
15 or more	65.00

Type of Final Average Compensation - Average of best 5 years prior to retirement date.

Early Retirement

Eligibility - Any age with 5 or more years of service.

Annual Amount - Computed as a normal retirement benefit based on final average compensation at early retirement date and multiplied by the Table A actuarial reduction factor to reflect retirement prior to normal retirement date.

Late Retirement

Eligibility - Anytime following eligibility for normal retirement and having attained 15 years of service.

Brief Summary of Benefit Provisions Applicable to Taylor Governmental Management and Administrative Employees Association (For Members Hired On or After 5/18/88) (Concluded)

Annual Amount - Computed as a normal retirement benefit but actuarially increased to reflect late retirement on the basis of the factors specified in Table H, and based on final average compensation at late retirement date.

Deferred (Vested) Retirement

Eligibility - 5 or more years of service. Benefit commences at age 55.

Annual Amount - Computed as a normal retirement benefit based on service and final average compensation at time of termination of employment.

Death Before Retirement Benefits

Eligibility - Death while actively employed after 5 or more years of service. Payable to the employee's spouse for life.

Annual Amount - If an employee who is vested in the pension plan dies prior to retirement, his/her beneficiary will receive the employee's accrued pension benefit for life actuarially adjusted based on the age of the beneficiary at the time the benefit is paid. Beneficiary shall be defined as: spouse or (in the absence of a spouse) minor children until the age of 21.

Death After Retirement

In accordance with optional form of benefit elected by employee, if any.

Disability Retirement

Eligibility - No age or service requirement, but must be eligible to receive Social Security disability benefits.

Annual Amount - 66 2/3% of earnings with a maximum benefit of \$2,000/month. The benefit is re-calculated at normal retirement based on normal retirement benefit formula.

Member Contributions - 5% of compensation.

Interest on Member Contributions - 2% Annually.

**Brief Summary of Benefit Provisions Applicable to
Elected Officials
(For Members Elected On or After 11/27/89
Excludes City Council Elected On or After 11/25/97
Excludes Judges Elected On or After 10/01/08
Excludes Mayor, Clerk, Treasurer Elected On or After 11/08/05)**

Normal Retirement

Eligibility - Age 55 with 5 or more years of service.

Annual Amount - In accordance with the following table:

<u>Years of Service</u>	<u>Annual Benefit as a % of Final Average Earnings</u>
5	30.00%
6	32.50
7	35.00
8	37.50
9	40.00
10	42.50
11	45.00
12	47.50
13	50.00
14	52.50
15 or more	55.00

Type of Final Average Compensation - Average of best 5 years prior to retirement date.

Early Retirement

Eligibility - Any age with 5 or more years of service.

Annual Amount - Computed as a normal retirement benefit based on final average compensation at early retirement date and multiplied by the Table A actuarial reduction factor to reflect retirement prior to normal retirement date.

Late Retirement

Eligibility - Anytime following eligibility for normal retirement and having attained 15 years of service.

Annual Amount - Computed as a normal retirement benefit but actuarially increased to reflect late retirement on the basis of the factors specified in Table H and based on final average compensation at late retirement date.

**Brief Summary of Benefit Provisions Applicable to
Elected Officials
(For Members Elected On or After 11/27/89
Excludes City Council Elected On or After 11/25/97
Excludes Judges Elected On or After 10/01/08
Excludes Mayor, Clerk, Treasurer Elected On or After 11/08/05)
(Concluded)**

Deferred (Vested) Retirement

Eligibility - 5 or more years of service. Benefit commences at age 55.

Annual Amount - Computed as a normal retirement benefit based on service and final average compensation at time of termination of employment.

Death Before Retirement Benefits

Eligibility - Death while actively employed after 5 or more years of service. Payable to the employee's spouse for life.

Annual Amount - Equal to 50% of the retirement benefit the employee could have received if eligible for retirement at date of death. If the employee is not eligible to retire at date of death, the benefit begins at earliest date the employee could have retired if he had survived. If the employee is not married at date of death, or has less than 5 years of service, the employee's named beneficiary will receive a refund of employee's contributions with interest.

Death After Retirement

In accordance with optional form of benefit elected by employee, if any.

Disability Retirement

Eligibility - No age or service requirement, but must be eligible to receive Social Security disability benefits.

Annual Amount - 66 2/3% of earnings with a maximum benefit of \$2,000/month. The benefit is re-calculated at normal retirement based on normal retirement benefit formula.

Member Contributions - 5% of compensation.

Interest on Member Contributions - 5% Annually.

SECTION F

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS

Valuation Assumptions

All actuarial assumptions are based on estimates of future experience, not market measures.

The rate of investment return (net of investment expenses) used in the valuation was 7.5%. This rate consists of 2.75% for price inflation and 4.75% for the real rate of return.

The annual rate of salary increase used in the valuation was 1%.

The mortality table, for post-retirement mortality, used in evaluating allowances to be paid was the RP-2014 Healthy Annuitant mortality table, projected from 2006 to 2025 with Scale MP-2017. Related values are shown below. This assumption is used to measure the probabilities of each benefit payment being made after retirement.

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

Sample Ages	Single Life Values					
	Present Value of \$1 Monthly for Life		Percent Dying Next Year		Future Life Expectancy (Years)	
	Men	Women	Men	Women	Men	Women
50	\$142.60	\$146.52	0.3850%	0.2613%	32.61	35.08
55	136.11	140.57	0.5415%	0.3632%	28.29	30.56
60	128.02	133.01	0.7688%	0.5516%	24.10	26.17
65	118.10	123.65	1.1222%	0.8243%	20.09	21.96
70	106.10	112.10	1.6708%	1.2539%	16.29	17.93
75	91.94	98.20	2.6245%	2.0174%	12.75	14.15

Valuation Assumptions

Sample Rates of Separation from Active Employment Before Retirement, Death or Disability

Sample Ages	Percent of Active Members Separating within Next Year
20	7.94%
25	7.72
30	7.22
35	6.28
40	5.15
45	3.98
50	2.56
55	0.94
60	0.09

Probabilities of Becoming Disabled

Sample Ages	Percent Becoming Disabled During Next Year	
	Men	Women
20	0.07%	0.03%
25	0.09	0.05
30	0.10	0.07
35	0.14	0.13
40	0.21	0.19
45	0.32	0.28
50	0.52	0.45
55	0.92	0.76

Valuation Assumptions

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

For all members from Local 1128 AFSCME and Local 1917:

Retirement Ages	Percent of Active Members Retiring within Next Year
50	50%
51	50%
52	50%
53	50%
54	50%
55	50%
56	10%
57	10%
58	10%
59	10%
60	100%

All other members were assumed to retire at their earliest normal retirement age.

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

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

For members in all other groups, an early retirement rate of 5% was assumed for 7 years prior to normal retirement.

The **actuarial cost method** used in the funding valuation was the Aggregate Cost Method. For purposes of GASB Statement No. 67, the Entry Age Normal Cost Method was used.

Assets and liabilities held by Allmerica were excluded effective with the 2006 report.

Miscellaneous and Technical Assumptions

Marriage Assumption:	100% of males and 100% of females are assumed to be married for purposes of death-in-service benefits.
Pay Increase Timing:	Beginning of (Fiscal) year. This is equivalent to assuming that reported pays represent amounts paid to members during the year ended on the valuation date.
Decrement Timing:	Decrements of all types are assumed to occur mid-year.
Eligibility Testing:	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
Benefit Service:	Exact fractional service is used to determine the amount of benefit payable.
Decrement Relativity:	Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
Decrement Operation:	Disability and mortality decrements do not operate during the first 5 years of service. Disability and separation do not operate during retirement eligibility.
Normal Form of Benefit:	The assumed normal form of benefit is the straight life form.
Loads:	The present value of future benefits for actives was loaded by 1.5% for groups that include vacation and sick leave banks in final average compensation.
Incidence of Contributions:	City contributions are assumed to be received 21 months after the valuation date. New entrant normal cost contributions, if any, will be computed annually as they occur.
Option Factors:	Option factors are based upon an assumed rate of investment return of 7.5%, and a unisex mortality table based upon a 50% blend of the RP-2014 male and female healthy annuitant mortality tables.

SECTION G

CALCULATION OF THE SINGLE DISCOUNT RATE

Calculation of the Single Discount Rate

GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a municipal bond rate is required, as described in the following paragraph.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.31%; and the resulting SDR is 7.50%.

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

The **Projection of Contributions** table shows the development of expected contributions in future years. Normal Cost contributions for future hires are not included (nor are their liabilities). Employer contributions shown may differ substantially from those determined by a funding valuation.

The **Projection of Plan Fiduciary Net Position** table shows the development of expected asset levels in future years.

The **Present Values of Projected Benefit Payments** table shows the development of the SDR. It breaks down the benefit payments into present values for funded and unfunded portions and shows the equivalent total at the SDR.

Note that these projections are specifically used to determine the GASB discount rate and should not be interpreted as a funding projection or recommendation.

Single Discount Rate Development Projection of Contributions

Calendar Year	Contributions		Administrative		Total Contributions
	from Current Employees	Normal Cost	Expense Contributions	UAL Contributions	
2018	\$ 125,576	\$ 63,570	\$ -	\$ 3,499,136	\$ 3,688,282
2019	110,796	52,236	-	3,596,134	3,759,166
2020	97,944	44,313	-	3,651,146	3,793,403
2021	83,598	35,262	-	3,733,321	3,852,180
2022	68,068	24,841	-	3,773,012	3,865,920
2023	54,528	17,658	-	3,781,392	3,853,578
2024	42,072	11,661	-	3,787,244	3,840,977
2025	33,208	7,860	-	3,790,523	3,831,591
2026	25,818	5,005	-	3,791,768	3,822,591
2027	19,328	2,740	-	3,792,136	3,814,204
2028	15,045	1,650	-	3,792,209	3,808,904
2029	11,844	844	-	3,792,093	3,804,781
2030	8,690	399	-	3,791,865	3,800,955
2031	4,998	136	-	3,791,573	3,796,707
2032	2,426	0	-	3,791,229	3,793,656
2033	1,257	2	-	3,790,833	3,792,092
2034	687	10	-	3,790,373	3,791,071
2035	383	12	-	3,789,824	3,790,220
2036	230	8	-	3,789,136	3,789,374
2037	155	1	-	3,788,185	3,788,342
2038	114	(3)	-	3,786,537	3,786,648
2039	95	(2)	-	1,892,725	1,892,818
2040	63	(1)	-	1	63
2041	17	(0)	-	0	17
2042	-	-	-	-	-
2043	-	-	-	-	-
2044	-	-	-	-	-
2045	-	-	-	-	-
2046	-	-	-	-	-
2047	-	-	-	-	-
2048	-	-	-	-	-
2049	-	-	-	-	-
2050	-	-	-	-	-
2051	-	-	-	-	-
2052	-	-	-	-	-
2053	-	-	-	-	-
2054	-	-	-	-	-
2055	-	-	-	-	-
2056	-	-	-	-	-
2057	-	-	-	-	-
2058	-	-	-	-	-
2059	-	-	-	-	-
2060	-	-	-	-	-
2061	-	-	-	-	-
2062	-	-	-	-	-
2063	-	-	-	-	-
2064	-	-	-	-	-
2065	-	-	-	-	-
2066	-	-	-	-	-
2067	-	-	-	-	-

Single Discount Rate Development

Projection of Plan Fiduciary Net Position

Calendar Year	Projected Beginning Plan Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Administrative Expenses	Projected Investment Earnings at 7.500%	Projected Ending Plan Net Position
	(a)	(b)	(c)	(d)	(e)	(f)=(a)+(b)-(c)-(d)+(e)
2018	\$ 41,838,868	\$ 3,688,282	\$ 6,875,365	\$ -	\$ 3,020,560	\$ 41,672,346
2019	41,672,346	3,759,166	6,966,099	-	3,007,340	41,472,752
2020	41,472,752	3,793,403	7,007,219	-	2,992,117	41,251,054
2021	41,251,054	3,852,180	7,084,949	-	2,974,792	40,993,076
2022	40,993,076	3,865,920	7,243,421	-	2,950,114	40,565,690
2023	40,565,690	3,853,578	7,281,116	-	2,916,218	40,054,370
2024	40,054,370	3,840,977	7,304,430	-	2,876,546	39,467,463
2025	39,467,463	3,831,591	7,331,453	-	2,831,188	38,798,790
2026	38,798,790	3,822,591	7,349,555	-	2,780,039	38,051,865
2027	38,051,865	3,814,204	7,307,946	-	2,725,243	37,283,366
2028	37,283,366	3,808,904	7,242,772	-	2,669,810	36,519,309
2029	36,519,309	3,804,781	7,134,463	-	2,616,342	35,805,969
2030	35,805,969	3,800,955	6,992,674	-	2,567,922	35,182,172
2031	35,182,172	3,796,707	6,787,498	-	2,528,536	34,719,917
2032	34,719,917	3,793,656	6,635,393	-	2,499,355	34,377,535
2033	34,377,535	3,792,092	6,480,655	-	2,479,317	34,168,288
2034	34,168,288	3,791,071	6,285,187	-	2,470,783	34,144,954
2035	34,144,954	3,790,220	6,070,710	-	2,476,899	34,341,364
2036	34,341,364	3,789,374	5,874,837	-	2,498,811	34,754,713
2037	34,754,713	3,788,342	5,675,681	-	2,537,108	35,404,481
2038	35,404,481	3,786,648	5,448,911	-	2,594,128	36,336,346
2039	36,336,346	1,892,818	5,206,391	-	2,603,213	35,625,987
2040	35,625,987	63	4,960,148	-	2,489,308	33,155,210
2041	33,155,210	17	4,711,375	-	2,313,159	30,757,010
2042	30,757,010	-	4,460,860	-	2,142,518	28,438,668
2043	28,438,668	-	4,209,029	-	1,977,915	26,207,554
2044	26,207,554	-	3,957,262	-	1,819,852	24,070,144
2045	24,070,144	-	3,707,126	-	1,668,757	22,031,774
2046	22,031,774	-	3,459,970	-	1,524,980	20,096,784
2047	20,096,784	-	3,217,153	-	1,388,797	18,268,427
2048	18,268,427	-	2,980,049	-	1,260,400	16,548,778
2049	16,548,778	-	2,750,030	-	1,139,897	14,938,645
2050	14,938,645	-	2,528,372	-	1,027,298	13,437,571
2051	13,437,571	-	2,316,134	-	922,533	12,043,970
2052	12,043,970	-	2,114,135	-	825,451	10,755,286
2053	10,755,286	-	1,922,961	-	735,839	9,568,164
2054	9,568,164	-	1,742,958	-	653,433	8,478,639
2055	8,478,639	-	1,574,266	-	577,930	7,482,303
2056	7,482,303	-	1,416,856	-	509,001	6,574,448
2057	6,574,448	-	1,270,530	-	446,300	5,750,218
2058	5,750,218	-	1,134,951	-	389,475	5,004,742
2059	5,004,742	-	1,009,680	-	338,177	4,333,240
2060	4,333,240	-	894,225	-	292,066	3,731,081
2061	3,731,081	-	788,117	-	250,811	3,193,774
2062	3,193,774	-	690,928	-	214,092	2,716,938
2063	2,716,938	-	602,262	-	181,594	2,296,269
2064	2,296,269	-	521,782	-	153,007	1,927,494
2065	1,927,494	-	449,176	-	128,022	1,606,340
2066	1,606,340	-	384,095	-	106,332	1,328,578
2067	1,328,578	-	326,138	-	87,634	1,090,074

Single Discount Rate Development

Present Values of Projected Benefits

Calendar Year	Projected Beginning Plan Net Position	Projected Benefit Payments	Funded Portion of Projected Benefit Payments	Unfunded Portion of Projected Benefit Payments	Present Value of	Present Value of	Present Value of
					Funded Benefit Payments using Expected Return Rate (v)	Unfunded Benefit Payments using Municipal Bond Rate (vf)	All Benefit Payments using Single Discount Rate (SDR)
(a)	(b)	(c)	(d)	(e)	(f)=(d)*v^(a)-.5	(g)=(e)*vf^(a)-.5	(h)=(c)/(1+SDR)^(a)-.5
2018	\$ 41,838,868	\$ 6,875,365	\$ 6,875,365	\$ -	\$ 6,631,191	\$ -	\$ 6,631,191
2019	41,672,346	6,966,099	6,966,099	-	6,249,956	-	6,249,956
2020	41,472,752	7,007,219	7,007,219	-	5,848,231	-	5,848,231
2021	41,251,054	7,084,949	7,084,949	-	5,500,563	-	5,500,563
2022	40,993,076	7,243,421	7,243,421	-	5,231,252	-	5,231,252
2023	40,565,690	7,281,116	7,281,116	-	4,891,605	-	4,891,605
2024	40,054,370	7,304,430	7,304,430	-	4,564,900	-	4,564,900
2025	39,467,463	7,331,453	7,331,453	-	4,262,129	-	4,262,129
2026	38,798,790	7,349,555	7,349,555	-	3,974,560	-	3,974,560
2027	38,051,865	7,307,946	7,307,946	-	3,676,334	-	3,676,334
2028	37,283,366	7,242,772	7,242,772	-	3,389,346	-	3,389,346
2029	36,519,309	7,134,463	7,134,463	-	3,105,732	-	3,105,732
2030	35,805,969	6,992,674	6,992,674	-	2,831,636	-	2,831,636
2031	35,182,172	6,787,498	6,787,498	-	2,556,792	-	2,556,792
2032	34,719,917	6,635,393	6,635,393	-	2,325,112	-	2,325,112
2033	34,377,535	6,480,655	6,480,655	-	2,112,456	-	2,112,456
2034	34,168,288	6,285,187	6,285,187	-	1,905,805	-	1,905,805
2035	34,144,954	6,070,710	6,070,710	-	1,712,345	-	1,712,345
2036	34,341,364	5,874,837	5,874,837	-	1,541,485	-	1,541,485
2037	34,754,713	5,675,681	5,675,681	-	1,385,329	-	1,385,329
2038	35,404,481	5,448,911	5,448,911	-	1,237,189	-	1,237,189
2039	36,336,346	5,206,391	5,206,391	-	1,099,651	-	1,099,651
2040	35,625,987	4,960,148	4,960,148	-	974,550	-	974,550
2041	33,155,210	4,711,375	4,711,375	-	861,091	-	861,091
2042	30,757,010	4,460,860	4,460,860	-	758,423	-	758,423
2043	28,438,668	4,209,029	4,209,029	-	665,681	-	665,681
2044	26,207,554	3,957,262	3,957,262	-	582,198	-	582,198
2045	24,070,144	3,707,126	3,707,126	-	507,346	-	507,346
2046	22,031,774	3,459,970	3,459,970	-	440,485	-	440,485
2047	20,096,784	3,217,153	3,217,153	-	380,997	-	380,997
2048	18,268,427	2,980,049	2,980,049	-	328,296	-	328,296
2049	16,548,778	2,750,030	2,750,030	-	281,819	-	281,819
2050	14,938,645	2,528,372	2,528,372	-	241,027	-	241,027
2051	13,437,571	2,316,134	2,316,134	-	205,390	-	205,390
2052	12,043,970	2,114,135	2,114,135	-	174,398	-	174,398
2053	10,755,286	1,922,961	1,922,961	-	147,560	-	147,560
2054	9,568,164	1,742,958	1,742,958	-	124,416	-	124,416
2055	8,478,639	1,574,266	1,574,266	-	104,535	-	104,535
2056	7,482,303	1,416,856	1,416,856	-	87,519	-	87,519
2057	6,574,448	1,270,530	1,270,530	-	73,005	-	73,005
2058	5,750,218	1,134,951	1,134,951	-	60,664	-	60,664
2059	5,004,742	1,009,680	1,009,680	-	50,203	-	50,203
2060	4,333,240	894,225	894,225	-	41,361	-	41,361
2061	3,731,081	788,117	788,117	-	33,910	-	33,910
2062	3,193,774	690,928	690,928	-	27,654	-	27,654
2063	2,716,938	602,262	602,262	-	22,423	-	22,423
2064	2,296,269	521,782	521,782	-	18,072	-	18,072
2065	1,927,494	449,176	449,176	-	14,472	-	14,472
2066	1,606,340	384,095	384,095	-	11,511	-	11,511
2067	1,328,578	326,138	326,138	-	9,092	-	9,092

Single Discount Rate Development

Present Values of Projected Benefits (Concluded)

Calendar Year	Projected Beginning Plan Net Position	Projected Benefit Payments	Funded Portion of Projected Benefit Payments	Unfunded Portion of Projected Benefit Payments	Present Value of Funded Benefit Payments using Expected Return Rate (v)	Present Value of Unfunded Benefit Payments using Municipal Bond Rate (vf)	Present Value of All Benefit Payments using Single Discount Rate (SDR)
(a)	(b)	(c)	(d)	(e)	(f)=(d)*v ^a ((a)-.5)	(g)=(e)*vf ^a ((a)-.5)	(h)=(c)/(1+SDR) ^a ((a)-.5)
2068	\$ 1,090,074	\$ 274,859	\$ 274,859	\$ -	\$ 7,128	\$ -	\$ 7,128
2069	886,850	229,801	229,801	-	5,544	-	5,544
2070	715,100	190,518	190,518	-	4,276	-	4,276
2071	571,200	156,557	156,557	-	3,268	-	3,268
2072	451,719	127,450	127,450	-	2,475	-	2,475
2073	353,454	102,733	102,733	-	1,856	-	1,856
2074	273,448	81,942	81,942	-	1,377	-	1,377
2075	208,997	64,629	64,629	-	1,010	-	1,010
2076	157,663	50,367	50,367	-	732	-	732
2077	117,266	38,748	38,748	-	524	-	524
2078	85,885	29,388	29,388	-	370	-	370
2079	61,857	21,937	21,937	-	257	-	257
2080	43,752	16,090	16,090	-	175	-	175
2081	30,350	11,578	11,578	-	117	-	117
2082	20,622	8,161	8,161	-	77	-	77
2083	13,707	5,625	5,625	-	49	-	49
2084	8,903	3,786	3,786	-	31	-	31
2085	5,646	2,486	2,486	-	19	-	19
2086	3,492	1,590	1,590	-	11	-	11
2087	2,105	990	990	-	6	-	6
2088	1,237	600	600	-	4	-	4
2089	708	353	353	-	2	-	2
2090	395	202	202	-	1	-	1
2091	215	113	113	-	1	-	1
2092	114	61	61	-	0	-	0
2093	59	32	32	-	0	-	0
2094	30	17	17	-	0	-	0
2095	15	8	8	-	0	-	0
2096	7	4	4	-	0	-	0
2097	4	2	2	-	0	-	0
2098	2	1	1	-	0	-	0
2099	1	1	1	-	0	-	0
2100	0	0	0	-	0	-	0
2101	0	0	0	-	0	-	0
2102	0	0	0	-	0	-	0
2103	0	0	0	-	0	-	0
2104	0	0	0	-	0	-	0
2105	0	-	-	-	-	-	-
2106	0	-	-	-	-	-	-
2107	0	-	-	-	-	-	-
2108	0	-	-	-	-	-	-
2109	0	-	-	-	-	-	-
2110	0	-	-	-	-	-	-
2111	0	-	-	-	-	-	-
2112	0	-	-	-	-	-	-
2113	0	-	-	-	-	-	-
2114	0	-	-	-	-	-	-
2115	0	-	-	-	-	-	-
2116	0	-	-	-	-	-	-
2117	0	-	-	-	-	-	-
Totals					\$ 83,291,009	\$ -	\$ 83,291,009

SECTION H

GLOSSARY OF TERMS

Glossary of Terms

<i>Actuarial Accrued Liability (AAL)</i>	The AAL is the difference between the actuarial present value of all benefits and the actuarial value of future normal costs. The definition comes from the fundamental equation of funding which states that the present value of all benefits is the sum of the Actuarial Accrued Liability and the present value of future normal costs. The AAL may also be referred to as "accrued liability" or "actuarial liability."
<i>Actuarial Assumptions</i>	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.
<i>Accrued Service</i>	Service credited under the system which was rendered before the date of the actuarial valuation.
<i>Actuarial Equivalent</i>	A single amount or series of amounts of equal actuarial value to another single amount or series of amounts, computed on the basis of appropriate actuarial assumptions.
<i>Actuarial Cost Method</i>	A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of the pension trust benefits between future normal cost and actuarial accrued liability. The actuarial cost method may also be referred to as the actuarial funding method.
<i>Actuarial Gain (Loss)</i>	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.
<i>Actuarial Present Value (APV)</i>	The amount of funds currently required to provide a payment or series of payments in the future. The present value is determined by discounting future payments at predetermined rates of interest and probabilities of payment.
<i>Actuarial Valuation</i>	The actuarial valuation report determines, as of the actuarial valuation date, the service cost, total pension liability, and related actuarial present value of projected benefit payments for pensions.
<i>Actuarial Valuation Date</i>	The date as of which an actuarial valuation is performed.
<i>Actuarially Determined Contribution (ADC) or Annual Required Contribution (ARC)</i>	A calculated contribution into a defined benefit pension 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.

Glossary of Terms

<i>Amortization Payment</i>	The amortization payment is the periodic payment required to pay off an interest-discounted amount with payments of interest and principal.
<i>Amortization Method</i>	The method used to determine the periodic amortization payment may be a level dollar amount, or a level percent of pay amount. The period will typically be expressed in years, and the method will either be “open” (meaning, reset each year) or “closed” (the number of years remaining will decline each year).
<i>Cost-of-Living Adjustments</i>	Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.
<i>Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (cost-sharing pension plan)</i>	A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.
<i>Covered-Employee Payroll</i>	The payroll of employees that are provided with pensions through the pension plan.
<i>Deferred Retirement Option Program (DROP)</i>	A program that permits a plan member to elect a calculation of benefit payments based on service credits and salary, as applicable, as of the DROP entry date. The plan member continues to provide service to the employer and is paid for the service by the employer after the DROP entry date; however, the pensions that would have been paid to the plan member are credited to an individual member account within the defined benefit pension plan until the end of the DROP period. Other variations for DROP exist and will be more fully detailed in the plan provision section of the valuation report.
<i>Deferred Inflows and Outflows</i>	The deferred inflows and outflows of pension resources are amounts used under GASB Statement No. 68 in developing the annual pension expense. Deferred inflows and outflows arise with differences between expected and actual experiences; changes of assumptions. The portion of these amounts not included in pension expense should be included in the deferred inflows or outflows of resources.
<i>Discount Rate</i>	For GASB purposes, the discount rate is the single rate of return that results in the present value of all projected benefit payments to be equal to the sum of the funded and unfunded projected benefit payments, specifically: <ol style="list-style-type: none">1. The benefit payments to be made while the pension plans’ fiduciary net position is projected to be greater than the benefit payments that are projected to be made in the period; and2. The present value of the benefit payments not in (1) above, discounted using the municipal bond rate.

Glossary of Terms

<i>Entry Age Actuarial Cost Method (EAN)</i>	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.
<i>GASB</i>	The Governmental Accounting Standards Board is an organization that exists in order to promulgate accounting standards for governmental entities.
<i>Fiduciary Net Position</i>	The fiduciary net position is the market value of the assets of the trust dedicated to the defined benefit provisions.
<i>Long-Term Expected Rate of Return</i>	The long-term rate of return is the expected return to be earned over the entire trust portfolio based on the asset allocation of the portfolio.
<i>Money-Weighted Rate of Return</i>	The money-weighted rate of return is a method of calculating the returns that adjusts for the changing amounts actually invested. For purposes of GASB Statement No. 67, money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense.
<i>Multiple-Employer Defined Benefit Pension Plan</i>	A multiple-employer plan is a defined benefit pension plan that is used to provide pensions to the employees of more than one employer.
<i>Municipal Bond Rate</i>	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.
<i>Net Pension Liability (NPL)</i>	The NPL is the liability of employers and non-employer contributing entities to plan members for benefits provided through a defined benefit pension plan.
<i>Non-Employer Contributing Entities</i>	Non-employer contributing entities are entities that make contributions to a pension plan that is used to provide pensions to the employees of other entities. For purposes of the GASB accounting statements, plan members are not considered non-employer contributing entities.
<i>Normal Cost</i>	The portion of the actuarial present value allocated to a valuation year is called the normal cost. For purposes of application to the requirements of this Statement, the term normal cost is the equivalent of service cost.

Glossary of Terms

<i>Other Postemployment Benefits (OPEB)</i>	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.
<i>Real Rate of Return</i>	The real rate of return is the rate of return on an investment after adjustment to eliminate inflation.
<i>Service Cost</i>	The service cost is the portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.
<i>Total Pension Expense</i>	The total pension expense is the sum of the following items that are recognized at the end of the employer’s fiscal year: <ol style="list-style-type: none">1. Service Cost2. Interest on the Total Pension Liability3. Current-Period Benefit Changes4. Employee Contributions (made negative for addition here)5. Projected Earnings on Plan Investments (made negative for addition here)6. Pension Plan Administrative Expense7. Other Changes in Plan Fiduciary Net Position8. Recognition of Outflow (Inflow) of Resources due to Liabilities9. Recognition of Outflow (Inflow) of Resources due to Assets
<i>Total Pension Liability (TPL)</i>	The TPL is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service.
<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	The UAAL is the difference between actuarial accrued liability and valuation assets.
<i>Valuation Assets</i>	The valuation assets are the assets used in determining the unfunded liability of the plan. For purposes of GASB Statement Nos. 67 and 68, the valuation assets are equal to the market value of assets.

October 19, 2018

Ms. Sheila Gorski-Schulte
Director of Human Resources/Risk Management
City of Taylor General Employees Retirement System
23555 Goddard Road
Taylor, MI 48180

Dear Sheila:

Please find enclosed 15 copies of the GASB Statement Nos. 67 and 68 Accounting and Financial Reporting for Pensions report of the City of Taylor General Employees Retirement System.

Sincerely,



Brad Lee Armstrong, ASA, EA, FCA, MAAA

BLA:ah
Enclosures

cc: Ms. Lynn M. Cleary, Treasurer (2 report copies)
Ms. Kari Shea, Plante & Moran