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# **GASB 74/75 ACTUARIAL VALUATION**

## **Fiscal Year Ending June 30, 2024**

# **CITY OF TAYLOR**

### **CONTACT**

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December 16, 2024

Jason Couture  
City of Taylor  
23555 Goddard Road  
Second Floor  
Taylor, MI 48180

This report summarizes the GASB actuarial valuation for the City of Taylor 2023/24 fiscal year . To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statement No. 74 (Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans) and GASB Statement No. 75 (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions). This report may not be appropriate for other purposes. Please contact Nyhart prior to disclosing this report to any other party or relying on its content for any purpose other than that explained above. Failure to do so may result in misrepresentation or misinterpretation of this report.

The information presented herein is based on the actuarial assumptions and substantive plan provisions summarized in this report and participant information furnished to us by the Plan Sponsor. Asset information has been provided to us by the Plan Sponsor . We have reviewed the employee census provided by the Plan Sponsor for reasonableness when compared to the prior information provided but have not audited the information at the source, and therefore do not accept responsibility for the accuracy or the completeness of the data on which the information is based . When relevant data may be missing, we may have made assumptions we feel are neutral or conservative to the purpose of the measurement . We are not aware of any significant issues with and have relied on the data provided.

The discount rate, expected return on assets, other economic assumptions, and demographic assumptions have been selected by the Plan Sponsor with the concurrence of Nyhart. In our opinion, the actuarial assumptions are individually reasonable and in combination represent our estimate of anticipated experience of the Plan. All calculations have been made in accordance with generally accepted actuarial principles and practice . Note that the evaluation of the reasonability of the expected asset return assumption was considered outside the scope of our assignment .

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following :

- plan experience differing from that anticipated by the economic or demographic assumptions;
- changes in economic or demographic assumptions;
- increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and
- changes in plan provisions or applicable law.

We did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement .

To our knowledge, there have been no significant events prior to the current year's measurement date or as of the date of this report that could materially



Neither Nyhart nor any of its employees has any relationship with the plan or its sponsor that could impair or appear to impair the objectivity of this report. Our professional work is in full compliance with the American Academy of Actuaries "Code of Professional Conduct" Precept 7 regarding conflict of interest. The undersigned are compliant with the continuing education requirements of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States.

Should you have any questions please do not hesitate to contact us.

A handwritten signature in black ink that reads "Tina Liu".

Tina Liu, EA, MAAA, FCA  
Actuary

A handwritten signature in black ink that reads "Nisha Sundi".

Nisha Sundi, FSA, MAAA  
Actuary

# Executive Summary

City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Summary of Results

Presented below is the summary of GASB 75 results for the fiscal year ending June 30, 2024 compared to the prior fiscal year as shown in the City's Notes to Financial Statement.

	As of June 30, 2023	As of June 30, 2024
Total OPEB Liability	\$ 117,095,235	\$ 125,259,554
Actuarial Value of Assets	\$ (4,940,576)	\$ (5,691,890)
Net OPEB Liability	\$ 112,154,659	\$ 119,567,664
Funded Ratio	4.2%	4.5%

	FY 2022/23	FY 2023/24
OPEB Expense	\$ 3,317,143	\$ 13,929,421
Annual Employer Contributions	\$ 8,852,418	\$ 9,221,151
Actuarially Determined Contribution	\$ 7,614,106	\$ 9,053,859

	As of June 30, 2023	As of June 30, 2024
Discount Rate	7.00%	6.93%
Expected Return on Assets	7.00%	6.93%

	As of June 30, 2024
Total Active Participants	286
Total Retiree Participants	517

The active participants' number above may include active employees who currently have no health care coverage. Refer to Summary of Participants section for an accurate breakdown of active employees with and without coverage.

# Executive Summary

City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Summary of Results

Below is a breakdown of total GASB 75 liabilities allocated to past and current service compared to the prior year. The table below also provides a breakdown of the Total OPEB Liability allocated to pre- and post- Medicare eligibility. The liability shown below includes explicit (if any) and implicit subsidies. Refer to the Substantive Plan Provisions section for complete information on the Plan Sponsor's GASB subsidies.

Present Value of Future Benefits	As of June 30, 2023	As of June 30, 2024
Active Employees	\$ 24,656,378	\$ 25,714,454
Retired Employees	96,176,350	104,703,719
<b>Total Present Value of Future Benefits</b>	<b>\$ 120,832,728</b>	<b>\$ 130,418,173</b>

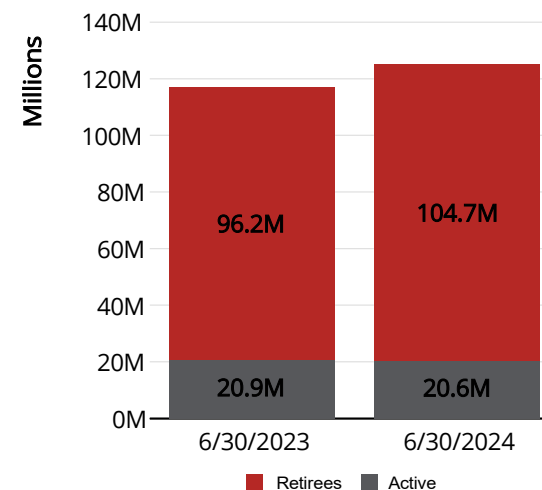
Total OPEB Liability	As of June 30, 2023	As of June 30, 2024
Active Pre-Medicare	\$ 14,799,975	\$ 14,900,679
Active Post-Medicare	6,118,910	5,655,156
Active Liability	\$ 20,918,885	\$ 20,555,835

Retiree Pre-Medicare	\$ 40,425,298	\$ 52,261,800
Retiree Post-Medicare	55,751,052	52,441,919
Retiree Liability	\$ 96,176,350	\$ 104,703,719

<b>Total OPEB Liability</b>	<b>\$ 117,095,235</b>	<b>\$ 125,259,554</b>
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	As of June 30, 2023	As of June 30, 2024
Discount Rate	7.00%	6.93%

## Changes In Total OPEB Liability



**Present Value of Future Benefits (PVFB)** is the amount needed as of June 30, 2024 and June 30, 2023, to fully fund the City's retiree health care subsidies for existing and future retirees and their dependents assuming all actuarial assumptions are met.

**Total OPEB Liability** is the portion of PVFB considered to be accrued or earned as of June 30, 2024 and June 30, 2023. This amount is a required disclosure in the Required Supplementary Information section.

# GASB Disclosures

City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Schedule of Changes in Net OPEB Liability and Related Ratios

OPEB Liability	FY 2023/24	FY 2022/23	FY 2021/22	FY 2020/21	FY 2019/20
<b>Total OPEB Liability</b>					
Total OPEB Liability - beginning of year	\$ 117,095,235	\$ 114,494,534	\$ 124,226,754	\$ 126,652,479	\$ 154,587,225
Service cost	599,257	567,799	417,432	494,473	893,637
Interest	7,930,107	7,758,543	6,960,780	9,083,552	11,124,998
Change of benefit terms	0	0	9,547	0	0
Changes in assumptions	6,463,812	0	12,049,282	2,665,604	7,874,620
Differences between expected and actual experience	2,137,294	2,871,777	(21,232,557)	(7,418,379)	(39,438,580)
Benefit payments	(8,966,151)	(8,597,418)	(7,936,704)	(7,250,975)	(8,389,421)
Net change in total OPEB liability	\$ 8,164,319	\$ 2,600,701	\$ (9,732,220)	\$ (2,425,725)	\$ (27,934,746)
Total OPEB Liability - end of year	\$ 125,259,554	\$ 117,095,235	\$ 114,494,534	\$ 124,226,754	\$ 126,652,479
<b>Plan Fiduciary Net Position</b>					
Plan fiduciary net position - beginning of year	\$ 4,940,576	\$ 4,378,596	\$ 4,502,155	\$ 3,319,998	\$ 3,000,000
Contributions - employer	9,221,151	8,852,418	8,191,704	7,505,975	8,644,421
Contributions - active employees	0	0	0	0	0
Net investment income	507,136	315,165	(370,483)	934,032	70,503
Benefit payments	(8,966,151)	(8,597,418)	(7,936,704)	(7,250,975)	(8,389,421)
Trust administrative expenses	(10,822)	(8,185)	(8,076)	(6,875)	(5,505)
Net change in plan fiduciary net position	\$ 751,314	\$ 561,980	\$ (123,559)	\$ 1,182,157	\$ 319,998
Plan fiduciary net position - end of year	\$ 5,691,890	\$ 4,940,576	\$ 4,378,596	\$ 4,502,155	\$ 3,319,998
<b>Net OPEB Liability - end of year</b>	<b>\$ 119,567,664</b>	<b>\$ 112,154,659</b>	<b>\$ 110,115,938</b>	<b>\$ 119,724,599</b>	<b>\$ 123,332,481</b>
Plan fiduciary net position as % of total OPEB liability	4.5%	4.2%	3.8%	3.6%	2.6%
Covered employee payroll	\$ 18,177,699	\$ 15,282,298	\$ 16,277,453	N/A	N/A
Net OPEB liability as % of covered payroll	657.8%	733.9%	676.5%	N/A	N/A

\* FY 2023/24 contributions/benefit payments include \$7,875,518 actual pay-as-you-go costs and \$1,090,633 estimated implicit subsidy benefit payments. The difference between the expected and actual benefit payments are included in the experience gain/loss. The FY 2023/24 covered employee payroll shown is the active employee salary provided by the City.

# GASB Disclosures

City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Schedule of Changes in Net OPEB Liability and Related Ratios (Continued)

OPEB Liability	FY 2018/19	FY 2017/18
<b>Total OPEB Liability</b>		
Total OPEB Liability - beginning of year	\$ 293,762,529	\$ 292,444,267
Service cost	3,712,605	4,136,989
Interest	10,543,163	10,324,169
Change of benefit terms	0	0
Changes in assumptions	(88,984,720)	(2,765,110)
Differences between expected and actual experience	(55,772,490)	(1,361,775)
Benefit payments	(8,742,467)	(9,016,012)
Net change in total OPEB liability	\$ (139,243,909)	\$ 1,318,261
Total OPEB Liability - end of year	\$ 154,518,620	\$ 293,762,528
<b>Plan Fiduciary Net Position</b>		
Plan fiduciary net position - beginning of year	\$ 0	\$ 0
Contributions - employer	11,742,467	9,016,012
Contributions - active employees	0	0
Net investment income	0	0
Benefit payments	(8,742,467)	(9,016,012)
Trust administrative expenses	0	0
Net change in plan fiduciary net position	\$ 3,000,000	\$ 0
Plan fiduciary net position - end of year	\$ 3,000,000	\$ 0
<b>Net OPEB Liability - end of year</b>	<b>\$ 151,518,620</b>	<b>\$ 293,762,528</b>
Plan fiduciary net position as % of total OPEB liability	1.9%	0.0%
Covered employee payroll	\$ 10,625,983	\$ 10,465,328
Net OPEB liability as % of covered payroll	1,425.9%	2,807.0%

# GASB Disclosures

City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Schedule of Employer Contributions

The Actuarially Determined Contributions (ADC) shown below are based on the Annual Required Contribution (ARC) calculated in prior GASB 45 actuarial valuations as shown in the City's financial statements.

	FY 2023/24	FY 2022/23	FY 2021/22	FY 2020/21	FY 2019/20
Actuarially Determined Contribution (ADC)	\$ 9,053,859	\$ 7,614,106	\$ 7,936,704	\$ 8,770,402	\$ 10,916,727
Contributions in relation to the ADC	9,221,151	8,852,418	8,191,704	7,505,975	8,644,421
Contribution deficiency/(excess)	\$ (167,292)	\$ (1,238,312)	\$ (255,000)	\$ 1,264,427	\$ 2,272,306
Covered employee payroll	\$ 18,177,699	\$ 15,282,298	\$ 16,277,453	N/A	N/A
Contribution as a % of covered payroll	50.7%	57.9%	50.3%	N/A	N/A
	<b>FY 2018/19</b>				
Actuarially Determined Contribution (ADC)	\$ 16,922,687				
Contributions in relation to the ADC	11,742,467				
Contribution deficiency/(excess)	\$ 5,180,220				
Covered employee payroll	\$ 10,625,983				
Contribution as a % of covered payroll	110.5%				

# GASB Disclosures

City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## OPEB Expense

OPEB Expense		FY 2023/24	FY 2022/23
Discount Rate			
Beginning of year		7.00%	7.00%
End of year		6.93%	7.00%
Service cost	\$	599,257	\$ 567,799
Interest		7,930,107	7,758,543
Change of benefit terms		0	0
Projected earnings on OPEB plan investments		(354,242)	(314,994)
Reduction for contributions from active employees		0	0
OPEB plan administrative expenses		10,822	8,185
Current period recognition of deferred outflows / (inflows) of resources			
Differences between expected and actual experience	\$	2,504,535	\$ (11,653,182)
Changes in assumptions		3,231,906	6,913,175
Net difference between projected and actual earnings on OPEB plan investments		7,036	37,617
Total current period recognition	\$	5,743,477	\$ (4,702,390)
Total OPEB expense	\$	13,929,421	\$ 3,317,143

# GASB Disclosures

City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Deferred Outflows / (Inflows) of Resources

Deferred Outflows / (Inflows) of Resources represents the following items that have not been recognized in the OPEB Expense :

1. Differences between expected and actual experience of the OPEB plan
2. Changes of assumptions
3. Differences between projected and actual earnings in OPEB plan investments (for funded plans only)

The initial amortization period for the first two items noted above is based on expected future service lives while the difference between the projected and actual earnings in OPEB plan investment is amortized over five years. All balances are amortized linearly on a principal only basis and new bases will be created annually for each of the items above.

Differences between expected and actual experience for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2024
June 30, 2020	\$ (39,438,580)	3	\$ 0	\$ 0
June 30, 2021	\$ (7,418,379)	3	\$ 0	\$ 0
June 30, 2022	\$ (21,232,557)	2	\$ 0	\$ 0
June 30, 2023	\$ 2,871,777	2	\$ 1,435,888	\$ 0
June 30, 2024	\$ 2,137,294	2	\$ 1,068,647	\$ 1,068,647

# GASB Disclosures

City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Deferred Outflows / (Inflows) of Resources (Continued)

Changes in assumptions for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2024
June 30, 2020	\$ 7,874,620	3	\$ 0	\$ 0
June 30, 2021	\$ 2,665,604	3	\$ 0	\$ 0
June 30, 2022	\$ 12,049,282	2	\$ 0	\$ 0
June 30, 2023	\$ 0	N/A	\$ 0	\$ 0
June 30, 2024	\$ 6,463,812	2	\$ 3,231,906	\$ 3,231,906

Net Difference between projected and actual earnings in OPEB plan investments for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2024
June 30, 2020	\$ 159,003	5	\$ 31,799	\$ 0
June 30, 2021	\$ (681,055)	5	\$ (136,211)	\$ (136,211)
June 30, 2022	\$ 710,305	5	\$ 142,061	\$ 284,122
June 30, 2023	\$ (171)	5	\$ (34)	\$ (103)
June 30, 2024	\$ (152,894)	5	\$ (30,579)	\$ (122,315)

# GASB Disclosures

City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Deferred Outflows / (Inflows) of Resources (Continued)

As of fiscal year ending June 30, 2024	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 1,068,647	\$ 0
Changes in assumptions	3,231,906	0
Net difference between projected and actual earnings in OPEB plan investments	25,493	0
<b>Total</b>	<b>\$ 4,326,046</b>	<b>\$ 0</b>

## Annual Amortization of Deferred Outflows / (Inflows)

The balances as of June 30, 2024 of the deferred outflows / (inflows) of resources will be recognized in OPEB expense in the future fiscal years as noted below.

FYE	Balance
2025	\$ 4,275,790
2026	\$ 111,448
2027	\$ (30,614)
2028	\$ (30,578)
2029	\$ 0
Thereafter	\$ 0

# GASB Disclosures

City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Sensitivity Results

The following presents the Net OPEB Liability as of June 30, 2024, calculated using the discount rate assumed and what it would be using a 1% higher and 1% lower discount rate.

- The current discount rate is 6.93%.
- The 1% decrease in discount rate would be 5.93%.
- The 1% increase in discount rate would be 7.93%.

As of June 30, 2024	Net OPEB Liability
1% Decrease	\$ 133,428,563
Current Discount Rate	\$ 119,567,664
1% Increase	\$ 108,006,013

The following presents the Net OPEB Liability as of June 30, 2024, using the health care trend rates assumed and what it would be using 1% higher and 1% lower health care trend rates.

- The current health care trend rate starts at an initial rate of 8.00%, decreasing to an ultimate rate of 4.50%.
- The 1% decrease in health care trend rates would assume an initial rate of 7.00%, decreasing to an ultimate rate of 3.50%.
- The 1% increase in health care trend rates would assume an initial rate of 9.00%, decreasing to an ultimate rate of 5.50%.

As of June 30, 2024	Net OPEB Liability
1% Decrease	\$ 107,904,128
Current Trend Rates	\$ 119,567,664
1% Increase	\$ 133,535,409

\* The above trend rates display the pre 65 rates, the post 65 trend rates start at 6.50%, decreasing annually by 0.25% to an ultimate rate of 4.50%. Dental/Vision trend rates are a 4.00% per year. The sensitivity results above account for 1% increases/decreases in these rates as well.

# GASB Disclosures

City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Asset Information

Asset Breakdown	FY 2022/23	FY 2023/24
<b>Assets</b>		
Cash and deposits	\$ 0	\$ 0
Securities lending cash collateral	0	0
Total cash	\$ 0	\$ 0
<b>Receivables</b>		
Contributions	\$ 0	\$ 255,000
Accrued interest	0	0
Total receivables	\$ 0	\$ 255,000
<b>Investments</b>		
Fixed income	\$ 0	\$ 0
Equities	0	0
MERS Total Market Portfolio	4,940,576	5,436,890
Total investments	\$ 4,940,576	\$ 5,436,890
Total Assets	\$ 4,940,576	\$ 5,691,890
<b>Liabilities</b>		
<b>Payables</b>		
Investment management fees	\$ 0	\$ 0
Securities lending expense	0	0
Total liabilities	\$ 0	\$ 0
<b>Net Position Restricted to OPEB</b>	<b>\$ 4,940,576</b>	<b>\$ 5,691,890</b>

\* Assets shown as the end of the fiscal year

# GASB Disclosures

City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Asset Information (Continued)

Asset Reconciliation	FY 2022/23	FY 2023/24
<b>Additions</b>		
Contributions Received		
Employer	\$ 8,852,418	\$ 9,221,151
Active employees	0	0
<b>Total contributions</b>	<b>\$ 8,852,418</b>	<b>\$ 9,221,151</b>
Investment Income		
Net increase in fair value of investments	\$ 315,164	\$ 507,136
Interest and dividends	0	0
Investment expense, other than from securities lending	0	0
Securities lending income	0	0
Securities lending expense	0	0
<b>Net investment income</b>	<b>\$ 315,164</b>	<b>\$ 507,136</b>
<b>Total additions</b>	<b>\$ 9,167,582</b>	<b>\$ 9,728,287</b>
<b>Deductions</b>		
Benefit payments	\$ 8,597,418	\$ 8,966,151
Administrative expenses	8,185	10,822
Other	0	0
<b>Total deductions</b>	<b>\$ 8,605,603</b>	<b>\$ 8,976,973</b>
<b>Net increase in net position</b>	<b>\$ 561,980</b>	<b>\$ 751,314</b>
<b>Net position restricted to OPEB</b>		
Beginning of year	\$ 4,378,596	\$ 4,940,576
End of year	\$ 4,940,576	\$ 5,691,890

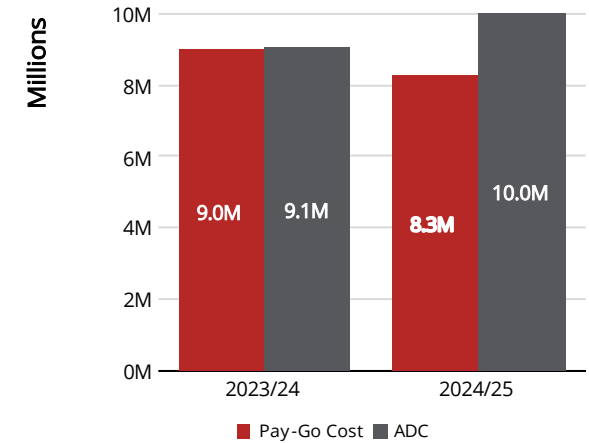
\* Assets shown as the end of the fiscal year

# Actuarially Determined Contributions

City of Taylor GASB 74/75 Valuation For Fiscal Year Ending June 30, 2024

	FY 2023/24		FY 2024/25	
Discount rate (Funding)	7.00%		6.93%	
Payroll growth factor used for amortization	3.00%		3.00%	
Amortization type	Level % of Salary		Level % of Salary	
Amortization period (years)	20		19	
Actuarial Accrued Liability (AAL) - beginning of year	\$	117,095,235	\$	125,259,554
Actuarial Value of Assets (AVA) - beginning of year		(4,940,576)		(5,691,890)
Unfunded AAL - beginning of year	\$	112,154,659	\$	119,567,664
Normal Cost	\$	599,257	\$	696,289
Amortization of Unfunded AAL		7,862,293		8,632,276
Total normal cost plus amortization	\$	8,461,550	\$	9,328,565
Interest to end of year		592,309		646,470
Actuarially Determined Contribution - Preliminary	\$	9,053,859	\$	9,975,035
Expected Benefit Payments		8,966,151		8,281,567
<b>Actuarially Determined Contribution - Final</b>	<b>\$</b>	<b>9,053,859</b>	<b>\$</b>	<b>9,975,035</b>

## Cash Vs Accrual Accounting



**Actuarially Determined Contribution (ADC)** is the target or recommended contribution to a defined benefit OPEB plan, which if paid on an ongoing basis, will provide sufficient resources to fund future costs for services to be earned and liabilities attributed to past services. This is typically higher than the pay-as-you-go cost because it includes recognition of employer costs expected to be paid in future accounting periods.

# Projection of GASB Disclosures

## City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

The Total OPEB Liability (TOL) is expected to change on an annual basis as a result of expected and unexpected events. Under normal circumstances, it is generally expected to have a net increase each year. Below is a list of the most common events affecting the total OPEB liability and whether they increase or decrease the liability.

### Expected Events

- Increases in TOL due to additional benefit accruals as employees continue to earn service each year
- Increases in TOL due to interest as the employees and retirees age
- Decreases in TOL due to benefit payments

### Unexpected Events

- Increases in TOL when actual health care costs increase more than expected. A liability decrease occurs when the reverse happens.
- Increases in TOL when more new retirements occur than expected or fewer terminations occur than anticipated. Liability decreases occur when the opposite outcomes happen.
- Increases or decreases in TOL depending on whether benefits are improved or reduced.

Projection of Total OPEB Liability (TOL)	FY 2023/24	FY 2024/25
TOL as of beginning of year	\$ 117,095,235	\$ 125,259,554
Normal cost as of beginning of year	599,257	696,289
Exp. benefit payments during the year	(8,966,151)	(8,281,567)
Interest adjustment to end of year	7,930,107	8,446,590
Exp. TOL as of end of year	\$ 116,658,448	\$ 126,120,866
Actuarial Loss / (Gain)	8,601,106	TBD
<b>Actual TOL as of end of year</b>	<b>\$ 125,259,554</b>	<b>\$ TBD</b>
Discount rate as of beginning of year	7.00%	6.93%
Discount rate as of end of year	6.93%	TBD

Projection of Actuarial Value of Assets (AVA )	FY 2023/24	FY 2024/25
AVA as of beginning of year	\$ 4,940,576	\$ 5,691,890
Exp. employer contributions during the year	9,221,151	8,536,567
Exp. benefit payments during the year	(8,966,151)	(8,281,567)
Expected investment income	354,242	402,711
Exp. Trust administrative expenses	(10,822)	(12,468)
Exp. AVA as of end of year	\$ 5,538,996	\$ 6,337,133
Differences between expected and actual experience	152,894	TBD
<b>AVA as of end of year</b>	<b>\$ 5,691,890</b>	<b>\$ TBD</b>
Expected asset return as of beginning of year	7.00%	6.93%
Expected asset return as of end of year	6.93%	TBD

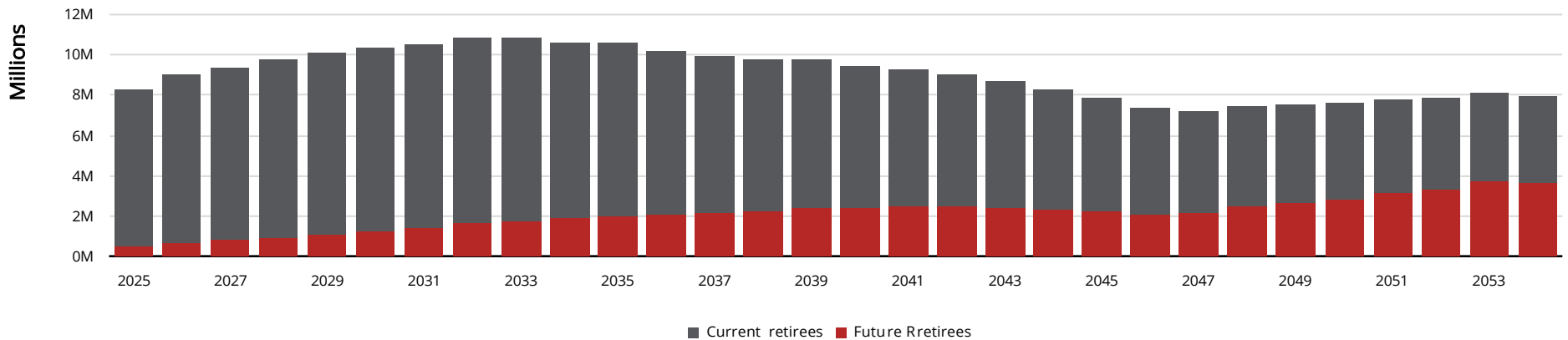
# Cash Flow Projections

City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

The below projections show the actuarially estimated employer-paid contributions for retiree health benefits for the next thirty years. Results are shown separately for a closed group of current/future retirees. These projections include explicit and implicit subsidies.

FYE	Current Retirees	Future Retirees*	Total	FYE	Current Retirees	Future Retirees*	Total	FYE	Current Retirees	Future Retirees*	Total
2025	\$ 7,821,764	\$ 459,803	\$ 8,281,567	2035	\$ 8,561,447	\$ 2,005,127	\$ 10,566,574	2045	\$ 5,591,456	\$ 2,237,398	\$ 7,828,854
2026	\$ 8,369,401	\$ 687,205	\$ 9,056,606	2036	\$ 8,148,083	\$ 2,033,381	\$ 10,181,464	2046	\$ 5,277,158	\$ 2,096,055	\$ 7,373,213
2027	\$ 8,542,637	\$ 846,380	\$ 9,389,017	2037	\$ 7,809,342	\$ 2,135,803	\$ 9,945,145	2047	\$ 5,094,262	\$ 2,115,669	\$ 7,209,931
2028	\$ 8,810,945	\$ 926,597	\$ 9,737,542	2038	\$ 7,502,466	\$ 2,262,782	\$ 9,765,248	2048	\$ 4,983,932	\$ 2,448,375	\$ 7,432,307
2029	\$ 8,997,000	\$ 1,082,732	\$ 10,079,732	2039	\$ 7,404,974	\$ 2,389,510	\$ 9,794,484	2049	\$ 4,865,839	\$ 2,642,525	\$ 7,508,364
2030	\$ 9,066,432	\$ 1,261,477	\$ 10,327,909	2040	\$ 7,057,001	\$ 2,409,835	\$ 9,466,836	2050	\$ 4,780,317	\$ 2,806,310	\$ 7,586,627
2031	\$ 9,086,977	\$ 1,442,575	\$ 10,529,552	2041	\$ 6,767,421	\$ 2,487,775	\$ 9,255,196	2051	\$ 4,684,668	\$ 3,117,344	\$ 7,802,012
2032	\$ 9,224,518	\$ 1,639,545	\$ 10,864,063	2042	\$ 6,525,056	\$ 2,512,092	\$ 9,037,148	2052	\$ 4,528,880	\$ 3,308,280	\$ 7,837,160
2033	\$ 9,084,544	\$ 1,760,054	\$ 10,844,598	2043	\$ 6,302,251	\$ 2,397,322	\$ 8,699,573	2053	\$ 4,411,694	\$ 3,685,278	\$ 8,096,972
2034	\$ 8,681,668	\$ 1,903,421	\$ 10,585,089	2044	\$ 6,014,277	\$ 2,289,181	\$ 8,303,458	2054	\$ 4,293,838	\$ 3,679,085	\$ 7,972,923

## Projected Employer Pay-go Cost



\* Projections for future retirees do not take into account future new hires.

# Discussion of Discount Rates

## City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

Under GASB 74, the discount rate used in valuing OPEB liabilities for funded plans as of the Measurement Date must be based on the long-term expected rate of return on OPEB plan investments that are expected to be used to finance future benefit payments to the extent that (a) they are sufficient to pay for the projected benefit payments and (b) the OPEB plan assets are invested using a strategy that will achieve that return. When the OPEB plan investments are insufficient to cover future benefit payments, a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA /Aa or higher (or equivalent quality on another rating scale) must be used.

For the current valuation:

1. The plan is identified as an Agent Multiple-Employer Defined Benefit OPEB Plan. The long-term expected rate of return on OPEB plan investment is assumed to be 6.93%. As of June 30, 2024, the expected nominal rate of return for MERS Total Market Portfolio is 6.93% with a 2.5% assumed rate of inflation. This was determined using a building block method in which expected future rate of returns are developed for each major asset class. The best estimates of arithmetic return for each portfolio included in the Plan's target allocation as of June 30, 2024 are summarized in the following table.

Asset Class	Target Allocation	L/T Expected ROR
Global Equity	60.0%	7.00%
Global Fixed Income	20.0%	4.50%
Private Investments	20.0%	9.50%
Total	100.00%	6.93%

2. The Annual Money-Weighted Rate of Return for the portfolio as of June 30, 2024 is 10.28%. This is net of investment expenses and adjusted for the timing of changing amounts invested throughout the year.

3. The discount rate used when the OPEB plan investments are insufficient to pay for future benefit payments are selected from the range of indices as shown in the table below, where the range is given as the spread between the lowest and highest rate shown.

Yield as of	June 30, 2023	June 30, 2024
Bond Buyer Go 20-Bond Municipal Bond Index	3.65%	3.93%
S&P Municipal Bond 20-Year High Grade Rate Index	4.13%	4.21%
Fidelity 20-Year Go Municipal Bond	3.86%	3.97%
Bond Index Range	3.65% - 4.13%	3.93% - 4.21%

4. The final equivalent single discount rate used for this year's valuation is 6.93%. This discount rate is determined with the assumption that employer contributions will be made in accordance with the City's Retiree Health Program Funding Projections dated December 21, 2018. For fiscal years ending 2024 through 2039, this includes a contribution equal to the benefit payments plus an additional contribution of \$255,000. For fiscal years ending 2040 through 2048, this includes a contribution equal to the benefit payments (capped at \$12,255,000) plus an additional contribution of \$7,000,000. The City is assumed to make additional contributions to keep sufficient plan assets to pay all benefits from the trust.

# Summary of Plan Participants

City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Active Employees

Actives with medical/rx coverage	Single	Non-Single*	Total	Avg. Age	Avg. Svc
Fire	7	23	30	42.4	14.1
Police Patrol	13	37	50	32.5	5.6
Public Service Officers (Cadets)	8	4	12	30.0	4.6
Police Command	2	9	11	38.6	14.0
Court Employees/Court Supervisors	3	4	7	44.9	5.8
Local 1128 AFSCME	27	33	60	44.9	9.3
Local 1917	5	8	13	47.2	16.6
Taylor Governmental Mgmt. and Administrative Employees Association	20	18	38	42.7	10.0
Elected Officers	0	2	2	54.2	6.1
<b>Total actives with coverage**</b>	<b>85</b>	<b>138</b>	<b>223</b>	<b>40.7</b>	<b>9.5</b>

Actives without medical/rx coverage	Total	Avg. Age	Avg. Svc
Actives without medical coverage	63	41.9	6.9

## Deferred Vested Employees

Deferred Vested Employees assumed to elect coverage	Total	Avg. Age
Deferred Vested	14	52.6

\*Includes participants with employee and children coverage level.

\*\*The Total active employee count of 286 includes 82 employees who were hired after the cutoff dates and have no liabilities under the plan.

# Summary of Plan Participants

City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Active Age-Service Distribution

The distribution does not include deferred vested employees or active employees ineligible for OPEB benefits.

Age	Years of Service										Total	
	< 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up		
Under 25	6	10										16
25 to 29	3	14	5	2								24
30 to 34	2	8	12	2								24
35 to 39		7	2	6								15
40 to 44		5	1		4	6	1					17
45 to 49	2	5	5	1	3	16	3					35
50 to 54	4	6	4	2	4	3	9					32
55 to 59	1	5	1	1	2	3	2	1				16
60 to 64	1	2	1	1	2	3	2					12
65 to 69	2	1	2	1	1	1	1					9
70 & up			3		1							4
<b>Total</b>	<b>21</b>	<b>63</b>	<b>36</b>	<b>16</b>	<b>17</b>	<b>32</b>	<b>18</b>	<b>1</b>	<b>0</b>	<b>0</b>		<b>204</b>

# Summary of Plan Participants

City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Retirees

Retirees with medical/rx coverage	Single	Non-Single*	Total	Avg. Age
Fire	20	57	77	69.2
Police Patrol	25	80	105	63.8
Public Service Officers (Cadets)	1	0	1	58.6
Police Command	9	39	48	69.3
Court Employees/Court Supervisors	7	8	15	69.6
Local 1128 AFSCME	65	34	99	72.5
Local 1917	23	18	41	70.7
Taylor Governmental Mgmt. and Administrative Employees Association	26	20	46	69.7
Elected Officers	11	4	15	84.6
<b>Total retirees with coverage</b>	<b>187</b>	<b>270</b>	<b>457</b>	<b>69.3</b>

There are 46 Retirees with no medical coverage but are still receiving a dental, vision, or life insurance benefit from the city.

There are 9 Retirees who have waived medical benefits and not receiving dental, vision, or life insurance benefits. They have no liabilities under the plan.

\*Includes participants with employee and children coverage level.

## Retiree Age Distribution

Age	Retirees
< 45	4
45 to 49	23
50 to 54	42
55 to 59	52
60 to 64	59
65 to 69	75
70 to 74	72
75 to 79	73
80 to 84	59
85 to 89	24
90 & up	20
<b>Total</b>	<b>503</b>

# Substantive Plan Provisions

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City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Fire

### Retiree Health Care Benefit/Cost Share

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

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

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

### Normal Retiree Health Care Benefit Eligibility

*Hired before 8/1/2016* - Any age with 20 or more years of service or age 60 regardless of service.

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

### Deferred (Vested) Retiree Health Care Benefit Eligibility

*Hired before 8/1/2016*– 10 or more years of service. Benefit commences at date retirement would have occurred if member had remained in employment.

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

### Duty Death Before Retirement Health Care Benefits

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

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

### Non-Duty Death Before Retirement Health Care Benefits

*Eligibility*– Death while actively employed after 10 years of service. Payable to the employee’s un-remarried spouse for life and dependents per federal/state law. Benefit commences at date retirement would have occurred if member had remained in employment.

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

### Death After Retirement Health Care Benefits

*Hired before 8/1/2016* - Upon the death of the retiree, the City continues coverage of retiree health care for the lifetime of the un-remarried spouse and dependents per federal/state law.

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

### Duty Disability Retirement Health Care

*Eligibility* - No age or service requirement.

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

# Substantive Plan Provisions

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City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Non-Duty Disability Retirement Health Care

*Eligibility* – Disability while actively employed after 10 years of service.

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

Opt-Out (Insurance in Lieu of Benefits)– The City offers \$150/\$300/\$400 for single/two-person/family coverage respectively in lieu of retiree health care coverage.

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

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

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

## Police Patrol

### Retiree Health Care Benefit/Cost Share

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

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

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

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

*Employees Hired after 9/30/2011* – No benefit coverage in retirement. Participation in MERS Health Savings Plan.

### Normal Retiree Health Care Benefit Eligibility

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

*Employees Hired after 9/30/2011* – No benefit coverage in retirement. Participation in MERS Health Savings Plan.

### Deferred (Vested) Retiree Health Care Benefit Eligibility

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

*Employees Hired after 9/30/2011* – No benefit coverage in retirement. Participation in MERS Health Savings Plan.

### Duty Death Before Retirement Health Care Benefits

*Hired before 9/1/2011* - Death while actively employed. Payable to the employee's un-remarried spouse for life.

*Employees Hired after 9/30/2011* – No benefit coverage in retirement. Participation in MERS Health Savings Plan.

# Substantive Plan Provisions

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City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Non-Duty Death Before Retirement Health Care Benefits

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

*Employees Hired after 9/30/2011* – No benefit coverage in retirement. Participation in MERS Health Savings Plan.

## Death After Retirement Health Care Benefits

*Hired before 9/1/2011* - Upon the death of the retiree, the City continues coverage of retiree health care for the lifetime of the un-remarried spouse.

*Employees Hired after 9/30/2011* – No benefit coverage in retirement. Participation in MERS Health Savings Plan.

## Duty Disability Retirement Health Care

*Eligibility* - No age or service requirement.

*Employees Hired after 9/30/2011* – No benefit coverage in retirement. Participation in MERS Health Savings Plan.

## Non-Duty Disability Retirement Health Care

*Eligibility* Disability while actively employed after 10 years of service.

*Employees Hired after 9/30/2011* – No benefit coverage in retirement. Participation in MERS Health Savings Plan.

Opt-Out (Insurance in Lieu of Benefits)– The City offers \$150/\$300/\$400 for single/two-person/family coverage respectively in lieu of retiree health care coverage.

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

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

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

## Public Service Officers (Cadets)

### Retiree Health Care Benefit/Cost Share

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

All retired employees will be required to pay 20% of the annual premium or illustrative rate for medical and prescription drug coverage up to an annual \$4,500 cap.

City health coverage is not available for Medicare eligible PSO retirees.

*Employees hired after July 1, 2014* No benefit coverage in retirement. Participation in MERS Health Savings Plan.

### Normal Retiree Health Care Benefit Eligibility

Age 55 or greater with 25 or more years of service.

*Employees hired after July 1, 2014* No benefit coverage in retirement. Participation in MERS Health Savings Plan.

# Substantive Plan Provisions

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City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Deferred (Vested) Retiree Health Care Benefit Eligibility

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

## Duty Death Before Retirement Health Care Benefits

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

## Non-Duty Death Before Retirement Health Care Benefits

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

## Death After Retirement Health Care Benefits

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

**Employees hired after July 1, 2014** No benefit coverage in retirement. Participation in MERS Health Savings Plan.

## Duty Disability Retirement Health Care

Public safety officers are not eligible for Duty Disability Retirement.

## Non-Duty Disability Retirement Health Care

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

Opt-Out (Insurance in Lieu of Benefits)– The City does not provide payment in lieu of retiree health care coverage.

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

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

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

## Police Command

### Retiree Health Care Benefit/Cost Share

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

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

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

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

# Substantive Plan Provisions

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City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Normal Retiree Health Care Benefit Eligibility

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

## Deferred (Vested) Retiree Health Care Benefit Eligibility

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

## Duty Death Before Retirement Health Care Benefits

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

## Non-Duty Death Before Retirement Health Care Benefits

*Eligibility*- Non-duty related death while actively employed. \$50.00 per month payable to the employee's un-remarried spouse for 2 years following death.

## Death After Retirement Health Care Benefits

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

## Duty Disability Retirement Health Care

*Eligibility*- No age or service requirement.

## Non-Duty Disability Retirement Health Care

*Eligibility*- 10 or more years of service. Benefit commences at date of retirement.

Opt-Out (Insurance in Lieu of Benefits)- The City offers \$150/\$300/\$400 for single/two-person/family coverage respectively in lieu of retiree health care coverage.

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

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

Retiree Life Insurance - Retirees are not eligible for life insurance.

# Substantive Plan Provisions

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City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Court Employees/Court Supervisors

### Retiree Health Care Benefit/Cost Share

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

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

**Retirees hired before December 31, 2014** Vested - 12 years 35% no cap / 13 - 24 years 25% no cap / 25+ years \$4,500 annual cap

**Retirees hired on or after January 1, 2015** Vested - 12 years 35% - no cap / 13-24 years 25% - no cap / 25+ years 10% - no cap

### Normal Retiree Health Care Benefit Eligibility

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

### Deferred (Vested) Retiree Health Care Benefit Eligibility

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

### Disability Retirement Health Care

*Eligibility*- Disability while actively employed after 10 years of service. Benefit commences at date retirement.

### Death After Retirement Health Care Benefits

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

Opt-Out (Insurance in Lieu of Benefits)- The City does not provide payment in lieu of retiree health care coverage.

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

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

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

## Local 1128 AFSCME

### Retiree Health Care Benefit/Cost Share

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

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

Vested to 24 years of service: 20% cost share with \$4,500 annual cap. 25+ years of service: 0% cost share.

*Hired before 11/24/2014 and Retired between 09/01/2021 - 12/31/2023* - City provides fully paid retiree health care for the retiree, spouse and eligible dependents with applicable cost share:

Vested to 24 years of service: 20% cost share with Single \$2,000 / 2 Person \$2,500 / Family \$3,000 annual cap. 25+ years of service: 0% cost share.

# Substantive Plan Provisions

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City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

*DC Plan Participants: Employees hired 12/22/2004 - 09/01/2021* – At 20 years of service and attained age fifty-five the City provides fully paid retiree health care for the retiree, spouse,

And eligible dependents with applicable cost share: Vested to 24 years of service 20% cost share with Single \$2,000 / 2 Person \$2,500 / Family \$3,000 annual cap. 25+ years of service: 0% cost share.

*Employees hired after 09/01/2021* – No benefit coverage in retirement. Participation in MERS Health Savings Plan.

## Normal Retiree Health Care Benefit Eligibility

*Hired Before 8/4/1988* - Earlier of: (a) Age 55 with 8 or more years of service (10 or more years if hired after 8/1/82), or (b) 25 years of service.

*Hired 8/4/1988 – 9/1/2021* - Age 55 with 10 or more years of service or age 50 with 25 or more years of service.

*Employees hired after 09/01/2021* – No benefit coverage in retirement. Participation in MERS Health Savings Plan.

## Early Retiree Health Care Benefit Eligibility

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

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

*Employees hired after 09/01/2021* – No benefit coverage in retirement. Participation in MERS Health Savings Plan.

## Deferred (Vested) Retiree Health Care Benefit Eligibility

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

*Employees hired after 09/01/2021* – No benefit coverage in retirement. Participation in MERS Health Savings Plan.

## Death Before Retirement Benefits

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

*Employees hired after 09/01/2021* – No benefit coverage in retirement. Participation in MERS Health Savings Plan.

## Death After Retirement Health Care Benefits

*Hired before 09/01/2021* - Upon the death of the retiree, the City continues full coverage of retiree health care for the lifetime of the un-remarried spouse.

*Employees hired after 09/01/2021* – No benefit coverage in retirement. Participation in MERS Health Savings Plan.

## Disability Retirement Health Care

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

*Eligibility if Hired After 8/4/88 to 8/31/2021* - 10 years of service credited in System and must be eligible to receive Social Security disability benefits.

*Employees hired after 09/01/2021* – No benefit coverage in retirement. Participation in MERS Health Savings Plan.

# Substantive Plan Provisions

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City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

**Opt-Out (Insurance in Lieu of Benefits)** – The City does not provide payment in lieu of retiree health care coverage.

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

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

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

## Local 1917

### **Retiree Health Care Benefit/Cost Share**

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

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

Vested to 24 years of service: 20% cost share with \$4,500 annual cap. 25 years of service: 0% cost share.

***Employees hired 12/22/2004 – 11/02/2021*** – At 20 years of service the City provides fully paid retiree health care for the retiree, spouse and eligible dependents with applicable cost share:

Vested to 24 years of service: 20% cost share \$4,500 annual cap. 25+ years of service: 0% cost share.

***Employees hired after 11/03/2021*** - At 20 years of service and age 55 the City provides fully paid retiree health care for the retiree, spouse, and eligible dependents with applicable cost share:

20% with no cap. When the retiree reaches full Medicare eligibility, the retiree will no longer be eligible for medical hospitalization insurance through the employer.

### **Normal Retiree Health Care Benefit Eligibility**

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

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

### **Early Retiree Health Care Benefit Eligibility**

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

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

### **Deferred (Vested) Retiree Health Care Benefit Eligibility**

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

### **Death Before Retirement Health Care Benefits**

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

### **Death After Retirement Health Care Benefits**

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

# Substantive Plan Provisions

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City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Disability Retirement Health Care

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

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

Opt-Out (Insurance in Lieu of Benefits) – The City does not provide payment in lieu of retiree health care coverage.

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

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

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

## Taylor Governmental Management and Administrative Employees Association

### Retiree Health Care Benefit/Cost Share

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

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

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

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

Age 65: No coverage.

### Normal Retiree Health Care Benefit Eligibility

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

*Eligibility if Hired Between 05/18/88 and 01/01/11* - Age 55 with 15 or more years of service.

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

### Early Retiree Health Care Benefit Eligibility

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

### Deferred (Vested) Retiree Health Care Benefit Eligibility

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

### Death Before Retirement Health Care Benefits

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

# Substantive Plan Provisions

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City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Death After Retirement Health Care Benefits

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

## Disability Retirement Health Care

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

Opt-Out (Insurance in Lieu of Benefits) - The City offers \$1,200 annually through age 65 in lieu of retiree health care coverage.

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

Dental - The City provides dental benefits for retirees.

Vision - The City provides vision benefits for retirees.

Retiree Life Insurance - The City provides \$30,000 of life insurance.

## Elected Officials

### Retiree Health Care Benefit/Cost Share

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

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

### Normal Retiree Health Care Benefit Eligibility

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

*Eligibility if Elected After 11/27/89-11/7/2005* - Age 55 with 5 or more years of service.

*Eligibility if First Elected after 11/8/2005* - No benefit coverage in retirement.

### Early Retiree Health Care Benefit Eligibility

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

*Eligibility if First Elected after 11/8/2005* - No benefit coverage in retirement.

### Deferred (Vested) Retiree Health Care Benefit Eligibility

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

*Eligibility if First Elected after 11/8/2005* - No benefit coverage in retirement.

## Death Before Retirement Health Care Benefits

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

*Eligibility if First Elected after 11/8/2005* - No benefit coverage in retirement.

# Substantive Plan Provisions

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City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Death After Retirement Health Care Benefits

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

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

## Disability Retirement Health Care

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

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

Opt-Out (Insurance in Lieu of Benefits) – The City does not provide payment in lieu of retiree health care coverage.

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

Dental – Retiree is responsible for retired dental premiums.

Life Insurance – Retirees are not eligible for life insurance.

## Explicit Subsidy

The City pays the portion of the premium rates not covered by retiree contributions.

## Medicare Part B Reimbursements

The City provides premium reimbursement for the following groups: Fire, Police Patrol, Police Command, Court Employees/Court Supervisors, Local 1128 (retired prior to 10/3/2000), Local 1917, Taylor Governmental Mgmt. and Administrative Employees Association, and Elected Officials.

## Excise Tax

On December 20, 2019, the Further Consolidated Appropriations Act of 2020 was passed in the US Senate. This bill included a repeal of the excise tax on high cost employer sponsored health coverage (also known as the Cadillac tax). For this reason, the impact of the tax on GASB 74/75 OPEB liabilities has been removed.

# Substantive Plan Provisions

City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Medical Plans

Benefit options available to retirees vary by employer group and design features. Certain options are only available to current retirees and not to future retirees. Premiums used in the valuation are assumed to include HRA benefits, with the exception of BCN plans. Retirees have separate premium rates from active employees and only retiree rates are shown below. Plans that did not have enrollees as of 7/1/2024 are not shown below. All health plans, other than HAP and Humana, are assumed to be fully-insured and active employee experience-rated with the exception of post-Medicare prescription drug benefits which are self-insured. Future Medicare retirees are required to enroll in Humana Medicare plans once eligible. Sample monthly premium rates by plan effective on July 1, 2024 (January 1, 2024 for post-Medicare options) are as shown below.

<b>HAP Plans</b>	<b>Single</b>	<b>2-Person</b>
HAP 2101 (Pre-65)	\$ 1,157.29	\$ 2,636.12
HAP 2201 (Pre-65)	\$ 1,176.58	\$ 2,680.53
HAP 2501 (Pre-65)	\$ 1,305.71	\$ 2,977.51
HAP 2701 (Pre-65)	\$ 1,593.37	\$ 3,664.73
HAP 3001 (Pre-65)	\$ 1,157.13	\$ 2,635.76
HAP 3101 (Pre-65)	\$ 1,159.71	\$ 2,641.72
HAP 3401 (Pre-65)	\$ 1,288.91	\$ 2,938.86
HAP 1101 (Post-65)	\$ 1,576.54	\$ 3,626.03

<b>BCN Plans</b>	<b>Single</b>	<b>2-Person</b>
BCN 003 (Pre-65)	\$ 536.16	\$ 1,258.70
BCN 003-009 (Pre-65)	\$ 541.60	\$ 1,271.72
BCN 005-04 (Pre-65)	\$ 531.81	\$ 1,248.25
BCN 005/006 (Pre-65)	\$ 545.85	\$ 1,281.93
BCN 004-001 (Pre-65)	\$ 550.16	\$ 1,292.26

<b>Humana Plans</b>	<b>Single</b>	<b>2-Person</b>
Humana Plan 2	\$ 471.82	\$ 943.64
Humana Plan 3	\$ 448.08	\$ 896.16
Humana Plan 4	\$ 407.53	\$ 815.06
Humana Plan 5	\$ 363.67	\$ 727.34
Humana Plan 6	\$ 367.26	\$ 734.52

<b>BCBS Plans</b>	<b>Single</b>	<b>2-Person</b>
BCBS 601 (Post-65)	\$ 531.73	\$ 1,063.46
BCBS 602 (Post-65)	\$ 514.32	\$ 1,028.64
BCBS 603 (Post-65)	\$ 480.89	\$ 961.78
BCBS 604 (Post-65)	\$ 420.76	\$ 841.52
BCBS 605 (Post-65)	\$ 416.07	\$ 832.14
BCBS 29/30 (Pre-65)	\$ 976.59	\$ 2,314.44
BCBS 31/32 (Pre-65)	\$ 969.36	\$ 2,297.11
BCBS 34 (Pre-65)	\$ 971.13	\$ 2,301.37
BCBS 36 (Pre-65)	\$ 941.05	\$ 2,229.16
BCBS 37/73 (Pre-65)	\$ 931.02	\$ 2,205.10
BCBS 39 (Pre-65)	\$ 961.94	\$ 2,279.29
BCBS 40 (Pre-65)	\$ 961.01	\$ 2,277.06
BCBS 42 (Pre-65)	\$ 948.37	\$ 2,246.70
BCBS 63/65 (Pre-65)	\$ 932.54	\$ 2,208.74
BCBS 81 (Pre-65)	\$ 911.42	\$ 2,158.02

# Actuarial Methods and Assumptions

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## City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

The actuarial assumptions and expected return on assets used in this report represent a reasonable long-term expectation of future OPEB outcomes. As national economic and City experience change over time, the assumptions will be tested for ongoing reasonableness and, if necessary, updated.

The discount rate, other economic assumptions, and demographic assumptions have been selected by the City with the concurrence of Nyhart. In our opinion, the actuarial assumptions are individually reasonable and in combination represent our estimate of anticipated experience of the City. All calculations have been made in accordance with generally accepted actuarial principles and practice.

There are changes to the actuarial assumptions since the last full GASB valuation, which was for the fiscal year ending June 30, 2022. Refer to Actuary's Notes section for complete information on these changes. For the current year GASB valuation, we have also updated the per capita costs. We expect to update discount rate, health care trend rates, mortality table, and per capita costs again in the next full GASB valuation, which will be for the fiscal year ending June 30, 2026.

### Measurement Date

For fiscal year ending June 30, 2024, a June 30, 2024 measurement date was used.

### Actuarial Valuation Date

July 1, 2024

Liabilities as of June 30, 2024 are based on an actuarial valuation date of July 1, 2024 with no adjustments to get to the June 30, 2024 measurement date. Liabilities as of June 30, 2023 are based on an actuarial valuation date of July 1, 2022 projected to June 30, 2023 reflecting actual premium and discount rate changes.

### Long-Term Rate of Return

The long-term expected rate of return on the OPEB plan investment is assumed to be 6.93% as of June 30, 2024 and 7.00% as of June 30, 2023 for accounting disclosure purposes. Refer to the Discussion of Discount Rates section for more information on selection of the discount rate, which is determined by the Plan Sponsor in concurrence with Nyhart.

### Cost Method

Allocation of Actuarial Present Value of Future Benefits for services prior and after the Measurement Date was determined using Entry Age Normal Level % of Salary method where:

- Service Cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant's benefit at retirement; and
- Annual Service Cost is a constant percentage of the participant's salary that is assumed to increase according to the Payroll Growth.

# Actuarial Methods and Assumptions

City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Payroll Growth

3.00% for wage inflation plus merit / productivity growth as shown in the table below. The payroll growth assumption is based on the MERS valuation as of December 31, 2023. The assumptions from these state-wide valuations provide reasonable estimates of experience for municipal employers such as the City of Taylor.

Sample Years of Service	% Increase in Salary at Sample Ages		
	Base (Economic)	Merit & Longevity	Increase Next Year
0	3.00%	6.70%	9.70%
5	3.00%	1.90%	4.90%
10	3.00%	1.10%	4.10%
15	3.00%	0.70%	3.70%
20	3.00%	0.60%	3.60%
25	3.00%	0.40%	3.40%
30	3.00%	0.20%	3.20%
35	3.00%	0.10%	3.10%
40+	3.00%	0.00%	3.00%

## Employer Funding Policy

The City of Taylor is prefunding retiree health benefits consistent with the Retiree Health Program Funding Projections dated December 21, 2018. Under this funding plan, the City would continue to pay the cost of providing benefits to retirees and their dependents plus the normal cost associated with groups that are still 'open' to new hires in the future. For fiscal years ending 2019 through 2039, the prefunding contributions are \$3,000,000 for 2019 and \$255,000 thereafter. For fiscal years ending 2040 through 2048, the prefunding contributions are \$7,000,000 per year. Nyhart did not complete these projections and therefore does not accept responsibility for its accuracy but are relying on its results in order to determine the valuation discount rate. The City is assumed to make additional contributions to keep sufficient plan assets to pay all benefits from the trust.

## Census Data

Census information as of June 30, 2024 was provided by the City in December 2024. We have reviewed it for reasonableness and no material modifications were made to the census data.

## Spousal Coverage

100% of General members, 70% of Court members, and 90% of Police/Fire members are assumed to be married for purposes of death-in-service benefits. Husbands are assumed to be three years older than wives. The spousal age difference is based on the observed age difference among the general population of married individuals who are of retirement age.

# Actuarial Methods and Assumptions

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City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Health Care Coverage Election Rate

It is assumed that 85% of actives with coverage would choose to receive retiree health care benefits through the City. Of those assumed to elect coverage, 76% are assumed to elect two-person coverage, if eligible. For those that elect two-person coverage, it was assumed that coverage would continue to the spouse upon death of the retiree, if eligible. Actives without coverage are assumed to elect opt-out benefits when applicable.

The participation rates are based on the City's historical experience.

## Mortality

Healthy General Retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021

Healthy Public Safety Retirees: SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2021

Disabled General Retirees: SOA Pub-2010 Non-Safety Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2021

Disabled Public Safety Retirees: SOA Pub-2010 Public Safety Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2021

Surviving Spouses: SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021

The City does not have sufficient data to have credible experience. Therefore, mortality assumptions are set to reflect general population trends based upon Pub-2010 Mortality tables and the most recent generational projection scale MP-2021 released by the Society of Actuaries (SOA) for future mortality improvements.

# Actuarial Methods and Assumptions

City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Disability

The disability rates are based on the MERS valuation as of December 31, 2023. The assumptions from these state-wide valuations provide reasonable estimates of experience for municipal employers such as the City of Taylor.

### Disability Sample Rates

<u>Age</u>	<u>Unisex</u>
20	0.02%
30	0.02%
40	0.08%
50	0.29%
55	0.38%
60+	0.39%

## Turnover Rate

Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage. The rates represent the probability of termination in the next 12 months. Termination rates are based on the MERS assumption used in the actuarial valuation as of December 31, 2023. The assumptions from these state-wide valuations provide reasonable estimates of experience for municipal employers such as the City of Taylor.

<u>YOS</u>	<u>General</u>	<u>Public Safety</u>
0	23.40%	13.90%
1	19.50%	11.60%
2	15.80%	9.40%
3	12.50%	7.40%
4	10.30%	6.10%
5	8.30%	4.90%
10	5.40%	3.20%
15	4.00%	2.40%
20	3.10%	1.80%
25+	2.60%	1.50%

# Actuarial Methods and Assumptions

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City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Retirement Rate

The retirement rates used were developed by the previous actuary. The rates are reasonable based on the City's current demographic experience; we have not performed a historical experience study. Annual rates of retirement are shown below:

<u>Age</u>	<u>Locals 1128 &amp; 1917</u>	<u>Court</u>
50	50%	
51	50%	
52	50%	
53	50%	
54	50%	
55	50%	18%
56	10%	15%
57	10%	10%
58	10%	15%
59	10%	20%
60	100%	20%
61		24%
62		24%
63		24%
64		27%
65		30%
66		30%
67		30%
68		30%
69		30%
70		30%

# Actuarial Methods and Assumptions

City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Retirement Rate (cont.)

	<u>Service</u>	<u>Police Corp/Patrol</u>	<u>Police Command</u>	<u>Fire</u>
	20	70%		30%
	21	20%		20%
	22	20%		20%
	23	20%		20%
	24	20%		20%
	25	100%	50%	50%
	26		40%	50%
	27		40%	50%
	28		40%	50%
	29		40%	50%
	30		90%	100%
	31		40%	
	32		100%	

## Health Care Trend Rates

FYE	Medical/Rx	
	Pre-65	Post-65
2025	8.00%	6.50%
2026	7.50%	6.25%
2027	7.00%	6.00%
2028	6.50%	5.75%
2029	6.00%	5.50%
2030	5.50%	5.25%
2031	5.00%	5.00%
2032	4.50%	4.75%
2033+	4.50%	4.50%

The initial trend rate was based on a combination of employer history, national trend surveys, and professional judgment.

The ultimate trend rate was selected based on historical medical CPI information.

## Dental/Vision Trend Rates

Dental and Vision are assumed to increase 4.0% annually in the future.

## Opt-out Benefits

Assumed to remain flat into the future.

## Retiree Contributions

Retiree contributions are assumed to increase according to health care trend rates.

# Actuarial Methods and Assumptions

City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Per Capita Costs

Annual per capita costs are calculated based on the weighted average rates effective on July 1, 2024 using current enrollment and health index factors. Enrollment of future retirees in pre-Medicare City options is based on current retiree enrollment and assumes 65% will enroll in BCBS options, 25% will enroll in HAP options, and 10% will enroll in BCN options. Current retirees enrolled in BCBS or HAP post-Medicare plans were assumed to remain in the plan they are enrolled in for life. Current retirees enrolled in Humana post-Medicare plans and all future retirees are assumed to enroll in Humana post-Medicare plans. Post-Medicare per capita costs are assumed to equal the premium rate because they represent the cost of a retiree only population. All costs are assumed to increase with medical/rx trend rates. Dental and vision per capita costs are assumed to equal the premium rates.

The per capita costs represent the cost of coverage for a retiree-only population.

Actuarial standards require the recognition of higher inherent costs for a retired population versus an active population.

Age	BCBS Plan		HAP Plan		BCN Plan		Humana Plans
	Male	Female	Male	Female	Male	Female	Male/Female
<50	\$ 9,800	\$ 13,400	\$ 12,300	\$ 16,900	\$ 5,600	\$ 7,700	N/A
50 - 54	\$ 13,600	\$ 15,600	\$ 17,100	\$ 19,700	\$ 7,800	\$ 8,900	N/A
55 - 59	\$ 18,300	\$ 17,800	\$ 23,100	\$ 22,400	\$ 10,500	\$ 10,200	N/A
60 - 64	\$ 24,100	\$ 21,800	\$ 30,300	\$ 27,500	\$ 13,800	\$ 12,500	N/A
65+	\$ 5,969	\$ 5,969	\$ 18,918	\$ 18,918	\$ 5,279	\$ 5,279	\$ 5,279

## Medicare Part B

Retiree liabilities are increased by 1% for the impact of Medicare Part B reimbursements.

## Explicit Subsidy

The difference between (a) the premium rate and (b) the retiree contribution. Below is an example of the monthly explicit subsidies for a future retiree who is enrolled in the BCBS 37/73 Plan and is a Fire employee hired before August 1, 2016 and retired on or after 9/1/2017.

	Premium Rate	Retiree Contribution <sup>1</sup>	Explicit Subsidy
	A	B	C = A - B
Retiree	\$ 931.02	\$ 186.20	\$ 744.82
Spouse	\$ 1,274.08	\$ 254.82	\$ 1,019.26

<sup>1</sup> Limited to premium rates for illustration purposes.

# Actuarial Methods and Assumptions

City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Implicit Subsidy

The difference between (a) the per capita cost and (b) the premium rate. Below is an example of the monthly implicit subsidies for a male retiree age 60 with spouse of the same age enrolled in the BCBS 37/73 plan and is a Fire employee hired before August 1, 2016 and retired on or after 9/1/2017.

	Per Capita Cost	Premium Rate	Implicit Subsidy
	A	B	C = A - B
Retiree	\$ 2,008.33	\$ 931.02	\$ 1,077.31
Spouse	\$ 1,816.67	\$ 1,274.08	\$ 542.59

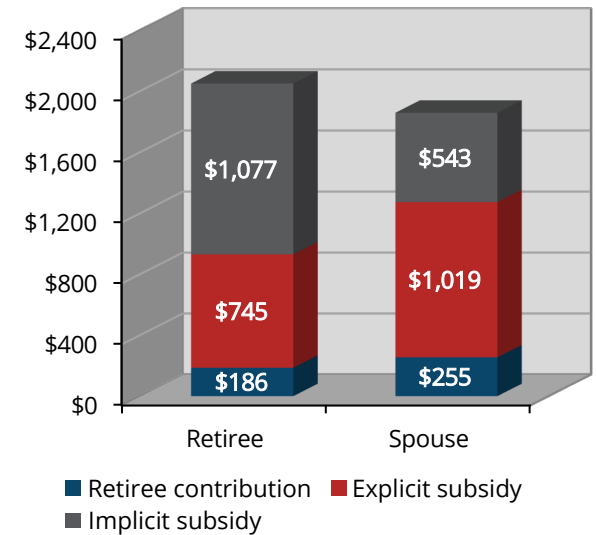
All employers that utilize premium rates based on blended active/retiree claims experience will have an implicit subsidy. There is an exception for Medicare plans using a true community-rated premium rate.

## GASB Subsidy Breakdown

Below is a breakdown of the GASB 75 monthly total cost for a male retiree age 60 with spouse of the same age enrolled in the BCBS 37/73 plan and is a Fire employee hired before August 1, 2016 and retired on or after 9/1/2017.

	Retiree	Spouse
Retiree contribution	\$ 186.20	\$ 254.82
Explicit subsidy	\$ 744.82	\$ 1,019.26
Implicit subsidy	\$ 1,077.31	\$ 542.59
Total monthly cost	\$ 2,008.33	\$ 1,816.67

GASB Subsidy Breakdown



# Actuarial Methods and Assumptions

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City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Models

### ProVal

Valuation software developed by Winklevoss Technologies, LLC. This software is widely used for the purpose of performing postretirement medical valuations. We coded the plan provisions, assumptions, methods, and participant data summarized in this report, and reviewed the liability and cost outputs for reasonableness. We are not aware of any weakness or limitations in the software and have determined it is appropriate for performing this valuation.

### 2023 HealthMAPS Manual

Rating manual developed by WTW. 2023 aging factors are used to develop per capita costs by age for plans with limited credible exposure to develop plan-specific factors. We are not aware of any weakness or limitations in the factors and have determined they are appropriate for performing this valuation.

# APPENDIX

# Appendix

City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Comparison of Participant Demographic Information

The active participants' number below may include active employees who currently have no health care coverage. Refer to Summary of Participants section for an accurate breakdown of active employees with and without coverage.

	As of June 30, 2022	As of June 30, 2024
Active Participants	272	286
Inactive Participants <sup>2</sup>	528	517
Averages for Active		
Age	42.4	40.9
Service	10.3	8.9
Averages for Inactive		
Age	68.5	69.0

<sup>2</sup> Includes deferred vested participants.

# Appendix

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## City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

### Detailed Actuary's Notes

There have not been any substantive plan provision changes since the last full valuation, which was for the fiscal year ending June 30, 2022.

The following assumptions have been updated since the last valuation have:

1. Health care trend rates have been set to an annual trend of 8.00% decreasing annually by 0.50% to an ultimate rate of 4.50% for pre-65 benefits and 6.50% decreasing annually by 0.25% to an ultimate rate of 4.50% for post-65 benefits. This is according to the schedule in the Health Care Trend Rates section of the Actuarial Methods and Assumptions. The impact of this change is an increase in liabilities.
2. The discount rate has decreased from 7.00% as of June 30, 2023 to 6.93% as of June 30, 2024. The impact of this change is a slight increase in liabilities. Refer to the Discussion of Discount Rates section for more information on the selection of the discount rate.

Additionally, actual premium changes for FYE 2024 were reflected, resulting in a decrease in liabilities. The updated census data resulted in an increase in liabilities.

# Appendix

## City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

### PA 202 Uniform Assumption Disclosures

The information presented below is for the purposes of filing Form No. 5572 under PA 202 uniform assumption requirements. Per regulation, Form No. 5572 must be filed no later than six months after the end of the fiscal year. Governmental fund revenues are not shown below and should not be determined by the City. Refer to the Michigan Department of Treasury website for additional information.

Form 5572 Line	Description	City of Taylor
Line 28	Actuarial Value of Assets	\$ 5,691,890
Line 29	Actuarial Accrued Liability	\$ 123,044,897
Line 31	Actuarially Determined Contribution for FY 2023/24	\$ 8,990,707

Line 31 (Actuarially Determined Contribution) was calculated using level % of pay amortization with a 6.90% discount rate and assumed payable at the end of the fiscal year. The amortization period is a closed, 30-year period with 20 years remaining in FY 2023/24.

Under PA 202 requirements, uniform assumption setting is mandated in reporting of liabilities, assets, and ADC. The following is a description of the PA 202 uniform assumption guidance and final assumption used for the City for purposes of calculating the figures above.

Assumption	Uniform Assumption Guidance	City Assumption
Investment Rate of Return	Maximum of 6.90%	6.90% (for funding/ADC purposes)
Discount Rate	Blended discount rate calculated per GASB 74/75: <ul style="list-style-type: none"> <li>Maximum of 4.90% where plan assets are sufficient to make projected benefit payments</li> <li>Maximum of 3.65% for periods where assets are insufficient to make projected benefit payments</li> </ul>	6.90% (for calculation of the OPEB liability)
Salary Increase	Minimum of 3.25% or based on actuarial experience study within the past 5 years	Same as the GASB 74/75 valuation with minimum of 3.25%
Mortality Table	A version of the Pub-2010 mortality tables with future mortality improvement projected generationally using Scale MP-2021 or based on actuarial experience study within the past 5 years	Pub-2010 tables with Scale MP-2021
Amortization Period	Maximum closed period of 25 years for Retiree Health Systems	For FY 2023/24, 20 years on a closed period basis
Asset Valuation	Market Value as reported on Financial Statements	Same as the GASB 74/75 valuation
Healthcare Inflation	Non-Medicare: 7.25% decreasing 0.25% per year to a 4.50% long-term rate Medicare: 5.50% decreasing 0.25% per year to a 4.50% long-term rate	Same as PA 202 uniform assumption

# GLOSSARY

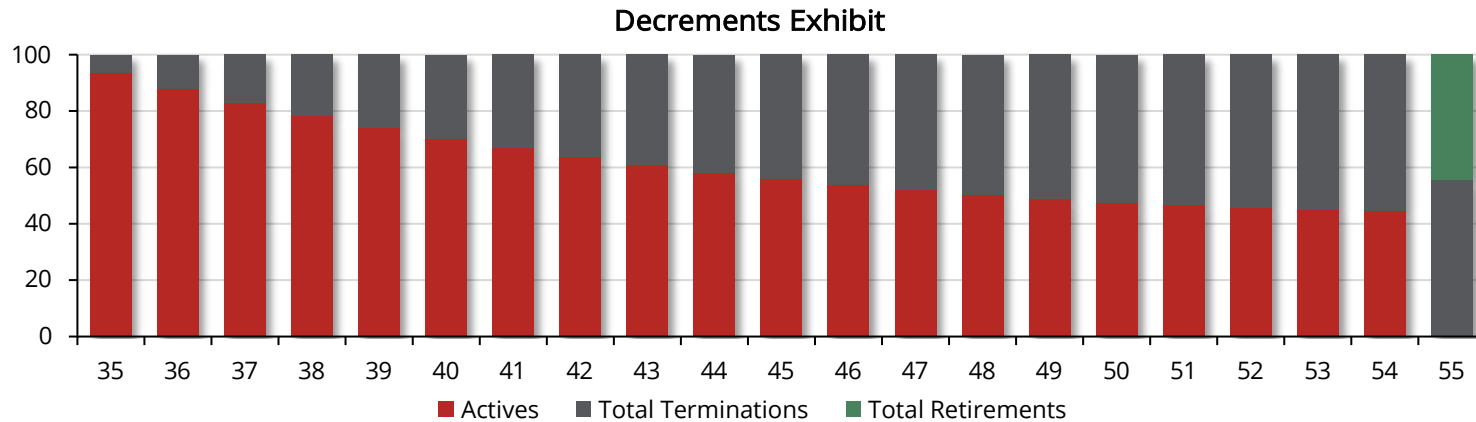
# Glossary – Decrements Exhibit

City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. Starting with 100 employees at age 35, the illustrated actuarial assumptions show that 44.43 employees out of the original 100 are expected to retire and could elect retiree health benefits at age 55.

Age	# Remaining Employees	# of Terminations per Year <sup>3</sup>	# of Retirements per Year	Total Decrements
35	100.000	6.276	0.000	6.276
36	93.724	5.677	0.000	5.677
37	88.047	5.136	0.000	5.136
38	82.911	4.648	0.000	4.648
39	78.262	4.209	0.000	4.209
40	74.053	3.814	0.000	3.814
41	70.239	3.456	0.000	3.456
42	66.783	3.131	0.000	3.131
43	63.652	2.835	0.000	2.835
44	60.817	2.564	0.000	2.564
45	58.253	2.316	0.000	2.316

Age	# Remaining Employees	# of Terminations per Year	# of Retirements per Year	Total Decrements
46	55.938	2.085	0.000	2.085
47	53.853	1.866	0.000	1.866
48	51.987	1.656	0.000	1.656
49	50.331	1.452	0.000	1.452
50	48.880	1.253	0.000	1.253
51	47.627	1.060	0.000	1.060
52	46.567	0.877	0.000	0.877
53	45.690	0.707	0.000	0.707
54	44.983	0.553	0.000	0.553
55	44.430	0.000	44.430	44.430



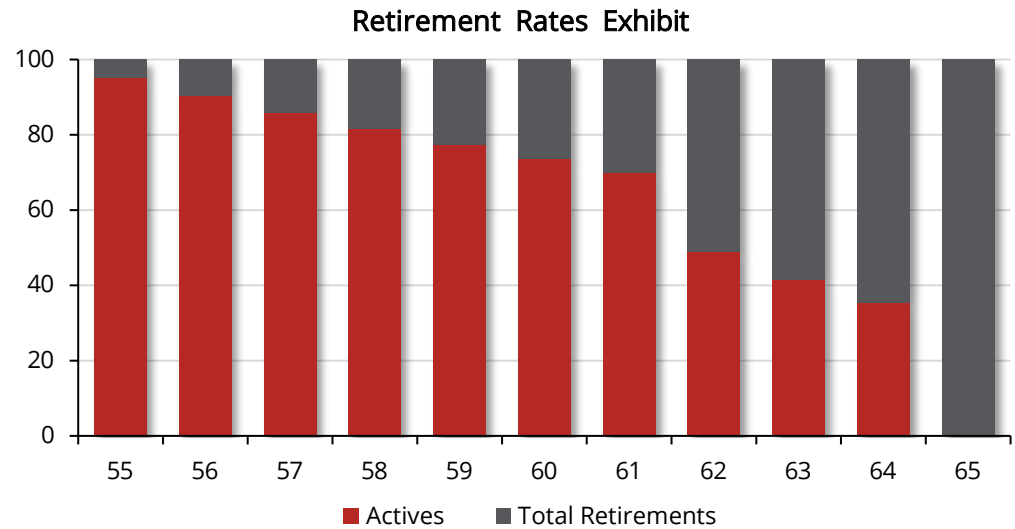
<sup>3</sup> The above rates are illustrative rates and are not used in our GASB calculations.

# Glossary – Retirement Rates Exhibit

City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. The illustrated retirement rates show the number of employees who are assumed to retire annually based on 100 employees age 55 who are eligible for retiree health care coverage. The average age at retirement is 62.0.

Age	Active Employees BOY	Annual Retirement Rates*	# Retirements per Year	Active Employees EOY
55	100.000	5.0%	5.000	95.000
56	95.000	5.0%	4.750	90.250
57	90.250	5.0%	4.513	85.738
58	85.738	5.0%	4.287	81.451
59	81.451	5.0%	4.073	77.378
60	77.378	5.0%	3.869	73.509
61	73.509	5.0%	3.675	69.834
62	69.834	30.0%	20.950	48.884
63	48.884	15.0%	7.333	41.551
64	41.551	15.0%	6.233	35.318
65	35.318	100.0%	35.318	0.000



\* The above rates are illustrative rates and are not used in our GASB calculations.

# Glossary – Definitions

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## City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

GASB 75 defines several unique terms not commonly employed in the funding of pension and retiree health plans. The definitions of the terms used in the GASB actuarial valuations are noted below.

1. **Actuarial Assumptions** – Assumptions as to the occurrence of future events affecting health care costs, such as: mortality, withdrawal, disablement, and retirement; changes in compensation and Government provided health care benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.
2. **Actuarial Cost Method** – A procedure for determining the Actuarial Present Value of Future Benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Service Cost and a Total OPEB Liability.
3. **Actuarially Determined Contribution** - A target or recommended contribution to a defined benefit OPEB plan for the reporting period, determined in accordance with the parameters and in conformity with Actuarial Standards of Practice.
4. **Actuarial Present Value** – The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:
  - a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, Social Security, marital status, etc.);
  - b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned; and
  - c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.
5. **Deferred Outflow / (Inflow) of Resources** – represents the following items that have not been recognized in the OPEB Expense:
  - a. Differences between expected and actual experience of the OPEB plan
  - b. Changes in assumptions
  - c. Differences between projected and actual earnings in OPEB plan investments (for funded plans only)
6. **Explicit Subsidy** – The difference between (a) the amounts required to be contributed by the retirees based on the premium rates and (b) actual cash contribution made by the employer.
7. **Funded Ratio** – The actuarial value of assets expressed as a percentage of the Total OPEB Liability.

# Glossary – Definitions

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## City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

8. **Healthcare Cost Trend Rate** – The rate of change in the per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.
9. **Implicit Subsidy** – In an experience-rated healthcare plan that includes both active employees and retirees with blended premium rates for all plan members, the difference between (a) the age-adjusted premiums approximating claim costs for retirees in the group (which, because of the effect of age on claim costs, generally will be higher than the blended premium rates for all group members) and (b) the amounts required to be contributed by the retirees.
10. **OPEB** – Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.
11. **OPEB Expense** – Changes in the Net OPEB Liability in the current reporting period, which includes Service Cost, interest cost, changes of benefit terms, expected earnings on OPEB Plan investments, reduction of active employees' contributions, OPEB plan administrative expenses, and current period recognition of Deferred Outflows / (Inflows) of Resources.
12. **Pay-as-you-go** – A method of financing a benefit plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.
13. **Per Capita Costs** – The current cost of providing postretirement health care benefits for one year at each age from the youngest age to the oldest age at which plan participants are expected to receive benefits under the plan.
14. **Present Value of Future Benefits** – Total projected benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of total projected benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.
15. **Real Rate of Return** – the rate of return on an investment after adjustment to eliminate inflation.

# Glossary – Definitions

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## City of Taylor GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

16. **Select and Ultimate Rates** – Actuarial assumptions that contemplate different rates for successive years. Instead of a single assumed rate with respect to, for example, the investment return assumption, the actuary may apply different rates for the early years of a projection and a single rate for all subsequent years. For example, if an actuary applies an assumed investment return of 8% for year 20W0, then 7.5% for 20W1, and 7% for 20W2 and thereafter, then 8% and 7.5% select rates, and 7% is the ultimate rate.
17. **Service Cost** – The portion of the Actuarial Present Value of projected benefit payments that are attributed to a valuation year by the Actuarial Cost Method.
18. **Substantive Plan** – The terms of an OPEB plan as understood by the employer(s) and plan members.
19. **Total OPEB Liability** – That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Benefits which is attributed to past periods of employee service (or not provided for by the future Service Costs).