

CITY OF GAINESVILLE
OTHER POSTEMPLOYMENT BENEFITS PROGRAM

GASB 74 / 75 DISCLOSURES FOR THE
PLAN/FISCAL YEAR ENDING SEPTEMBER 30, 2019



July 10, 2020

City of Gainesville
Mr. Mark S. Benton
Finance Director
P.O. Box 490
Gainesville, Florida 32602-0490

Re: City of Gainesville - FYE September 30, 2019 GASB 74 & 75 Report

Dear Mr. Benton:

We are pleased to present to the Retirement Benefits Committee this report of the annual actuarial valuation of the City of Gainesville's Other Postemployment Benefits (OPEB) Program. This valuation was performed to determine annual expenses associated with providing OPEB benefits, the current funded status of the Plan, and to provide all necessary schedules required to comply with the Governmental Accounting Standards Board Nos. 75. The schedules related to the Governmental Accounting Standards Board No. 74 can be found in Appendix 1.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such 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. Due to the limited scope of this report, we did not provide an analysis of these potential differences.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects all applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, as adopted by the City, represent reasonable expectations of anticipated plan experience.

In conducting the valuation, we have relied on personnel and plan design information supplied by the City, and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. Because of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

The Total OPEB liability, Net OPEB liability, and certain sensitivity information shown in this report are based on an actuarial valuation performed as of October 1, 2017, and the Plan's Fiduciary Net Position is determined as of the measurement date. It is our opinion that the assumptions used for this purpose are internally consistent, reasonable, and comply with the requirements under GASB No.74 and GASB No. 75.


The undersigned are familiar with the immediate and long-term aspects of OPEB valuations and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All the sections of this report are considered an integral part of the actuarial opinions.


To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Commissioners of the City. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

If there are any questions, concerns, or comments about any of the items contained in this report, please contact either Brad or Jason at 239 433-5500.

Respectfully submitted,

Foster & Foster, Inc.

By: 
Bradley R. Heinrichs, FSA, EA, MAAA

By: 
Jason L. Franken, FSA, EA, MAAA

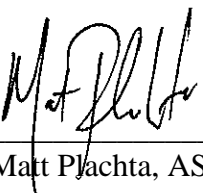
By: 
Matt Plachta, ASA, MAAA

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SECTION 1 – Executive Summary

SECTION 1 – EXECUTIVE SUMMARY

The valuation results presented in this report have been prepared in accordance with the Government Accounting Standards Board Statement 75 (GASB 75) for the City of Gainesville's Other Postemployment Benefits (OPEB) Program, based on the actuarial valuation performed as of October 1, 2017. For purposes of this valuation, Medical Insurance OPEBs were taken into consideration.

The results of this valuation are based on a Measurement Date of September 30, 2019 and are applicable to the fiscal year ending September 30, 2019. The following table shows the key components of the City's OPEB valuation for September 30, 2019 under GASB 75.

Total OPEB Liability as of the Measurement Date	\$	77,815,468
Plan Fiduciary Net Position as of the Measurement Date		<u>63,674,314</u>
Sponsor's Net OPEB Liability as of the Measurement Date	\$	<u>14,141,154</u>
OPEB Expense for the Fiscal Year ending September 30, 2019	\$	3,961,542
Covered Employee Payroll (Projected)	\$	124,457,080
Sponsor's Net OPEB Liability as a percentage of Covered Employee Payroll		11.36%

Census Information as of October 1, 2017:

Active Participants (Including DROP)	2,068
Inactives Receiving Benefits	869
Inactives Not Receiving Benefits	1,131
Covered Dependent Spouses	<u>215</u>
Total Participants	4,283

Covered payroll is projected to the fiscal year end based on actual covered payroll as of June 22, 2018 using applicable salary increase assumptions.

SECTION 1 – Executive Summary

City Funding Policy:

The City's funding policy is to pay the normal cost amount applicable to the City yearly cost of the current benefit structure (the fixed dollar structure including COLA adjustment). In addition, any unfunded actuarial accrued liability (UAAL) is amortized over 10 years from inception as an additional contribution.

Notes on the Valuation:

The investment rate of return was lowered from 8% as of September 30, 2018 to 7.9% as of September 30, 2019. All data and other assumptions are those used in the actuarial valuation as of October 1, 2017.

Governmental Accounting Standard No. 75:

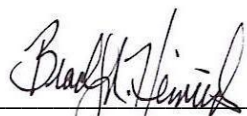
GASB 75 requires governmental employers to recognize the Net OPEB Liability and the OPEB expense in their financial statements, along with the related deferred outflows and inflows of resources. GASB 75 is similar to GASB 68 for pensions. Under GASB 75, the Net OPEB Liability is the difference between the Total OPEB Liability (i.e. Actuarial Accrued Liability) and the Plan's Fiduciary Net Position (i.e. assets).

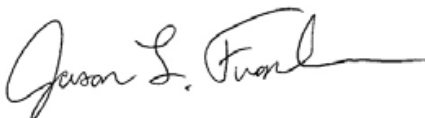
SECTION 1 – Executive Summary

The balance of this Report presents additional details of the actuarial valuation and the general operation of the Fund. The undersigned would be pleased to meet with the Board of Commissioners in order to discuss the Report and any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.

By: 
Brad Heinrich, FSA, MAAA

By: 
Jason L. Franken, FSA, EA, MAAA

SECTION 2 – Notes to Financial Statements

SECTION 2 – NOTES TO THE FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Postemployment Benefits Other Than Pensions (OPEB):

For purposes of measuring the net OPEB Liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's Retiree Health Care Plan (Plan) and additions to/ deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by The Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

GENERAL INFORMATION ABOUT THE OPEB PLAN

Plan Description:

The City of Gainesville's Retiree Health Care Plan (Plan) is a single-employer defined benefit postemployment health care plan that covers eligible retired employees. The Plan, which is administered by the City, allows employees who retire and meet retirement eligibility requirements under one of the City's retirement plans to continue medical coverage as a participant in the City's plan.

Employees covered by benefit terms. At October 1, 2017, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	869
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	1,131
Active Plan Members	<u>2,068</u>
	<u><u>4,068</u></u>

Benefits Provided:

Eligibility for Insurance Coverage:

General Pension Plan Employees hired before October 1, 2007 can retire at age 65 and 10 years of service or 20 years of service regardless of age, and they can retire early at age 55 and 15 years of service.

General Pension Plan Employees hired on or after October 1, 2007, but before October 1, 2012 can retire at age 65 and 10 years of service or 25 years of service regardless of age, and they can retire early at age 55 and 15 years of service.

SECTION 2 – Notes to Financial Statements

Benefits Provided (Continued):

General Pension Plan Employees hired on or after October 1, 2012 can retire at age 65 and 10 years of service or 30 years of service regardless of age, and they can retire early at age 60 and 20 years of service.

Police & Fire Pension Plan Employees can retire at age 55 and 10 years of service, at 20 years of service only, or at a combined age and service of at least 70. They can retire early at age 50 and 10 years of service.

Health Care Subsidies (Retirement prior to 9/1/2008):

Normal or Early Retirees are subsidized \$10.00 x number of years of credited service plus one of the following:

- a. Plus \$5.00 x number of years of age and portion thereof over 65, on the date that retiree first enters the retiree health insurance program or January 1, 2009, whichever is later; or
- b. Minus \$5.00 x number of years of age and portion thereof under 65, on the date that retiree first enters the retiree health insurance program or January 1, 2009, whichever is later.

DROP Participants who have entered a regular DROP before September 1, 2008, or who have declared their intention to reverse DROP before September 1, 2008, shall have the period of employment while in the regular DROP, or the period of employment after the effective date of commencement of participation in the (reverse) DROP, added to credited service for purposes of the calculation described above.

For Disabled Retirees, the amount that the city will contribute towards the required premium, for persons who became retirees based upon application for disability retirement submitted before September 1, 2008, will be an amount equal to:

- a. 80% of the individual premium of the least costly (lowest premium) city group health plan option being offered at that time.
- b. The city will contribute towards any other tier of coverage of an amount equal to 150% of the individual premium of the least costly (lowest premium) city group plan option being offered at that time

For current retirees age 65 years or older on January 1, 2009, the amount the city will contribute towards the required Premium will be the greater of the amount contributed for the month of August 2008 or the amount determined under the provisions of this article.

SECTION 2 – Notes to Financial Statements

Benefits Provided (Continued):

Health Care Subsidies (Retirement after 8/31/2008):

Normal or Early Retirees are subsidized \$10.00 x number of years of credited service plus one of the following:

- a. Plus \$5.00 x number of years of age and portion thereof over 65, on the date that retiree first enters the retiree health insurance program or
- b. Minus \$5.00 x number of years of age and portion thereof under 65, on the date that the retiree first enters the retiree health insurance program

DROP Participants who have entered a regular DROP after August 31, 2008, or who declare their intention to reverse DROP after August 31, 2008, shall not have the period of employment while in regular DROP, or the period of employment after the effective date of commencement of participation in the (reverse) DROP, count as credited service under subsection (a) above.

For Disabled Retirees, the amount that the city will contribute towards the required premium, for persons who became retirees based upon an application for disability retirement submitted after August 31, 2008, will be:

- a. For approved "in-line-of-duty" disabilities under the consolidated police officers and firefighter's retirement plan or the city employee's disability plan, the city will contribute towards an individual premium an amount equal to:
 - i. 80% of the individual premium of the least costly (lowest premium) city group health insurance plan option being offered at the time the disability retirement is approved.
 - ii. The city will contribute towards any other tier of coverage an amount equal to 150% of the individual premium of the least costly (lowest premium) city group health insurance plan option being offered at the time the disability retirement is approved.
- b. For approved disabilities other than "in-line-of-duty", the city will contribute 50 percent of the amount described above.

Those who do not meet the age and service requirements above are eligible for coverage only. Retirees must pay 100% of the active premium rates up to age 65, then 100% of the Medicare Supplement premium rate.

Contributions:

The contribution policy of the City is established and may be amended by the City at any time. The annual contribution consists of the normal cost amount developed annually plus, given there is any unfunded actuarial accrued liability (UAAL), an amount to amortize said UAAL over 10 years from inception.

For the 2019 fiscal year, the City contributed a total of \$2,348,167 to pre-fund benefits.

SECTION 2 – Notes to Financial Statements

Investment Policy:

The following reflects the current target allocation and expected returns as provided by Morgan Stanley.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Equities	80%	9.00%
Real Estate	10%	6.00%
Alternative Investments - MLPs	5%	8.00%
Fixed Income	5%	4.00%
Total	<u>100%</u>	

Rate of Return:

For the year ended September 30, 2019 the annual money-weighted rate of return on investments, net of investment expense, was -2.41 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

SECTION 2 – Notes to Financial Statements

SECTION 2 – NOTES TO FINANCIAL STATEMENTS

NET OPEB LIABILITY

The measurement date for GASB 75 reporting is September 30, 2019.

The measurement period for the OPEB expense is October 1, 2018 to September 30, 2019.

The reporting period is October 1, 2018 through September 30, 2019.

The City's Net OPEB Liability was measured as of September 30, 2019.

The Total OPEB Liability used to calculate the Net OPEB Liability was determined as of that date.

Actuarial Assumptions:

The Total OPEB Liability was determined by an actuarial valuation as of October 1, 2017, updated to September 30, 2019, using the following actuarial assumptions:

Inflation Rate	3.00%
Salary Increase Rate(s)	Varies by service
Discount Rate	7.90%
Investment Rate of Return	7.90%

All mortality rates were based on the RP-2000 mortality tables. All mortality rates are those outlined in Milliman's July 1, 2018 Florida Retirement System (FRS) valuation report.

Mortality - Active Lives:

For female lives, 100% of the Combined Healthy White-Collar table was used. For male (non-special risk) lives, a 50% Combined Healthy White-Collar table, 50% Combined Healthy Blue-Collar table blend was used. For male special risk lives, a 10% Combined Healthy White-Collar table, 90% Combined Healthy Blue-Collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB.

Mortality - Inactive Healthy Lives:

For female lives, 100% of the Annuitant White-Collar table was used. For male (non-special risk) lives, a 50% Annuitant White-Collar table, 50% Annuitant Blue-Collar table blend was used. For male special risk lives, a 10% Annuitant White-Collar table, 90% Annuitant Blue-Collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB.

SECTION 2 – Notes to Financial Statements

Mortality - Disabled Lives:

For female (non-special risk) lives, 100% of the Disabled Female table was used, set forward two years. For female special risk lives, a 60% Disabled Female table, 40% Annuitant White Collar table with no setback blend was used. For male (non-special risk) lives, 100% of the Disabled Male table was used, set back four years. For Male special risk lives, a 60% Disabled Male table, 40% Annuitant White Collar table with no setback blend was used. Disabled mortality has not been adjusted for mortality improvements.

Discount Rate:

The valuation assumes a discount rate of 7.90% per annum, compounded annually, net of investment expenses.

SECTION 2 – Notes to Financial Statements

CHANGES IN NET OPEB LIABILITY

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Reporting Period Ending September 30, 2018	\$ 74,213,751	\$ 67,399,291	\$ 6,814,460
Changes for the Year:			
Service Cost	1,591,950	-	1,591,950
Interest	5,887,782	-	5,887,782
Differences Between Expected and Actual Experience	-	-	-
Changes of Assumptions	625,481	-	625,481
Changes of Benefit Terms	-	-	-
Contributions - City	-	2,348,167	(2,348,167)
Net Investment Income	-	(1,550,570)	1,550,570
Net Benefit Payments	(4,503,496)	(4,503,496)	-
Administrative Expense	-	(19,078)	19,078
Other Changes	-	-	-
Net Changes	3,601,717	(3,724,977)	7,326,694
Reporting Period Ending September 30, 2019	\$ 77,815,468	\$ 63,674,314	\$ 14,141,154

Changes of Assumptions. This represents the impact on the Total OPEB Liability of lowering the assumed investment rate of return from 8% as of September 30, 2018 to 7.9% as of September 30, 2019.

Sensitivity of the Net OPEB Liability to changes in the Discount Rate:

The following presents the Net OPEB Liability of the City, as well as what the City's Net OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease 6.90%	Current Discount Rate 7.90%	1% Increase 8.90%
Net OPEB Liability/(Asset)	\$ 21,484,923	\$ 14,141,154	\$ 7,834,677

Sensitivity of the Net OPEB Liability to changes in the Healthcare Cost Trend Rates:

The following presents the Net OPEB Liability of the City, as well as what the City's Net OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB Liability/(Asset)	\$ 5,938,864	\$ 14,141,154	\$ 23,836,457

OPEB Plan Fiduciary Net Position:

Detailed information about the OPEB Plan's Fiduciary Net Position is available in a separately issued Plan financial report.

SECTION 3 – GASB 75 Disclosure Schedules

SECTION 3 – GASB 75 DISCLOSURE SCHEDULES

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended September 30, 2019, the City will recognize OPEB Expense of \$3,961,542. On September 30, 2019, the City reported Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 2,255,982	\$ -
Changes of assumptions	1,018,566	-
Net difference between Projected and Actual Earnings on OPEB Plan investments	4,763,093	-
Total	<u>\$ 8,037,641</u>	<u>\$ -</u>

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in OPEB Expense as follows:

Year ended September 30:

2020	\$ 1,767,699
2021	\$ 1,767,699
2022	\$ 1,767,700
2023	\$ 2,008,147
2024	\$ 637,039
Thereafter	\$ 89,357

SECTION 3 – GASB 75 Disclosure Schedules

SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS

Reporting Period Ending Measurement Date	09/30/2019 <u>09/30/2019</u>	09/30/2018 <u>09/30/2018</u>	09/30/2017 <u>09/30/2017</u>
Total OPEB Liability			
Service Cost	\$ 1,591,950	\$ 1,467,084	\$ 1,282,158
Interest	5,887,782	5,676,583	5,274,094
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	-	3,158,374	(914,359)
Changes of Assumptions	625,481	675,415	559,493
Gross Benefit Payments	(7,676,658)	(7,976,678)	(7,514,930)
Retiree Contributions	3,173,162	3,622,415	3,405,757
Net Change in Total OPEB Liability	3,601,717	6,623,193	2,092,213
Total OPEB Liability - Beginning	74,213,751	67,590,558	65,498,345
Total OPEB Liability - Ending (a)	<u>\$ 77,815,468</u>	<u>\$ 74,213,751</u>	<u>\$ 67,590,558</u>
Plan Fiduciary Net Position			
Contributions - City	\$ 2,348,167	\$ 2,016,572	1,622,729
Net Investment Income	(1,550,570)	6,250,519	6,550,405
Gross Benefit Payments	(7,676,658)	(7,976,678)	(7,514,930)
Retiree Contributions	3,173,162	3,622,415	3,405,757
Administrative Expense	(19,078)	(13,890)	(6,082)
Other	-	-	-
Net Change in Plan Fiduciary Net Position	(3,724,977)	3,898,938	4,057,879
Plan Fiduciary Net Position - Beginning	67,399,291	63,500,353	59,442,474
Plan Fiduciary Net Position - Ending (b)	<u>\$ 63,674,314</u>	<u>\$ 67,399,291</u>	<u>\$ 63,500,353</u>
Sponsor's Net OPEB Liability - Ending (a) - (b)	<u>\$ 14,141,154</u>	<u>\$ 6,814,460</u>	<u>\$ 4,090,205</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	81.83%	90.82%	93.95%
Covered Employee Payroll (Projected)	\$ 124,457,080	\$ 118,530,552	\$ 122,798,859
Sponsor's Net OPEB Liability as a Percentage of Covered Employee Payroll	11.36%	5.75%	3.33%

Notes to Schedule:

Fiscal year 2019 covered employee payroll projected based on covered payroll as of June 22, 2018, provided by the City to the prior actuary.

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

September 30, 2019	7.90%
September 30, 2018	8.00%
September 30, 2017	8.10%
September 30, 2016	8.20%

SECTION 3 – GASB 75 Disclosure Schedules

SCHEDULE OF CITY CONTRIBUTIONS

	<u>09/30/2019</u>	<u>09/30/2018</u>	<u>09/30/2017</u>
Actuarially Determined Contribution	767,613	\$ 731,060	\$ 616,087
Contributions in Relation to the Actuarially Determined Contributions	2,348,167	2,016,572	1,622,729
Contribution Deficiency (Excess)	<u>\$ (1,580,554)</u>	<u>\$ (1,285,512)</u>	<u>\$ (1,006,642)</u>
Covered Employee Payroll	\$ 124,457,080	\$ 118,530,552	\$ 122,798,859
Contributions as a percentage of Covered Employee Payroll	1.89%	1.70%	1.32%

Notes to Schedule

The Actuarially Determined Contribution amount for FY 2017 was extracted from Exhibit B-II of the Conduent report "GASB 45 and 74 Disclosures for Fiscal Year Ending September 30, 2017".

The Actuarially Determined Contribution amount for FY 2018 was extracted from page 3 of the Conduent funding Report "October 1, 2017 Actuarial Valuation".

The Actuarially Determined Contribution amount for FY 2019 was extracted from page 3 of the Conduent funding Report "October 1, 2017 Actuarial Valuation".

Methods and assumptions used to determine contribution rates are the same as those found in prior actuary reports mentioned.

SECTION 4 – Expense Development and Amortization Schedules

SECTION 4 – EXPENSE DEVELOPMENT AND AMORTIZATION SCHEDULES

The following information is not required to be disclosed under GASB 75 but is provided for informational purposes.

SECTION 4 – Expense Development and Amortization Schedules

COMPONENTS OF OPEB EXPENSE

(For the Year Ended September 30, 2019)

	Net OPEB Liability	Deferred Inflows	Deferred Outflows	OPEB Expense
Beginning Balance	\$ 6,814,460	\$ 961,783	\$ 3,286,105	\$ -
Total OPEB Liability Factors:				
Service Cost	1,591,950	-	-	1,591,950
Interest	5,887,782	-	-	5,887,782
Changes in Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience with Regard to Economic or Demographic Assumptions	-	-	-	-
Current Year Amortization of Experience Difference	-	-	(451,196)	451,196
Change in Assumptions About Future Economic or Demographic Factors or Other Inputs	625,481	-	625,481	-
Current Year Amortization of Change in Assumptions	-	-	(185,842)	185,842
Net Benefit Payments	(4,503,496)	-	-	-
Net change	<u>\$ 3,601,717</u>	<u>\$ -</u>	<u>\$ (11,557)</u>	<u>\$ 8,116,770</u>
Plan Fiduciary Net Position:				
Contributions - City	2,348,167	\$ -	\$ -	\$ -
Implicit Contributions - Employer	-	-	-	-
Expected Net Investment Income	5,304,967	-	-	(5,304,967)
Difference Between Projected and Actual Earnings on OPEB Plan Investments	(6,855,537)	-	6,855,537	-
Current Year Amortization	-	(240,446)	(1,371,107)	1,130,661
Net Benefit Payments	(4,503,496)	-	-	-
Administrative Expenses	(19,078)	-	-	19,078
Other	-	-	-	-
Net change	<u>(3,724,977)</u>	<u>(240,446)</u>	<u>5,484,430</u>	<u>(4,155,228)</u>
Ending Balance	<u>\$ 14,141,154</u>	<u>\$ 721,337</u>	<u>\$ 8,758,978</u>	<u>\$ 3,961,542</u>

SECTION 4 – Expense Development and Amortization Schedules

AMORTIZATION SCHEDULE – DUE TO RECOGNITION OF THE DIFFERENCES BETWEEN PROJECTED AND ACTUAL EARNINGS ON TRUST INVESTMENTS

Increase (Decrease) in OPEB Expense Arising from the Recognition of the of Differences Between Projected and Actual Earnings on OPEB Plan Investments

Measurement Year	Differences Between Projected and Actual Earnings on OPEB Plan Investments	Recognition Period (Years)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
2018	\$ (1,202,229)	5	\$ (240,446)	\$ (240,446)	\$ (240,446)	\$ (240,445)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2019	6,855,537	5	1,371,107	1,371,107	1,371,107	1,371,107	1,371,109	-	-	-	-	-
Net Increase (Decrease) in OPEB Expense			\$ 1,130,661	\$ 1,130,661	\$ 1,130,661	\$ 1,130,662	\$ 1,371,109	\$ -	\$ -	\$ -	\$ -	\$ -

SECTION 4 – Expense Development and Amortization Schedules

AMORTIZATION SCHEDULE – DUE TO RECOGNITION OF THE EFFECTS OF ASSUMPTION CHANGES

Increase (Decrease) in OPEB Expense Arising from the Recognition of the Effects of Changes of Assumptions

Measurement Year	Assumption Changes	Recognition Period (Years)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
2018	\$ 675,415	7	\$ 96,488	\$ 96,488	\$ 96,488	\$ 96,488	\$ 96,488	\$ 96,487	\$ -	\$ -	\$ -	\$ -
2019	625,481	7	89,354	89,354	89,354	89,354	89,354	89,354	89,357	-	-	-
Net Increase (Decrease) in OPEB Expense			\$ 185,842	\$ 185,842	\$ 185,842	\$ 185,842	\$ 185,842	\$ 185,841	\$ 89,357	\$ -	\$ -	\$ -

SECTION 4 – Expense Development and Amortization Schedules

AMORTIZATION SCHEDULE – DUE TO DIFFERENCES BETWEEN EXPECTED AND ACTUAL EXPERIENCE

Increase (Decrease) in OPEB Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience

Measurement Year	Differences Between Expected and Actual Experience	Recognition Period (Years)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
2018	\$ 3,158,374	7	\$ 451,196	\$ 451,196	\$ 451,196	\$ 451,196	\$ 451,196	\$ 451,198	\$ -	\$ -	\$ -	\$ -
2019	-	7	-	-	-	-	-	-	-	-	-	-
Net Increase (Decrease) in OPEB Expense			\$ 451,196	\$ 451,196	\$ 451,196	\$ 451,196	\$ 451,196	\$ 451,198	\$ -	\$ -	\$ -	\$ -

SECTION 5 – Per Capita Claims Costs and Contribution Amounts

SECTION 5 – PER CAPITA CLAIMS COSTS AND CONTRIBUTION AMOUNTS

2017-2018 Per Capita Annual Claims Costs Per Participant

The following claim costs were used to calculate plan persistency used in the October 1, 2017 Actuarial Funding report as well as the implicit rate subsidy provided by the City for the fiscal year ending September 30, 2018.

<u>Program</u>	<u>Medical</u>	<u>Rx</u>	<u>Admin</u>
Health Insurance			
Pre 65	\$12,503	\$3,237	392
Post 65	\$1,198	\$3,237	392

2017-2018 Annual Premium Amounts Per Participant

<u>Program</u>	<u>Member</u>	<u>Member and Spouse</u>	<u>Member And Child</u>	<u>Family</u>
Health Insurance				
2017	\$6,942	\$13,752	\$9,709	\$17,676
2018	\$7,497	\$14,852	\$10,486	\$19,090

Medicare Supplement premiums were also considered, by individual and split between Medical (Plan F) and Rx (Part D). The Medical Part F premiums vary by location, tobacco status, and age. These premiums were adjusted by age using the tiering provided for non-tobacco participants in Area 3.

SECTION 6 – Member Statistics

SECTION 6 – MEMBER STATISTICS

STATISTICAL DATA

10/1/2017

Active Participants (Including DROP)

Eligible for Retiree Health Benefits	93
Not Yet Eligible for Retiree Health benefits	1,975
Total	2,068

Average Current Age	45.0
Average Age at Employment	34.4
Average Past Service	10.5

Covered Payroll at the Valuation Date	\$ 122,798,859
Average Salary	59,380

Inactives Not Receiving Benefits

	Headcounts	Average Age
Retirees	605	65.1
Disabled Members	22	61.3
Terminated Vested Members	504	48.1
Total	1,131	57.5

Inactives Receiving Benefits

Retirees	821	68.0
Disabled Members	38	61.8
Surviving Spouses	10	60.6
Total	869	67.6

Covered Dependent Spouses

215	60.6
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All Inactives

Retirees	1,426	66.8
Disabled Members	60	61.6
Surviving Spouses	10	60.6
Dependent Spouses	215	60.6
Terminated Vested Members	504	48.1
Total	2,215	61.7

SECTION 6 – Member Statistics

AGE AND SERVICE DISTRIBUTION

AGE	TOTAL PAST SERVICE										Total
	0	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
<25	29	29	1	0	0	0	0	0	0	0	59
25 - 29	41	91	21	0	0	0	0	0	0	0	153
30 - 34	37	87	82	36	0	0	0	0	0	0	242
35 - 39	24	69	63	85	37	0	0	0	0	0	278
40 - 44	21	49	58	65	57	17	0	0	0	0	267
45 - 49	21	48	47	70	69	45	22	1	0	0	323
50 - 54	18	48	49	54	57	31	46	11	0	0	314
55 - 59	16	26	34	44	38	29	31	12	1	0	231
60 - 64	11	22	20	37	28	12	14	7	2	0	153
65+	1	5	5	12	16	2	3	2	0	2	48
Total	219	474	380	403	302	136	116	33	3	2	2,068

SECTION 7 – Actuarial Assumptions and Funding Methods

SECTION 7 – ACTUARIAL ASSUMPTIONS AND FUNDING METHODS

ACTUARIAL ASSUMPTIONS

<u>Valuation Date:</u>	October 1, 2017.
<u>Measurement Date:</u>	September 30, 2019.
<u>Fiscal Year End:</u>	September 30, 2019.
<u>Actuarial Cost Method</u>	Entry Age Normal (Level Percentage of Pay)
<u>Asset Valuation Method</u>	Market Value of Assets.
<u>Discount Rate</u>	7.90% per year assumed investment return rate.
<u>Mortality Rates:</u>	

Mortality assumptions used in this valuation is the same assumption used in the 2018 Florida Retirement System (FRS) valuation as it applies to “special risk” and “other than special risk” participants. The tables used are as follows:

- Healthy Active Lives
 - **Female:** RP2000 Generational, 100% Combined Healthy White Collar, Scale BB.
 - **Male:** RP2000 Generational, 50% Combined Healthy White Collar / 50% Combined Healthy (previously Annuitant) Blue Collar, Scale BB.
 - **Male (Special Risk):** RP2000 Generational, 10% Combined Healthy White Collar / 90% Combined Healthy Blue Collar, Scale BB.
 - For Special Risk members, 25% of future active member deaths are assumed to be in the line of duty.
 - For all other members, 2% of future active member deaths are assumed to be in the line of duty.
- Healthy Inactive Lives
 - **Female:** RP2000 Generational, 100% Annuitant White Collar, Scale BB.
 - **Male:** RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB.
 - **Male (Special Risk):** RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB.
- Disabled Lives:
 - **Female:** 100% RP2000 Disabled Female set forward two years, no projection scale.
 - **Female (Special Risk):** 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.
 - **Male:** 100% RP2000 Disabled Male setback four years, no projection scale.
 - **Male (Special Risk):** 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

SECTION 7 – Actuarial Assumptions and Funding Methods

Retirement Rates:

General Pension Plan Employees Tier 1 – Hired on or before October 1, 2007							
Age	Years of Service						
	< 10	10 – 14	15 – 19	20	21 – 24	25 – 26	27 +
< 57	0.0%	0.0%	7.5%	20.0%	5.0%	10.0%	25.0%
57 – 59	0.0%	0.0%	7.5%	30.0%	7.5%	10.0%	25.0%
60 – 64	0.0%	0.0%	7.5%	30.0%	30.0%	10.0%	25.0%
65 +	0.0%	33.0%	33.0%	50.0%	30.0%	20.0%	100.0%

General Pension Plan Employees Tier 2 – Hired on or after October 2, 2007, but on or before October 1, 2012							
Age	Years of Service						
	< 10	10 – 14	15 – 19	20 – 24	25	26 – 29	30 +
< 57	0.0%	0.0%	5.0%	5.0%	20.0%	10.0%	25.0%
57 – 59	0.0%	0.0%	5.0%	5.0%	30.0%	10.0%	25.0%
60 – 64	0.0%	0.0%	5.0%	5.0%	30.0%	10.0%	25.0%
65 +	0.0%	33.0%	33.0%	33.0%	50.0%	20.0%	100.0%

General Pension Plan Employees Tier 3 – Hired on or after October 2, 2012							
Age	Years of Service						
	< 10	10 – 14	15 – 19	20 – 24	25	26 – 29	30 +
< 57	0.0%	0.0%	5.0%	5.0%	5.0%	5.0%	25.0%
57 – 59	0.0%	0.0%	5.0%	5.0%	5.0%	5.0%	25.0%
60 – 61	0.0%	0.0%	5.0%	5.0%	5.0%	5.0%	25.0%
62	0.0%	0.0%	7.5%	15.0%	15.0%	15.0%	50.0%
63 – 64	0.0%	0.0%	5.0%	5.0%	5.0%	5.0%	50.0%
65 +	0.0%	33.0%	33.0%	33.0%	33.0%	33.0%	100.0%

Police & Fire Pension Plan Employees				
Age	Years of Service			
	< 20	20	21 – 24	30 +
< 58	0.0%	25.0%	5.0%	100.0%
58 +	100.0%	100.0%	100.0%	100.0%

SECTION 7 – Actuarial Assumptions and Funding Methods

Termination Rates:

General Pension Plan Employees Male Participants						
Age	Years of Service					
	0 – 1	1 – 2	2 – 3	3 – 4	4 – 5	5 +
< 30	14.0%	12.0%	8.0%	6.0%	5.0%	4.0%
30 – 34	14.0%	12.0%	8.0%	6.0%	5.0%	3.0%
35 – 39	14.0%	12.0%	8.0%	6.0%	5.0%	2.5%
40 – 64	14.0%	12.0%	8.0%	6.0%	5.0%	2.0%
65 +	14.0%	12.0%	8.0%	6.0%	5.0%	0.0%

General Pension Plan Employees Female Participants						
Age	Years of Service					
	0 – 1	1 – 2	2 – 3	3 – 4	4 – 5	5 +
< 30	22.0%	16.0%	13.0%	11.0%	10.0%	7.0%
30 – 34	22.0%	16.0%	13.0%	11.0%	10.0%	5.0%
35 – 39	22.0%	16.0%	13.0%	11.0%	10.0%	4.0%
40 – 64	22.0%	16.0%	13.0%	11.0%	10.0%	3.0%
65 +	22.0%	16.0%	13.0%	11.0%	10.0%	0.0%

Police Pension Plan Employees						
Age	Years of Service					
	0 – 1	1 – 2	2 – 3	3 – 4	4 – 5	5 +
< 30	20.0%	12.0%	8.0%	6.0%	4.0%	4.0%
30 – 34	20.0%	12.0%	8.0%	6.0%	4.0%	3.5%
35 – 39	20.0%	12.0%	8.0%	6.0%	4.0%	2.0%
40 – 44	20.0%	12.0%	8.0%	6.0%	4.0%	1.5%
45 – 49	20.0%	12.0%	8.0%	6.0%	4.0%	1.0%
50 – 54	20.0%	12.0%	8.0%	6.0%	4.0%	0.5%
55 +	20.0%	12.0%	8.0%	6.0%	4.0%	0.0%

Fire Pension Plan Employees	
Age	Rate
< 30	2.5%
30 – 34	2.0%
35 – 39	1.5%
40 – 44	1.0%
45 – 49	0.5%
50 +	0.0%

SECTION 7 – Actuarial Assumptions and Funding Methods

Disability Rates:

General Pension Plan Employees		
Age	Male	Female
25	0.03%	0.01%
30	0.06%	0.03%
35	0.07%	0.05%
40	0.10%	0.08%
45	0.19%	0.17%
50	0.31%	0.29%
55	0.52%	0.48%
60	0.69%	0.60%
65 +	0.24%	0.15%

Police & Fire Pension Plan Employees	
Age	Rate
25	0.11%
30	0.14%
35	0.18%
40	0.31%
45	0.43%
50	0.85%
55	1.27%
60 +	1.69%

Salary Increases:

All Pension Plan Employees			
Years of Service	General	Police	Fire
< 5	5.0%	6.0%	5.0%
5 – 6	5.0%	5.0%	4.0%
7 – 9	4.0%	5.0%	4.0%
10 – 11	4.0%	4.0%	3.0%
12 – 14	3.0%	4.0%	3.0%
15 +	3.0%	3.0%	2.0%

Rate of Return on Investments: 7.90%

Inflation: 3.00% per year.

Marital Status: 100% assumed married, with male spouses 2 years older than female spouses.

SECTION 7 – Actuarial Assumptions and Funding Methods

Medical Aging Factors

An age morbidity curve developed based on a study performed by Dale Yamamoto for the Society of Actuaries was used to measure the annual increases in per capita claim costs for each age, and relative cost by gender adjusting the male age 65 per capita claims cost.

Medical		Rx		
Age	Male	Female	Male	Female
15	0.1977	0.1938	0.1977	0.1938
20	0.1705	0.2326	0.1705	0.2326
25	0.1473	0.3101	0.1473	0.3101
30	0.1822	0.4341	0.1822	0.4341
35	0.2248	0.4651	0.2248	0.4651
40	0.2829	0.4612	0.2829	0.4612
45	0.3527	0.4884	0.3527	0.4884
50	0.4612	0.5736	0.4612	0.5736
55	0.6085	0.6667	0.6085	0.6667
60	0.7829	0.7791	0.7829	0.7791
65	1.0000	0.8862	1.0000	0.9884
70	1.0623	0.9120	1.2841	1.2622
75	1.0911	0.9707	1.4177	1.3792
80	1.1788	1.0900	1.4614	1.4087
85	1.3424	1.2851	1.3522	1.3419
90	1.5190	1.4680	1.1722	1.2237
95	1.6518	1.4727	1.0360	1.1247
100	1.6944	1.2937	0.9730	1.0746

Health Care Participation:

Pre-Medicare and Medicare-eligible future retirees (i.e. active employees) and DROP participants were assumed to elect medical coverage according to the following table:

All Employees	
Age	Participation Rate
45	0%
50	20%
55	40%
60	60%
65	80%
66	84%
67	88%
68+	90%

90% of future Medicare-eligible participants were assumed to choose coverage in the Alternative Medicare options, with the remaining 10% dropping coverage. Current Medicare-eligible retirees (with medical coverage) and their spouses were assumed to remain with their current election.

SECTION 7 – Actuarial Assumptions and Funding Methods

Health Care Inflation

Healthcare cost trends reflect current survey information regarding short-term rates and industry expectations regarding long-term rates. The initial trend was developed using a blend of Rx, Medical pre-65, and Medical post-65 rates from the Conduent Trend Surveys. Ultimate trend was assumed to consist of 3.00% rate of inflation, 1.00% real per capita GDP growth, and 0.50% technology cost increases to reach 4.50%. The premium trend was derived by projecting initial claims using separate trend rates and determining the combined trend rates on the total cost. Administrative costs are assumed to increase with the rate of inflation. These rates are shown below:

Year	Medical Claims		Premiums	Rx
	Pre-65	Post-65		
2017	7.80%	4.10%	7.70%	8.60%
2018	7.60%	4.20%	7.40%	8.30%
2019	7.30%	4.30%	7.20%	8.10%
2020	7.10%	4.40%	7.00%	7.80%
2021	6.80%	4.50%	6.80%	7.60%
2022	6.60%	4.50%	6.60%	7.30%
2023	6.30%	4.50%	6.40%	7.10%
2024	6.10%	4.50%	6.10%	6.80%
2025	5.80%	4.50%	5.90%	6.60%
2026	5.60%	4.50%	5.70%	6.30%
2027	5.30%	4.50%	5.40%	6.10%
2028	5.10%	4.50%	5.20%	5.80%
2029	4.80%	4.50%	5.00%	5.60%
2030	4.60%	4.50%	4.70%	5.30%
2031	4.50%	4.50%	4.60%	5.10%
2032	4.50%	4.50%	4.60%	4.80%
2033	4.50%	4.50%	4.50%	4.60%
2034+	4.50%	4.50%	4.50%	4.50%

The City's contribution towards the Premium will be adjusted annually at the rate of 50% of the annual percentage change in the individual premium for the least costly (lowest premium) City Group Health Plan option being offered, compared to the Premium of the least costly option offered the prior plan year.

Plan Persistency

The portion of retirees electing contributory medical coverage was assumed to be in direct correlation to the employer's cost share of the total cost for eligible participants in each year of retirement. All pre-65 inactives are assumed to maintain their coverage until age 65. After age 65, persistency in the Florida Blue plan is related to the ratio of the expected employer subsidy to the expected claim costs in future years versus that same ratio at the time of the valuation. This assumption was based on recent plan experience. Medicare retirees in the Alternative Medicare plans were assumed to continue coverage for life.

SECTION 7 – Actuarial Assumptions and Funding Methods

Opt-In and Re-Entry Election

Deferred retirees (both pre-Medicare and Medicare-eligible participants, currently without medical coverage) were assumed to elect medical coverage at a rate of 10%. These participants were assumed to elect this coverage through an Alternative Medicare plan option once they become eligible for Medicare.

Medicare Supplement Utilization

Future Alternative Medicare plan participants were assumed to utilize 95% of their available subsidy. This is based on the utilization rate for current Medicare Supplement participants, for whom actual utilization is based on current plan premiums.

Spousal Coverage

28% of female and male employees are assumed to cover a spouse at retirement. Future female spouses are assumed to be two years younger than future male spouses.

SECTION 7 – Actuarial Assumptions and Funding Methods

DISCUSSION OF CENSUS DATA AND ASSUMPTIONS

All census information, non-prescribed assumptions, and methods are the same as those used in the prior valuation as of October 1, 2017.

SECTION 8 – Summary of Plan Provisions

SECTION 8 – SUMMARY OF PLAN PROVISIONS

Credited Service

Total completed years of employment.

Eligibility for Insurance Coverage

General Pension Plan Employees

Tier 1

Hired before October 1, 2007. Normal retirement at age 65 and 10 years of service, or 20 years of service regardless of age. Early retirement at age 55 and 15 years of service.

Tier 2

Hired on or after October 1, 2007, but before October 1, 2012. Normal retirement at age 65 and 10 years of service, or 25 years of service regardless of age. Early retirement at age 55 and 15 years of service.

Tier 3

Hired on or after October 1, 2012, they are eligible to retire at age 65 and 10 years of service, or 30 years of service regardless of age. Early retirement at age 60 and 20 years of service.

Police & Fire Pension Plan Employees

Normal retirement at age 55 and 10 years of service, or 20 years of service, or combined age and service of at least 70. Early retirement at age 50 and 10 years of service.

Health Care Insurance

Those who do not meet the age and service requirements below are eligible for coverage only. Retirees must pay 100% of the active premium rates up to age 65, then 100% of the Medicare Supplement premium rate.

SECTION 8 – Summary of Plan Provisions

Health Care Subsidies (Retirement prior to 9/1/2008):

Normal or Early Retirement	<p>\$10.00 x number of years of credited service and portion thereof of:</p> <ol style="list-style-type: none">Plus \$5.00 x number of years of age and portion thereof over 65, on the date that retiree first enters the retiree health insurance program or January 1, 2009, whichever is later; orMinus \$5.00 x number of years of age and portion thereof under 65, on the date that retiree first enters the retiree health insurance program or January 1, 2009, whichever is later.
DROP Participants	<p>Employees who have entered a regular DROP before September 1, 2008, or who have declared their intention to reverse DROP before September 1, 2008, shall have the period of employment while in the regular DROP, or the period of employment after the effective date of commencement of participation in the (reverse) DROP, added to credited service for purposes of the calculation described above.</p>
Disabled Retirement	<p>The amount that the city will contribute towards the required premium, for persons who became retirees based upon application for disability retirement submitted before September 1, 2008, will be an amount equal to:</p> <ol style="list-style-type: none">80% of the individual premium of the least costly (lowest premium) city group health plan option being offered at that time.The city will contribute towards any other tier of coverage of an amount equal to 150% of the individual premium of the least costly (lowest premium) city group plan option being offered at that time.
Retirees Age 65 as of 1/1/2009	<p>For current retirees age 65 years or older on January 1, 2009, the amount the city will contribute towards the required Premium will be the greater of the amount contributed for the month of August 2008 or the amount determined under the provisions of this article.</p>

SECTION 8 – Summary of Plan Provisions

Health Care Subsidies (Retirement after 8/31/2008):

- | | |
|----------------------------|--|
| Normal or Early Retirement | <p>\$10.00 x number of years of credited service and portion thereof of:</p> <ol style="list-style-type: none">a. Plus \$5.00 x number of years of age and portion thereof over 65, on the date that retiree first enters the retiree health insurance program orb. Minus \$5.00 x number of years of age and portion thereof under 65, on the date that the retiree first enters the retiree health insurance program |
| DROP Participants | <p>Employees who have entered a regular DROP after August 31, 2008, or who declare their intention to reverse DROP after August 31, 2008, shall not have the period of employment while in regular DROP, or the period of employment after the effective date of commencement of participation in the (reverse) DROP, count as credited service under subsection (a) above.</p> |
| Disabled Retirement | <p>The amount that the city will contribute towards the required premium, for persons who became retirees based upon an application for disability retirement submitted after August 31, 2008, will be:</p> <ol style="list-style-type: none">a. For approved "in-line-of-duty" disabilities under the consolidated police officers and firefighter's retirement plan or the city employee's disability plan, the city will contribute towards an individual premium an amount equal to:<ol style="list-style-type: none">i. 80% of the individual premium of the least costly (lowest premium) city group health insurance plan option being offered at the time the disability retirement is approved.ii. The city will contribute towards any other tier of coverage an amount equal to 150% of the individual premium of the least costly (lowest premium) city group health insurance plan option being offered at the time the disability retirement is approved.b. For approved disabilities other than "in-line-of-duty", the city will contribute 50 percent of the amount described above. |

APPENDIX 1 – GASB 74 Disclosure for Plan Year 2019

APPENDIX 1 – GASB 74 DISCLOSURES FOR PLAN YEAR 2019

STATEMENT OF FIDUCIARY NET POSITION

(For the Year Ended September 30, 2019)

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents	2,307,023
Investments:	
Smith Barney	61,367,825
Smith/Barney - OPEB	12
International Equity Services	-
Real Estate Investment Trusts	-
Total Investments	61,367,837
Total Assets	63,674,860
<u>LIABILITIES</u>	
Payables:	
Accounts Payable	546
Accrued Payroll	-
Total Liabilities	546
NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS	63,674,314

APPENDIX 1– GASB 74 Disclosure for Plan Year 2019

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

(For the Year Ended September 30, 2019)

ADDITIONS

Contributions:

Employer Contributions	786,151
Employer Contribution-Implicit Rate Subsidy CY	1,562,016
Retiree Contribution	3,173,162

Total Contributions 5,521,329

Investment Income:

Interest & Dividends	1,529,660
Net Appreciation/(Depreciation) in Fair Value of Investments	(2,623,453)
Less Investment Expense	456,777

Net Investment Income (1,550,570)

Total Additions 3,970,759

DEDUCTIONS

Insurance Premiums	7,676,658
Personal Services	10,433
Other Operating Expenses	8,485
Transfer to Debt Service	160

Total Deductions 7,695,736

Net Increase in Net Position (3,724,977)

NET POSITION RESTRICTED FOR POSTEMPLOYMENT

BENEFITS OTHER THAN PENSIONS

Beginning of the Year 67,399,291

End of the Year 63,674,314

APPENDIX 1– GASB 74 Disclosure for Plan Year 2019

GENERAL INFORMATION ABOUT THE OPEB PLAN

Plan Description:

The City of Gainesville’s Retiree Health Care Plan (Plan) is a single-employer defined benefit postemployment health care plan that covers eligible retired employees. The Plan, which is administered by the City, allows employees who retire and meet retirement eligibility requirements under one of the City’s retirement plans to continue medical coverage as a participant in the City’s plan.

Employees covered by benefit terms. At October 1, 2017, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	869
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	1,131
Active Plan Members	<u>2,068</u>
	<u><u>4,068</u></u>

Benefits Provided:

Eligibility for Insurance Coverage:

General Pension Plan Employees hired before October 1, 2007 can retire at age 65 and 10 years of service or 20 years of service regardless of age, and they can retire early at age 55 and 15 years of service.

General Pension Plan Employees hired on or after October 1, 2007, but before October 1, 2012 can retire at age 65 and 10 years of service or 25 years of service regardless of age, and they can retire early at age 55 and 15 years of service.

General Pension Plan Employees hired on or after October 1, 2012 can retire at age 65 and 10 years of service or 30 years of service regardless of age, and they can retire early at age 60 and 20 years of service.

Police & Fire Pension Plan Employees can retire at age 55 and 10 years of service, at 20 years of service only, or at a combined age and service of at least 70. They can retire early at age 50 and 10 years of service.

Health Care Subsidies (Retirement prior to 9/1/2008):

Normal or Early Retirees are subsidized \$10.00 x number of years of credited service plus one of the following:

- a. Plus \$5.00 x number of years of age and portion thereof over 65, on the date that retiree first enters the retiree health insurance program or January 1, 2009, whichever is later; or
- b. Minus \$5.00 x number of years of age and portion thereof under 65, on the date that retiree first enters the retiree health insurance program or January 1, 2009, whichever is later.

APPENDIX 1– GASB 74 Disclosure for Plan Year 2019

Benefits Provided (Continued):

DROP Participants who have entered a regular DROP before September 1, 2008, or who have declared their intention to reverse DROP before September 1, 2008, shall have the period of employment while in the regular DROP, or the period of employment after the effective date of commencement of participation in the (reverse) DROP, added to credited service for purposes of the calculation described above.

For Disabled Retirees, the amount that the city will contribute towards the required premium, for persons who became retirees based upon application for disability retirement submitted before September 1, 2008, will be an amount equal to:

- a. 80% of the individual premium of the least costly (lowest premium) city group health plan option being offered at that time.
- b. The city will contribute towards any other tier of coverage of an amount equal to 150% of the individual premium of the least costly (lowest premium) city group plan option being offered at that time

For current retirees age 65 years or older on January 1, 2009, the amount the city will contribute towards the required Premium will be the greater of the amount contributed for the month of August 2008 or the amount determined under the provisions of this article.

Health Care Subsidies (Retirement after 8/31/2008):

Normal or Early Retirees are subsidized \$10.00 x number of years of credited service plus one of the following:

- a. Plus \$5.00 x number of years of age and portion thereof over 65, on the date that retiree first enters the retiree health insurance program or
- b. Minus \$5.00 x number of years of age and portion thereof under 65, on the date that the retiree first enters the retiree health insurance program.

DROP Participants who have entered a regular DROP after August 31, 2008, or who declare their intention to reverse DROP after August 31, 2008, shall not have the period of employment while in regular DROP, or the period of employment after the effective date of commencement of participation in the (reverse) DROP, count as credited service under subsection (a) above.

APPENDIX 1– GASB 74 Disclosure for Plan Year 2019

Benefits Provided (Continued):

For Disabled Retirees, the amount that the city will contribute towards the required premium, for persons who became retirees based upon an application for disability retirement submitted after August 31, 2008, will be:

- a. For approved "in-line-of-duty" disabilities under the consolidated police officers and firefighter's retirement plan or the city employee's disability plan, the city will contribute towards an individual premium an amount equal to:
 - i. 80% of the individual premium of the least costly (lowest premium) city group health insurance plan option being offered at the time the disability retirement is approved.
 - ii. The city will contribute towards any other tier of coverage an amount equal to 150% of the individual premium of the least costly (lowest premium) city group health insurance plan option being offered at the time the disability retirement is approved.
- b. For approved disabilities other than "in-line-of-duty", the city will contribute 50 percent of the amount described above.

Those who do not meet the age and service requirements above are eligible for coverage only. Retirees must pay 100% of the active premium rates up to age 65, then 100% of the Medicare Supplement premium rate.

Contributions:

The contribution policy of the City is established and may be amended by the City at any time. The annual contribution consists of the normal cost amount developed annually plus, given there is any unfunded actuarial accrued liability (UAAL), an amount to amortize said UAAL over 10 years from inception.

For the 2019 fiscal year, the City contributed a total of \$2,348,167 to pre-fund benefits.

Investment Policy:

The following reflects the current target allocation and expected returns as provided by Morgan Stanley.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Equities	80%	9.00%
Real Estate	10%	6.00%
Alternative Investments - MLPs	5%	8.00%
Fixed Income	5%	4.00%
Total	<u>100%</u>	

APPENDIX 1– GASB 74 Disclosure for Plan Year 2019

Rate of Return:

For the year ended September 30, 2019 the annual money-weighted rate of return on investments, net of investment expense, was -2.41 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

APPENDIX 1– GASB 74 Disclosure for Plan Year 2019

NET OPEB LIABILITY

The measurement date for GASB 74 reporting is September 30, 2019.

The City's Net OPEB Liability was measured as of September 30, 2019.

The Total OPEB Liability used to calculate the Net OPEB Liability was determined as of that date using a roll-forward of the October 1, 2017 valuation results at a discount rate of 7.90%.

The components of the NET OPEB Liability of the City on September 30, 2019 were as follows:

Total OPEB Liability	\$	77,815,468
Plan Fiduciary Net Position		63,674,314
Sponsor's Net OPEB Liability	\$	<u>14,141,154</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability		81.83%

Actuarial Assumptions:

The Total OPEB Liability was determined by an actuarial valuation as of October 1, 2017 using the following actuarial assumptions:

Inflation Rate	3.00%
Salary Increase Rate(s)	Varies by service
Discount Rate	7.90%
Investment Rate of Return	7.90%

All mortality rates were based on the RP-2000 mortality tables. All mortality rates are those outlined in Milliman's July 1, 2018 Florida Retirement System (FRS) valuation report.

Mortality - Active Lives:

For female lives, 100% of the Combined Healthy White-Collar table was used. For male (non-special risk) lives, a 50% Combined Healthy White-Collar table, 50% Combined Healthy Blue-Collar table blend was used. For male special risk lives, a 10% Combined Healthy White-Collar table, 90% Combined Healthy Blue-Collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB.

Mortality - Inactive Healthy Lives:

For female lives, 100% of the Annuitant White-Collar table was used. For male (non-special risk) lives, a 50% Annuitant White-Collar table, 50% Annuitant Blue-Collar table blend was used. For male special risk lives, a 10% Annuitant White-Collar table, 90% Annuitant Blue-Collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB.

APPENDIX 1– GASB 74 Disclosure for Plan Year 2019

Mortality - Disabled Lives:

For female (non-special risk) lives, 100% of the Disabled Female table was used, set forward two years. For female special risk lives, a 60% Disabled Female table, 40% Annuitant White Collar table with no setback blend was used. For male (non-special risk) lives, 100% of the Disabled Male table was used, set back four years. For Male special risk lives, a 60% Disabled Male table, 40% Annuitant White Collar table with no setback blend was used. Disabled mortality has not been adjusted for mortality improvements.

Discount Rate:

The valuation assumes a discount rate of 7.90% per annum, compounded annually, net of investment expenses.

Sensitivity of the Net OPEB Liability to changes in the Discount Rate:

The following presents the Net OPEB Liability of the City, as well as what the City's Net OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.90%	7.90%	8.90%
Net OPEB Liability/(Asset)	\$ 21,484,923	\$ 14,141,154	\$ 7,834,677

Sensitivity of the Net OPEB Liability to changes in the Healthcare Cost Trend Rates:

The following presents the Net OPEB Liability of the City, as well as what the City's Net OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB Liability/(Asset)	\$ 5,938,864	\$ 14,141,154	\$ 23,836,457

OPEB Plan Fiduciary Net Position:

Detailed information about the OPEB Plan's Fiduciary Net Position is available in a separately issued Plan financial report.

APPENDIX 1- GASB 74 Disclosure for Plan Year 2019

SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS

Reporting Period Ending	09/30/2019	09/30/2018	09/30/2017
Total OPEB Liability			
Service Cost	\$ 1,591,950	\$ 1,467,084	\$ 1,282,158
Interest	5,887,782	5,676,583	5,274,094
Changes Of Benefit Terms	-	-	-
Differences Between Expected And Actual Experience	-	3,158,374	(914,359)
Changes Of Assumptions	625,481	675,415	559,493
Gross Benefit Payments	(7,676,658)	(7,976,678)	(7,514,930)
Retiree Contributions	3,173,162	3,622,415	3,405,757
Net Change In Total Opeb Liability	3,601,717	6,623,193	2,092,213
Total Opeb Liability - Beginning	74,213,751	67,590,558	65,498,345
Total Opeb Liability - Ending (a)	<u>\$ 77,815,468</u>	<u>\$ 74,213,751</u>	<u>\$ 67,590,558</u>
Plan Fiduciary Net Position			
Contributions - City	\$ 2,348,167	\$ 2,016,572	1,622,729
Net Investment Income	(1,550,570)	6,250,519	6,550,405
Gross Benefit Payments	(7,676,658)	(7,976,678)	(7,514,930)
Retiree Contributions	3,173,162	3,622,415	3,405,757
Administrative Expense	(19,078)	(13,890)	(6,082)
Other	-	-	-
Net Change In Plan Fiduciary Net Position	(3,724,977)	3,898,938	4,057,879
Plan Fiduciary Net Position - Beginning	67,399,291	63,500,353	59,442,474
Plan Fiduciary Net Position - Ending (b)	<u>\$ 63,674,314</u>	<u>\$ 67,399,291</u>	<u>\$ 63,500,353</u>
Sponsor's Net OPEB Liability - Ending (a) - (b)	<u>\$ 14,141,154</u>	<u>\$ 6,814,460</u>	<u>\$ 4,090,205</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	81.83%	90.82%	93.95%
Covered Employee Payroll (Projected)	\$ 124,457,080	\$ 118,530,552	\$ 122,798,859
Sponsor's Net OPEB Liability as a Percentage of Covered Employee Payroll	11.36%	5.75%	3.33%

Notes to Schedule:

Fiscal year 2019 covered employee payroll projected based on covered payroll as of June 22, 2018, provided by the City to the prior actuary.

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

September 30, 2019	7.90%
September 30, 2018	8.00%
September 30, 2017	8.10%
September 30, 2016	8.20%

APPENDIX 1– GASB 74 Disclosure for Plan Year 2019

SCHEDULE OF CITY CONTRIBUTIONS

	09/30/2019	09/30/2018	09/30/2017
Actuarially Determined Contribution	767,613	\$ 731,060	\$ 616,087
Contributions in Relation to the Actuarially			
Determined Contributions	2,348,167	2,016,572	1,622,729
Contribution Deficiency (Excess)	<u>\$ (1,580,554)</u>	<u>\$ (1,285,512)</u>	<u>\$ (1,006,642)</u>
Covered Employee Payroll	\$ 124,457,080	\$ 118,530,552	\$ 122,798,859
Contributions as a percentage of Covered			
Employee Payroll	1.89%	1.70%	1.32%

Notes to Schedule

The Actuarially Determined Contribution amount for FY 2017 was extracted from Exhibit B-II of the Conduent report "GASB 45 and 74 Disclosures for Fiscal Year Ending September 30, 2017".

The Actuarially Determined Contribution amount for FY 2018 was extracted from page 3 of the Conduent funding Report "October 1, 2017 Actuarial Valuation".

The Actuarially Determined Contribution amount for FY 2019 was extracted from page 3 of the Conduent funding Report "October 1, 2017 Actuarial Valuation".

Methods and assumptions used to determine contribution rates are the same as those found in prior actuary reports mentioned.

APPENDIX 2 – GASB 74 Crossover Test

APPENDIX 2 – GASB 74 CROSSOVER TEST

City of Gainesville Post Retirement Health Care Plan - GASB Statement 74&75 Crossover Projection

50 Year Projection of the Health Care Plan's Fiduciary Net Position

Based on the September 30, 2019 Measurement Date. 7.90% Asset Return

Fiscal Year Ending September 30,	Projected Beginning Fiduciary Net Position	Projected City Contributions	Total Projected Benefit Payments	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2020	63,674,314	2,690,757	5,808,308	17,742	5,066,341	65,605,361
2021	67,629,592	2,622,272	6,050,677	17,528	5,206,623	69,390,282
2022	69,390,282	2,547,460	6,398,764	17,377	5,329,019	70,850,620
2023	70,850,620	2,492,298	6,681,758	17,206	5,431,036	72,074,989
2024	72,074,989	2,404,253	6,967,202	17,041	5,513,015	73,008,014
2025	73,008,014	2,343,463	6,941,437	16,818	5,585,349	73,978,571
2026	73,978,571	2,234,370	7,014,582	16,599	5,654,833	74,836,593
2027	74,836,593	2,123,006	7,291,252	16,409	5,707,297	75,359,235
2028	75,359,235	2,028,830	7,478,785	16,179	5,737,467	75,630,569
2029	75,630,569	1,948,120	7,641,383	15,957	5,749,301	75,670,651
2030	75,670,651	1,872,691	7,688,259	15,745	5,747,645	75,586,982
2031	75,586,982	1,775,549	7,690,266	15,520	5,737,127	75,393,873
2032	75,393,873	1,666,660	7,849,732	15,298	5,711,280	74,906,783
2033	74,906,783	1,587,356	7,980,951	15,059	5,664,494	74,162,623
2034	74,162,623	1,505,404	7,974,621	14,781	5,602,729	73,281,354
2035	73,281,354	1,410,903	7,886,387	14,512	5,532,872	72,324,231
2036	72,324,231	1,318,360	7,845,743	14,247	5,455,220	71,237,821
2037	71,237,821	1,224,446	7,852,001	13,993	5,365,447	69,961,719
2038	69,961,719	1,149,734	7,859,222	13,724	5,261,409	68,499,916
2039	68,499,916	1,082,429	7,833,370	13,463	5,144,299	66,879,811
2040	66,879,811	1,005,836	7,919,866	13,225	5,009,878	64,962,435
2041	64,962,435	945,395	7,725,522	12,908	4,863,707	63,033,108
2042	63,033,108	871,801	7,676,927	12,593	4,710,316	60,925,704
2043	60,925,704	824,758	7,503,182	12,290	4,548,847	58,783,837
2044	58,783,837	761,724	7,246,940	11,986	4,387,284	56,673,918
2045	56,673,918	687,506	7,178,835	11,690	4,220,370	54,391,269
2046	54,391,269	638,848	7,117,863	11,365	4,040,540	51,941,430
2047	51,941,430	591,304	7,232,869	11,065	3,840,594	49,129,394
2048	49,129,394	567,293	7,146,709	10,744	3,620,911	46,160,145
2049	46,160,145	524,375	7,001,003	10,444	3,390,412	43,063,485
2050	43,063,485	478,151	6,558,769	10,134	3,161,431	40,134,164
2051	40,134,164	398,004	6,150,313	9,822	2,942,995	37,315,028
2052	37,315,028	327,439	5,678,484	9,518	2,736,145	34,690,610
2053	34,690,610	252,818	5,243,888	9,225	2,543,047	32,233,361
2054	32,233,361	187,424	4,710,210	8,925	2,367,433	30,069,083
2055	30,069,083	112,640	4,270,853	8,628	2,210,867	28,113,110
2056	28,113,110	53,936	3,912,950	8,356	2,068,175	26,313,915
2057	26,313,915	9,166	3,530,557	8,081	1,939,385	24,723,828
2058	24,723,828	8,629	3,229,753	7,804	1,825,640	23,320,540
2059	23,320,540	8,232	3,004,096	7,548	1,723,688	22,040,816
2060	22,040,816	7,881	2,786,574	7,280	1,631,179	20,886,022
2061	20,886,022	7,581	2,583,307	7,026	1,547,977	19,851,247
2062	19,851,247	7,309	2,441,666	6,774	1,471,824	18,881,940
2063	18,881,940	7,027	2,299,019	6,512	1,400,882	17,984,318
2064	17,984,318	6,736	2,177,919	6,243	1,334,753	17,141,645
2065	17,141,645	6,464	2,058,523	5,991	1,272,897	16,356,492
2066	16,356,492	6,184	1,940,863	5,731	1,215,517	15,631,598
2067	15,631,598	5,882	1,825,275	5,451	1,162,815	14,969,569
2068	14,969,569	5,603	1,712,028	5,193	1,114,987	14,372,938
2069	14,372,938	5,303	1,601,067	4,914	1,072,235	13,844,495

APPENDIX 2 – GASB 74 Crossover Test

Fiscal Year Ending September 30,	Projected Beginning Fiduciary Net Position	Total Projected Benefit Payments	"Funded" Benefit Payments	"Unfunded" Benefit Payments	Present Value of Funded Portion at 7.90%	Present Value of Unfunded Portion at 3.58%	Present Value Using Single Discount Rate of 7.90%
2020	63,674,314	5,808,308	5,808,308	0	4,623,654	0	4,826,077
2021	65,698,545	6,050,677	6,050,677	0	4,463,938	0	4,623,654
2022	67,629,592	6,398,764	6,398,764	0	4,375,109	0	4,463,938
2023	69,390,282	6,681,758	6,681,758	0	4,234,109	0	4,375,109
2024	70,850,620	6,967,202	6,967,202	0	4,091,742	0	4,234,109
2025	72,074,989	6,941,437	6,941,437	0	3,778,138	0	4,091,742
2026	73,008,014	7,014,582	7,014,582	0	3,538,415	0	3,778,138
2027	73,978,571	7,291,252	7,291,252	0	3,408,691	0	3,538,415
2028	74,836,593	7,478,785	7,478,785	0	3,240,374	0	3,408,691
2029	75,359,235	7,641,383	7,641,383	0	3,068,419	0	3,240,374
2030	75,630,569	7,688,259	7,688,259	0	2,861,207	0	3,068,419
2031	75,670,651	7,690,266	7,690,266	0	2,652,413	0	2,861,207
2032	75,586,982	7,849,732	7,849,732	0	2,509,188	0	2,652,413
2033	75,393,873	7,980,951	7,980,951	0	2,364,349	0	2,509,188
2034	74,906,783	7,974,621	7,974,621	0	2,189,503	0	2,364,349
2035	74,162,623	7,886,387	7,886,387	0	2,006,744	0	2,189,503
2036	73,281,354	7,845,743	7,845,743	0	1,850,234	0	2,006,744
2037	72,324,231	7,852,001	7,852,001	0	1,716,135	0	1,850,234
2038	71,237,821	7,859,222	7,859,222	0	1,591,949	0	1,716,135
2039	69,961,719	7,833,370	7,833,370	0	1,470,540	0	1,591,949
2040	68,499,916	7,919,866	7,919,866	0	1,377,922	0	1,470,540
2041	66,879,811	7,725,522	7,725,522	0	1,245,699	0	1,377,922
2042	64,962,435	7,676,927	7,676,927	0	1,147,232	0	1,245,699
2043	63,033,108	7,503,182	7,503,182	0	1,039,173	0	1,147,232
2044	60,925,704	7,246,940	7,246,940	0	930,199	0	1,039,173
2045	58,783,837	7,178,835	7,178,835	0	853,991	0	930,199
2046	56,673,918	7,117,863	7,117,863	0	784,744	0	853,991
2047	54,391,269	7,232,869	7,232,869	0	739,039	0	784,744
2048	51,941,430	7,146,709	7,146,709	0	676,770	0	739,039
2049	49,129,394	7,001,003	7,001,003	0	614,432	0	676,770
2050	46,160,145	6,558,769	6,558,769	0	533,476	0	614,432
2051	43,063,485	6,150,313	6,150,313	0	463,626	0	533,476
2052	40,134,164	5,678,484	5,678,484	0	396,718	0	463,626
2053	37,315,028	5,243,888	5,243,888	0	339,533	0	396,718
2054	34,690,610	4,710,210	4,710,210	0	282,649	0	339,533
2055	32,233,361	3,530,557	3,530,557	0	168,650	0	201,682
2056	30,069,083	3,229,753	3,229,753	0	142,985	0	168,650
2057	28,113,110	3,004,096	3,004,096	0	123,257	0	142,985
2058	26,313,915	2,786,574	2,786,574	0	105,962	0	123,257
2059	24,723,828	2,583,307	2,583,307	0	91,040	0	105,962
2060	23,320,540	2,441,666	2,441,666	0	79,748	0	91,040
2061	22,040,816	2,299,019	2,299,019	0	69,591	0	79,748
2062	20,886,022	2,177,919	2,177,919	0	61,099	0	69,591
2063	19,851,247	2,058,523	2,058,523	0	53,521	0	61,099
2064	18,881,940	1,940,863	1,940,863	0	46,767	0	53,521
2065	17,984,318	1,825,275	1,825,275	0	40,762	0	46,767
2066	17,141,645	1,712,028	1,712,028	0	35,434	0	40,762
2067	16,356,492	1,601,067	1,601,067	0	30,711	0	35,434
2068	15,631,598	1,492,703	1,492,703	0	26,536	0	30,711
2069	14,969,569	1,386,856	1,386,856	0	22,849	0	26,536