

CITY OF GAINESVILLE
OTHER POSTEMPLOYMENT BENEFITS PROGRAM

GASB 74 / 75 DISCLOSURES FOR THE
PLAN/FISCAL YEAR ENDING SEPTEMBER 30, 2018



May 17, 2019

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

Re: City of Gainesville - FYE September 30, 2018 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. 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 is 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.

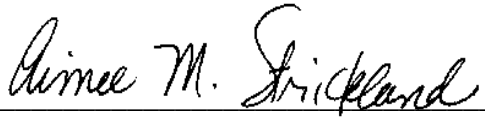
To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Commissioners of the City. Thus, there is no relationship 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 Aimee at 239 433-5500.

Respectfully submitted,

Foster & Foster, Inc.

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

By: 
Aimee M. Strickland, FSA, EA, MAAA

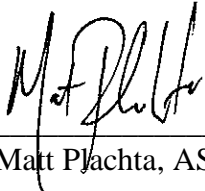
By: 
Matt Plachta, ASA, MAAA

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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. Premiums for the other insurances are assumed to cover the entire cost of the respective benefits, when applicable.

The results of this valuation are based on a Measurement Date of September 30, 2018 and are applicable to the fiscal year ending September 30, 2018. The following table shows the key components of the City's OPEB valuation for September 30, 2018 under GASB 75.

Total OPEB Liability as of the Measurement Date	\$	74,213,751
Plan Fiduciary Net Position as of the Measurement Date		67,399,291
Sponsor's Net OPEB Liability as of the Measurement Date	\$	<u>6,814,460</u>

OPEB Expense for the Fiscal Year ending September 30, 2018	\$	2,416,505
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Covered Employee Payroll	\$	118,530,552
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Sponsor's Net OPEB Liability as a percentage of Covered Employee Payroll		5.75%
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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

SECTION 1 – Executive Summary

Transition to GASB 75:

Per paragraph 244 of GASB 75, the difference between the Net OPEB Obligation/(Asset) as of September 30, 2017 and the GASB 75 Unfunded Actuarial Accrued Liability as of the reporting period ending September 30, 2017 (based on a measurement date of September 30, 2017), should be reported as a restatement of the beginning net position. See the table below:

Development of Balance Sheet Liability Adjustment:

A. GASB 45 Net OPEB Obligation/(Asset) Reported as of September 30, 2017	\$	(18,049,284)
B. GASB 75 Net OPEB Liability (8.10%) Reported as of September 30, 2017		<u>4,090,205</u>
C. Adjustment to the Balance Sheet Liability (B - A)	\$	22,139,489

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.

SECTION 1 – Executive Summary

Notes on the Valuation:

The following changes have been made since the prior GASB 45/74 valuation:

- The census data reflects changes in status for the twenty-four-month (24) period since October 1, 2015.
- The GASB 74/75 discount rate as of the measurement date is 8.00%. The prior GASB 74/45 measurement used 8.10%.

Governmental Accounting Standard No. 75:

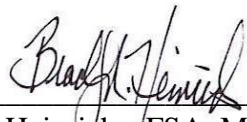
GASB 75 requires governmental employers to recognize the Net OPEB Liability and the OPEB expense in their financial statements, along with the related deferred outflows and inflows of resources. GASB 75 is similar to GASB 68 for pensions. Under GASB 75, the Net OPEB Liability is the difference between 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 Trustees in order to discuss the Report and any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.

By: 
Brad Heinrich, FSA, MAAA

By: 
Aimee M. Strickland, FSA, 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	2,068
	<hr/>
	4,068
	<hr/>

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 2018 fiscal year, the City contributed a total of \$2,016,572 to pre-fund benefits.

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, 2018.

The measurement period for the OPEB expense is October 1, 2017 to September 30, 2018.

The reporting period is October 1, 2017 through September 30, 2018.

The City's Net OPEB Liability was measured as of September 30, 2018.

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 using the following actuarial assumptions:

Inflation Rate	3.00%
Salary Increase Rate(s)	Varies by service
Discount Rate	8.00%
Investment Rate of Return	8.00%

All mortality rates were based on the RP-2000 mortality tables. All mortality rates are those outlined in Milliman's July 1, 2016 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 8.00% per annum, compounded annually, net of investment expenses. The Plan assumed investment rate of return was lowered from 8.10% to 8.00% as of October 1, 2017 at the direction of City personnel.

SECTION 2 – Notes to Financial Statements

CHANGES IN NET OPEB LIABILITY

	Increase (Decrease)		
	Total OPEB	Plan Fiduciary	Net OPEB
	Liability	Net Position	Liability
	(a)	(b)	(a)-(b)
Reporting Period Ending September 30, 2017	\$ 67,590,558	\$ 63,500,353	\$ 4,090,205
Changes for the Year:			
Service Cost	1,467,084	-	1,467,084
Interest	5,676,583	-	5,676,583
Differences Between Expected and Actual			
Experience	3,158,374	-	3,158,374
Changes of Assumptions	675,415	-	675,415
Changes of Benefit Terms	-	-	-
Contributions - City	-	2,016,572	(2,016,572)
Net Investment Income	-	6,250,519	(6,250,519)
Net Benefit Payments	(4,354,263)	(4,354,263)	-
Administrative Expense	-	(13,890)	13,890
Other Changes	-	-	-
Net Changes	6,623,193	3,898,938	2,724,255
Reporting Period Ending September 30, 2018	\$ 74,213,751	\$ 67,399,291	\$ 6,814,460

Experience reflects changes to the census data during the twenty-four-month (24) period since the prior valuation.

Changes of assumptions reflect a change in the discount rate from 8.10% for the reporting period ended September 30, 2017 to 8.00% for the reporting period ended September 30, 2018.

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:

	Current		
	1% Decrease	Discount Rate	1% Increase
	7.00%	8.00%	9.00%
Net OPEB Liability (asset)	\$ 13,903,239	\$ 6,814,460	\$ 682,774

SECTION 2 – Notes to Financial Statements

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)	\$ (459,802)	\$ 6,814,460	\$ 15,334,100

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, 2018, the City will recognize OPEB Expense of \$2,416,505. On September 30, 2018, 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	\$ 2,707,178	\$ -
Changes of assumptions	578,927	-
Net difference between Projected and Actual Earnings on OPEB Plan investments	-	961,783
Total	<u>\$ 3,286,105</u>	<u>\$ 961,783</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:

2019	\$ 307,238
2020	\$ 307,238
2021	\$ 307,238
2022	\$ 307,239
2023	\$ 547,684
Thereafter	\$ 547,685

SECTION 3 – GASB 75 Disclosure Schedules

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

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

SECTION 3 – GASB 75 Disclosure Schedules

Notes to Schedule:

¹ FY 2018 covered employee payroll from the October 1, 2017 funding actuarial valuation report.

² As shown in Conduent's FY 2017 GASB 74 report.

³ 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:

FY 2018	8.00%
FY 2017	8.10%
FY 2016	8.20%

SECTION 3 – GASB 75 Disclosure Schedules

SCHEDULE OF CITY CONTRIBUTIONS

	<u>09/30/2018</u>	<u>09/30/2017</u>
Actuarially Determined Contribution	731,060	\$ 616,087
Contributions in Relation to the Actuarially Determined Contributions	2,016,572	1,622,729
Contribution Deficiency (Excess)	<u>\$ (1,285,512)</u>	<u>\$ (1,006,642)</u>
Covered Employee Payroll	\$ 118,530,552	\$ 122,798,859
Contributions as a percentage of Covered Employee Payroll	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".

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, 2018)

	Net OPEB Liability	Deferred Inflows	Deferred Outflows	OPEB Expense
Beginning Balance	\$ 4,090,205	\$ -	\$ -	\$ -
Total OPEB Liability Factors:				
Service Cost	1,467,084	-	-	1,467,084
Interest	5,676,583	-	-	5,676,583
Changes in Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience with Regard to Economic or Demographic Assumptions	3,158,374	-	3,158,374	-
Current Year Amortization of Experience Difference	-	-	(451,196)	451,196
Change in Assumptions About Future Economic or Demographic Factors or Other Inputs	675,415	-	675,415	-
Current Year Amortization of Change in Assumptions	-	-	(96,488)	96,488
Net Benefit Payments	(4,354,263)	-	-	-
Net change	<u>\$ 6,623,193</u>	<u>\$ -</u>	<u>\$ 3,286,105</u>	<u>\$ 7,691,351</u>
Plan Fiduciary Net Position:				
Contributions - City	2,016,572	\$ -	\$ -	\$ -
Implicit Contributions - Employer	-	-	-	-
Expected Net Investment Income	5,048,290	-	-	(5,048,290)
Difference Between Projected and Actual Earnings on OPEB Plan Investments	1,202,229	1,202,229	-	-
Current Year Amortization	-	(240,446)	-	(240,446)
Net Benefit Payments	(4,354,263)	-	-	-
Administrative Expenses	(13,890)	-	-	13,890
Other	-	-	-	-
Net change	<u>3,898,938</u>	<u>961,783</u>	<u>-</u>	<u>(5,274,846)</u>
Ending Balance	<u>\$ 6,814,460</u>	<u>\$ 961,783</u>	<u>\$ 3,286,105</u>	<u>\$ 2,416,505</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)	Increase (Decrease) in OPEB Expense Arising from the Recognition of the of Differences Between Projected and Actual Earnings on OPEB Plan Investments									
			2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
2018	\$ (1,202,229)	5	\$ (240,446)	\$ (240,446)	\$ (240,446)	\$ (240,446)	\$ (240,445)	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in OPEB Expense			\$ (240,446)	\$ (240,446)	\$ (240,446)	\$ (240,446)	\$ (240,445)	\$ -	\$ -	\$ -	\$ -	\$ -

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)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
2018	\$ 675,415	7	\$ 96,488	\$ 96,488	\$ 96,488	\$ 96,488	\$ 96,488	\$ 96,488	\$ 96,487	\$ -	\$ -	\$ -
Net Increase (Decrease) in OPEB Expense			\$ 96,488	\$ 96,488	\$ 96,488	\$ 96,488	\$ 96,488	\$ 96,488	\$ 96,487	\$ -	\$ -	\$ -

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)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
2018	\$ 3,158,374	7	\$ 451,196	\$ 451,196	\$ 451,196	\$ 451,196	\$ 451,196	\$ 451,196	\$ 451,198	\$ -	\$ -	\$ -
Net Increase (Decrease) in OPEB Expense			\$ 451,196	\$ 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
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, 2018.
<u>Fiscal Year End:</u>	September 30, 2018.
<u>Actuarial Cost Method</u>	Entry Age Normal (Level Percentage of Pay)
<u>Asset Valuation Method</u>	Market Value of Assets.
<u>End of Year Discount Rate</u>	8.00% per year assumed investment return rate.
<u>Beginning of Year Discount Rate</u>	8.10% per year assumed investment return rate.
<u>Mortality Rates:</u>	

Mortality assumptions used in this valuation is the same assumption used in the 2016 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: 8.00%

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

1. Census Data – We received October 1, 2017 census data that was used by Conduent for the October 1, 2017 funding valuation. No material modifications were made to the data. Variances in headcounts between this report and the City’s October 1, 2017 Actuarial Valuation and Funding Report for one DROP member was deemed immaterial.
2. Medical Cost and Enrollment Data – Medical Cost information matches the information disclosed in the City’s prior October 1, 2017 Actuarial Valuation and Funding Report. Enrollment data was provided in the census data and used to blend costs for future retirees as discussed in Sections 5 and 7 of this report.
3. Actuarial Assumptions and Methods – All assumptions and methods are the same as the City’s prior October 1, 2017 Actuarial Valuation and Funding Report.

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> <ul 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 or January 1, 2009, whichever is later; orb. 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	<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> <ul style="list-style-type: none">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.
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 2018

APPENDIX 1 – GASB 74 DISCLOSURES FOR PLAN YEAR 2018

STATEMENT OF FIDUCIARY NET POSITION

(For the Year Ended September 30, 2018)

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents	1,042,792
Investments:	
Smith Barney	60,951,320
Smith/Barney - OPEB	5,512,848
International Equity Services	-
Real Estate Investment Trusts	-
Total Investments	66,464,168
Total Assets	67,506,960
<u>LIABILITIES</u>	
Payables:	
Accounts Payable	107,443
Accrued Payroll	226
Total Liabilities	107,669
NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS	67,399,291

APPENDIX 1– GASB 74 Disclosure for Plan Year 2018

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

(For the Year Ended September 30, 2018)

ADDITIONS

Contributions:

Employer Contributions	626,550
Employer Contribution-Implicit Rate Subsidy CY	1,390,022
Retiree Contribution	3,622,415

Total Contributions 5,638,987

Investment Income:

Interest & Dividends	1,470,005
Net Appreciation/(Depreciation) in Fair Value of Investments	5,203,259
Less Investment Expense	422,745

Net Investment Income 6,250,519

Total Additions 11,889,506

DEDUCTIONS

Insurance Premiums	7,976,678
Personal Services	7,662
Other Operating Expenses	6,000
Transfer to Debt Service	228

Total Deductions 7,990,568

Net Increase in Net Position 3,898,938

NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Beginning of the Year 63,500,353

End of the Year 67,399,291

APPENDIX 1– GASB 74 Disclosure for Plan Year 2018

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>4,068</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 2018

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 2018

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 2018 fiscal year, the City contributed a total of \$2,016,572 to pre-fund benefits.

APPENDIX 1– GASB 74 Disclosure for Plan Year 2018

NET OPEB LIABILITY

The measurement date for GASB 74 reporting is September 30, 2018.

The City's Net OPEB Liability was measured as of September 30, 2018.

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 8.00%.

The components of the NET OPEB Liability of the City on September 30, 2018 were as follows:

Total OPEB Liability	\$	74,213,751
Plan Fiduciary Net Position		67,399,291
Sponsor's Net OPEB Liability	\$	<u>6,814,460</u>

Plan Fiduciary Net Position as a percentage of the Total OPEB Liability 90.82%

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	8.00%
Investment Rate of Return	8.00%

All mortality rates were based on the RP-2000 mortality tables. All mortality rates are those outlined in Milliman's July 1, 2016 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 2018

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 8.00% per annum, compounded annually, net of investment expenses. The Plan assumed investment rate of return was lowered from 8.10% to 8.00% as of October 1, 2017 at the direction of City personnel.

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
	7.00%	8.00%	9.00%
Net OPEB Liability/(Asset)	\$ 13,903,239	\$ 6,814,460	\$ 682,774

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)	\$ (459,802)	\$ 6,814,460	\$ 15,334,100

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 2018

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

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

¹ FY 2018 covered employee payroll from the October 1, 2017 funding actuarial valuation report.

APPENDIX 1– GASB 74 Disclosure for Plan Year 2018

SCHEDULE OF CITY CONTRIBUTIONS

	<u>09/30/2018</u>	<u>09/30/2017</u>
Actuarially Determined Contribution	731,060	\$ 616,087
Contributions in Relation to the Actuarially Determined Contributions	2,016,572	1,622,729
Contribution Deficiency (Excess)	<u>\$ (1,285,512)</u>	<u>\$ (1,006,642)</u>
Covered Employee Payroll	\$ 118,530,552	\$ 122,798,859
Contributions as a percentage of Covered Employee Payroll	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".

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 3, 2018 Measurement Date. 8.00% 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
2019	\$ 67,399,291	\$ 2,126,846	\$ 5,289,442	\$ 13,403	\$ 5,264,903	\$ 69,488,195
2020	69,488,195	2,022,014	5,618,717	13,138	5,414,662	71,293,015
2021	71,293,015	1,995,179	5,808,308	12,917	5,550,399	73,017,368
2022	73,017,368	1,952,357	6,050,677	12,761	5,676,946	74,583,233
2023	74,583,233	1,901,735	6,398,764	12,652	5,786,271	75,859,824
2024	75,859,824	1,869,473	6,681,758	12,527	5,875,793	76,910,805
2025	76,910,805	1,802,971	6,967,202	12,407	5,945,799	77,679,966
2026	77,679,966	1,762,597	6,941,437	12,244	6,006,754	78,495,635
2027	78,495,635	1,672,588	7,014,582	12,085	6,065,488	79,207,044
2028	79,207,044	1,579,331	7,291,252	11,947	6,107,609	79,590,785
2029	79,590,785	1,502,447	7,478,785	11,779	6,127,738	79,730,406
2030	79,730,406	1,438,108	7,641,383	11,617	6,129,837	79,645,350
2031	79,645,350	1,378,210	7,688,259	11,463	6,118,768	79,442,605
2032	79,442,605	1,295,769	7,690,266	11,300	6,099,177	79,135,985
2033	79,135,985	1,200,862	7,849,732	11,138	6,064,479	78,540,456
2034	78,540,456	1,135,033	7,980,951	10,964	6,008,961	77,692,535
2035	77,692,535	1,065,967	7,974,621	10,762	5,938,626	76,711,745
2036	76,711,745	983,742	7,886,387	10,566	5,860,411	75,658,947
2037	75,658,947	902,960	7,845,743	10,373	5,774,590	74,480,381
2038	74,480,381	820,391	7,852,001	10,188	5,676,759	73,115,341
2039	73,115,341	756,679	7,859,222	9,992	5,564,726	71,567,533
2040	71,567,533	700,014	7,833,370	9,802	5,439,676	69,864,051
2041	69,864,051	633,703	7,919,866	9,628	5,297,292	67,865,553
2042	67,865,553	583,366	7,725,522	9,398	5,143,182	65,857,181
2043	65,857,181	519,464	7,676,927	9,169	4,981,909	63,672,459
2044	63,672,459	481,990	7,503,182	8,948	4,812,591	61,454,910
2045	61,454,910	428,246	7,246,940	8,727	4,643,296	59,270,785
2046	59,270,785	363,085	7,178,835	8,511	4,468,692	56,915,217
2047	56,915,217	323,464	7,117,863	8,274	4,281,110	54,393,654
2048	54,393,654	284,810	7,232,869	8,056	4,073,248	51,510,787
2049	51,510,787	269,699	7,146,709	7,822	3,845,470	48,471,424
2050	48,471,424	235,466	7,001,003	7,604	3,606,788	45,305,072
2051	45,305,072	197,845	6,558,769	7,378	3,369,674	42,306,443
2052	42,306,443	126,074	6,150,313	7,151	3,143,260	39,418,312
2053	39,418,312	63,881	5,678,484	6,930	2,928,604	36,725,383
2054	36,725,383	12,471	5,243,888	6,716	2,728,505	34,215,755
2055	34,215,755	10,036	4,710,210	6,498	2,548,994	32,058,077
2056	32,058,077	8,403	4,270,853	6,282	2,393,897	30,183,243
2057	30,183,243	7,471	3,912,950	6,084	2,258,197	28,529,877
2058	28,529,877	6,801	3,530,557	5,884	2,141,205	27,141,442
2059	27,141,442	6,345	3,229,753	5,682	2,042,152	25,954,504
2060	25,954,504	6,023	3,004,096	5,495	1,956,218	24,907,154
2061	24,907,154	5,751	2,786,574	5,301	1,881,127	24,002,157
2062	24,002,157	5,524	2,583,307	5,115	1,816,857	23,236,116
2063	23,236,116	5,326	2,441,666	4,932	1,761,238	22,556,083
2064	22,556,083	5,121	2,299,019	4,741	1,712,541	21,969,985
2065	21,969,985	4,909	2,177,919	4,545	1,670,497	21,462,926
2066	21,462,926	4,710	2,058,523	4,361	1,634,707	21,039,459
2067	21,039,459	4,507	1,940,863	4,173	1,605,536	20,704,465
2068	20,704,465	4,287	1,825,275	3,969	1,583,359	20,462,867

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 8.00%	Present Value of Unfunded Portion at 4.18%	Present Value Using Single Discount Rate of 8.00%
2019	\$ 67,399,291	\$ 5,289,442	\$ 5,289,442	\$ 0	\$ 4,897,631	\$ 0	\$ 4,897,631
2020	69,488,195	5,618,717	5,618,717	0	4,817,144	0	4,817,144
2021	71,293,015	5,808,308	5,808,308	0	4,610,822	0	4,610,822
2022	73,017,368	6,050,677	6,050,677	0	4,447,428	0	4,447,428
2023	74,583,233	6,398,764	6,398,764	0	4,354,891	0	4,354,891
2024	75,859,824	6,681,758	6,681,758	0	4,210,641	0	4,210,641
2025	76,910,805	6,967,202	6,967,202	0	4,065,295	0	4,065,295
2026	77,679,966	6,941,437	6,941,437	0	3,750,242	0	3,750,242
2027	78,495,635	7,014,582	7,014,582	0	3,509,037	0	3,509,037
2028	79,207,044	7,291,252	7,291,252	0	3,377,260	0	3,377,260
2029	79,590,785	7,478,785	7,478,785	0	3,207,523	0	3,207,523
2030	79,730,406	7,641,383	7,641,383	0	3,034,498	0	3,034,498
2031	79,645,350	7,688,259	7,688,259	0	2,826,957	0	2,826,957
2032	79,442,605	7,690,266	7,690,266	0	2,618,236	0	2,618,236
2033	79,135,985	7,849,732	7,849,732	0	2,474,563	0	2,474,563
2034	78,540,456	7,980,951	7,980,951	0	2,329,564	0	2,329,564
2035	77,692,535	7,974,621	7,974,621	0	2,155,292	0	2,155,292
2036	76,711,745	7,886,387	7,886,387	0	1,973,561	0	1,973,561
2037	75,658,947	7,845,743	7,845,743	0	1,817,953	0	1,817,953
2038	74,480,381	7,852,001	7,852,001	0	1,684,633	0	1,684,633
2039	73,115,341	7,859,222	7,859,222	0	1,561,280	0	1,561,280
2040	71,567,533	7,833,370	7,833,370	0	1,440,874	0	1,440,874
2041	69,864,051	7,919,866	7,919,866	0	1,348,874	0	1,348,874
2042	67,865,553	7,725,522	7,725,522	0	1,218,310	0	1,218,310
2043	65,857,181	7,676,927	7,676,927	0	1,120,969	0	1,120,969
2044	63,672,459	7,503,182	7,503,182	0	1,014,443	0	1,014,443
2045	61,454,910	7,246,940	7,246,940	0	907,221	0	907,221
2046	59,270,785	7,178,835	7,178,835	0	832,125	0	832,125
2047	56,915,217	7,117,863	7,117,863	0	763,943	0	763,943
2048	54,393,654	7,232,869	7,232,869	0	718,783	0	718,783
2049	51,510,787	7,146,709	7,146,709	0	657,612	0	657,612
2050	48,471,424	7,001,003	7,001,003	0	596,486	0	596,486
2051	45,305,072	6,558,769	6,558,769	0	517,414	0	517,414
2052	42,306,443	6,150,313	6,150,313	0	449,251	0	449,251
2053	39,418,312	5,678,484	5,678,484	0	384,062	0	384,062
2054	36,725,383	5,243,888	5,243,888	0	328,396	0	328,396
2055	34,215,755	4,710,210	4,710,210	0	273,125	0	273,125
2056	32,058,077	4,270,853	4,270,853	0	229,304	0	229,304
2057	30,183,243	3,912,950	3,912,950	0	194,526	0	194,526
2058	28,529,877	3,530,557	3,530,557	0	162,515	0	162,515
2059	27,141,442	3,229,753	3,229,753	0	137,656	0	137,656
2060	25,954,504	3,004,096	3,004,096	0	118,554	0	118,554
2061	24,907,154	2,786,574	2,786,574	0	101,824	0	101,824
2062	24,002,157	2,583,307	2,583,307	0	87,404	0	87,404
2063	23,236,116	2,441,666	2,441,666	0	76,492	0	76,492
2064	22,556,083	2,299,019	2,299,019	0	66,688	0	66,688
2065	21,969,985	2,177,919	2,177,919	0	58,496	0	58,496
2066	21,462,926	2,058,523	2,058,523	0	51,194	0	51,194
2067	21,039,459	1,940,863	1,940,863	0	44,692	0	44,692
2068	20,704,465	1,825,275	1,825,275	0	38,917	0	38,917