

**City of Madison Heights General
Employees' Retiree Health Care Trust**
Actuarial Valuation Report
as of June 30, 2024



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December 13, 2024

Board of Trustees
City of Madison Heights
General Employees' Retiree Health Care Trust
Madison Heights, Michigan

Dear Trustees:

The results of the June 30, 2024 biennial actuarial valuation of the City of Madison Heights General Employees' Retiree Health Care Trust are presented in this report. This report was prepared at the request of the Board and is intended for use by the plan and those designated or approved by the Board. This report may be provided to parties other than the plan only in its entirety and only with the permission of the Board. GRS is not responsible for unauthorized use of this report.

The purpose of the valuation is to measure the plan's funding progress and to determine the Actuarially Determined Employer Contribution (ADEC) for the fiscal years ending June 30, 2026 and June 30, 2027. This report should not be relied on for any purpose other than the purposes described herein. Determinations of financial results, associated with the benefits described in this report, for purposes other than those identified above may be significantly different. Disclosure requirements for GASB Statement Nos. 74 and 75 are issued in a separate report.

The computed contributions in this report are determined using the actuarial assumptions and methods disclosed in Section D of this report. The combined effect of the assumptions, excluding prescribed assumptions or methods set by law, is expected to have no significant bias (i.e., not significantly optimistic or pessimistic). This report includes risk metrics on pages A-7 and A-8 but does not include a more robust assessment of the risks of future experience not meeting the actuarial assumptions. Additional assessment of risks was outside the scope of this assignment.

This valuation assumed the continuing ability of the plan sponsor to make the contributions necessary to fund this plan. A determination regarding whether or not the plan sponsor is actually able to do so is outside our scope of expertise and was not performed.

The computed contribution amounts shown on page A-1 may be considered as minimum contributions that comply with the Board's funding policy. Users of this report should be aware that contributions made in these amounts do not guarantee benefit security. Given the importance of benefit security to any OPEB system, we suggest that contributions to the Plan in excess of those presented in this report be considered.

Board of Trustees
City of Madison Heights
December 13, 2024
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The findings in this report are based on data and other information through June 30, 2024. The valuation was based upon information furnished by the City concerning plan benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by the City.

This report was prepared using certain assumptions as described in Section D of this report. We believe these assumptions are reasonable. However, they are not the only reasonable set of assumptions. Other reasonable assumptions could produce different results. The demographic assumptions are consistent with the assumptions approved by the respective Retirement Boards for use in their pension funding valuations. The assumed investment rate of return is reasonable considering the current asset allocation. By adopting this report, the Board will be adopting these assumptions.

This report was prepared using our proprietary valuation model and related software which, in our professional judgment, has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled. We are relying on the GRS actuaries and Internal Software, Training, and Processes Team who developed and maintain the model.

This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge, this report is complete and accurate and was made in accordance with generally recognized actuarial methods and with the Actuarial Standards of Practice issued by the Actuarial Standards Board.

The signing actuaries are independent of the plan sponsor. Heidi G. Barry and Kevin T. Noelke are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,
Gabriel, Roeder, Smith & Company



Heidi G. Barry, ASA, FCA, MAAA



Kevin T. Noelke, ASA, FCA, MAAA

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EXECUTIVE SUMMARY

Executive Summary

Actuarially Determined Employer Contribution (ADEC)

We have calculated the Actuarially Determined Employer Contribution (ADEC) for the fiscal years ending June 30, 2026, and June 30, 2027 under the interest rate assumption of 6.50%. A summary of the results is included below.

The ADEC for the fiscal year ending June 30, 2026 was determined to be \$0. The expected employer portion of the claims and premium amounts paid is estimated to be \$798,092 for the fiscal year ending June 30, 2026. These amounts reflect the employer portion of the retiree only premium rates and the implicit subsidy for retirees and covered spouses.

The ADEC for the fiscal year ending June 30, 2027 was determined to be \$0. The expected employer portion of the claims and premium amounts paid is estimated to be \$840,210 for the fiscal year ending June 30, 2027. These amounts reflect the employer portion of the retiree only premium rates and the implicit subsidy for retirees and covered spouses.

For additional details, please see Section A of the report.

Liabilities, Assets and Funded Status

The present value of all benefits expected to be paid to current plan members as of June 30, 2024 is \$11,713,156. The Actuarial Accrued Liability (AAL), which is the portion of the above amounts attributable to service accrued by plan members as of June 30, 2024 is \$11,348,865. The assets currently set aside for OPEB purposes as of June 30, 2024 are \$18,046,114. The funded status as of the valuation date is 159.0%.

SECTION A

VALUATION RESULTS

Development of the Actuarially Determined Employer Contribution for the Other Postemployment Benefits

Contributions for	Development of the Actuarially Determined Employer Contribution for Fiscal Years Ending June 30, 2026 and June 30, 2027						
	Dept Heads/ Non-Union	Supervisors	Municipal	Dispatchers	DPS	Courthouse	Total
Normal Cost							
Normal Retirement	\$ 11,029	\$ 2,681	\$ 13,020	\$ 8,131	\$ 11,468	\$ 2,558	\$ 48,887
Early Retirement	766	770	2,565	2,002	1,751	-	7,854
Termination Benefits	-	347	641	193	734	466	2,381
Death-in-Service	133	60	139	105	226	17	680
Disability	367	-	-	193	-	45	605
Life Insurance	67	15	84	35	85	11	297
Total Normal Cost	\$ 12,362	\$ 3,873	\$ 16,449	\$ 10,659	\$ 14,264	\$ 3,097	\$ 60,704
Amortization of Unfunded Actuarial Accrued Liabilities	\$ (119,142)	\$ (70,721)	\$ (123,889)	\$ (52,752)	\$ (347,734)	\$ (52,101)	\$ (766,339)
Amortization Period	16 years	16 years	16 years	16 years	12 years	12 years	
Actuarially Determined Employer Contribution (ADEC) for the Fiscal Year Ending June 30, 2026	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Projected Payroll for the Fiscal Year Ending June 30, 2026	\$ 333,203	\$ 75,517	\$ 278,798	\$ 175,620	\$ 282,466	\$ 56,843	\$ 1,202,447
Actuarially Determined Employer Contribution (ADEC) as a Percentage of Projected Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Actuarially Determined Employer Contribution (ADEC) for the Fiscal Year Ending June 30, 2027	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Projected Payroll for the Fiscal Year Ending June 30, 2027	\$ 291,677	\$ 75,654	\$ 237,244	\$ 162,965	\$ 261,432	\$ 42,189	\$ 1,071,161
Actuarially Determined Employer Contribution (ADEC) as a Percentage of Projected Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

The assumptions used to calculate the liabilities shown above include a 6.50% investment return rate.

The Unfunded Actuarial Accrued Liability (UAAL) was amortized as a level-dollar amount over 12 years for Court and DPS and 16 years for other groups. The ADECs for the fiscal years ending June 30, 2024 and June 30, 2025 were \$0. See page A-4 for a discussion of causes leading to the calculation of the ADECs.

Determination of Unfunded Actuarial Accrued Liability as of June 30, 2024

	Dept Heads/ Non-Union	Supervisors	Municipal	Dispatchers	DPS	Courthouse	Total
A. Present Value of Future Benefits							
1. Retirees and Beneficiaries	\$ 1,327,412	\$ 926,137	\$ 1,014,261	\$ -	\$ 3,714,056	\$ 413,265	\$ 7,395,131
2. Vested Terminated Members	-	-	-	-	-	-	-
3. Active Members	<u>669,848</u>	<u>250,798</u>	<u>1,097,707</u>	<u>925,577</u>	<u>1,070,461</u>	<u>303,634</u>	<u>4,318,025</u>
Total Present Value of Future Benefits	<u>\$ 1,997,260</u>	<u>\$ 1,176,935</u>	<u>\$ 2,111,968</u>	<u>\$ 925,577</u>	<u>\$ 4,784,517</u>	<u>\$ 716,899</u>	<u>\$ 11,713,156</u>
B. Present Value of Future Employer Normal Costs	62,629	36,124	92,471	60,425	99,644	12,998	364,291
C. Present Value of Future Contributions from Current Active Members	-	-	-	-	-	-	-
D. Actuarial Accrued Liability (A.-B.-C.)	\$ 1,934,631	\$ 1,140,811	\$ 2,019,497	\$ 865,152	\$ 4,684,873	\$ 703,901	\$ 11,348,865
E. Market Value of Assets ¹	<u>3,076,305</u>	<u>1,814,032</u>	<u>3,211,253</u>	<u>1,375,700</u>	<u>7,449,534</u>	<u>1,119,291</u>	<u>18,046,114</u>
F. Unfunded Actuarial Accrued Liability (D.-E.)	<u>\$ (1,141,674)</u>	<u>\$ (673,221)</u>	<u>\$ (1,191,756)</u>	<u>\$ (510,548)</u>	<u>\$ (2,764,661)</u>	<u>\$ (415,390)</u>	<u>\$ (6,697,249)</u>
G. Funded Ratio (E./D.)	159.0%	159.0%	159.0%	159.0%	159.0%	159.0%	159.0%

¹ Allocated based on Actuarial Accrued Liability (AAL).

The assumptions used to calculate the liabilities shown above include a 6.50% investment return rate.

The funded status shown above is inappropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the City's benefit obligations. The Unfunded Actuarial Accrued Liability/(Surplus) as of June 30, 2022 was \$(3,591,993) and the funded status was 128.6%.

Schedule of Funding Progress

Actuarial Valuation Date June 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Active Member Covered Payroll (c)	UAAL as a Percentage of Active Member Covered Payroll [(b) - (a)] / (c)
2010	\$ 3,876,165	\$ 21,929,581	\$ 18,053,416	17.7 %	\$ 3,847,760	469.2 %
2012	6,249,452	33,130,423	26,880,971	18.9	3,650,496	736.4
2014	9,329,454	32,176,567	22,847,113	29.0	3,136,745	728.4
2016	9,886,708	37,824,307	27,937,599	26.1	2,989,187	934.6
2018	13,264,146	31,577,777	18,313,631	42.0	2,520,945	726.5
2020	14,373,335	15,818,513	1,445,178	90.9	1,855,685	77.9
2022	16,130,224	12,538,231	(3,591,993)	128.6	1,531,268	(234.6)
2024	18,046,114	11,348,865	(6,697,249)	159.0	1,416,241	(472.9)

Results as of June 30, 2020 include a benefit change effective after June 30, 2020 and prior to June 30, 2021 where the retiree health plan options mirror those available to active members.

Comments

Summary: A summary of results as of the valuation date and their impact on the Actuarial Accrued Liability (AAL), Funded Status and Actuarial Determined Employer Contribution (ADEC) for the plan as a whole is shown below:

	Actuarial Accrued Liability	Funded Status	Actuarial Determined Employer Contribution
Prior Valuation Results	\$ 12,538,231	128.6%	\$ -
Change due to Plan Experience	(1,464,577)	34.4%	-
Change due to Setting New Premiums	(288,943)	4.3%	-
Change due to Resetting Health Care Trend	564,154	(8.3)%	-
Final Results for this Valuation	\$ 11,348,865	159.0%	\$ -

Plan Experience and Setting New Premiums: Plan experience due to demographics and premium rates was, in aggregate, favorable. This is primarily the result of higher-than-expected investment return and lower-than-expected premium rate increases for post-65 retirees. The favorable experience was partially offset by higher-than-expected premium rate increases for pre-65 retirees, due to an increase in drug claims compared to the previous valuation.

The contributions shown include amortization of the Unfunded Actuarial Accrued Liability (UAAL) over 16 years for non-Court/DPS members, and 12 years for Court/DPS members beginning July 1, 2025. In an underfunded plan, a shorter amortization period would result in a higher ADEC.

Resetting Health Care Trend: The health care trend assumption was reset to 7.25% for non-Medicare benefits and 6.50% for Medicare benefits in the first year, trending down to 3.50% over 15 years. The short-term trend of 7.25%/6.50% is a reasonable expectation of current health care inflation. The transition from short-term to long-term trend is supported by the Society of Actuaries' Getzen model which results in a macroeconomic estimate that health care expenditures will increase from 19% of Gross Domestic Product (GDP) in 2031 to 25% of GDP in 2071, assuming 5.00% annual GDP growth. Please see Section B for more information on the Health Care Trend assumption. Resetting the Health Care Trend increased the AAL and decreased the funded status (as shown above) as of the valuation date.

Assumption Changes: Other than resetting the health care trend, there were no assumption changes reflected in this valuation.

Plan Provision Changes: There were no plan provision changes reflected in this valuation.

Projected Disbursements: For the fiscal years ending June 30, 2026 and June 30, 2027, the estimated claims and/or premiums paid by the employer on behalf of retirees (including the effect of the implicit rate subsidy) is \$798,092 and \$840,210, respectively.

Data: Member data is received from the plan's administrator and compared with the data from the prior valuation for general consistency. Any questions resulting from the review are provided to the administrator and resolved. Any data adjustments as a result of this process are made manually by GRS, based on instructions provided by the administrator.

Comments

Investment Return Assumption: One of the key assumptions used is the rate of return on the assets that will be used to pay plan benefits. Higher assumed investment returns will result in a lower Actuarially Determined Employer Contribution (ADEC). Lower returns will increase the computed ADEC. We have calculated the liability and the resulting ADEC using an assumed rate of 6.50% per annum.

Other Observations

General Implications of Contribution Allocation Procedure or Funding Policy on Future Expected System Contributions and Funded Status

Presuming the Plan Sponsor contributes the Actuarially Determined Employer Contribution (ADEC), if all actuarial assumptions are met (including the assumption of the Fund earning 6.50% on the funding value of assets), it is expected that:

- (1) The employer normal cost will be sufficient to finance benefits accruing each year;
- (2) The Unfunded Actuarial Accrued Liability (UAAL) is expected to remain fully amortized; and
- (3) If timely contributions are made, the funded status of the plan will maintain a 100% funded status.

The above statements assume that the full ADEC is contributed each year. The computed contributions shown on page A-1 may be considered as minimum contributions that comply with the Board's funding policy, which are reasonable. The timely receipt of the actuarially determined contributions is critical to support the financial health of the plan. Users of this report should be aware that contributions made at the actuarially determined rate do not necessarily guarantee benefit security.

Limitations of Funded Status Measurements

Unless otherwise indicated, a funded status measurement presented in this report is based upon the actuarial accrued liability (using a 6.50% discount rate) and the valuation assets. Unless otherwise indicated, with regard to any funded status measurements presented in this report:

- (1) The measurement is inappropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations; in other words, of transferring the obligation to an independent third party in a market-based transaction.
- (2) The measurement is dependent upon the actuarial cost method which, in combination with an amortization policy, affects the timing and amounts of future contributions. The amounts of future contributions will most certainly differ from those assumed in this report due to future actual experience differing from assumed experience based upon the actuarial assumptions. A funded status measurement in this report of 100% is not synonymous with no required future contributions. If the funded status were 100%, the plan would still require future normal cost contributions (i.e., contributions to cover the cost of the active membership accruing an additional year of service credit).

Risk Measures – Risks Associated with Measuring the Accrued Liability and Actuarially Determined Employer Contribution

The determination of the accrued liability and the actuarially determined contribution requires the use of assumptions regarding future economic and demographic experience. Risk measures, as illustrated in this report, are intended to aid in the understanding of the effects of future experience differing from the assumptions used in the course of the actuarial valuation. Risk measures may also help with illustrating the potential volatility in the accrued liability and the actuarially determined contribution that result from the differences between actual experience and the actuarial assumptions.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions due to changing conditions; 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, or additional cost or contribution requirements based on the Plan's funded status); and changes in plan provisions or applicable law. The scope of an actuarial valuation does not include an analysis of the potential range of such future measurements.

Examples of risk that may reasonably be anticipated to significantly affect the plan's future financial condition include:

1. **Investment Risk** – actual investment returns may differ from the expected returns;
2. **Asset/Liability Mismatch** – changes in asset values may not match changes in liabilities, thereby altering the gap between the accrued liability and assets and consequently altering the funded status and contribution requirements;
3. **Contribution Risk** – actual contributions may differ from expected future contributions. For example, actual contributions may not be made in accordance with the plan's funding policy or material changes may occur in the anticipated number of covered employees or other relevant contribution base. The continuing ability of the plan sponsor to make the contributions necessary to fund the plan is outside our scope of expertise and was not performed by GRS;
4. **Health Care-Related Risk** – actual medical inflation trend rates and/or changes in health care plan designs may differ from expected resulting in actual future accrued liability and contributions differing from expected;
5. **Longevity Risk** – members may live longer or shorter than expected and receive pensions for a period of time other than assumed; and
6. **Other Demographic Risks** – members may terminate, retire or become disabled at times or with benefits other than assumed resulting in actual future accrued liability and contributions differing from expected.

The effects of certain trends in experience can generally be anticipated. For example, if the investment return since the most recent actuarial valuation is less (or more) than the assumed rate, the cost of the plan can be expected to increase (or decrease). Likewise, if longevity is improving (or worsening), increases (or decreases) in cost can be anticipated.

Risk Measures

Actuarial Valuation Date (6/30)	(1) Market Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Status (1) / (2)	(5) Retiree Liabilities (RetLiab)	(6) RetLiab / AAL (5)/(2)	(7) Non-Invest. Cash Flow (NICF)	(8) NICF / Assets (7)/(1)	(9) Market Rate of Return	(10) 5-Year Trailing Average
2020	\$ 14,373,335	\$ 15,818,513	\$ 1,445,178	90.9%	\$ 11,845,118	74.9%	\$ 118,949	0.8%	3.2%	N/A
2021	18,410,940	N/A	N/A	N/A	N/A	N/A	135,530	0.7%	23.9%	N/A
2022	16,130,224	12,538,231	(3,591,993)	128.6%	8,352,419	66.6%	(250,000)	(1.5)%	(11.7)%	5.2%
2023	16,955,494	N/A	N/A	N/A	N/A	N/A	(650,000)	(3.8)%	8.7%	5.4%
2024	18,046,114	11,348,865	(6,697,249)	159.0%	7,395,131	65.2%	(820,000)	(4.5)%	10.7%	6.3%

(4). The funded status is the most widely known measure of a plan's financial strength, but the trend in the funded status is much more important than the absolute ratio. The funded status should trend to 100%. As it approaches 100%, it is important to re-evaluate the level of investment risk in the portfolio and potentially to re-evaluate the assumed rate of return.

(5) and (6). The ratio of retiree liabilities to total accrued liabilities gives an indication of the maturity of the system. As the ratio increases, cash flow needs increase, and the liquidity needs of the portfolio change. A ratio on the order of 50% indicates a maturing system.

(7) and (8). Positive net cash flow means contributions exceed benefits and expenses. A negative cash flow means benefits and expenses exceed contributions, and existing funds may be used to make payments. A certain amount of negative net cash flow is generally expected to occur when benefits are prefunded through a qualified trust. Large negative net cash flows as a percent of assets may indicate a super-mature plan or a need for additional contributions.

(9) and (10). Investment return is probably the largest single risk that most systems face. The year-by-year return and the three-year geometric average both give an indication of the reasonableness of the system's assumed return. Of course, past performance is not a guarantee of future results. Market rate shown is based on an actuarial estimation method and will differ modestly from figures reported by the investment consultant.

SECTION B

RETIREE PREMIUM RATE DEVELOPMENT

Retiree Premium Development

Initial premium rates were developed separately for the two classes of retirees (pre-65 and post-65). The pre-65 rates were calculated by using actual paid claims and exposure data for the period of January 2022 to August 2024, provided by the City of Madison Heights, adjusted for catastrophic claims and estimated Rx rebate levels, plus the load for administration, network access fees, and stop loss premiums. Because the pre-65 retiree population on its own was not considered credible, active claims experience was used to supplement the analysis. Finally, since the prescription drug claims and the medical claims exhibit different trends and claim payment patterns, we analyzed these claims separately as well.

There are very few post-65 members using the self-insured program as most have chosen the Medicare Advantage program. As a result, the basis of the post-65 rate is the January 1, 2025 fully-insured BCBS MAPD rates. The fully-insured premium rate is used as the basis of the initial per capita cost without adjustments since the rate reflects the demographics of the post-65 retiree group. Because the January 2025 rate was assumed to incorporate known cost sharing shifts as a result of the Inflation Reduction Act of 2022 on the standard Part D plan design (resulting in higher plan costs), no further adjustments were made, except to align the premium to the valuation date.

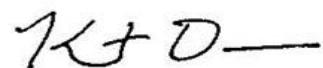
Age graded and sex distinct premiums are utilized by this valuation. The premiums developed by the preceding process are appropriate for the unique age and sex distribution currently existing. Over the future years covered by this valuation, the age and sex distribution will most likely change. Therefore, our process "distributes" the average premium over all age/sex combinations and assigns a unique premium for each combination. The age/sex specific premiums more accurately reflect the health care utilization and cost at that age.

The combined monthly one-person medical and drug premiums at select ages are shown below:

Future Retirees			Current Retirees		
For Those Not Eligible for Medicare			For Those Not Eligible for Medicare		
Age	Male	Female	Age	Male	Female
45	\$ 797.83	\$ 1,101.11	45	\$ 807.70	\$ 1,114.73
50	1,038.86	1,279.78	50	1,051.71	1,295.61
55	1,367.03	1,492.59	55	1,383.94	1,511.06
60	1,765.59	1,738.50	60	1,787.43	1,760.01

For Those Eligible for Medicare		
Age	Male	Female
65	\$ 257.14	\$ 242.54
70	280.12	271.06
75	300.85	293.57

Kurt Dosson is a Member of the American Academy of Actuaries (MAAA) and meets the Qualification Standards of the American Academy of Actuaries to certify the per capita retiree health care rates shown above.



Kurt Dosson, ASA, FCA, MAAA

Health Care Trend Assumption

Background

Retiree health care valuations require an assumption about how the health costs that the plan is absorbing will change over the years. This assumption includes more than just “health inflation.” It includes the impact of:

- The introduction of new procedures and medications and how they are priced.
- The utilization of services and products by covered retirees and their dependents and how that utilization changes over the years.

Retiree health valuations use a health cost trend assumption that changes over the years. The near-term rates reflect the fact that currently employers are seeing sharp increases in the cost of health goods and services. However, they do not anticipate that health costs will increase at these rates indefinitely. To do so would be to ignore the real-world implications of this sort of projection. For example, if health costs represent 20% of disposable income initially and grow at 12% per year for the next 10 years while disposable income increases at 4% would imply that after 10 years health would absorb 40% of our disposable income. Over a 20-year period, these rates of increase would imply that at the end of the 20-year period, health costs would absorb almost 80% of our disposable income.

The valuation attempts to deal with the future by recognizing that it is more reasonable to assume that current trends will have to change in the future before we reach the absurd situation of having little or no money to spend on things that are not related to health (including food, shelter, clothes, etc.). Health costs are assumed to increase at rates greater than general inflation for a temporary “cooling off” period. At the end of the cooling off period, health costs are assumed to increase in line with general inflation. As years elapse, there are fewer remaining years in the cooling off period. A summary of the rates of medical inflation used in this valuation of the program are shown below. Retirees pay the premium rates shown at the bottom of the prior page. These premiums were assumed to increase with medical inflation. The assumed rate of increase is shown below.

Year	Medical and Prescription Drugs	
	Pre-65	Post-65
2025	7.25 %	6.50 %
2026	7.00	6.25
2027	6.75	6.00
2028	6.50	5.75
2029	6.25	5.75
2030	6.00	5.50
2031	5.75	5.25
2032	5.50	5.00
2033	5.00	4.75
2034	4.75	4.50
2035	4.50	4.25
2036	4.25	4.25
2037	4.00	4.00
2038	3.75	3.75
2039 and later	3.50	3.50

SECTION C

SUMMARY OF BENEFIT PROVISIONS AND VALUATION DATA

City of Madison Heights General Employees' Retiree Health Care Trust Summary of Benefits as of June 30, 2024

Plan Participants

Employees of the City of Madison Heights General Employees' Retiree Health Care Trust are eligible to receive retiree health care benefits.

Normal Retirement Benefits

Eligibility conditions for retiree health care benefits under a normal retirement are as follows:

Non-Union and Department Heads Members: Age 55 with 25 years of service. Employees hired after 9/28/2009 will not have retiree health care benefits. Instead, they will have a Health Care Savings Plan (established through MERS) and will purchase their own insurance.

Supervisors and Assistants Members: Age 55 with 25 years of service. Employees hired after 8/24/2009 will not have retiree health care benefits. Instead, they will have a Health Care Savings Plan (established through MERS) and will purchase their own insurance.

MEU Members: Age 55 with 25 years of service. Employees hired after 5/27/2009 will not have retiree health care benefits. Instead, they will have a Health Care Savings Plan (established through MERS) and will purchase their own insurance.

Court Members: Age 55 with 25 years of service. Employees hired after 10/1/2006 will not have retiree health care benefits. Instead, they will have a Health Care Savings Plan (established through MERS) and will purchase their own insurance.

DPS Members: Age 55 with 25 years of service. Employees hired after 7/1/2005 will not have retiree health care benefits. Instead, they will have a Health Care Savings Plan (established through MERS) and will purchase their own insurance.

Dispatch Members: Age 55 with 25 years of service. Employees hired after 7/1/2009 will not have retiree health care benefits. Instead, they will have a Health Care Savings Plan (established through MERS) and will purchase their own insurance.

Deferred Retirement Benefits

The City of Madison Heights does not provide deferred retiree health care coverage for members terminating employment with less than 25 years of service.

City of Madison Heights General Employees' Retiree Health Care Trust Summary of Benefits as of June 30, 2024

Duty Disability Retirement Benefits

Eligibility conditions for retiree health care benefits under a duty disability retirement are as follows:

Non-Union & Department Heads, Court and Dispatch Members: No age or service restrictions. Benefits commence immediately.

MEU and DPS Members: Health insurance continues for 18 months from date of injury.

Supervisors and Assistants: Health insurance continues for two years from date of injury.

Non-Duty Disability Retirement Benefits

City of Madison Heights General Employees' Retiree Health Care Trust does not provide retiree health care coverage for members retiring under non-duty disability retirement with less than 25 years.

Duty Death-in-Service Retirement Benefits

Eligibility conditions for retiree health care benefits under a duty death retirement are as follows:

All Members: No age or service restrictions. Benefits commence immediately.

Non-Duty Death-in-Service Retirement Benefits

Eligibility conditions for retiree health care benefits under a non-duty death retirement are as follows:

All Members: 25 years of service. Benefits commence immediately.

Benefits for Retired Employees

All Members:

Member: City pays 100% of the premiums for base plan. Medical and prescription benefits will mirror active employees.

Non-Union & Department Heads, Court and Dispatch Spouse: City pays 100% of premiums for retiree's spouse at time of retirement. Coverage continues to surviving spouses of deceased retirees. (Limited to spouse at time of retirement.) Medical and prescription benefits will mirror active employees.

Supervisors & Assistants, MEU and DPS Spouse: City continues to pay 100% of premiums for the City plan. Medical and prescription benefits will mirror active employees.

City of Madison Heights General Employees' Retiree Health Care Trust Summary of Benefits as of June 30, 2024

With the exception of Court and Dispatch members, all members who retire after March 2, 2019 are eligible to receive retiree health care benefits until Medicare age, after which they shall be entitled to a \$300 monthly stipend for them and their eligible spouse for purchasing Medicare Supplemental insurance, at which point all city obligations shall cease.

Court and Dispatch members who retire on or after July 1, 2019 are eligible to receive retiree health care benefits until Medicare age, after which they shall be entitled to a \$300 monthly stipend for them and their eligible spouse for purchasing Medicare Supplemental insurance, at which point all city obligations shall cease.

If retiree obtains employment from an employer who provides medical coverage, the member, spouse and eligible dependent are not covered by City's coverage where applicable for duration of employment.

Non-Medicare and Medicare-Eligible Provisions

All retirees are required to enroll in Medicare Part A and B once eligible.

Life Insurance Coverage

City provided life insurance coverage of retirees in the amount of \$10,000 for eligible employees hired prior to July 1, 2018 for Dispatch (PSA) and July 1, 2011 for Court, Department Heads, DPS, MEU, Non-Union, Supervisors and Assistants.

This is a brief summary of the City of Madison Heights General Employees' Retiree Health Care Trust provisions. In the event that any description contained herein differs from the actual eligibility or benefit, the appropriate employee contract or governing document will prevail.

Active Members as of June 30, 2024 by Attained Age and Years of Service

Non-Union/Department Heads

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
40-44									
45-49				1				1	\$ 153,978
50-54									
55-59						1		1	111,709
60-64					1		1	2	142,512
65 & Over									
Totals				1		2	1	4	\$ 408,199

Age: 58.0 Years
Service: 27.8 Years
Annual Pay: \$102,050

Supervisors & Assistants

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
40-44					1			1	\$ 73,946
45-49									
50-54									
55-59									
60-64									
65 & Over									
Totals					1			1	\$ 73,946

Age: 43.5 Years
Service: 21.5 Years
Annual Pay: \$73,946

Active Members as of June 30, 2024 by Attained Age and Years of Service

MEU

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
40-44					1			1	\$ 54,470
45-49					1			1	54,470
50-54								2	142,072
55-59							2	1	54,470
60-64							1	1	52569
65 & Over							1	1	
Totals					2		4	6	\$ 358,051

Age: 57.3 Years
Service: 32.3 Years
Annual Pay: \$59,675

Dispatchers

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
40-44								1	
45-49						1		1	\$ 63,562
50-54					1	1		2	131,238
55-59									
60-64									
65 & Over									
Totals					1	2		3	\$ 194,800

Age: 51.2 Years
Service: 26.1 Years
Annual Pay: \$64,933

Active Members as of June 30, 2024 by Attained Age and Years of Service

Court

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
40-44						1		1	\$ 63,745
45-49									
50-54									
55-59									
60-64									
65 & Over									
Totals						1		1	\$ 63,745

Age: 48.6 Years

Service: 29.1 Years

Annual Pay: \$63,745

DPS

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
40-44					2			2	\$ 127,279
45-49									
50-54									
55-59					1	1		2	127,524
60-64						1		1	62,697
65 & Over									
Totals					3	2		5	\$ 317,500

Age: 52.4 Years

Service: 24.1 Years

Annual Pay: \$63,500

Retired Members as of June 30, 2024 by Attained Age

Dept. Heads/Non-Union

Attained Age	Number of Retirees		
	Male	Female	Total
Under 55	1		1
55-59			0
60-64	2		2
65 & Over	4	4	8
Totals	7	4	11

Supervisors

Attained Age	Number of Retirees		
	Male	Female	Total
Under 55			0
55-59			0
60-64	2		2
65 & Over	6	3	9
Totals	8	3	11

Municipal

Attained Age	Number of Retirees		
	Male	Female	Total
Under 55			0
55-59		1	1
60-64		2	2
65 & Over	1	11	12
Totals	1	14	15

Courthouse

Attained Age	Number of Retirees		
	Male	Female	Total
Under 55			0
55-59		1	1
60-64			0
65 & Over		1	1
Totals	0	2	2

DPS

Attained Age	Number of Retirees		
	Male	Female	Total
Under 55			0
55-59		1	1
60-64	5		5
65 & Over	22	3	25
Totals	27	4	31

Six members that are listed as having opted-out of coverage are not included above. They are assumed to be receiving retiree life insurance only.

Statement of Fiduciary Net Position

	2024	2023
Assets		
Cash and Deposits	\$ 1,612,237	\$ 762,207
Receivables		
Accounts Receivable - Sale of Investments	-	-
Accrued Interest and Other Dividends	119	339
Other	-	-
Total Receivables	\$ 119	\$ 339
Investments		
Corporate Bonds	\$ 4,336,482	\$ 4,231,012
ETF's	11,860,096	10,458,216
Mutual Funds	-	-
Other	237,180	1,503,720
Total Investments	\$ 16,433,758	\$ 16,192,948
Total Assets	\$ 18,046,114	\$ 16,955,494
Liabilities		
Payables		
Accounts Payable	\$ -	\$ -
Accrued Expenses	-	-
Accounts Payable - Other	-	-
Total Liabilities	\$ -	\$ -
Net Position Restricted for OPEB	\$ 18,046,114	\$ 16,955,494

Statement of Changes in Fiduciary Net Position

	2024	2023
Additions		
Contributions		
Employer	\$ -	\$ -
Nonemployer Contributing Entities	- -	- -
Other	- -	- -
Total Contributions	<u>\$ -</u>	<u>\$ -</u>
Investment Income		
Net Appreciation in Fair Value of Investments	1,530,275	1,141,141
Interest and Dividends	459,711	408,883
Less Investment Expense	- -	- -
Net Investment Income	<u>\$ 1,989,986</u>	<u>\$ 1,550,024</u>
Other	- -	- -
Total Additions	<u>\$ 1,989,986</u>	<u>\$ 1,550,024</u>
Deductions		
Benefit Payments	\$ 820,000	\$ 650,000
OPEB Plan Administrative Expense	79,366	74,754
Other	- -	- -
Total Deductions	<u>\$ 899,366</u>	<u>\$ 724,754</u>
Net Increase in Net Position	\$ 1,090,620	\$ 825,270
Net Position Restricted for OPEB		
Beginning of Year	<u>\$ 16,955,494</u>	<u>\$ 16,130,224</u>
End of Year	<u>\$ 18,046,114</u>	<u>\$ 16,955,494</u>

SECTION D

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS

Valuation Methods

Actuarial Cost Method. Normal cost and the allocation of benefit values between service rendered before and after the valuation date was determined using an **Individual Entry-Age Actuarial Cost Method** having the following characteristics:

- (i) The annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement; and
- (ii) Each annual normal cost is a constant percentage of the member's year-by-year projected covered pay.

Actuarial gains (losses), as they occur, reduce (increase) the Unfunded Actuarial Accrued Liability (UAAL).

Financing of Unfunded Actuarial Accrued Liability (UAAL). The UAAL was determined using the Valuation Assets and Actuarial Accrued Liability (AAL) calculated as of the valuation date and projected 12 months to the beginning of the fiscal year reflecting anticipated contributions.

Non-Union, MEU, Department Heads and Supervisors & Assistants - The UAAL amortization payment is the level-dollar required to fully amortize the UAAL over a closed 16-year period beginning on the first day of the fiscal year for which the contributions in this report have been calculated.

Court and DPS - The UAAL amortization payment is the level-dollar required to fully amortize the UAAL over a closed 12-year period beginning on the first day of the fiscal year for which the contributions in this report have been calculated.

The following amortization factors were used in developing the Annual Required Contribution for the fiscal years shown:

	All Other Groups		Court and DPS	
	Fiscal Year Ending June 30, 2026	2027	Fiscal Year Ending June 30, 2026	2027
Years Remaining Amortization Factor	16 10.08188	15 9.70505	12 8.42110	11 7.93631

Actuarial Assumptions

All assumptions are expectations of future experience, not market measures. The rationale for the rates of merit and longevity salary increase, base wage inflation, rates of mortality, normal retirement rates, early retirement rates, rates of separation from active membership, disability rates, and marriage assumption used in this valuation is included in the MERS five-year experience study for the period January 1, 2014 to December 31, 2018, issued February 14, 2020. These assumptions were first used in the June 30, 2020 OPEB Funding Valuation.

The rate of investment return was 6.50% per year, compounded annually, net of investment and administrative expenses. This assumption is used to equate the value of payments due at different points in time.

Price inflation is not directly used in the valuation. For purposes of assessing the reasonableness of the assumed rate of return, we assumed price inflation of 2.50% per year.

The rates of salary increase used for individual members are in accordance with the following table.

Percentage Increase in Salary at Sample Years of Service							
Sample Years of Service	Base (Wage Inflation)	Merit and Longevity	Total Percentage Increase in Pay	Sample Years of Service	Base (Wage Inflation)	Merit and Longevity	Total Percentage Increase in Pay
0	3.00 %	6.70 %	9.70 %	21	3.00 %	0.60 %	3.60 %
1	3.00	4.60	7.60	22	3.00	0.50	3.50
2	3.00	3.20	6.20	23	3.00	0.40	3.40
3	3.00	2.70	5.70	24	3.00	0.40	3.40
4	3.00	2.30	5.30	25	3.00	0.40	3.40
5	3.00	1.90	4.90	26	3.00	0.30	3.30
6	3.00	1.70	4.70	27	3.00	0.30	3.30
7	3.00	1.30	4.30	28	3.00	0.30	3.30
8	3.00	1.20	4.20	29	3.00	0.30	3.30
9	3.00	1.20	4.20	30	3.00	0.20	3.20
10	3.00	1.10	4.10	31	3.00	0.20	3.20
11	3.00	1.10	4.10	32	3.00	0.20	3.20
12	3.00	0.90	3.90	33	3.00	0.20	3.20
13	3.00	0.90	3.90	34	3.00	0.20	3.20
14	3.00	0.80	3.80	35	3.00	0.10	3.10
15	3.00	0.70	3.70	36	3.00	0.10	3.10
16	3.00	0.70	3.70	37	3.00	0.10	3.10
17	3.00	0.60	3.60	38	3.00	0.10	3.10
18	3.00	0.60	3.60	39	3.00	0.10	3.10
19	3.00	0.60	3.60	40 and Over	3.00	0.00	3.00
20	3.00	0.60	3.60				

Actuarial Assumptions (Continued)

The rates of mortality used for individual members are based upon the sex distinct Pub-2010 tables, as published by the Society of Actuaries, and include a margin for future mortality improvements projected using a fully generational improvement scale. The tables used were as follows:

- **Healthy Pre-Retirement Mortality:** Sex distinct Pub-2010 General Employees table without adjustment. The base year is 2010 and future mortality improvements are assumed each year using scale MP-2019, as published by the Society of Actuaries. Ninety percent (90%) of active member deaths are assumed to be non-duty deaths and 10% of the deaths are assumed to be duty related.
- **Healthy Post-Retirement Mortality:** Sex distinct Pub-2010 General Healthy Retiree tables scaled by a factor of 106%. The base year is 2010 and future mortality improvements are assumed each year using scale MP-2019, as published by the Society of Actuaries.
- **Disability Retirement Mortality:** Sex distinct PubNS-2010 Disabled tables without adjustment. The base year is 2010 and future mortality improvements are assumed each year using scale MP-2019, as published by the Society of Actuaries.

Note that the Pub-2010 tables do not include rates at all ages. For purposes of selecting mortality rates that are not otherwise published, we use the corresponding Employee or Healthy Retiree rates as applicable.

The life expectancies and mortality rates projected for employees are shown below for selected ages, based on retirements in 2024. Retirements in future years will reflect improvements in life expectancy:

PubG-2010 Employees Fully Generational Mortality Tables					
Sample Ages in 2024	Probability of Dying Next Year		Future Life Expectancy (Years)		
	Male	Female	Male	Female	
25	0.03%	0.01%	65.05	67.70	
30	0.05%	0.02%	59.76	62.38	
35	0.07%	0.03%	54.52	57.08	
40	0.09%	0.04%	49.33	51.82	
45	0.10%	0.06%	44.16	46.57	
50	0.14%	0.08%	39.02	41.35	

Actuarial Assumptions

The life expectancies and mortality rates projected for non-disabled retirees are shown below for selected ages, based on retirements in 2024. Retirements in future years will reflect improvements in life expectancy:

PubG-2010 Retirees Fully Generational Mortality Tables					
Sample Ages in 2024	Probability of Dying Next Year		Future Life Expectancy (Years)		
	Male	Female	Male	Female	
55	0.44%	0.31%	30.45	33.33	
60	0.66%	0.43%	25.74	28.46	
65	0.96%	0.62%	21.25	23.72	
70	1.49%	1.00%	16.98	19.18	
75	2.51%	1.76%	13.05	14.93	
80	4.50%	3.24%	9.59	11.11	

The life expectancies and mortality rates projected for disabled retirees are shown below for selected ages, based on retirements in 2024. Retirements in future years will reflect improvements in life expectancy:

PubNS-2010 Disabled Fully Generational Mortality Tables					
Sample Ages in 2024	Probability of Dying Next Year		Future Life Expectancy (Years)		
	Male	Female	Male	Female	
55	2.02%	1.78%	22.95	25.67	
60	2.55%	2.05%	19.83	22.45	
65	3.03%	2.17%	16.91	19.20	
70	3.60%	2.54%	14.06	15.83	
75	4.61%	3.54%	11.28	12.55	
80	6.53%	5.47%	8.69	9.60	

Actuarial Assumptions

A schedule of **retirement rates** is used to measure the probability of eligible members retiring during the next year. Certain retirement service amounts (normal retirement) or age (early reduced pension retirement) may not apply, depending on the benefit age of first eligibility.

Normal Retirement – Unreduced Pension Benefit Service Based Retirement Rates

Sample Years of Service	Percent of Eligible Active Members Retiring within Next Year [#]	Sample Years of Service	Percent of Eligible Active Members Retiring within Next Year [#]
Under 5	15.00 %	23	26.00 %
5	15.00	24	30.00
6	15.00	25	34.00
7	15.00	26	25.00
8	15.00	27	25.00
9	15.00	28	25.00
10	20.00	29	25.00
11	20.00	30	25.00
12	20.00	31	28.00
13	20.00	32	28.00
14	20.00	33	28.00
15	20.00	34	28.00
16	20.00	35	25.00
17	20.00	36	25.00
18	20.00	37	25.00
19	20.00	38	25.00
20	20.00	39	25.00
21	22.00	40 and Over	25.00
22	24.00		

All members who reach eligibility for normal retirement pension benefits before reaching eligibility for retiree health benefits are assumed to retire at the rate of 3% per year during the period when they are not eligible for health.

Rates of retirement are set to 100% beginning at age 85.

Actuarial Assumptions

Early Retirement - Reduced Pension Benefit Age Based Retirement Rates

Early Retirement Ages	Percent of Eligible Active Members Retiring within Next Year
50	4.00 %
51	4.00
52	4.00
53	4.00
54	4.00
55	4.00
56	4.00
57	4.00
58	4.00
59	4.00

In the case a member's eligibility for early reduced pension retirement precedes eligibility for OPEB retirement, the percent of eligible active members retiring within the next year is as described in the table above or 3%, whichever is smaller.

Actuarial Assumptions

Rates of separation from active membership are used to estimate the number of employees at each age that are expected to terminate employment before qualifying for retirement benefits. The rates of separation from active membership do not apply to members eligible to retire, and do not include separation on account of death or disability.

Sample rates of separation from active employment are shown below:

Sample Years of Service	Percent of Active Members Withdrawing
0	23.40 %
1	19.50
2	15.80
3	12.50
4	10.30
5	8.30
6	7.20
7	6.60
8	6.00
9	5.70
10	5.40
11	5.20
12	4.70
13	4.50
14	4.20
15	4.00
16	3.90
17	3.70
18	3.40
19	3.20
20	3.10
21	3.00
22	2.80
23	2.80
24	2.70
25 and Over	2.60

Actuarial Assumptions

Disability rates are used in the valuation to estimate the incidence of member disability in future years. The assumed rates of disablement at various ages are shown below:

Sample Ages	Percent Becoming Disabled within the Next Year
20	0.02 %
25	0.02
30	0.02
35	0.05
40	0.08
45	0.20
50	0.29
55	0.38
60	0.39
65	0.39

80% of the disabilities are assumed to be non-duty and 20% of the disabilities are assumed to be duty related.

Supplementary Information

Valuation Date	June 30, 2024
Actuarial Cost Method	Individual Entry Age
Amortization Method	
Non-Union, MEU, Department Heads and Supervisors & Assistants	Level-Dollar Closed
Court and DPS	Level-Dollar Closed
Remaining Amortization Periods	
Non-Union, MEU, Department Heads and Supervisors & Assistants	16 Years
Court and DPS	12 Years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	6.50% Per Year
Projected Salary Increases	3.00%
Valuation Health Care Cost Trend Rate	Pre-65: 7.25% in year 1, grading to 3.50% in year 15 Post-65: 6.50% in year 1, grading to 3.50% in year 15

Miscellaneous and Technical Assumptions

Data Adjustments:	Retirees that are currently opting-out of benefits are assumed to continue opting out in the future, unless they are eligible to receive a monthly stipend at Medicare age (at which point they are assumed to opt-back in at age 65 to receive the stipend).
Decrement Relativity:	Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
Decrement Timing:	Decrements of all types are assumed to occur mid-year.
Election Percentage:	It was assumed that 100% of eligible retirees will elect to receive retiree health care benefits through the City. Of those assumed to elect coverage, 80% were assumed to elect two-person coverage, if eligible. For those that elect two-person coverage, it was assumed that coverage would continue to the spouse upon death of the retiree, if eligible.
	For active employees who have opted-out of the City's active health care plan, it was assumed they would elect retiree health care coverage upon retiring. Active members who are participating in the Retirement Health Care Savings (RHCS) account instead of City sponsored retiree health care have been excluded from this valuation.
Eligibility Testing:	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
Future Service:	Members are assumed to earn 1.0 years of service in each future year.
Incidence of Contributions:	Contributions are assumed to be received continuously throughout the year based upon the computed contribution in this report.
Marriage Assumption:	80% of males and 80% of females are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses for active member valuation purposes.
Medicare Coverage:	Assumed to be available for all covered employees on attainment of age 65. Disabled retirees were assumed to be eligible for Medicare coverage at age 65.

Glossary

Accrued Service - The service credited under the plan which was rendered before the date of the actuarial valuation.

Actuarial Accrued Liability - The difference between (i) the actuarial present value of future plan benefits, and (ii) the actuarial present value of future normal cost. Sometimes referred to as "accrued liability" or "past service liability."

Actuarial Assumptions - Estimates of future plan experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

Actuarial Cost Method - A mathematical budgeting procedure for allocating the dollar amount of the "actuarial present value of future plan benefits" between the actuarial present value of future normal cost and the actuarial accrued liability. Sometimes referred to as the "actuarial funding method."

Actuarial Equivalent - A single amount or series of amounts of equal value to another single amount or series of amounts, computed on the basis of the rate(s) of interest and mortality tables used by the plan.

Actuarial Present Value - The amount of funds presently required to provide a payment or series of payments in the future. It is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Amortization - Paying off an interest-bearing liability by means of periodic payments of interest and principal, as opposed to paying it off with a lump sum payment.

Actuarially Determined Employer Contribution (ADEC) - The ADEC is the normal cost plus the portion of the unfunded actuarial accrued liability to be amortized in the current period. The ADC is an amount that is actuarially determined in accordance with the requirements so that, if paid on an ongoing basis, it would be expected to provide sufficient resources to fund both the normal cost for each year and the amortized unfunded liability.

Governmental Accounting Standards Board (GASB) - GASB is the private, nonpartisan, nonprofit organization that works to create and improve the rules U.S. state and local governments follow when accounting for their finances and reporting them to the public.

Medical Trend Rate (Health Care Inflation) - The increase in the cost of providing health care benefits over time. Trend includes such elements as pure price inflation, changes in utilization, advances in medical technology, and cost shifting.

Normal Cost - The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as "current service cost." Any payment toward the unfunded actuarial accrued liability is not part of the normal cost.

Glossary

Other Postemployment Employee Benefits (OPEB) - OPEB are postemployment benefits other than pensions. OPEB generally takes the form of health insurance and dental, vision, prescription drugs or other health care benefits.

Reserve Account - An account used to indicate that funds have been set aside for a specific purpose and is not generally available for other uses.

Unfunded Actuarial Accrued Liability - The difference between the actuarial accrued liability and valuation assets. Sometimes referred to as "unfunded accrued liability."

Valuation Assets - The value of current plan assets recognized for valuation purposes.