

CITY OF YPSILANTI

**ACCOUNTING FOR POST EMPLOYMENT
BENEFIT PLANS UNDER GASB #74/75**

**FOR THE FISCAL YEAR ENDING
JUNE 30, 2023**

AUGUST 2023

TABLE OF CONTENTS

OVERVIEW		
Summary of Principal Results	1	SECTION 1
Retiree Medical Plan	3	
Funding Versus Accounting	3	
Funding Patterns	3	
Actuarial Funding Method and Assumptions	3	
Substantive Plan (Benefit Plan Provisions)	4	
Census Data	4	
Plan Costs	4	
Accounting Valuation	4	
Actuarial Certification	5	
RESULTS AND ANALYSIS		
Accounting Standard	6	SECTION 2
Closed Group Valuation	6	
Substantive Plan	6	
Assumption Changes	6	
Liability Changes	6	
Actuarial Cost Method	6	
Exhibits	6	
ANNUAL REPORTING UNDER GASB 74/75		
Statement of Fiduciary Net Position	9	SECTION 3
Statement of Changes in Fiduciary Net Position	10	
Accounting Standards	11	
Financial Statements	11	
Notes to Financial Statements	11	
Discussion	12	
Schedule of Changes in the Net OPEB Liability and Related Ratios	14	
Net OPEB Liability and Related Ratios	15	
Ten Year Schedule of Changes in Net OPEB Liability	15	
Sensitivity of Net OPEB Liability to Changes in the Discount Rate	16	
Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend	16	
Ten Year Schedule of Actuarially Determined Contribution	16	
Notes to Schedule of Contributions	17	
OPEB Expense	18	
SUMMARY OF ACTUARIAL ASSUMPTIONS & COST METHOD		
Actuarial Cost Method	20	SECTION 4
Discount Rate	20	
Salary Progression	20	
Plan Costs	20	
Mortality	20	
Withdrawal	20	
Retirement	21	
Disability	22	
Participation	22	
Spouse Information	22	
Health Care Cost Inflation Rates	22	
PARTICIPANT DATA		
Summary as of June 30, 2022	23	SEC. 5
Age and Service Distributions as of June 30, 2022	24	
SUMMARY OF PRINCIPAL PLAN PROVISIONS		
Eligibility	25	SEC. 6
Benefit Amount	25	

SECTION ONE: OVERVIEW

Summary of Principal Results

MWM Consulting Group was retained to prepare an interim actuarial valuation of the City of Ypsilanti's retiree health programs for the purpose of determining the expense and liabilities to be reported on the City's financial statement in accordance with GASB Statements Nos. 74 and 75, for the fiscal period ending June 30, 2023. Key results of the valuation are summarized below.

Actuarial Values at June 30, 2023

Item	MERS	Police	Fire	Total
Present Value of Benefits				
Retirees	\$ 3,328,614	\$ 6,901,900	\$ 3,934,461	\$ 14,164,975
Actives Fully Eligible	1,018,821	252,252	180,117	1,451,190
Actives Not Yet Eligible	<u>1,066,167</u>	<u>1,002,535</u>	<u>371,763</u>	<u>2,440,465</u>
Total	\$ 5,413,602	\$ 8,156,687	\$ 4,486,341	\$ 18,056,630
Actuarial Accrued Liability				
Retirees	\$ 3,328,614	\$ 6,901,900	\$ 3,934,461	\$ 14,164,975
Actives Fully Eligible	886,607	218,702	148,713	1,254,022
Actives Not Yet Eligible	<u>927,809</u>	<u>869,196</u>	<u>306,946</u>	<u>2,103,951</u>
Total	\$ 5,143,030	\$ 7,989,798	\$ 4,390,120	\$ 17,522,948

Balance Sheet Liabilities As Reported Under GASB74/75 at June 30, 2023

	Item	6/30/2023
<i>Under GASB 75, the Net OPEB Liability equals the total Actuarial Accrued Liability minus the Plan assets (if any) and is reported on the balance sheet</i>	Total OPEB Liability	\$ 17,522,948
	Plan Fiduciary Net Position	<u>9,870,470</u>
	Net OPEB Liability	\$ 7,652,478

SECTION ONE: OVERVIEW

OPEB Expense As Reported Under GASB 75 at June 30, 2023

	Item	6/30/2023	6/30/2022
<i>Annual OPEB expense under GASB 75 equals the difference between beginning and end of year net liabilities and differs from the ARC and expense calculations under GASB 45.</i>	Service Cost	\$ 118,379	\$ 163,066
	Administrative Expense	0	0
	Interest on the Total OPEB Liability	1,145,970	1,516,680
	Current-Period Benefit Changes	0	0
	Employee Contributions	0	0
	Projected Earnings on Plan Investments	627,876	698,841
	Other Changes in Plan Fiduciary Net Position	0	0
	Recognition of Outflow (Inflow) of Resources due to Liabilities	139,754	(5,411,912)
	Recognition of Outflow (Inflow) of Resources due to Assets	<u>234,741</u>	<u>253,427</u>
	Total OPEB Expense	\$ 1,010,968	\$ (4,177,580)

Actuarially Determined Contribution (ADC) for Fiscal Year July 1, 2023 - June 30, 2024

ADC Calculation	MERS	Police	Fire	Total
Total OPEB Liability	\$ 5,143,030	\$ 7,989,798	\$ 4,390,120	\$ 17,522,948
Market Value of Assets	<u>4,803,658</u>	<u>3,312,457</u>	<u>1,754,355</u>	<u>9,870,470</u>
Net OPEB Liability	\$ 339,372	\$ 4,677,341	\$ 2,635,765	\$ 7,652,478
Service Cost	\$ 50,820	\$ 36,384	\$ 16,990	\$ 104,194
Amortization Years	24	24	24	24
Discount Rate	6.85%	6.85%	6.85%	6.85%
Amortization (Level Dollar)	\$ 27,329	\$ 376,657	\$ 212,253	\$ 616,239
ADC - Beginning of Year	\$ 78,149	\$ 413,041	\$ 229,243	\$ 720,433
ADC - End of Year	\$ 83,502	\$ 441,334	\$ 244,946	\$ 769,782

SECTION ONE: OVERVIEW

Retiree Medical Plan

The City sponsors life insurance and health benefit plans for employees and retired former employees. The provisions of the programs are summarized in the appendices of this study, but in general, the City subsidizes a portion of the cost for hospital and medical coverage for eligible retired employees and their dependents. The program is closed for employees hired after 2012. The subsidy is both a direct contribution for certain eligible employees and an implied age-related cost differential based upon the expected higher cost of coverage for retired employees versus the average cost for the entire group.

Funding Versus Accounting

Accounting standards affect the definition, measurement and allocation of liabilities and expenses that are published by employers in their annual financial statements. The accounting statements require employers to accrue costs on their books, but do not require employers to make contributions.

Nonetheless, accounting liabilities under GASB standards are impacted by the level of employer funding. In general, pre-funded programs earn investment income on accumulated assets while pay-as-you-go programs do not. The investment income from pre-funded plans lowers the amount of contributions required from the employer and is reflected and anticipated in the accounting liabilities via the assumed rate of return (discount rate).

Funding Patterns

An employee hired at age 20 will not begin to receive retiree health benefits for decades, although the employee earns these benefits during his working years, before retirement. An employer with young employees and no retirees has no cash disbursements for retiree health benefits for many years, although the obligation for these benefits begins to accumulate with the first employee. Putting more money aside than will be paid out currently in anticipation of payouts in the future is called *pre-funding* an obligation, whereas making payments only as each benefit amount comes due is called *pay-as-you-go* or *terminal* funding.

Systematic prefunding patterns for retirement benefits are developed according to various actuarial methodologies, which can call for increasing, decreasing or level patterns of annual contributions depending upon the demographics of the group and the financial considerations of an employer.

Actuarial Funding Method and Assumptions

For this report, liabilities and annual costs were developed under *the entry age normal method* as required under GASB 74/75. This method is used for governmental OPEB plans and is a fairly stable method that is consistent with level percentage of payroll funding.

The actuarial assumptions were selected to be consistent with assumptions disclosed in the OPEB plan valuations of similarly situated governmental employers. Two of the most significant assumptions affecting the measurement of retiree medical obligations are economic assumptions: the interest rate (also called discount rate), and the trend rate (the annual rate of increases in future health care costs). Two other very important assumptions are non-economic and both of which greatly affect the magnitude of retiree liabilities - the assumption regarding the ages at which employees will retire and commence benefits under the program, and the assumed level of participation (percentage of retirees electing to take coverage) in the plan. A description of each of the assumptions used is provided in Section Four of this report.

SECTION ONE: OVERVIEW

Substantive Plan (Benefit Plan Provisions)

Under GASB, the benefit program to be valued is referred to as the Substantive Plan, which may or may not be set forth in a written document, but which includes the benefits which are understood by the employer, employees and other participants to be provided for under the program.

The City's retiree medical plan provides continuation of employer subsidized health coverage (for the retiree and their dependents, if any) upon the retirement from the City after meeting the age and service requirements for retirement. The program is closed for employees hired after 2012.

Census Data

The calculations in this report are based upon data submitted as of June 30, 2022, by the City of Ypsilanti for active and retired employees and their dependents.

Plan Costs

The costs of the benefit programs measured were based upon the effective premium rates and costs in effect at June 30, 2022 adjusted to reflect the age of the participant.

Accounting Valuation

An accounting valuation is determined for the sole purpose of meeting Plan and employer financial accounting requirements as prescribed under GASB Statements 74/75 and may not be appropriate for the determination of the contribution level or the Plans' funding requirements for other purposes.

SECTION ONE: OVERVIEW

Actuarial Certification

This is to certify that MWM Consulting Group has prepared an interim Actuarial Valuation as of June 30, 2023 for the primary purpose of providing financial accounting disclosure information required for compliance with GASB Statement No. 75. The results of this interim valuation have been prepared in conformance with our understanding of the relevant provisions of the GASB Statements Nos. 74 and 75.

The information and valuation results shown in this report are prepared with reliance upon the prior valuation and information and data provided to us, which we believe to the best of our knowledge to be complete and accurate.

- Employee census data as of June 30, 2022 submitted by the City. This data was not audited by us but appears to be consistent with prior information, and sufficient and reliable for purposes of this report.
- Financial and Insurance data as of June 30, 2022 submitted by the City with updated assets as of June 30, 2023.
- Michigan statutory code provisions and Plan summaries as supplied by the City.

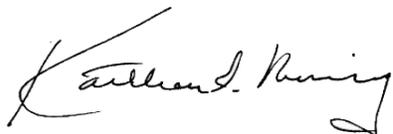
Actuarial valuations involve calculations that require assumptions about future events. We believe the assumptions and methods used are within the range of possible assumptions that are reasonable, appropriate for the purposes for which they have been used and accurately and fairly present the actuarial position of the healthcare Plan sponsored by the City of Ypsilanti as of June 30, 2023. In our opinion, all methods, assumptions and calculations are in accordance with requirements of GASB Statements Nos. 74 and 75 and the procedures followed, and presentation of results are in conformity with generally accepted actuarial principles and practices. Results shown in this report could be materially different from the actual outcome if actual plan experience differs from the assumptions used.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

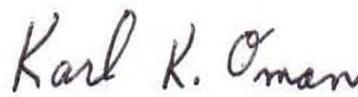
All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

This report should not be relied on for any purpose other than the purpose stated. The signing actuaries are independent of the plan sponsor and are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions herein.

MWM CONSULTING GROUP



Kathleen E. Manning, FSA
Managing Principal & Consulting Actuary
MWM Consulting Group



Karl K. Oman, ASA
Consulting Actuary
MWM Consulting Group

8/22/2023

Date

SECTION TWO: RESULTS AND ANALYSIS

Accounting Standard

The municipal bond index rate is as of 3.69% as of June 30, 2022, and 3.86% as of June 30, 2023. Plan sponsors who partially pre-fund benefits must discount liabilities using a blended discount rate that reflects the municipal bond rate index if pre-funding assets are not available to pay benefits and the long-term expected return on assets if pre-funding assets are available to pay benefits. The plan is pre-funded such that the long-term discount rate is determined to be the actuarial rate of return of 6.85%.

Closed Group Valuation

The valuation has been prepared on a closed group valuation basis, meaning only the existing population has been considered.

Substantive Plan

Under GASB, the benefit program to be valued is referred to as the Substantive Plan, which may or may not be set forth in a written document, but which includes the benefits which are understood by the employer, employees and other participants to be provided for under the program.

The City's retiree medical plan provides continuation of employer subsidized health coverage (for the retiree and their dependents, if any) upon the retirement from the City after meeting the age and service requirements for retirement. The program is closed to employees hired after 2012.

Assumption Changes - None

Liability Changes - Net Experience (Gain) / Loss

(See "Differences Between Expected and Actual Experience" on p.14)

- The Plan experienced a small net loss of \$139,754 due to actual benefit payments exceeding expectations for the fiscal year ending 6/30/2023.

Actuarial Cost Method

As required under GASB 74/75, the Entry Age Normal actuarial method was used to develop the liabilities and expense components. The Entry Age Normal method was also used in prior valuations.

Exhibits

Exhibits 1 and 2 display liability amounts and selected valuation results.

SECTION TWO: RESULTS AND ANALYSIS

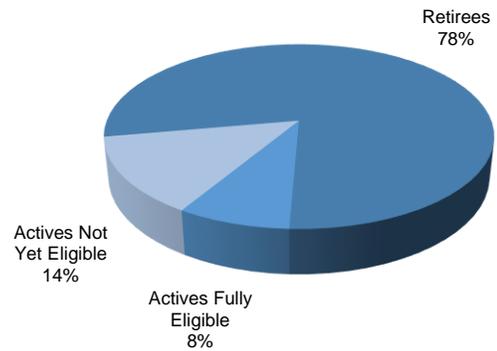
Exhibit 1

Present Value of Future Benefits As of June 30, 2023 for Fiscal Year Ending June 30, 2023

Present value of future benefits is the total present value of all future health care benefits under the Plan, expected to be paid to existing and future retirees.

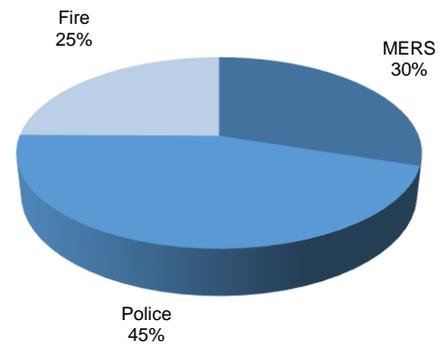
By Employee Status

Retirees	\$ 14,164,975
Actives Fully Eligible	1,451,190
Actives Not Yet Eligible	2,440,465
Total	\$ 18,056,630



By Category

MERS	\$ 5,413,602
Police	8,156,687
Fire	4,486,341
Total	\$ 18,056,630



SECTION TWO: RESULTS AND ANALYSIS

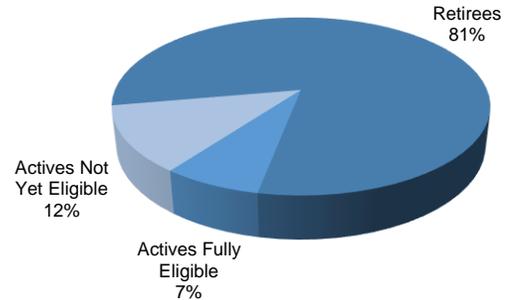
Exhibit 2

Actuarial Accrued Liability (AAL) As of June 30, 2023 for Fiscal Year Ending June 30, 2023

The Actuarial Accrued Liability is also the Total OPEB Liability and equals the present value of future retiree healthcare benefits attributable to employee service earned in prior fiscal years using the Entry Age Normal Cost Method.

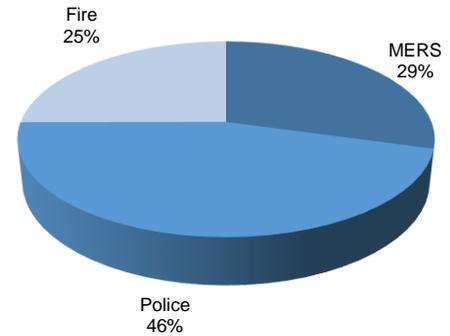
By Employee Status

Retirees	\$ 14,164,975
Actives Fully Eligible	1,254,022
Actives Not Yet Eligible	2,103,951
Total	\$ 17,522,948



By Category

MERS	\$ 5,143,030
Police	7,989,798
Fire	4,390,120
Total	\$ 17,522,948



Statements of Fiduciary Net Position
Fiscal Period Ended June 30, 2023

Item	Plan Year Ending 6/30/2023	Plan Year Ending 6/30/2022
1. Investments at Fair Value:		
a. Cash and Cash Equivalents	\$ 260,230	\$ 160,419
b. General Retirees Healthcare Fund	3,195,245	2,978,877
c. Police and Fire Healthcare Fund	6,394,477	5,961,472
d. Prepaid Expenses	18,607	46,338
e. Accrued Interest and Receivables	1,911	7,650
f. Other	<u>0</u>	<u>0</u>
g. Subtotal Assets (a + b + c + d + e + f)	<u>\$ 9,870,470</u>	<u>\$ 9,154,756</u>
2. Liabilities		
a. Expenses Payable	\$ 0	\$ 0
b. Liability for Benefits Due and Unpaid	0	0
c. Other Liabilities	<u>0</u>	<u>0</u>
d. Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>
3. Net Market Value of Assets Available for Benefits: (1g-2d)	<u>\$ 9,870,470</u>	<u>\$ 9,154,756</u>

SECTION THREE: ANNUAL REPORTING UNDER GASB 74/75

**Statements of Changes in Fiduciary Net Position
Fiscal Period Ended June 30, 2023**

Item	Plan Year Ending 6/30/2023	Plan Year Ending 6/30/2022
Additions		
Contributions	\$ 1,243,920	\$ 1,260,626
Investment Income		
Net Realized and Unrealized Gains/(Losses), Dividends and Other Income	\$ 650,641	\$ (908,477)
Interest	6,275	2,233
Miscellaneous	<u>36,177</u>	<u>17,723</u>
Net Investment Income	<u>693,093</u>	<u>(888,521)</u>
Total Additions	<u>\$ 1,937,013</u>	<u>\$ 372,105</u>
Deductions		
Benefits	\$ 1,221,299	\$ 1,140,963
Administrative and Investment Expenses	<u>0</u>	<u>0</u>
Total Deductions	<u>1,221,299</u>	<u>1,140,963</u>
Total Increase (Decrease)	<u>\$ 715,714</u>	<u>\$ (768,858)</u>
Net Market Value of Assets Available for Benefits:		
Beginning of Year	<u>\$ 9,154,756</u>	<u>\$ 9,923,614</u>
End of Year	<u><u>\$ 9,870,470</u></u>	<u><u>\$ 9,154,756</u></u>

SECTION THREE: ANNUAL REPORTING UNDER GASB 74/75

Accounting Standards

For OPEB plans that are administered through trusts or equivalent arrangements, Governmental Accounting Standards Board (“GASB”) Statement No. 74 establishes standards of financial reporting for separately issued financial reports and specifies the required approach for measuring the OPEB liability. Similarly, GASB statement No. 75 established standards for state and local government employers to account for and disclose the net OPEB liability, OPEB expense, and other information associated with providing retirement benefit to their employees (and former employees) on their basic financial statements.

Financial Statements

GASB Statement No. 75 requires state or local governments to recognize the net OPEB liability and the OPEB expense on their financial statements. The net OPEB liability is the difference between the total OPEB liability and the plan’s fiduciary net position. In traditional actuarial terms, this is analogous to the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in an actuarial valuation performed to determine the employer’s contribution requirements).

The OPEB expense recognized each fiscal year is equal to the change in the net OPEB liability from the beginning of the year to the end of the year, and reflects annual service costs, interest costs and includes adjustments for deferred recognition of the liability and investment experience.

OPEB plans that prepare their own stand-alone financial statements are required to present two financial statements – a statement of fiduciary net position and a statement of changes in fiduciary net position in accordance with GASB Statement No. 74. The statement of fiduciary net position presents the assets and liabilities of the OPEB plan at the end of the OPEB plan’s reporting period. The statement of changes in fiduciary net position presents the additions, such as contributions and investment income, and deductions, such as benefit payments and expense and net increase or decrease in the fiduciary net position.

Notes to Financial Statements

GASB Statement No. 75 requires the notes of the employer’s financial statements to disclose the total OPEB expense, the OPEB plan’s liabilities and assets and deferred outflows and inflows of resources related to OPEBs.

SECTION THREE: ANNUAL REPORTING UNDER GASB 74/75

Discussion

GASB Statement Nos. 74 and 75 require the notes of the financial statements for the employers and OPEB plan

- A description of benefits provided by the plan
- The type of employees and number of members covered by the OPEB plan
- A description of the plan's funding policy, which includes member and employer contribution requirements
- The OPEB plan's investment policies
- The OPEB plan's fiduciary net position, net OPEB liability and the OPEB plan's fiduciary net position as a percentage of the total OPEB liability
- Significant assumptions and methods used to calculate the total OPEB liability
- Inputs to the discount rates
- Certain information about mortality assumptions and the date of experience studies

Retirement systems that issue stand-alone financial statements are required to disclose additional information in accordance with GASB Statement No. 74:

- The compositions of the OPEB plan's board and the authority under which benefit terms may be amended
- A description of how fair value is determined
- Information regarding certain reserves and investment, which include concentrations of investments greater than or equal to 5%, receivables, and insurance contracts excluded from plan assets.

Required Supplementary Information

GASB Statement No. 74 requires a 10-year fiscal history* of:

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

*These tables may be built prospectively as information becomes available.

SECTION THREE: ANNUAL REPORTING UNDER GASB 74/75

Calculation of the Single Discount Rate

GASB Statement Nos. 74 /75 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total OPEB Liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a “risk free” rate is required, such as a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating.

For the purpose of this valuation under GASB 74/75, the expected rate of return on OPEB plan investments is 6.85% per year as of June 30, 2023, and the municipal bond rate is 3.69% at 6/30/2022 and 3.86% at 6/30/2023.

Contribution Policy

The single discount rate is determined based upon the projection of assets, investment return, benefit payments and contributions. The contribution policy assumed for this valuation is based on the entry age normal cost method and is equal to the normal cost plus the 30-year closed amortization of the unfunded liability, with 24 years remaining at 7/1/2023.

Measurement of the Net OPEB Liability

The net OPEB liability is to be measured as the total OPEB liability, less the amount of the OPEB plan’s fiduciary net positions. Using more familiar actuarial terms, this will be the accrued liability less the market value of assets.

Timing of the Valuation

An actuarial valuation to determine the total OPEB liability is required to be performed at least once every two years. The net OPEB liability and OPEB expense should be measured as of the OPEB plan’s fiscal year end (measurement date) on a date that is within the employer’s prior fiscal year.

The total and net OPEB liabilities shown in this report are based on an actuarial valuation performed as of June 30, 2022, with adjustments for assets updated to the measurement date and a measurement date of June 30, 2023.

Financial Reporting Under GASB 74/75

Schedules of Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios Multiyear

Fiscal Year Ending	6/30/2023	6/30/2022
Total OPEB Liability		
Service Cost including Administrative Expenses	\$ 118,379	\$ 163,066
Interest on the Total OPEB Liability	1,145,970	1,516,680
Benefit Changes	0	0
Differences Between Expected and Actual Experience	139,754	(5,639,579)
Assumption Changes	0	203,608
Benefit Payments	(1,221,299)	(1,140,963)
Refunds	0	0
OPEB Plan Administrative Expense	0	0
Net Change in Total OPEB Liability	\$ 182,804	\$ (4,897,188)
Total OPEB Liability - Beginning	\$ 17,340,144	\$ 22,237,332
Total OPEB Liability - Ending	\$ 17,522,948	\$ 17,340,144
Plan Fiduciary Net Position		
Employer Contributions	\$ 1,243,920	\$ 1,260,626
Employee Contributions	0	0
OPEB Plan Net Investment Income	693,093	(888,521)
Benefit Payments, Including Refunds of Member Contributions	(1,221,299)	(1,140,963)
Other	0	0
Administrative Expense	0	0
Net Change in Plan Fiduciary Net Position	\$ 715,714	\$ (768,858)
Plan Fiduciary Net Position - Beginning	\$ 9,154,756	\$ 9,923,614
Plan Fiduciary Net Position - Ending	\$ 9,870,470	\$ 9,154,756
Net OPEB Liability - Ending	\$ 7,652,478	\$ 8,185,388
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	56.33%	52.80%
Covered-employee payroll	\$ 2,053,814	\$ 1,984,361
Net OPEB Liability as a Percentage of Covered-Employee Payroll	372.60%	412.49%
Notes to Schedule	10 fiscal years to be built prospectively	

SECTION THREE: ANNUAL REPORTING UNDER GASB 74/75

GASB STATEMENT NO. 74/75 DISCLOSURE FOR FISCAL YEAR-END 2023

GASB Statement No. 74 requires certain actuarial information be disclosed in the footnotes of financial statements of funded OPEB plans, or as required supplementary information based upon the June 30, 2022 actuarial valuation, with projections to the disclosure date of June 30, 2023. The GASB 74/75 financial disclosure information for the fiscal year end 2023 was based on a valuation prepared as of June 30, 2022 using the June 30, 2022 participant census and the GASB 74/75 actuarial assumptions and methodology.

The additional exhibits and information needed to comply with the GASB 74 disclosure requirements for the 2023 fiscal year end are included here.

NET OPEB LIABILITY AND RELATED RATIOS

Item	MERS	Police	Fire	Total
Total OPEB Liability	\$ 5,143,030	\$ 7,989,798	\$ 4,390,120	17,522,948
Plan Fiduciary Net Position	<u>4,803,658</u>	<u>3,312,457</u>	<u>1,754,355</u>	<u>9,870,470</u>
Net OPEB Liability	\$ 339,372	\$ 4,677,341	\$ 2,635,765	\$ 7,652,478
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	93.40%	41.46%	39.96%	56.33%

GASB 74/75 - SCHEDULE OF CHANGES IN NET OPEB LIABILITY

GASB Statement No. 74 requires a 10-year schedule of changes in the net OPEB liability. The statement provides that the required supplementary information should be presented for as many years for which information measured in conformity with the requirements of the Statement is available and that the schedules should not include information that is not measured in conformity with the requirements of the Statement.

The information prior to 2017 necessary to provide a schedule of changes in net OPEB liability measured in conformity with the requirements of GASB Statement No. 74 is not available. The 10-year schedule will be built prospectively.

Fiscal Year Ending 6/30	Total OPEB Liability	Plan Net Position	Net OPEB Liability	Plan Net Position as a % of Total OPEB Liability	Covered Payroll	Net OPEB Liability as a % of Covered Payroll
2023	\$ 17,522,948	\$ 9,870,470	\$ 7,652,478	56.33%	\$2,053,814	372.60%
2022	\$ 17,340,144	\$ 9,154,756	\$ 8,185,388	52.80%	\$1,984,361	412.49%
2021	\$ 22,237,332	\$ 9,923,614	\$ 12,313,718	44.63%	\$1,836,749	670.41%
2020	\$ 21,864,557	\$ 7,701,261	\$ 14,163,296	35.22%	\$2,158,140	656.27%
2019	\$ 25,855,514	\$ 7,303,189	\$ 18,552,325	28.25%	\$4,493,655	412.86%
2018	\$ 24,994,903	\$ 7,058,901	\$ 17,936,002	28.24%	\$4,341,696	413.11%
2017	\$ 22,037,740	\$ 6,412,638	\$ 15,625,102	29.10%	\$4,499,309	347.28%

SECTION THREE: ANNUAL REPORTING UNDER GASB 74/75

SENSITIVITY OF NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

GASB Statement No. 74/75 requires a disclosure of measures of the net OPEB liability calculated using

- a discount rate that is 1 percentage point higher than the discount rate used for the actuarial valuation
- a discount rate that is 1 percentage point lower than the discount rate used for the valuation.

	1% Decrease (5.85%)	Current Discount Rate (6.85%)	1% Increase (7.85%)
Total	\$9,818,853	\$7,652,478	\$5,866,220

SENSITIVITY OF NET OPEB LIABILITY TO CHANGES IN THE HEALTHCARE TREND

GASB Statement No. 74/75 requires a disclosure of measures of the net OPEB liability calculated using

- healthcare trend rates that are 1 percentage point higher than the trend rates used for the actuarial valuation
- healthcare trend rates that are 1 percentage point lower than the trend rates used for the actuarial valuation

	1% Decrease 5.35% Decreasing to 3.50%	Current Trend Rates 6.35% Decreasing to 4.50%	1% Increase 7.35% Decreasing to 5.50%
Total	\$6,045,427	\$7,652,478	\$9,602,655

TEN YEAR SCHEDULE OF ACTUARIALLY DETERMINED CONTRIBUTIONS

GASB Statement No. 74 requires a schedule presenting a comparison of the actual employer contributions with the actuarially determined contributions over the past 10 fiscal years. The 10-year schedule is shown below.

Fiscal Year Ending 6/30	Actuarially Determined Contribution	Employer Contribution in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Employer Contribution as a Percentage of Covered Employee Payroll
2023	\$ 811,306	\$ 1,243,920	\$ (432,614)	\$ 2,053,814*	60.6%
2022	1,134,804	1,260,626	(125,822)	1,984,361*	63.5%
2021	1,265,947	1,924,115	(658,168)	1,836,749*	104.8%
2020	1,614,933	1,614,933	0	2,158,140*	74.8%
2019	1,457,080	1,457,080	0	4,493,655	32.4%
2018	1,579,641	1,579,641	0	4,341,696	36.4%
2017	1,434,981	1,392,235	42,746	4,499,309	30.9%

*Active and Eligible Payroll Only

Notes to Schedule of Contributions

Summary of Actuarial Assumptions and Methods Used for Accounting GASB 74 Purposes as of the Valuation Date

Item	Assumption
Actuarial Valuation Date	June 30, 2022, projected to June 30, 2023
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value
Investment Rate of Return	6.85%
Projected Salary Increases	3.50%
Retirement Age	Graded by age and service
Mortality	Probabilities of death for participants were according to the Pub-2010 base rates projected fully generationally with scale MP2021. Public Safety rate were assumed for Police and Firefighters and General rates were assumed for all others.

Summary of Actuarial Assumptions and Methods Used for Actuarially Determined Contribution

Item	Assumption
Actuarial Cost Method	Entry Age Normal
Amortization Method	100% of Unfunded liability as a level dollar amount, Closed 30 years (24 years remaining as of 7/1/2023)
Asset Valuation Method	Market Value
Actuarial Assumptions	Same as above

SECTION THREE: ANNUAL REPORTING UNDER GASB 74/75

Financial Reporting Under GASB 74/75

OPEB Expense Fiscal Year Ending June 30, 2023

Fiscal Year Ending	6/30/2023	6/30/2022
Expense		
1. Service Cost	\$ 118,379	\$ 163,066
2. Administrative Expense	0	0
3. Interest on the Total OPEB Liability	1,145,970	1,516,680
4. Current-Period Benefit Changes	0	0
5. Employee Contributions	0	0
6. Projected Earnings on Plan Investments	627,876	698,841
7. Other Changes in Plan Fiduciary Net Position	0	0
8. Recognition of Outflow (Inflow) of Resources due to Liabilities	139,754	(5,411,912)
9. Recognition of Outflow (Inflow) of Resources due to Assets	<u>234,741</u>	<u>253,427</u>
Total OPEB Expense (1) + (2) + (3) + (4) - (5) - (6) - (7) + (8) + (9)	\$ 1,010,968	\$ (4,177,580)
Reconciliation of Net OPEB Liability		
1. Net OPEB Liability Beginning of Year	\$ 8,185,388	\$ 12,313,718
2. OPEB Expense	1,010,968	(4,177,580)
3. Employer Contributions	1,243,920	1,260,626
4. Deferred Investment Experience (inflows)/outflows	(299,958)	1,333,935
5. Deferred Liability Experience (inflows)/outflows	0	(24,059)
6. Deferred Assumption Changes (inflows)/outflows	<u>0</u>	<u>0</u>
Net OPEB Liability End of Year (1) + (2) - (3) + (4) + (5) + (6)	\$ 7,652,478	\$ 8,185,388

SECTION THREE: ANNUAL REPORTING UNDER GASB 74/75

OPEB Expense Fiscal Year Ending June 30, 2023

A. Change in Outflows and (Inflows) of Resources during Current Plan Year				
Experience (Gain) / Loss	Balance at Beginning of Year	Amortization Factor	Amortization	Balance at End of Year
1. Difference between expected and actual non-investment experience	\$ 139,754	1.0000	\$ 139,754	\$ 0
2. Assumption Changes	0	1.0000	0	0
3. Difference between expected and actual investment earnings	<u>(65,217)</u>	5.0000	<u>(13,043)</u>	<u>(52,174)</u>
4. Total	\$ 74,537		\$ 126,711	\$ (52,174)

B. Outflows and Inflows of Resources by Source to be recognized in Current OPEB Expense			
	Outflows of Resources	Inflows of Resources	Net Outflows (Inflows) of Resources
1. Difference between expected and actual non-investment experience	\$ 139,754	\$ 0	\$ 139,754
2. Assumption Changes	0	0	0
3. Difference between expected and actual investment earnings	<u>441,640</u>	<u>(206,899)</u>	<u>234,741</u>
4. Total	\$ 581,394	\$ (206,899)	\$ 374,495

C. Deferred Outflows and Deferred Inflows of Resources by Source to be recognized in Future OPEB Expenses			
	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
1. Difference between expected and actual non-investment experience	\$ 0	\$ 0	\$ 0
2. Assumption Changes	0	0	0
3. Difference between expected and actual investment earnings	<u>1,021,380</u>	<u>(439,885)</u>	<u>581,495</u>
4. Total	\$ 1,021,380	\$ (439,885)	\$ 581,495

D. Deferred Outflows and Inflows of Resource by Year to be recognized in Future OPEB Expenses			
Year Ending June 30	Net Deferred Outflows of Resources	Net Deferred Inflows of Resources	
2024	\$ 386,434	\$ (206,899)	
2025	317,472	(206,898)	
2026	317,474	(13,043)	
2027	0	(13,045)	
2028	0	0	
Thereafter	<u>0</u>	<u>0</u>	
Total	\$ 1,021,380	\$ (439,885)	

SECTION FOUR: SUMMARY OF ACTUARIAL ASSUMPTIONS AND COST METHOD

Actuarial Assumption Item	Annual Actuarial Valuation																																																			
Actuarial Cost Method	The Actuarial Cost Method used in this valuation is the Entry Age Normal Actuarial Cost Method. Under this Method, a Normal Cost is developed by spreading the actuarial value of benefits expected to be received by each active participant over the total working lifetime of that participant, from hire to termination, as a level percentage of pay.																																																			
Actuarially Determined Contribution	The City's Funding Policy is to contribute the normal cost plus the amount to amortize the unfunded over a closed period of 30 years (24 years remaining as of 7/1/2023).																																																			
Single Discount (Interest) Rate	A discount rate of 6.85% was used.																																																			
Salary Increase	Salaries are assumed to increase at the rate of 3.50% per annum.																																																			
Claim Costs (as of 6/30/2022)	<p><u>Medical</u> The following monthly costs for medical and prescription drug benefits were used for all plans:</p> <p>For those not eligible for Medicare: \$1,027.96</p> <p>For those eligible for Medicare: \$818.49</p> <p>The medical cost rates are distributed for age and sex at retirement.</p> <p><u>Dental</u> The monthly per member dental cost is \$52.91.</p> <p><u>Vision</u> The monthly per member dental cost is \$3.04.</p>																																																			
Monthly Contributions	Retirees pay a portion of the blended cost of coverage based on their Collective Bargaining Agreement, date of hire and service. See the "Summary of Plan Provisions" on p.26 of this report.																																																			
Mortality	Probabilities of death for participants were according to Pub-2010 base rates projected fully generationally using scale MP2021. Public Safety rates were assumed for Police and Firefighters; and General rates for all others.																																																			
Withdrawal	<p>Representative withdrawal rates by age are:</p> <table border="1"> <thead> <tr> <th>Age</th> <th>Service</th> <th>MERS</th> <th>Police</th> <th>Fire</th> </tr> </thead> <tbody> <tr> <td rowspan="5">ALL</td> <td>0</td> <td>18.00%</td> <td>15.00%</td> <td>8.00%</td> </tr> <tr> <td>1</td> <td>18.00%</td> <td>13.00%</td> <td>6.00%</td> </tr> <tr> <td>2</td> <td>16.00%</td> <td>10.00%</td> <td>5.00%</td> </tr> <tr> <td>3</td> <td>12.00%</td> <td>7.00%</td> <td>4.00%</td> </tr> <tr> <td>4</td> <td>10.00%</td> <td>5.00%</td> <td>3.00%</td> </tr> <tr> <td>20</td> <td>5 & over</td> <td>9.00%</td> <td></td> <td></td> </tr> <tr> <td>30</td> <td></td> <td>9.00%</td> <td>5.46%</td> <td>2.50%</td> </tr> <tr> <td>40</td> <td></td> <td>5.00%</td> <td>1.30%</td> <td>0.60%</td> </tr> <tr> <td>50</td> <td></td> <td>4.00%</td> <td>0.65%</td> <td>0.50%</td> </tr> <tr> <td>60</td> <td></td> <td>3.00%</td> <td>0.65%</td> <td>0.50%</td> </tr> </tbody> </table>	Age	Service	MERS	Police	Fire	ALL	0	18.00%	15.00%	8.00%	1	18.00%	13.00%	6.00%	2	16.00%	10.00%	5.00%	3	12.00%	7.00%	4.00%	4	10.00%	5.00%	3.00%	20	5 & over	9.00%			30		9.00%	5.46%	2.50%	40		5.00%	1.30%	0.60%	50		4.00%	0.65%	0.50%	60		3.00%	0.65%	0.50%
Age	Service	MERS	Police	Fire																																																
ALL	0	18.00%	15.00%	8.00%																																																
	1	18.00%	13.00%	6.00%																																																
	2	16.00%	10.00%	5.00%																																																
	3	12.00%	7.00%	4.00%																																																
	4	10.00%	5.00%	3.00%																																																
20	5 & over	9.00%																																																		
30		9.00%	5.46%	2.50%																																																
40		5.00%	1.30%	0.60%																																																
50		4.00%	0.65%	0.50%																																																
60		3.00%	0.65%	0.50%																																																

SECTION FOUR: SUMMARY OF ACTUARIAL ASSUMPTIONS AND COST METHOD

Actuarial Assumption Item	Annual Actuarial Valuation					
Retirement	Rates of retirement are based upon age only. Rates are shown below:					
	<u>MERS</u>					
	Age	<u>F(50)</u>	<u>F(55)</u>	<u>F(N)</u>	Without <u>F(50) or F(55) or F(N)</u>	
	40				22%	
	41				22%	
	42				22%	
	43				22%	
	44				22%	
	45				22%	
	46				22%	
	47				22%	
	48				22%	
	49				22%	
	50	22%			22%	
	51	22%			22%	
	52	22%			22%	
	53	22%			22%	
	54	24%			24%	
	55	18%	18%		18%	
	56	14%	15%		14%	
	57	16%	10%		16%	
	58	18%	15%		18%	
	59	18%	20%		18%	
	60	20%	20%	20%	20%	
	61	24%	24%	24%	24%	
62	24%	24%	24%	24%		
63	24%	24%	24%	24%		
64	27%	27%	27%	27%		
65	30%	30%	30%	30%		
66	30%	30%	30%	30%		
67	30%	30%	30%	30%		
68	30%	30%	30%	30%		
69	30%	30%	30%	30%		
70 and above	100%	100%	100%	100%		

SECTION FOUR: SUMMARY OF ACTUARIAL ASSUMPTIONS AND COST METHOD

Actuarial Assumption Item	Annual Actuarial Valuation			
Retirement (cont.)	<u>Service</u>	<u>Police</u>	<u>Fire</u>	
	20	60%	50%	
	21	40%	15%	
	22	40%	15%	
	23	50%	15%	
	24	50%	15%	
	25	50%	15%	
	26	50%	15%	
	27	50%	15%	
	28	50%	15%	
	29	50%	15%	
	30	100%	100%	
Disability	Sample rates by age are as follows:			
	<u>Age</u>	<u>MERS</u>	<u>Male</u>	<u>Police/Fire</u> <u>Female</u>
	25	0.0002	0.0013	0.0007
	35	0.0006	0.0021	0.0019
	45	0.0011	0.0046	0.0040
	65	0.0041	0.0074	0.0063
Participation	70% of Employees and 30% of spouses were assumed to participate in the plan for all employee groups. Previously waived participants are assumed to become eligible at retirement.			
Spouse Information	70% of employees were assumed to have spouses. Females were assumed to be 3 years younger than males.			
Health Care Cost Inflation Rates	<u>Period</u>	<u>Trend Rate</u>	<u>Dental</u>	<u>Vision</u>
	2022	6.35%	5% per year	3% per year
	2023	6.10%		
	2024	5.85%		
	2025	5.60%		
	2026	5.35%		
	2027	5.10%		
	2028	4.85%		
	2029	4.60%		
2030 and after	4.50%			

SECTION FIVE: PARTICIPANT DATA

Participant Summary as of June 30, 2022

Status	MERS	Police	Fire	Total
Active Participants (includes current eligible employees with waivers)	20	7	3	30
Terminated Vested	4	0	0	4
Retired Participants	33	75	46	154
Total	57	82	49	188

SECTION FIVE: PARTICIPANT DATA

ACTIVE PARTICIPANT AGE AND SERVICE DISTRIBUTION AS OF JUNE 30, 2022

MERS

Age Group	Service									Total
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40+	
Under 20										0
20 - 24	1									1
25 - 29										0
30 - 34	1									1
35 - 39										0
40 - 44	1		2			1				4
45 - 49				2	2					4
50 - 54	1			3	2					6
55 - 59				1				1		2
60 - 64			1							1
65 & Over							1			1
Total	4	0	3	6	4	1	1	1	0	20

Average Age: 49.30 years
 Average Length of Service: 16.81 years

POLICE & FIRE

Age Group	Service									Total
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40+	
Under 20										0
20 - 24										0
25 - 29										0
30 - 34										0
35 - 39			1	2						3
40 - 44			1	2						3
45 - 49				1	2					3
50 - 54										0
55 - 59						1				1
60 - 64										0
65 & Over										0
Total	0	0	2	5	2	1	0	0	0	10

Average Age: 43.72 years
 Average Length of Service: 18.04 years

SECTION SIX: SUMMARY OF PRINCIPAL PLAN PROVISIONS

Item	Provision																																																
<p>Eligibility</p>	<p><u>AFSCME Members</u> Retiree must be age 50 and receiving a MERS pension. Employee must have been hired prior to July 1, 2010.</p> <p><u>POAM Members</u> Employee may retire after completing 20 years of service regardless of age. Employee must have been hired prior to July 1, 2012.</p> <p><u>COAM Members</u> Employees retiring with 20 years of service have their health insurance through Blue Cross / Blue Shield maintained by the City of Ypsilanti. Employee must have been hired prior to July 1, 2012.</p> <p><u>IAFF Members</u> Employee may retire after completing 20 years of service regardless of age. Employee must have been hired prior to July 1, 2012.</p> <p><u>Non-Union Employees</u> Employee may retire after age 50 under the MERS pension program. Employee must have been hired prior to July 1, 2012.</p>																																																
<p>Benefit Amount</p>	<p>Retirees and their dependents may elect coverage under the City's health program for current active employees. Certain retirees have grandfathered benefit plans. The City pays a portion of the cost of coverage.</p> <p><u>Health Care</u></p> <table border="1" data-bbox="440 1052 1466 1344"> <thead> <tr> <th></th> <th colspan="5">Retiree Benefits</th> </tr> <tr> <th><u>Service</u></th> <th><u>AFSCME</u></th> <th><u>POAM</u></th> <th><u>COAM</u></th> <th><u>IAFF</u></th> <th><u>Non-Union</u></th> </tr> </thead> <tbody> <tr> <td>Under 10</td> <td>0%</td> <td>0%</td> <td>0%</td> <td>0%</td> <td>0%</td> </tr> <tr> <td>10 - 15</td> <td>50%</td> <td>50%</td> <td>0%</td> <td>50%</td> <td>50%</td> </tr> <tr> <td>15 - 20</td> <td>100%</td> <td>100%</td> <td>0%</td> <td>100%</td> <td>100%</td> </tr> <tr> <td>20 or more</td> <td>100%</td> <td>100%</td> <td>100%</td> <td>100%</td> <td>100%</td> </tr> <tr> <td>City Contribution For Spouse Benefit</td> <td>\$175*</td> <td>\$150</td> <td>\$400</td> <td>\$400*</td> <td>\$150</td> </tr> </tbody> </table> <p>* 20 Years Only</p> <p><u>Dental & Vision Coverage</u> The City pays a portion of retiree dental and vision coverages based on Collective Bargaining Agreement, date of hire and service.</p> <p><u>Life Insurance Coverage</u> City pays for \$1,000 of life insurance coverage for retirees. Retirees may elect an additional \$4,000 of coverage by paying \$0.33 per month per \$1,000 of coverage.</p> <p><u>Retiree Opt-Out</u> Retirees electing to opt-out of the health care plan are eligible to receive the following amounts in any year they receive coverage from another source.</p> <table border="1" data-bbox="581 1749 1029 1841"> <tbody> <tr> <td>Single coverage</td> <td>\$ 2,000</td> </tr> <tr> <td>Two-Person coverage</td> <td>\$ 4,000</td> </tr> <tr> <td>Family coverage</td> <td>\$ 5,000</td> </tr> </tbody> </table>		Retiree Benefits					<u>Service</u>	<u>AFSCME</u>	<u>POAM</u>	<u>COAM</u>	<u>IAFF</u>	<u>Non-Union</u>	Under 10	0%	0%	0%	0%	0%	10 - 15	50%	50%	0%	50%	50%	15 - 20	100%	100%	0%	100%	100%	20 or more	100%	100%	100%	100%	100%	City Contribution For Spouse Benefit	\$175*	\$150	\$400	\$400*	\$150	Single coverage	\$ 2,000	Two-Person coverage	\$ 4,000	Family coverage	\$ 5,000
	Retiree Benefits																																																
<u>Service</u>	<u>AFSCME</u>	<u>POAM</u>	<u>COAM</u>	<u>IAFF</u>	<u>Non-Union</u>																																												
Under 10	0%	0%	0%	0%	0%																																												
10 - 15	50%	50%	0%	50%	50%																																												
15 - 20	100%	100%	0%	100%	100%																																												
20 or more	100%	100%	100%	100%	100%																																												
City Contribution For Spouse Benefit	\$175*	\$150	\$400	\$400*	\$150																																												
Single coverage	\$ 2,000																																																
Two-Person coverage	\$ 4,000																																																
Family coverage	\$ 5,000																																																