

October 21, 2019

PERSONAL & CONFIDENTIAL

Jerry Czarnecki
City of Hastings
201 East State Street
Hastings, MI 49058

RE: City of Hastings Other Post-Employment Benefit (OPEB) Plan

Dear Jerry:

Transmitted via email, this is a copy of your OPEB accounting report for the fiscal year ending June 30, 2019. This information is intended to assist you in complying with Governmental Accounting Standards Board Statement No. 74 (GASB 74) Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, and Statement No. 75 (GASB 75) Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.

Although the values in this report are based on a roll-forward of the June 30, 2018 results, changes to the Medicare coverage made by the plan sponsor since the last valuation are recognized in the June 30, 2019 reconciliation of the net OPEB Liability.

This report includes information for reporting to the State of Michigan under Public Act (PA) 202.

If you have any questions about this report, please call me at (616) 742-9244.

Sincerely,



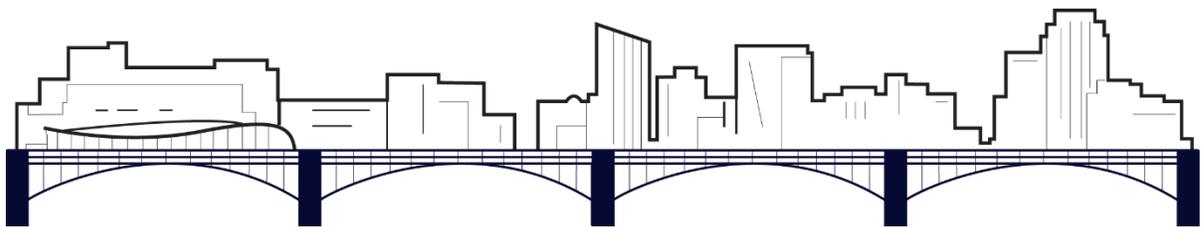
Christian R. Veenstra, FCA, ASA, MAAA
President / Enrolled Actuary

Enclosure

City of Hastings, Michigan Post-Retirement Medical Plan

Accounting Report

for the Period Ending June 30, 2019
under GASB Statements 74 & 75



Report presented by:



October 2019

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INTRODUCTION AND CERTIFICATION

The schedules included in this report have been prepared in order to provide the information necessary to comply with Governmental Accounting Standards Board (GASB) Statement Nos. 74 and 75. This information may, at the discretion of management of the plan sponsor and its auditor, be used for the preparation of its financial statements. The calculations herein have been made based on our understanding of GASB 74 and 75, and may be inappropriate for other purposes.

The calculations summarized in this report involve actuarial calculations that require assumptions about future events. We believe that the assumptions used in the report are within the range of possible assumptions that are reasonable and appropriate for the purposes for which they have been used. However, other assumptions are also reasonable and appropriate and their use would produce different results.

This report contains additional information and details related to plan provisions and recommended contribution calculations.

This report was prepared on the basis of participant data and asset values as reported to us by the plan sponsor. Watkins Ross relied upon the data as submitted, and has no reason to believe that any information, which would have a material effect on the results of this valuation, was not considered in the preparation of the report.

The enrolled actuary certifying this report represents himself as meeting the Qualification Standards of the American Academy of Actuaries to render actuarial opinions contained in the report.

Prepared and Certified by:



Christian R. Veenstra, FCA, ASA, MAAA
Enrolled Actuary #17-05668

COMMENTS

Purpose of Governmental Accounting Standards Board (GASB) Reporting

The objective of GASB is to provide guidelines and requirements for accounting and financial reporting by State and local governments for postemployment benefits other than pensions (OPEB). This statement establishes standards for recognizing and measuring liabilities, deferred inflows and outflows of resources and methods and assumptions that are required to be used to project benefits payments and discount those payments to their actuarial present value.

The methods and assumptions may or may not be an appropriate measure of the plan's liability for funding purposes or for reporting liabilities under Public Act 202 of the State of Michigan. Thus, liabilities and other values calculated for those purposes may differ from the ones used for GASB reporting.

State of Michigan Public Act 202

Public Act 202 (the Act) was drafted to address the underfunded status of pension and retiree healthcare plans of local governments in Michigan. Accordingly, the Act included transparency and funding requirements. In addition, in order that the plans' funded status of plan sponsors be reported on a consistent basis, Uniform Assumptions were published. While all of the Uniform Assumptions have a sound and reasonable basis, some might not be appropriate for each plan and therefore may be different than what is used for funding. Additionally, some of the assumptions may differ from what is required for reporting under GASB.

Actuarially Determined Contribution for GASB reporting

GASB reporting includes a 10 year history of a comparison of actual annual amounts contributed by an employer on behalf of the OPEB plan and an Actuarially Determined Contribution (ADC). In addition, the report includes a summary of assumptions used to determine the ADC. This reporting requirement presumes a separate funding report is completed. However, for many employers, separate funding studies have not been solicited. So, in order to provide this information, we have included a contribution section in this report (Schedules of Required Supplementary Information: Description of Actuarially Determined Contribution) that provides this information. The assumptions and methods used for these calculations are derived from those used for GASB reporting and not necessarily consistent with PA 202 unless otherwise indicated.

Actuarially Determined Contribution under Public Act 202

Public Act 202 also requires a calculation of an ADC. This ADC differs from the one used for the 10 year reporting history noted in the paragraph above. The amortization period for this ADC is the lesser of 30 years and the number of years used for reporting the ADC under GASB. (Schedules of Required Supplementary Information: State of Michigan Public Acts 530 and 202 Information)

Changes in Actuarial Assumptions, Plan Changes and Expected Actuarial Experience

For June 30, 2019 reporting (based on a roll-forward of the June 30, 2018 valuation date) we updated the Medicare plan coverage to reflect changes made by the plan sponsor since the prior valuation. The impact of this change was a decrease in the Net OPEB Liability of \$4.4M. Based on input from the OPEB audit community, this change would constitute a plan change and be recognized accordingly. Also, the discount rate was dropped 1 basis point.

PLAN DESCRIPTION

Plan Description

City of Hastings, Michigan Post-Retirement Medical Plan (Plan) is a single employer plan established and administered by **City of Hastings** (Employer) and can be amended at its discretion.

Benefits Provided

A summary of plan provisions is available on page 13.

Summary of Plan Participants

As of June 30, 2018, Plan membership consisted of the following:

Inactive participants receiving benefits	49
Active participants	<u>19</u>
Total participants	68

Contributions

The Plan was established and is being funded under the authority of the Employer's governing body and under agreements with the various classes of employees. The Plan's funding policy is that the Employer will contribute any amount as budgeting permits – presently, \$150,000 is budgeted for each of the next two years. Active participants do not make contributions to the Plan. There are no long term contracts for contributions to the plan. The plan has no legally required reserves.

Summary of Significant Accounting Policies

For purposes of measuring the net Other Post-Employment Benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Plan and additions to/deductions from the Employer's fiduciary net position have been determined on the same basis as they are reported by the Employer. For this purpose, benefits payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

ASSUMPTIONS AND METHODS

The Employer's OPEB liability was measured as of as of June 30, 2019.

Actuarial Assumptions

The Total OPEB Liability was determined by an actuarial valuation as of June 30, 2018 and rolled forward to June 30, 2019 using the following actuarial assumptions:

Inflation	2.50%
Salary increases	2.50% (for purposes of allocating liability)
Investment rate of return	7.75% (net of investment expense, including inflation)
Mortality	RPH-2014 annuitant and non-annuitant, sex-distinct, healthy mortality with MP 2017 improvement scale

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	55.5%	6.15%
Global fixed income	18.5	1.26
Real Estate	13.5	7.22
Diversifying strategies	12.5	5.00

The sum of each target allocation times its long-term expected real rate is 5.25%.
The long-term expected rate of return after including inflation is 7.75%.

Discount Rate

The discount rate used to measure the total OPEB liability was **3.05%**. The projection of cash flows used to determine the discount rate assumed that \$150,000 contributions will be made at least for the next two years. Based on those assumptions, the Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current Plan participants beyond 2022. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability. The discount rate used for June 30, 2018 reporting was 3.06%.

NET OPEB LIABILITY

Net OPEB Liability at June 30, 2019

Active participants	4,021,601
Inactive participants receiving benefits	<u>5,811,671</u>
Total	\$9,833,272

OPEB Plan Fiduciary Net Position

The OPEB Plan Fiduciary Net Position as of June 30, 2019 is \$603,331.

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balance at June 30, 2018	14,292,427	579,272	13,713,155
Changes during the Year			
Service Cost	74,878		74,878
Interest	300,137		300,137
Experience (Gains)/Losses	(98,888)		(98,888)
Change in actuarial assumptions	13,969		13,969
Change in plan terms	(4,368,569)		(4,368,569)
Contributions to OPEB trust	-	-	-
Contributions/benefit paid from general operating funds	-	380,682	(380,682)
Net Investment Income	-	25,279	(25,279)
Benefit Payments; Including refunds of employee contributions	(380,682)	(380,682)	-
Administrative Expenses	-	(1,220)	1,220
Other Changes	-	-	-
Total Changes	(4,459,155)	24,058	(4,483,213)
Balance at June 30, 2019	9,833,272	603,331	9,229,941

Reconciliation of Net OPEB Liability

Net OPEB Liability (Asset) June 30, 2018	13,713,155
Total OPEB expense	(4,129,862)
Contributions	(380,682)
Change in deferred outflows of resources	18,377
Change in deferred inflows of resources	<u>8,953</u>
Net OPEB Liability (Asset) June 30, 2019	\$9,229,941

NET OPEB LIABILITY

Net OPEB Liability – Discount and Trend Rate Sensitivities

The following presents the Net OPEB Liability (NOL) of the Employer, calculated using trend and discount rates 1% higher and lower than base assumptions:

	1% Decrease	Current Rate	1% Increase
<u>Trend</u>			
Total OPEB Liability	11,406,457	9,833,272	8,579,567
Plan Fiduciary Net Position	<u>603,331</u>	<u>603,331</u>	<u>603,331</u>
Net OPEB Liability	10,803,126	9,229,941	7,976,236

	1% Decrease	Current Rate	1% Increase
<u>Discount</u>			
Total OPEB Liability	8,610,878	9,833,272	11,374,918
Plan Fiduciary Net Position	<u>603,331</u>	<u>603,331</u>	<u>603,331</u>
Net OPEB Liability	8,007,547	9,229,941	10,771,587

OPEB EXPENSE

Components of OPEB Expense for the Fiscal Year Ending June 30, 2019

Below are the components of the OPEB Expense:

	Fiscal Year Ending June 30, 2019
Service Cost	\$74,878
Interest on Total OPEB Liability	300,137
Experience (Gains)/Losses	(105,692)
Changes of Assumptions	9,634
Changes in plan terms	(4,368,569)
Employee Contributions	-
Projected Earnings on OPEB Plan Investments	(44,847)
Investment Earnings (Gains)/Losses	3,377
Administrative Expenses	1,220
Other Changes in Fiduciary Net Position	-
OPEB Expense	\$(4,129,862)

Deferred Inflows and Outflows of Resources Related to OPEB Plan

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Experience (Gains)/Losses	-	30,689
Changes of Assumptions	4,335	-
Investment Earnings (Gains)/Losses	<u>14,042</u>	-
Total	\$18,377	\$30,689

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB Expense as follows:

Year Ended June 30,	Amount Recognized
2020	\$(22,977)
2021	3,377
2022	3,375
2023	3,913
2024	-
Thereafter	\$-

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Description of Actuarially Determined Contributions

Previously, under Governmental Accounting Standards Board (GASB) Statement Nos. 43 and 45, an Annual Required Contribution (ARC) was provided in order that an OPEB plan sponsor could either contribute such amount to an OPEB trust or book the balance on the employer's financial pages as an OPEB Obligation.

GASB Nos. 74 and 75, however, eliminate the ARC as a component of the financial statement and, instead, separately identify an accounting expense that must be recorded on the financial pages - whether or not a contribution was actually made to an OPEB trust. Although a recommended contribution is no longer necessary as part of GASB reporting, we have included one along with the accounting entries in this report in order to provide information for funding. This recommended contribution is designed to eventually fund your plan enough that you can pay retiree benefits directly from that trust instead of general operating funds. The amortization period was initially based on the maximum permitted period under Public Act 202.

Recommended Employer Contribution	Fiscal Year Ending June 30,	
	2020	2019
Discount rate	3.05%	3.06%
Amortization period	26 years	27 years
Amortization method	Level dollar	Level dollar
Normal cost	63,413	74,878
Amortization of Net OPEB Liability	503,914	498,271
Interest to end of year	<u>17,303</u>	<u>17,538</u>
Total recommended employer contribution	584,630	590,687

PA 202 was issued by the State of Michigan and requires the calculation of other "contribution" amounts. These are

1. The Actuarially Determined Contribution (ADC) using Assumptions for financial reporting and
2. The minimum required amount to be deposited into an OPEB trust

The first of these contributions as shown in the first table on the following page of this report, \$590,687, is an amount required to be reported to the State of Michigan to be measured against your annual revenue in order to determine whether or not a Corrective Action Plan (CAP) must be adopted. It is not a *required* contribution.

The second of these numbers, shown in the last table on the following page of this report is the actual minimum amount the State of Michigan requires you to deposit into a trust and it is based on the normal cost (actuarially calculated) for those covered by your plan and hired after June 30, 2018. Because your plan is closed to new hires, this amount is \$-0-.

In addition, you must continue to pay retiree OPEB benefits from general operating funds until an appropriate level of funding is attained as determined by a Corrective Action Plan if implemented. The retiree benefit payments for 2019 was \$380,682.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

State of Michigan Public Acts 530 and 202 Information

Financial information	2019
Assets (Fiduciary net position)	603,331
Liabilities (Total OPEB Liability)	9,833,272
Funded ratio for the Plan Year	6.1%
Actuarially Determined Contribution	590,687
Is ARC calculated in compliance with No. Letter 2018-3?	Yes

Membership	2019
Active members (June 30, 2018 valuation)	19
Retirees and Beneficiaries (June 30, 2018 valuation)	49
Premiums paid on behalf of the retirants	380,682

Actuarial Assumptions	2019
Actuarially assumed rate of investment return	7.75%
Discount rate	3.05%
Amortization method used for funding unfunded liability	Level \$
Amortization period used for funding unfunded liability	27
Is each division closed to new employees	Yes
Healthcare inflation assumption (see page 12 of this report)	Per Uniform Asspt

Uniform Assumptions	2019
Actuarial value of assets using uniform assumptions	603,331
Actuarial accrued liability using uniform assumptions	9,770,856
Funded ratio using uniform assumptions	6.2%
Actuarially Determined Contribution (ADC) using uniform assumptions	587,969

Information for Summary Report (minimum required contribution) ¹	2019
Retiree insurance premiums for the year (1)	380,682
Normal cost as a percent of covered payroll (2)	8.9%
Covered payroll for employees hired after June 30, 2018 (3)	N/A
Normal cost for employees hired after June 30, 2018 (4) = (2)X(3)	N/A
Minimum required contribution under PA 202 (1)+(2)+(4) min -0-	380,682

Uniform Assumptions used for PA 202, if different from GASB

Salary Scale – 3.5%

Return on plan assets – 7.0%

Discount rate – 3.04%

¹ Senate Bill 686 requires that a local unit must contribute at least both of the following – Normal cost for employees first hired after June 30, 2018 and retiree premiums due to retirants in the retirement system; In order to obtain 40% funding, higher contributions may be needed.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Changes in Net OPEB Liability and Related Ratios

Fiscal Year Ending June 30		
	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service Cost	74,878	103,897
Interest	300,137	431,988
Changes of Benefit Terms	-	-
Difference between Expected and Actual Experience	(98,888)	(88,853)
Change of Assumptions	13,969	-
Change in plan terms	(4,368,569)	
Benefit Payments including refunds of employee contributions	(380,682)	(335,982)
Net Change in Total OPEB Liability	(4,459,155)	111,050
Total OPEB Liability – Beginning	14,292,427	14,181,377
Total OPEB Liability – Ending (a)	9,833,272	14,292,427
Plan Fiduciary Net Position		
Contributions to OPEB trust	-	-
Contributions/benefit payments made from general operating funds	380,682	335,982
Net Investment Income	25,279	44,207
Benefit Payments including refunds of employee contributions	(380,682)	(335,982)
Administrative Expenses	(1,220)	(1,353)
Other	-	-
Net Change in Fiduciary Net Position	24,058	42,854
Plan Fiduciary Net Position – Beginning	579,272	536,418
Plan Fiduciary Net Position – Ending (b)	603,331	579,272
Net OPEB Liability – Ending (a)-(b)	9,229,941	13,713,155
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	6.1%	4.1%
Covered Employee Payroll	843,228	_____
Net OPEB Liability as Percentage of Payroll	1,094.60%	_____%

Schedule of Employer Contributions

	Fiscal Year Ending June 30,	
	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	590,387 ¹	808,642 ²
Employer Contribution	<u>(380,682)</u>	<u>(335,982)</u>
Contribution Deficiency/(Excess)	209,705	472,660
Covered Employee Payroll	843,228	_____
Contribution as a Percentage of Covered Payroll	70.0%	_____%

¹ 27 year level dollar amortization of unfunded liability per uniform assumptions under PA 202

² 30 year level dollar amortization of unfunded liability

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Assumptions Used in Calculation of Actuarially Determined Contribution

Valuation Date June 30, 2018 rolled forward to June 30, 2019

Actuarial Methods

Cost and amortization method Entry age normal level percent; level dollar closed

Asset valuation method Equal to market value of assets

Actuarial Assumptions

Discount rate - 3.06% for 2019 contribution; 3.05% for 2019 disclosure and 2020 contribution

Rationale – Per methodology prescribed by GASB Standard No. 74

Payroll inflation – 2.50%

Rationale – Based on general inflation

Return on plan assets - 7.75%

Rationale – Per investment manager

Mortality rates – RPH-2014 annuitant and non-annuitant, sex distinct, health mortality with mortality improvement scale MP 2017

Rationale – Contemporary tables as prescribed by uniform assumptions under PA 202

Utilization – 90% of eligible employees will elect coverage at retirement – half of whom will choose optional BCNA when Medicare eligible; 10% will receive \$200 per month waiver; Actual coverage used for non-active; one-half of current retirees under 65 will choose optional BCNA when Medicare eligible

Rationale – consistent with experience

Turnover rates - Sample rates below

Rationale – consistent with municipal experience

	0-1	2	3	4	5+
25	0.18	0.16	0.12	0.10	0.09
30	0.18	0.16	0.12	0.10	0.09
35	0.18	0.16	0.12	0.10	0.07
40	0.18	0.16	0.12	0.10	0.05
45	0.18	0.16	0.12	0.10	0.04

Marital assumption - 80% of active employees will have a covered spouse at retirement; Female spouses are assumed to be 4 years younger than male spouses; Actual spouse data used for retirees

Rationale – Consistent with plan demographics

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Retirement rates - Sample rates below

Rationale – consistent with municipal experience

Age	Rate
50-54	0.02
55	0.35
56-59	0.05
60	0.25
61	0.10
62	0.75
63-64	0.10
65-66	0.30
67	0.50
68	1.00

Monthly costs valued – as provided by City of Hastings

	BCBS ¹ &HSA	HRA	Total
Pre-Medicare Single	376.03	N/A	
Pre-Medicare Double	970.40	N/A	
Post-Medicare Single	721.50		
Post-Medicare Double	1,443.00		
1 + 1	1,081.70		
Optional BCNA	299.38	100.00	399.38

Implicit subsidy – None

Rationale - retiree premiums determined separately

Medical inflation rate

Pre-65 8.5% in 2019 graded down 0.25% per year to an ultimate rate of 4.5%

Medicare elig 7.5% in 2019 graded down 0.25% per year to an ultimate rate of 4.5%

HSA contribution Same as medical

HRA 0.0%

Rationale – As required by uniform assumptions under State of Michigan Public Act (PA) 202

Data Collection

Date and form of data - All personnel and asset data was prepared by the Plan sponsor or a representative and was generally relied upon as being correct and complete without audit by Watkins Ross

Changes since prior valuation for roll-forward

- Discount rate lowered from 3.06% to 3.05%
- Updated Optional BCNA Medicare premiums valued

¹ Includes taxes and fees

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Difference between Actual and Expected Experience

Year Ended June 30,	Difference Between Expected and Actual Experience	Recognition Period (Years)	Amount Recognized in Year Ended June 30,						Deferred Outflow of Resources	Deferred Inflow of Resources
			2019	2020	2021	2022	2023	2024+		
2018	(88,853)	1.73	(37,493)	-	-	-	-	-	-	-
2019	(98,888)	1.45	<u>(68,199)</u>	<u>(30,689)</u>	-	-	-	-	-	<u>(30,689)</u>
Net Recognized in OPEB Expense			(105,692)	(30,689)	-	-	-	-	-	(30,689)

Schedule of Changes in Assumptions

Year Ended June 30,	Changes in Assumptions	Recognition Period (Years)	Amount Recognized in Year Ended June 30,						Deferred Outflow of Resources	Deferred Inflow of Resources
			2019	2020	2021	2022	2023	2024+		
2018	-	1.73	-	-	-	-	-	-	-	-
2019	13,969	1.45	<u>9,634</u>	<u>4,335</u>	-	-	-	-	<u>4,335</u>	-
Net Recognized in OPEB Expense			9,634	4,335	-	-	-	-	4,335	-

Schedule of Differences between Projected and Actual Earnings on Plan Investments

Year Ended June 30	Difference Between Expected and Actual Earnings on OPEB Assets	Recognition Period (Years)	Amount Recognized in Year Ended June 30,						Deferred Outflow of Resources	Deferred Inflow of Resources
			2019	2020	2021	2022	2023	2024+		
2018	(2,687)	5.0	(537)	(537)	(537)	(539)	-	-	(1,613)	
2019	19,569	5.0	<u>3,914</u>	<u>3,914</u>	<u>3,914</u>	<u>3,914</u>	<u>3,913</u>	<u>15,655</u>	-	
Net Recognized in OPEB Expense			3,377	3,377	3,377	3,375	3,913	15,655	(1,613)	

Total Deferred Outflow (Inflow) of Resources

	Amount Recognized in Year Ended June 30,				
	2020	2021	2022	2023	2024+
Total Deferred Outflow/(Inflow) of Resources	(22,977)	3,377	3,375	3,913	-

SUMMARY OF PLAN PROVISIONS

Plan name - City of Hastings Post-Retirement Medical Plan

Eligibility Requirements

DPW	Hired prior to July 19, 2002 and age 55 with 25 years of service or age 60 with 10 years of service
Fire	Hired prior to January 1, 2005 and age 55 with 25 years of service or age 60 with 10 years of service
Non Union	Hired on or prior to April 3, 2006 and age 55 with 25 years of service or age 60 with 10 years of service
Police	Hired prior to July 12, 2002 and age 50 with 25 years of service or age 60 with 10 years of service

Summary of Benefits

Percentage of retiree medical premium according to the following schedule

Service at Retirement	% of premium	
	City	Retiree
10-14	50%	50%
15-19	70%	30%
20+	90%	10%

Percentages above will also apply to the surviving spouse

Waived coverage stipend	\$200 per month
Retiree contribution	Balance of retiree premium not paid by employer plus premium cost of dental and/or vision if elected

Changes Since Prior Valuation

None

GLOSSARY

A number of special terms and concepts are used in connection with OPEB plans and the OPEB accounting report. The following list reviews a number of these terms and provides a brief discussion of their meaning.

Accrued Benefit - Each participant has an accrued benefit under the plan. This is the amount of monthly benefit already earned. It is based on past employment with the Employer and is payable at normal retirement.

Actuarial Cost Method - This is a mathematical formula which is used to allocate the present value of projected benefits to past and future plan years.

Amortization – The difference between actual and expected investment returns, the difference between actual and expected experience, and the impact of any plan or assumption changes will be amortized and paid over future years.

Depletion Date (Cross-over Point) – The projected date (if any) where plan assets, including future contributions, are no longer sufficient to pay Projected Benefit Payments to current members.

Long-term expected rate of return – The rate of return based on the nature and mix of current and expected plan investments and over the time period from when an employee is hired to when all benefits to the employee have been paid.

Market Value of Assets – The market value of all assets in the fund including any accrued contribution for the previous plan year, which was not paid by the end of the year.

Measurement Date – The date the Total OPEB Liability, Fiduciary Net Position, and Net OPEB Liability are determined. For GASB 67, the measurement date is the plan's current fiscal year end.

Net OPEB Liability (NOL) – The Total OPEB Liability less the Plan Fiduciary Net Position.

Plan Fiduciary Net Position – The market value of plan assets as of the measurement date.

OPEB Expense (OE) – The change in the Net OPEB Liability (NOL) recognized in the current measurement period. Changes to the NOL not fully recognized in a given year's OPEB expense will be maintained as deferred inflows and deferred outflows. These will be recognized incrementally in the OPEB expense over time.

Present Value - The present value of a future payment or a series of payments is the amount of each payment, discounted to recognize the time value of money, and further reduced for the probability that the payment might not be made because of death, disability or termination of employment.

Present Value of Accumulated Benefits - The discounted value of all monthly benefit payments due in the future, based on current accrued benefits.

GLOSSARY

Present Value of Vested Accumulated Benefits - The discounted value of all monthly benefit payments due in the future, based on current vested benefits.

Projected Benefit Obligation - The value of benefits earned to the measurement date, but based on anticipated salary levels at retirement, computed in accordance with Generally Accepted Accounting Principles (GAAP) accounting rules.

Projected Benefit Payments – All benefits projected to be payable to current active and inactive participants as a result of their past service and their expected future service.

Real Rate of Return – The rate of return on an investment after the adjustment to eliminate inflation.

Service Cost - The value of benefits earned during the current year computed in accordance with GAAP accounting rules.

Single Equivalent Discount Rate – The single rate that gives the same total present value as discounting the Projected Benefit Payments with the long-term expected rate of return until the Depletion Date and discounting any remaining Projected Benefit Payments with the yield on a 20-year AA/Aa tax-exempt municipal bond index.

Total OPEB Liability (TOL) – The actuarial present value of the accrued benefit determined under the Entry Age actuarial cost method calculated using the blended Single Equivalent Discount Rate.