

City of Victoria Retiree Health Care Plan

Actuarial Valuation Report as of December 31, 2019

GASB Statements No. 74 and No. 75, Accounting and Financial
Reporting for Postemployment Benefits Other Than Pensions
for Fiscal Year Ending September 30, 2020





February 4, 2021

Mr. Gilbert P. Reyna, Jr., CPA
Director of Finance
City of Victoria
700 Main Center, Suite 100
Victoria, Texas 77901

Dear Mr. Reyna:

This report provides information on behalf of the City of Victoria Retiree Health Care Plan in connection with the Governmental Accounting Standards Board (GASB) Statements No. 74 and No. 75. GASB Statement No. 74 is the accounting standard, which applies to other postemployment benefits (OPEB) plans that are administered through trusts or equivalent arrangements. GASB Statement No. 75 establishes accounting and financial reporting requirements for state and local government employers that provide their employees with postemployment benefits other than pensions.

Sections B through D of this report address the calculation of the liability for the purpose of satisfying the requirements of GASB Statements No. 74 and No. 75. Section E of this report is for funding purposes, including the determination of the recommended employer contribution. This report may be provided to parties other than the City of Victoria only in its entirety and only with the permission of the City. GRS is not responsible for unauthorized use of this report.

This report is based upon information, furnished to us by the City, concerning other postemployment benefits (OPEB), active members, deferred vested members, retirees and beneficiaries, and financial data. This information was checked for internal consistency, but it was not audited.

Based on the available data, the information contained in this report is accurate and fairly represents the actuarial position of the City of Victoria Retiree Health Care Plan as of the reporting date. All calculations have been made in conformity with generally accepted actuarial principles and practices as well as the Actuarial Standards of Practice. The assumptions used for the measurements are reasonable and appropriate for the purposes for which they have been used. If you have reason to believe that the information provided in this report is inaccurate, or is in any way incomplete, or if you need further information in order to make an informed decision on the subject matter of this report, please contact the author of the report prior to making such decision.

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. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

Mr. Gilbert P. Reyna, Jr., CPA

February 4, 2021

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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; and changes in plan provisions or applicable law.

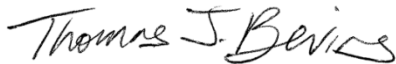
The signing individuals are independent of the plan sponsor.

Mr. Riazi and Mr. Bevins 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,



Mehdi Riazi, FSA, EA, FCA, MAAA



Thomas J. Bevins, ASA, MAAA



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SECTION A

EXECUTIVE SUMMARY

Auditor's Note – This information is intended to assist in preparation of the financial statements of the City of Victoria Retiree Health Care Plan. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.

Executive Summary

Actuarial Valuation Date	December 31, 2019
Measurement Date of the Net OPEB Liability	December 31, 2019
Employer's Fiscal Year Ending Date	September 30, 2020

Membership

Number of	
- Retirees and Beneficiaries	157
- Inactive, Nonretired Members	0
- Active Members	564
- Total	721
Covered Payroll	\$ 31,242,478

Net OPEB Liability

Total OPEB Liability	\$ 10,896,147
Plan Fiduciary Net Position	2,374,721
Net OPEB Liability	\$ 8,521,426
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	21.79 %
Net OPEB Liability as a Percentage of Covered Payroll	27.28 %

Development of the Single Discount Rate

Single Discount Rate	6.50 %
Long-Term Expected Rate of Investment Return	6.50 %
Long-Term Municipal Bond Rate*	2.75 %

Total OPEB Expense	\$ 596,599
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Actuarially Determined Contribution (ADC)

ADC for Fiscal Year Ending September 30, 2021	\$ 890,640
ADC for Fiscal Year Ending September 30, 2022	\$ 894,322
ADC for Fiscal Year Ending September 30, 2023	\$ 898,115

Balances of Deferred Outflows and Deferred Inflows of Resources Related to OPEB

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience, liability	\$ 0	\$ 768,495
Changes in assumptions	0	14,324
Difference between expected and actual experience, assets	0	135,939
Contributions subsequent to the measurement date	1,037,315	
Total	\$ 1,037,315	\$ 918,758

* Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in the Fidelity "20-Year Municipal GO AA Index" as of December 31, 2019.

Total OPEB Liability by Category as of December 31, 2019

Category 1 (retired as of 12/31/2008)			
Years of Service at Retirement	Count	Portion of Liability	Percentage of Liability
Retirees under age 65 on the City's self-insured health plan			
0 - 19	0	\$ 0	0.0%
20 - 29	8	615,531	5.6%
30+	2	109,791	1.0%
Total	10	\$ 725,322	6.7%
Retirees age 65 and older with a Retiree Reimbursement Account			
0 - 19	0	\$ 0	0.0%
20 - 29	33	611,962	5.6%
30+	47	1,249,024	11.5%
Total	80	\$ 1,860,986	17.1%
Category 1 Total	90	\$ 2,586,308	23.7%
Category 2 (employed at 12/31/08; retired on or after January 1, 2009)			
Years of Service at 1/1/2009	Count	Portion of Liability	Percentage of Liability
Active Employees			
0 - 9	118	\$ 752,874	6.9%
10 - 19	45	1,107,008	10.2%
20+	11	499,289	4.6%
Total	174	\$ 2,359,171	21.7%
Retirees under age 65 on the City's self-insured health plan			
0 - 9	4	\$ 179,311	1.6%
10 - 19	19	2,071,587	19.0%
20+	23	2,568,784	23.6%
Total	46	\$ 4,819,682	44.2%
Retirees age 65 and older with a Retiree Reimbursement Account			
0 - 9	0	\$ 0	0.0%
10 - 19	12	290,478	2.7%
20+	9	293,253	2.7%
Total	21	\$ 583,731	5.4%
Category 2 Total	241	\$ 7,762,584	71.2%
Category 3 (hired on or after January 1, 2009)			
Years of Service at Retirement	Count	Portion of Liability	Percentage of Liability
Active Employees			
0 - 20+	390	\$ 547,255	5.0%
Total	390	\$ 547,255	5.0%
Retirees under age 65 on the City's self-insured health plan			
0 - 20+	0	\$ 0	0.0%
Total	0	\$ 0	0.0%
Retirees age 65 and older with a Retiree Reimbursement Account			
0 - 20+	0	\$ 0	0.0%
Total	0	\$ 0	0.0%
Category 3 Total	390	\$ 547,255	5.0%
Grand Total	721	\$ 10,896,147	100.0%

Discussion

Accounting Standard

For post-employment (OPEB) benefit plans that are administered through trusts or equivalent arrangements, Governmental Accounting Standards Board (GASB) Statement No. 74, “Financial Reporting for Postemployment Benefit Plans other than Pension Plans,” replaces the requirements of GASB Statement No. 43, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.” Similarly, GASB Statement No. 75 establishes standards for state and local government employers (as well as non-employer contributing entities) to account for and disclose net OPEB liability, OPEB expense, and other information associated with providing OPEB to their employees (and former employees) on their financial statements.

GASB Statements No. 74 and No. 75 are effective for fiscal years beginning after June 15, 2016 and June 15, 2017, respectively.

The following discussion provides a summary of the information that is required to be disclosed under these accounting standards. A number of these disclosure items are provided in this report. However, certain information, such as notes regarding accounting policies and investments, is not included in this report. As a result, the plan sponsor will be responsible for preparing and disclosing the non-actuarial information needed to comply with these accounting standards.

Financial Statements

For plans that have formal trusts, GASB Statement No. 75 requires state and local government employers to recognize the net OPEB liability and the OPEB expense on their financial statements, along with the related deferred outflows and inflows of resources. The net OPEB liability is the difference between the total OPEB liability and the plan’s fiduciary net position. In traditional actuarial terms, the net OPEB liability is analogous to the actuarial accrued liability less the market value of assets.

GASB Statement No. 75 states the employer contributions made to the OPEB plan subsequent to the measurement date and before the end of the employer’s reporting period should be reported as a deferred outflow of resources.

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, adjusted for deferred recognition of the liability and investment experience.

GASB Statement No. 74 requires defined benefit OPEB plans which are administered as trusts or equivalent arrangements to present two financial statements: a statement of fiduciary net position and a statement of changes in fiduciary net position. 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.

Progress Toward Realization of Financial Objectives

The funded ratio increased from 15.08% as of December 31, 2017 to 21.79% as of December 31, 2019.

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 of resources and inflows of resources related to OPEB.

GASB Statements No. 74 and No. 75 require the notes of the financial statements for employers and OPEB plans to include certain additional information. The list of disclosure items should include:

- The name of the OPEB plan, the administrator of the OPEB plan, and the identification of whether the OPEB plan is a single-employer, agent, or cost-sharing OPEB plan;
- A description of the benefits provided by the plan;
- A brief description of changes in benefit terms or assumptions that affected the measurement of the total OPEB liability since the prior measurement date;
- The number of plan members by category and if the plan is closed;
- 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 and the net OPEB liability;
- The net OPEB liability using +/- 1% on the discount rate;
- The net OPEB liability using +/- 1% on the healthcare trend rate;
- Significant assumptions and methods used to calculate the total OPEB liability;
- Inputs to the discount rates; and
- Certain information about mortality assumptions and the dates of experience studies.

OPEB plans that are administered through trusts or equivalent arrangements are required to disclose additional information in accordance with GASB Statement No. 74. This information includes:

- The composition 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 investments, which include concentrations of investments greater than or equal to 5%, receivables, and insurance contracts excluded from plan assets; and
- Annual money-weighted rate of return.

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.
- For plans with an actuarially determined contribution, the schedule covering each of the 10 most recent fiscal years of the actuarially determined contribution, contributions to the OPEB plan and related ratios.

Timing and Frequency of the Actuarial Valuation

An actuarial valuation to determine the total OPEB liability is required to be performed at least every two years. For the employer's financial reporting purposes, the total OPEB liability and OPEB expense should be measured as of the employer's "measurement date" which may not be earlier than the employer's prior fiscal year end-date. If the actuarial valuation used to determine the total OPEB liability is not calculated as of the measurement date, the total OPEB liability is required to be rolled forward from the actuarial valuation date to the measurement date.

The total OPEB liability shown in this report is based on an actuarial valuation performed as of December 31, 2019 and a measurement date of December 31, 2019.

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on OPEB plan investments is 6.50%; the municipal bond rate is 2.75% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"); and the resulting Single Discount Rate is 6.50%.

The funding policy of the City is to pay the pay-go benefits from its own assets plus contribute \$200,000 to the OPEB trust each fiscal year. The City has, and is expected to continue to, make total contributions that exceed the recommended actuarially determined contribution, which is based on a closed amortization period. As a result, the OPEB plan's fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Actuarial Assumptions

The actuarial assumptions used to value the liabilities are outlined in detail in Section I. The assumptions include details on the health care trend assumption, the aging factors as well as the cost method used to develop the OPEB expense. The demographic assumptions are based on the assumptions that were developed for the defined benefit plan in which the City participates (TMRS).

Future Uncertainty or Risk

Future results may differ from those anticipated in this valuation. Reasons include, but are not limited to:

- Actual medical trend differing from expected;
- Changes in the healthcare plan designs offered to active and retired members;
- Participant behavior or experience differing from expected;
 - Elections at retirement;
 - One-person versus two-person coverage elections;
 - Time of retirement or termination;
 - Catastrophic claims.



Benefits Valued

The benefit provisions that were valued are in Section F. The valuation is required to be performed on the current benefit terms and existing legal agreements. Consideration is to be given to the written plan document as well as other communications between the employer and plan members and an established pattern of practice for cost sharing. The summary of major plan provisions is designed to outline principal plan benefits. If the plan summary is not in accordance with the actual provisions, please alert the actuaries IMMEDIATELY so they can both be sure the proper provisions are valued.

Effective Date and Transition

GASB Statements No. 74 and No. 75 are effective for fiscal years beginning after June 15, 2016 and June 15, 2017, respectively.

SECTION B

PLAN FINANCIAL STATEMENTS

Statement of Fiduciary Net Position

	<u>December 31, 2019</u>
Assets	
Cash and Equivalents	\$ 9,974
Receivables	
Accrued Income	\$ 21
Total Receivables	<u>\$ 21</u>
Investments	
Mutual Funds - Equity	\$ 1,550,943
Mutual Funds - Fixed Income	813,783
Total Investments	<u>\$ 2,364,726</u>
Total Assets	<u>\$ 2,374,721</u>
Liabilities	
Total Liabilities	<u>\$ 0</u>
Net Position Restricted for OPEB	<u><u>\$ 2,374,721</u></u>

Statement of Changes in Fiduciary Net Position

	December 31, 2019
Additions	
Contributions	
Employer	\$ 1,387,013
Total Contributions	\$ 1,387,013
Investment Income	
Net Appreciation in Fair Value of Investments	\$ 336,497
Dividends	54,321
Interest Income	387
Net Investment Income	\$ 391,205
Other	\$ 2
Total Additions	\$ 1,778,220
 Deductions	
Benefit Payments	\$ 1,187,013
OPEB Plan Administrative Expense	9,544
Other	1,204
Total Deductions	\$ 1,197,761
Net Increase in Net Position	\$ 580,459
 Net Position Restricted for OPEB	
Beginning of Year	\$ 1,794,262
End of Year	\$ 2,374,721

Consistent with the requirements of GASB Statements No. 74 and No. 75, employer contributions include “amounts for OPEB as the benefits come due that will not be reimbursed to the employer using OPEB plan assets.” The employer contributions of \$1,387,013 consist of a trust contribution of \$200,000 and benefit payments of \$1,187,013, which were paid by the City using its own assets. Please see page C-1 for the development of the benefit payments amount.

SECTION C

FINANCIAL SCHEDULES

Schedule of Changes in Net OPEB Liability

Fiscal Year Ending September 30, 2020

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning balance	\$ 12,091,644	\$ 1,794,262	\$ 10,297,382
Service cost	120,216		120,216
Interest on the total OPEB liability	751,286		751,286
Changes of benefit terms	0		0
Difference between expected and actual experience	(863,361)		(863,361)
Changes of assumptions	(16,625)		(16,625)
Employer contributions		1,387,013	(1,387,013)
Net investment income		391,205	(391,205)
Benefit payments	(1,187,013)	(1,187,013)	0
Administrative expense		(9,544)	9,544
Other		(1,202)	1,202
Net changes	<u>(1,195,497)</u>	<u>580,459</u>	<u>(1,775,956)</u>
Ending balance	<u>\$ 10,896,147</u>	<u>\$ 2,374,721</u>	<u>\$ 8,521,426</u>

Ending balances are as of the measurement date, December 31, 2019.

Changes of assumptions reflect revised TMRS demographic assumptions and updates to the health care trend assumption.

Consistent with the requirements of GASB Statements No. 74 and No. 75, employer contributions include "amounts for OPEB as the benefits come due that will not be reimbursed to the employer using OPEB plan assets." The employer contributions of \$1,387,013 consist of a trust contribution of \$200,000 and benefit payments of \$1,187,013, which were paid by the City using its own assets.

The benefit payments during the measurement period were determined as follows:

a. Retiree claims paid by the City	\$ 1,146,688
b. Administrative fees for retirees	10,681
c. Stop-loss premiums for retirees	31,099
d. City's subsidies for Medicare retirees	312,438
e. Retiree contributions	(313,893)
f. Stop-loss reimbursements	0
g. Total benefit payments	<u>\$ 1,187,013</u>



Recognition of Deferred Outflows and Deferred Inflows of Resources

Differences between expected and actual experience and changes in assumptions are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period.

At the beginning of the current measurement period, the expected remaining service lives of all active employees in the plan was approximately 5,210 years. Additionally, the total plan membership (active employees and inactive employees) was 721. As a result, the average of the expected remaining service lives for purposes of recognizing the applicable deferred outflows and inflows of resources established in the current measurement period is 7.2255 years.

Additionally, differences between projected and actual earnings on OPEB plan investments should be recognized in OPEB expense using a systematic and rational method over a closed five-year period. For this purpose, the deferred outflows and inflows of resources are recognized in the OPEB expense as a level dollar amount over the closed period identified above.

Statement of Outflows and Inflows Arising from Current Reporting Period

	Recognition Period (or amortization years)	Total (Inflow) or Outflow	2020 Recognized in current OPEB expense	Deferred (Inflow) or Outflow in future expense
Due to Liabilities:				
Differences in expected and actual experience	7.2255	\$ (863,361)	\$ (119,488)	\$ (743,873)
Assumption changes	7.2255	\$ (16,625)	\$ (2,301)	\$ (14,324)
Due to Assets:				
Excess Investment Returns	5.0000	\$ (268,427)	\$ (53,685)	\$ (214,742)
Total		\$ (1,148,413)	\$ (175,474)	\$ (972,939)

This table is provided to document sources of the new deferred inflows and outflows resulting from the current reporting year. The table is not a required disclosure. The required disclosures regarding deferred inflows and outflows of resources related to OPEB are shown on page C-4.

Statement of OPEB Expense under GASB Statement No. 75

Fiscal Year Ending September 30, 2020

1. Service Cost	\$	120,216
2. Interest on the Total OPEB Liability		751,286
3. Current-Period Benefit Changes		0
4. Employee Contributions (made negative for addition here)		0
5. Projected Earnings on Plan Investments (made negative for addition here)		(122,778)
6. OPEB Plan Administrative Expense		9,544
7. Other Changes in Plan Fiduciary Net Position		1,202
8. Recognition of Current Year Outflow/(Inflow) due to Liabilities		(121,789)
9. Recognition of Current Year Outflow/(Inflow) due to Assets		(53,685)
10. Amortization of Prior Year Outflow/(Inflow) due to Liabilities		(4,691)
11. Amortization of Prior Year Outflow/(Inflow) due to Assets		17,294
12. Total OPEB Expense	\$	596,599

Balances of Deferred Outflows and Deferred Inflows of Resources Related to OPEB

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience, liability	\$ 0	\$ 768,495
Changes in assumptions	0	14,324
Difference between expected and actual experience, assets	0	135,939
Contributions subsequent to the measurement date	1,037,315	
Total	\$ 1,037,315	\$ 918,758

Employer contributions made subsequent to the measurement date of the total OPEB liability (December 31, 2019) and prior to the end of the employer's reporting period (September 30, 2020) should be reported by the employer as a deferred outflow related to OPEB. See paragraph 44 of GASB Statement No. 75 for single/agent employers that have formal assets.

The \$1,037,315 of employer contributions made subsequent to the measurement date equals the sum of the City's OPEB trust contributions of \$200,000 and \$837,315 in benefits paid by the City using its own assets (net of OPEB trust reimbursements).

Deferred Outflows and Deferred Inflows to be Recognized in Future OPEB Expense

Year Ending September 30	Net Deferred Outflows (Inflows)
2021	\$ (162,871)
2022	(162,871)
2023	(135,950)
2024	(180,167)
2025	(126,480)
Thereafter	(150,419)
Total	\$ (918,758)

Deferred Outflows and Inflows – Amortization Schedule

	Remaining Recognition Period	Outflow/(Inflow) at beginning of Fiscal Year (or created in current year)	Fiscal Year Ending							Outflow/(Inflow) at end of Fiscal Year
			2020	2021	2022	2023	2024	2025	Thereafter	
Differences in Liability Experience										
2020	7.2255	(863,361)	(119,488)	(119,488)	(119,488)	(119,488)	(119,488)	(119,488)	(146,433)	(743,873)
2019	6.2495	(29,313)	(4,691)	(4,691)	(4,691)	(4,691)	(4,691)	(4,691)	(1,167)	(24,622)
2018	5.2495	0	0	0	0	0	0	0	0	0
Total			<u>\$(124,179)</u>	<u>\$(124,179)</u>	<u>\$(124,179)</u>	<u>\$(124,179)</u>	<u>\$(124,179)</u>	<u>\$(124,179)</u>	<u>\$(147,600)</u>	<u>\$ (768,495)</u>
Assumption Changes										
2020	7.2255	(16,625)	(2,301)	(2,301)	(2,301)	(2,301)	(2,301)	(2,301)	(2,819)	(14,324)
2019	6.2495	0	0	0	0	0	0	0	0	0
2018	5.2495	0	0	0	0	0	0	0	0	0
Total			<u>\$ (2,301)</u>	<u>\$ (2,301)</u>	<u>\$ (2,301)</u>	<u>\$ (2,301)</u>	<u>\$ (2,301)</u>	<u>\$ (2,301)</u>	<u>\$ (2,819)</u>	<u>\$ (14,324)</u>
Investment Experience										
2020	5.0000	(268,427)	(53,685)	(53,685)	(53,685)	(53,685)	(53,687)	0	0	(214,742)
2019	4.0000	176,860	44,215	44,215	44,215	44,215	0	0	0	132,645
2018	3.0000	(80,763)	(26,921)	(26,921)	(26,921)	0	0	0	0	(53,842)
Total			<u>\$ (36,391)</u>	<u>\$ (36,391)</u>	<u>\$ (36,391)</u>	<u>\$ (9,470)</u>	<u>\$ (53,687)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (135,939)</u>
Total Recognized in Future Expense				<u>\$ (162,871)</u>	<u>\$ (162,871)</u>	<u>\$ (135,950)</u>	<u>\$ (180,167)</u>	<u>\$ (126,480)</u>	<u>\$ (150,419)</u>	<u>\$ (918,758)</u>

This table is provided to document sources of the outstanding deferred inflows and outflows from year to year. The table is not a required disclosure. The required disclosures regarding deferred inflows and outflows of resources related to OPEB are shown on the previous page.

Actuarial Assumptions and Methods

Valuation Date: December 31, 2019

Methods and Assumptions:

Actuarial Cost Method Individual Entry-Age Normal

Discount Rate 6.50% as of December 31, 2019

Inflation 2.50%

Salary Increases 3.50% to 11.50%, including inflation

Demographic Assumptions Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS)

Mortality For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables published through 2019 to account for future mortality improvements.

Healthcare Cost Trend Rates Initial rate of 7.00% declining to an ultimate rate of 4.15% after 15 years

Participation Rates It was assumed that retirees would choose to receive retiree health care benefits through the City of Victoria according to the schedule below:

Service with Victoria as of 1/1/2009	Pre-65 Election Percentage
< 10	15%
10 - 19	35%
20 +	70%

Since retirees must be on the City's plan upon attainment of age 65 in order to be eligible for City contributions to a Retiree Reimbursement Account (RRA), the rates above were multiplied by 120% at ages 63 and 64 for those eligible for RRA contributions. In addition, it was assumed that 100% of employees retiring after the age of 65, who are eligible to receive a RRA contribution from the City, would participate.

Other Information:

Notes The demographic assumptions were updated to reflect the 2019 TMRS Experience Study and the health care trend rates were revised.

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan’s fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on OPEB plan investments is 6.50%; the municipal bond rate is 2.75% (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-Year Municipal GO AA Index”); and the resulting Single Discount Rate is 6.50%.

The funding policy of the City is to pay the pay-go benefits from its own assets plus contribute \$200,000 to the OPEB trust each fiscal year. The City has, and is expected to continue to, make total contributions that exceed the recommended actuarially determined contribution, which is based on a closed amortization period. As a result, the OPEB plan’s fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Summary of Membership Information

The following table provides a summary of the number of participants in the plan as of December 31, 2019:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	157
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	0
Active Plan Members	564
Total Plan Members	<u>721</u>

Sample Disclosures and Required Supplementary Information (RSI)

Illustration 1 in Appendix C of GASB Statement No. 75 provides sample note disclosures and required supplementary information (RSI) for a single employer plan that is administered through a formal trust.

Sensitivity of Total OPEB Liability to the Single Discount Rate Assumption

Regarding the sensitivity of the net OPEB liability to changes in the Single Discount Rate, the following presents the plan’s net OPEB liability, calculated using a Single Discount Rate of 6.50%, as well as what the plan’s total OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

1% Decrease	Current Single Discount Rate Assumption	1% Increase
5.50%	6.50%	7.50%
\$ 9,353,882	\$ 8,521,426	\$ 7,784,383

Sensitivity of Total OPEB Liability to the Healthcare Cost Trend Rate Assumption

Regarding the sensitivity of the net OPEB liability to changes in the healthcare cost trend rates, the following presents the plan’s net OPEB liability, calculated using the assumed trend rates as well as what the plan’s net OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
\$ 8,176,089	\$ 8,521,426	\$ 8,916,641

SECTION D

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net OPEB Liability and Related Ratios Last 10 Fiscal Years (which may be built prospectively)

Fiscal year ending September 30,	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service cost	\$ 120,216	\$ 127,975	\$ 124,247
Interest on the total OPEB liability	751,286	766,878	769,282
Changes of benefit terms	0	0	0
Difference between expected and actual experience	(863,361)	(34,004)	0
Changes of assumptions	(16,625)	0	0
Benefit payments	<u>(1,187,013)</u>	<u>(1,006,672)</u>	<u>(858,080)</u>
Net change in total OPEB liability	<u>(1,195,497)</u>	<u>(145,823)</u>	<u>35,449</u>
Total OPEB liability - beginning	<u>12,091,644</u>	<u>12,237,467</u>	<u>12,202,018</u>
Total OPEB liability - ending (a)	<u>\$ 10,896,147</u>	<u>\$ 12,091,644</u>	<u>\$ 12,237,467</u>
Plan fiduciary net position			
Employer contributions	\$ 1,387,013	\$ 1,064,672	\$ 1,000,080
OPEB plan net investment income	391,205	(99,554)	234,929
Benefit payments	(1,187,013)	(1,006,672)	(858,080)
OPEB plan administrative expense	(9,544)	(8,579)	(8,160)
Other	<u>(1,202)</u>	<u>(903)</u>	<u>0</u>
Net change in plan fiduciary net position	<u>580,459</u>	<u>(51,036)</u>	<u>368,769</u>
Plan fiduciary net position - beginning	<u>1,794,262</u>	<u>1,845,298</u>	<u>1,476,529</u>
Plan fiduciary net position - ending (b)	<u>\$ 2,374,721</u>	<u>\$ 1,794,262</u>	<u>\$ 1,845,298</u>
Net OPEB liability - ending (a) - (b)	<u>\$ 8,521,426</u>	<u>\$ 10,297,382</u>	<u>\$ 10,392,169</u>
Plan fiduciary net position as a percentage of total OPEB liability	21.79 %	14.84 %	15.08 %
Covered-employee payroll	\$ 31,242,478	\$ 30,702,381	\$ 30,181,968
Net OPEB liability as a percentage of covered-employee payroll	27.28 %	33.54 %	34.43 %

Notes to Schedule:

FYE20 - Changes of assumptions reflect updates to the demographic and salary increase assumptions to reflect the 2019 TMRS Experience Study and revised health care trend rates.

Schedule of Contributions

(Multi-year schedules may be built prospectively)

FY Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Actual Contribution as a % of Covered Payroll
2018	\$ 1,050,147	\$ 1,192,162	\$ (142,015)	\$ 30,414,370	3.92 %
2019	1,054,239	1,440,166	(385,927)	31,269,773	4.62 %
2020	1,058,453	1,272,852	(214,399)	31,749,423	4.01 %

Employer contributions include trust contributions and benefit payments/expenses paid by the City with its own assets. The benefit payments can be determined in a manner similar to how the benefit payments for the measurement period were developed (see page C-1).

Notes to Schedule of Contributions

Valuation Date: The actuarially determined contribution for fiscal year ending September 30, 2020 was developed in the December 31, 2017 valuation.

Methods and Assumptions:

Actuarial Cost Method	Individual Entry-Age Normal
Amortization Method	Level Dollar
Amortization Period	Closed, 18 years as of FYE20
Asset Valuation	Market Value
Investment Rate of Return	6.50%, net of investment expenses, including inflation
Inflation	2.50%
Salary Increases	3.50% to 10.50%, including inflation
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2014 as conducted for the Texas Municipal Retirement System (TMRS)
Mortality	For healthy retirees, the gender-distinct RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.
Healthcare Cost Trend Rates	Initial rate of 7.50% declining to an ultimate rate of 4.25% after 15 years
Participation Rates	It was assumed that retirees would choose to receive retiree health care benefits through the City of Victoria according to the schedule below:

Service with Victoria as of 1/1/2009	Pre-65 Election Percentage
< 10	15%
10 - 19	35%
20 +	70%

Since retirees must be on the City's plan upon attainment of age 65 in order to be eligible for City contributions to a Retiree Reimbursement Account (RRA), the rates above were multiplied by 120% at ages 63 and 64 for those eligible for RRA contributions. In addition, it was assumed that 100% of employees retiring after the age of 65, who are eligible to receive a RRA contribution from the City, would participate.

SECTION E

FUNDING RESULTS

Development of the Actuarially Determined Contribution and Unfunded Actuarial Accrued Liability

	Development of the Actuarially Determined Contribution	
	<u>September 30, 2021</u>	<u>September 30, 2018</u>
Fiscal Year Ending		
Employer Normal Cost	\$122,740	\$136,377
Amortization of UAAL	<u>\$767,900</u>	<u>\$913,770</u>
Actuarially Determined Contribution (ADC)	\$890,640	\$1,050,147
ADC Per Active Participant	\$1,579	\$1,846
ADC for Fiscal Year Ending September 30, 2022	\$894,322	
ADC for Fiscal Year Ending September 30, 2023	\$898,115	

The normal costs shown above include plan administrative expenses.

	Determination of Unfunded Actuarial Accrued Liability	
	<u>December 31, 2019</u>	<u>December 31, 2017</u>
Valuation Date		
A. Present Value of Future Benefits		
i) Retirees and Beneficiaries	\$7,989,721	\$8,547,715
ii) Vested Terminated Members	\$0	\$0
iii) Active Members	<u>\$3,726,919</u>	<u>\$4,646,235</u>
Total Present Value of Future Benefits	\$11,716,640	\$13,193,950
B. Present Value of Future Normal Costs	\$820,493	\$956,483
C. Actuarial Accrued Liabilities (A.-B.)	\$10,896,147	\$12,237,467
D. Actuarial Value of Assets	\$2,374,721	\$1,845,298
E. Unfunded Actuarial Accrued Liability (C.-D.)	\$8,521,426	\$10,392,169
F. Funded Ratio (D./C.)	21.79%	15.08%

Comments

COMMENT A: One of the key assumptions used in any valuation of the cost of post-employment benefits is the rate of return on Plan assets. Higher assumed investment returns will result in a lower actuarially determined contribution (ADC). Lower returns will tend to increase the computed ADC. Based on the investment strategy selected by the plan, the assumed long-term rate of return on the OPEB trust is 6.50%.

COMMENT B: The ADC shown in this report has been calculated using level dollar amortization of the unfunded actuarial accrued liability. The unfunded actuarial accrued liabilities were amortized over a closed period of 20 years, beginning in FYE18. As of FYE21, there are 17 years remaining.

10-Year Projection of Net Employer Provided Benefits

Year	Net Employer Benefits
2020	\$1,044,000
2021	1,083,000
2022	1,123,000
2023	1,117,000
2024	1,096,000
2025	1,070,000
2026	961,000
2027	888,000
2028	866,000
2029	833,000

The projected benefits shown above are based on the active employees and retirees as of the valuation date.

SECTION F

SUMMARY OF BENEFITS

Summary of Benefits

As of December 31, 2019

Plan Participants

Full-time employees of the City who are on the City's health care plan at the time of separation and eligible to retire with TMRS are eligible to participate in the retiree health care plan. Beginning January 1, 2019, to receive City health benefits upon retirement, employees must have been with the City of Victoria for five (5) continuous years and be employed by the City of Victoria until the date of retirement.

Retirement Benefits

The City participates in the Texas Municipal Retirement System (TMRS). Employees are eligible for retirement after completing 20 years of service, or at age 60 with 5 years of service. Service for retirement eligibility can include TMRS service earned with a different employer. However, eligibility for the City's contribution toward retiree health care premiums is based on the number of years of consecutive service with the City of Victoria. Service accruals for the purpose of determining retiree health care benefits were frozen as of December 31, 2008.

Category 1 (retired as of 12/31/08)

Retirees under age 65 on the City's self-insured health plan

Years of Service At Retirement	City/Retiree Premium Cost Allocation
0 – 19	0%/100%
20 - 29	60%/40%
30 +	80%/20%

Retirees age 65 and older with a Retiree Reimbursement Account (RRA)

Years of Service At Retirement	City RRA Contribution Amount*
0 – 19	\$0
20 – 29	\$213.72
30 +	\$284.96

*City contribution is provided as a flat amount deposited from the City into the Retiree Reimbursement Account.

Summary of Benefits

As of December 31, 2019

Retirement Benefits (continued)

Category 2 (employed at 12/31/08; retired on or after January 1, 2009)

Retirees under age 65 on the City's self-insured health plan

Years of Service At 1/1/2009	City/Retiree Premium Cost Allocation*
0 – 9	\$340/Remaining Cost
10 - 19	\$408/Remaining Cost
20 +	\$544/Remaining Cost

Retirees age 65 and older with a Retiree Reimbursement Account (RRA)

Years of Service At 1/1/2009	City RRA Contribution Amount*
0 – 9	\$0
10 - 19	\$204
20 +	\$272

*City's contribution amounts are not expected to increase in future years.

Category 3 (hired on or after January 1, 2009)

Retirees under age 65 on the City's self-insured health plan

City/Retiree Premium Cost Allocation
\$340/Remaining Cost

Retirees age 65 and older with a Retiree Reimbursement Account (RRA)

City RRA Contribution Amount*
\$0

*City's contribution amounts are not expected to increase in future years.

The City's contributions are not expected to increase in the future for retirees under age 65 on the City's self-insured health plan for Category 2 and 3; however, there could be an increase for Category 1.

Vested Termination Benefits

Members terminating before normal retirement conditions are not eligible for retiree health care when their vested pension benefit commences.

Death-in-Service Benefits

If the employee is eligible for the City's Pre-65 Retiree Health Plan at the time of their death, the spouse may continue as a survivor under COBRA coverage for up to 36 months.

Summary of Benefits

As of December 31, 2019

Disability Retirement Benefits

Disabled retirement benefits are provided similar to non-disabled retirement benefits but, at one-half the premium amount. The same provisions apply to disabled retirees as non-disabled retirees. Once the retiree attains age 65, they are no longer on the City's self-insured plan and are only eligible for the Retiree Reimbursement Account contribution.

Spouse/Dependent Coverage

Retirees may carry spouse and/or dependent coverage on the City's self-insured plan, but the City does not provide any additional contributions toward premiums. The cost sharing allocation applies only to the retiree-only premium amount. The City does not provide any post-65 Retiree Reimbursement Account on behalf of a spouse or dependent.

Benefits for Surviving Spouses of Retired Employees

Surviving spouses may remain on the City's self-insured plan until attaining age 65, but are required to pay the full premium.

Medicare–Eligible Provisions

Upon attaining age 65, retirees may no longer participate in the City's self-insured plan. The City provides a flat dollar contribution to a Retiree Reimbursement Account in accordance with the service-based tables above.

Vision Coverage

Vision benefits are not provided to retirees.

Dental Coverage

Dental benefits are provided to retirees through the City's self-insured plan. Retirees pay 100% of the dental premiums.

Life Insurance Coverage

The City does not provide a life insurance benefit for retirees.

Retiree Opt-Out

There are no additional benefits provided to retirees who choose to not participate.

Re-enrollment and Early Exit Option

Retirees cannot re-enroll in the City's plan if there is a lapse in coverage. If a retiree has coverage on the City's self-insured health care plan, they must maintain coverage until age 65 in order to be eligible to receive a Retiree Reimbursement Account contribution (if applicable) from the City.



Summary of Benefits

As of December 31, 2019

Monthly Premiums for Fiscal Year 2019 - 2020

Category 1 (Retired as of 12/31/08)

Plan Coverage	Total Premium		
	Plan #1 (PPO)	Plan #2 (HDHP)	Medicare Plan (Retiree Reimbursement Account)
Retiree Only, 20-29 YOS	\$811.80	\$732.88	\$ 213.72
Retiree Only, 30+ YOS	\$811.80	\$732.88	\$ 284.96
Spouse	\$471.22	\$364.35	N/A
Children	\$406.33	\$314.18	N/A
Family	\$542.93	\$419.79	N/A

Category 2 and 3 (Retired on or after January 1, 2009)

Plan Coverage	Total Premium		
	Plan #1 (PPO)	Plan #2 (HDHP)	Medicare Plan (Retiree Reimbursement Account)
Retiree Only, 0-9 YOS	\$811.80	\$732.88	\$ 0.00
Retiree Only, 10-19 YOS	\$811.80	\$732.88	\$ 204.00
Retiree Only, 20+ YOS	\$811.80	\$732.88	\$ 272.00
Spouse	\$471.22	\$364.35	N/A
Children	\$406.33	\$314.18	N/A
Family	\$542.93	\$419.79	N/A

SECTION G

UNDERLYING RETIREE CLAIMS COST DEVELOPMENT

Underlying Retiree Claims Cost Development

The initial per capita costs were developed for the pre-65 retirees using active and retiree claims experience for calendar years 2017 through 2019 in conjunction with census data for the active and retired members of the retiree health care program. It is our understanding that no plan changes occurred over this time period; therefore, no adjustments were applied to the claims for plan changes. The claims were projected on an incurred claim basis, adjusted for large claims, and loaded for administrative expenses. An inherent assumption in this methodology is that the projected future retirees will have a similar distribution by plan type as the current retirees. The prescription drug costs were analyzed separately and are included in the age rated costs shown below.

Age-graded and sex-distinct per capita costs are utilized by this valuation. These costs 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 rate over all age/sex combinations and assigns a unique rate for each combination. The age/sex specific costs more accurately reflect the health care utilization and cost at that age.

The monthly per capita costs including medical and prescription drug benefits at select ages are shown below:

For Those Not Eligible For Medicare		
Age	Male	Female
40	\$443.17	\$720.12
50	718.38	884.97
60	1,220.91	1,202.18
64	1,484.66	1,401.12

Medicare-eligible retirees are not eligible to participate in the City’s self-insured health care plan. However, they may be eligible for a flat dollar contribution to a Retiree Reimbursement Account. See Section F of this report for additional details.

SECTION H

SUMMARY OF PARTICIPANT DATA

City of Victoria
Total Active Members as of December 31, 2019
By Attained Age and Years of Service

Attained Age	Years of Service to Valuation Date							Total
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	
Under 20	4							4
20-24	50							50
25-29	65	16						81
30-34	40	38	12	1				91
35-39	20	27	26	9				82
40-44	17	13	14	19	2	1		66
45-49	9	2	10	12	11	3		47
50-54	14	7	2	3	12	12	5	55
55-59	14	6	5	5	7	6	14	57
60-64	3	7	4	3	2	6	6	31
65 & Over								
Totals	236	116	73	52	34	28	25	564

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 40.2 years

Service: 9.7 years

City of Victoria
Total Retired Members as of December 31, 2019
By Attained Age

Attained Age	Number of Retirees		
	Male	Female	Total
Under 55	6	1	7
55-59	18	5	23
60-64	17	9	26
65 & Over	78	23	101
Totals	119	38	157

The number counts above only include those retirees who have elected to receive retiree health care coverage through the City of Victoria Retiree Health Care Plan or are receiving a contribution from the City to a Retiree Reimbursement Account.

SECTION I

VALUATION METHODS 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 were determined using an **Individual Entry-Age Normal 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 Total OPEB Liability.

Actuarial Assumptions

The rate of inflation is assumed to be 2.50% per year.

The Single Discount Rate of 6.50% is based on the measurement date of December 31, 2019.

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

TMRS Years of Service	Male & Female
1	11.50%
2	7.25
3	6.75
4	6.25
5	6.00
6	5.75
7	5.50
8	5.25
9	5.00
10	4.75
11-12	4.50
13-15	4.25
16-20	4.00
21-24	3.75
25+	3.50

The rates of post retirement mortality for healthy retirees:

The gender-distinct 2019 Municipal Retirees of Texas mortality tables were used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables published through 2019 to account for future mortality improvements.

The rates of post retirement mortality for disabled retirees:

The same as healthy retirees, except with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied to reflect impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables published through 2019 to account for future mortality improvements and are applied before the 3.5% and 3% minimum mortality floors are applied.

The rates of mortality for active members:

The gender-distinct Pub-2010 Public Retirement Plans mortality tables were used, with the public safety table (PubS-2010 Employee) used for males and the general employees table (PubG-2010 Employee) used for females. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables published through 2019 to account for future mortality improvements.

Actuarial Assumptions

The rates of retirement shown in the following table vary by age. These base rates are adjusted then multiplied by 2 factors based on 1) employee contribution rate and employer match and 2) if the city has a recurring COLA.

Age	Male & Female
<50	5%
50-51	7
52-54	8
55-59	13
60	16
61	17
62	25
63-64	20
65-74	30
75+	100

Note: For cities without a 20-year/any age retirement provision, the rates are loaded by 50% for ages 60 and below with 25 or more years of service.

Plan Design Factors Applied to Base Retirement Rates

Employer Match	Employee Contribution Rate		
	5%	6%	7%
1 - 1	0.75	0.80	0.84
1.5 - 1	0.81	0.86	0.92
2 - 1	0.86	0.93	1.00

Recurring COLA: 1.00

No Recurring COLA: 0.95

The plan design factors are applied to the base retirement rates for ages less than 62.

Actuarial Assumptions

Rates of separation from active membership were as shown below (rates do not apply to members eligible to retire and do not include separation on account of death or disability).

1. For the first 10 years of service, the base table rates vary by gender, entry age, and length of service. For each city, the base table is then multiplied by a factor from 75% to 125% based on the experience of the individual city. A further multiplier is applied depending on an employee's classification: 1) Fire - 68%, 2) Police - 86%, or 3) Other - 108%. Sample base rates are shown below:

Male Age	SERVICE									
	0	1	2	3	4	5	6	7	8	9
20	0.3079	0.2766	0.2305	0.2037	0.1951	0.1764	0.1612	0.1311	0.1078	0.0860
25	0.2798	0.2393	0.1911	0.1638	0.1507	0.1336	0.1210	0.1060	0.0976	0.0798
30	0.2585	0.2163	0.1697	0.1395	0.1138	0.1052	0.0945	0.0817	0.0785	0.0655
35	0.2642	0.2183	0.1663	0.1334	0.1107	0.1048	0.0894	0.0758	0.0655	0.0598
40	0.2602	0.2172	0.1647	0.1279	0.1103	0.0994	0.0849	0.0749	0.0633	0.0608
45	0.2392	0.2040	0.1640	0.1287	0.1110	0.0976	0.0857	0.0750	0.0638	0.0607
50	0.2191	0.1825	0.1489	0.1211	0.1072	0.0935	0.0851	0.0755	0.0636	0.0609
55	0.2112	0.1759	0.1334	0.1132	0.0908	0.0911	0.0813	0.0719	0.0643	0.0591
60	0.2108	0.1626	0.1298	0.1118	0.0833	0.0915	0.0794	0.0721	0.0602	0.0579
65	0.2109	0.1542	0.1305	0.1121	0.0847	0.0914	0.0798	0.0738	0.0577	0.0581
70	0.2109	0.1557	0.1304	0.1121	0.0845	0.0914	0.0797	0.0735	0.0581	0.0581

Female Age	SERVICE									
	0	1	2	3	4	5	6	7	8	9
20	0.3080	0.2836	0.2258	0.2132	0.2030	0.2054	0.1561	0.1565	0.1590	0.1600
25	0.2828	0.2449	0.2101	0.1995	0.1739	0.1690	0.1392	0.1375	0.1206	0.1144
30	0.2617	0.2224	0.1981	0.1791	0.1369	0.1370	0.1297	0.1145	0.0989	0.0817
35	0.2464	0.2153	0.1834	0.1462	0.1294	0.1258	0.1130	0.1103	0.1016	0.0782
40	0.2281	0.2026	0.1641	0.1365	0.1316	0.1115	0.1040	0.0940	0.0847	0.0745
45	0.2227	0.1884	0.1450	0.1359	0.1072	0.1034	0.0909	0.0797	0.0717	0.0737
50	0.2238	0.1823	0.1369	0.1249	0.0901	0.0896	0.0837	0.0735	0.0686	0.0628
55	0.2236	0.1766	0.1372	0.1218	0.0848	0.0819	0.0725	0.0717	0.0696	0.0560
60	0.2236	0.1548	0.1372	0.1191	0.0811	0.0856	0.0656	0.0649	0.0436	0.0386
65	0.2236	0.1454	0.1372	0.1169	0.0813	0.0871	0.0678	0.0603	0.0281	0.0285
70	0.2236	0.1471	0.1372	0.1173	0.0813	0.0868	0.0675	0.0611	0.0308	0.0303

The rates shown above do not include the employer and employee specific loads.

Actuarial Assumptions

Rates of Separation (continued)

2. After 10 years of service, separation rates vary by gender and by the number of years remaining until first retirement eligibility. For each city, the base table is then multiplied by a factor from 75% to 125% based on the experience of the individual city. A further multiplier is applied depending on an employee's classification: 1) Fire - 54%, 2) Police - 83%, or 3) Other - 113%. Sample base rates are shown below:

Years from Retirement	Male	Female
1	1.82%	2.34%
2	2.43	3.15
3	2.87	3.75
4	3.24	4.25
5	3.55	4.67
6	3.83	5.06
7	4.08	5.40
8	4.32	5.72
9	4.53	6.02
10	4.74	6.30
11	4.93	6.57
12	5.11	6.82
13	5.28	7.06
14	5.45	7.28
15	5.60	7.50

Termination rates end at first eligibility for retirement.

The rates shown above do not include the employer and employee specific loads.

Rates of disability among active members. Sample rates are shown below:

Age	Male & Female
20	0.0003%
25	0.0019
30	0.0074
35	0.0194
40	0.0371
45	0.0603
50	0.0891
55	0.1235
60	0.1635
65	0.2090

Actuarial Assumptions

Health cost increases are displayed in the following table:

Year	Health Care Trend Inflation Rates
	Medical and Drug
2020	7.00%
2021	7.00
2022	7.00
2023	6.75
2024	6.50
2025	6.25
2026	6.00
2027	5.75
2028	5.50
2029	5.25
2030	5.00
2031	4.80
2032	4.60
2033	4.40
2034	4.20
2035 & Later	4.15

Miscellaneous and Technical Assumptions

Administrative Expenses

The age-related claims shown on page G-1 include administrative expenses.

Claims Utilization

To model the impact of aging on the underlying health care costs, the valuation relied on the Society of Actuaries' 2013 Study "Health Care Costs – From Birth to Death". Chart 1 (2010 Aggregate Commercial Costs) was used to model the impact of aging for ages less than 65.

Decrement Timing

Decrements of all types are assumed to occur mid-year.

Decrement Operation

Disability does not operate during retirement eligibility.

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.

Marriage Assumption

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.

Election Percentage

All future retirees are in either Category 2 or 3. It was assumed that retirees would choose to receive retiree health care benefits through the City of Victoria according to the schedule below.

Service with Victoria as of 1/1/2009	Pre-65 Election Rate in City's Plan
< 10	15%
10 – 19	35%
20 +	70%

Since retirees must be on the City's plan upon attainment of age 65 in order to be eligible for City contributions to a Retiree Reimbursement Account (RRA), the rates above are multiplied by 120% at ages 63 and 64 for those eligible for RRA contributions.

Of those assumed to elect coverage, 35% of males and 20% of females were assumed to elect two-person coverage, if eligible. For those that elect two-person coverage, it was assumed that coverage would not continue to the spouse upon death of the retiree.

In addition, 100% of employees retiring after attaining age 65, who are eligible to receive a RRA contribution from the City, were assumed to participate.

Demographic Assumptions

This report has used the same demographic assumptions used to value the defined benefit retirement plan in which the members participate. We are reliant upon the retirement plan actuary to develop the demographic assumptions. Based on our experience, the assumptions appear reasonable.

Assumption, Method, and Plan Changes

Assumption, Method, and Plan Changes

1. The demographic and salary increase assumptions have been updated to reflect the TMRS Experience Study for the four-year period ending December 31, 2018. This change decreased the total OPEB liability.
2. The trend rates were reset to better reflect the plan's anticipated experience. This change increased the total OPEB liability.

SECTION J

GLOSSARY OF TERMS

Glossary of Terms

Accrued Service	Service credited under the system that was rendered before the date of the actuarial valuation.
Actuarial Accrued Liability (AAL)	The AAL is the difference between the actuarial present value of all benefits and the actuarial value of future normal costs. The definition comes from the fundamental equation of funding which states that the present value of all benefits is the sum of the Actuarial Accrued Liability and the present value of future normal costs. The AAL may also be referred to as "accrued liability" or "actuarial liability."
Actuarial Assumptions	These assumptions are estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and compensation increases. Actuarial assumptions are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (compensation increases, payroll growth, inflation and investment return) consist of an underlying real rate of return plus an assumption 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 the OPEB trust benefits between future normal cost and actuarial accrued liability. The actuarial cost method may also be referred to as the actuarial funding method.
Actuarial Equivalent	A single amount or series of amounts of equal actuarial value to another single amount or series of amounts, computed on the basis of appropriate actuarial assumptions.
Actuarial Gain (Loss)	The difference in liabilities between actual experience and expected experience during the period between two actuarial valuations is the gain (loss) on the accrued liabilities.
Actuarial Present Value (APV)	The amount of funds currently required to provide a payment or series of payments in the future. The present value is determined by discounting future payments at predetermined rates of interest and probabilities of payment.
Actuarial Valuation	The actuarial valuation report determines, as of the actuarial valuation date, the service cost, total OPEB liability, and related actuarial present value of projected benefit payments for OPEB.
Actuarial Valuation Date	The date as of which an actuarial valuation is performed.

Glossary of Terms

Actuarially Determined Contribution (ADC) or Annual Required Contribution (ARC)	A calculated contribution into an OPEB plan for the reporting period, most often determined based on the funding policy of the plan. Typically the Actuarially Determined Contribution has a normal cost payment and an amortization payment.
Amortization Method	The method used to determine the periodic amortization payment may be a level dollar amount, or a level percent of pay amount. The period will typically be expressed in years, and the method will either be “open” (meaning, reset each year) or “closed” (the number of years remaining will decline each year).
Amortization Payment	The amortization payment is the periodic payment required to pay off an interest-discounted amount with payments of interest and principal.
Cost-of-Living Adjustments	Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.
Cost-Sharing Multiple-Employer Defined Benefit OPEB Plan (cost-sharing OPEB plan)	A multiple-employer defined benefit OPEB plan in which the OPEB obligations to the employees of more than one employer are pooled and OPEB plan assets can be used to pay the benefits of the employees of any employer that provides benefits through the OPEB plan.
Covered-Employee Payroll	The payroll of employees that are provided with benefits through the OPEB plan.
Deferred Inflows and Outflows	The deferred inflows and outflows of OPEB resources are amounts used under GASB Statement No. 75 in developing the annual OPEB expense. Deferred inflows and outflows arise with differences between expected and actual experiences; changes of assumptions. The portion of these amounts not included in the OPEB expense should be included in the deferred inflows or outflows of resources.
Discount Rate	For GASB purposes, the discount rate is the single rate of return that results in the present value of all projected benefit payments to be equal to the sum of the funded and unfunded projected benefit payments, specifically: <ol style="list-style-type: none">1. The benefit payments to be made while the OPEB plans’ fiduciary net position is projected to be greater than the benefit payments that are projected to be made in the period; and2. The present value of the benefit payments not in (1) above, discounted using the municipal bond rate.

Glossary of Terms

Entry Age Actuarial Cost Method (EAN)

The EAN is a cost method for allocating the costs of the plan between the normal cost and the accrued liability. The actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis (either level dollar or level percent of pay) over the earnings or service of the individual between entry age and assumed exit ages(s). The portion of the actuarial present value allocated to a valuation year is the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is the actuarial accrued liability. The sum of the accrued liability plus the present value of all future normal costs is the present value of all benefits.

Fiduciary Net Position

The fiduciary net position is the market value of the assets of the trust dedicated to the defined benefit provisions.

GASB

The Governmental Accounting Standards Board is an organization that exists in order to promulgate accounting standards for governmental entities.

Long-Term Expected Rate of Return

The long-term rate of return is the expected return to be earned over the entire trust portfolio based on the asset allocation of the portfolio.

Money-Weighted Rate of Return

The money-weighted rate of return is a method of calculating the returns that adjusts for the changing amounts actually invested. For purposes of GASB Statement No. 74, the money-weighted rate of return is calculated as the internal rate of return on OPEB plan investments, net of OPEB plan investment expense.

Multiple-Employer Defined Benefit OPEB Plan

A multiple-employer plan is a defined benefit OPEB plan that is used to provide OPEB payments to the employees of more than one employer.

Municipal Bond Rate

The Municipal Bond Rate is the discount rate to be used for those benefit payments that occur after the assets of the trust have been depleted.

Net OPEB Liability (NOL)

The NOL is the liability of employers and non-employer contributing entities to plan members for benefits provided through a defined benefit OPEB plan.

Non-Employer Contributing Entities

Non-employer contributing entities are entities that make contributions to an OPEB plan that is used to provide OPEB payments to the employees of other entities. For purposes of the GASB accounting statements, plan members are not considered non-employer contributing entities.

Glossary of Terms

Normal Cost	The portion of the actuarial present value allocated to a valuation year is called the normal cost. For purposes of application to the requirements of this Statement, the term normal cost is the equivalent of service cost.
Other Postemployment Benefits (OPEB)	All postemployment benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits regardless of the manner in which they are provided. Other post-employment benefits do not include termination benefits.
Real Rate of Return	The real rate of return is the rate of return on an investment after adjustment to eliminate inflation.
Service Cost	The service cost is the portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.
Total OPEB Expense	The total OPEB expense is the sum of the following items that are recognized at the end of the employer's fiscal year: <ol style="list-style-type: none">1. Service Cost2. Interest on the Total OPEB Liability3. Current-Period Benefit Changes4. Employee Contributions (made negative for addition here)5. Projected Earnings on Plan Investments (made negative for addition here)6. OPEB Plan Administrative Expense7. Other Changes in Plan Fiduciary Net Position8. Recognition of Outflow (Inflow) of Resources due to Liabilities9. Recognition of Outflow (Inflow) of Resources due to Assets
Total OPEB Liability (TOL)	The TOL is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service.
Unfunded Actuarial Accrued Liability (UAAL)	The UAAL is the difference between actuarial accrued liability and valuation assets.
Valuation Assets	The valuation assets are the assets used in determining the unfunded liability of the plan. For purposes of GASB Statements No. 74 and No. 75, the valuation assets are equal to the market value of assets.