



CBIZ Retirement Plan Services

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June 10, 2021

Dennise Dryden
Clerk/Treasurer
City of Sylvan Lake
1820 Iverness
Sylvan Lake, MI 48320

RE: Actuarial Valuation of Other Post-Employment Benefits under GASB Statements No. 74 and 75 as of January 1, 2021

Dear Dennise:

Enclosed are the results of the Actuarial Valuation of Other Post-Employment Benefits (OPEBs) under GASB Statements No. 74 and 75 for City of Sylvan Lake.

Overall, the Total OPEB Liability decreased relative to the expectation from the prior valuation. Below is a summary of the primary drivers of the decrease:

- Updated per-capita premium rates
- Removed the load on liability due to the repeal of the "Cadillac" excise tax on high-cost plan benefits
- Updated healthcare cost trend to the current Uniform Assumption under Public Act 202 of 2017

Given that the Present Value of Future Benefits is 132% funded, the Actuarially Determined Contribution for the City is \$0. We also advise that the City begin paying retiree benefits from the Trust going forward.

The enclosed report includes the results of the actuarial valuation as of January 1, 2021, the Actuarially Determined Contributions for Fiscal Years ending June 30, 2021 and 2022, and the *estimated* GASB No. 75 financial disclosures for fiscal years ending June 30, 2021 and 2022. The GASB No. 75 disclosures cannot be finalized until final investment activity and benefit payments are realized for the fiscal year.

Please review the results thoroughly. If you have any further questions or concerns, feel free to reach out to me by phone at 216.525.4683, or by e-mail at AJJohnson@CBIZ.com.

Respectfully,

A handwritten signature in blue ink that reads "Alex J. Johnson".

Alex J. Johnson
Actuarial Managing Consultant

Enclosure(s)



**Actuarial Valuation
of
Other Post Employment Benefits (OPEBs)
as of January 1, 2021
and
GASB Statements No. 74 and 75**

City of Sylvan Lake

Report Prepared June 10, 2021

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City of Sylvan Lake

Actuarial Valuation as of January 1, 2021

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City of Sylvan Lake

Actuarial Valuation as of January 1, 2021

Actuarial Certification

I, the undersigned, am a consulting actuary associated with the firm CBIZ Retirement Plan Services. I am a member of the American Academy of Actuaries and meet its qualification standards to provide statements of actuarial opinion for actuarial valuations of Other Postemployment Benefits (OPEBs). I have completed an actuarial valuation of the OPEB Plan for the City of Sylvan Lake as of January 1, 2021. This report contains the results of the valuation.

To the best of my knowledge, the information supplied in this report is complete and accurate. In my opinion, the methods and assumptions used in the valuation comply with the Governmental Accounting Standards Board (GASB), particularly GASB Statements No. 74 and 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension". The assumptions are related reasonably to the past experience of the Plan, and they represent my best estimate of anticipated experience under the Plan. Nevertheless, the actual costs of the plan in the future will differ from the results of the valuation, as the emerging experience varies from the assumptions projected in the valuation.

I have relied on the City for the accuracy and completeness of the benefit plans, assets, claims and premium data, and the employee census. While I have not audited the data, I have reviewed it for reasonableness and consistency. A summary of my understanding of the plan features is provided in this report.

This report has been prepared for the use and benefit of the City in assessing the effect of GASB Statements No. 74 and 75 on accounting for OPEB plans. It should not be relied upon for other purposes, and it is not intended to benefit any other party. It may be shared in its entirety with all auditors and the general public.

Neither CBIZ nor any of the employees working on this engagement has any relationship with the City of Sylvan Lake that may impair, or appear to impair, the independence and objectivity of our work.

This actuarial valuation was prepared in accordance with the applicable Statements of the Governmental Accounting Standards Board and the Actuarial Standards of Practice issued by the American Academy of Actuaries.

Frank T. Vedegys, FSA, EA, MAAA
Senior Consulting Actuary

June 10, 2021
Date





City of Sylvan Lake Actuarial Valuation as of January 1, 2021

Summary of Valuation Results

Valuation Date	January 1, 2021
Participant Data	
Active Employees	5
Retirees and Covered Spouses	4
Total	9
Present Value of Future Benefits (PVFB)	
Active Employees	\$ 583,871
Retirees and Covered Spouses	119,230
Present Value of Future Benefits	\$ 703,101
Total OPEB Liability (TOL)	
Active Employees	\$ 531,373
Retirees and Covered Spouses	119,230
Total OPEB Liability	\$ 650,603
Fiduciary Net Position (FNP)	(932,691)
Net OPEB Liability (NOL)	\$ (282,088)
FNP as a Percentage of TOL	143.36%
Actuarially Determined Contribution (ADC) for Year Ending:	
June 30, 2021	\$ 0
June 30, 2022	0



City of Sylvan Lake Actuarial Valuation as of January 1, 2021

Development of Fiduciary Net Position at Valuation Date

Statement of Changes in Fiduciary Net Position

	1/1/2020 - 12/31/2020		
	OPEB Trust	Pay-as-you-go	Total
Balance as of Beginning of Year	\$ 812,238	\$ 0	\$ 812,238
Employer Contributions	12,500	32,291	44,791
Participant Contributions	0	0	0
Implicit Subsidy	0	0	0
Investment Income, net of investment expenses	109,432	0	109,432
 Total Additions	 \$ 121,932	 \$ 32,291	 \$ 154,223
Net Benefit Payments, including implicit subsidy	0	(32,291)	(32,291)
Non-Investment Expenses	(1,479)	0	(1,479)
 Total Deductions	 \$ (1,479)	 \$ (32,291)	 \$ (33,770)
 Net Change	 \$ 120,453	 \$ 0	 \$ 120,453
 Balance as of End of Year	 \$ 932,691	 \$ 0	 \$ 932,691
 Money-Weighted Rate of Return	 13.30%	 0.00%	 13.30%



City of Sylvan Lake Actuarial Valuation as of January 1, 2021

Development of Actuarially Determined Contribution (ADC)

Consistent with Public Act 202 of 2017, the Actuarially Determined Contribution ("ADC") must be calculated in the same manner as the Act's Annual Required Contribution ("ARC"), which is defined as the sum of the normal cost payment and the annual amortization payment for past service costs to fund the Unfunded Actuarial Accrued Liability.

The ADC calculated below is in compliance with Public Act 202 of 2017, which also requires an amortization period no greater than 30 years and a level-dollar amortization method for plans that are closed to new hires. All actuarial assumptions that may be used in the calculation of the ADC are disclosed below.

Year Ending:	<u>6/30/2022</u>	<u>6/30/2021</u>
<u>Normal Cost Component</u>		
Normal Cost	\$ 9,875	\$ 9,587
Expenses	1,736	1,679
Interest to End of Year	363	352
Total Normal Cost	<u>\$ 11,974</u>	<u>\$ 11,618</u>
<u>Amortization Component</u>		
Actuarial Accrued Liability		\$ 650,603
Actuarial Value of Assets		<u>932,691</u>
Unfunded Actuarial Accrued Liability		\$ (282,088)
Amortization Factor		<u>12.60071</u>
Amortization Payment	\$ (22,387)	\$ (22,387)
Interest on Amortization Payment to End of Year	(823)	(823)
Total Amortization Payment	<u>\$ (23,210)</u>	<u>\$ (23,210)</u>
Actuarial Cost Method:	Entry Age Normal as a Percentage of Payroll	
Discount Rate:	7.35%	
Wage Increase Rate:	3.00%	
Amortization Method:	Level Dollar over a closed 28 years	
Actuarially Determined Contribution	\$ -	\$ -
Expected Covered Payroll	328,227	391,393
ADC as a % of Covered Payroll	0.00%	0.00%



City of Sylvan Lake Actuarial Valuation as of January 1, 2021

Schedule of Funding Progress

Actuarial Valuation Date	Fiduciary Net Position (a)	Total OPEB Liability (b)	Net OPEB Liability (Asset) (b - a)	Funded Ratio (a / b)	Annual Covered Payroll (c)	Net OPEB Liability as a Percent of Payroll (b - a) / c
1/1/2008	\$0	\$1,237,597	\$1,237,597	0.0%	\$468,422	264.2%
1/1/2011	65,448	1,546,997	1,481,549	4.2%	399,588	370.8%
1/1/2014	201,541	958,467	756,926	21.0%	349,450	216.6%
1/1/2017	402,066	858,804	456,738	46.8%	305,240	149.6%
1/1/2019	669,555	710,724	41,169	94.2%	322,296	12.8%
1/1/2021	932,691	650,603	(282,088)	143.4%	378,664	-74.5%



City of Sylvan Lake Actuarial Valuation as of January 1, 2021

10-Year Schedule of Employer Contributions

Fiscal Year Ended	Actuarially Determined Contribution (a)	Historical Contribution (b)	Contribution Deficiency (Excess) (a) - (b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b) / (c)
6/30/2011	\$106,530	\$96,510	\$10,020	\$399,588	24.15%
6/30/2012	106,530	71,111	35,419	399,588	17.80%
6/30/2013	106,530	42,418	64,112	399,588	10.62%
6/30/2014	57,594	117,953	(60,359)	349,450	33.75%
6/30/2015	57,594	123,819	(66,225)	349,450	35.43%
6/30/2016	57,594	125,978	(68,384)	349,450	36.05%
6/30/2017	66,586	159,484	(92,898)	305,240	52.25%
6/30/2018	63,896	90,892	(26,996)	305,240	29.78%
6/30/2019	14,542	85,251	(70,709)	334,382	25.50%
6/30/2020	14,951	58,169	(43,218)	334,382	17.40%

Beginning Fiscal Year Ending 2017, the ADC is calculated in accordance with the requirements of Public Act 202 of 2017, namely Numbered Letter 2018-3. Prior to Fiscal Year Ending 2017, the ADC is equal to the Annual Required Contribution (ARC) as calculated under GASB No. 45.

Due to limited availability of historical data, covered payroll for fiscal years ending on or before 2018 reflect the payroll disclosed as of the most recent actuarial valuation date.



City of Sylvan Lake Actuarial Valuation as of January 1, 2021

Projected Retiree Benefit Payments

Exhibit A is a graph that shows the 30-year projection of expected benefit payments under the OPEB plan. These payments only reflect those participants who have already been hired or who are retired. Expected benefit payments are equal to the number of retirees each year times the per retiree cost to the employer. The first year's projected benefit payments total \$33,941. As the last participants retire and then reach the end of their benefit period, the benefit payments decline and eventually would reach zero. Exhibit B is a table showing the first 10 years of expected benefit payments.

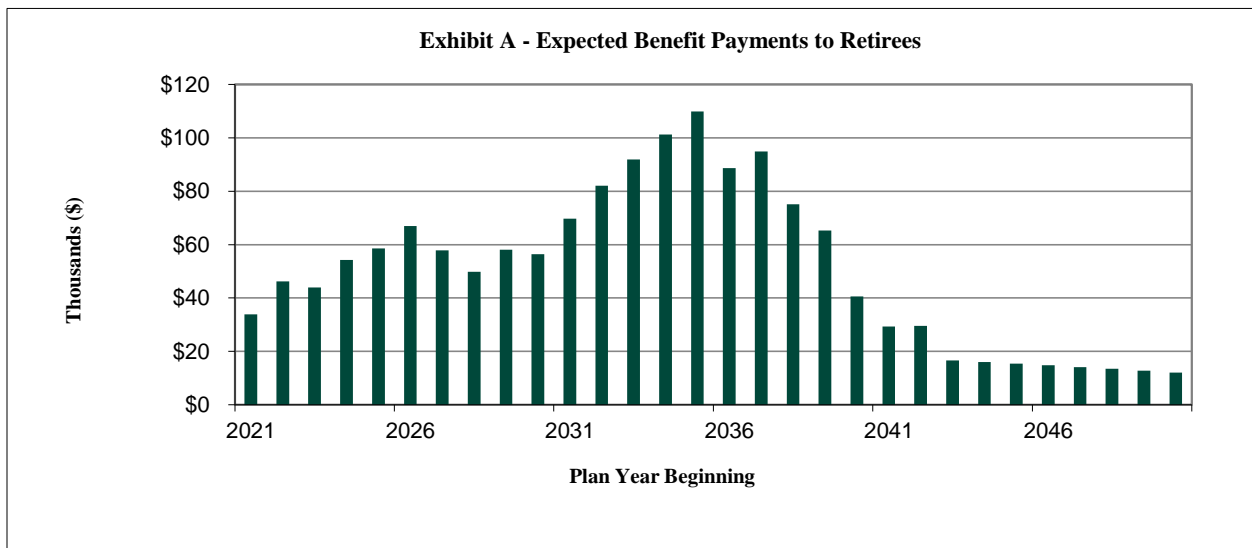


Exhibit B: First 10 Years of Expected Benefit Payments

Plan Year Beginning January 1,	Total Projected Benefits
2021	\$33,941
2022	46,276
2023	43,990
2024	54,275
2025	58,621
2026	66,908
2027	57,881
2028	49,833
2029	58,083
2030	56,431



City of Sylvan Lake GASB Statements No. 74 and 75

OPEB Expense (Income)

	Measurement Period Ending	
	6/30/2022	6/30/2021
OPEB Expense (Income)	<i>Estimate</i>	<i>Estimate</i>
1. Service Cost	\$ 9,731	\$ 10,153
2. Interest Cost	47,676	54,120
3. Non-Investment Administrative Expenses	1,482	1,440
4. Employee Contributions	0	0
5. Projected Earnings on Fiduciary Net Position	(58,768)	(58,683)
6. Recognition of Deferred Outflows/(Inflows) related to:		
Net difference between projected and actual earnings	14,799	19,588
Differences between expected and actual experience	5,086	5,086
Changes in assumptions	(35,748)	(35,748)
7. Ad Hoc Postemployment Benefit Changes	0	0
8. OPEB Expense (Income)	\$ (15,742)	\$ (4,044)

Development of Interest Cost on:	% of Period		
1. Beginning Total OPEB Liability	100%	\$ 48,662	\$ 54,632
2. Service Cost	100%	715	761
3. Benefit Payments	50%	(1,701)	(1,273)
4. Total Interest Cost on Total OPEB Liability		\$ 47,676	\$ 54,120

Development of Projected Earnings on:	% of Period		
1. Beginning Fiduciary Net Position	100%	\$ 60,523	\$ 60,010
2. Employer Contributions	50%	0	0
3. Employee Contributions	50%	0	0
4. Benefit Payments	50%	(1,701)	(1,273)
5. Non-Investment Administrative Expenses	50%	(54)	(54)
6. Total Projected Earnings on Fiduciary Net Position		\$ 58,768	\$ 58,683

Key Assumptions for OPEB Expense (Income)

Discount Rate	7.35%	7.50%
Salary Scale	3.00%	3.75%
Expected Return on Assets	7.35%	7.50%



City of Sylvan Lake GASB Statements No. 74 and 75

Net OPEB Liability

	Measurement Period Ending	
	6/30/2022	6/30/2021
	<i>Estimate</i>	<i>Estimate</i>
Reconciliation of Total OPEB Liability		
1. Total OPEB Liability at End of Prior Year	\$ 662,064	\$ 754,688
2. Service Cost	9,731	10,153
3. Interest Cost	47,676	54,120
4. Net Benefits Paid by Employer	(46,276)	(33,941)
5. Ad Hoc Postemployment Benefit Changes	0	0
6. Differences between expected and actual experience	0	20,394
7. Changes in assumptions	0	(143,350)
8. Total OPEB Liability at End of Year	<u>\$ 673,195</u>	<u>\$ 662,064</u>
Reconciliation of Fiduciary Net Position		
1. Fiduciary Net Position at End of Prior Year	\$ 823,438	\$ 800,136
2. Projected Earnings on Fiduciary Net Position	58,768	58,683
3. Difference Between Projected and Actual Earnings	0	0
4. Employer Contributions	0	0
5. Net Benefits Paid by Employer	(46,276)	(33,941)
6. Non-Investment Administrative Expenses	(1,482)	(1,440)
7. Employee Contributions	0	0
8. Fiduciary Net Position at End of Year	<u>\$ 834,448</u>	<u>\$ 823,438</u>
Money-Weighted Rate of Return	7.35%	7.50%
Net OPEB Liability (Asset)		
1. Total OPEB Liability	\$ 673,195	\$ 662,064
2. Fiduciary Net Position	<u>(834,448)</u>	<u>(823,438)</u>
3. Net OPEB Liability (Asset)	\$ (161,253)	\$ (161,374)
Fiduciary Net Position as % of Total OPEB Liability	123.95%	124.37%
Net OPEB Liability: 1% increase in the discount rate	\$ (209,422)	\$ (209,674)
Net OPEB Liability: 1% decrease in the discount rate	(107,716)	(107,708)
Net OPEB Liability: 1% increase in healthcare trend	(90,252)	(96,072)
Net OPEB Liability: 1% decrease in healthcare trend	(223,677)	(218,805)
Key Assumptions for Net OPEB Liability		
Discount Rate	7.35%	7.35%
Salary Scale	3.00%	3.00%
Expected Return on Assets	7.35%	7.35%



City of Sylvan Lake GASB Statements No. 74 and 75

Deferred Outflows (Inflows)

	Measurement Period Ending	
	6/30/2022	6/30/2021
	<i>Estimate</i>	<i>Estimate</i>
Deferred Inflows of Resources Related to OPEB		
1. Net difference between projected and actual earnings	\$ 0	\$ 0
2. Differences between expected and actual experience	0	0
3. Changes in assumptions	71,854	107,602
4. Total	\$ 71,854	\$ 107,602
Deferred Outflows of Resources Related to OPEB		
1. Net difference between projected and actual earnings	\$ 22,486	\$ 37,285
2. Differences between expected and actual experience	10,222	15,308
3. Changes in assumptions	0	0
4. Contributions subsequent to measurement date	0	0
5. Total	\$ 32,708	\$ 52,593

Schedule of Deferred Outflows (Inflows)

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

MPE 6/30/2022		MPE 6/30/2021	
2023	\$ (16,227)	2022	\$ (15,863)
2024	(22,611)	2023	(16,227)
2025	(308)	2024	(22,611)
2026	-	2025	(308)
2027	-	2026	-
2028+	-	2027+	-



City of Sylvan Lake GASB Statements No. 74 and 75

Deferred Outflows (Inflows) (cont.)

Deferred Outflows/(Inflows) - Historical Amortization Schedules

Meas. Period Ending	Original Amount	Original Amortization Amount	Original Amortization Period	Outstanding Balance at 6/30/2022	Outstanding Balance at 6/30/2021
<u>Net difference between projected and actual earnings</u>					
2022	\$ 0	\$ 0	5.00	\$ 0	\$ N/A
2021	0	0	5.00	0	0
2020	40,259	8,052	5.00	16,103	24,155
2019	63,560	16,689	5.00	6,383	13,493
2018	(20,975)	(5,153)	5.00	0	(363)
<u>Differences between expected and actual experience</u>					
2022	\$ 0	\$ 0	3.43	\$ 0	\$ N/A
2021	20,394	5,086	4.01	10,222	15,308
<u>Changes in assumptions</u>					
2022	\$ 0	\$ 0	3.43	\$ 0	\$ N/A
2021	(143,350)	(35,748)	4.01	(71,854)	(107,602)



City of Sylvan Lake Actuarial Valuation as of January 1, 2021

Participant Summary

Participant Summary

Metric	Active Employees	Retirees and Spouses
Covered Participants	5	4
Average Age	52.3	67.9
Average Service	27.1	N/A
Percentage Male	80.0	50.0

Age and Service Chart

Attained Age	Years of Credited Service										
	<1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40+	Total
Under 25	0	0	0	0	0	0	0	0	0	0	0
25 to 29	0	0	0	0	0	0	0	0	0	0	0
30 to 34	0	0	0	0	0	0	0	0	0	0	0
35 to 39	0	0	0	0	0	0	0	0	0	0	0
40 to 44	0	0	0	0	0	0	0	0	0	0	0
45 to 49	0	0	0	1	0	0	1	0	0	0	2
50 to 54	0	0	0	0	0	0	1	0	0	0	1
55 to 59	0	0	0	0	0	0	1	0	1	0	2
60 to 64	0	0	0	0	0	0	0	0	0	0	0
65 to 70	0	0	0	0	0	0	0	0	0	0	0
70+	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	1	0	0	3	0	1	0	5



City of Sylvan Lake Actuarial Valuation as of January 1, 2021

Plan Provisions

Retiree Benefits and Eligibility The Employer provides pre-Medicare medical, pharmacy, dental, and vision benefits for eligible retirees and their spouses through a fully-insured plan administered by Blue Cross Blue Shield of Michigan. Medicare-eligible retirees receive a monthly stipend of \$200 per eligible retiree and spouse.

Hired prior to July 1, 2008

- Any age with 25 years of full-time service for John Martin,
- Any age with 20 years of full-time service for Dennise Dryden,
- Age 55 with 10 years of full-time service for all others

Hired on or after July 1, 2008

Not eligible for benefits upon retirement. Employees are enrolled in a Health Care Savings Program (HCSP) administered by MERS

Length of Benefits *Retiree* : Life
Spouse : Life or until remarriage

Retiree Contributions Pre-65 premiums as well as the monthly post-65 stipend are paid 100% by the City.

Benefit Plan Design	Benefit	In-Network	Out-of-Network
	Deductible (Individual)	\$250	\$500
	Coinsurance	20%	40%
	PCP Office Visit Copay	\$20 per visit	60% after OON ded.
	ER Copay	\$150 per visit	\$150 per visit
	3-tier Drug Copays	\$5 / \$40 / \$80	

Annual Premium Equivalent Rates	Age	Medical	Dental	Vision
	30	\$ 5,781	\$ 332	\$ 64
	35	6,224	357	66
	40	6,509	387	71
	45	7,355	422	75
	50	9,097	462	79
	55	11,358	507	82
	60	13,823	557	82
	64	15,280	600	79

Changes Since Prior Valuation 1. Premium equivalent rates were updated to reflect current rates.





City of Sylvan Lake Actuarial Valuation as of January 1, 2021

Actuarial Methods and Assumptions

Actuarial Valuation Date January 1, 2021

Actuarial Cost Method Individual Entry Age Normal as a level percentage of payroll

Discount Rate 7.35% at valuation date

Annual Wage Increases

Service	Base Wage Inflation	Merit and Longevity	Total Pay Increase
0	3.00%	6.70%	9.70%
1	3.00	4.60	7.60
2	3.00	3.20	6.20
3	3.00	2.70	5.70
4	3.00	2.30	5.30
5	3.00	1.90	4.90
6	3.00	1.70	4.70
7	3.00	1.30	4.30
8	3.00	1.20	4.20
9	3.00	1.20	4.20
10	3.00	1.10	4.10
20	3.00	0.60	3.60
30	3.00	0.20	3.20
40+	3.00	0.00	3.00

Price Inflation 2.50%

Investment Rate of Return 7.35%

Actuarial Value of Assets Market Value

Healthcare Reform Per the *Setting Every Community Up for Retirement Enhancement Act* ("SECURE"), signed into law on December 20, 2019, the excise tax on high-cost healthcare plans ("Cadillac" tax) has been repealed. As a result the liability for future excise taxes is zero.

Other aspects of the Affordable Care Act were included in the valuation only to the extent they have already been implemented in the plan.



City of Sylvan Lake Actuarial Valuation as of January 1, 2021

Actuarial Methods and Assumptions

Annual Per-Capita Claims Costs Per-capita claims costs are equal to the premium rates provided by the insurer. As these rates are already developed on an age-specific per-member basis, no further adjustments were made to the rates provided.

Annual Healthcare Trend

Years after Valuation	Pre-65 Med/Rx	Post-65 Stipend	Dental & Vision
1	7.50%	0.00%	4.50%
2	7.25	0.00	4.50
3	7.00	0.00	4.50
4	6.75	0.00	4.50
5	6.50	0.00	4.50
6	6.25	0.00	4.50
7	6.00	0.00	4.50
8	5.75	0.00	4.50
9	5.50	0.00	4.50
10	5.25	0.00	4.50
11	5.00	0.00	4.50
12	4.75	0.00	4.50
13+	4.50	0.00	4.50

Participation

Future Retirees: 100% of future retirees are assumed to elect coverage at retirement for themselves and their spouse, if married. It is assumed that no one will opt in or opt out of coverage once initial retirement election is made.

Current Retirees: Based on current coverage election. It is assumed that no one will opt in or opt out of coverage once initial retirement election is made.

Marriage

Future Retirees: 40% of participating retirees are assumed to be married at retirement.

Current Retirees: Based on current coverage election.

Spouse Age

Male spouses are assumed to be 3 years older, and female spouses are assumed to be 3 years younger. Actual age is used for spouses of current retirees, if provided.



City of Sylvan Lake

Actuarial Valuation as of January 1, 2021

Actuarial Methods and Assumptions

Mortality

Pre-Retirement:

Pub-2010 General Employees Mortality Table without adjustment

Healthy Retirees:

Pub-2010 General Retiree Mortality Table scaled by a factor of 106%

Disabled Retirees:

PubNS-2010 Disabled Retiree Mortality Table without adjustment

The mortality assumptions include a margin for future mortality improvements using Scale MP-2019 projected fully-generationally from the central year of data, 2010.

Ninety percent (90%) of active member deaths are assumed to be non-duty deaths, and 10% of the deaths are assumed to be duty related.

Withdrawal

Participants are assumed to terminate employment for reasons other than death, disability or retirement in accordance with annual rates varying by service and employment type. Sample rates are as follows:

Service	Public Safety	General
0	13.90%	23.40%
1	11.60	19.50
2	9.40	15.80
3	7.40	12.50
4	6.10	10.30
5	4.90	8.30
10	3.20	5.40
15	2.40	4.00
20	1.80	3.10
25+	1.50	2.60



City of Sylvan Lake Actuarial Valuation as of January 1, 2021

Actuarial Methods and Assumptions

Retirement

Participants are assumed to retire in accordance with annual rates varying by service. Rates are based the Retirement rates used in the most recent MERS pension valuation. Rates are only applicable if a participant is eligible to retire with a benefit. Sample rates are as follows:

Normal / Unreduced	
Service	Rate
0 - 4	15%
5 - 9	15
10 - 20	20
21	22
22	24
23	26
24	30
25	34
26 - 30	25
31 - 34	28
35 - 39	25
40+	25

Early (Reduced)	
Age	Rate
All Ages	4%

100% Retirement at age 85

Disability

Participants are assumed to become disabled in accordance with annual rates varying by age. Sample rates are as follows:

Age	Rate
25	0.02%
30	0.02
35	0.05
40	0.08
45	0.21
50	0.29
55	0.38
60+	0.39

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



City of Sylvan Lake

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Actuarial Methods and Assumptions

Changes Since Prior Valuation

1. Annual wage increase rates were updated to the current MERS of Michigan assumption, including a decreased base wage inflation from 3.75% to 3.00%.
2. Discount rate and long-term expected Investment Rate of Return were decreased from 7.50% to 7.35%.
3. The excise tax on high-cost ("Cadillac") benefits was repealed. The load on the liability was removed as a result.
4. Immediate healthcare trend rates were decreased from 8.00% to 7.50% for pre-65 costs, matching the current *Uniform Assumption* under PA 202.
5. Mortality, withdrawal, and retirement rates were updated to the current MERS of Michigan assumptions.



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Rationale for Key Assumptions

Investment Rate of Return

The investment policy of the Employer is determined based on the goals and objectives of the Plan and the risk tolerance of the Employer. As new information regarding the economic environment becomes available the investment policy may need to be revised. Asset allocations fluctuate due to market performance, however, the targeted OPEB asset allocation is as described below. The Employer's objective in selecting the Expected Long-Term rate of return on Assets is to estimate the single rate of return that reflects the historical returns, future expectations for each asset class, and the asset mix of the plan assets.

Asset Classes	Target Allocation	Real Rate of Return
Global Equity	60%	5.25%
Global Fixed Income	20%	1.25%
Private Investments	20%	7.25%
Expected Real Rate of Return		4.85%
Inflation Rate	+	2.50%
Total Investment Rate of Return		7.35%

Discount Rate

The discount rate is the single rate that reflects (1) the long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and OPEB plan assets are expected to be invested using a strategy to achieve that return, and (2) a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another scale), to the extent that the conditions for use of the long-term expected rate of return are not met.

Given the Employer's Present Value of Future Benefits is more than 100% funded, it is assumed the Employer will make no additional contributions for the remaining life of the plan.

Single Equivalent Interest Rate (SEIR)

Long-Term Expected Rate of Return	7.35%
Municipal Bond Index Rate*	1.93%
Administrative Expenses Paid from the Trust	0.18%
Fiscal Year in which Fiduciary Net Position is Projected to be Depleted	N/A
Single Equivalent Interest Rate	7.35%

* Source: S&P Municipal Bond 20 Year High Grade Rate Index

** A result of "N/A" reflects projected Plan assets that are never depleted for the remaining lifetime of the Plan



City of Sylvan Lake **Actuarial Valuation as of January 1, 2021**

Rationale for Key Assumptions

Annual Healthcare Trend

The uniform assumption is based on a survey of over 100 health insurers, managed care organizations, pharmacy benefit managers, and third-party administrators about forecasted health plan cost trends. Respondents included the five largest health insurance payers in the U.S., the five largest pharmacy benefits managers in the U.S., and the largest health insurance plan in the State of Michigan. The healthcare trend survey was published by Segal Consulting in Fall 2019.

Mortality, Withdrawal, Disability, Retirement

Because the Employer does not have enough data to conduct a fully credible experience analysis with respect to these assumptions, the current assumptions are based on those used in the most recent actuarial valuation of pension benefits through MERS. Said assumptions are based on an experience study conducted using actual MERS experience from 2014 - 2018.

MERS retirement rates are based on pension replacement ratio; for purposes of this valuation, they have been converted to service-related rates to reflect similar expectations.

Participation

The assumed rate of participation for both the employee and spouse incorporated into these measurements is based on observations of the plan's past experience, the actuary's experience with plans of a similar size, plan design and retiree contribution level.



City of Sylvan Lake

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Definitions

Actuarial Present Value of Projected Benefits	Projected benefit payments discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.
Actuarial Valuation Date	The date as of which the service cost, total OPEB liability, and related actuarial present value of projected benefit payments is determined in conformity with Actuarial Standards of Practice unless otherwise specified by the GASB.
Actuarially Determined Contribution (ADC)	A target or recommended contribution to a defined benefit plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.
Closed Period	A specific number of years that is counted from one date and declines to zero with the passage of time. For example, if the recognition period initially is five years on a closed basis, four years remain after the first year, three years after the second year, and so forth.
Contributions	Additions to a OPEB plan's fiduciary net position for amounts from employers, nonemployer contributing entities (for example, state government contributions to a local government plan), or employees. Contributions can result from cash receipts by the OPEB plan or from recognition by the OPEB plan of a receivable from one of these sources.
Cost-of-Living Adjustments	Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.
Covered Employee Payroll	The payroll of employees that are provided with OPEBs through the OPEB plan.
Deferred Outflows and Inflows of Resources Related to OPEBs	Deferred outflows of resources and deferred inflows of resources related to OPEBs arising from certain changes in the net OPEB liability.



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Definitions

Defined Benefit OPEB	OPEB for which the benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The OPEB may be stated as (a) a specified dollar amount; (b) an amount that is calculated based on one or more factors such as age, years of service, and compensation; or (c) a type or level of coverage such as prescription drug coverage or a percentage of health insurance premiums.
Defined Contribution OPEB	OPEB having terms that (a) provide an individual account for each employee; (b) define the contributions that an employer or nonemployer contributing entity is required to make (or the credits that it is required to provide) to an active employee's account for periods in which that employee renders service; and (c) provide that the OPEB an employee will receive will depend only on the contributions (or credits) to the employee's account, actual earning on investments of those contributions (or credits), and the effects of forfeitures of contributions (or credits) made for other employees, as well as OPEB plan administrative costs, that are allocated to the employee's account.
Discount Rate	<p>The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following:</p> <ol style="list-style-type: none">1. The actuarial present value of benefit payments projected to be made in future periods in which (1) the amount of the OPEB plan's fiduciary net position is projected (under the requirements of Statement 75) to be greater than the benefit payments that are projected to be made in that period and (2) OPEB plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on OPEB plan investments.2. The actuarial present value of projected benefit payments not included in (a), calculated using a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).



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Entry Age Actuarial Cost Method	A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the <i>normal cost</i> . The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the <i>actuarial accrued liability</i> .
Healthcare Cost Trend Rates	The rates of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.
Money-Weighted Rate of Return	A method of calculating period-by-period returns on OPEB plan investments that adjusts for the changing amounts actually invested. For purposes of Statement 74, money-weighted rate of return is calculated as the internal rate of return on OPEB plan investments, net of OPEB plan investment expense.
Net OPEB Liability	The liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit OPEB plan.
OPEB Expense	OPEB expense arising from certain changes in the net OPEB liability.
Other Postemployment Benefits (OPEB)	Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.
Postemployment Healthcare Benefits	Medical, dental, vision, and other health-related benefits paid subsequent to the termination of employment.



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Definitions

Projected Benefit Payments	All benefits (including refunds of employee contributions) estimated to be payable through the OPEB plan (including amounts to be paid by employers or nonemployer contributing entities as the benefits come due) to current active and inactive employees as a result of their past service and their expected future service.
Real Rate of Return	The rate of return on an investment after adjustment to eliminate inflation.
Service Costs	The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.
Termination Benefits	Inducements offered by employers to active employees to hasten the termination of services, or payments made in consequence of the early termination of services. Termination benefits include early-retirement incentives, severance benefits, and other termination-related benefits.
Total OPEB Liability	The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of Statement 75. The total OPEB liability is the liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria of paragraph 4 of Statement 75.