City of Ann Arbor Retiree Health Care Benefits Plan & Trust

Annual Actuarial Valuation
as of June 30, 2026



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800.521.0498 | P: 248.799.9000 | www.grsconsulting.com

October 1, 2026

Board of Trustees
City of Ann Arbor Retiree Health Care Benefits Plan & Trust
Ann Arbor, Michigan

Re: City of Ann Arbor Retiree Health Care Benefits Plan & Trust as of June 30, 2026
Actuarial Disclosures

Dear Board Members:

The results of the June 30, 2026 Annual Actuarial Valuation of the City of Ann Arbor Retiree Health Care Benefits Plan & Trust are presented in this report.

This report was prepared at the request of the Board and is intended for use by the City of Ann Arbor and those designated or approved by the Board or the City. This report may be provided to parties other than the City only in its entirety and only with the permission of the Board or the City. GRS is not responsible for unauthorized use of this report.

The purposes of the valuation are to measure the Plan's funding progress and to determine the Actuarially Determined Contribution for the fiscal year ending June 30, 2028. This report should not be relied on for any purpose other than the purposes described herein. Determinations of financial results, associated with the benefits described in this report, for purposes other than those identified above may be significantly different. This report does not include actuarial information needed to satisfy reporting requirements under Governmental Accounting Standards Board Statements No. 74 or No. 75.

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

Results presented in this report are developed using the actuarial assumptions and methods disclosed in this report. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. This report does not include a robust assessment of the risks of future experience not meeting the actuarial assumptions. Additional assessment of risks was outside the scope of this assignment. We encourage a review and assessment of the investment and other significant risks that may have a material effect on the plan's financial condition.

The findings in this report are based on information furnished by the City concerning retiree health care benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal reasonability and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by the City.

This report was prepared using assumptions adopted by the Board. All actuarial assumptions used in this report are reasonable for the purposes of this valuation. All actuarial assumptions and methods used in the valuation follow the guidance in the applicable Actuarial Standards of Practice. Additional information about the actuarial assumptions is included in the section of this report entitled Actuarial Cost Method and Actuarial Assumptions.

This report was prepared using our proprietary valuation model and related software which, in our professional judgment, has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

This report has been prepared by actuaries who have substantial experience valuing public retiree health programs. To the best of our knowledge, the information contained in this report is accurate and fairly presents the actuarial position of the City of Ann Arbor Retiree Health Care Benefits Plan & Trust as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board.

James D. Anderson, Richard C. Koch Jr. and Francois Pieterse are Members of the American Academy of Actuaries (MAAA). These actuaries meet the Academy's Qualification Standards to render the actuarial opinions contained herein. The signing actuaries are independent of the plan sponsor.

Gabriel, Roeder, Smith & Company will be pleased to answer any questions pertaining to the valuation.

Respectfully submitted,
Gabriel, Roeder, Smith & Company

James D. Anderson, FSA, EA, FCA, MAAA

Richard C. Koch Jr., FSA, EA, FCA, MAAA

Francois Pieterse, ASA, FCA, MAAA

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EXECUTIVE SUMMARY

Executive Summary

Actuarially Determined Contribution and OPEB Cost

We have calculated the Actuarially Determined Contribution for the fiscal year ending June 30, 2028, using an interest rate assumption of 6.70%. Below is a summary of the results.

Fiscal Year Ending	Actuarially Determined Contribution	Estimated Claims Paid for Retirees
June 30, 2028	$1,816,387	$19,667,854

Liabilities and Assets – As of June 30, 2026

1. Present Value of Future Benefit Payments	$321,305,727
2. Actuarial Accrued Liability	310,999,665
3. Plan Assets	317,114,564
4. Unfunded Actuarial Accrued Liability (2) – (3)	(6,114,899)
5. Funded Ratio (3)/(2)	102.0%

The Present Value of Future Benefit Payments (PVFB) is the present value of all benefits projected to be paid from the plan for past and future service to current members. The Actuarial Accrued Liability is the portion of the PVFB allocated to past service by the Plan's funding method (see the section titled "Actuarial Cost Method and Actuarial Assumptions").

SECTION A

VALUATION RESULTS

Summary of Key Actuarial Valuation Results

Valuation Date	June 30, 2026	June 30, 2025
Summary of Member Data		
Number of Members Included in Valuation		
Active Traditional Plan Members	129	153
Active RHRA Plan Members	667	616
Inactive Plan Members and Beneficiaries Receiving Benefits	1,131	1,123
Total	1,927	1,892
Summary of Assets		
Market Value	$342,339,351	$303,976,879
Market Value Rate of Return	12.58%	9.40%
Funding Value	$317,114,564	$295,120,732
Funding Value Rate of Return	7.42%	8.77%
Summary of Liabilities		
Total Actuarial Accrued Liability	$310,999,665	$295,689,081
Unfunded Actuarial Liability (UAL)	$ (6,114,899)	$ 568,349
Funded Ratio	101.97%	99.81%
Employer Actuarially Determined Contribution (ADC)		
Employer Normal Cost Amount	$ 1,816,387	$ 1,849,148
Preliminary Amortization of Unfunded Accrued Liability (UAL)	(672,990)	(67,926)
Final Amortization of UAL[(1)]	0	0
Total Preliminary ADC	$ 1,816,387	$ 1,849,148
Prior Fiscal Year Budgeted Contribution[(2)]	$ 17,478,257	$ 17,082,364
Prior Fiscal Year Budgeted Contribution Increased by 2%	$ 17,827,822	$ 17,424,011
Final Estimated Employer Contribution	$ 1,816,387	$ 17,424,011
Actual Versus Calculated Employer Contribution		
Calculated Employer Contribution[(3)] for Fiscal Year Ending	$ 3,915,692	$ 7,529,098
Actual Employer Contribution for Fiscal Year Ending	18,863,445	17,385,917
Amortization Period (years)	15-Years Layered	15-Years Layered

(1) *The Funding Policy states that to the extent that 100% funding has been achieved, the City will continue to fund, at a minimum, the Normal Cost as defined by the outside actuary (i.e., no UAL credits will be applied to offset the Normal Cost).*

(2) *Provided by the City.*

(3) *Contribution calculated in the valuation two years prior to the fiscal year.*

Development of the Actuarially Determined Contributions for the Other Postemployment Benefits Fiscal Year Ending June 30, 2028

Contributions for	General	General RHRA	Police	Police RHRA	Fire	Fire RHRA	Total
1. Total Normal Cost of Benefits	$ 818,351	$ 536,906	$ 57,677	$ 112,788	$ 272,762	$ 17,903	$ 1,816,387
2. Member Contributions	0	0	0	0	0	0	0
3. Employer Normal Cost (1. - 2.)	818,351	536,906	57,677	112,788	272,762	17,903	1,816,387
4. Preliminary Payment for Unfunded Actuarial Liabilities (UAL)	(396,386)	0	(169,295)	0	(107,309)	0	(672,990)
5. Final Payment for UAL[1]	0	0	0	0	0	0	0
6. Preliminary Actuarially Determined Contribution (ADC) (3. + 5.)	**$ 818,351**	**$ 536,906**	**$ 57,677**	**$ 112,788**	**$ 272,762**	**$ 17,903**	**$ 1,816,387**
7. Projected Fiscal Year Payroll	$ 8,944,874	$ 45,500,483	$ 479,974	$ 10,950,246	$ 2,242,249	$ 6,434,952	$ 74,552,778
8. Preliminary ADC as a Percent of Projected Payroll	**9.15 %**	**1.18 %**	**12.02 %**	**1.03 %**	**12.16 %**	**0.28 %**	**2.44 %**
9. Prior Fiscal Year Budgeted Contribution[2]							**$ 17,478,257**
10. Prior Fiscal Year Budgeted Contribution with 2% Increase							**$ 17,827,822**
11. Estimated City Contribution (Greater of 6. & 10.; If over 100% funded, then 6.)							**$ 1,816,387**

(1) *The Funding Policy states that to the extent that 100% funding has been achieved, the City will continue to fund, at a minimum, the Normal Cost as defined by the outside actuary (i.e., no UAL credits will be applied to offset the Normal Cost).*

(2) *Provided by the City.*

The unfunded actuarial accrued liabilities were amortized as a level dollar amount using 15-year layered amortization. Under a layered amortization approach, the initial Unfunded Actuarial Liability would wind down until it is fully amortized. For each subsequent valuation, any new UAL created by gains/losses, assumptions changes and/or plan changes for that valuation will be amortized over a new, closed 15-year period. If the plan has a surplus (i.e., is over 100% funded), then all layers will be collapsed into a single layer amortized over a 15-year period. See the next page for details regarding layered amortization.

Unfunded Actuarial Liabilities Contribution Development

General Layered Amortization

The table below documents the layered amortization schedule used in the development of the fiscal year 2028 UAL contribution requirement for the General group.

Type of UAL	Valuation Established	Amounts for Fiscal Year Beginning July 1, 2027			
		Outstanding UAL Balance as of July 1, 2027	Remaining Amortization Period (years)	Amortization Factor	Annual Amortization Payment/(Credit)
Experience	6/30/2026	$ (3,801,607)	15	9.59065839	$ (396,386)
Subtotal		$ (3,801,607)			$ (396,386)

Police Layered Amortization

The table below documents the layered amortization schedule used in the development of the fiscal year 2028 UAL contribution requirement for the Police group.

Type of UAL	Valuation Established	Amounts for Fiscal Year Beginning July 1, 2027			
		Outstanding UAL Balance as of July 1, 2027	Remaining Amortization Period (years)	Amortization Factor	Annual Amortization Payment/(Credit)
Experience	6/30/2026	$ (1,623,653)	15	9.59065839	$ (169,295)
Subtotal		$ (1,623,653)			$ (169,295)

Unfunded Actuarial Liabilities Contribution Development

Fire Layered Amortization

The table below documents the layered amortization schedule used in the development of the fiscal year 2028 UAL contribution requirement for the Fire group.

Type of UAL	Valuation Established	Amounts for Fiscal Year Beginning July 1, 2027			
		Outstanding UAL Balance as of July 1, 2027	Remaining Amortization Period (years)	Amortization Factor	Annual Amortization Payment/(Credit)
Experience	6/30/2026	$ (1,029,161)	15	9.59065839	$ (107,309)
Subtotal		$ (1,029,161)			$ (107,309)

Determination of Unfunded Actuarial Accrued Liability as of June 30, 2026

	June 30, 2026			
	General	Police	Fire	Total
A. Accrued Liability				
1. For retirees and beneficiaries	$ 150,249,958	$ 74,853,080	$ 40,695,032	$ 265,798,070
2. For vested terminated members	0	0	0	0
3. For present active members				
a. Value of expected future benefit payments	41,628,917	4,315,108	9,563,632	55,507,657
b. Value of future normal costs	7,796,897	1,189,433	1,319,732	10,306,062
c. Active member accrued liability: (a) - (b)	33,832,020	3,125,675	8,243,900	45,201,595
4. Total accrued liability	184,081,978	77,978,755	48,938,932	310,999,665
B. Present Assets (Funding Value)[(1)]	187,683,195	79,517,082	49,914,287	317,114,564
C. Unfunded Accrued Liability: (A.4) - (B)	(3,601,217)	(1,538,327)	(975,355)	(6,114,899)
D. Funding Ratio: (B) / (A.4)	102.0%	102.0%	102.0%	102.0%

(1) *It was assumed that RHRA plans were fully funded. Remaining assets were allocated to each group based on non-RHRA total accrued liability.*

Development of Funding Value of Retiree Health Care Benefits Plan Assets
June 30, 2026

Valuation Date June 30:	2025	2026	2027	2028	2029	2030
A. Funding Value Beginning of Year (BOY)	$271,190,635	$295,120,732				
B. Market Value End of Year (EOY)	303,976,879	342,339,351				
C. Market Value BOY	277,712,068	303,976,879				
D. Non-Investment Net Cash Flow	145,323	104,964				
E. Investment Income						
1) Market Total: B-C-D	26,119,488	38,257,508				
2) Interest Rate	6.70%	6.70%	6.70%			
3) Amount for Immediate Recognition: (E2 x (A + 0.5 x D))	18,174,641	19,776,605				
4) Amount for Phased-In Recognition: E1 - E3	7,944,847	18,480,903				
F. Phased-In Recognition of Investment Income						
1) Current Year: 0.20 x E4	1,588,969	3,696,181				
2) First Prior Year	2,138,555	1,588,969	$ 3,696,181			
3) Second Prior Year	1,396,044	2,138,555	1,588,969	$ 3,696,181		
4) Third Prior Year	(6,707,485)	1,396,044	2,138,555	1,588,969	$ 3,696,181	
5) Fourth Prior Year	7,194,050	(6,707,486)	1,396,045	2,138,556	1,588,971	$3,696,179
6) Total Recognized Investment Gain/(Loss)	5,610,133	2,112,263	8,819,750	7,423,706	5,285,152	3,696,179
G. Funding Value EOY: A + D + E3 + F6	295,120,732	317,114,564				
H. Difference Between Market Value and Funding Value	8,856,147	25,224,787				
I. Net Funding Value Rate of Return	8.77%	7.42%				
J. Net Market Value Rate of Return	9.40%	12.58%				
K. Funding Value / Market Value	97.1%	92.6%				

The Funding Value of Assets recognizes assumed investment income (line E3) fully each year. Differences between actual and assumed investment income (line E4) are phased-in over a closed five-year period. During periods when investment performance exceeds the assumed rate, Funding Value of Assets will tend to be less than Market Value. During periods when investment performance is less than the assumed rate, Funding Value of Assets will tend to be greater than Market Value. The Funding Value of Assets is ***unbiased*** with respect to Market Value. At any time, it may be either greater or less than Market Value.

Comments

Comment A: The computed contribution remained unchanged from $1.8 million in the June 30, 2025 valuation to $1.8 million in the June 30, 2026 valuation. The primary reasons for the minimal change were higher than assumed investment returns offset by higher-than-expected health care costs and resetting the health care trend assumption.

Comment B: One of the key assumptions used in any valuation of the cost of postemployment benefits is the rate of return on Plan assets. Higher assumed investment returns will result in a lower Actuarially Determined Contribution. Lower returns will tend to increase the computed Actuarially Determined Contribution. Based on information from the plan sponsor, we have calculated the liability and the resulting Actuarially Determined Contribution using an assumed long-term rate of investment return of 6.70%.

Comment C: This valuation reflects a change in the health care trend assumption which resulted in a $6.1 million increase in the actuarial accrued liability. This valuation also reflects the elimination of the Police Deputy Chiefs Union. At the direction of the Retirement System, the sole member of this group is reported in the General RHRA group this valuation.

Comment D: Amortization Method is the policy used to fund the Unfunded Actuarial Liability (UAL) as level dollar amounts based on a 15-year layered amortization approach. Under this method, the initial UAL winds down until it is fully amortized. For each subsequent valuation, any new UAL created by gains/losses, assumptions changes and/or plan changes for that subsequent valuation will be amortized over a new, closed 15-year period. Lastly, in the event the Plan is over 100% funded, all layers will be collapsed into a single layer amortized over a 15-year period and per the Funding Policy the normal cost will be contributed (i.e., no UAL amortization credit will be applied to offset the normal cost contribution).

Comment E: Unless otherwise indicated, a funded status measurement presented in this report is based upon the actuarial accrued liability and the actuarial value of assets. Unless otherwise indicated, with regards to any funded status measurements presented in this report:

- The measurement is inappropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations; and
- The measurement is inappropriate for assessing the need for or the amount of future employer contributions.

Comment F: Under Public Act 202 of the State of Michigan, Michigan municipalities are required to report liabilities under uniform assumption guidelines. While the current guidelines are only for reporting purposes (and not funding), governments may be encouraged to use the uniform assumptions for funding. The information needed to satisfy PA 202 reporting requirements is provided in the appendix of this report.

PA 202 also requires an actuarial audit be performed every 8 years. GRS will work with the Board and Staff to ensure compliance.

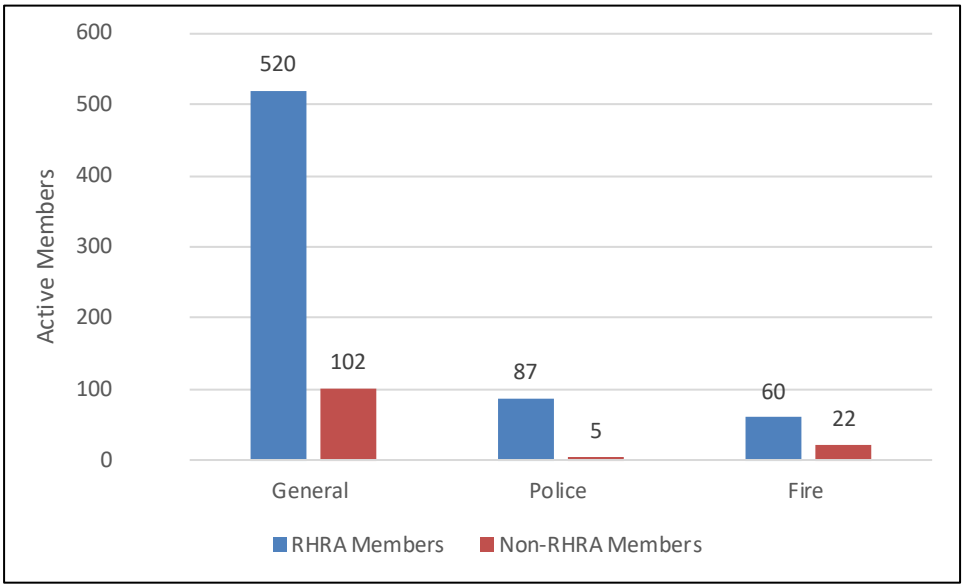
SECTION B

SUMMARY OF VALUATION DATA

Members Included in the June 30, 2026 Valuation

Active Members

Valuation Divisions	No.	Group Totals		
		Annual Payroll	Average Age (Years)	Average Service (Years)
General Members	102	$10,407,079	53.3	21.6
General RHRA Members	520	40,418,245	41.3	5.4
Police Members	5	717,046	51.6	23.1
Police RHRA Members	87	9,953,186	37.0	7.7
Fire Members	22	2,952,300	52.3	24.0
Fire RHRA Members	60	6,085,872	35.8	6.6
Total Active Members	796	$70,533,728		



Retired Members with Coverage[(1)]

Valuation Divisions	No.	Average Age (Years)	Number of Spouses Covered
General Members	738	71.9	328
Police Members	233	67.2	154
Fire Members	160	71.6	90
Total Retired Members	1,131		572

(1) *Includes 161 retirees with life insurance coverage only.*

There are no inactive vested members eligible for retiree health care.

Summary of Current Asset Information

Balance Sheet

Valuation Assets	
Cash, receivables, accruals and other short term	$ 799,963
Equity securities	219,213,547
Debt securities	61,689,411
Infrastructure	22,611,773
Real Estate	28,346,718
Other - cash and cash equivalents	10,301,710
Accounts payable	(623,771)
Funding value adjustment	(25,224,787)
Total Current Assets	$317,114,564

Revenues and Expenditures (Market Value)

	2025-2026	2024-2025
Balance - July 1	$303,976,879	$277,712,068
Revenues		
Member contributions	0	0
Employer contributions	18,863,445	17,385,917
Recognized investment income	38,257,508	26,119,488
Total	57,120,953	43,505,405
Expenditures		
Benefit payments/refunds	18,419,551	16,888,770
Administrative expenses	338,930	351,824
Total	18,758,481	17,240,594
Balance - June 30	$342,339,351	$303,976,879
Net investment income/mean assets	12.6%	9.4%

SECTION C

RETIREE PREMIUM RATE DEVELOPMENT

Retiree Premium Rate Development

Background

Eligible City retirees (and eligible spouses) receive benefits from a number of health care plans, with medical and prescription drug coverage through the self-insured Blue Cross Blue Shield (BCBS) plans.

Rate Development

For the self-insured medical plans, initial per capita costs were developed separately for pre-65 and post-65 retirees using medical and prescription drug claims experience from January 2023 to December 2025 from BCBS in conjunction with exposure data for the retired members of the health care program. These medical and prescription drug claims were projected on an incurred claim basis to the valuation date, adjusted for large claims, and loaded for administrative and stop-loss expenses.

The initial medical and drug premium rates used in the valuation are a weighted average cost of the 3-year experience period (1/2023-12/2025) to smooth out any large year-to-year fluctuations.

Most retiree plans are closed to future retirees. The plans that remain open include suffixes 0050, 0051, 0053, 0055, 0056, 0057, 0058, 0063, 0064, 0065, 0066, 0068, 0074, 0075, 0076, 0077, 0078, 0079, 0080, 0081, and 0082. Depending on age (pre-65 or post-65) and active group membership, future retirees will be placed into one of these suffixes. Among the open suffixes listed here, half are "low options" and half are "high options". Since future retirees will have to pay for the increase in costs associated with electing the "high option", it was assumed that all future retirees will elect the "low option" upon retirement. We have developed separate premium rates for future retirees in order to reflect the benefit differences.

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

The tables below show the resulting combined medical and prescription drug one-person monthly premiums at select ages. The premium (or per capita costs) rates shown below were used in this valuation of the Plan and reflect the use of age grading.

For Those Not Eligible for Medicare				
	Current Retirees		Future Retirees	
Age	Male	Female	Male	Female
45	$ 673.80	$ 929.93	$ 630.18	$ 869.73
50	877.36	1,080.82	820.57	1,010.86
55	1,154.51	1,260.55	1,079.77	1,178.95
60	1,491.11	1,468.23	1,394.58	1,373.19

For Those Eligible for Medicare				
	Current Retirees		Future Retirees	
Age	Male	Female	Male	Female
65	$ 727.82	$ 686.48	$ 644.36	$ 607.76
70	792.86	767.21	701.95	679.24
75	851.54	830.92	753.90	735.64

Retiree Premium Rate Development

Health Care Trend Assumption

The health care cost trend rate is the rate of change in per capita health care claims over time as a result of factors such as medical inflation, utilization of health care services, plan design, and technological improvements. It is a crucial economic assumption that is required for measuring retiree health care benefit obligations.

Retiree health care valuations use a health care cost trend assumption (trend vector) that changes over the years. The trend vector used in this valuation begins with a near-term trend assumption and declines over time to an ultimate trend rate. The near-term rates reflect the increases in the current cost of health care goods and services. The process of trending down to a lower ultimate trend relies on the theory that premium levels will moderate over the long term, otherwise the health care sector would eventually consume the entire GDP. It is on this basis that projected premium rate increases continue to exceed wage inflation for the next fifteen years, but by less each year until leveling off at an ultimate rate, assumed to be 3.50% in this valuation, see the below for further details regarding the trend vector used in this valuation.

While experience is often the best starting point for future costs, GRS does not rely on a group's experience in setting the near-term trend assumptions since trends vary significantly from year to year and are not credible for most groups. Therefore, professional judgment, trends from GRS' book of business and industry benchmarks (e.g., trend reports from various Pharmacy Benefit Management (PBM) organizations and national healthcare benefit consulting firms) are used in conjunction with a group's historical experience to establish the trend assumptions.

Year Beginning July 1,	Medical and Prescription Drugs	
	Non-Medicare (Pre-65)	Medicare (Post-65)
2027	7.75 %	7.00 %
2028	7.50	6.75
2029	7.25	6.50
2030	6.75	6.25
2031	6.50	6.00
2032	6.25	5.75
2033	6.00	5.50
2034	5.75	5.25
2035	5.25	5.00
2036	5.00	4.75
2037	4.75	4.50
2038	4.50	4.25
2039	4.00	4.00
2040	3.75	3.75
2041 & Later	3.50	3.50

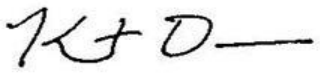
Retiree Premium Rate Development

Actuarial Disclosures

The premium rates used in this valuation were developed using proprietary Excel models which, in Kurt Dosson's professional judgment, provide initial projected costs which are consistent with the purposes of the valuation. We performed tests to ensure that the models, in their entirety, reasonably represent that which is intended to be modeled.

Aging factors used in the premium development models were developed based on information and data from a 2013 study commissioned by the Society of Actuaries entitled "Health Care Costs – From Birth to Death."

Kurt Dosson is a Member of the American Academy of Actuaries (MAAA) and meets the Qualification Standards of the American Academy of Actuaries to certify the per capita retiree health care rates shown on page C-1.



Kurt Dosson, ASA, FCA, MAAA

SECTION D

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS

Valuation Methods

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

(i) The annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement; and

(ii) Each annual normal cost is a constant percentage of the member's year by year projected covered pay.

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

Financing of Unfunded Actuarial Accrued Liabilities (UAAL). The UAAL as of June 30, 2026 are projected to the beginning of the fiscal year for which the contributions are being determined, in this case July 1, 2027 (i.e., the beginning of fiscal year 2028). The projection procedure increases UAAL as of June 30, 2026 with interest and decreases it with the expected UAAL contributions for the year between the actuarial valuation date and the beginning of the fiscal year for which contributions are being determined. UAAL as of the beginning of fiscal year 2028 were amortized by level (principal and interest) dollar contributions over a reasonable period of future years. The valuation uses layered amortization. For each valuation, changes in the UAAL are amortized over a new, closed 15-year period consistent with the policy adopted by the Board.

The Plan is funded by Employer Contributions in accordance with the funding policy adopted by the Retirement Board, based on Actuarially Determined Contributions (ADC), which require contributions be sufficient to pay the Normal Costs of active plan members, Plan expenses, and amortize the Unfunded Actuarial Accrued Liability over a declining period. The current amortization policy uses a 15-year layered approach. Under this approach, the initial UAAL wind down until fully amortized. For each subsequent valuation, any new UAAL created by gains/losses, assumptions changes and/or plan changes for that subsequent valuation will be amortized over a new, closed 15-year period. The Funding Policy states that in the event the Plan has a funding surplus, the normal cost will be contributed (i.e., no amortization credit will be applied to offset the normal cost contribution).

Actuarial Value of Assets. The Actuarial Value of Assets are developed using a 5-year smoothed asset valuation method.

The retirement rates, rates of merit and seniority salary increase, rates of separation from active membership and disability rates used in this valuation are based on the five-year experience study for the period July 1, 2018 through June 30, 2023. All assumptions are expectations of future experience, not market measures.

Actuarial Assumptions Used for the Valuation

Investment Return (net of investment expenses):

Investment Return	6.70%
Wage Inflation	3.50%
Price Inflation	2.50%
Spread Between Investment Return and Wage Inflation	3.20%

The rates of salary increase used for individual members are in accordance with the following table. This assumption is used to project a member's current salary to the salaries upon which benefits will be based.

	% Increase in Salary at Sample Ages						
Sample	Merit and Seniority			Base	Increase Next Year		
Ages	General	Police	Fire	(Economic)	General	Police	Fire
20	4.10%	7.61%	7.33%	3.50%	7.60%	11.11%	10.83%
25	3.67%	6.70%	6.55%	3.50%	7.17%	10.20%	10.05%
30	2.89%	4.81%	4.88%	3.50%	6.39%	8.31%	8.38%
35	2.19%	3.41%	3.46%	3.50%	5.69%	6.91%	6.96%
40	1.89%	2.74%	2.71%	3.50%	5.39%	6.24%	6.21%
45	1.51%	2.42%	2.39%	3.50%	5.01%	5.92%	5.89%
50	1.00%	2.21%	2.19%	3.50%	4.50%	5.71%	5.69%
55	0.70%	2.07%	2.05%	3.50%	4.20%	5.57%	5.55%
60	0.51%	1.83%	1.91%	3.50%	4.01%	5.33%	5.41%

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). This assumption measures the probabilities of members remaining in employment.

		% of Active Members Separating within Next Year			
Sample	Years of	General			
Ages	Service	Males	Females	Police	Fire
	1	13.00%	16.00%	6.00%	4.50%
	2	11.00%	13.00%	6.00%	4.00%
	3	7.00%	11.00%	4.00%	3.60%
	4	6.00%	8.00%	3.00%	3.60%
	5	5.00%	6.00%	2.50%	3.60%
25	6 & Over	3.20%	4.50%	2.40%	1.40%
30		3.20%	4.50%	2.40%	1.10%
35		3.25%	3.50%	1.75%	0.90%
40		3.25%	3.50%	0.74%	1.00%
45		3.25%	3.50%	0.48%	0.90%
50		3.25%	3.50%	0.48%	0.50%
55		3.25%	3.50%	0.48%	0.50%
60		3.25%	3.50%	0.48%	0.50%
65		3.25%	3.50%	0.48%	0.50%

Actuarial Assumptions Used for the Valuation (Continued)

The mortality tables used are as follows:

General

- **Healthy Pre-Retirement:** Pub-2010 General Employee Mortality Tables, amount-weighted, and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.

- **Healthy Post-Retirement:** Pub-2010 General Healthy Retiree Mortality Tables, amount-weighted, and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.

- **Disability Retirement:** Pub-2010 Non-Safety Disabled Retiree Mortality Tables, amount-weighted, and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.

Sample Attained Ages	Healthy Pre-Retirement Future Life Expectancy (Years)[1]		Healthy Post-Retirement Future Life Expectancy (Years)[1]		Disabled Retirement Future Life Expectancy (Years)[1]	
	Men	Women	Men	Women	Men	Women
55	34.32	36.36	30.89	33.71	23.15	26.01
60	29.41	31.33	26.16	28.83	19.95	22.64
65	24.63	26.39	21.63	24.07	16.95	19.29
70	19.96	21.54	17.33	19.51	14.07	15.86
75	15.40	16.82	13.37	15.24	11.27	12.54
80	10.96	12.24	9.86	11.39	8.66	9.56

[1] *Based on attained ages in 2026. Future years will reflect improvements in life expectancy.*

This assumption is used to measure the probabilities of members dying before retirement and the probabilities of each benefit payment being made after retirement.

Actuarial Assumptions Used for the Valuation (Continued)

Police and Fire

- **Healthy Pre-Retirement:** Pub-2010 Safety Employee Mortality Tables, amount-weighted, and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.

- **Healthy Post-Retirement:** Pub-2010 Safety Healthy Retiree Mortality Tables, amount-weighted, and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.

- **Disability Retirement:** Pub-2010 Safety Disabled Retiree Mortality Tables, amount-weighted, and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.

Sample Attained Ages	Healthy Pre-Retirement Future Life Expectancy (Years)[1]		Healthy Post-Retirement Future Life Expectancy (Years)[1]		Disabled Retirement Future Life Expectancy (Years)[1]	
	Men	Women	Men	Women	Men	Women
55	33.63	36.03	30.76	32.74	29.58	31.73
60	28.62	30.98	25.86	27.82	24.88	27.08
65	23.73	25.98	21.23	23.14	20.48	22.69
70	19.00	21.05	16.91	18.72	16.40	18.52
75	14.50	16.30	12.96	14.62	12.64	14.59
80	10.30	11.83	9.51	10.98	9.39	10.98

[1] *Based on attained ages in 2026. Future years will reflect improvements in life expectancy.*

This assumption is used to measure the probabilities of members dying before retirement and the probabilities of each benefit payment being made after retirement.

Actuarial Assumptions Used for the Valuation (Concluded)

The rates of retirement used to measure the probability of eligible members retiring during the next year were as follows:

Retirement	General		Police		Fire		Retirement		
Ages	Normal	Early	Normal	Early	Normal	Early	Service	Police	Fire
50	25%	10%		10%		10%	25	50%	25%
51	25%	10%		10%		10%	26	50%	25%
52	25%	10%		10%		10%	27	50%	25%
53	25%	10%		10%		10%	28	50%	25%
54	25%	10%		10%		10%	29	50%	25%
55	25%	10%	50%		25%		30	50%	25%
56	25%	10%	50%		25%		31	50%	25%
57	25%	10%	50%		25%		32	50%	25%
58	25%	10%	50%		25%		33	50%	25%
59	25%	10%	50%		25%		34	50%	25%
60	25%		100%		100%		35	100%	100%
61	25%								
62	25%								
63	25%								
64	25%								
65	60%								
66	40%								
67	40%								
68	40%								
69	40%								
70	100%								

Rates of disability among active members.

Sample	% Becoming Disabled within Next Year		
Ages	General	Police	Fire
20	0.04%	0.08%	0.02%
25	0.04%	0.08%	0.02%
30	0.04%	0.08%	0.02%
35	0.04%	0.08%	0.02%
40	0.07%	0.14%	0.03%
45	0.16%	0.32%	0.08%
50	0.28%	0.56%	0.14%
55	0.43%	0.86%	0.22%
60	0.57%	1.14%	0.29%
65	0.66%	1.32%	0.33%

For General members, 75% of the disabilities are assumed to be non-duty and 25% of the disabilities are assumed to be duty related. For Police/Fire members, 50% of the disabilities are assumed to be non-duty and 50% of the disabilities are assumed to be duty related.

Miscellaneous and Technical Assumptions

Data Assumptions:

- The membership data provided for the pension valuation was used as the basis for this valuation.
- If a two-person contract was indicated in the health data and no beneficiary information was provided in the pension data, the beneficiary information from the health data was used if it was available. If no beneficiary information was available in either data set, then male spouses were assumed to be three years older than female spouses. For instances where the beneficiary was significantly younger than the member, it was assumed that the beneficiary was a child and a one-person contract was valued.

Decrement Operation: Disability and mortality decrements do not operate during the first five years of service. Disability also does not operate during normal retirement eligibility.

Decrement Relativity: Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.

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

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.

Health Care Coverage at Retirement: The table below shows the assumed portion of future retirees electing one-person or two-person/family coverage, or opting-out of coverage entirely.

	One-Person	Two-Person/Family		Opt-Out
		Electing	Continuing	
Male	15%	70%	100%	15%
Female	15%	70%	100%	15%

Marriage Assumption: 100% of males and 100% of females are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses.

Other Liability Adjustments: None.

SECTION E

SUMMARY OF BENEFIT PROVISIONS

Retiree Health Care Benefits Plan & Trust
Summary of Benefits as of June 30, 2026

Regular Retirement:

Union	5-Year Vesting	10-Year Vesting	Eligibility
Non-Union	Hired before July 1, 2011	Hired after July 1, 2011	Age 50 with 25 years of service or Age 60 and vested
American Federation of State, County, and Municipal Employees, AFL CIO (AFSCME)	Hired on/before August 29, 2011	Hired after August 29, 2011	Age 50 with 25 years of service or Age 60 and vested
Technical Professional and Office Workers Association of Michigan (TPOAM)	Hired on/before August 29, 2011	Hired after August 29, 2011	Age 50 with 25 years of service or Age 60 and vested
Ann Arbor Police Officers Association (AAPOA)	Hired before January 1, 2012	Hired after January 1, 2012	25 years of service or Age 55 and vested
International Association of Fire Fighters (IAFF)	Hired before July 1, 2012	Hired after July 1, 2012	25 years of service or Age 55 and vested
Teamsters Fire Assistant Chief	Hired before January 1, 2016	Hired after January 1, 2016	25 years of service or Age 55 and vested
Teamsters Civilian Supervisors	Hired before July 2, 2012	Hired after July 2, 2012	Age 50 with 25 years of service or Age 60 and vested
Teamsters Police Professional Assistants	Hired before July 2, 2012	Hired after July 2, 2012	Age 50 with 25 years of service or Age 60 and vested
Police Service Specialists	Hired before July 1, 2013	Hired after July 1, 2013	Age 50 with 25 years of service or Age 60 and vested
Command Officers Association of Michigan (COAM)	Hired before July 1, 2013	Hired after July 1, 2013	25 years of service or Age 55 and vested

Retiree Health Care Benefits Plan & Trust
Summary of Benefits as of June 30, 2026
(Continued)

Early Retirement:

Eligibility – *All Members:* Age 50 with 20 or more years of service.

Deferred Retirement (vested benefit):

Eligibility – Not eligible for retiree health care benefits.

Duty Disability Retirement:

Eligibility - No age or service requirement.

Non-Duty Disability Retirement:

Eligibility - Must be vested. Refer to table on page E-1.

Duty Death Before Retirement:

Eligibility - No age or service requirements.

Non-Duty Death Before Retirement:

Eligibility - Must be vested. Refer to table on page E-1.

Retiree Health Care Benefits Plan & Trust
Summary of Benefits as of June 30, 2026
(Concluded)

Retiree Health Care Benefits:

Coverage - For members with a 5-year vesting period (refer to the table on page E-1), the City of Ann Arbor will provide retiree health care coverage equivalent to the level of health care coverage the member was receiving on the date of retirement to eligible retirees. Retirees electing the high option will be required to pay for a portion of their health care coverage.

All other members not eligible for City paid retiree health care coverage. These members earn the amounts below per year for each year of active service. The City funds their account upon retirement.

Employee Group	Effective Date $2,500 per Year	Effective Date $3,500 per Year	Effective Date $4,000 per Year
AAPOA	1/1/2012	1/1/2017	
AFSCME	8/29/2011		
TPOAM[(1)]	8/29/2011		
CSS/PSS	7/1/2013	1/1/2018	
FIRE[(2)]	7/1/2012	1/1/2017	1/1/2020
NON-UNION	7/1/2011	1/1/2018	
POLICEPRO/PPA	7/2/2012	1/1/2018	
TEAMSTERS	7/2/2012	1/1/2018	
COAM	7/1/2013	1/1/2018	
ASST FIRE CHIEF	7/1/2012	1/1/2019	

(1) *TPOAM contract inception date 5/18/2025; prior to the TPOAM contract date, employee health benefits followed the Non-Union schedule.*

(2) *Effective 1/1/2025, Fire members RHRA benefits are frozen and future benefits will be accrued outside of the VEBA in a Medical Expense Reimbursement Plan.*

Life Insurance Benefits:

Coverage - $10,000 lump sum death benefit for all retirees (except those collecting a deferred benefit) in receipt of a City pension.

SECTION F

PROJECTIONS

Projection Assumptions and Methods

For purposes of the funding projection, the following assumptions were used:

- 6.70% investment return on the Fair Value of Assets in all future years.
- 6.70% discount rate for determining liability.
- The Actuarial Value of Assets reflects the deferred gains and losses generated by the smoothing method. The current deferred amounts are recognized in the first four years of the projections.
- Actuarial assumptions and methods are described in Section D. All future demographic experience is assumed to be exactly realized.
- The actuarially determined contribution amount is determined as a level dollar amount and contributed each year.
- Projections assume a 0% increase in the total active member population. All new future members are expected to enter the plan upon date of hire, under applicable plan provisions.
- The projections are based on the combined impact of the Minimum Required Policy and the Funding Plan.

Projected Actuarial Results – Base
Assumes 6.70% Returns in Future Years

Year Ending June 30,	Employee Contributions	Employer Contributions	Total Contributions	Benefit Payments	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability	Actuarially Determined Contribution	Estimated Funding Plan Contribution
	(a)	(b)	(c)= (a) + (b)	(d)	(e)	(f)	(g) = (e) / (f)	(h) = (f) - (e)	(i)	(j)
2026	$ 0	$ 18,863,445	$ 18,863,445	$ 18,419,551	$ 317,114,564	$ 310,999,665	102.0%	$ (6,114,899)	$ 1,816,387	$ 1,816,387
2027	0	17,478,257	17,478,257	18,510,967	346,101,411	314,693,425	110.0%	(31,407,986)	1,689,382	1,689,382
2028	0	1,816,387	1,816,387	19,667,854	358,490,092	317,328,393	113.0%	(41,161,699)	1,584,296	1,584,296
2029	0	1,689,382	1,689,382	20,757,151	368,459,904	318,882,856	115.5%	(49,577,048)	1,483,879	1,483,879
2030	0	1,584,296	1,584,296	21,822,828	376,374,755	319,331,486	117.9%	(57,043,269)	1,379,260	1,379,260
2031	0	1,483,879	1,483,879	22,831,520	379,998,336	318,663,909	119.2%	(61,334,427)	1,300,745	1,300,745
2032	0	1,379,260	1,379,260	23,656,858	382,576,869	316,990,493	120.7%	(65,586,376)	1,250,349	1,250,349
2033	0	1,300,745	1,300,745	24,421,018	384,224,761	314,334,054	122.2%	(69,890,707)	1,213,003	1,213,003
2034	0	1,250,349	1,250,349	25,024,127	385,163,295	310,824,236	123.9%	(74,339,059)	1,186,442	1,186,442
2035	0	1,213,003	1,213,003	25,410,452	385,651,758	306,641,396	125.8%	(79,010,362)	1,175,171	1,175,171
2036	0	1,186,442	1,186,442	25,648,989	385,878,530	301,904,327	127.8%	(83,974,203)	1,177,182	1,177,182
2037	0	1,175,171	1,175,171	25,693,909	386,051,324	296,791,801	130.1%	(89,259,523)	1,189,045	1,189,045
2038	0	1,177,182	1,177,182	25,688,573	386,237,927	291,344,330	132.6%	(94,893,597)	1,208,889	1,208,889
2039	0	1,189,045	1,189,045	25,637,087	386,500,216	285,597,349	135.3%	(100,902,867)	1,234,073	1,234,073
2040	0	1,208,889	1,208,889	25,304,733	387,143,167	279,829,317	138.3%	(107,313,850)	1,264,078	1,264,078
2041	0	1,234,073	1,234,073	24,728,095	388,450,743	274,296,810	141.6%	(114,153,933)	1,297,910	1,297,910
2042	0	1,264,078	1,264,078	24,137,778	390,486,838	269,034,727	145.1%	(121,452,111)	1,335,325	1,335,325
2043	0	1,297,910	1,297,910	23,633,450	393,215,454	263,976,273	149.0%	(129,239,181)	1,376,755	1,376,755
2044	0	1,335,325	1,335,325	23,107,027	396,709,582	259,161,629	153.1%	(137,547,953)	1,420,952	1,420,952
2045	0	1,376,755	1,376,755	22,619,303	400,984,681	254,571,285	157.5%	(146,413,396)	1,467,712	1,467,712
2046	0	1,420,952	1,420,952	22,068,664	406,160,967	250,288,152	162.3%	(155,872,815)	1,517,033	1,517,033

Section 1.3 of the City of Ann Arbor Other Postemployment Benefits (OPEB) Funding Policy states:

"The City of Ann Arbor will strive to achieve 100% funding of the City of Ann Arbor Retiree Health Care Benefits Plan. To the extent that 100% funding has been achieved, the City will continue to fund, at a minimum, the Normal Cost as defined by the outside actuary. To the extent that a fully funded plan has not been achieved, the City shall budget each fiscal year the higher of the ARC or the existing level of funding in the current budget year adjusted annually for the change in the General Fund budgeted revenues. In some years this may result in an excess contribution to the Voluntary Employee Benefits Trust (VEBA) Fund, which will serve to both pay down the unfunded actuarial accrued liability and reduce future city cost increases."

For purposes of the projection, the increase in General Fund revenues is assumed to be 2% per year. Based on the City's funding policy and given that all actuarial assumptions are exactly realized, after reaching full-funding status all future actuarially determined contributions are projected to equal the normal cost contribution.

APPENDIX

State Reporting Assumptions
as of June 30, 2026

The Protecting Local Government Retirement and Benefits Act, Michigan Public Act 202 of 2017 (PA 202), was put into law effective December 20, 2017. One outcome of the law is the requirement for the local unit of government to provide select reporting disclosures to the State. Section 5(1) of the Act provides the State treasurer with the authority to annually establish uniform actuarial assumptions for purposes of developing the requisite disclosures. Below you will find information which may be used to assist the local unit of government with required reporting.

Uniform Assumptions, as applicable to the measurement and the required disclosures under uniform assumptions, are denoted below. Additional discussion of PA 202 and uniform assumptions may be found on the State website in the *Public Act 202 of 2017: Selection of the Uniform Assumptions for Fiscal Year 2026* memo dated April 14, 2026.

Uniform Assumption	PA 202	Valuation Assumption Used	Uniform Assumption Used
Investment Rate of Return Discount Rate[(1)]	Maximum of 7.00%	6.70%	6.70%
Salary Increase	Minimum of 3.50% or based on experience study within last 5 years	3.50% + Merit and longevity (based on experience study dated May 11, 2023)	3.50% + Merit and longevity (based on experience study dated May 11, 2023)
Mortality	A version of Pub-2016 mortality tables with future mortality improvement projected generationally using the 2024 adjusted Scale MP-2021, or later if available, or based on an experience study within last 5 years	A version of Pub-2010 tables with Generational mortality improvement using scale MP-2021 (based on an experience study dated May 11, 2023)	A version of Pub-2010 tables with Generational mortality improvement using scale MP-2021 (based on an experience study dated May 11, 2023)
Healthcare Inflation (for Medical and Drug)	Non-Medicare: Initial rate of 7.75% decreasing 0.25% per year to a 4.50% long-term rate Medicare: Initial rate of 6.50% decreasing 0.25% per year to a 4.50% long-term rate	Non-Medicare: Initial rate of 7.75% decreasing to a 3.50% long-term rate in year 15 Medicare: Initial rate of 7.00% decreasing to a 3.50% long-term rate in year 15	**Non-Medicare: Initial rate of 7.75% decreasing 0.25% per year to a 4.50% long-term rate** **Medicare: Initial rate of 6.50% decreasing 0.25% per year to a 4.50% long-term rate**
Amortization of the Unfunded Accrued Actuarial Liability: Period	Maximum Period of 23 Years	15 years, Layered	15 years
Method	Closed Plans: Level Dollar Open Plans: Level Dollar or Level Percent of Payroll	Level Dollar	Level Dollar
Type	Closed	Closed	Closed

(1) *A blended rate calculated using GASB Statement No. 75 methodology. For periods in which projected plan assets are sufficient to make projected benefit payments – maximum of 7.00%; for periods in which projected plan assets are NOT sufficient to make projected benefit payments – maximum of 3.93%.*

State Reporting
as of June 30, 2026

The following information has been prepared to provide some of the information necessary to complete the OPEB reporting requirements for the State of Michigan's Local Government Retirement System Annual Report (Form 5572). The local unit of government is required to complete/develop all of the remaining reporting requirements necessary for Form 5572. Additional resources are available on the State website.

Line	Descriptive Information	
19	**Actuarial Assumptions**[1]	
20	Assumed Rate of Investment Return	6.70%
21	Enter discount rate	6.70%
22	Amortization method utilized for funding the system's unfunded actuarial accrued liability, if any	Level Dollar
23	Amortization period utilized for funding the system's unfunded actuarial accrued liability, if any	15
24	Is each division within the system closed to new employees?	No
25	Health care inflation assumption for the next year	7.75%
26	Health care inflation assumption - Long-Term Trend Rate	3.50%
27	**Uniform Assumptions**[2]	
28	Enter retirement health care system's actuarial value of assets using uniform assumptions	$ 317,114,564
29	Enter retirement health care system's actuarial accrued liabilities using uniform assumptions	$ 313,103,642
30	Funded ratio using uniform assumptions	101.3%
31	Actuarially Determined Contribution (ADC) using uniform assumptions	$ 1,944,518
32	All systems combined ADC/Governmental fund revenues	Auto[3]

(1) *Information on lines 28-32 is based on assumptions listed on the prior page.*
(2) *As of the June 30, 2026 actuarial valuation date.*
(3) *Automatically calculated by State of Michigan Form 5572.*

Glossary

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

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

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

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

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

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

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

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

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

Implicit Rate Subsidy. It is common practice for employers to allow retirees to continue in the employer's group health insurance plan (which also covers active employees), often charging the retiree some portion of the premium charged for active employees. Under the theory that retirees have higher utilization of services, the difference between the true cost of providing retiree coverage and what the retiree is being charged is known as the implicit rate subsidy.

Glossary

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

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

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

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

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

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