

City of Grand Rapids General Retirement System

GASB Statement Nos. 67 and 68 Accounting and
Financial Reporting for Pensions
June 30, 2017





October 20, 2017

Mr. Jeff Dood, Deputy Chief Financial Officer
Board of Trustees
City of Grand Rapids General
Retirement System
Grand Rapids, Michigan

Dear Mr. Dood:

This report provides accounting and financial reporting information that is intended to comply with the Governmental Accounting Standards Board (GASB) Statement Nos. 67 and 68 for the City of Grand Rapids General Retirement System. These calculations have been made on a basis that is consistent with our understanding of these Statements.

GASB Statement No. 67 is the accounting standard that applies to the stand-alone financial reports issued by retirement systems. GASB Statement No. 68 establishes accounting and financial reporting for state and local government employers who provide their employees (including former employees) pension benefits through a trust.

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

Our calculation of the liability associated with the benefits described in this report was performed for the purpose of providing reporting and disclosure information that satisfies the requirements of GASB Statement Nos. 67 and 68. The calculation of the plan's liability for this report is not applicable for funding purposes of the plan. A calculation of the plan's liability for purposes other than satisfying the requirements of GASB Statement No. 67 may produce significantly different results.

The valuation was based upon information furnished by the City and Plan Administrator, concerning Retirement System 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.

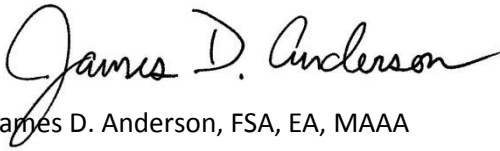
This report complements the actuarial valuation report that was provided to the Board and should be considered in conjunction with that report. Please see the actuarial valuation report as of June 30, 2017 for additional discussion of the nature of actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions.

To the best of our knowledge, the information contained within this report is accurate and fairly represents the actuarial position of the City of Grand Rapids General Retirement System. All calculations have been made in conformity with generally accepted actuarial principles and practices as well as with the Actuarial Standards of Practice issued by the Actuarial Standards Board.

The signing individuals are independent of the plan sponsor.

James D. Anderson and Jeffrey T. Tebeau 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.

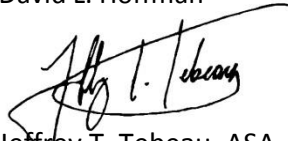
Respectfully submitted,



James D. Anderson, FSA, EA, MAAA



David L. Hoffman



Jeffrey T. Tebeau, ASA, EA, MAAA

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SECTION A

EXECUTIVE SUMMARY

Executive Summary

Actuarial Valuation Date	June 30, 2017
Measurement Date of the Net Pension Liability	June 30, 2017
Employer's Fiscal Year Ending Date (Reporting Date)	June 30, 2018

Membership

Number of	
- Retirees and Beneficiaries	1,183
- Inactive, Nonretired Members	100
- Active Members	533
- Total	1,816
Covered Payroll ⁽¹⁾	\$ 33,647,390

Net Pension Liability

Total Pension Liability	\$ 518,530,286
Plan Fiduciary Net Position	409,168,804
Net Pension Liability	\$ 109,361,482
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	78.91%
Net Pension Liability as a Percentage of Covered Payroll	325.02%

Development of the Single Discount Rate

Single Discount Rate	7.25%
Long-Term Expected Rate of Investment Return	7.25%
Long-Term Municipal Bond Rate ⁽²⁾	3.56%
Year when the Plan Fiduciary Net Position is projected to no longer be sufficient to make Projected Benefit Payments	N/A

Total Pension Expense	\$ 22,941,316
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Deferred Outflows of Resources and Deferred Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 4,165,177	\$ 624,676
Changes in assumptions	5,625,256	-
Net difference between projected and actual earnings on pension plan investments	25,214,211	16,059,835
Total	\$ 35,004,644	\$ 16,684,511

⁽¹⁾ The amount provided represents the annual pays for members active on the valuation date and does not necessarily represent Covered Payroll as defined in GASB Statements No. 67 and 68.

⁽²⁾ Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2017. In describing this index, Fidelity notes that the municipal curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.

Discussion

Accounting Standard

For pension plans that are administered through trusts or equivalent arrangements, Governmental Accounting Standards Board (GASB) Statement No. 67 establishes standards of financial reporting for separately issued financial reports and specifies the required approach for measuring the pension liability. Similarly, GASB Statement No. 68 establishes standards for state and local government employers (as well as non-employer contributing entities) to account for and disclose the net pension liability, pension expense, and other information associated with providing retirement benefits to their employees (and former employees) on their basic financial statements.

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 and the retirement system and/or plan sponsor will be responsible for preparing and disclosing that information to comply with these accounting standards.

Financial Statements

GASB Statement No. 68 requires state or local governments to recognize the net pension liability and the pension expense on their financial statements. The net pension liability is the difference between the total pension liability and the plan's fiduciary net position. In traditional actuarial terms, this is analogous to the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

Paragraph 57 of GASB Statement No. 68 states, "Contributions to the pension plan from the employer subsequent to the measurement date of the collective net pension liability and before the end of the employer's reporting period should be reported as a deferred outflow of resources related to pensions." The information contained in this report does not incorporate any contributions made to the System subsequent to the measurement date of June 30, 2017.

The pension expense recognized each fiscal year is equal to the change in the net pension liability from the beginning of the year to the end of the year, adjusted for deferred recognition of the liability and investment experience.

Pension plans that prepare their own, stand-alone financial statements are required to present two financial statements – a statement of fiduciary net position and a statement of changes in fiduciary net position in accordance with GASB Statement No. 67. The *statement of fiduciary net position* presents the assets and liabilities of the pension plan at the end of the pension 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 expenses, and net increase or decrease in the fiduciary net position.

Notes to Financial Statements

GASB Statement No. 68 requires the notes of the employer's financial statements to disclose the total pension expense, the pension plan's liabilities and assets, and deferred outflows and inflows of resources related to pensions.

GASB Statement Nos. 67 and 68 require the notes of the financial statements for the employers and pension plans to include certain additional information. The list of disclosure items should include:

- a description of benefits provided by the plan;
- the type of employees and number of members covered by the pension plan;
- a description of the plan's funding policy, which includes member and employer contribution requirements;
- the pension plan's investment policies;
- the pension plan's fiduciary net position and the net pension liability;
- the net pension liability using a discount rate that is 1% higher and 1% lower than used to calculate the total pension liability and net pension liability for financial reporting purposes;
- significant assumptions and methods used to calculate the total pension liability;
- inputs to the discount rates; and
- certain information about mortality assumptions and the dates of experience studies.

Retirement systems that issue stand-alone financial statements are required to disclose additional information in accordance with GASB Statement No. 67. This information includes:

- the composition of the pension 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. 67 requires a 10-year fiscal history of:

- sources of changes in the net pension liability;
- information about the components of the net pension liability and related ratios, including the pension plan's fiduciary net position as a percentage of the total pension liability, and the net pension liability as a percent of covered payroll; and
- a comparison of the actual employer contributions to the actuarially determined contributions based on the plan's funding policy.

General Implications of Contribution Allocation Procedure or Funding Policy on Future Expected Plan Contributions and Funded Status

Given the plan's contribution allocation procedure, if all actuarial assumptions are met (including the assumption of the plan earning 7.25% on the actuarial value of assets), then the following outcomes are expected:

1. The employer normal cost as a percentage of pay is expected to remain level as a percentage of payroll.
2. The unfunded liability is expected to be paid off in 30 years, which is the number of years remaining in the closed amortization schedule of the unfunded liability.
3. The funded status of the plan is expected to reach a 100% funded ratio in 30 years, which is the number of years remaining in the closed amortization schedule of the unfunded liability.

This funding policy results in the expectation that the plan's assets will be able to fully pay for promised benefits through at least 2117. The projections in this report are strictly for the purpose of determining the GASB single discount rate and are different from a funding projection for the ongoing plan.

Timing of the Valuation

An actuarial valuation to determine the total pension liability is required to be performed at least every two years. The net pension liability and pension expense should be measured as of the pension plan's fiscal year end (measurement date) on a date that is within the employer's prior fiscal year. If the actuarial valuation used to determine the total pension liability is not calculated as of the measurement date, the total pension liability is required to be rolled forward from the actuarial valuation date to the measurement date.

The total pension liability shown in this report is based on an actuarial valuation performed as of June 30, 2017 and a measurement date of June 30, 2017.

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 pension 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 (which is published by the Bond Buyer Index) 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 pension plan investments is 7.25%; the municipal bond rate is 3.56% (based on the weekly rate closest to but not later than the measurement date of the "20-Year Municipal GO AA Index"); and the resulting Single Discount Rate is 7.25%.

Effective Date and Transition

GASB Statement Nos. 67 and 68 became effective for fiscal years beginning after June 15, 2013, and June 15, 2014 respectively.

SECTION B

FINANCIAL STATEMENTS

Pension Expense under GASB Statement No. 68
Measurement Date – June 30, 2017
Reporting Date – June 30, 2018

A. Expense

1. Service Cost	\$ 5,161,510
2. Interest on the Total Pension Liability	36,025,286
3. Current Period Benefit Changes	0
4. Employee Contributions (made negative for addition here)	(3,012,472)
5. Projected Earnings on Plan Investments (made negative for addition here)	(27,588,514)
6. Pension Plan Administrative Expense	558,024
7. Other Changes in Plan Fiduciary Net Position	-
8. Recognition of Outflow (Inflow) of Resources due to Liabilities	11,713,286
9. Recognition of Outflow (Inflow) of Resources due to Assets	<u>84,196</u>
10. Total Pension Expense	\$ 22,941,316

Statement of Outflows and Inflows Arising from the Current Reporting Period Measurement Date – June 30, 2017 Reporting Date – June 30, 2018

A. Outflows (Inflows) of Resources due to Liabilities

1. Difference between expected and actual experience of the Total Pension Liability (gains) or losses	\$ (971,718)
2. Assumption Changes (gains) or losses	\$ -
3. Recognition period for Liabilities: Average of the expected remaining service lives of all employees {in years}	2.8
4. Outflow (Inflow) of Resources to be recognized in the current pension expense for the difference between expected and actual experience of the Total Pension Liability	\$ (347,042)
5. Outflow (Inflow) of Resources to be recognized in the current pension expense for Assumption Changes	\$ -
6. Outflow (Inflow) of Resources to be recognized in the current pension expense due to Liabilities	<u>\$ (347,042)</u>
7. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses for the difference between expected and actual experience of the Total Pension Liability	\$ (624,676)
8. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses for Assumption Changes	\$ -
9. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses due to Liabilities	<u>\$ (624,676)</u>

B. Outflows (Inflows) of Resources due to Assets

1. Net difference between projected and actual earnings on pension plan investments (gains) or losses	\$ (10,707,601)
2. Recognition period for Assets {in years}	5.0
3. Outflow (Inflow) of Resources to be recognized in the current pension expense due to Assets	\$ (2,141,520)
4. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses due to Assets	\$ (8,566,081)

Statement of Outflows and Inflows Arising from the Current and Prior Reporting Periods Measurement Date – June 30, 2017 Reporting Date – June 30, 2018

A. Outflows and Inflows of Resources due to Liabilities and Assets to be Recognized in Current Pension Expense

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Due to Liabilities	\$ 12,813,627	\$ 1,100,341	\$ 11,713,286
2. Due to Assets	9,719,468	9,635,272	84,196
3. Total	\$ 22,533,095	\$ 10,735,613	\$ 11,797,482

B. Outflows and Inflows of Resources by Source to be Recognized in Current Pension Expense

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	\$ 4,777,545	\$ 1,100,341	\$ 3,677,204
2. Assumption Changes	8,036,082	-	8,036,082
3. Net Difference between projected and actual earnings on pension plan investments	9,719,468	9,635,272	84,196
4. Total	\$ 22,533,095	\$ 10,735,613	\$ 11,797,482

C. Deferred Outflows and Deferred Inflows of Resources by Source to be Recognized in Future Pension Expenses

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
1. Differences between expected and actual experience	\$ 4,165,177	\$ 624,676	\$ 3,540,501
2. Assumption Changes	5,625,256	-	5,625,256
3. Net Difference between projected and actual earnings on pension plan investments	25,214,211	16,059,835	9,154,376
4. Total	\$ 35,004,644	\$ 16,684,511	\$ 18,320,133

D. Deferred Outflows and Deferred Inflows of Resources by Year to be Recognized in Future Pension Expenses

Year Ending June 30	Net Deferred Outflows of Resources
2019	\$ 9,322,361
2020	7,505,540
2021	3,633,753
2022	(2,141,521)
2023	-
Thereafter	-
Total	\$ 18,320,133

Statement of Fiduciary Net Position as of June 30, 2017

Assets

Cash and Deposits	\$	4,133,132
Receivables		
Accounts Receivable - Sale of Investments	\$	2,183,163
Accrued Interest and Other Dividends		430,754
Contributions		454,668
Accounts Receivable - Other		-
Total Receivables	<u>\$</u>	<u>3,068,585</u>
Investments		
Fixed Income	\$	97,540,292
Domestic Equities		258,571,314
Real Estate		19,240,626
Other - Private Equity and Commodities		27,618,680
Total Investments	<u>\$</u>	<u>402,970,912</u>
Total Assets	<u>\$</u>	<u>410,172,629</u>

Liabilities

Payables		
Accounts Payable - Purchase of Investments	\$	667,352
Accrued Expenses		336,473
Accounts Payable - Other		-
Total Liabilities	<u>\$</u>	<u>1,003,825</u>

Net Position Restricted for Pensions	<u>\$</u>	<u>409,168,804</u>
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Statement of Changes in Fiduciary Net Position for Year Ended June 30, 2017

Additions

Contributions		
Employer	\$	10,237,538
Member		3,012,472
Other		-
Total Contributions		\$ 13,250,010
Investment Income		
Net Appreciation in Fair Value of Investments	\$	34,287,484
Interest and Dividends		5,020,040
Less Investment Expense		(1,011,409)
Net Investment Income		\$ 38,296,115
Other	\$	-
Total Additions		\$ 51,546,125

Deductions

Benefit Payments and Refunds	\$	32,009,058
Pension Plan Administrative Expense		558,024
Other		-
Total Deductions		\$ 32,567,082
Net Increase in Net Position	\$	18,979,043

Net Position Restricted for Pensions

Beginning of Year		\$ 390,189,761
End of Year		\$ 409,168,804

SECTION C

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the Net Pension Liability and Related Ratios

Measurement Date – June 30, 2017

A. Total pension liability	
1. Service Cost	\$ 5,161,510
2. Interest on the Total Pension Liability	36,025,286
3. Changes of benefit terms	0
4. Differences between expected and actual experience of the Total Pension Liability	(971,718)
5. Changes of assumptions	0
6. Benefit payments, including refunds of employee contributions	(32,009,058)
7. Net change in total pension liability	\$ 8,206,020
8. Total pension liability – beginning	510,324,266
9. Total pension liability – ending	<u><u>\$ 518,530,286</u></u>
B. Plan fiduciary net position	
1. Contributions – employer	\$ 10,237,538
2. Contributions – employee	3,012,472
3. Net investment income	38,296,115
4. Benefit payments, including refunds of employee contributions	(32,009,058)
5. Pension Plan Administrative Expense	(558,024)
6. Other	-
7. Net change in plan fiduciary net position	\$ 18,979,043
8. Plan fiduciary net position – beginning	390,189,761
9. Plan fiduciary net position – ending	<u><u>\$ 409,168,804</u></u>
C. Net pension liability	<u><u>\$ 109,361,482</u></u>
D. Plan fiduciary net position as a percentage of the total pension liability	78.91%
E. Covered-employee payroll*	\$ 33,647,390
F. Net pension liability as a percentage of covered employee payroll	325.02%

* The amount provided represents the annual pays for members active on the valuation date and does not necessarily represent Covered Payroll as defined in GASB Statements No. 67 and 68.

Schedules of Required Supplementary Information

Schedule of Changes in the Employers' Net Pension Liability and Related Ratios

Last 10 Fiscal Years (which may be built prospectively)

Measurement Date - June 30,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Pension Liability										
Service Cost	\$ 5,161,510	\$ 5,546,388	\$ 6,348,067	\$ 6,904,650	\$ 7,294,537					
Interest on the Total Pension Liability	36,025,286	35,127,721	33,287,484	33,394,709	32,920,147					
Benefit Changes	-	-	20,882	-	-					
Difference between Expected and Actual Experience of the Total Pension Liability	(971,718)	6,361,929	10,083,648	(7,420,169)	(6,012,166)					
Assumption Changes	-	-	29,733,502	-	-					
Benefit Payments	(31,894,361)	(36,708,883)	(39,570,343)	(28,055,439)	(27,037,516)					
Refunds	(114,697)	(208,843)	(283,087)	(152,273)	(114,916)					
Net Change in Total Pension Liability	8,206,020	10,118,312	39,620,153	4,671,478	7,050,086					
Total Pension Liability - Beginning	\$ 510,324,266	500,205,954	460,585,801	455,914,323	448,864,237					
Total Pension Liability - Ending (a)	\$ 518,530,286	\$ 510,324,266	\$ 500,205,954	\$ 460,585,801	\$ 455,914,323					
Plan Fiduciary Net Position										
Contributions - Employer	\$ 10,237,538	\$ 9,295,104	\$ 11,327,704	\$ 8,771,032	\$ 8,135,843					
Contributions - Member	3,012,472	3,428,169	3,473,382	3,737,014	3,933,341					
Pension Plan Net Investment Income	38,296,115	289,104	11,478,680	65,337,996	44,058,818					
Benefit Payments	(31,894,361)	(36,708,883)	(39,570,343)	(28,055,439)	(27,037,516)					
Refunds	(114,697)	(208,843)	(283,087)	(152,273)	(114,916)					
Pension Plan Administrative Expense	(558,024)	(568,895)	(567,869)	(523,086)	(476,059)					
Other	-	-	-	(21,741)	(15,873)					
Net Change in Plan Fiduciary Net Position	18,979,043	(24,474,244)	(14,141,533)	49,093,503	28,483,638					
Plan Fiduciary Net Position - Beginning	390,189,761	414,664,005	428,805,538	379,712,035	351,228,397					
Plan Fiduciary Net Position - Ending (b)	\$ 409,168,804	\$ 390,189,761	\$ 414,664,005	\$ 428,805,538	\$ 379,712,035					
Net Pension Liability - Ending (a) - (b)	\$ 109,361,482	\$ 120,134,505	\$ 85,541,949	\$ 31,780,263	\$ 76,202,288					
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	78.91 %	76.46 %	82.90 %	93.10 %	83.29 %					
Covered Payroll #	\$ 33,647,390	\$ 35,760,078	\$ 38,492,586	\$ 40,510,955	\$ 43,783,450					
Net Pension Liability as a Percentage of Covered-Employee Payroll	325.02 %	335.95 %	222.23 %	78.45 %	174.04 %					

Notes to Schedule:

N/A

The amount provided represents the annual pays for members active on the valuation date and does not necessarily represent Covered Payroll as defined in GASB Statements No. 67 and 68.

Schedules of Required Supplementary Information

Schedule of the Employers' Net Pension Liability

FY Ending June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll#	Net Pension Liability as a % of Covered Payroll
2013	\$ 455,914,323	\$ 379,712,035	\$ 76,202,288	83.29%	\$ 43,783,450	174.04%
2014	460,585,801	428,805,538	31,780,263	93.10%	40,510,955	78.45%
2015	500,205,954	414,664,005	85,541,949	82.90%	38,492,586	222.23%
2016	510,324,266	390,189,761	120,134,505	76.46%	35,760,078	335.95%
2017	518,530,286	409,168,804	109,361,482	78.91%	33,647,390	325.02%

[#] The amount provided represents the annual pays for members active on the valuation date and does not necessarily represent Covered Payroll as defined in GASB Statements No. 67 and 68.

Schedule of Contributions

FY Ending June 30,	Actuarially Determined Contribution	Actual Contribution*	Contribution Deficiency (Excess)	Covered Payroll #	Actual Contribution as a % of Covered Payroll
2013	\$ 8,135,843	\$ 8,135,843	\$ -	\$ 43,783,450	18.58%
2014	8,771,032	8,771,032	-	40,510,955	21.65%
2015	11,327,704	11,327,704	-	38,492,586	29.43%
2016	9,295,104	9,295,104	-	35,760,078	25.99%
2017	10,237,538	10,237,538	-	33,647,390	30.43%

* Actual contributions are based on covered payroll at the time of the contribution. Since it was reported to the actuary that the City's practice is to contribute the percent-of-payroll employer contribution rate shown in the actuarial valuation report, the annual required contributions shown in the Schedule of Employer Contributions are the actual contributions made by the City in the fiscal year.

The amount provided represents the annual pays for members active on the valuation date and does not necessarily represent Covered Payroll as defined in GASB Statements No. 67 and 68.

Notes to Schedule of Contributions

Valuation Date: June 30, 2017
Notes Actuarially determined contribution rates are calculated as of June 30, which is 1 year prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions used to Determine Contribution Rates:

Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	28 - 30 years
Asset Valuation Method	5-Year Smoothed Market
Inflation	2.75% -- approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases	3.5% to 7.7% including inflation
Investment Rate of Return	7.25%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP-2014 Healthy Annuitant Mortality Table projected to 2019 using MP-2014 mortality improvement scale.

Other Information:

Notes

SECTION D

NOTES TO FINANCIAL STATEMENTS

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Based on information provided by the System's Investment Advisor, we used capital market expectations for each major asset class that is included in the plan's current asset allocation as of June 30, 2015; the best estimates for the long-term expected return are summarized in the following table:

Asset Allocation		
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	22.50%	6.10%
Non-US Equity	22.50%	6.60%
Core Fixed Income	25.00%	1.90%
US TIPS	10.00%	1.20%
Real Estate	5.00%	5.00%
Private Equity	5.00%	11.30%
Commodities	5.00%	2.70%
MLP	5.00%	8.50%
Cash	0.00%	0.00%
Total	100.00%	
Total Real Rate of Return		4.84%
Plus: Price Inflation - Actuary's Assumption		2.50%
Less: Investment Expenses (Passive)		0.10%
Net Expected Return		7.24%

Single Discount Rate

A Single Discount Rate of 7.25% was used to measure the total pension liability. This Single Discount Rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability to changes in the Single Discount Rate, the following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.25%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
Total Pension Liability	\$ 575,007,024	\$ 518,530,286	\$ 470,721,023
Plan Net Position	409,168,804	409,168,804	409,168,804
Net Pension Liability	\$ 165,838,220	\$ 109,361,482	\$ 61,552,219

Summary of Population Statistics

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	1,183
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	100
Active Plan Members	<u>533</u>
Total Plan Members	1,816

SECTION E

SUMMARY OF BENEFITS

Summary of Benefit Provisions Evaluated (June 30, 2017)

Voluntary Retirement. A member may retire after 30 years of service regardless of age, or after attaining age 62 and completing 8 years of service. Effective January 1, 2001, members covered by the Emergency Communications Operators Bargaining Unit, may retire after attaining age 55 and completing 8 years of service.

Final Average Salary (FAS). The average of member's highest annual salary rates, all before completion of the calendar year in which the member attains 40 years of service or reaches the benefit cap, during the three calendar years of credited service when such salary rates were the highest.

Members of the Crime Scene Technicians group have an additional sum added to their FAS, effective July 1, 2000. The sum is calculated based on an average of the group's additional compensation items during the previous three calendar years and the average of the group's valuation payroll as of June 30 for the five-year period immediately preceding the valuation.

Emergency Communication Operators I, II, and III also have an additional sum added to their FAS, effective July 1, 2005. The sum is calculated based on an average of the group's additional compensation items during the previous five calendar years and the average of the group's valuation payroll as of June 30 for the five-year period immediately preceding the valuation.

Members who retire with 10 or more years of continuous service may use up to two thousand eighty (2,080) hours (1,265 for Crime Scene Technician members) of accumulated sick leave to purchase up to one (1) year of additional credited service, on a pro rata basis.

Full Age and Service Allowance. The members' benefit multipliers, used to compute full age and service allowance, are shown in the tables on the following page.

In lieu of this single life-level amount form of payment, a retiring member may elect from several optional forms of payment, each of which is the actuarial equivalent of this single life-level payment form.

Summary of Benefit Provisions Evaluated (June 30, 2017) (Continued)

Covered Employee Group	Date of Termination	Benefit Multiplier	Allowance Cap [apply as indicated and remain in effect for subsequent termination dates unless otherwise amended]
ECO's I, II and III	January 1, 2002 – March 31, 2012	2.7%	100% applicable to ECO's I, II and III hired on or before May 6, 2002 90% applicable to ECO's I, II, and III hired from May 7, 2002 – January 23, 2012
ECO's I, II and III	April 1, 2012	2.7%, 2.5%, 2.2%, 2.0% or 1.8% for future service from and after April 1, 2012 depending on the individual election made by the employee as provided in Section 1.229(10) Bargaining unit members hired on or after January 24, 2012 do not participate in the Retirement System	
GRPOA-Crime Scene Tech/Latent Print Examiners	July 1, 2002 – July 7, 2012	2.7%	100% applicable to CST's hired prior to January 1, 2002 90% applicable to CST's hired from January 1, 2002 – November 14, 2011
GRPOA-Crime Scene Tech/Latent Print Examiners	July 8, 2012	2.7% or 2.5% or 2.2% or 2.0% or 1.8% for future service from and after July 8, 2012, depending on the individual election made by the employee as provided in Section 1.229(9) Bargaining unit members hired on or after November 15, 2011 do not participate in the Retirement System	100% applicable to CST's hired prior to January 1, 2002 90% applicable to CST's hired from January 1, 2002 – November 14, 2011
APAGR	January 1, 2003 – December 31, 2004	2.6%	97.5% for employees hired prior to January 1, 2005
APAGR	January 1, 2005 – June 11, 2011	2.7%	97.5% for employees hired prior to January 1, 2005 94.5% for employees hired from January 1, 2005 – June 30, 2014
APAGR	June 12, 2011	2.7% or 2.5% or 2.2% for future service from and after June 12, 2011, depending on the individual election made by the employee as provided in Section 1.229(3) 2.0% for members hired or re-entering service on or after June 12, 2011	

Summary of Benefit Provisions Evaluated (June 30, 2017) (Continued)

Covered Employee Group	Date of Termination	Benefit Multiplier	Allowance Cap [apply as indicated and remain in effect for subsequent termination dates unless otherwise amended]
APAGR 61st Dist. Court	January 1, 2003 – December 31, 2004	2.6%	97.5% for employees hired prior to January 1, 2005
APAGR 61st Dist. Court	January 1, 2005 – July 7, 2012	2.7%	97.5% for employees hired prior to January 1, 2005 94.5% for employees hired on or after January 1, 2005 – September 12, 2011
APAGR 61st Dist. Court	July 8, 2012	2.7%, or 2.5%, or 2.2%, or 2.0% or 1.8% for future service from and after July 8, 2012, depending on the individual election made by the employee as provided in Section 1.229(8) Bargaining unit members hired on or after September 13, 2011 do not participate in the Retirement System	
Non-Represented Members as defined in Section 1.192(18.1)	January 1, 2005 – September 4, 2010	2.7%	97.5% for employees hired prior to January 1, 2005 94.5% for employees hired on or after January 1, 2005
Non-Represented Members as defined in Section 1.192(18.1)	September 5, 2010	2.7% or 2.5% or 2.2% for future service from and after September 5, 2010, depending on the individual election made by the employee as provided in Section 1.229(1) 2.0% for non-represented members hired or re-entering service from September 5, 2010 through June 30, 2011 Bargaining unit members hired on or after July 1, 2011 do not participate in the Retirement System	97.5% for employees hired prior to January 1, 2005 94.5% for employees hired from January 1, 2005 – June 30, 2011
61 st District Court Judges	January 1, 2005 – January 8, 2011	2.7%	97.5%

Summary of Benefit Provisions Evaluated (June 30, 2017) (Continued)

Covered Employee Group	Date of Termination	Benefit Multiplier	Allowance Cap [apply as indicated and remain in effect for subsequent termination dates unless otherwise amended]
61 st District Court Judges	January 9, 2011	2.7% or 2.5% or 2.2% for future service from and after January 9, 2011, depending on the individual election made by the employee as provided in Section 1.229(2)	97.5%
Museum Full-Time Supervisory and Administrative Staff and Museum Non-Supervisory Staff	January 1, 2005 – June 30, 2006	2.7%	97.5% for employees hired prior to January 1, 2005 94.5% for employees hired on or after January 1, 2005
Library Management and Confidential Employees	January 1, 2005 – September 4, 2010	2.7%	
EC Supervisors	January 1, 2006 – January 7, 2012	2.7%	
EC Supervisors	January 8, 2012	2.7%, 2.5%, 2.2%, 2.0% or 1.8% for future service from and after January 8, 2012, depending on the individual election made by the employee as provided in Section 1.229(5) Bargaining unit members hired on or after September 13, 2011 do not participate in the Retirement System	90% applicable for all employees entering this unit after July 1, 2004
GREIU	January 1, 2005 – July 7, 2012	2.7%	
GREIU	July 8, 2012	2.7%, 2.5%, 2.2%, 2.0% or 1.8% for future service from and after July 8, 2012, depending on the individual election made by the employee as provided in Section 1.229(4) Bargaining unit members hired on or after May 25, 2011 do not participate in the Retirement System	97.5% for employees hired prior to January 1, 2005 94.5% for employees hired from January 1, 2005 – May 24, 2011

Summary of Benefit Provisions Evaluated (June 30, 2017) (Continued)

Covered Employee Group	Date of Termination	Benefit Multiplier	Allowance Cap [apply as indicated and remain in effect for subsequent termination dates unless otherwise amended]
GREIU - Public Library Rank & File and Supervisory Bargaining Units	January 1, 2006 – July 7, 2012	2.7%	97.5% for employees hired prior to January 1, 2005 94.5% for employees hired from January 1, 2005 – September 1, 2011
GREIU - Public Library Rank & File and Supervisory Bargaining Units	July 8, 2012	2.7%, 2.5%, 2.2%, 2.0% or 1.8% for future service from and after July 8, 2012, depending on the individual election made by the employee as provided in Section 1.229(6) Bargaining unit members hired on or after September 2, 2011 do not participate in the Retirement System	
GREIU - 61st District Court	January 1, 2005 – July 7, 2012	2.7%	97.5% for employees hired prior to January 1, 2005 94.5% for employees hired from January 1, 2005 – September 12, 2011
GREIU - 61st District Court	July 8, 2012	2.7%, 2.5%, 2.2%, 2.0% or 1.8% for future service from and after July 8, 2012, depending on the individual election made by the employee as provided in Section 1.229(7) Bargaining unit members hired on or after September 13, 2011 do not participate in the Retirement System	

Summary of Benefit Provisions Evaluated (June 30, 2017) (Continued)

Early Allowance. If a member leaves covered employment after either (i) completing 20 years of credited service, or (ii) both attaining age 55 and completing 10 years or more of credited service, he can receive an immediate early allowance, computed in the same manner as an age and service allowance based upon salary and service to time of termination but actuarially reduced to reflect the fact that the age when payments begin is younger than age 62.

Deferred Retirement. A member with 8 or more years of credited service who terminates employment before voluntary retirement age and does not withdraw accumulated contributions will be eligible for a deferred allowance beginning at age 62, based upon service and final average salary at time of termination.

Death Benefit. If the member's termination of employment is because of death, a benefit equal to the termination benefit is payable to a beneficiary or estate, as follows:

A refund of accumulated contributions. In addition, a "termination bonus" equivalent to a certain percent of member contributions without interest may be payable. Such percent is 25%, plus 7.5% for each whole year of credited service in excess of 10 years, to a maximum of 100% for 20 or more years of service, times an age-based Termination Bonus Percent.

If the member was eligible for normal or early retirement at the time of death, in lieu of the lump sum death benefit an eligible beneficiary will begin receiving a B-100 joint and survivor pension computed in the same manner as a service retirement pension as if the member had retired the last day of his life.

Or, if the member was not represented by any collective bargaining unit or was represented by the Association of Public Administrators, the Grand Rapids Employees Independent Union or the 61st District Court Employee's Association, and the primary beneficiary was the surviving spouse, the benefit will be computed in the manner described in the preceding paragraph, except that the member will have been assumed to have reached the age for minimum service retirement at the date of his death.

The total amount of death benefit payable cannot exceed 90% of the member's annual rate of compensation at the time of death reduced by any worker's compensation or social security payments.

Summary of Benefit Provisions Evaluated (June 30, 2017) (Continued)

Disability Benefit. If a member has 10 or more years of credited service before attaining the minimum service retirement age and becomes totally and permanently disabled, a benefit computed in the same manner as a full age and service benefit is payable. If disablement is a result of performance of duty, the 10-year minimum credited service requirement is waived and the benefit is computed as above with a minimum benefit of 50% (62% for those represented by police bargaining units) of final average salary.

The total amount of benefit payable due to disablement cannot exceed 90% of the member's annual rate of compensation at the time of disablement reduced by any worker's compensation payments, Social Security benefits, (disability benefits), and remuneration from any gainful employment.

Member Contributions. The contribution rates used are defined in the following table:

Member Classification	Period	Contribution Rate
Non-Represented Members, as defined in Section 1.192(18.1), excluding secretarial or clerical members designated as management non-union for payroll purposes, and excluding the Executive Administrative Assistant at the Grand Rapids Public Library	On or before July 1, 1977	3%
	July 2, 1977 to December 31, 1994	4%
	January 1, 1995 to December 31, 1996	3%
	January 1, 1997 to December 31, 2004	3.28%
	January 1, 2005 to September 4, 2010	4.93%
	On or after September 5, 2010	10.20%, or 8.95% or 7.28%, depending on the individual election made by the member as provided in Section 1.229(1)
		6.15% for those non-represented members hired or re-entering service from September 5, 2010 through June 30, 2011

Summary of Benefit Provisions Evaluated (June 30, 2017) (Continued)

Member Classification	Period	Contribution Rate
Non-Represented Members, as defined in Section 1.192(18.1), including only secretarial or clerical members designated as management non-union for payroll purposes, and including the Executive Administrative Assistant at the Grand Rapids Public Library	On or before July 1, 1977	3%
	July 2, 1977 to December 31, 1994	4%
	January 1, 1995 to December 31, 1996	3%
	January 1, 1997 to December 31, 2004	3.28%
	January 1, 2005 to September 4, 2010	4.93%
	September 5, 2010 to July 23, 2011	10.20%, or 8.95% or 7.28%, depending on the individual election made by the member as provided in Section 1.229(1)
	On or after July 24, 2011	6.15% for those non-represented members hired or re-entering service from September 5, 2010 through June 30, 2011 8.10% for members who elected a 2.7% multiplier under Section 1.229(1); 6.85% for members who elected a 2.5% multiplier under Section 1.229(1); 5.18% for members who elected a 2.2% multiplier under Section 1.229(1); 4.05% for members with a 2.0% multiplier who were hired or re-entered service from September 5, 2010 through June 30, 2011
Emergency Communications Operators I, II and III represented by GRPOLC	On or before July 1, 1977	3%
	July 2, 1977 to January 1, 1990	4%
	January 2, 1990 to January 1, 1991	3%
	January 2, 1991 to December 31, 1996	2%
	January 1, 1997 to June 30, 2005	2.28%
	July 1, 2005 to March 31, 2012	5.36%
	On or after April 1, 2012	10.63%, or 9.38%, or 7.71%, or 6.58%, or 5.36%, depending on the individual election made by the member as provided in Section 1.229(10)

Summary of Benefit Provisions Evaluated (June 30, 2017) (Continued)

Member Classification	Period	Contribution Rate
Emergency Communication Supervisors	On or before December 31, 2005	3.28%
	January 1, 2006 to January 7, 2012	6.27%
	On or after January 8, 2012	11.54%, or 10.29%, or 8.62%, or 7.49%, or 6.27%, depending on the individual election made by the member as provided in Section 1.229(5)
Crime Scene Techs/Latent Print Examiners represented by the GRPOA	On or before July 1, 1977	3%
	July 2, 1977 to July 1, 1989	4%
	July 2, 1989 to July 1, 1990	3%
	July 2, 1990 to July 7, 2012	2%
	July 8, 2012 – June 30, 2014	7.27%, or 6.02%, or 4.35%, or 3.22%, or 2.00%, depending on the individual election made by the member as provided in Section 1.229(9)
On or after July 1, 2014	8.27%, or 7.02%, or 5.35%, or 4.22%, or 3.00%, depending on the individual election made by the member as provided in Section 1.229(9)	
GREIU	On or before July 1, 1977	3%
	July 2, 1977 to January 1, 1990	4%
	January 2, 1990 to December 31, 1996	3%
	January 1, 1997 to December 31, 2004	3.28%
	January 1, 2005 to July 7, 2012	3.89%
	On or after July 8, 2012	9.16%, or 7.91%, or 6.24%, or 5.11%, or 3.89%, depending on the individual election made by the member as provided in Section 1.229(4)
GREIU - 61st District Court	Prior to January 1, 1990	4%
	January 1, 1990 to December 31, 1996	3%
	January 1, 1997 to May 31, 2005	3.28%
	June 1, 2005 to July 7, 2012	4%
	On or after July 8, 2012	9.16%, or 7.91%, or 6.24%, or 5.11%, or 3.89%, depending on the individual election made by the member as provided in Section 1.229(7)

Summary of Benefit Provisions Evaluated (June 30, 2017) (Continued)

Member Classification	Period	Contribution Rate
GREIU – Public Library Rank & File and Supervisory Bargaining Units	On or before July 1, 1977	3%
	July 2, 1977 to January 1, 1988	4%
	January 2, 1988 to May 13, 1990	4.91%
	May 14, 1990 to December 31, 1996	4%
	January 1, 1997 to December 31, 2005	3.28%
	January 1, 2006 to July 7, 2012	3.63%
	On or after July 8, 2012	8.90%, or 7.65%, or 5.98%, or 4.85%, or 3.63%, depending on the individual election made by the member as provided in Section 1.229(6)
Library Management and Confidential Employees	On or before July 1, 1977	3%
	July 2, 1977 to January 1, 1988	4%
	January 2, 1988 to May 13, 1990	4.91%
	May 14, 1990 to December 31, 1996	4%
	January 1, 1997 to December 31, 2004	3.28%
	January 1, 2005 to September 4, 2010	4.93%
APAGR 61st District Court	Prior to January 1, 1990	4%
	January 1, 1990 to December 31, 1996	3%
	January 1, 1997 to December 31, 2004	3.28%
	January 1, 2005 to July 7, 2012	4%
	On or after July 8, 2012	9.27%, or 8.02%, or 6.35%, or 5.22%, or 4.00%, depending on the individual election made by the member as provided in Section 1.229(8)

Summary of Benefit Provisions Evaluated (June 30, 2017) (Continued)

Member Classification	Period	Contribution Rate
Non-Represented Members of the 61 st District Court	January 1, 2005 to September 4, 2010	4%
61 st District Court Judges	January 1, 2005 to January 8, 2011	4%
61 st District Court Judges	On or after January 9, 2011	10.20%, or 8.95% or 7.28%, depending on the individual election made by the member as provided in Section 1.229(2)
Association of Public Administrators of GR (APAGR)*	Prior to December 31, 1994	4%
	January 1, 1995 to December 31, 1996	3%
	January 1, 1997 to December 31, 2004	3.28%
	January 1, 2005 to June 11, 2011	3.99%
	On or after June 12, 2011	9.26%, or 8.01% or 6.34%, depending on the individual election made by the member as provided in Section 1.229(3) 6.15% for those APAGR members hired or re-entering service on or after June 12, 2011

**[No contribution after completing 39 years of service.]*

Summary of Benefit Provisions Evaluated (June 30, 2017) (Concluded)

If a member terminates employment before any allowance is payable, accumulated contributions (contributions plus regular interest) are refunded.

Employer Contributions. The City contributes the remainder amounts necessary to maintain the Retirement System in sound financial condition in accordance with its funding objectives.

Compensation. Compensation recognized for retirement system purposes includes base pay and longevity pay.

Post Retirement Increases. Post retirement benefit increases are 0% unless otherwise stated:

Member Classification	Termination Date	Escalator
GREIU and GREIU-61 st District Court	On or after March 24, 2009	1.0%, 4 year delay
GREIU Public Library Rank and File & Supervisory Employees	On or after July 9, 2009	1.0%, 4 year delay
Crime Scene Techs/Latent Print Examiners represented by the GRPOA	On or after May 12, 2009	1.0%, 6 year delay
Association of Public Administrators and APA 61 st District Court	On or after October 21, 2008	1.0%, 4 year delay
EC Supervisors	On or after September 13, 2011	1.0%, 6 year delay
Non-Represented Members	On or after July 1, 2014	1.0%, 7 year delay

13th Check. One-half of net investment income over 8% which is attributable to retired life assets is distributed annually (in January) to retired members and beneficiaries who have been on the retirement rolls for 5 years in the form of a 13th check. Net investment income is based on a market value rate of return averaged over the preceding 5 plan years. The distribution is in proportion to points. An individual's points are determined by multiplying (i) the number of full years of retirement, to a maximum of 15, by (ii) the number of years, and fractions thereof, of service at retirement. Only member classification groups not covered by the post-retirement increase participate in the 13th check program.

SECTION F

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS

Valuation Methods

Age and Service Benefits and Casualty Benefits. Normal cost and the allocation of benefit values between service rendered before and after the valuation date was determined using an individual entry-age actuarial cost method having the following characteristics:

- (i) The annual normal costs for each individual active member, payable from the date of employment to the date of retirement, are 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.

Financing of Unfunded Actuarial Accrued Liabilities. Unfunded actuarial accrued liabilities were amortized by (principal & interest combined) level dollar contributions as according to schedule below. The weighted average remaining period is 28.17 years. This change was made by the City per City Code Section 1.221 and first reflected in the June 30, 2015 valuation report.

According to City Code Section 1.221, "The pension reserves so determined less the applicable balance in the employer accumulation fund shall be amortized over a period of years, as determined by the employer, to determine the employer's accrued service contribution."

Base Year	Current Balance	Remaining Financing Period	Amortization Factor	Dollar Payment	% of Payroll Contribution
2015	\$ 97,378,949	28 yrs.	12.274359	\$ 7,933,526	24.73%
2016	8,671,355	29	12.410430	698,715	2.18%
2017	(5,547,073)	30	12.537303	(442,445)	-1.38%
Total	\$ 100,503,231	28.17	12.271762	\$ 8,189,796	25.53%

Actuarial Assumptions Used for the Valuation Adopted by the Board of Trustees

The actuary calculates the contribution requirements and benefit values of the System by applying financial assumptions to the benefit provisions and people information furnished, using the valuation methods described on the previous page.

The principal areas of financial risk which require assumptions about future experiences are:

- (i) Long-term rates of investment return to be generated by the assets of the System;
- (ii) patterns of pay increases to members;
- (iii) rates of mortality among members, retirants and beneficiaries;
- (iv) rates of withdrawal of active members (without entitlement to a retirement benefit);
- (v) rates of disability among members; and
- (vi) the age patterns of actual retirement.

In a valuation, the actuary calculates the monetary effect of each assumption for as long as a present covered person survives - - - a period of time which can be as long as a century.

Actual experience of the System will not coincide exactly with assumed experience, regardless of the wisdom of the assumptions, or the skill of the actuary and the precision of the many calculations made. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of adjustments (usually small) to the computed contribution rate.

From time-to-time it becomes appropriate to modify one or more of the assumptions, to reflect experience trends (but not random year-to-year fluctuations).

The rationale for the assumptions used in this valuation is included in the 5-year experience study ending June 30, 2014, approved by the Board in November 2015. All assumptions are expectations of future experience, not market measures.

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 benefit amounts will be based.

Salary Increase Assumptions for an Individual Member			
Sample Ages	Merit & Seniority	Base (Economic)	Increase Next Year
20	4.2%	3.5%	7.7%
25	2.9	3.5	6.4
30	2.0	3.5	5.5
35	1.5	3.5	5.0
40	1.1	3.5	4.6
45	0.7	3.5	4.2
50	0.3	3.5	3.8
55	0.1	3.5	3.6
60	0.0	3.5	3.5
65	--	3.5	3.5

Service at Beginning of Year	Additional Service Based Merit/Seniority Portion of Annual Increases
	Present
1	4.00%
2	3.00%
3	1.75%
4	1.75%
5	1.75%

If the number of active members remains constant, then the total active member payroll will increase 3.5% annually, the base portion of the individual salary increase assumptions. The 3.5% assumption was first used for the June 30, 2006 valuation.

The rate of investment return was 7.25% a year compounded yearly and was first used for the June 30, 2015 valuation.

The mortality tables were the RP-2014 Healthy Annuitant Mortality Table projected to 2019 using the MP-2014 mortality improvement scale. (These tables were first used for the June 30, 2015 valuation and benefit computations starting July 1, 2016.) The RP-2014 Disabled Retirees Table projected to 2019 using the MP-2014 mortality improvement scale were used for disabled members.

Sample Ages	Value at Retirement of \$1 Monthly for Life		Future Life Expectancy (Years)	
	Men	Women	Men	Women
50	\$146.94	\$151.22	33.25	35.95
55	140.29	145.28	28.92	31.44
60	132.17	137.63	24.73	27.02
65	122.10	128.02	20.70	22.74
70	109.89	116.29	16.85	18.67
75	95.54	102.46	13.26	14.86
80	79.46	86.81	10.01	11.41

This assumption is used to measure the probabilities of each benefit payment being made after retirement. For purposes of the pre-retirement death benefit, the RP-2014 Mortality Tables for Employees projected to 2019 using the MP-2014 mortality improve scale was used and it was assumed that 100% of members were married at the time of death.

The rates of retirement used to measure the probability of eligible members retiring during the next year were as follows. These rates were first used for the June 30, 2015 valuation.

A member is eligible for retirement after completing 30 or more years of service or after both attaining age 62 and completing 8 or more years of service. Prior to the above eligibility, members who are eligible for early reduced retirement are assumed to elect this option at a 3% rate per year until eligible for Normal Retirement.

Normal Unreduced Retirement

Retirement Ages	Percent Retiring	Retirement Ages	Percent Retiring
50	40%	60	40%
51	40	61	40
52	40	62	40
53	40	63	40
54	40	64	40
55	40	65	50
56	40	66	60
57	40	67	70
58	40	68	80
59	40	69	90
		70-79	100
		80	100

Rates of separation from active membership were as follows:

(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. These rates were first used for the June 30, 2015 valuation.

Sample Ages	Years of Service	% of Active Members Separating within Next Year	
		Men	Women
ALL	0	15.00%	15.00%
	1	8.00	8.00
	2	7.00	7.00
	3	6.00	6.00
	4	5.00	5.00
20	5 & Over	3.53	7.94
25		3.44	7.72
30		3.29	7.22
35		3.05	6.28
40		2.72	5.15
45		2.30	3.98
50		1.61	2.56
55		0.61	0.94
60		0.06	0.09

The rates of disability were as follows:

Sample Ages	% of Active Members Becoming Disabled within Next Year	
20	0.01%	
25	0.01	
30	0.01	
35	0.04	
40	0.07	
45	0.16	
50	0.31	
55	0.47	
60	0.61	

		Duty Related	Non-Duty Related
Cause of Disability:	Men	30%	70%
	Women	30%	70%

Miscellaneous and Technical Assumptions

June 30, 2017

Marriage Assumption:	100% of males and females are assumed to be married for purposes of death-in-service benefits.
Pay Increase Timing:	Beginning of (Fiscal) year. This is equivalent to assuming that reported pays represent amounts paid to members during the year ended on the valuation date.
Decrement Timing:	Decrements of all types are assumed to occur in the middle of the 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.
Benefit Service:	Exact fractional service is used to determine the amount of benefit payable.
Decrement Relativity:	Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
Decrement Operation:	Disability and mortality decrements do not operate during the first 5 years of service. Disability and withdrawal do not operate during retirement eligibility.
Normal Form of Benefit:	The assumed normal form of benefit is the straight life form.
Other Adjustments:	Actuarial accrued liabilities were adjusted as a provision for subsidized service purchases, pending refunds, and other contingent events. Retirement present values were also adjusted for Crime Scene Technicians and ECO to reflect the “gross up factor.”
Incidence of Contributions:	Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made. New entrant normal cost contributions are applied to the funding of new entrant benefits.
Multiplier Election:	Most active members have the option to make higher member contributions and receive a higher benefit multiplier. Individual elections are reported and reflected in the valuation results.
13th Check Payments:	Future liabilities of members in the 13 th Check program were increased by 5% to account for future payments.
Service Purchases:	Liabilities were increased by \$5 million to load for service purchases made to date.

SECTION G

CALCULATION OF THE SINGLE DISCOUNT RATE

Calculation of the Single Discount Rate

GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the Fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a municipal bond rate is required, as described in the following paragraph.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the 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 pension plan investments is 7.25%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 7.25%.

The tables in this section provide background for the development of the Single Discount Rate.

The projections in this report are strictly for the purpose of determining the GASB single discount rate and are different from a funding projection for the ongoing plan. For purposes of this projection, the Plan Fiduciary Net Position was amortized over a closed period of 28 years.

The **Projection of Contributions** table shows the development of expected contributions in future years. Normal Cost contributions for future hires are not included (nor are their liabilities).

The **Projection of Plan Fiduciary Net Position** table shows the development of expected asset levels in future years.

The **Present Values of Projected Benefit Payments** table shows the development of the SDR. It breaks down the benefit payments into present values for funded and unfunded portions and shows the equivalent total at the SDR.

Single Discount Rate Development

Projection of Contributions Beginning July 1, 2017

Year	Payroll for Current Employees	Contributions from Current Employees	Service Cost and Expense Contributions	UAL Contributions	Total Contributions
1	\$ 33,647,390	\$ 2,716,951	\$ 2,437,179	\$ 8,911,570	\$ 14,065,700
2	32,055,145	2,589,131	2,288,016	8,911,570	13,788,717
3	30,800,067	2,478,212	2,161,908	8,911,570	13,551,690
4	29,522,442	2,357,545	2,033,375	8,911,570	13,302,490
5	28,047,557	2,219,989	1,895,950	8,911,570	13,027,509
6	26,350,528	2,079,685	1,760,242	8,911,570	12,751,497
7	24,734,900	1,939,237	1,624,272	8,911,570	12,475,079
8	23,025,833	1,795,012	1,484,674	8,911,570	12,191,256
9	21,305,559	1,653,578	1,349,094	8,911,570	11,914,241
10	19,630,541	1,516,140	1,222,497	8,911,570	11,650,207
11	18,058,159	1,373,885	1,096,668	8,911,570	11,382,123
12	16,294,724	1,223,424	967,424	8,911,570	11,102,418
13	14,528,698	1,070,754	842,062	8,911,570	10,824,386
14	12,692,203	924,998	728,164	8,911,570	10,564,732
15	11,112,447	803,182	633,960	8,911,570	10,348,712
16	9,796,127	702,667	554,105	8,911,570	10,168,341
17	8,640,259	603,684	475,893	8,911,570	9,991,146
18	7,346,952	514,711	405,355	8,911,570	9,831,635
19	6,466,748	448,521	352,351	8,911,570	9,712,442
20	5,681,186	384,490	299,928	8,911,570	9,595,987
21	4,744,800	316,785	244,748	8,911,570	9,473,103
22	3,826,118	254,143	194,742	8,911,570	9,360,455
23	3,067,213	200,385	152,039	8,911,570	9,263,994
24	2,385,454	145,789	110,010	8,911,570	9,167,368
25	1,600,250	96,771	73,347	8,911,570	9,081,688
26	1,082,241	64,206	49,010	8,911,570	9,024,786
27	720,906	40,622	31,084	8,911,570	8,983,276
28	425,827	23,821	18,165	8,911,570	8,953,556
29	245,945	13,666	10,407	-	24,073
30	138,729	7,704	5,821	-	13,525
31	77,738	4,262	3,257	-	7,519
32	41,871	2,268	1,708	-	3,976
33	21,707	1,162	883	-	2,045
34	10,699	579	426	-	1,005
35	5,216	291	219	-	510
36	2,587	145	101	-	246
37	1,266	70	51	-	121
38	611	32	23	-	55
39	300	15	9	-	24
40	133	6	4	-	10
41	50	2	1	-	3
42	15	1	-	-	1
43	3	0	-	-	0
44	0	0	-	-	0
45	-	-	-	-	-
46	-	-	-	-	-
47	-	-	-	-	-
48	-	-	-	-	-
49	-	-	-	-	-
50	-	-	-	-	-

Single Discount Rate Development

Projection of Plan Fiduciary Net Position Beginning July 1, 2017

Year	Projected Beginning Plan Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Administrative Expenses	Projected Investment Earnings at 7.25%	Projected Ending Plan Net Position
	(a)	(b)	(c)	(d)	(e)	(f)=(a)+(b)-(c)-(d)+(e)
1	\$ 409,168,804	\$ 14,065,700	\$ 34,397,734	\$ 572,836	\$ 29,513,434	\$ 417,777,367
2	417,777,367	13,788,717	35,405,790	584,888	30,103,839	425,679,244
3	425,679,244	13,551,690	36,253,554	595,951	30,649,152	433,030,582
4	433,030,582	13,302,490	37,215,926	606,243	31,149,265	439,660,168
5	439,660,168	13,027,509	38,408,036	615,524	31,586,940	445,251,057
6	445,251,057	12,751,497	39,601,438	623,351	31,947,772	449,725,536
7	449,725,536	12,475,079	40,777,571	629,616	32,226,702	453,020,131
8	453,020,131	12,191,256	41,953,493	634,228	32,418,183	455,041,849
9	455,041,849	11,914,241	43,151,822	637,059	32,515,042	455,682,252
10	455,682,252	11,650,207	44,069,222	637,955	32,520,291	455,145,572
11	455,145,572	11,382,123	44,991,531	637,204	32,438,233	453,337,194
12	453,337,194	11,102,418	45,920,030	634,672	32,261,563	450,146,472
13	450,146,472	10,824,386	46,864,896	630,205	31,982,214	445,457,971
14	445,457,971	10,564,732	47,674,168	623,641	31,597,663	439,322,556
15	439,322,556	10,348,712	48,198,392	615,052	31,117,892	431,975,716
16	431,975,716	10,168,341	48,533,831	604,766	30,556,589	423,562,050
17	423,562,050	9,991,146	48,703,014	592,987	29,922,483	414,179,679
18	414,179,679	9,831,635	48,739,548	579,852	29,222,143	403,914,058
19	403,914,058	9,712,442	48,418,050	565,480	28,470,719	393,113,689
20	393,113,689	9,595,987	47,966,113	550,359	27,684,521	381,877,725
21	381,877,725	9,473,103	47,506,592	534,629	26,866,172	370,175,779
22	370,175,779	9,360,455	46,885,689	518,246	26,019,500	358,151,800
23	358,151,800	9,263,994	46,097,908	501,413	25,155,550	345,972,024
24	345,972,024	9,167,368	45,213,368	484,361	24,283,527	333,725,190
25	333,725,190	9,081,688	44,188,399	467,215	23,411,939	321,563,203
26	321,563,203	9,024,786	42,932,153	450,188	22,555,884	309,761,532
27	309,761,532	8,983,276	41,516,305	433,666	21,732,689	298,527,525
28	298,527,525	8,953,556	40,006,938	417,939	20,955,194	288,011,398
29	288,011,398	24,073	38,341,873	403,216	19,919,325	269,209,707
30	269,209,707	13,525	36,568,125	376,894	18,592,677	250,870,890
31	250,870,890	7,519	34,734,983	351,219	17,302,514	233,094,720
32	233,094,720	3,976	32,884,385	326,333	16,054,639	215,942,617
33	215,942,617	2,045	31,036,260	302,320	14,852,852	199,458,935
34	199,458,935	1,005	29,186,290	279,243	13,700,559	183,694,966
35	183,694,966	510	27,350,816	257,173	12,600,956	168,688,443
36	168,688,443	246	25,556,614	236,164	11,555,867	154,451,778
37	154,451,778	121	23,811,645	216,232	10,565,921	140,989,942
38	140,989,942	55	22,121,509	197,386	9,631,284	128,302,387
39	128,302,387	24	20,494,433	179,623	8,751,622	116,379,977
40	116,379,977	10	18,934,614	162,932	7,926,110	105,208,551
41	105,208,551	3	17,444,584	147,292	7,153,610	94,770,288
42	94,770,288	1	16,024,229	132,678	6,432,809	85,046,190
43	85,046,190	0	14,671,853	119,065	5,762,364	76,017,637
44	76,017,637	0	13,394,805	106,425	5,140,637	67,657,045
45	67,657,045	-	12,187,059	94,720	4,565,804	59,941,071
46	59,941,071	-	11,047,161	83,917	4,036,192	52,846,184
47	52,846,184	-	9,973,624	73,985	3,550,115	46,348,690
48	46,348,690	-	8,965,048	64,888	3,105,871	40,424,626
49	40,424,626	-	8,020,165	56,594	2,701,736	35,049,601
50	35,049,601	-	7,137,831	49,069	2,335,946	30,198,647

Single Discount Rate Development

Present Values of Projected Benefit Payments

Beginning July 1, 2017

Year	Projected Beginning Plan Net Position	Projected Benefit Payments	Funded Portion of Benefit Payments	Unfunded Portion of Benefit Payments	Present Value of Funded Benefit Payments using Expected Return Rate (v)	Present Value of Unfunded Benefit Payments using Municipal Bond Rate (vf)	Present Value of Benefit Payments using Single Discount Rate (sdr)
(a)	(b)	(c)	(d)	(e)	(f)=(d)*v ^a ((a)-.5)	(g)=(e)*vf ^a ((a)-.5)	(h)=((c)/(1+sdr) ^a (a-.5)
1	\$ 409,168,804	\$ 34,397,734	\$ 34,397,734	\$ -	\$ 33,214,765	\$ -	\$ 33,214,765
2	417,777,367	35,405,790	35,405,790	-	31,877,066	-	31,877,066
3	425,679,244	36,253,554	36,253,554	-	30,433,881	-	30,433,881
4	433,030,582	37,215,926	37,215,926	-	29,129,852	-	29,129,852
5	439,660,168	38,408,036	38,408,036	-	28,030,719	-	28,030,719
6	445,251,057	39,601,438	39,601,438	-	26,947,954	-	26,947,954
7	449,725,536	40,777,571	40,777,571	-	25,872,530	-	25,872,530
8	453,020,131	41,953,493	41,953,493	-	24,819,234	-	24,819,234
9	455,041,849	43,151,822	43,151,822	-	23,802,473	-	23,802,473
10	455,682,252	44,069,222	44,069,222	-	22,665,277	-	22,665,277
11	455,145,572	44,991,531	44,991,531	-	21,575,413	-	21,575,413
12	453,337,194	45,920,030	45,920,030	-	20,532,092	-	20,532,092
13	450,146,472	46,864,896	46,864,896	-	19,538,058	-	19,538,058
14	445,457,971	47,674,168	47,674,168	-	18,531,884	-	18,531,884
15	439,322,556	48,198,392	48,198,392	-	17,469,147	-	17,469,147
16	431,975,716	48,533,831	48,533,831	-	16,401,607	-	16,401,607
17	423,562,050	48,703,014	48,703,014	-	15,346,183	-	15,346,183
18	414,179,679	48,739,548	48,739,548	-	14,319,529	-	14,319,529
19	403,914,058	48,418,050	48,418,050	-	13,263,472	-	13,263,472
20	393,113,689	47,966,113	47,966,113	-	12,251,441	-	12,251,441
21	381,877,725	47,506,592	47,506,592	-	11,313,819	-	11,313,819
22	370,175,779	46,885,689	46,885,689	-	10,411,141	-	10,411,141
23	358,151,800	46,097,908	46,097,908	-	9,544,253	-	9,544,253
24	345,972,024	45,213,368	45,213,368	-	8,728,313	-	8,728,313
25	333,725,190	44,188,399	44,188,399	-	7,953,795	-	7,953,795
26	321,563,203	42,932,153	42,932,153	-	7,205,290	-	7,205,290
27	309,761,532	41,516,305	41,516,305	-	6,496,661	-	6,496,661
28	298,527,525	40,006,938	40,006,938	-	5,837,267	-	5,837,267
29	288,011,398	38,341,873	38,341,873	-	5,216,152	-	5,216,152
30	269,209,707	36,568,125	36,568,125	-	4,638,551	-	4,638,551
31	250,870,890	34,734,983	34,734,983	-	4,108,180	-	4,108,180
32	233,094,720	32,884,385	32,884,385	-	3,626,392	-	3,626,392
33	215,942,617	31,036,260	31,036,260	-	3,191,223	-	3,191,223
34	199,458,935	29,186,290	29,186,290	-	2,798,139	-	2,798,139
35	183,694,966	27,350,816	27,350,816	-	2,444,913	-	2,444,913
36	168,688,443	25,556,614	25,556,614	-	2,130,096	-	2,130,096
37	154,451,778	23,811,645	23,811,645	-	1,850,495	-	1,850,495
38	140,989,942	22,121,509	22,121,509	-	1,602,935	-	1,602,935
39	128,302,387	20,494,433	20,494,433	-	1,384,649	-	1,384,649
40	116,379,977	18,934,614	18,934,614	-	1,192,788	-	1,192,788
41	105,208,551	17,444,584	17,444,584	-	1,024,637	-	1,024,637
42	94,770,288	16,024,229	16,024,229	-	877,585	-	877,585
43	85,046,190	14,671,853	14,671,853	-	749,203	-	749,203
44	76,017,637	13,394,805	13,394,805	-	637,755	-	637,755
45	67,657,045	12,187,059	12,187,059	-	541,027	-	541,027
46	59,941,071	11,047,161	11,047,161	-	457,271	-	457,271
47	52,846,184	9,973,624	9,973,624	-	384,927	-	384,927
48	46,348,690	8,965,048	8,965,048	-	322,612	-	322,612
49	40,424,626	8,020,165	8,020,165	-	269,100	-	269,100
50	35,049,601	7,137,831	7,137,831	-	223,306	-	223,306

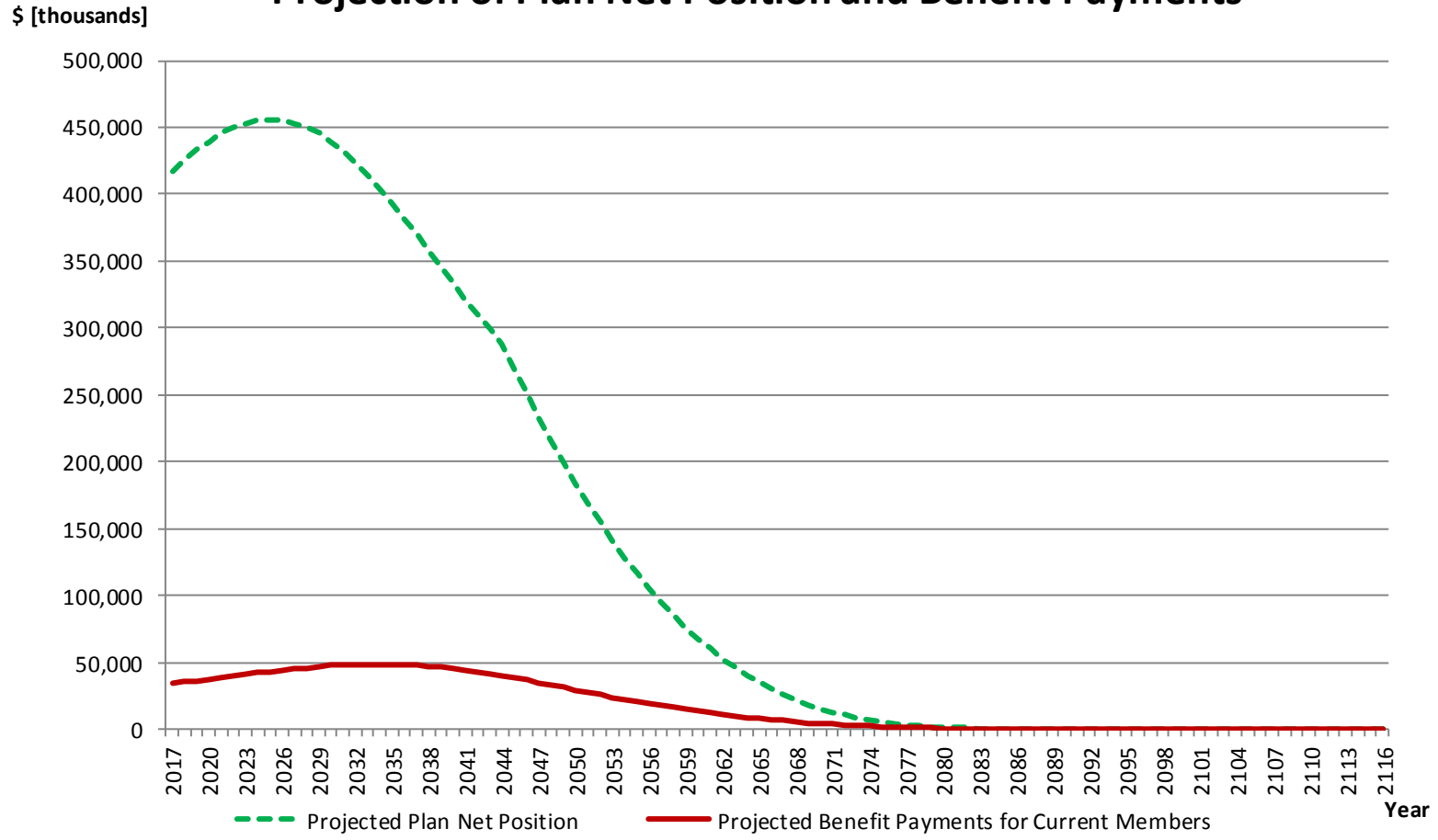
Single Discount Rate Development

Present Values of Projected Benefit Payments

Beginning July 1, 2017 (Concluded)

Year	Projected Beginning Plan Net Position	Projected Benefit Payments	Funded Portion of Benefit Payments	Unfunded Portion of Benefit Payments	Present Value of Funded Benefit Payments using Expected Return Rate (v)	Present Value of Unfunded Benefit Payments using Municipal Bond Rate (vf)	Present Value of Benefit Payments using Single Discount Rate (sdr)
(a)	(b)	(c)	(d)	(e)	(f)=(d)*v ^a ((a)-.5)	(g)=(e)*vf ^a ((a)-.5)	(h)=((c)/(1+sdr) ^a ((a)-.5)
51	\$ 30,198,647	\$ 6,316,967	\$ 6,316,967	\$ -	\$ 184,266	\$ -	\$ 184,266
52	25,846,098	5,556,550	5,556,550	-	151,128	-	151,128
53	21,965,490	4,855,625	4,855,625	-	123,137	-	123,137
54	18,529,426	4,213,244	4,213,244	-	99,623	-	99,623
55	15,509,508	3,628,352	3,628,352	-	79,994	-	79,994
56	12,876,369	3,099,694	3,099,694	-	63,719	-	63,719
57	10,599,814	2,625,717	2,625,717	-	50,327	-	50,327
58	8,649,066	2,204,490	2,204,490	-	39,397	-	39,397
59	6,993,119	1,833,649	1,833,649	-	30,554	-	30,554
60	5,601,165	1,510,388	1,510,388	-	23,467	-	23,467
61	4,443,068	1,231,501	1,231,501	-	17,840	-	17,840
62	3,489,829	993,492	993,492	-	13,419	-	13,419
63	2,713,965	792,686	792,686	-	9,983	-	9,983
64	2,089,810	625,328	625,328	-	7,343	-	7,343
65	1,593,721	487,636	487,636	-	5,339	-	5,339
66	1,204,263	375,873	375,873	-	3,837	-	3,837
67	902,312	286,423	286,423	-	2,726	-	2,726
68	671,105	215,867	215,867	-	1,916	-	1,916
69	496,205	161,039	161,039	-	1,333	-	1,333
70	365,405	119,072	119,072	-	919	-	919
71	268,584	87,425	87,425	-	629	-	629
72	197,517	63,900	63,900	-	429	-	429
73	145,661	46,640	46,640	-	292	-	292
74	107,920	34,113	34,113	-	199	-	199
75	80,417	25,089	25,089	-	136	-	136
76	60,265	18,606	18,606	-	94	-	94
77	45,365	13,937	13,937	-	66	-	66
78	34,220	10,541	10,541	-	46	-	46
79	25,785	8,033	8,033	-	33	-	33
80	19,335	6,145	6,145	-	24	-	24
81	14,373	4,695	4,695	-	17	-	17
82	10,553	3,564	3,564	-	12	-	12
83	7,627	2,674	2,674	-	8	-	8
84	5,411	1,975	1,975	-	6	-	6
85	3,757	1,430	1,430	-	4	-	4
86	2,549	1,011	1,011	-	3	-	3
87	1,686	697	697	-	2	-	2
88	1,086	468	468	-	1	-	1
89	680	305	305	-	1	-	1
90	414	193	193	-	0	-	0
91	245	118	118	-	0	-	0
92	140	70	70	-	0	-	0
93	78	40	40	-	0	-	0
94	42	22	22	-	0	-	0
95	22	12	12	-	0	-	0
96	11	6	6	-	0	-	0
97	5	3	3	-	0	-	0
98	2	2	2	-	0	-	0
99	1	1	1	-	0	-	0
100	-	0	-	-	-	-	0
Totals	\$ 554,097,318	\$ -	\$ 554,097,318	\$ -	\$ -	\$ -	\$ 554,097,318

Projection of Plan Net Position and Benefit Payments



SECTION H

GLOSSARY OF TERMS

Glossary of Terms

<i>Accrued Service</i>	Service credited under the system that was rendered before the date of the actuarial valuation.
<i>Actuarial Accrued Liability (AAL)</i>	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."
<i>Actuarial Assumptions</i>	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.
<i>Actuarial Cost Method</i>	A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of the pension trust benefits between future normal cost and actuarial accrued liability. The actuarial cost method may also be referred to as the actuarial funding method.
<i>Actuarial Equivalent</i>	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.
<i>Actuarial Gain (Loss)</i>	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.
<i>Actuarial Present Value (APV)</i>	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.
<i>Actuarial Valuation</i>	The actuarial valuation report determines, as of the actuarial valuation date, the service cost, total pension liability, and related actuarial present value of projected benefit payments for pensions.
<i>Actuarial Valuation Date</i>	The date as of which an actuarial valuation is performed.
<i>Actuarially Determined Contribution (ADC) or Annual Required Contribution (ARC)</i>	A calculated contribution into a defined benefit pension 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.

Glossary of Terms

<i>Amortization Method</i>	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).
<i>Amortization Payment</i>	The amortization payment is the periodic payment required to pay off an interest-discounted amount with payments of interest and principal.
<i>Cost-of-Living Adjustments</i>	Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.
<i>Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (cost-sharing pension plan)</i>	A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.
<i>Covered Payroll</i>	The payroll of employees that are provided with pensions through the pension plan.
<i>Deferred Inflows and Outflows</i>	The deferred inflows and outflows of pension resources are amounts used under GASB Statement No. 68 in developing the annual pension expense. Deferred inflows and outflows arise with differences between expected and actual experiences; changes of assumptions. The portion of these amounts not included in pension expense should be included in the deferred inflows or outflows of resources.
<i>Deferred Retirement Option Program (DROP)</i>	A program that permits a plan member to elect a calculation of benefit payments based on service credits and salary, as applicable, as of the DROP entry date. The plan member continues to provide service to the employer and is paid for the service by the employer after the DROP entry date; however, the pensions that would have been paid to the plan member are credited to an individual member account within the defined benefit pension plan until the end of the DROP period. Other variations for DROP exist and will be more fully detailed in the plan provision section of the valuation report.
<i>Discount Rate</i>	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 pension 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.

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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. 67, money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense.

Multiple-Employer Defined Benefit Pension Plan

A multiple-employer plan is a defined benefit pension plan that is used to provide pensions 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 Pension Liability (NPL)

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

Non-Employer Contributing Entities

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

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.

Glossary of Terms

<i>Other Postemployment Benefits (OPEB)</i>	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.
<i>Real Rate of Return</i>	The real rate of return is the rate of return on an investment after adjustment to eliminate inflation.
<i>Service Cost</i>	The service cost is the portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.
<i>Total Pension Expense</i>	The total pension 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 Pension Liability3. Current-Period Benefit Changes4. Employee Contributions (made negative for addition here)5. Projected Earnings on Plan Investments (made negative for addition here)6. Pension 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
<i>Total Pension Liability (TPL)</i>	The TPL is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service.
<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	The UAAL is the difference between actuarial accrued liability and valuation assets.
<i>Valuation Assets</i>	The valuation assets are the assets used in determining the unfunded liability of the plan. For purposes of GASB Statement Nos. 67 and 68, the valuation assets are equal to the market value of assets.