

Lauterbach & Amen, LLP  
668 N. River Road  
Naperville, IL 60563

Actuarial Valuation  
as of May 1, 2018



ARLINGTON HEIGHTS PARK  
DISTRICT  
POSTRETIREMENT HEALTH  
PLAN

GASB 74/75 Financial Statement Reporting

*LAUTERBACH & AMEN, LLP*

# Actuarial GASB Disclosures Statements 74 and 75

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Lauterbach & Amen, LLP

CERTIFIED PUBLIC ACCOUNTANTS

## ARLINGTON HEIGHTS PARK DISTRICT POSTRETIREMENT HEALTH PLAN

**Fiscal Year Ending: April 30, 2019**

Actuarial Valuation Date: May 1, 2018

Measurement Date: April 30, 2019

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July 15, 2019

***LAUTERBACH & AMEN, LLP***



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## ACTUARIAL CERTIFICATION

This certification provides supplemental information as required by the Governmental Accounting Standards Board. The enclosed schedules were prepared by the undersigned to provide general information to assist in the preparation of the Annual Financial Report. The assumptions and methods used in the preparation of this disclosure meet the parameters set for the disclosures presented in the financial section as required by the Governmental Accounting Standards Board. Additional information is also provided solely to assist the auditors in preparation of the required footnote disclosures.

The results in this report are based on information and data submitted by the Arlington Heights Park District. We did not prepare the Actuarial Valuations for the years prior to May 1, 2016. Those valuations were prepared by other Actuaries whose reports have been furnished to us, and our disclosures are based upon those reports. An audit of the information was not performed, but high-level reviews were performed for general reasonableness as appropriate based on the purpose of the valuation. The accuracy of the results is dependent upon the precision and completeness of the underlying information. The results of the Actuarial Valuation and these supplemental disclosures rely on the information provided.

The valuation results summarized involve actuarial calculations that require assumptions about future events. The Arlington Heights Park District selected certain assumptions, while others were the result of guidance and/or judgment. We believe that the assumptions used in the valuation are reasonable and appropriate for the purposes for which they have been used.

To the best of our knowledge, all calculations are in accordance with the applicable funding requirements, and the procedures followed and presentation of results conform to generally accepted actuarial principles and practices. The undersigned consultant of Lauterbach & Amen, LLP, with actuarial credentials, meets the Qualification Standards of the American Academy of Actuaries to render this Actuarial Certification. There is no relationship between the Arlington Heights Park District and Lauterbach & Amen, LLP that impairs our objectivity.

Respectfully Submitted,

LAUTERBACH & AMEN, LLP

Todd A. Schroeder, ASA, FCA, EA, MAAA



## MANAGEMENT SUMMARY

Comments and Analysis

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## COMMENTS AND ANALYSIS

The following paragraphs are intended to describe the changes in Actuarial Accrued Liabilities that occurred between the District's last full GASB 43/45 valuation for May 1, 2016, and the current full GASB 74/75 valuation for May 1, 2018.

### **Expected Increase in Actuarial Liability**

Each year the Actuarial Accrued Liability is expected to increase with interest and the accrual of additional service by active plan Members. The increases are partially offset by decreases in liability due to benefit payments. The expected Actuarial Liability decrease for the current year was approximately \$461,000.

In addition to the expected increases in Actuarial Liability, additional changes in Actuarial Liability occurred between the prior valuation and the current year. Below are the key components of those changes.

### **Census**

The current valuation census contains 16 retirees while the previous valuation census contained 26 retirees. Because retirees make up most of the Actuarial Liability, the smaller retiree population resulted in a decrease in the Actuarial Liability in the current year of approximately \$101,000.

### **District Costs**

The District's claims experience was higher than expected in the current valuation. The higher than expected claims experience resulted in an increase in the Actuarial Liability in the current year of approximately \$54,000.

### **Assumptions**

We have revised the expected increases in medical costs assumption to 6.00% in the first year of the projection, based on known information, and 6.00% in the second year of the projection. Long-term, ultimate increases in medical costs have been set at 5.00%.



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## COMMENTS AND ANALYSIS - CONTINUED

The discount rate was initially decreased from 4.00% to 3.97% when developing a beginning Total OPEB Liability to better reflect the high-quality fixed income environment as of May 1, 2018. The underlying index used is the Bond Buyer 20-Bond G.O. Index. The initial rate used was as of April 26, 2018.

The discount rate was then decreased from 3.97% to 3.79% to better reflect the current high-quality fixed income environment. The underlying index used is the Bond Buyer 20-Bond G.O. Index. The rate has been updated to the current Fiscal Year-End based on changes in market conditions as reflected in the index. The rate used is as of April 25, 2019. The change was made to reflect our understanding of the requirements for limited-year reporting under GASB Statement 75. See the Actuarial Assumption Information section of this report for further details.

The expected rate of compensation increases has been decreased from 4.00% to 2.50% to better reflect future anticipated plan experience.

The percent of active employees assumed to continue the participation from the active medical plan into the retiree medical plan upon retirement has remained constant at 50% based on the current census information.

If an employee has waived active medical coverage, it is assumed they will elect coverage in the retiree medical plan at the same rate of active employees currently with coverage.

The mortality, retirement, termination, and disability tables have been changed to reflect more current trends in IMRF population.

The changes in the assumptions were made to better reflect the future anticipated experience in the plan and resulted in a net decrease in the Actuarial Liability in the current year of approximately \$383,000.





## POSTRETIREMENT PLAN NET POSITION

Statement of OPEB Plan Net Position  
Statement of Changes in OPEB Trust and OPEB Plan Net Position  
Statement of OPEB Plan Benefit Payments and Contributions

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**STATEMENT OF OPEB PLAN NET POSITION**

	<u>4/30/2018</u>	<u>4/30/2019</u>
<b>Assets</b>		
Cash and Cash Equivalents	\$ -	\$ -
Total Cash	<u>-</u>	<u>-</u>
Receivables:		
Due from District	-	-
Investment Income - Accrued Interest	-	-
Other	-	-
Total Receivables	<u>-</u>	<u>-</u>
Investments:		
Common Stock	-	-
Total Investments	<u>-</u>	<u>-</u>
Total Assets	<u>-</u>	<u>-</u>
<b>Liabilities</b>		
Payables:		
Expenses Due/Unpaid	-	-
Other	-	-
Total Liabilities	<u>-</u>	<u>-</u>
<b>Net Position Restricted for Postretirement Plan</b>	<u>\$ -</u>	<u>\$ -</u>

The Total OPEB Liability is an unfunded obligation. The Employer does not have a trust dedicated exclusively to the payment of OPEB benefits.



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**STATEMENT OF CHANGES IN OPEB TRUST AND OPEB PLAN NET POSITION**

	<u>4/30/2019</u> <u>OPEB Trust</u>	<u>4/30/2019</u> <u>OPEB Plan</u>
<b>Additions</b>		
Contributions		
Employer	\$ -	\$ 243,360
Member	-	-
Other	-	-
Total Contributions	<u>-</u>	<u>243,360</u>
Investment Income		
Total Investment Income	-	-
Interest and Dividends	-	-
Less Investment Expense	-	-
Net Investment Income	<u>-</u>	<u>-</u>
Total Additions	<u>-</u>	<u>243,360</u>
<b>Deductions</b>		
Benefit Payments	-	243,360
Administrative Expense	-	-
Total Deductions	<u>-</u>	<u>243,360</u>
Net Increase in Net Position	<u>-</u>	<u>-</u>
<b>Net Position Restricted for Postretirement Plan</b>		
Beginning of Year	<u>-</u>	<u>-</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>

The Total OPEB Liability is an unfunded obligation. The Employer does not have a trust dedicated exclusively to the payment of OPEB benefits.



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**STATEMENT OF OPEB PLAN BENEFIT PAYMENTS AND CONTRIBUTIONS**

	<u>4/30/2019</u>
Employer Contributions	
OPEB Trust Contributions	\$ -
Contributions from Other District Resources*	<u>243,360</u>
Total OPEB Plan Contributions	<u>\$ 243,360</u>
Employer Benefit Payments	
Benefit Payments from Trust	\$ -
Benefit Payments from Other District Resources*	<u>243,360</u>
Total OPEB Plan Benefit Payments	<u>\$ 243,360</u>

A portion of the Employer Contributions and benefit payments is based on the cost sharing provisions. In addition, a portion is related to the increase in active premiums due to the presence of retirees in the determination of blended retiree/active premiums.

\*Contributions from Other District Resources and Benefit Payments from Other District Resources refers to contributions made to and benefit payments made from the OPEB Plan that were not directly made to or from the OPEB Trust.

Of the benefit payments from Other District Resources, \$177,599 are explicit benefit payments due to the HRA and VEBA benefits and \$65,761 are implicit benefit payments due to the presence of retirees in the determination of the blended retiree/active premiums.



## ACTUARIAL OPEB LIABILITY INFORMATION

Statement of Total OPEB Liability  
Statement of Changes in Total OPEB Liability  
Statement of Changes in Net OPEB Liability  
Deferred Outflows and Inflows of Resources  
Deferred Outflows and Inflows of Resources – Details  
OPEB Expense Development

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**STATEMENT OF TOTAL OPEB LIABILITY**

	<u>4/30/2018</u>	<u>4/30/2019</u>
Total Active Employees	\$ 543,178	\$ 586,083
Inactive Employees Currently Receiving Benefit Payments	742,444	547,505
Inactive Employees Entitled To But Not Yet Receiving Benefit Payments	<u>-</u>	<u>-</u>
Total Inactive Employees	<u>742,444</u>	<u>547,505</u>
Total OPEB Liability	<u>\$ 1,285,622</u>	<u>\$ 1,133,588</u>

The Total OPEB Liability shown is dependent on several factors such as Plan Provisions and assumptions used in the report. In addition, the calculation of the Total OPEB Liability may be dependent on the OPEB Plan Net Position shown on the prior page. Changes in the OPEB Plan Net Position due to any factor, including adjustment on final audit, could change the Total OPEB Liability. The dependence of the Total OPEB Liability on the Net Position is due to the role of the Net Position (and projected Net Position) on the determination of the discount rate used for the Total OPEB Liability.

The Total OPEB Liability has been determined for GASB 74/75 reporting purposes only. The resulting Total OPEB Liability is intended to be used in the financial statement reporting of the postretirement plan and/or the Employer. The resulting liability is not intended to be a representation of the postretirement plan liability for other purposes, including but not limited to determination of cash funding requirements and recommendations, if applicable.

This is the implementation year of GASB 74/75. The Total OPEB Liability for the prior Fiscal Year has been developed based on the current Actuarial Valuation Date and beginning of year assumptions shown in this report. It has been provided for purposes of an opening balance for the implementation of GASB 74/75.



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**STATEMENT OF CHANGES IN TOTAL OPEB LIABILITY**

<b>Total OPEB Liability</b>	<b>4/30/2019</b>
Service Cost	\$ 36,305
Interest	46,208
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes in Assumptions	8,813
Benefit Payments*	<u>(243,360)</u>
Net Change in Total OPEB Liability	(152,034)
Total OPEB Liability - Beginning	<u>1,285,622</u>
Total OPEB Liability - Ending (a)	<u>\$ 1,133,588</u>
OPEB Plan Net Position - Ending (b)	<u>\$ -</u>
<b>Employer's Net OPEB Liability/(Asset) - Ending (a) - (b)</b>	<u><b>\$ 1,133,588</b></u>
OPEB Plan Net Position as a Percentage of the Total OPEB Liability	0.00%
Covered-Employee Payroll	\$ 7,193,513
Employer's Net OPEB Liability as a Percentage of Employee Payroll	15.76%

\*See the benefit breakdown in the Statement of OPEB Plan Benefit Payments and Contributions section.

The OPEB Plan Net Position was detailed in the prior section of this report. The Employer's Net OPEB Liability is the excess of the Total OPEB Liability over the OPEB Plan Net Position. Because this is the implementation year of GASB 74/75, there are no changes in the Net OPEB Liability related to changes in benefit terms or actuarial experience. The changes in the Net OPEB Liability related to changes in assumptions are due to a change in discount rate from beginning of the District's Fiscal Year to the end.

Total OPEB Liability may be dependent on the Net Position of the postretirement plan. Changes in the Net Position could change the determination of the Total OPEB Liability. Any changes in Net Position, including adjustments on final audit, can have an impact on Net OPEB Liability that extends beyond the dollar-for-dollar change in Net Position.

Covered-Employee Payroll is based on total covered payroll for the postretirement plan Members during the Fiscal Year.



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## STATEMENT OF CHANGES IN NET OPEB LIABILITY

The table below illustrates the change in the Net OPEB Liability from the prior Measurement Date to the current Measurement Date. Under Statement 75, the difference between the Net OPEB Liability from the prior Measurement Date to the current Measurement Date should be recognized as an expense, unless permitted to be recognized as a Deferred Outflow or Inflow of Resources.

	Increase (Decrease)		
	Total OPEB Liability (a)	OPEB Plan Net Position (b)	Net OPEB Liability (a) - (b)
<b>Balances Beginning at 5/1/2018</b>	<u>\$ 1,285,622</u>	<u>\$ -</u>	<u>\$ 1,285,622</u>
<b>Changes for the year:</b>			
Service Cost	36,305	-	36,305
Interest	46,208	-	46,208
Actuarial Experience	-	-	-
Assumptions Changes	8,813	-	8,813
Plan Changes	-	-	-
Contributions - Employer	-	243,360	(243,360)
Contributions - Employee	-	-	-
Contributions - Other	-	-	-
Net Investment Income	-	-	-
Benefit Payments from Trust	(243,360)	(243,360)	-
Administrative Expense	-	-	-
<b>Net Changes</b>	<u>(152,034)</u>	<u>-</u>	<u>(152,034)</u>
<b>Balances Ending at 4/30/2019</b>	<u>\$ 1,133,588</u>	<u>\$ -</u>	<u>\$ 1,133,588</u>

The changes in Total OPEB Liability above are described on the prior page. The OPEB Plan Net Position was detailed in the prior section of this report. The Employer's Net OPEB Liability is the excess of the Total OPEB Liability over the OPEB Plan Net Position.





**DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

The table below shows the cumulative amounts to be shown as Deferred Outflows and Inflows of Resources. Changes in Total OPEB Liability related to the difference in actual and expected experience, or changes in assumptions regarding future events, are recognized in OPEB Expense over the expected remaining service life of all employees (active and retired) in the postretirement plan. Differences in projected and actual earnings over the measurement period are recognized over a 5-year period. Amounts not yet recognized are summarized below:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions	7,948	-
Net Difference Between Projected and Actual Earnings on Postretirement Plan Investments	-	-
Total Deferred to Be Recognized in Future Expense	\$ 7,948	\$ -
Contributions Subsequent to the Measurement Date*	\$ -	\$ -
Total	\$ 7,948	\$ -

\*Contributions subsequent to the Measurement Date may be recognized as a reduction to the Net OPEB Liability. The amount is not known as of the date of this report. Subsequent to the Measurement Date, the following amounts will be recognized in OPEB Expense in the upcoming years:

<b>Year Ended</b>	
<b>April 30:</b>	
2020	\$ 865
2021	865
2022	865
2023	865
2024	865
Thereafter	3,623

Because this is the implementation year of GASB 74/75, the beginning Total OPEB Liability is based on the same data as the ending Total OPEB Liability. Therefore, there are no differences between actual and expected experience that are being deferred in the current year. The changes in assumptions are due to a change in discount rate from the beginning of the District’s Fiscal Year to the end.



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## DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES - DETAILS

The table below shows the annual detail amounts that have been summarized on the prior page. Under Statement 75, the level of detail shown on the prior page is sufficient for financial statement reporting. The detail shown below is primarily for tracking purposes.

<b>OPEB Expense Source</b>	<b>Date Established</b>	<b>Initial Period</b>	<b>Initial Balance</b>	<b>Remaining Period</b>	<b>4/30/2019 Expense Recognized</b>	<b>4/30/2019 Deferred Balance</b>
Change in Assumptions Loss	4/30/2019	10.19	\$ 8,813	10.19	\$ 865	\$ 7,948
Total			\$ 8,813		\$ 865	\$ 7,948

Each detail item in the chart above was established as of the Fiscal Year-End shown and the full amount deferred has been determined as of that time. Any events that occur in subsequent Fiscal Years do not have an impact on the prior Fiscal Year. The bases are established independently each year.

Because this is the implementation year of GASB 74/75, the beginning Total OPEB Liability is based on the same data as the ending Total OPEB Liability. Therefore, there are no differences between actual and expected experience that are being deferred in the current year. The changes in assumptions are due to a change in discount rate from the beginning of the District's Fiscal Year to the end.



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## OPEB EXPENSE DEVELOPMENT

The table below displays the OPEB Expense development for the current year. The OPEB Expense includes items that change the Net OPEB Liability from one year to the next, netted out for amounts that are deferred under GASB pronouncement, plus any amounts that are being recognized that were deferred previously.

See below for development of the OPEB Expense:

	<u>4/30/2019</u>
<b>OPEB Expense/(Income) Under GASB 75</b>	
Service Cost	\$ 36,305
Interest	46,208
Plan Changes	-
Contributions - Employee	-
Contributions - Other	-
Expected Investment Income	-
Administrative Expense	-
Other Changes	-
Initial OPEB Expense/(Income)	<u>82,513</u>
Recognition of Outflow/(Inflow) of Resources due to Liabilities	865
Recognition of Outflow/(Inflow) of Resources due to Assets	-
<b>Total OPEB Expense/(Income)</b>	<b><u>\$ 83,378</u></b>



## ACTUARIAL ASSUMPTION INFORMATION

Statement of Significant Actuarial Assumptions  
Assumption Changes  
Expected Return on OPEB Plan Investments  
Municipal Bond Rate  
Discount Rate  
Development of Starting Claims Costs  
Sensitivity of the Discount Rate  
Sensitivity of the Healthcare Cost Trend Rates

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**STATEMENT OF SIGNIFICANT ACTUARIAL ASSUMPTIONS**

**Assumptions (Economic)**

Discount Rate Used for the Total OPEB Liability	
Beginning of Year	3.97%
End of Year	3.79%
Long-Term Expected Rate of Return on Plan Assets	N/A
High Quality 20 Year Tax-Exempt G.O. Bond Rate	
Beginning of Year	3.97%
End of Year	3.79%
Total Payroll Increases	2.50%
Claims and Premiums	See Accompanying Tables
Healthcare Cost Trend Rates	See Accompanying Tables
Retiree Contribution Rates	Same as Healthcare Cost Trend Rates

**Claims**                                      See accompanying tables for the PPO and HMO Plan data:

<b>Blue Print PPO</b>				
	<b>Retiree</b>		<b>Spouse</b>	
<b>Age</b>	Male	Female	Male	Female
<b>50</b>	\$7,055	\$8,441	\$12,143	\$12,275
<b>55</b>	\$8,955	\$9,624	\$12,124	\$11,656
<b>60</b>	\$11,207	\$11,581	\$12,861	\$12,300
<b>64</b>	\$13,262	\$13,857	\$13,906	\$14,189
<b>65</b>	\$5,017	\$5,242	\$5,261	\$5,368
<b>70</b>	\$5,998	\$6,267	\$6,289	\$6,417
<b>75</b>	\$6,512	\$6,804	\$6,721	\$6,967
<b>80</b>	\$6,981	\$7,294	\$7,189	\$7,469
<b>85</b>	\$7,301	\$7,628	\$7,509	\$7,811
<b>90+</b>	\$7,448	\$7,782	\$7,656	\$7,968



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**STATEMENT OF SIGNIFICANT ACTUARIAL ASSUMPTIONS – CONTINUED**

**Claims Continued**

<b>Blue Choice PPO</b>				
<b>Age</b>	<b>Retiree</b>		<b>Spouse</b>	
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
<b>50</b>	\$5,483	\$6,561	\$9,437	\$9,541
<b>55</b>	\$6,960	\$7,480	\$9,423	\$9,059
<b>60</b>	\$8,710	\$9,001	\$9,996	\$9,560
<b>64</b>	\$10,308	\$10,770	\$10,808	\$11,028
<b>65</b>	\$3,900	\$4,075	\$4,089	\$4,172
<b>70</b>	\$4,662	\$4,871	\$4,888	\$4,987
<b>75</b>	\$5,061	\$5,289	\$5,224	\$5,415
<b>80</b>	\$5,426	\$5,669	\$5,588	\$5,805
<b>85</b>	\$5,674	\$5,929	\$5,836	\$6,071
<b>90+</b>	\$5,789	\$6,048	\$5,951	\$6,193

<b>Blue Advantage HMO</b>				
<b>Age</b>	<b>Retiree</b>		<b>Spouse</b>	
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
<b>50</b>	\$6,530	\$7,813	\$11,239	\$11,362
<b>55</b>	\$8,289	\$8,908	\$11,222	\$10,788
<b>60</b>	\$10,373	\$10,719	\$11,904	\$11,384
<b>64</b>	\$12,275	\$12,826	\$12,871	\$13,133
<b>65</b>	\$4,644	\$4,852	\$4,869	\$4,969
<b>70</b>	\$5,551	\$5,800	\$5,821	\$5,939
<b>75</b>	\$6,028	\$6,298	\$6,221	\$6,449
<b>80</b>	\$6,461	\$6,751	\$6,654	\$6,913
<b>85</b>	\$6,757	\$7,061	\$6,950	\$7,230
<b>90+</b>	\$6,893	\$7,203	\$7,086	\$7,375



**STATEMENT OF SIGNIFICANT ACTUARIAL ASSUMPTIONS - CONTINUED**

**Blended Premium Rates** See accompanying table for premiums charged for coverage.

	<b>Annual Blended Premiums</b>			
	<b>Under Age 65</b>		<b>Age 65-&amp;-Over</b>	
	<u>Retiree</u>	<u>Spouse</u>	<u>Retiree</u>	<u>Spouse</u>
Blue Print PPO	\$8,010	\$8,621	N/A	N/A
Blue Choice PPO	\$6,226	\$6,701	N/A	N/A
Blue Advantage HMO	\$7,414	\$7,980	N/A	N/A
HRA Seeding*	\$3,500	N/A	N/A	N/A

\*Employee +Spouse and Employee + Child seeding are \$7,000 annually and Family seeding is \$10,500.

**Healthcare Cost Trend Rates**

<b>Healthcare Trend</b>		<b>Medical</b>		<b>HRA Benefit</b>		<b>ERI Benefit</b>	
<b>(FY = Fiscal Year)</b>		<u>U65</u>	<u>65+</u>	<u>U65</u>	<u>65+</u>	<u>U65</u>	<u>65+</u>
<u>Period</u>							
FY 18 to FY 19		6.00%	N/A	0.00%	N/A	0.00%	0.00%
FY 19 to FY 20		6.00%	N/A	0.00%	N/A	0.00%	0.00%
FY 20 to FY 21		5.50%	N/A	0.00%	N/A	0.00%	0.00%
FY 21 to FY 22		5.50%	N/A	0.00%	N/A	0.00%	0.00%
FY 22 to FY 23		5.00%	N/A	0.00%	N/A	0.00%	0.00%
Ultimate		5.00%	N/A	0.00%	N/A	0.00%	0.00%

**Assumptions (Demographic)**

**Election at Retirement** Coverage election at retirement is assumed at the following rates:

<b>IMRF</b>	50%
<b>IMRF - Currently Waiving</b>	50%

If an employee has waived active medical coverage, it is assumed they will elect coverage in the retiree medical plan at the same rate of active employees currently with coverage.



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**STATEMENT OF SIGNIFICANT ACTUARIAL ASSUMPTIONS – CONTINUED**

**Coverage Election**                      Of those employees assumed to elect coverage in retirement, 50% are assumed to elect spousal coverage, 40% are assumed to elect single coverage, and 10% are assumed to elect child coverage. Female spouses are assumed to be 3 years younger than male spouses.

**Plan Participation Rate**              Of the employees that will elect coverage at retirement, as noted above, it is assumed they will elect coverage in the available medical plans at the following rates:

	<u>IMRF</u>
Blue Print PPO	60%
Blue Choice PPO	40%
Blue Advantage HMO	0%

**Retiree Lapse Rates**                      Retirees receiving medical coverage are expected to lapse all coverages at age 65 at the following rates:

<b>IMRF</b>	N/A
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**Retirement Rates**                      IMRF 2017 for IMRF Employees.

**Termination Rates**                      IMRF 2017 for IMRF Employees.

**Disability Rates**                          IMRF 2017 for IMRF Employees.





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**STATEMENT OF SIGNIFICANT ACTUARIAL ASSUMPTIONS – CONTINUED**

**Mortality Rates**

Active IMRF Mortality follows the Sex Distinct Raw Rates as Developed in the RP-2014 Study, with Blue Collar Adjustment. These Rates are Improved Generationally using MP-2016 Improvement Rates.

Spouse Mortality follows the Sex Distinct Raw Rates as developed in the RP-2014 Study. These rates are improved generationally using MP-2016 Improvement Rates.

**ASSUMPTION CHANGES**

Because this is implementation year of GASB 74/75, the beginning Total OPEB Liability is based on the same data and Plan Provisions as the ending Total OPEB Liability. For the purpose of developing changes in OPEB Liability for GABS 74/75 reporting, the only change in assumptions was the discount rate.



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## **EXPECTED RETURN ON OPEB PLAN INVESTMENTS**

There is currently no expectation for future returns on OPEB plan assets since the OPEB obligation is an unfunded obligation. The Employer does not have a trust dedicated exclusively to the payment of OPEB benefits.

## **MUNICIPAL BOND RATE**

The Municipal Bond Rate assumption is based on The Bond Buyer 20-Bond GO Index. The beginning of year rate shown earlier in the Assumption section is the April 26, 2018 rate, and the end of year rate shown is the April 25, 2019 rate. The 20-Bond GO Index is based on an average of certain general obligation municipal bonds maturing in 20 years and having an average rating equivalent of Moody's Aa2 and Standard & Poor's AA.

The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

The indexes represent theoretical yields rather than actual price or yield quotations. Municipal bond traders are asked to estimate what a current-coupon bond for each issuer in the indexes would yield if the bond was sold at par value. The indexes are simple averages of the average estimated yields of the bonds.

## **DISCOUNT RATE**

The discount rate used in the determination of the Total OPEB Liability is based on a combination of the Expected Long-Term Rate of Return on Plan Assets and the Municipal Bond Rate. If the Employer does not have a trust dedicated exclusively to the payment of OPEB benefits, as is the case with the Arlington Heights Park District, then only the Municipal Bond Rate is used in determining the Total OPEB Liability.

If the postretirement plan is funded, cash flow projections are used to determine the extent which the plan's future Net Position will be able to cover future benefit payments. To the extent future benefit payments are covered by the plan's projected Net Position, the expected rate of return on plan investments is used to determine the portion of the Net OPEB Liability associated with those payments. To the extent future benefit payments are not covered by the plan's projected Net Position, the Municipal Bond Rate is used to determine the portion of the Net OPEB Liability associated with those payments.

Projected benefit payments are determined during the valuation process based on the assumptions. More details on the assumptions are in the prior section. The expected contributions are based on the Funding Policy of the plan. The Funding Policy is discussed in more detail in a later section.



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## **DEVELOPMENT OF STARTING CLAIMS COSTS**

Starting costs for the District's Plan were developed based on the blended premiums charged for coverage. The insurance carrier charges actives and retirees the same premium rates. According to GASB, when an Employer provides benefits to both active employees and retirees through the same plan, the benefits to retirees should be segregated and measured independently for actuarial measurement purposes. The projection of future retiree benefits should be based on claims costs, or age-adjusted premiums approximating claims costs, for retirees. As such, premiums were estimated for under-65 retirees and their spouses as if they were rated on a stand-alone basis. The results were then disaggregated into age-specific starting costs based on average ages and assumptions on the relationship between costs and increasing age.



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### SENSITIVITY OF THE DISCOUNT RATE

The Net OPEB Liability has been determined using the end of year discount rate listed in the assumption section. Below is a table illustrating the sensitivity of the Net OPEB Liability to the discount rate assumption.

	<b>1% Decrease (2.79%)</b>	<b>Current Discount Rate (3.79%)</b>	<b>1% Increase (4.79%)</b>
Employer's Net OPEB Liability/(Asset)	\$1,184,929	\$1,133,588	\$1,086,260

The sensitivity of the Net OPEB Liability to the discount rate is based primarily on two factors:

1. The duration of the plan's expected benefit payments. Younger plans with benefit payments further in the future will be more sensitive to changes in the discount rate.
2. The funded percentage of the plan (ratio of the Net Position to the Total OPEB Liability). The higher the funded percentage, the higher the sensitivity to the discount rate.

### SENSITIVITY OF THE HEALTHCARE COST TREND RATES

Below is a table illustrating the sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rates assumption.

	<b>1% Decrease (Varies)</b>	<b>Healthcare Cost Trend Rates (Varies)</b>	<b>1% Increase (Varies)</b>
Employer's Net OPEB Liability/(Asset)	\$1,085,867	\$1,133,588	\$1,189,186

Please refer to the Assumptions (Economic) section for full list of assumed trend rates.



## PARTICIPANT DATA

Participant Demographic Data  
Expected Future Working Lifetime

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## PARTICIPANT DEMOGRAPHIC DATA

The chart below summarizes the employee count and payroll of plan Members:

<b>Measurement Date</b>	<b>4/30/2018</b>	<b>4/30/2019</b>
Total Active Employees	94	94
Inactive Employees Currently Receiving Benefit Payments	16	16
Inactive Employees Entitled To But Not Yet Receiving Benefit Payments	0	0
Total	110	110

Participant count is shown as of the Fiscal Year-End date. The data is assumed to be a reasonable representation of data as of the Measurement Date and may have been collected on or before the Fiscal Year-End date. Because this is the implementation year of GASB 74/75, the Total OPEB Liability for the prior Fiscal Year has been developed assuming the census data is the same as that provided for the April 30, 2019 Fiscal Year-End.

The above active census counts include 13 IMRF participants who have waived medical coverage. If an employee has waived active medical coverage, it is assumed they will elect coverage in the retiree medical plan at the same rate of active employees currently with coverage. The above active census counts also include 1 member that is known to be retiring right after the fiscal year end. We've assumed 100% elect for this member and have used known insurance information.

The above retiree census counts include 3 members that have waived District medical insurance and 1 that is on a Medicare plan and are receiving the Explicit ERI benefit only. They are creating no implicit liability for the Employer.

## EXPECTED FUTURE WORKING LIFETIME

The chart below summarizes the expected future working lifetime of plan Members:

<b>Measurement Date</b>	<b>4/30/2018</b>	<b>4/30/2019</b>
Average Future Working Career (In Years)		
Active Plan Members	11.92	11.92
Inactive Plan Members	0.00	0.00
Total	10.19	10.19

The expected future working lifetime is measured as of the Actuarial Valuation Date and is based on the demographic assumptions used in the preparation of this report.



## FUNDING POLICY

Components of the Actuarially Determined Contribution  
Formal Funding Policy  
Informal Funding Policy

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## **COMPONENTS OF THE ACTUARIALLY DETERMINED CONTRIBUTION**

The Actuarially Determined Contribution (“ADC”) includes the determination of the Normal Cost contribution for active plan Members, as well as a provision for the payment of Unfunded Liability.

Unfunded Liability is the excess of the Actuarial Liability over the postretirement plan’s Net Position.

For the Arlington Heights Park District, there is no determination of an ADC and Normal Cost, as the Total OPEB Liability is currently an unfunded obligation. The Employer does not have a trust dedicated exclusively to the payment of OPEB benefits.

## **FORMAL FUNDING POLICY**

There is no Formal Funding Policy that exists for the postretirement plan at this time, as the Total OPEB Liability is currently an unfunded obligation.

## **INFORMAL FUNDING POLICY**

There is no Informal Funding Policy determined for GASB reporting purposes, as the Total OPEB Liability is currently an unfunded obligation.





## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the Net OPEB Liability  
Schedule of Total OPEB Liability and Related Ratios  
Schedule of Contributions  
Notes to Schedule of Contributions

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## SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY

	4/30/2019	4/30/2018	4/30/2017	4/30/2016	4/30/2015	4/30/2014	4/30/2013	4/30/2012	4/30/2011	4/30/2010
<b>Total OPEB Liability</b>										
Service Cost	\$ 36,305									
Interest	46,208									
Changes of Benefit Terms	-									
Differences Between Expected and Actual Experience	-									
Changes in Assumptions	8,813									
Benefit Payments	(243,360)									
<b>Net Change in Total OPEB Liability</b>	<b>\$ (152,034)</b>									
<b>Total OPEB Liability - Beginning</b>	<b>1,285,622</b>									
<b>Total OPEB Liability - Ending (a)</b>	<b>\$ 1,133,588</b>									
<b>OPEB Plan Net Position</b>										
Contributions - Employer	\$ 243,360									
Contributions - Member	-									
Contributions - Other	-									
Net Investment Income	-									
Benefit Payments	(243,360)									
Administrative Expense	-									
<b>Net Change in OPEB Plan Net Position</b>	<b>\$ -</b>									
<b>OPEB Plan Net Position - Beginning</b>	<b>-</b>									
<b>OPEB Plan Net Position - Ending (b)</b>	<b>\$ -</b>									
<b>Employer's Net OPEB Liability/(Asset) - Ending (a) - (b)</b>	<b>\$ 1,133,588</b>									

The current year information was developed in the completion of this report.



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## SCHEDULE OF TOTAL OPEB LIABILITY AND RELATED RATIO

	<u>4/30/2019</u>	<u>4/30/2018</u>	<u>4/30/2017</u>	<u>4/30/2016</u>	<u>4/30/2015</u>	<u>4/30/2014</u>	<u>4/30/2013</u>	<u>4/30/2012</u>	<u>4/30/2011</u>	<u>4/30/2010</u>
<b>Total OPEB Liability - Ending (a)</b>	<u>\$ 1,133,588</u>									
<b>OPEB Plan Net Position - Ending (b)</b>	<u>\$ -</u>									
<b>Employer's Net OPEB Liability/(Asset) - Ending (a) - (b)</b>	<u>\$ 1,133,588</u>									
<b>OPEB Plan Net Position as a Percentage of the</b>										
<b>Total OPEB Liability</b>	0.00%									
<b>Covered-Employee Payroll</b>	\$ 7,193,513									
<b>Employer's Net OPEB Liability as a Percentage of</b>										
<b>Covered-Employee Payroll</b>	15.76%									

Covered-Employee Payroll shown for the current year is the total covered payroll for the Fiscal Year for all plan Members.



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## SCHEDULE OF CONTRIBUTIONS

	<u>4/30/2019</u>	<u>4/30/2018</u>	<u>4/30/2017</u>	<u>4/30/2016</u>	<u>4/30/2015</u>	<u>4/30/2014</u>	<u>4/30/2013</u>	<u>4/30/2012</u>	<u>4/30/2011</u>	<u>4/30/2010</u>
Actuarially Determined Contribution	N/A									
Contributions in Relation to the Actuarially Determined Contribution	-									
Contribution Deficiency (excess)	<u>N/A</u>									
Covered-Employee Payroll	<u>\$ 7,193,513</u>									
Contributions as a Percentage of Covered-Employee Payroll	0.00%									

## NOTES TO SCHEDULE OF CONTRIBUTIONS

There is no ADC or Employer Contribution in relation to the ADC, as there is no Trust that exists for funding the OPEB Liability. However, the District did make contributions from other District resources in the current year in the amount of \$243,360.



# GASB METHODS AND PROCEDURES

GASB Methods and Procedures

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**GASB METHODS AND PROCEDURES**

	<b>Statement 74</b>	<b>Statement 75</b>
	<b><u>OPEB Plan Financials</u></b>	<b><u>Employer Financials</u></b>
Fiscal Year End for Reporting	<b>April 30, 2019</b>	<b>April 30, 2019</b>
Measurement Date	April 30, 2019	April 30, 2019
Actuarial Valuation Date	May 1, 2018	May 1, 2018
Data Date	April 30, 2019	April 30, 2019
Asset Valuation Method	Market Value	Market Value
Actuarial Cost Method	Entry Age Normal (Level %)	Entry Age Normal (Level %)

**Methodology Used in the Determination of Deferred Inflows and Outflows of Resources**

Amortization Method	Straight Line	Straight Line
Amortization Period		
Actuarial Experience	10.19 Years	10.19 Years
Changes in Assumptions	10.19 Years	10.19 Years
Asset Experience	5.00 Years	5.00 Years

As noted in the table above, the Actuarial Funding Method used in the determination of the Total OPEB Liability is the Entry Age Normal Cost method (level percent of pay). The method allocates Normal Cost contributions by employee over the working career of the employee as a level percent of their pay.

The Total OPEB Liability for the current Fiscal Year has been developed based on the Actuarial Valuation Date shown above, and adjusted to the Measurement Date shown above, based on procedures that conform to generally accepted actuarial principles and practices.



## PLAN PROVISIONS

Summary of Eligibility and Coverage

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## **SUMMARY OF ELIGIBILITY AND COVERAGE**

The plan sponsor has reviewed and agreed to the below eligibility and coverage provisions.

### **Eligibility Provisions**

#### *Full-Time Employees- IMRF*

Tier I IMRF Full-Time and Part-Time District employees:

At least 55 years old with at least 35 years of service for full benefits

At least 55 years old with at least 8 years of service for reduced benefits

At least 55 years old with at least 30 years of service for reduced benefits

At least 60 years old with at least 8 years of service for full benefits

Tier II IMRF Full-Time and Part-Time District employees:

At least 62 years old with at least 35 years of service for full benefits

At least 62 years old with at least 10 years of service for reduced benefits

At least 62 years old with at least 30 years of service for reduced benefits

At least 67 years old with at least 10 years of service for full benefits

### **Medical/Prescription Coverage**

#### *Types of Coverage:*

Blue Print PPO (BCBS MPPC 3836)

Blue Choice PPO (MBP C3836)

Blue Advantage HMO (MHHB 166)

#### *Coverage Provisions:*

##### *Participants who Retire After 2016:*

Retirees may continue insurance, paying the full cost of the premium.

Eligible Spouse coverage may continue under COBRA provisions should Retiree coverage terminate due to death or election to end coverage. The Spouse would be responsible for the full cost of coverage.

No early retirement program with additional benefits is anticipated for these individuals.





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## SUMMARY OF ELIGIBILITY AND COVERAGE - CONTINUED

Retirees who elect the Medical Plan with an HRA will continue to receive the same contribution as Active employees to be used towards their deductible. The chart below shows the corresponding annual contribution based on coverage level.

	Employee Only	Employee + Spouse	Employee + Child	Family
Annual Contribution	\$3,500	\$7,000	\$7,000	\$10,500

### *Participants Retired Prior to 2016*

Retirees may continue insurance, paying the full cost of the premium.

Eligible Spouse coverage may continue under COBRA provisions should Retiree coverage terminate due to death or election to end coverage. The Spouse would be responsible for the full cost of coverage.

Retirees who elect the Medical Plan with an HRA will continue to receive the same contribution as Active employees to be used towards their deductible. The chart below shows the corresponding annual contribution based on coverage level.

	Employee Only	Employee + Spouse	Employee + Child	Family
Annual Contribution	\$3,500	\$7,000	\$7,000	\$10,500

The District provides a VEBA annual contribution for 2012 – 2013 and 2016 ERI Participants detailed below.

For Retirees who are age 62 or younger at the date of retirement:

An annual contribution of \$7,000 until the Participant reaches age 65.

For Retirees who are older than age 62 but less than age 65 at the date of retirement:

An annual contribution of \$7,000 until the Participant reaches age 65.

An annual contribution of \$1,500 once the Participant reaches age 65.

The Participant will receive contributions for a total of three years.

For Retirees who are age 65 or older at the date of retirement:

An annual contribution of \$1,500 for three years.

Should the Participant pass away during the benefit period, the benefit stops.

During the first year of benefit receipt and the last year, the annual benefit is subject to proration with the Participant receiving a percent of the full benefit based on the ratio of the number of months retired (first year) or under age 65 vs over age 65.



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## SUMMARY OF ELIGIBILITY AND COVERAGE - CONTINUED

Note: Age 65 is the current Medicare eligibility age. However, the VEBA benefit termination is tied to age 65 and not necessarily Medicare eligibility age.

### **Dental, Vision, Life Insurance, and 1-800-MD Coverage**

#### *Types of Coverage:*

Lincoln Financial Dental PPO #1 Low Plan or PPO #2 High Plan

EyeMed Vision

MetLife Life Insurance

1-800-MD

#### *Coverage Provisions:*

##### *All Retirees:*

Retirees may continue dental and vision insurance, paying the full cost of the premium. Eligible Spouse coverage may continue under COBRA provisions should Retiree coverage terminate due to death or election to end coverage. The Spouse would be responsible for the full cost of coverage.

Retirees are not permitted to continue Life Insurance coverage with the District. However, they do have the option to convert their policy with the District to an individual policy. This individual policy operates directly with the insurance vendor, independent of the District.

1-800-MD is a Telemedicine Network for active participants only. Retirees are not provided access to this benefit.



## GLOSSARY OF TERMS

GASB 74/75 Terminology

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## **GASB 74/75 TERMINOLOGY**

***Covered-Employee Payroll*** – The payroll of employees that are provided with OPEB through the OPEB plan.

***Healthcare Cost Trend Rates*** – The rates of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

***Implicit Subsidy*** – The difference between a premium rate charged to retirees for a particular benefit and the estimated rate that would have been applicable to those retirees if that benefit was acquired for them as a separate group.

***Net OPEB Liability (“NOL”)*** – The excess of the Total OPEB Liability over the Market Value of Assets.

***OPEB Expense*** – OPEB Expense arising from certain changes in the collective Net OPEB Liability or collective Total OPEB Liability.

***OPEB Fiduciary Net Position (“Net Position”)*** – The value of cash, investments, other assets and property belonging to an OPEB Trust dedicated to paying OPEB benefits.

***OPEB Trust*** – A system other than a pension or retirement system which manages OPEB assets. Contributions to an OPEB Trust should be irrevocable in order to obtain the most favorable accounting treatment.

***Other Postemployment Benefits (“OPEB”)*** – Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided.

***Service Cost*** – The present value of future benefits earned by employees during the current Fiscal Year. It is that portion of the actuarial present value of benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.



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***Total OPEB Liability (“TOL”)*** – The actuarial present value of future benefits based on employees’ service rendered to the Measurement Date using the selected Actuarial Cost Method. It is that portion of the actuarial present value of plan benefits and expenses allocated to prior years of employment.

*Retirees & Dependents* – Former employees who have satisfied the age and service requirement and are currently receiving postretirement healthcare benefits.

*Actives Fully Eligible* – Active employees who have satisfied the age and service requirement for postretirement healthcare benefits.

*Actives Not Fully Eligible* – Active employees who have not yet satisfied the age and service requirement for postretirement healthcare benefits.



# Lauterbach & Amen, LLP

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