



# Oklahoma City Post-Employment Benefits Trust

An other post-employment benefits trust fund of The City of Oklahoma City, Oklahoma  
Annual Financial Report | for the Fiscal Year ended June 30, 2020



# **THE OKLAHOMA CITY POST-EMPLOYMENT BENEFITS TRUST**

An Other Post-Employment Benefits Trust Fund of  
Oklahoma City, Oklahoma

## ***Board of Trustees***

Brent Bryant, Chairman

Frances Kersey, Secretary (ex-officio)

Matthew Boggs, Treasurer (ex-officio)

Laura A. Johnson

Aimee Maddera

Neil Garrison

Ted Carlton

## ***Management***

Craig Freeman, General Manager

Matthew Boggs, Surrogate General Manager

Annual Financial Report for the Fiscal Year Ended June 30, 2020

Prepared by The Oklahoma City Finance Department, Accounting Services Division  
Angela Pierce, CPA Assistant Finance Director / Controller



# **Introductory Section**



**THE OKLAHOMA CITY POST-EMPLOYMENT BENEFITS TRUST**

**TABLE OF CONTENTS**

For the Fiscal Years Ended June 30, 2020 and 2019

	<b>PAGE</b>
Transmittal Letter	ii
Oklahoma City Post-Employment Benefits Trust Organization Chart	iv
Board of Trustees	v
Professional Services	vi
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statements of Plan Net Position	7
Statements of Changes in Plan Net Position	8
Notes to Financial Statements	9
Required Supplementary Information:	
Schedule of Changes in the Net OPEB Liability(Asset) and Related Ratios	27
Schedule of Employer Contributions	28
Schedule of Investment Returns	28
Actuarial Report	29
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	83





The City of  
**OKLAHOMA CITY**

November 20, 2020

The Board of Trustees  
Oklahoma City Post-Employment Benefits Trust

The Oklahoma City Post-Employment Benefits Trust's (Trust) annual financial report (annual report) provides a comprehensive overview of the Trust's financial position and the results of operations during the fiscal years ended June 30, 2020 and 2019. It complies with reporting requirements specified by Oklahoma Statutes and the dictates of effective financial management practices. The Oklahoma City Finance Department, Accounting Services Division, prepared this report in compliance with accounting principles generally accepted in the United States (U.S. GAAP). It is fairly stated in all material respects. Responsibility for the accuracy of the reported information and the completeness and fairness of the presentation, including disclosures, rests with the Trust's management.

The Trust's annual report includes the reports of independent auditors, required supplementary information, management's discussion and analysis (MD&A), financial statements, and related notes. Management's narrative on the financial activities of the Trust for the fiscal years ended June 30, 2020 and 2019, is in the MD&A section of this report, immediately following the independent auditor's report. The Trust's reporting entity is comprised of financial and operating activities conducted within the legal framework of the Trust. See Note I. B. for additional information related to the basis of presentation and relationship to the City of Oklahoma City (City) and related public trusts.

To account for the City's other post-employment benefits plan (Plan), the City elected to create an irrevocable trust as reported herein. Revenues for the Trust include payments by Plan members and contributions from the City. Payments from the Trust include payments for Plan member health, dental, vision, and life insurance. Balances remaining in the Trust are held to pay future other post-employment benefits.

The City contributes towards the health insurance premiums of Plan members. Members are vested to receive these benefits after five years of service and are eligible for benefits at their early or normal service retirement date. At June 30, 2020, the employer and Plan member contribution rates are split 50% / 50%, respectively.

The City includes the Trust in its comprehensive accounting and budgetary system. Interim financial statements provide Trust management and other interested readers with regular financial analyses. Additionally, the Trust's management maintains budgetary controls to ensure effective financial oversight.

In 2020 the City contributed \$14.69 million to fund the Trust. The funding objective of the Plan is to meet long-term benefit expectations through contributions from the City and Plan members. The City continues to make contributions in excess of annual benefit costs to meet this objective. In 2020, the City funded 72.79% and COTPA funded 105.64% of the actuarially determined annual contribution necessary to meet future obligations.



As provided in the Plan provisions, the Board of Trustees (Board) is authorized to invest the Plan assets and to take appropriate action regarding the investment, management, and custodianship of the Plan assets. The investment responsibilities of the Board include establishing reasonable investment objectives, developing investment policy guidelines, selecting investment managers, and evaluating performance results to assure adherence to guidelines and the achievement of objectives. The Board recognizes the need to maintain a balanced investment approach to not only maximize investment results but also to reduce risk. The Board, along with the investment advisor is involved in a thorough review of each investment manager and asset type to assure they are fulfilling their role in achieving total portfolio performance.

The Trust has invested in equity and fixed income securities in accordance with the investment policy. The investment policy provides for a target of 35% of investments allocated to fixed income to safeguard against market volatility with the remaining portion invested in equity securities allocated to provide long term growth. At June 30, 2020, the actual investment allocation of equity securities is 65.9% versus the allowable percentage of the model portfolio of 35-80%.

For fiscal year 2020 investments provided a 2.56% rate of return. Despite significant volatility in the market place the portfolio's investments were able to weather the difficult market rebounding, showing gains by the close of the fiscal year.

In compliance with statutory requirements, the Trust engaged Allen, Gibbs & Houlik, L.C. to conduct its annual audit. The Trust acknowledges the professional and competent services of its independent auditors.

Respectfully submitted:

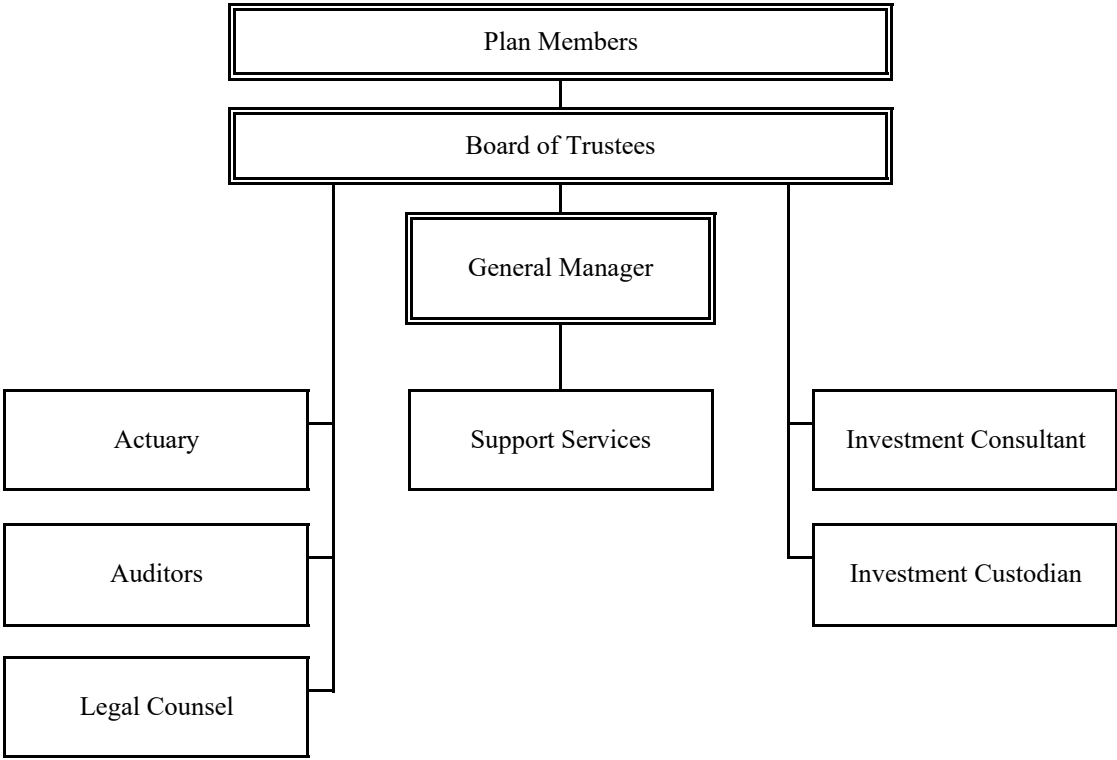


Matthew Boggs  
Oklahoma City Post-Employment Benefit Trust  
Surrogate General Manager



Angela Pierce, CPA  
City of Oklahoma City  
Assistant Finance Director / Controller

# Oklahoma City Post-Employment Benefits Trust Organization Chart



The Board of Trustees is a policy-making body and is responsible for the Oklahoma City Post-Employment Benefits Trust (Trust) operations. The Trust is administered under its guidance and direction, subject to such rules, regulations, and policies as adopted.

The Board consists of two ex-officio members, the City of Oklahoma City (City) Treasurer and the City Clerk; two members who are appointed by the Mayor through retired membership; and three members who serve by position, the Finance Director, the Assistant City Manager, and the Personnel Director. The Municipal Counselor's Office serves as the Trust legal advisor.

Brent Bryant, Chairman City Finance Director	By Position
Laura A. Johnson, Vice Chairman Assistant City Manager	By Position
Aimee Maddera City Personnel Director	By Position
Neil Garrison	Appointed by Mayor
Ted Carlton	Appointed by Mayor
Frances Kersey, Secretary City Clerk	Ex-Officio
Matthew Boggs, Treasurer City Treasurer	Ex-Officio

Appointed Trustees continue to serve until replaced by the Mayor. By position Trustees continue to serve as long as they hold their position with the City.

CONSULTING SERVICES

LEGAL COUNSEL

Municipal Counselor's Office  
City of Oklahoma City  
Wiley Williams and Richard Mahoney

ACTUARY

The Nyhart Company, Inc.  
Indianapolis, Indiana  
Randy A. Gomez

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Allen, Gibbs & Houlik, L.C.  
Wichita, Kansas

INVESTMENT CONSULTANT

AndCo Consulting  
Orlando, Florida

INVESTMENT CUSTODIAN

Bank of Oklahoma  
Oklahoma City, Oklahoma

## **Financial Section**



## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
**Oklahoma City Post-Employment Benefits Trust**  
Oklahoma City, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Oklahoma City Post-Employment Benefits Trust (Trust), a fiduciary component unit of the City of Oklahoma City, Oklahoma (City) as of and for the years ended June 30, 2020 and 2019, and the related notes to financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of June 30, 2020 and 2019, and the changes in its financial position for the years then ended, in accordance with accounting principles generally accepted in the United States of America.



## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Trust's basic financial statements. The information preceding this report and the actuarial report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2020 on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

*Allen, Gibbs & Houlik, L.C.*  
CERTIFIED PUBLIC ACCOUNTANTS

November 20, 2020  
Wichita, Kansas

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Oklahoma City Post-Employment Benefits Trust (Trust) annual financial report, the Trust's management provides narrative discussion and analysis of the financial activities of the Trust for the fiscal years ended June 30, 2020 and 2019. The Trust's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. Introductory information is available in the transmittal letter which precedes this discussion and analysis. The Trust is an other post-employment benefit trust of the City of Oklahoma City (City).

The Trust is a fiduciary trust fund established for the payment of non-pension post-employment benefits to retirees of the City. The Trust resources are not available to fund City programs but are held in trust to pay non-pension retirement benefits to members.

### *Financial Summary*

- Trust net position reported in the financial statements is \$72,076,821 and \$64,890,044 for 2020 and 2019, respectively.
- The actuarial value of assets as of the June 30, 2020 actuarial report is \$72,076,821.
- The fair value of Trust investments at June 30, 2020 and 2019, is \$69,574,547 and \$66,072,171, respectively.
- The Trust funded ratio of the actuarial accrued liability as of the June 30, 2020 actuarial report is 13.8% and 33.5% for the City and COTPA respectively.

### *Overview of the Financial Statements*

This discussion and analysis introduces the Trust's basic financial statements. The basic financial statements include: (1) statement of plan net position, (2) statement of changes in plan net position, and (3) notes to the financial statements.

### **Financial Statements**

The Trust annual report includes two basic financial statements. These statements provide both long-term and short-term information about the overall status of the Trust, and are presented to demonstrate the extent to which the Trust has met its operating objectives efficiently and effectively using all the resources available and whether the Trust can continue to meet its objectives in the foreseeable future. Financial reporting for the Trust uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The first of these basic statements is the statement of plan net position. This statement presents all Trust assets and liabilities, with the difference reported as net position held in trust for other post-employment benefits. Over time, increases or decreases in net position may indicate whether the financial position of the Trust as a whole is improving or deteriorating, identify financial strengths and weaknesses, and be used to assess liquidity.

The second statement is the statement of changes in plan net position which reports how the Trust's net position changed during the fiscal year. This statement can be used to assess the Trust's operating results and analyze how the Trust's programs are financed. All current year revenues and expenses are included regardless of when cash is received or paid.

### **Notes to the Financial Statements**

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements. The notes to the financial statements begin immediately following the basic financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide other post-employment benefits to its Plan members.

**Financial Analysis**

The Trust's net position at June 30, 2020 and 2019 is \$72,076,821 and \$64,890,044, respectively. The overall financial condition of the Trust improved in fiscal year 2020.

	Summary of Plan Net Position						
	2020	2019	2020-2019 Amount of Change	2020-2019 %	2018	2019-2018 Amount Change	2019-2018 %
<b>Assets</b>							
Cash	\$448,300	\$439,189	\$9,111	2.1%	\$ -	\$439,189	100.0%
Receivables	4,390,344	733,802	3,656,542	498.3	729,422	4,380	0.6
Investments	<u>69,574,547</u>	<u>66,072,171</u>	<u>3,502,376</u>	5.3	<u>59,643,822</u>	<u>6,428,349</u>	10.8
<b>Total assets</b>	<b>74,413,191</b>	<b>67,245,162</b>	<b>7,168,029</b>	10.7	<b>60,373,244</b>	<b>6,871,918</b>	11.4
<b>Liabilities</b>	<b>2,336,370</b>	<b>2,355,118</b>	<b>(18,748)</b>	(0.8)	<b>2,255,198</b>	<b>99,920</b>	4.4
<b>Net position</b>	<b><u>\$72,076,821</u></b>	<b><u>\$64,890,044</u></b>	<b><u>\$7,186,777</u></b>	11.1	<b><u>\$58,118,046</u></b>	<b><u>\$6,771,998</u></b>	11.7

Assets increased \$7.17 million in 2020. Cash and investments increased by \$3.51 million primarily due to excess employer contributions of \$2.96 million and investment income of \$1.8 million. Receivables increased \$3.66 million at June 30, 2020, due to timing of current year employer contributions. Liabilities remained stable in 2020. For the year ended June 30, 2019 assets increased \$6.87 million. Cash and investments increased \$6.87 million primarily due to excess employer contributions of \$2.38 million and investment income of \$3.73 million. Receivables remained stable in 2019. Liabilities increased by \$100 thousand at June 30, 2019 due to an increase in benefit payables offset by a decrease in estimated claims.

	Summary of Changes in Plan Net Position						
	2020	2019	2020-2019 Amount of Change	2020-2019 %	2018	2019-2018 Amount of Change	2019-2018 %
<b>Additions</b>							
Contributions	\$27,658,431	\$27,705,308	(\$46,877)	(0.2%)	\$27,644,708	\$60,600	0.2%
Net Investment income	1,781,703	3,727,503	(1,945,800)	(52.2)	5,333,127	(1,605,624)	(30.1)
Other	-	8,740	(8,740)	(100.0%)	-	8,740	100.0
<b>Total additions</b>	<b><u>29,440,134</u></b>	<b><u>31,441,551</u></b>	<b><u>(2,001,417)</u></b>	(6.4)	<b><u>32,977,835</u></b>	<b><u>(1,536,284)</u></b>	(4.7)
<b>Deductions</b>							
Benefits	21,810,210	24,594,649	(2,784,439)	(11.3)	23,943,068	651,581	2.7
Administrative expenses	<u>443,147</u>	<u>74,904</u>	<u>368,243</u>	491.6	<u>47,929</u>	<u>26,975</u>	56.3
<b>Total deductions</b>	<b><u>22,253,357</u></b>	<b><u>24,669,553</u></b>	<b><u>(2,416,196)</u></b>	(9.8)	<b><u>23,990,997</u></b>	<b><u>678,556</u></b>	2.8
<b>Changes in net position</b>	<b>7,186,777</b>	<b>6,771,998</b>	<b>414,779</b>	6.1	<b>8,986,838</b>	<b>(2,214,840)</b>	(24.6)
Beginning net position	<u>64,890,044</u>	<u>58,118,046</u>	<u>6,771,998</u>	11.7	<u>49,131,208</u>	<u>8,986,838</u>	18.3
<b>Ending net position</b>	<b><u>\$72,076,821</u></b>	<b><u>\$64,890,044</u></b>	<b><u>\$7,186,777</u></b>	11.1	<b><u>\$58,118,046</u></b>	<b><u>\$6,771,998</u></b>	11.7

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2020 and 2019**

**OKLAHOMA CITY POST-EMPLOYMENT**  
**BENEFITS TRUST**

At June 30, 2020 contributions remained stable. Investment income decreased \$1.95 million primarily due to decreased appreciation in the fair value of investments of \$2.15 million offset by an increase in dividend income of \$234 thousand. Benefits paid decreased \$2.78 million primarily due to a reduction in indemnity benefits of \$2.6 million. Administrative expenses increased \$368 thousand primarily due to the transfer of Employee Clinic benefits from OCMFA for the OPEB portion of clinic expenses. At June 30, 2019 contributions remained stable as well. Investment income decreased \$1.61 million primarily due to decreased appreciation in the fair value of investments of \$1.85 million offset by a \$210 thousand increase in dividend income. Benefits paid increased \$652 thousand due primarily to an increase in HMO plan benefits of \$707 thousand. Administrative expenses increased \$27 thousand due to Retiree Guides printed at the Print Shop.

**Detail of Ending Plan Net Position**

	2020	2019	2020-2019 Amount of Change	2020-2019 %	2018	2019-2018 Amount of Change	2019-2018 %
Net position at beginning of year	\$64,890,044	\$58,118,046	\$6,771,998	11.7%	\$49,131,208	\$8,986,838	18.3%
Dental Plan							
Employee premium	862,592	828,043	34,549	4.2	791,254	36,789	4.6
Expenses	(862,592)	(828,043)	(34,549)	(4.2)	(791,254)	(36,789)	(4.6)
	-	-	-	0.0	-	-	0.0
Life Insurance Plan							
Employee premium	286,794	287,475	(681)	(0.2)	289,920	(2,445)	(0.8)
Expenses	(286,794)	(287,475)	681	0.2	(289,920)	2,445	0.8
	-	-	-	0.0	-	-	0.0
Vision Plan							
Employee premium	87,981	77,521	10,460	13.5	68,163	9,358	13.7
Expenses	(87,981)	(77,521)	(10,460)	(13.5)	(68,163)	(9,358)	(13.7)
	-	-	-	0.0	-	-	0.0
HMO Plan							
Employee premium	3,389,503	3,430,678	(41,175)	(1.2)	2,967,819	462,859	15.6
Employer premium	3,389,503	3,573,725	(184,222)	(5.2)	3,329,330	244,395	7.3
Expenses	(6,779,006)	(7,004,403)	225,397	3.2	(6,297,149)	(707,254)	(11.2)
	-	-	-	0.0	-	-	0.0
Indemnity Plan							
Employee premium	8,338,725	8,388,755	(50,030)	(0.6)	8,834,844	(446,089)	(5.0)
Employer assessed premium	8,338,725	8,738,379	(399,654)	(4.6)	9,978,910	(1,240,531)	(12.4)
Assessed premium	16,677,450	17,127,134	(449,684)	(2.6)	18,813,754	(1,686,620)	(9.0)
Expenses	(13,793,837)	(16,397,207)	2,603,370	15.9	(16,496,581)	99,374	0.6
Net assessed revenue (loss)	2,883,613	729,927	2,153,686	295.1	2,317,173	(1,587,246)	(68.5)
Excess employer contributions	2,964,608	2,380,732	583,876	24.5	1,384,467	996,265	72.0
Investment income (loss)	1,781,703	3,727,503	(1,945,800)	(52.2)	5,333,127	(1,605,624)	(30.1)
Other revenue	-	8,740	(8,740)	(100.0%)	-	8,740	100.0
Trust administrative fees	(443,147)	(74,904)	(368,243)	(491.6)	(47,929)	(26,975)	(56.3)
Change in net position	7,186,777	6,771,998	414,779	6.1	8,986,838	(2,214,840)	(24.6)
<b>Ending net position</b>	<b>\$72,076,821</b>	<b>\$64,890,044</b>	<b>\$7,186,777</b>	<b>11.1</b>	<b>\$58,118,046</b>	<b>\$6,771,998</b>	<b>11.7</b>

Contributions represent payments from retirees and the City to fund current and future retiree other post-employment benefits. Deductions include amounts paid for retiree health, dental, life and vision insurance benefits, and administrative expenses. Total assessed premiums for the Indemnity Plan are \$16.68 million at June 30, 2020. The City contributed \$14.69 million at June 30, 2020 for retiree health benefits. The increase of \$7.19 million in net position as of June 30, 2020 was due primarily to excess contributions, the net appreciation in fair market value of assets and the difference between assessed premiums and expenses for the indemnity plan. Total assessed premiums for the Indemnity Plan were \$17.13 million at June 30, 2019. The City contributed \$14.69 million at June 30, 2019 for retiree health benefits. The increase of \$6.77 million in net position as of June 30, 2019 was due primarily to excess contributions, the net appreciation in fair market value of assets and the difference between assessed premiums and expenses for the indemnity plan.

***Economic Factors***

The Trust recognized net investment gain of \$1.78 million at June 30, 2020 when the Trust rate of return on investments was 2.56%. The Trust recognized net investment gain of \$3.73 million at June 30, 2019 when the Trust rate of return on investments was 6.05%. The investment portfolio produced a positive return for fiscal year ended June 30, 2020, showing gains in all investment types with the strongest growth in International Securities.

**Financial Market Summary**

	<u>2020</u>	<u>2019</u>	<u>2020-2019</u> Amount of <u>Change</u>	<u>2020-2019</u> % <u>Change</u>	<u>2018</u>	<u>2019-2018</u> Amount of <u>Change</u>	<u>2019-2018</u> % <u>Change</u>
S&P 500	27.85	2,941.76	(2,913.91)	(99.1%)	2,718.37	223.39	8.2%
S&P MidCap 400	1,783.21	1,945.51	(162.30)	(8.3)	1,951.67	(6.16)	(0.3)
S&P SmallCap 600	59.02	1,311.20	(1,252.18)	(95.5)	1,017.38	293.82	28.9
Dow Jones Industrial Average	25,812.88	26,599.96	(787.08)	(3.0)	24,271.41	2,328.55	9.6
NASDAQ	10,058.77	8,006.24	2,052.53	25.6	7,510.30	495.94	6.6
10 Year Bond Yield (%)	0.65	2.00	(1.35)	(67.5)	2.85	(0.85)	(29.8)
60 Day U.S. Treasury (%)	0.16	2.12	(1.96)	(92.5)	1.93	0.19	9.8

The Trust has invested in equity and fixed income securities in accordance with the investment policy. Diversification of investments is one of the primary means the Trust uses to mitigate risk. The Trustees have directed staff to invest available funds in accordance with the adopted assumed rate of return. At June 30, 2020, the actual investment allocation of equity securities is 65.9% versus the allowable percentage of model portfolio of 35-80% versus the prior year when the allocation to equities was 72.6%.

***Contacting the Trust's Financial Management***

This financial report is designed to provide a general overview of the Trust finances, comply with finance-related laws and regulations, and demonstrate commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City's Finance Department, Accounting Services Division, at 100 North Walker, Suite 300, Oklahoma City, Oklahoma 73102.

# **Basic Financial Statements**





**STATEMENT OF PLAN NET POSITION**  
**June 30,**

**OKLAHOMA CITY POST-EMPLOYMENT**  
**BENEFITS TRUST**

	<u>2020</u>	<u>2019</u>
<b><u>ASSETS</u></b>		
Cash-----	\$448,300	\$439,189
<b><u>RECEIVABLES</u></b>		
Interest and dividends-----	57,085	52,343
Plan members-----	687,329	678,800
Other receivables-----	3,645,930	2,659
Total receivables-----	<u>4,390,344</u>	<u>733,802</u>
<b><u>INVESTMENTS, AT FAIR VALUE</u></b>		
Domestic common stock-----	11,768,875	11,793,606
Passive domestic stock funds-----	28,207,044	26,260,549
Passive bond fund-----	21,757,536	18,089,965
International stock-----	5,869,061	6,178,233
Treasury money market fund-----	1,836,256	3,749,818
Oklahoma City judgments-----	135,775	-
Total investments-----	<u>69,574,547</u>	<u>66,072,171</u>
<b>Total assets</b> -----	<b><u>74,413,191</u></b>	<b><u>67,245,162</u></b>
<b><u>LIABILITIES</u></b>		
Accounts payable-----	1,175,364	1,012,739
Unearned revenue-----	3,814	1,958
Estimated claims payable-----	1,157,192	1,340,421
<b>Total liabilities</b> -----	<b><u>2,336,370</u></b>	<b><u>2,355,118</u></b>
<b><u>NET POSITION</u></b>		
Held in trust for other post-employment benefits-----	<b><u>\$72,076,821</u></b>	<b><u>\$64,890,044</u></b>

See accompanying notes to financial statements.

**STATEMENT OF CHANGES IN PLAN NET POSITION**  
**For the Years Ended June 30,**

**OKLAHOMA CITY POST-EMPLOYMENT**  
**BENEFITS TRUST**

	<u>2020</u>	<u>2019</u>
<b><u>ADDITIONS</u></b>		
<b><u>CONTRIBUTIONS</u></b>		
Employer-----	\$14,692,836	\$14,692,836
Plan members-----	12,965,595	13,012,472
<b>Total contributions-----</b>	<b>27,658,431</b>	<b>27,705,308</b>
<b><u>INVESTMENT INCOME</u></b>		
Net appreciation in fair value of investments-----	383,275	2,536,398
Interest-----	97,801	116,834
Dividends-----	1,393,124	1,159,384
	1,874,200	3,812,616
Less: investment expense-----	(92,497)	(85,113)
<b>Net investment income-----</b>	<b>1,781,703</b>	<b>3,727,503</b>
<b><u>OTHER</u></b>		
Other-----	-	8,740
<b>Total additions-----</b>	<b>29,440,134</b>	<b>31,441,551</b>
<b><u>DEDUCTIONS</u></b>		
Benefits paid-----	21,810,210	24,594,649
Administrative expenses-----	443,147	74,904
<b>Total deductions-----</b>	<b>22,253,357</b>	<b>24,669,553</b>
<b>Change in net position-----</b>	<b>7,186,777</b>	<b>6,771,998</b>
<b><u>NET POSITION HELD IN TRUST FOR OTHER POST-EMPLOYMENT BENEFITS</u></b>		
Beginning of year-----	64,890,044	58,118,046
<b>End of year-----</b>	<b>\$72,076,821</b>	<b>\$64,890,044</b>

See accompanying notes to financial statements.

# **Notes to Financial Statements**



## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### I. A. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Oklahoma City Post-Employment Benefits Trust (Trust) financial activities for the fiscal years ended June 30, 2020 and 2019.

### I. B. BASIS OF PRESENTATION

#### I. B. 1. REPORTING ENTITY AND RELATIONSHIP TO THE CITY OF OKLAHOMA CITY, OKLAHOMA

The Trust was authorized and created by Oklahoma City (City) resolution on June 17, 2008, to hold funds in trust for its members. The purpose of the Trust is to provide post-employment health, life, dental, vision or other qualified post-employment related benefits for certain Plan members of the City and public trusts included in the City's reporting entity. Assets are held separately from the City and may be used only for the payment of benefits to the members. The Trust administers the City of Oklahoma City Post retirement Medical Plan (the Plan), a single employer defined benefit healthcare plan.

The Trust Board of Trustees (Board) is comprised of five members. Three members are appointed based on position with the City which includes the City Finance Director, Assistant City Manager, and City Personnel Director. Two members are appointed as trustees by the Mayor based on their status as retirees. The City Clerk serves as an ex-officio member (non-voting) and acts as the Clerk and Secretary of the Board. The City Treasurer serves as an ex-officio member (non-voting) and acts as the Treasurer and Surrogate General Manager of the Trust.

#### *Method of Reporting in the City's Comprehensive Annual Financial Report (CAFR)*

The Trust is reported as a fiduciary component unit in the City CAFR as a trust fund in the City's fiduciary financial statements. Copies of the Oklahoma City CAFR may be obtained by contacting the City's Finance Department, Accounting Services Division, at 100 North Walker, Suite 300, Oklahoma City, Oklahoma 73102.

#### *Trust Administration*

The Trust has no employees. All Trust activities are performed by City employees. The Trust does not reimburse the City for the cost of these services.

### I. B. 2. BASIC FINANCIAL STATEMENTS

The basic financial statements include the statement of plan net position and the statement of changes in plan net position. These statements report financial information for the Trust as a whole.

### I. B. 3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Financial statements of the Trust are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States (U.S. GAAP). Revenues are recognized when earned and expenses are recorded when incurred regardless of the timing of related cash flows. All assets and liabilities (both current and non-current) are included in the statement of plan net position. Plan member contributions to the Trust are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

**I. C. BUDGET LAW AND PRACTICE**

Oklahoma Statutes require the submission of financial information for public trusts. However, legal budgetary control levels are not specified. Accordingly, financial information for the Trust is submitted to its governing body. Appropriations are not recorded. Management's policy prohibits disbursements which exceed available cash.

**I. D. POLICIES RELATED TO ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, AND DEFERRED INFLOWS OF RESOURCES**

**I. D. 1. CASH AND INVESTMENTS**

The Board adopted formal deposit and investment policies in May 2009. On May 8, 2017, the Board amended the investment policy. Investments are administered by an investment committee.

Investments are reported at fair value and determined using selected bases. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds not listed on an established market are reported at estimated fair value as determined by the respective investment managers based on quoted sales prices of the underlying securities. Cash equivalents are reported with investments. Cash deposits are reported at carrying amount which reasonably estimates fair value.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

Accounting guidance establishes a consistent framework for measuring fair value and establishes a fair value hierarchy based on the observability of inputs used to measure fair value. These different levels of valuation hierarchy are described as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that are observable.

Level 3 - Significant unobservable prices or inputs.

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

**I. D. 2. RECEIVABLES**

Receivables include employer and Plan member contributions receivable. These receivables are due in less than 30 days. These receivables are considered fully collectible and no allowance for uncollectible amounts is recorded.

**I. D. 3. RISK FINANCING AND ESTIMATED CLAIMS PAYABLE**

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended worldwide mitigation measures. The extent of COVID-19's effect on the Trust's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Trust's operations, however, it is possible market value of investments may be impacted due to the pandemic.

The Trust accounts for the risk financing for retiree other post-employment benefits and assumes the associated transferred risk from City funds, the Oklahoma City Public Property Authority (OCPPA), and the Oklahoma City Zoo Trust (OCZT).

The City funds pay a premium for insurance coverage and have no further costs or liabilities. OCPPA and OCZT pay a discounted amount for insurance coverage. COTPA (Central Oklahoma Transportation and Parking Authority) has adopted a funding plan and contributes budgeted amounts to the trust. Costs and liabilities for commercial insurance, stop-loss insurance, and claims paid are recorded in the Trust.

Significant losses are covered by commercial insurance for all major programs except one employee health care alternative, which is covered by stop-loss commercial insurance. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The Trust records an estimated liability for indemnity health care claims against the City. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience. Claims liabilities include specific incremental claim adjustment expenses, allocated loss adjustment expenses, and are reduced for estimated recoveries on unsettled claims such as salvage or subrogation.

**I. D. 4. USE OF ESTIMATES**

The preparation of the Trust financial statements in conformity with U.S. GAAP requires the Trust to make significant estimates and assumptions that affect the reported amounts of net position held in trust for other post-employment benefits at the date of the financial statements. The actuarial information included in the required supplementary information as of the benefit information date, the changes in Trust net position during the reporting period, and applicable disclosures of contingent assets and liabilities at the date of the financial statements could also be affected. Actual results could differ from reported estimates.

Contributions to the Trust and the actuarial information included in the required supplementary information are determined and reported using certain assumptions pertaining to interest rates, inflation rates, and Plan member demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in setting assumptions, that the effects of such changes could be material to the financial statements. In addition, due to the unpredictability of market performance, there are risks and uncertainties regarding future investment performance.

**I. E. TAX STATUS**

The Trust was approved by the Internal Revenue Service as a 501(c)(9) Voluntary Plan member Benefits Association on October 29, 2009, and was ruled exempt from Federal and State income taxes.



II. ASSETS

II. A. DEPOSITS AND INVESTMENTS

*Deposits*

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Trust's deposits may not be returned or the Trust will not be able to recover collateral securities in the possession of an outside party. The Trust investment policy does not formally address custodial credit risk for deposits, however, true cash deposits are minimal and required to be collateralized at 110% for any deposits in excess of Federal deposit insurance limits.

At June 30, 2020 and 2019, the Trust's cash is collateralized with securities held by the pledging financial institution in the name of the Trust or the City, less Federal depository insurance.

*Investments*

The Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate risk and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Trust's financial position. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

		2020						
	Cost	Fair Value/ Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Measured at NAV (1)	Average Credit Quality/ Ratings (2)	Weighted Average (months) (3)
Domestic common stock	\$33,070,589	\$39,975,919	\$39,975,919	\$ -	\$ -	\$ -	N/A	N/A
International stock	6,396,532	5,869,061	5,869,061	-	-	-	N/A	N/A
Money market (4)(5)	1,836,256	1,836,256	1,836,256	-	-	-	AAA/Aaa	0.60
Passive bond funds	20,389,676	21,757,536	21,757,536	-	-	-	Not Rated	112.41
Judgments (4)	<u>135,775</u>	<u>135,775</u>	<u>135,775</u>	<u>-</u>	<u>-</u>	<u>-</u>	N/A	4.00
<b>Total investments</b>	<b><u>\$61,828,828</u></b>	<b><u>\$69,574,547</u></b>	<b><u>\$69,574,547</u></b>	<b><u>\$-</u></b>	<b><u>\$-</u></b>	<b><u>\$-</u></b>		

(continued)

*Investments (continued)*

	Cost	2019					Average	Weighted
		Fair Value/ Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Measured at NAV (1)	Credit Quality/ Ratings (2)	Average Average (months) (3)
Domestic common stock	\$30,619,492	\$38,054,155	\$38,054,155	\$ -	\$ -	\$ -	N/A	N/A
International stock	5,668,426	6,178,233	6,178,233	-	-	-	N/A	N/A
Money market (4)(5)	3,749,818	3,749,818	3,749,818	-	-	-	AAA/Aaa	0.30
Passive bond funds	17,803,171	18,089,965	18,089,965	-	-	-	Not Rated	102.21
<b>Total investments</b>	<b><u>\$57,840,907</u></b>	<b><u>\$66,072,171</u></b>	<b><u>\$66,072,171</u></b>	<b><u>\$-</u></b>	<b><u>\$-</u></b>	<b><u>\$-</u></b>		

- (1) The net asset value (NAV) is a practical expedient to estimate fair value.
- (2) Ratings are provided where applicable to indicate associated credit risk.
- (3) Interest rate risk is estimated using weighted average months to maturity for all investments.
- (4) Cost approximates fair value.
- (5) Consists solely of U.S. Treasury securities.

**Fair Value Measurement**

There have been no changes in the methodologies used at June 30, 2020 and 2019.

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Domestic common stock, international stock, and passive bond funds are purchased through the use of mutual funds. Mutual funds are valued at the daily closing price as reported by the Trust. Mutual funds held by the Trust are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Money market funds are reported at cost which approximates fair value, are traded on active markets at quoted prices, and are valued at level 1.

**Realized Gains/Losses**

For the year ended June 30, 2020, net realized gains were \$873,717 compared to realized gains of \$1,977,716, at June 30, 2019. Net realized gains (losses) are calculated independently of the calculation of net appreciation (depreciation) and include investments sold in the referenced year that had been held for more than one year for which unrealized gains and losses were reported in net appreciation (depreciation) in prior years.

**Investment Policies**

Trust investment policies provide for investment managers who have full discretion of assets allocated to them, subject to the overall investment guidelines set out in the policy unless governed by a prospectus. Investment manager performance is reviewed by a consultant who provides reports to the Board. Overall investment guidelines provide for diversification and allow investment in domestic common stocks, domestic and international fixed income securities, cash equivalents, domestic and international index funds, collective trust funds, and mutual funds.

The Trust's investment consultant will oversee and manage all funds invested in international equities, domestic equities and fixed income. In accordance with the Trust indenture, the City Treasurer shall serve as the Treasurer of the Trust and shall have such duties and responsibilities established by the Trustees and will provide the oversight necessary to carry out the investment policies of the Trust. As such, the City Treasurer will manage any cash, cash equivalents and money market funds deemed necessary to accommodate the operational activities of the Trust. These assets will be reported separately and segregated from the asset allocation managed by the investment consultant.

Custodial credit risk policy provides for the engagement of a custodian who accepts possession of securities for safekeeping; collects and disburses income; collects principal of sold, matured, or called items; and provides periodic accounting to the Board. The Trust does not have investments not held in the name of the Trust by an investment counterparty.

### Asset Allocation Guidelines

	2020				2019			
	Minimum	Target	Maximum	Actual(1)	Minimum	Target	Maximum	Actual(1)
Domestic equities	30%	55%	65%	57.5%	30%	55%	65%	59.7%
International equities	5	10	15	8.4	5	10	15	8.8
Fixed income	12	21	65	28.6	12	21	65	23.4
High Yield fixed income	0	4	10	2.7	0	4	10	2.4
Cash equivalents	0	0	100	2.6	0	0	100	5.7
Active duration fixed income	7	10	11	0.0	7	10	11	0.0
Judgments	1	0	10	0.2	0	0	0	0.0

- (1) Funds held by the Trust Treasurer for cash flow purposes are invested temporarily in money market funds. These funds have not been made available to the investment manager and therefore are not included in actual percentages above. At June 30, 2020 and 2019, the amount of funds invested by the Treasurer temporarily in money market funds was \$1,836,256 and \$3,749,818, respectively.

Trust policy provides risk parameters for various portfolio compositions. These address credit risk, interest rate risk, and foreign currency risk applicable to the portfolio. The Trust contractually delegates portfolio management to investment managers based on these prescribed portfolio structures. Equity securities (common stock or equivalent) must be traded on a major U.S. exchange and may include issues convertible to common stocks. International fixed income securities purchases are generally limited to issues of at least \$50 million. Investment managers may not invest in more than 7.5% of any one issuer or more than 30% of any one sector of the market. U.S. government securities are excluded from these restrictions.

#### Domestic common stocks

Investments are limited to stocks expected to both appreciate in value and achieve future growth in earnings and current dividend return.

#### Fixed income securities

Fixed income securities must be rated BBB by Standard and Poor's or Baa by Moody's to qualify for purchase.

#### Fixed income securities

High yield fixed income securities average credit quality of the fund's holdings must be below investment grade, with an average maturity between 75% and 125% of the maturity of the Merrill Lynch High Yield Index.

#### Cash equivalents

Cash equivalents are limited to A1, P1 rated commercial paper; obligations of the U.S. government or its agencies maturing in one year or less; and broker or bank repurchase agreements collateralized by U.S. government or its agency assets. Money market mutual funds and bank short-term investment funds invested as listed above are also acceptable.

Domestic index and mutual funds

Index and mutual funds are limited to investment company shares, collective trust funds of banks or trust companies, and insurance company separate accounts and must have at least a three year history, \$50 million in assets under management, and the same investment philosophy and strategy for the previous three years. The domestic index funds must strive to replicate the return of Standard and Poor's 500 Stock Index or Barclays Capital Aggregate Bond Index or another index as deemed to be appropriate.

International index and mutual funds

Index and mutual funds are limited to investment company shares, collective trust funds of banks or trust companies, and insurance company separate accounts and must have at least a three year history, \$50 million in assets under management, and the same investment philosophy and strategy for the previous three years. The international index funds must strive to replicate the return of the Morgan Stanley Capital International Europe Australia and Far East Index (MSCI/EAFE).

Active Duration Fixed Income

Active duration fixed income managers will have full discretion within the guidelines to invest in fixed income and related securities. Any of the following fixed income securities or their options, individually or in commingled vehicles, subject to credit, diversification and marketability guidelines below, may be held outright and under resale agreement: Obligations issued or guaranteed by the U.S. government, federal agencies or U.S. government sponsored corporations and agencies backed by the full faith and credit of the U.S. government, including Treasury inflation-indexed securities (TIPS) and GNMA's. The manager shall have no maturity or duration constraints.

Judgments

Judgments may be purchased by the City Treasurer for the benefit of the Trust. The interest rate shall be in conformance with state law, 12 Oklahoma Statute 727.1(I), which currently provides that interest shall be the prime rate, as listed in the first edition of the Wall Street Journal published for each calendar year and as certified to the Administrative Director of the Courts by the State Treasurer on the first regular business day following publication in January of each year, plus two percent (2%).

Trust investment policy is more restrictive than the standards of the Oklahoma Uniform Prudent Investor Act which requires public trusts to consider the purposes, terms, distribution requirements, and other circumstances of the trust and to exercise reasonable care, skill, and caution when investing. Investment decisions must be evaluated not in isolation, but in the context of the trust portfolio as a whole and as a part of the overall investment strategy having risk and return objectives reasonably suited to the Trust.

**Concentration of Credit Risk**

Concentration of credit risk is the risk that investments in any one issuer may not be recoverable. The risk exists when investments in any one issuer are in excess of 5%. The Trust investment policy places no limit on the amount the Trust may invest with any one issuer. The following are mutual funds the Trust is invested in which does not create a concentration of credit risk.

<b>Investment</b>	<b>2020</b>	<b>2019</b>
American Beacon Stephens Small Cap Growth Fund	13%	12%
Causway International Value Fund	8	9
DoubleLine Core Fixed Income Fund	9	8
Hotchkis & Wiley Mid-Cap Value Fund	4	6
JP Morgan Money Market	3	6
Loomis Sayles Bond Fund	8	8
Lord Abbett High Yield Fund	3	2
Vanguard 500 Index Fund	35	34
Vanguard Mid-Cap Index Fund	6	6
Wasatch-Hoisington US Treasury Fund	11	9

**II. B. ACCOUNTS RECEIVABLE**

*Contributions Receivable*

There are no receivables older than thirty days.

	<u>2020</u>	<u>2019</u>
<u>PLAN MEMBER CONTRIBUTIONS RECEIVABLE</u>		
Oklahoma Police Pension and Retirement System	\$416,219	\$433,209
Oklahoma Fire Pension and Retirement System	271,110	242,199
COTPA Employee Retirement System	-	<u>3,392</u>
<b>Total plan member contributions</b>	<b><u>\$687,329</u></b>	<b><u>\$678,800</u></b>

*Other Receivables*

Other accounts receivable at June 30, 2020 and 2019, include \$3,645,930 and \$2,659 respectively, receivable from fiduciary funds. The balance for 2020 is primarily employer contributions of \$3.64 million transferred from the General Fund that had not completed processing and had not yet been deposited in the Trust by June 30th.

**III. LIABILITIES**

*Estimated Claims Payable*

Health insurance claims incurred but not reported for the City's retiree self-insured group indemnity plan (Indemnity Plan) are calculated by a third-party using the one day weighted average of annual claims over the weighted average days lag in claims reporting. A copy of the third party report can be obtained from Human Resources, 420 W. Main, Suite 110, Oklahoma City, OK 73102.

Significant losses are covered by commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current and previous two fiscal years.

Liability balance, July 1, 2018	\$1,519,593
Claims and changes in estimates	16,218,035
Claims payments	<u>(16,397,207)</u>
Liability balance, June 30, 2019	1,340,421
Claims and changes in estimates	13,610,609
Claims payments	<u>(13,793,838)</u>
<b>Liability balance, June 30, 2020</b>	<b><u>\$1,157,192</u></b>

Assets available to pay claims at June 30, 2020 and 2019 were \$73,237,827 and \$66,232,423, respectively.

**IV. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN**

**IV. A. PLAN DESCRIPTION**

*Plan Administration*

**City OPEB**

The City provides post-employment healthcare benefits for retired employees and their dependents through the City of Oklahoma City Post-retirement Medical Plan (the City OPEB Plan), a single-employer defined benefit healthcare plan. The benefits, coverage levels, retiree contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual. The City OPEB Plan issues a separate report that can be obtained from Human Resources at 420 W. Main, Suite 110, Oklahoma City, OK 73102. The City OPEB Plan covers all current retirees who elected post-retirement medical coverage through the City and future retired general employees. All firefighters retiring after December 31, 2002, are covered under a separate plan established specifically to provide medical benefits to City firefighters and are not considered for this disclosure. Mcgee Creek Authority retirees are also not covered under the Plan.

**COTPA OPEB**

COTPA eligible retirees, and their eligible dependents under 65 years of age are covered under the City's health and welfare plans. City OPEB costs and obligations include COTPA retirees over 65 years of age and are covered under the City's OPEB plan.

*Funding Policies, Contribution Methods and Benefit Provisions*

	<u>(All other retirees\COTPA retirees)</u>
Year established and governing authority	2008; City Council Ordinance\COTPA 2009; Board Resolution
Determination of contribution requirements	City Policy\Policy
Employer	50% of premium\Subsidy based on years of service
Plan members	50% of premium\Remainder of unsubsidized premium costs
Funding of administrative costs	Investment earnings
Period required to vest	5 years\10 years

***Funding Policy***

Beginning January 1, 2019, the employer contribution rate changed from 52% of premium to 50% of premium for retirees other than COTPA retirees and will remain at that rate going forward. For COTPA retirees, COTPA contributed a subsidy towards medical coverage of retirees based on years of service. The retirees were responsible for paying the remaining balance of the premium.

***Benefit Provisions***

The City offers post-retirement healthcare benefits to eligible retirees of the City or approved public trust and their eligible survivors and dependents either through a fully insured health plan or through the City's Self-Funded Group Plan. Post-retirement healthcare benefits include general inpatient and outpatient medical services and prescription drug coverage (collectively "Plan Benefits"). Additional benefits for dental, life and vision are available to eligible retirees with no premium sharing contributed by the City. The City is not legally obligated to subsidize Plan Benefits for any retiree. However, subject to meeting one of the criteria set forth by the resolution, subsidized Plan Benefits are only available to certain public trust and City general or special pay-plan retirees and retired police officers provided the retiree was hired before January 1, 2017, and those retired firefighters who retired on or before December 31, 2002, provided the retiree elected, at the time of retirement, to purchase retiree Plan Benefits from the City and provided the retiree continuously maintains or has maintained coverage from the time of retirement. Employees hired on or after January 1, 2017 are not eligible for subsidized retiree Plan Benefits. To be eligible for subsidized Plan Benefits, if the City Council in its sole discretion determines to subsidize premium costs of the Plan Benefits, the retiree must meet the qualifications of the Retiree Premium Subsidies Resolution -2016 approved November 8, 2016.

***Post-Retirement Benefit Adjustments***

Post-retirement benefits for retirees are not subject to any changes in the Consumer Price Index.

***Membership***

	<b>June 30,</b> <b><u>2020</u></b>	<b>June 30,</b> <b><u>2019</u></b>
Active members	3,487	3,531
COTPA Active Members (1)	258	258
Retirees and beneficiaries currently receiving benefits	2,141	2,136
COTPA retirees currently receiving benefits (1)	13	13
	<b><u>5,899</u></b>	<b><u>5,938</u></b>

(1) COTPA membership numbers are calculated every other year.

***Contributions***

City Council establishes contribution rates for the retirees as a percentage of total premium cost. The employee contribution rate changed from 48% of premium to 50% of premium at January 1, 2019 and will remain at that rate going forward. The City portion is budgeted annually. For COTPA retirees, the contribution rates are set through labor negotiations and approved by the COTPA Board of Trustees. The COTPA portion is budgeted annually. COTPA contributed a subsidy towards medical coverage of retirees based on years of service. The retirees were responsible for paying the remaining balance of premiums.

*Annual Required Contributions - Actuarial Assumptions*

Valuation date	6/30/20
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Salary
Amortization period	30 years, closed
Actuarial asset valuation method	4-year smoothed market

Actuarial Assumptions

Discount rate (1)	3.35%
City Investment rate of return	7.50%
COTPA Investment rate of return	7.50%
Inflation (2)	3.25%
Inflation - Police (3)	3.50%
Projected salary increases	3.25%
Projected salary increases - Police	3.50%
Health care trend rate	
City Initial	8.0% (6.0% for Medicare Age)
City Ultimate	4.50%
COTPA Initial (4)	7.5% (5.75% for Medicare Age)
COTPA Ultimate	4.50%
Experience Study	N/A

(1) The discount rate changed from 4.05% in FY 19 to 3.35% in FY20.

(2) The inflation rate changed from 3.0% in FY19 to 3.25% in FY20.

(3) The inflation rate for Police changed from 3.00% in FY19 to 3.50% in FY20.

(4) The initial healthcare trend rate decreases by .50% (.25% for Medicare Age) annually to an ultimate rate of 4.50%.

Mortality rates were based on the RP-2000 Combined Mortality Table fully generational using Scale AA (set forward 7 years for disabled retirees).

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the Trust and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of benefit cost sharing between the Trust and Plan members to that point. Actuarial calculations reflect a long-term perspective. The actuarial methods and assumptions are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of those calculations.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and those actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

**Concentrations**

The Trust held no individual investments (other than U.S. government and U.S government guaranteed obligations) whose market value exceeds 5% or more of net assets available for benefits. There are no long-term contracts for contributions.



*Retiree Rates*

	City Retirees			
	Retirees Under 65		Retirees Over 64	
	1/1/2020	1/1/2019	1/1/2020	1/1/2019
HMO Plans				
Retiree Only	\$721.74	\$691.89	\$196.79	\$191.07
Retiree + Spouse	1,623.90	1,556.74	393.59	382.13
Retiree + Child	1,262.95	1,210.72	393.59	382.13
Retiree + Children	1,551.68	1,487.50	590.38	573.20
Retiree + Family	2,237.29	2,144.76	590.38	573.20
Group Indemnity Plans (standard)				
Retiree Only	714.44	714.44	327.03	327.04
Retiree + Spouse	1,378.88	1,378.88	620.63	620.63
Retiree + Child	1,014.51	1,014.51	459.15	459.15
Retiree + Children	1,314.58	1,314.58	591.26	591.26
Retiree + Family	1,878.99	1,878.99	841.17	841.18
Group Indemnity Plans (alternate)				
Retiree Only	419.21	419.21	213.36	213.36
Retiree + Spouse	809.08	809.08	404.90	404.91
Retiree + Child	595.28	595.28	299.55	299.55
Retiree + Children	771.35	771.35	385.74	385.74
Retiree + Family	1,102.53	1,102.53	548.78	548.79
Dental Plans (high plan)				
Retiree Only	33.08	33.08	33.08	33.08
Retiree + 1 or more	66.14	66.14	66.14	66.14
Retiree + 2 or more	105.83	105.83	105.83	105.83
Dental Plans (low plan)				
Retiree Only	33.08	22.43	22.43	22.43
Retiree + 1 or more	66.14	44.89	44.89	44.89
Retiree + 2 or more	105.83	71.80	71.80	71.80
Group Life				
Basic Life (\$10,000)	14.80	14.80	14.80	14.80
Vision Plans				
Retiree Only	7.00	7.00	7.00	7.00
Retiree + 1	12.98	12.98	12.98	12.98
Retiree + 2 or more	20.88	20.88	20.88	20.88

(continued)

*Retiree Rates (continued)*

	COTPA Retirees			
	Retirees Under 65		Retirees Over 64	
	1/1/2020	1/1/2019	1/1/2020	1/1/2019
HMO Plans				
10-14 Years of Service				
Retiree Only	\$1,273.47	\$1,213.77	\$265.59	\$254.13
Retiree + Spouse	3,077.79	2,943.47	659.18	636.26
Retiree + Child	2,355.90	2,251.43	659.18	636.26
Retiree + Children	2,933.35	2,805.00	1,052.77	1,018.39
Retiree + Family	4,304.58	4,119.35	1,052.77	1,018.39
HMO Plans				
15-19 Years of Service				
Retiree Only	1,193.47	1,133.77	205.59	194.13
Retiree + Spouse	2,997.79	2,863.47	599.18	576.26
Retiree + Child	2,275.90	2,171.43	599.18	576.26
Retiree + Children	2,853.35	2,725.00	992.71	958.39
Retiree + Family	4,224.58	4,038.39	992.71	958.39
HMO Plans				
20-24 Years of Service				
Retiree Only	1,103.47	1,043.77	138.59	127.13
Retiree + Spouse	2,907.79	2,773.47	532.18	509.26
Retiree + Child	2,185.90	2,081.43	532.18	509.26
Retiree + Children	2,763.35	2,635.00	925.77	891.39
Retiree + Family	4,134.58	3,949.35	925.77	891.39
HMO Plans				
25+ Years of Service				
Retiree Only	1,023.47	963.77	78.59	67.13
Retiree + Spouse	2,827.79	2,693.47	472.18	449.26
Retiree + Child	2,105.90	2,001.43	472.18	449.26
Retiree + Children	2,683.35	2,555.00	865.77	831.39
Retiree + Family	4,054.58	3,869.35	865.77	831.39
Dental Plans (high plan)				
Retiree Only	33.08	33.08	33.08	33.08
Retiree + 1 or more	66.14	66.14	66.14	66.14
Retiree + 2 or more	105.83	105.83	105.83	105.83
Dental Plans (low plan)				
Retiree Only	22.43	22.43	22.43	22.43
Retiree + 1 or more	44.89	44.89	44.89	44.89
Retiree + 2 or more	71.80	71.80	71.80	71.80
Vision Plans				
Retiree Only	7.00	7.00	7.00	7.00
Retiree + 1	12.98	12.98	12.98	12.98
Retiree + 2 or more	20.88	20.88	20.88	20.88

IV. B. NET OPEB LIABILITY

	<u>2020</u>	<u>2019</u>
Total OPEB liability	\$517,535,682	\$491,368,564
Fiduciary net position	<u>(72,076,821)</u>	<u>(64,890,044)</u>
Net OPEB liability	<u>\$445,458,861</u>	<u>\$426,478,520</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 <b>13.93%</b>	 <b>13.21%</b>

	<u>2020</u>		<u>2020</u>		<u>2020</u>	
	Total OPEB Liability		Plan Fiduciary Net Position		Net OPEB Liability	
	<u>City</u>	<u>COTPA</u>	<u>City</u>	<u>COTPA</u>	<u>City</u>	<u>COTPA</u>
Beginning balance	\$489,504,645	\$1,863,919	\$64,244,853	\$645,191	\$425,259,792	\$1,218,728
Service cost	15,607,464	146,296	-	-	15,607,464	146,296
Interest	20,280,372	80,756	-	-	20,280,372	80,756
Differences between expected and actual experience	(61,351,558)	158,632	-	-	(61,351,558)	158,632
Changes of assumptions	59,900,745	189,026	-	-	59,900,745	189,026
Contributions - employer	-	-	14,562,836	130,000	(14,562,836)	(130,000)
Net investment income	-	-	1,713,214	68,489	(1,713,214)	(68,489)
Benefit payments and refunds	(8,811,816)	(32,799)	(8,811,816)	(32,799)	-	-
Administrative expense	-	-	(438,715)	(4,432)	438,715	4,432
Net changes	<u>25,625,207</u>	<u>541,911</u>	<u>7,025,519</u>	<u>161,258</u>	<u>18,599,688</u>	<u>380,653</u>
	<u>\$515,129,852</u>	<u>\$2,405,830</u>	<u>\$71,270,372</u>	<u>\$806,449</u>	<u>\$443,859,480</u>	<u>\$1,599,381</u>

	Total OPEB Liability		2019 Plan Fiduciary Net Position		Net OPEB Liability	
	City	COTPA	City	COTPA	City	COTPA
	Beginning balance	\$478,478,223	\$1,933,776	\$57,638,077	\$479,969	\$420,840,146
Service cost	15,984,135	130,490	-	-	15,984,135	130,490
Interest	20,771,885	86,936	-	-	20,771,885	86,936
Differences between expected and actual experience	(34,732,472)	(320,880)	-	-	(34,732,472)	(320,880)
Changes of assumptions	20,547,220	71,429	-	-	20,547,220	71,429
Contributions - employer	-	-	14,562,836	130,000	(14,562,836)	(130,000)
Net investment income	-	-	3,662,441	73,803	(3,662,441)	(73,803)
Benefit payments and refunds	(11,544,346)	(37,832)	(11,544,346)	(37,832)	-	-
Administrative expense	-	-	(74,155)	(749)	74,155	749
Net changes	<u>11,026,422</u>	<u>(69,857)</u>	<u>6,606,776</u>	<u>165,222</u>	<u>4,419,646</u>	<u>(235,079)</u>
	<b><u>\$489,504,645</u></b>	<b><u>\$1,863,919</u></b>	<b><u>\$64,244,853</u></b>	<b><u>\$645,191</u></b>	<b><u>\$425,259,792</u></b>	<b><u>\$1,218,728</u></b>

#### IV. C. RATE OF RETURN AND DISCOUNT RATE

##### *Rate of Return*

For the year ended June 30, 2020 and 2019, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense was 10.18% and 11.66%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

##### *Long-term Expected Rate of Return*

The long-term expected rate of return on OPEB 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 OPEB 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. Best estimates of arithmetic real rates of return for each major asset class are included in the OPEB plan's target asset allocation. See Note II. A. DEPOSITS AND INVESTMENTS, Investments, Asset Allocation Guidelines for target allocation of investments.

	<u>Long-term Expected Rate of Return</u>	
	<u>2020</u>	<u>2019</u>
Domestic Equity	7.50%	7.50%
Domestic Bonds	2.50	2.50
International Equity	8.50	8.50
International Bonds	3.50	3.50
Real Estate	4.50	4.50

**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.35%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the net position is exhausted are discounted at the 20-year municipal bond rate. Therefore, the long-term expected rate of return on OPEB investments (7.50%) was applied to years 2020 through 2028 of projected benefit payments and the 20-year municipal bond rate based on a range of indices from 2.21%-2.66% was applied to projected benefit payments after 2028 to determine the total OPEB liability. The discount rate decreased from 4.05% on June 30, 2019 to 3.35% on June 30, 2020.

**Sensitivity of Net OPEB Liability to Changes in the Discount Rate**

	2020							
	City			COTPA			Total	
	Total	Net		Total	Net		Total	Net
	OPEB	OPEB	OPEB	OPEB	OPEB	OPEB	OPEB	OPEB
Rate	Liability	Liability	Rate	Liability	Liability	Liability	Liability	
1% decrease	2.35%	\$612,098,093	\$540,827,721	2.35%	\$2,718,857	\$1,912,408	\$614,816,950	\$542,740,129
Current single discount rate	3.35	515,129,852	443,859,480	3.35	2,405,830	1,599,381	517,535,682	445,458,861
1% increase	4.35	438,850,748	367,580,376	4.35	2,142,382	1,335,933	440,993,130	368,916,309

	2019							
	City			COTPA			Total	
	Total	Net		Total	Net		Total	Net
	OPEB	OPEB	OPEB	OPEB	OPEB	OPEB	OPEB	OPEB
Rate	Liability	Liability	Rate	Liability	Liability	Liability	Liability	
1% decrease	3.05%	\$578,504,530	\$514,259,677	3.05%	\$2,097,628	\$1,452,437	\$580,602,158	\$515,712,114
Current single discount rate	4.05	489,504,645	425,259,792	4.05	1,863,919	1,218,728	491,368,564	426,478,520
1% increase	5.05	419,178,905	354,934,052	5.05	1,666,293	1,021,102	420,845,198	355,955,154

**Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trends**

	2020							
	City			COTPA			Total	
	Total	Net		Total	Net		Total	Net
	OPEB	OPEB	OPEB	OPEB	OPEB	OPEB	OPEB	OPEB
Rate	Liability	Liability	Rate	Liability	Liability	Liability	Liability	
1% decrease	7.00%	\$430,425,586	\$359,155,214	6.50%	\$2,398,727	\$1,592,278	\$432,824,313	\$360,747,492
Current single discount rate	8.00	515,129,852	443,859,480	7.50	2,405,830	1,599,381	517,535,682	445,458,861
1% increase	9.00	625,719,982	554,449,610	8.50	2,414,660	1,608,211	628,134,642	556,057,821

	2019							
	City			COTPA			Total	
	Total	Net		Total	Net		Total	Net
	OPEB	OPEB	OPEB	OPEB	OPEB	OPEB	OPEB	OPEB
Rate	Liability	Liability	Rate	Liability	Liability	Liability	Liability	
1% decrease	7.00%	\$411,890,554	\$347,645,701	7.00%	\$1,858,017	\$1,212,826	\$413,748,571	\$348,858,527
Current single discount rate	8.00	489,504,645	425,259,792	8.00	1,863,919	1,218,728	491,368,564	426,478,520
1% increase	9.00	590,150,604	525,905,751	9.00	1,870,974	1,225,783	592,021,578	527,131,534

V. ADDITIONS AND DEDUCTIONS

*Administrative Costs*

	<u>2020</u>	<u>2019</u>
Actuarial	\$11,000	\$11,000
Audit	22,848	20,777
Professional Svc - Medical	384,495	-
Postage	9,715	12,930
Taxes	-	2,394
Other services	11,457	2,461
Print shop	<u>3,632</u>	<u>25,342</u>
	<b><u>\$443,147</u></b>	<b><u>\$74,904</u></b>

*Benefits Paid*

	<u>2020</u>	<u>2019</u>
Health indemnity plan	\$13,793,838	\$16,397,207
Health HMO	6,779,006	7,004,403
Dental	862,592	828,043
Life	286,794	287,475
Vision	<u>87,980</u>	<u>77,521</u>
	<b><u>\$21,810,210</u></b>	<b><u>\$24,594,649</u></b>

VI. RELATED PARTY TRANSACTIONS

The Trust reimburses the City for the cost of banking services. Amounts charged are expensed during the period incurred. If the trust operating bank account earns interest that is greater than the banking charges for the period, then the net of the two is recorded as interest income. The Trust earned interest greater than the bank charges for 2020 and 2019.

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## **Required Supplementary Information**





I. SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY (ASSET) AND RELATED RATIOS (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Total OPEB Liability</u>				
Service cost	\$15,753,760	\$16,114,625	\$20,452,968	\$24,831,598
Interest	20,361,128	20,858,821	22,033,503	18,795,448
Changes of benefit terms	-	-	-	(11,788,937)
Differences between expected and actual experience of the total OPEB liability	(61,192,926)	(35,053,352)	(92,655,789)	4,751,915
Assumption changes	60,089,771	20,618,649	(30,979,607)	(47,850,486)
Benefits payments, including refunds	(8,844,615)	(11,582,178)	(10,991,195)	(14,366,084)
<b>Net change in total OPEB liability</b>	<b>26,167,118</b>	<b>10,956,565</b>	<b>(92,140,120)</b>	<b>(25,626,546)</b>
OPEB liability, beginning	491,368,564	480,411,999	572,552,119	598,178,665
<b>OPEB liability, ending</b>	<b>517,535,682</b>	<b>491,368,564</b>	<b>480,411,999</b>	<b>572,552,119</b>
<u>Plan Fiduciary Net Position</u>				
Contributions - employer	14,692,836	14,692,836	14,692,836	16,191,297
Net investment income	1,781,701	3,736,244	5,333,126	5,141,846
Benefits payments, including refunds	(8,844,615)	(11,582,178)	(10,991,195)	(14,366,084)
Administrative expense	(443,145)	(74,904)	(47,929)	(69,068)
Other				
<b>Net change in fiduciary net position</b>	<b>7,186,777</b>	<b>6,771,998</b>	<b>8,986,838</b>	<b>6,897,991</b>
Plan fiduciary net position, beginning	64,890,044	58,118,046	49,131,208	42,233,216
<b>Plan fiduciary net position, ending</b>	<b>72,076,821</b>	<b>64,890,044</b>	<b>58,118,046</b>	<b>49,131,208</b>
<b>Net OPEB liability, ending</b>	<b>\$445,458,861</b>	<b>\$426,478,520</b>	<b>\$422,293,953</b>	<b>\$523,420,911</b>
Plan fiduciary net position as a percentage of total OPEB liability	13.93%	13.21%	12.10%	8.58%
<u>Actuarial assumptions</u>				
Valuation date	6/30/20	6/30/19	6/30/18	6/30/17
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Amortization period	30 years, closed	30 years, closed	30 years, closed	30 years, closed
Actuarial asset valuation method	4-year smoothed market	4-year smoothed market	4-year smoothed market	4-year smoothed market
Investment rate of return	7.5%	7.5%	7.5%	7.5%
Health care trend rate				
Initial	8.0% (6.00% for Medicare Age)	8.0% (6.00% for Medicare Age)	8.5% (6.00% for Medicare Age)	8.5% (6.00% for Medicare Age)
Ultimate	4.50%	4.50%	4.50%	4.50%
Inflation	3.25%	3.00%	3.00%	3.75%
Projected salary increases	3.25%	3.25%	3.75%	3.50%
Mortality table	RP 2000 Combined Mortality Tably fully	RP 2000 Combined Mortality Tably fully	RP 2000 combined mortality table fully	RP 2000 combined mortality table fully
Experience study	N/A	N/A	N/A	N/A

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, results for measurement years before June 30, 2017 are not available. This information will be developed prospectively beginning in 2017 until eventually 10 years of information is available.

**II. SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Fiscal Year Ending June 30,	Actuarially Determined Contribution (ADC)	Contributions in relation to ADC	Contributions Deficiency (Excess)
2020	\$20,129,438	\$14,692,836	\$5,436,602
2019	21,810,644	14,692,836	7,117,808
2018	25,275,860	14,692,836	10,583,024
2017	34,251,960	16,191,297	18,060,663
2016	33,459,617	17,811,341	15,648,276
2015	35,920,317	18,815,545	17,104,772
2014	33,975,672	19,619,034	14,356,638
2013	32,881,008	19,904,516	12,976,492
2012	36,181,832	20,064,984	16,116,848
2011	39,559,528	18,746,938	20,812,590

**III. SCHEDULE OF INVESTMENT RETURNS (1)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	10.18%	11.66%	11.25%	11.43%

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, results for measurement years before June 30, 2017 are not available. This information will be developed prospectively beginning in 2017 until eventually 10 years of information is available.

# **Actuarial Section**





# GASB 74/75 ACTUARIAL VALUATION

Fiscal Year Ending June 30, 2020

# CITY OF OKLAHOMA CITY

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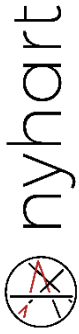
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Toll-Free (800) 428-7106  
Fax (317) 845-3654

# Table of Contents

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	<b>Page</b>
Certification	1
Executive Summary	3
GASB Disclosures	
Schedule of Changes in Net OPEB Liability and Related Ratios	5
Schedule of Employer Contributions	7
OPEB Expense	9
Deferred Outflows / (Inflows) of Resources	11
Sensitivity Results	15
Asset Information	17
Actuarially Determined Contributions	21
Projection of GASB Disclosures	24
Cash Flow Projection	26
Discussion of Discount Rates	28
Summary of Plan Participants	29
Substantive Plan Provisions	32
Actuarial Methods and Assumptions	34
Appendix	42
Comparison of Participant Demographic Information	43
Detailed Actuary's Notes	44
Summary of Medical Benefits	45
Glossary	46
Decrements Exhibit	47
Retirement Rates Exhibit	48
Definitions	49



**October 30, 2020**

**Ronda Dugone  
City of Oklahoma City  
100 North Walker, 4<sup>th</sup> Floor  
Oklahoma City, OK 73102**

This report summarizes the GASB actuarial valuation for the City of Oklahoma City 2019/20 fiscal year. To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statement No. 74 (Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans) and GASB Statement No. 75 (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions).

The information presented herein is based on the actuarial assumptions and substantive plan provisions summarized in this report and participant information furnished to us by the Plan Sponsor. We have reviewed the employee census provided by the Plan Sponsor for reasonableness when compared to the prior information provided but have not audited the information at the source, and therefore do not accept responsibility for the accuracy or the completeness of the data on which the information is based. When relevant data may be missing, we may have made assumptions we feel are neutral or conservative to the purpose of the measurement. We are not aware of any significant issues with and have relied on the data provided.

31 The discount rate, other economic assumptions, and demographic assumptions have been selected by the Plan Sponsor with the concurrence of Nyhart. In our opinion, the actuarial assumptions are individually reasonable and in combination represent our estimate of anticipated experience of the Plan. All calculations have been made in accordance with generally accepted actuarial principles and practice.

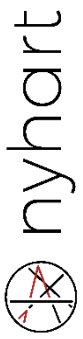
Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following:

- plan experience differing from that anticipated by the economic or demographic assumptions;
- changes in economic or demographic assumptions;
- increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and
- changes in plan provisions or applicable law.

We did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement.

To our knowledge, there have been no significant events prior to the current year's measurement date or as of the date of this report that could materially affect the results contained herein.





Neither Nyhart nor any of its employees has any relationship with the plan or its sponsor that could impair or appear to impair the objectivity of this report. Our professional work is in full compliance with the American Academy of Actuaries "Code of Professional Conduct" Precept 7 regarding conflict of interest. The undersigned meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Should you have any questions please do not hesitate to contact us.

A handwritten signature in black ink, appearing to read "S. Datta".

Suraj M. Datta, ASA, MAIA  
Consulting Actuary

# Executive Summary

## City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### Summary of Results

Presented below is the summary of GASB 74/75 results for the fiscal year ending June 30, 2020 compared to the prior fiscal year.

	As of June 30, 2019		As of June 30, 2020	
	City	COTPA	City	COTPA
<b>Total OPEB Liability</b>	\$ 489,504,645	\$ 1,863,919	\$ 515,129,852	\$ 2,405,830
<b>Plan Fiduciary Net Position</b>	\$ (64,244,853)	\$ (645,191)	\$ (71,270,372)	\$ (806,449)
<b>Net OPEB Liability</b>	\$ 425,259,792	\$ 1,218,728	\$ 443,859,480	\$ 1,599,381
<b>Funded Ratio</b>	13.1%	34.6%	13.8%	33.5%

	As of June 30, 2019		As of June 30, 2020	
	City	COTPA	City	COTPA
<b>OPEB Expense</b>	\$ 5,295,179	\$ 141,493	\$ 4,627,201	\$ 196,967
<b>Annual Employer Contribution</b>	\$ 14,562,836	\$ 130,000	\$ 14,562,836	\$ 130,000

	As of June 30, 2019	As of June 30, 2020
<b>Discount Rate</b>	4.05%	3.35%
<b>Expected Return on Assets</b>	7.50%	7.50%

	As of June 30, 2019	As of June 30, 2020
<b>Total Active Participants</b>	3,789	3,487
<b>Total Retiree Participants</b>	2,149	2,141

The active participants' number above may include active employees who currently have no health care coverage. Refer to Summary of Participants section for an accurate breakdown of active employees with and without coverage.

# Executive Summary

## City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

Below is a breakdown of total GASB 74/75 liabilities allocated to past and current service compared to the prior year. The table below also provides a breakdown of the Total OPEB Liability allocated to pre and post Medicare eligibility. The liability shown below includes explicit (if any) and implicit subsidies. Refer to the Substantive Plan Provisions section for complete information on the Plan Sponsor's GASB subsidies.

Present Value of Future Benefits	As of June 30, 2019		As of June 30, 2020	
	City	COTPA	City	COTPA
Active Employees	\$ 431,538,084	\$ 2,999,019	\$ 488,194,456	\$ 4,326,846
Retired Employees	236,403,749	550,680	239,821,699	603,770
<b>Total Present Value of Future Benefits</b>	<b>\$ 667,941,833</b>	<b>\$ 3,549,699</b>	<b>\$ 728,016,155</b>	<b>\$ 4,930,616</b>
<b>Total OPEB Liability</b>				
Active Pre-Medicare	\$ 87,824,125	\$ 140,759	\$ 92,677,708	\$ 172,707
Active Post-Medicare	165,276,771	1,172,480	182,630,445	1,629,353
Active Liability	\$ 253,100,896	\$ 1,313,239	\$ 275,308,153	\$ 1,802,060
Retiree Pre-Medicare	\$ 35,347,554	\$ 48,947	\$ 33,925,035	\$ 39,307
Retiree Post-Medicare	201,056,195	501,733	205,896,664	564,463
Retiree Liability	\$ 236,403,749	\$ 550,680	\$ 239,821,699	\$ 603,770
<b>Total OPEB Liability</b>	<b>\$ 489,504,645</b>	<b>\$ 1,863,919</b>	<b>\$ 515,129,852</b>	<b>\$ 2,405,830</b>

	As of June 30, 2019	As of June 30, 2020
Discount Rate	4.05%	3.35%

**Present Value of Future Benefits (PVFB)** is the amount needed as of June 30, 2019 and June 30, 2020 to fully fund the City's retiree health care subsidies for existing and future retirees and their dependents assuming all actuarial assumptions are met.

**Total OPEB Liability** is the portion of PVFB considered to be accrued or earned as of June 30, 2019 and June 30, 2020. This amount is a required disclosure in the Required Supplementary Information section.

# GASB Disclosures

City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

## Schedule of Changes in Net OPEB Liability and Related Ratios - CITY

OPEB Liability	FY 2019/20	FY 2018/19	FY 2017/18	FY 2016/17
<b>Total OPEB Liability</b>				
Total OPEB liability - beginning of year	\$ 489,504,645	\$ 478,478,223	\$ 570,691,262	\$ 596,737,157
Service cost	15,607,464	15,984,135	20,334,929	24,740,136
Interest	20,280,372	20,771,885	21,960,203	18,750,100
Changes of benefit terms	0	0	0	(11,788,937)
Changes in assumptions	59,900,745	20,547,220	(30,863,912)	(47,713,842)
Differences between expected and actual experience	(61,351,558)	(34,732,472)	(92,701,991)	4,301,651
Benefit payments	(8,811,816)	(11,544,346)	(10,942,268)	(14,335,003)
Net change in total OPEB liability	\$ 25,625,207	\$ 11,026,422	\$ (92,213,039)	\$ (26,045,895)
Total OPEB liability - end of year	\$ 515,129,852	\$ 489,504,645	\$ 478,478,223	\$ 570,691,262
<b>Plan Fiduciary Net Position</b>				
Plan fiduciary net position - beginning of year	\$ 64,244,853	\$ 57,638,077	\$ 48,763,398	\$ 42,233,211
Contributions - employer	14,562,836	14,562,836	14,562,836	15,817,181
Contributions - active employees	0	0	0	0
Net investment income	1,713,212	3,662,441	5,297,821	5,117,077
Benefit payments	(8,811,816)	(11,544,346)	(10,942,268)	(14,335,003)
Trust administrative expenses	(438,713)	(74,155)	(43,710)	(69,068)
Net change in plan fiduciary net position	\$ 7,025,519	\$ 6,606,776	\$ 8,874,679	\$ 6,530,187
Plan fiduciary net position - end of year	\$ 71,270,372	\$ 64,244,853	\$ 57,638,077	\$ 48,763,398
<b>Net OPEB Liability - end of year</b>	<b>\$ 443,859,480</b>	<b>\$ 425,259,792</b>	<b>\$ 420,840,146</b>	<b>\$ 521,927,864</b>
Plan fiduciary net position as % of total OPEB liability	13.8%	13.1%	12.0%	8.5%
Covered employee payroll	\$ 234,099,322	\$ 231,394,742	\$ 209,791,182	\$ 224,808,000
Net OPEB liability as % of covered payroll	189.6%	183.8%	200.6%	232.2%

# GASB Disclosures

City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

## Schedule of Changes in Net OPEB Liability and Related Ratios - COTPA

OPEB Liability	FY 2019/20	FY 2018/19	FY 2017/18	FY 2016/17
<b>Total OPEB Liability</b>				
Total OPEB liability – beginning of year	\$ 1,863,919	\$ 1,933,776	\$ 1,860,857	\$ 1,441,508
Service cost	146,296	130,490	118,039	91,462
Interest	80,756	86,936	73,300	45,349
Changes of benefit terms	0	0	0	0
Changes in assumptions	189,026	71,429	(115,695)	(136,644)
Differences between expected and actual experience	158,632	(320,880)	46,202	450,263
Benefit payments	(32,799)	(37,832)	(48,927)	(31,081)
Net change in total OPEB liability	\$ 541,911	\$ (69,857)	\$ 72,919	\$ 419,349
Total OPEB liability – end of year	\$ 2,405,830	\$ 1,863,919	\$ 1,933,776	\$ 1,860,857
<b>Plan Fiduciary Net Position</b>				
Plan fiduciary net position – beginning of year	\$ 645,191	\$ 479,969	\$ 367,809	\$ 0
Contributions – employer	130,000	130,000	130,000	374,116
Contributions – active employees	0	0	0	0
Net investment income	68,489	73,803	35,305	24,774
Benefit payments	(32,799)	(37,832)	(48,927)	(31,081)
Trust administrative expenses	(4,432)	(749)	(4,218)	0
Net change in plan fiduciary net position	\$ 161,258	\$ 165,222	\$ 112,160	\$ 367,809
Plan fiduciary net position – end of year	\$ 806,449	\$ 645,191	\$ 479,969	\$ 367,809
<b>Net OPEB Liability – end of year</b>	<b>\$ 1,599,381</b>	<b>\$ 1,218,728</b>	<b>\$ 1,453,807</b>	<b>\$ 1,493,048</b>
Plan fiduciary net position as % of total OPEB liability	33.5%	34.6%	24.8%	19.8%
Covered employee payroll	\$ 11,492,787 <sup>1</sup>	\$ 11,131,028	\$ 9,014,084	\$ 9,500,000
Net OPEB liability as % of covered payroll	13.9%	10.9%	16.1%	15.7%

<sup>1</sup> FY 2019/20 covered payroll for COTPA is estimated based on the FY 2018/19 payroll increased by the payroll growth rate (3.25%).

# GASB Disclosures

City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

## Schedule of Employer Contributions - CITY

The Actuarially Determined Contributions (ADC) shown below are based on the Annual Required Contribution (ARC) calculated in the prior GASB 45 actuarial valuations as shown in the Plan Sponsor financial statements.

	FY 2019/20	FY 2018/19	FY 2017/18	FY 2016/17	FY 2015/16
Actuarially Determined Contribution (ADC)	\$ 20,006,381	\$ 21,678,740	\$ 25,163,926	\$ 34,082,757	\$ 33,371,058
Contributions in relation to the ADC	(14,562,836)	(14,562,836)	(14,562,836)	(15,817,181)	(17,811,341)
Contribution deficiency / (excess)	\$ 5,443,545	\$ 7,115,904	\$ 10,601,090	\$ 18,265,576	\$ 15,559,718
Covered employee payroll	\$ 234,099,322	\$ 231,394,742	\$ 209,791,182	\$ 224,808,000	\$ 219,484,135
Contribution as a % of covered employee payroll	6.2%	6.3%	6.9%	7.0%	8.1%
	FY 2014/15	FY 2013/14	FY 2012/13	FY 2011/12	FY 2010/11
Actuarially Determined Contribution (ADC)	\$ 35,920,317	\$ 33,975,672	\$ 32,881,008	\$ 36,181,832	\$ 39,559,528
Contributions in relation to the ADC	(18,815,545)	(19,619,034)	(19,904,516)	(20,064,984)	(18,746,938)
Contribution deficiency / (excess)	\$ 17,104,772	\$ 14,356,638	\$ 12,976,492	\$ 16,116,848	\$ 20,812,590
Covered employee payroll	\$ 213,091,393	\$ 203,859,835	\$ 197,922,710	\$ 180,551,843	\$ 175,293,051
Contribution as a % of covered employee payroll	8.8%	9.6%	10.1%	11.1%	10.7%

# GASB Disclosures

City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

## Schedule of Employer Contributions - COTPA

The Actuarially Determined Contributions (ADC) shown below are based on the Annual Required Contribution (ARC) calculated in the prior GASB 45 actuarial valuations as shown in the Plan Sponsor financial statements.

	FY 2019/20	FY 2018/19	FY 2017/18	FY 2016/17	FY 2015/16 <sup>2</sup>
Actuarially Determined Contribution (ADC)	\$ 123,057	\$ 131,904	\$ 111,934	\$ 169,203	\$ 88,559
Contributions in relation to the ADC	(130,000)	(130,000)	(130,000)	(374,116)	(24,638)
Contribution deficiency / (excess)	\$ (6,943)	\$ 1,904	\$ (18,066)	\$ (204,913)	\$ 63,921
Covered employee payroll	\$ 11,492,787	\$ 11,131,028	\$ 9,014,084	\$ 9,500,000	\$ 9,274,579
Contribution as a % of covered employee payroll	1.1%	1.2%	1.4%	3.9%	0.3%

<sup>2</sup> FY 2015/16 is as shown in COTPA's financial statements for fiscal year ending June 30, 2016. This includes only post-65 COTPA benefits. For FY 2016/17 going forward, both pre- and post-65 COTPA benefits will be included in COTPA's financial statements.

# GASB Disclosures

City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

## OPEB Expense - CITY

OPEB Expense	FY 2019/20	FY 2018/19
Discount rate as of beginning of fiscal year	4.05%	4.25%
Discount rate as of end of fiscal year	3.35%	4.05%
Service cost	\$ 15,607,464	\$ 15,984,135
Interest	20,280,372	20,771,885
Changes of benefit terms	0	0
Projected earnings on OPEB plan investments	(5,013,974)	(4,431,272)
Reduction for contributions from active employees	0	0
OPEB plan administrative expenses	438,713	74,155
Current period recognition of deferred outflows / (inflows) of resources		
Differences between expected and actual experience	\$ (31,105,866)	\$ (20,880,606)
Changes in assumptions	4,287,856	(5,695,602)
Net difference between projected and actual earnings on OPEB plan investments	132,636	(527,516)
Total current period recognition	\$ (26,685,374)	\$ (27,103,724)
Total OPEB expense	\$ 4,627,201	\$ 5,295,179



# GASB Disclosures

City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

## OPEB Expense - COTPA

OPEB Expense	FY 2019/20	FY 2018/19
Discount rate as of beginning of fiscal year	4.05%	4.25%
Discount rate as of end of fiscal year	3.35%	4.05%
Service cost	\$ 146,296	\$ 130,490
Interest	80,756	86,936
Changes of benefit terms	0	0
Projected earnings on OPEB plan investments	(51,805)	(39,364)
Reduction for contributions from active employees	0	0
OPEB plan administrative expenses	4,432	749
Current period recognition of deferred outflows / (inflows) of resources		
Differences between expected and actual experience	\$ 18,181	\$ (8,258)
Changes in assumptions	12,739	(18,765)
Net difference between projected and actual earnings on OPEB plan investments	(13,632)	(10,295)
Total current period recognition	\$ 17,288	\$ (37,318)
Total OPEB expense	\$ 196,967	\$ 141,493

# GASB Disclosures

City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

## Deferred Outflows / (Inflows) of Resources - CITY

Deferred Outflows / (Inflows) of Resources represents the following items that have not been recognized in the OPEB Expense:

1. Differences between expected and actual experience of the OPEB plan
2. Changes of assumptions
3. Difference between projected an actual earnings in OPEB plan investments

The initial amortization period for the first two items noted above is based on the average future service to retirement while the difference between projected and actual earnings in OPEB plan investment is amortized over five years. All balances are amortized linearly on a principal only basis and new bases will be created annually for each of the item above.

Differences between expected and actual experience for FYE				Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2020
June 30, 2020	\$	(61,351,558)	\$	6	(10,225,260)	\$	(51,126,298)
June 30, 2019	\$	(34,732,472)	\$	6	(5,788,745)	\$	(23,154,982)
June 30, 2018	\$	(92,701,991)	\$	6	(15,450,332)	\$	(46,350,995)
June 30, 2017	\$	4,301,651	\$	12	358,471	\$	2,867,767
Changes in assumptions for FYE				Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2020
June 30, 2020	\$	59,900,745	\$	6	9,983,458	\$	49,917,287
June 30, 2019	\$	20,547,220	\$	6	3,424,537	\$	13,698,146
June 30, 2018	\$	(30,863,912)	\$	6	(5,143,985)	\$	(15,431,957)
June 30, 2017	\$	(47,713,842)	\$	12	(3,976,154)	\$	(31,809,226)

# GASB Disclosures

City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

## Deferred Outflows / (Inflows) of Resources - CITY - Continued

Net difference between projected and actual earnings in OPEB plan investments for FYE		Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2020
June 30, 2020	\$	3,300,762	5	\$ 660,152	\$ 2,640,610
June 30, 2019	\$	768,831	5	\$ 153,766	\$ 461,299
June 30, 2018	\$	(1,508,859)	5	\$ (301,772)	\$ (603,543)
June 30, 2017	\$	(1,897,552)	5	\$ (379,510)	\$ (379,512)
As of fiscal year ending June 30, 2020		Deferred Outflows	Deferred Inflows		
Differences between expected and actual experience		\$	2,867,767	\$	(120,632,275)
Changes in assumptions			63,615,433		(47,241,183)
Net difference between projected and actual earnings in OPEB plan investments		\$	3,101,909	\$	(983,055)
<b>Total</b>		\$	<b>69,585,109</b>	\$	<b>(168,856,513)</b>

## Annual Amortization of Deferred Outflows / (Inflows)

The balances as of June 30, 2020 of the deferred outflows / (inflows) of resources will be recognized in OPEB expense in the future fiscal years as noted below.

FYE	Balance
2021	\$ (26,685,376)
2022	\$ (26,305,863)
2023	\$ (26,004,092)
2024	\$ (5,563,543)
2025	\$ (3,859,486)
Thereafter	\$ (10,853,044)

# GASB Disclosures

City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

## Deferred Outflows / (Inflows) of Resources - COTPA

Deferred Outflows / (Inflows) of Resources represents the following items that have not been recognized in the OPEB Expense:

1. Differences between expected and actual experience of the OPEB plan
2. Changes of assumptions
3. Difference between projected an actual earnings in OPEB plan investments

The initial amortization period for the first two items noted above is based on the average future service to retirement while the difference between projected and actual earnings in OPEB plan investment is amortized over five years. All balances are amortized linearly on a principal only basis and new bases will be created annually for each of the item above.

	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2020
June 30, 2020	\$ 158,632	6	\$ 26,439	\$ 132,193
June 30, 2019	\$ (320,880)	6	\$ (53,480)	\$ (213,920)
June 30, 2018	\$ 46,202	6	\$ 7,700	\$ 23,102
June 30, 2017	\$ 450,263	12	\$ 37,522	\$ 300,175

	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2020
June 30, 2020	\$ 189,026	6	\$ 31,504	\$ 157,522
June 30, 2019	\$ 71,429	6	\$ 11,905	\$ 47,619
June 30, 2018	\$ (115,695)	6	\$ (19,283)	\$ (57,846)
June 30, 2017	\$ (136,644)	12	\$ (11,387)	\$ (91,096)

# GASB Disclosures

City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

## Deferred Outflows / (Inflows) of Resources -COTPA - Continued

Net difference between projected and actual earnings in OPEB plan investments for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2020
June 30, 2020	\$ (16,684)	5	\$ (3,337)	\$ (13,347)
June 30, 2019	\$ (34,439)	5	\$ (6,888)	\$ (20,663)
June 30, 2018	\$ (4,889)	5	\$ (978)	\$ (1,955)
June 30, 2017	\$ (12,143)	5	\$ (2,429)	\$ (2,427)

As of fiscal year ending June 30, 2020	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 455,470	\$ (213,920)
Changes in assumptions	205,141	(148,942)
Net difference between projected and actual earnings in OPEB plan investments	0	(38,392)
<b>Total</b>	<b>\$ 660,611</b>	<b>\$ (401,254)</b>

## Annual Amortization of Deferred Outflows / (Inflows)

The balances as of June 30, 2020 of the deferred outflows / (inflows) of resources will be recognized in OPEB expense in the future fiscal years as noted below.

FYE	Balance
2021	\$ 17,290
2022	\$ 19,718
2023	\$ 20,701
2024	\$ 39,166
2025	\$ 84,078
Thereafter	\$ 78,404

# GASB Disclosures

## City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### Sensitivity Results - CITY

The following presents the net OPEB liability as of June 30, 2020, calculated using the discount rate assumed and what it would be using a 1% higher and 1% lower discount rate.

- The current discount rate is 3.35%.
- The 1% decrease in discount rate would be 2.35%.
- The 1% increase in discount rate would be 4.35%.

As of June 30, 2020	Net OPEB Liability
1% Decrease	\$ 540,827,721
Current Discount Rate	\$ 443,859,480
1% Increase	\$ 367,580,376

The following presents the net OPEB liability as of June 30, 2020, using the health care trend rates assumed and what it would be using 1% higher and 1% lower health care trend rates.

- The current health care trend rate starts at an initial rate of 8.0%/6.0% for pre-/post-Medicare benefits decreasing by 0.50%/0.25% annually to an ultimate rate of 4.5%.
- The 1% decrease in health care trend rates would assume an initial rate of 7.0%/5.0% for pre-/post-Medicare benefits decreasing by 0.50%/0.25% annually to an ultimate rate of 3.5%.
- The 1% increase in health care trend rates would assume an initial rate of 9.0%/7.0% for pre-/post-Medicare benefits decreasing by 0.50%/0.25% annually to an ultimate rate of 5.5%.

As of June 30, 2020	Net OPEB Liability
1% Decrease	\$ 359,155,214
Current Health Care Trend Rates	\$ 443,859,480
1% Increase	\$ 554,449,610

# GASB Disclosures

## City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### Sensitivity Results - COTPA

The following presents the net OPEB liability as of June 30, 2020, calculated using the discount rate assumed and what it would be using a 1% higher and 1% lower discount rate.

- The current discount rate is 3.35%.
- The 1% decrease in discount rate would be 2.35%.
- The 1% increase in discount rate would be 4.35%.

As of June 30, 2020	Net OPEB Liability
1% Decrease	\$ 1,912,408
Current Discount Rate	\$ 1,599,381
1% Increase	\$ 1,335,933

The following presents the net OPEB liability as of June 30, 2020, using the health care trend rates assumed and what it would be using 1% higher and 1% lower health care trend rates.

- The current health care trend rate starts at an initial rate of 7.50%/5.75% for pre-/post-Medicare benefits decreasing by 0.50%/0.25% annually to an ultimate rate of 4.5%.
- The 1% decrease in health care trend rates would assume an initial rate of 6.50%/4.75% for pre-/post-Medicare benefits decreasing by 0.50%/0.25% annually to an ultimate rate of 3.5%.
- The 1% increase in health care trend rates would assume an initial rate of 8.50%/6.75% for pre-/post-Medicare benefits decreasing by 0.50%/0.25% annually to an ultimate rate of 5.5%.

As of June 30, 2020	Net OPEB Liability
1% Decrease	\$ 1,592,278
Current Health Care Trend Rates	\$ 1,599,381
1% Increase	\$ 1,608,211

# Asset Information - CITY

City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

## Asset Breakdown

	FY 2018/19	FY 2019/20
<b>Assets</b>		
Cash and cash equivalents	\$ 434,627	\$ 365,058
Securities lending cash collateral	0	0
Total cash	\$ 434,627	\$ 365,058
<b>Receivables</b>		
Contributions	\$ 675,408	\$ 687,329
Accrued interest	51,820	56,514
Accounts receivable	2,632	3,607,287
Total receivables	\$ 729,860	\$ 4,351,130
<b>Investments</b>		
Domestic Common Stock	\$ 11,675,671	\$ 11,651,186
Passive Domestic Stock Funds	25,997,944	27,924,973
Passive Bond Fund	17,909,065	21,539,960
International Stock	6,116,451	5,810,371
Treasury Money Market Fund	3,712,320	1,817,893
OKC OPEBT Judgements	0	134,417
Total investments	\$ 65,411,451	\$ 68,878,800
Total assets	\$ 66,575,938	\$ 73,594,988
<b>Liabilities</b>		
<b>Payables</b>		
Accounts Payable	\$ 1,002,613	\$ 1,175,182
Unearned revenue	1,455	3,814
Estimated Claims Payable	1,327,017	1,145,620
Transfer to COTPA account	0	0
Total liabilities	\$ 2,331,085	\$ 2,324,616
<b>Net position restricted to OPEB</b>	<b>\$ 64,244,853</b>	<b>\$ 71,270,372</b>



# Asset Information - CITY

City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

## Reconciliation of Assets

	FY 2018/19	FY 2019/20
<b>Additions</b>		
Contributions received		
Employer	\$ 14,562,836	\$ 14,562,836
Employee	0	0
Total contributions	\$ 14,562,836	\$ 14,562,836
Investment income		
Net increase in fair value of investments	\$ 3,698,864	\$ 1,763,885
Allocation of Investment Income	(36,423)	(50,673)
Investment expense, other than from securities lending	0	0
Securities lending income	0	0
Securities lending expense	0	0
Net investment income	\$ 3,662,441	\$ 1,713,212
Total additions	\$ 18,225,277	\$ 16,276,048
<b>Deductions</b>		
Benefit payments	\$ (11,544,346)	\$ (8,811,816)
Administrative expenses	(74,155)	(438,713)
Other	0	0
Total deductions	\$ (11,618,501)	\$ (9,250,529)
<b>Net increase in net position</b>	\$ 6,606,776	\$ 7,025,519
<b>Net position restricted to OPEB</b>		
Beginning of year	\$ 57,638,077	\$ 64,244,853
End of year	\$ 64,244,853	\$ 71,270,372

# Asset Information - COTPA

City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

## Asset Breakdown

Asset Breakdown	FY 2018/19	FY 2019/20
<b>Assets</b>		
Cash and cash equivalents	\$ 4,561	\$ 83,242
Securities lending cash collateral	0	0
Total cash	\$ 4,561	\$ 83,242
<b>Receivables</b>		
Contributions	\$ 3,392	\$ 0
Accrued interest	523	571
Accounts receivable	27	38,644
Total receivables	\$ 3,942	\$ 39,215
<b>Investments</b>		
Domestic Common Stock	\$ 117,936	\$ 117,689
Passive Domestic Stock Funds	262,606	282,070
Passive Bond Fund	180,900	217,575
International Stock	61,782	58,691
Treasury Money Market Fund	37,498	18,363
OKC OPEBT Judgements	0	1,358
Total investments	\$ 660,722	\$ 695,746
Total assets	\$ 669,225	\$ 818,203
<b>Liabilities</b>		
<b>Payables</b>		
Accounts Payable	\$ 10,127	\$ 182
Unearned revenue	503	0
Estimated Claims Payable	13,404	11,572
Transfer to City account	0	0
Total liabilities	\$ 24,034	\$ 11,754
<b>Net position restricted to OPEB</b>	<b>\$ 645,191</b>	<b>\$ 806,449</b>

# Asset Information - COTPA

City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

## Reconciliation of Assets

	FY 2018/19	FY 2019/20
<b>Additions</b>		
Contributions received		
Employer	\$ 130,000	\$ 130,000
Employee	0	0
Total contributions	\$ 130,000	\$ 130,000
Investment income		
Net increase in fair value of investments	\$ 37,380	\$ 17,816
Allocation of Investment Income	36,423	50,673
Investment expense, other than from securities lending	0	0
Securities lending income	0	0
Securities lending expense	0	0
Net investment income	\$ 73,803	\$ 68,489
Total additions	\$ 203,803	\$ 198,489
<b>Deductions</b>		
Benefit payments	\$ (37,832)	\$ (32,799)
Administrative expenses	(749)	(4,432)
Other	0	0
Total deductions	\$ (38,581)	\$ (37,231)
<b>Net increase in net position</b>	\$ 165,222	\$ 161,258
<b>Net position restricted to OPEB</b>		
Beginning of year	\$ 479,969	\$ 645,191
End of year	\$ 645,191	\$ 806,449

# Actuarially Determined Contributions – TOTAL

## City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

The Actuarially Determined Contributions calculated below are recommended target contributions and assumes that the Plan Sponsor has the ability to contribute these amounts on an annual basis. The Plan Sponsor has the responsibility to decide how much it should contribute after considering its other needs and the OPEB participants' needs.

	FY 2019/20	FY 2020/21
Discount rate	7.50%	7.50%
Payroll growth factor used for amortization	3.75%	3.75%
Actuarial cost method	Entry Age Normal Level % of Salary	Entry Age Normal Level % of Salary
Amortization type	Level % of Salary	Level % of Salary
Amortization period	30 years	30 years
Actuarial accrued liability (AAL) – beginning of year	\$ 301,155,728	\$ 285,681,183
Actuarial value of assets – beginning of year	(64,890,044)	(72,076,821)
Unfunded AAL – beginning of year	\$ 236,265,684	\$ 213,604,362
Normal Cost	\$ 6,148,672	\$ 5,771,981
Amortization of UAAL	12,576,387	11,370,129
Total normal cost plus amortization	\$ 18,725,059	\$ 17,142,110
Interest to the end of year	1,404,379	1,285,659
Actuarially Determined Contribution – Preliminary	\$ 20,129,438	\$ 18,427,769
Expected benefit payments <sup>3</sup>	8,844,615	13,099,021
<b>Actuarially Determined Contribution – Final<sup>4</sup></b>	<b>\$ 20,129,438</b>	<b>\$ 18,427,769</b>

<sup>3</sup> Actual benefit payments are shown for FY 2019/20

<sup>4</sup> Set to be the greater of the preliminary ADC and expected benefit payments.

### Cash vs Accrual Accounting



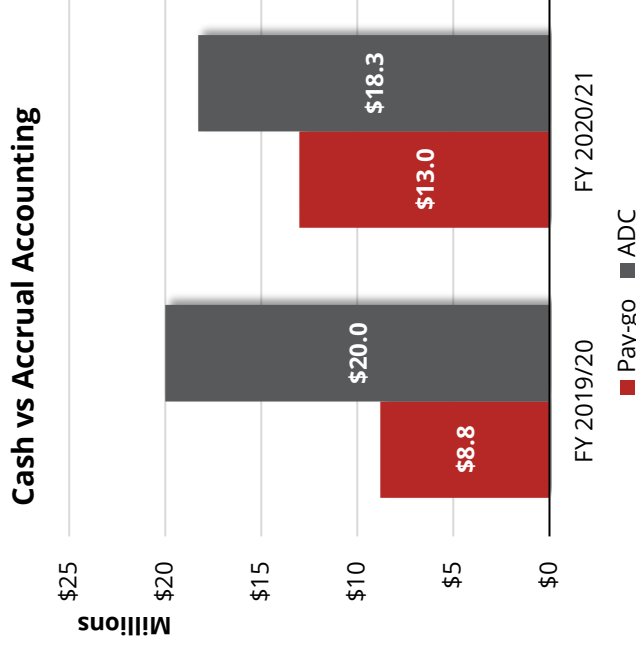
**Actuarially Determined Contribution (ADC)** is the target or recommended contribution to a defined benefit OPEB plan, which if paid on an ongoing basis, will provide sufficient resources to fund future costs for services to be earned and liabilities attributed to past services. This is typically higher than the pay-as-you-go cost because it includes recognition of employer costs expected to be paid in future accounting periods.

# Actuarially Determined Contributions - CITY

## City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

The Actuarially Determined Contributions calculated below are recommended target contributions and assumes that the Plan Sponsor has the ability to contribute these amounts on an annual basis. The Plan Sponsor has the responsibility to decide how much it should contribute after considering its other needs and the OPEB participants' needs.

	FY 2019/20	FY 2020/21
Discount rate	7.50%	7.50%
Payroll growth factor used for amortization	3.75%	3.75%
Actuarial cost method	Entry Age Normal Level % of Salary	Entry Age Normal Level % of Salary
Amortization type	Level % of Salary	Level % of Salary
Amortization period	30 years	30 years
Actuarial accrued liability (AAL) – beginning of year	\$ 299,859,473	\$ 284,137,656
Actuarial value of assets – beginning of year	(64,244,853)	(71,270,372)
Unfunded AAL – beginning of year	\$ 235,614,620	\$ 212,867,284
Normal Cost	\$ 6,068,856	\$ 5,682,153
Amortization of UAAL	12,541,731	11,330,894
Total normal cost plus amortization	\$ 18,610,587	\$ 17,013,047
Interest to the end of year	1,395,794	1,275,979
Actuarially Determined Contribution – Preliminary	\$ 20,006,381	\$ 18,289,026
Expected benefit payments <sup>5</sup>	8,811,816	13,016,912
<b>Actuarially Determined Contribution – Final<sup>6</sup></b>	<b>\$ 20,006,381</b>	<b>\$ 18,289,026</b>



**Actuarially Determined Contribution (ADC)** is the target or recommended contribution to a defined benefit OPEB plan, which if paid on an ongoing basis, will provide sufficient resources to fund future costs for services to be earned and liabilities attributed to past services. This is typically higher than the pay-as-you-go cost because it includes recognition of employer costs expected to be paid in future accounting periods.

<sup>5</sup> Actual benefit payments are shown for FY 2019/20

<sup>6</sup> Set to be the greater of the preliminary ADC and expected benefit payments.

# Actuarially Determined Contributions - COTPA

## City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

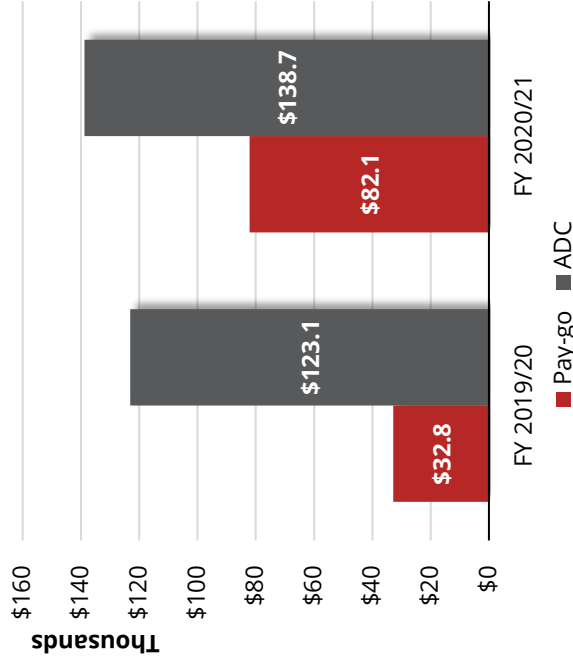
The Actuarially Determined Contributions calculated below are recommended target contributions and assumes that the Plan Sponsor has the ability to contribute these amounts on an annual basis. The Plan Sponsor has the responsibility to decide how much it should contribute after considering its other needs and the OPEB participants' needs.

	FY 2019/20	FY 2020/21
Discount rate	7.50%	7.50%
Payroll growth factor used for amortization	3.75%	3.75%
Actuarial cost method	Entry Age Normal Level % of Salary	Entry Age Normal Level % of Salary
Amortization type	Level % of Salary	Level % of Salary
Amortization period	30 years	30 years
Actuarial accrued liability (AAL) – beginning of year	\$ 1,296,255	\$ 1,543,527
Actuarial value of assets – beginning of year	(645,191)	(806,449)
Unfunded AAL – beginning of year	\$ 651,064	\$ 737,078
Normal Cost	\$ 79,816	\$ 89,828
Amortization of UAAL	34,656	39,235
Total normal cost plus amortization	\$ 114,472	\$ 129,063
Interest to the end of year	8,585	9,680
Actuarially Determined Contribution – Preliminary	\$ 123,057	\$ 138,743
Expected benefit payments <sup>7</sup>	32,799	82,109
<b>Actuarially Determined Contribution – Final<sup>8</sup></b>	<b>\$ 123,057</b>	<b>\$ 138,743</b>

<sup>7</sup> Actual benefit payments are shown for FY 2019/20

<sup>8</sup> Set to be the greater of the preliminary ADC and expected benefit payments.

### Cash vs Accrual Accounting



**Actuarially Determined Contribution (ADC)** is the target or recommended contribution to a defined benefit OPEB plan, which if paid on an ongoing basis, will provide sufficient resources to fund future costs for services to be earned and liabilities attributed to past services. This is typically higher than the pay-as-you-go cost because it includes recognition of employer costs expected to be paid in future accounting periods.

# Projection of GASB Disclosures - CITY

## City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

The Total OPEB Liability (TOL) is expected to change on an annual basis as a result of expected and unexpected events. Under normal circumstances, it is generally expected to have a net increase each year. Below is a list of the most common events affecting the total OPEB liability and whether they increase or decrease the liability.

### Expected Events

- Increases in TOL due to additional benefit accruals as employees continue to earn service each year
- Increases in TOL due to interest as the employees and retirees age
- Decreases in TOL due to benefit payments

### Unexpected Events

- Increases in TOL when actual premium rates increase more than expected. A liability decrease occurs of the reverse happens.
- Increases in TOL when more new retirements occur than expected or fewer terminations occur than anticipated. Liability decreases occur when the opposite outcomes happen.
- Increases or decreases in TOL depending on whether benefits are improved or reduced.

Projection of Total OPEB Liability (TOL)	FY 2019/20	FY 2020/21
TOL as of beginning of year	\$ 489,504,645	\$ 515,129,852
Normal cost as of beginning of year	15,607,464	17,801,244
Exp. benefit payments during the year <sup>9</sup>	(8,811,816)	(13,016,912)
Interest adjustment to end of year	20,280,372	17,636,955
Exp. TOL as of end of year	\$ 516,580,665	\$ 537,551,139
Actuarial Loss/(Gain)	(1,450,813)	TBD
<b>Actual TOL as of end of year</b>	<b>\$ 515,129,852</b>	<b>\$ TBD</b>

Projection of Actuarial Value of Assets (AVA)	FY 2019/20	FY 2020/21
AVA as of beginning of year	\$ 64,244,853	\$ 71,270,372
Exp. employer contributions during the year	14,562,836	13,016,912
Exp. benefit payments during the year <sup>8</sup>	(8,811,816)	(13,016,912)
Exp. investment income	5,013,974	5,337,565
Exp. Trust administrative expenses	(438,713)	(209,461)
Exp. AVA as of end of year	\$ 74,571,134	\$ 76,398,476
Differences between expected and actual experience	(3,300,762)	TBD
<b>AVA as of end of year</b>	<b>\$ 71,270,372</b>	<b>\$ TBD</b>

Discount rate as of beginning of year	4.05%	3.35%
Discount rate as of end of year	3.35%	TBD
Expected asset return as of beginning of year	7.50%	7.50%
Expected asset return as of end of year	7.50%	TBD

<sup>9</sup> Actual benefit payments are shown for FY 2019/20.

# Projection of GASB Disclosures - COTPA

## City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

The Total OPEB Liability (TOL) is expected to change on an annual basis as a result of expected and unexpected events. Under normal circumstances, it is generally expected to have a net increase each year. Below is a list of the most common events affecting the total OPEB liability and whether they increase or decrease the liability.

### Expected Events

- Increases in TOL due to additional benefit accruals as employees continue to earn service each year
- Increases in TOL due to interest as the employees and retirees age
- Decreases in TOL due to benefit payments

### Unexpected Events

- Increases in TOL when actual premium rates increase more than expected. A liability decrease occurs of the reverse happens.
- Increases in TOL when more new retirements occur than expected or fewer terminations occur than anticipated. Liability decreases occur when the opposite outcomes happen.
- Increases or decreases in TOL depending on whether benefits are improved or reduced.

Projection of Total OPEB Liability (TOL)	FY 2019/20	FY 2020/21
TOL as of beginning of year	\$ 1,863,919	\$ 2,405,830
Normal cost as of beginning of year	146,296	188,201
Exp. benefit payments during the year <sup>10</sup>	(32,799)	(82,109)
Interest adjustment to end of year	80,756	85,536
Exp. TOL as of end of year	\$ 2,058,172	\$ 2,597,458
Actuarial Loss/(Gain)	347,658	TBD
<b>Actual TOL as of end of year</b>	<b>\$ 2,405,830</b>	<b>\$ TBD</b>

Discount rate as of beginning of year	4.05%	3.35%
Discount rate as of end of year	3.35%	TBD

Projection of Actuarial Value of Assets (AVA)	FY 2019/20	FY 2020/21
AVA as of beginning of year	\$ 645,191	\$ 806,449
Exp. employer contributions during the year	130,000	82,109
Exp. benefit payments during the year <sup>9</sup>	(32,799)	(82,109)
Exp. investment income	51,805	60,396
Exp. Trust administrative expenses	(4,432)	(2,370)
Exp. AVA as of end of year	\$ 789,765	\$ 864,475

Differences between expected and actual experience

<b>AVA as of end of year</b>	<b>\$ 806,449</b>	<b>\$ TBD</b>
Expected asset return as of beginning of year	7.50%	7.50%
Expected asset return as of end of year	7.50%	TBD

<sup>10</sup> Actual benefit payments are shown for FY 2019/20



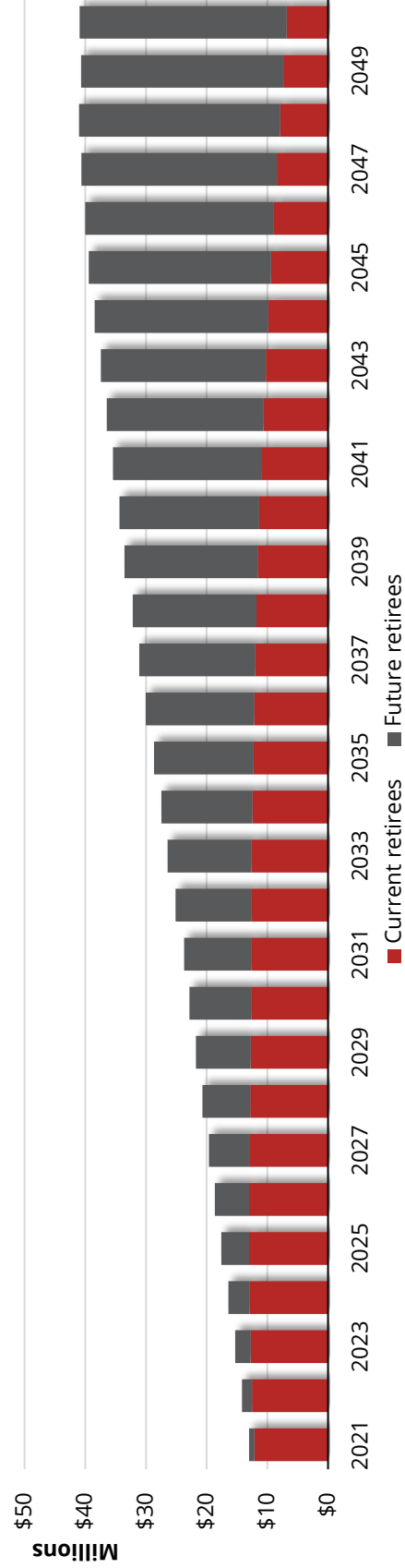
# Cash Flow Projections - CITY

City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

The below projections show the actuarially estimated employer-paid contributions for retiree health benefits for the next thirty years. Results are shown separately for a closed group of current / future retirees. These projections include explicit and implicit subsidies.

FYE	Current Retirees	Future Retirees <sup>11</sup>	Total	FYE	Current Retirees	Future Retirees <sup>3</sup>	Total	FYE	Current Retirees	Future Retirees <sup>3</sup>	Total
2021	\$ 12,141,996	\$ 874,916	\$ 13,016,912	2031	\$ 12,652,048	\$ 11,031,706	\$ 23,683,754	2041	\$ 11,009,307	\$ 24,433,587	\$ 35,442,894
2022	\$ 12,497,109	\$ 1,680,402	\$ 14,177,511	2032	\$ 12,655,888	\$ 12,442,429	\$ 25,098,317	2042	\$ 10,623,491	\$ 25,815,190	\$ 36,438,681
2023	\$ 12,743,008	\$ 2,535,005	\$ 15,278,013	2033	\$ 12,611,124	\$ 13,809,208	\$ 26,420,332	2043	\$ 10,253,980	\$ 27,158,225	\$ 37,412,205
2024	\$ 12,898,683	\$ 3,519,048	\$ 16,417,731	2034	\$ 12,463,976	\$ 14,983,139	\$ 27,447,115	2044	\$ 9,855,415	\$ 28,561,388	\$ 38,416,803
2025	\$ 13,005,042	\$ 4,554,410	\$ 17,559,452	2035	\$ 12,281,219	\$ 16,371,870	\$ 28,653,089	2045	\$ 9,400,585	\$ 30,019,745	\$ 39,420,330
2026	\$ 13,028,169	\$ 5,624,152	\$ 18,652,321	2036	\$ 12,161,221	\$ 17,881,644	\$ 30,042,865	2046	\$ 8,913,988	\$ 31,104,903	\$ 40,018,891
2027	\$ 12,848,442	\$ 6,786,182	\$ 19,634,624	2037	\$ 12,029,305	\$ 19,059,985	\$ 31,089,290	2047	\$ 8,427,643	\$ 32,216,510	\$ 40,644,153
2028	\$ 12,816,044	\$ 7,856,891	\$ 20,672,935	2038	\$ 11,809,174	\$ 20,379,147	\$ 32,188,321	2048	\$ 7,917,034	\$ 33,106,291	\$ 41,023,325
2029	\$ 12,753,645	\$ 8,995,291	\$ 21,748,936	2039	\$ 11,605,840	\$ 21,920,401	\$ 33,526,241	2049	\$ 7,370,287	\$ 33,324,325	\$ 40,694,612
2030	\$ 12,656,558	\$ 10,149,382	\$ 22,805,940	2040	\$ 11,360,126	\$ 23,003,875	\$ 34,364,001	2050	\$ 6,826,298	\$ 34,068,673	\$ 40,894,971

Projected Employer Pay-go Cost



<sup>11</sup> Projections for future retirees do not take into account future new hires.

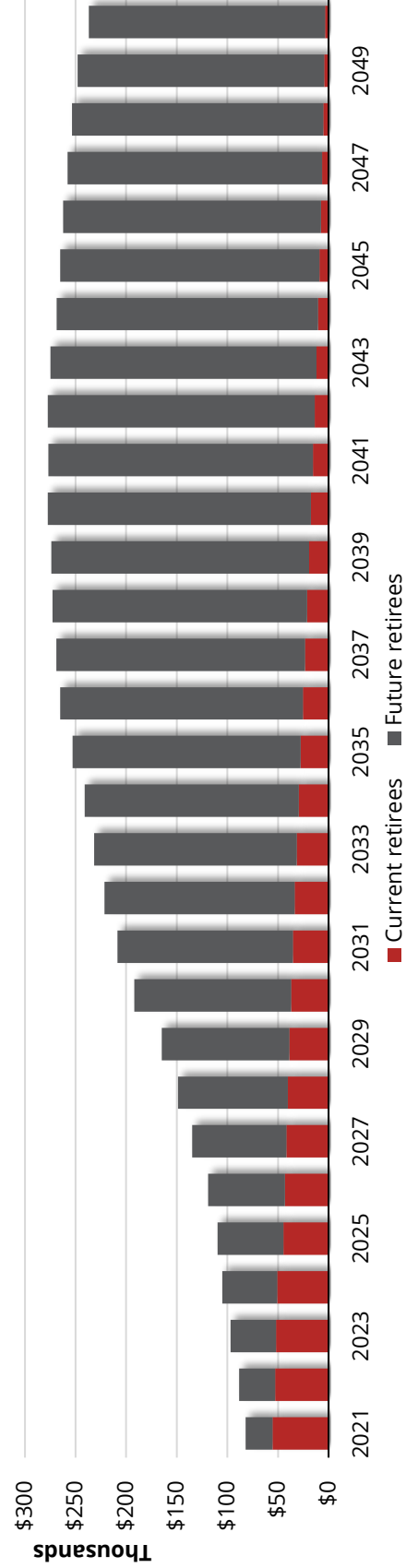
# Cash Flow Projections - COTPA

City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

The below projections show the actuarially estimated employer-paid contributions for retiree health benefits for the next thirty years. Results are shown separately for a closed group of current / future retirees. These projections include explicit and implicit subsidies.

FYE	Current Retirees	Future Retirees <sup>12</sup>	Total	FYE	Current Retirees	Future Retirees <sup>3</sup>	Total	FYE	Current Retirees	Future Retirees <sup>3</sup>	Total
2021	\$ 55,463	\$ 26,646	\$ 82,109	2031	\$ 35,302	\$ 173,334	\$ 208,636	2041	\$ 15,491	\$ 261,284	\$ 276,775
2022	\$ 52,685	\$ 35,744	\$ 88,429	2032	\$ 33,461	\$ 187,989	\$ 221,450	2042	\$ 13,676	\$ 263,752	\$ 277,428
2023	\$ 51,818	\$ 45,065	\$ 96,883	2033	\$ 31,548	\$ 200,090	\$ 231,638	2043	\$ 11,954	\$ 262,813	\$ 274,767
2024	\$ 50,863	\$ 54,218	\$ 105,081	2034	\$ 29,580	\$ 211,539	\$ 241,119	2044	\$ 10,362	\$ 258,486	\$ 268,848
2025	\$ 44,548	\$ 65,276	\$ 109,824	2035	\$ 27,555	\$ 225,438	\$ 252,993	2045	\$ 8,898	\$ 256,203	\$ 265,101
2026	\$ 43,232	\$ 75,708	\$ 118,940	2036	\$ 25,501	\$ 239,798	\$ 265,299	2046	\$ 7,570	\$ 254,801	\$ 262,371
2027	\$ 41,824	\$ 93,011	\$ 134,835	2037	\$ 23,448	\$ 245,533	\$ 268,981	2047	\$ 6,391	\$ 251,458	\$ 257,849
2028	\$ 40,326	\$ 108,533	\$ 148,859	2038	\$ 21,393	\$ 251,406	\$ 272,799	2048	\$ 5,341	\$ 248,160	\$ 253,501
2029	\$ 38,746	\$ 126,092	\$ 164,838	2039	\$ 19,377	\$ 254,495	\$ 273,872	2049	\$ 4,420	\$ 243,691	\$ 248,111
2030	\$ 37,065	\$ 154,765	\$ 191,830	2040	\$ 17,404	\$ 260,072	\$ 277,476	2050	\$ 3,622	\$ 233,186	\$ 236,808

Projected Employer Pay-go Cost



<sup>12</sup> Projections for future retirees do not take into account future new hires.

# Discussion of Discount Rates

## City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

Under GASB 74, the discount rate used in valuing OPEB liabilities for funded plans as of the Measurement Date must be based on the long-term expected rate of return on OPEB plan investments that are expected to be used to finance future benefit payments to the extent that (a) they are sufficient to pay for the projected benefit payments and (b) the OPEB plan assets are invested using a strategy that will achieve that return. When the OPEB plan investments are insufficient to cover future benefit payments, a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale) must be used.

For the current valuation:

1. The long-term expected rate of return on OPEB plan investment is assumed to be 7.50%. This was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation percentage and adding in expected inflation (2.50%). The best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of June 30, 2020 are summarized in the following table.

Asset Class	Target Allocation	L/T Expected Real ROR
Domestic Equity	60%	7.50%
Domestic Bonds	30%	2.50%
International Equity	10%	8.50%
International Bonds	0%	3.50%
Real Estate	0%	4.50%
Total	100%	

2. The discount rate used when the OPEB plan investments are insufficient to pay for future benefit payments are selected from the range of indices as shown in the table below, where the range is given as the spread between the lowest and highest rate shown.

Yield as of	July 1, 2019	June 30, 2020
Bond Buyer Go 20-Bond Municipal Bond Index	3.51%	2.21%
S&P Municipal Bond 20-Year High Grade Rate Index	2.79%	2.66%
Fidelity 20-Year Go Municipal Bond Index	3.13%	2.45%
Bond Index Range	2.79% - 3.51%	2.21% - 2.66%

3. The final equivalent single discount rate used for this year's valuation is 4.05% as of July 1, 2019 and 3.35% as of June 30, 2020 with the expectation that the City will continue paying pay-go costs from the OPEB Trust.

# Summary of Plan Participants

City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

## Active Employees

Actives with coverage	Single	Non-Single	Total	Avg. Age	Avg. Svc	Salary
BCBS Indemnity	386	483	869	46.5	14.3	\$ 65,376,087
UHC (HMO / Medicare Advantage)	1,119	1,210	2,329	44.6	12.3	\$ 152,061,936
<b>Total actives with coverage</b>	<b>1,505</b>	<b>1,693</b>	<b>3,198</b>	<b>45.1</b>	<b>12.9</b>	<b>\$ 217,438,023</b>
Actives without coverage			Total	Avg. Age	Avg. Svc	Salary
<b>Total actives without coverage</b>			<b>289</b>	<b>42.0</b>	<b>7.1</b>	<b>\$ 16,661,299</b>

Active employees who currently have no coverage are assumed not to elect coverage at retirement. They have been excluded from the GASB valuation.

Counts shown above include 818 City employees (696 with health coverage and 122 without coverage) with covered payroll of \$39,039,333 that were hired after January 1, 2017 and are not eligible to receive a subsidy from the City for post-retirement health care. Since the City's premium rates are retiree-appropriate and these individuals would pay the full cost, they do not generate a GASB liability.

Counts shown above do not include COTPA employees. Updated census information as of June 30, 2020 was not provided for COTPA due to the biennial cycle that valuations are completed for the COTPA group.

# Summary of Plan Participants

City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

## Active Age-Service Distribution

Age	Years of Service										Total	
	< 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up		
Under 25	56	69										125
25 to 29	52	191	59									302
30 to 34	61	149	166	35								411
35 to 39	31	89	155	132	48	2						457
40 to 44	25	78	105	87	101	48						444
45 to 49	21	66	84	65	97	121	42	3				499
50 to 54	12	51	51	60	55	69	103	39	2			442
55 to 59	11	43	55	53	40	61	71	65	33	2		434
60 to 64	7	30	41	47	28	32	35	23	26	10		279
65 to 69	2	4	11	11	7	8	10	12	9	3		77
70 & up	1		4	4	1	2	1	1	1	2		17
<b>Total</b>	<b>279</b>	<b>770</b>	<b>731</b>	<b>494</b>	<b>377</b>	<b>343</b>	<b>262</b>	<b>143</b>	<b>71</b>	<b>17</b>		<b>3,487</b>

# Summary of Plan Participants

City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

## Retirees

Retirees with coverage	Single	Non-Single	Total	Avg. Age
BCBS Indemnity	707	635	1,342	71.5
UHC (HMO / Medicare Advantage)	501	298	799	72.3
<b>Total retirees with coverage</b>	<b>1,208</b>	<b>933</b>	<b>2,141</b>	<b>71.8</b>

Inactives with coverage includes 313 surviving spouses with 214 in the BCBS Indemnity Plan and 99 in the UHC (HMO / Medicare Advantage) Plan. They have been included in the GASB valuation.

In addition to the above retirees, there are 1,033 retirees and 160 surviving spouses who have no coverage and are not eligible to return to the health plan. They have been excluded from the GASB valuation.

Counts shown above do not include COTPA retirees. Updated census information as of June 30, 2020 was not provided for COTPA due to the biennial cycle that valuations are completed for the COTPA group.

## Retiree Age Distribution

Age	Retirees
< 45	3
45 to 49	7
50 to 54	56
55 to 59	170
60 to 64	293
65 to 69	407
70 to 74	408
75 to 79	372
80 to 84	248
85 to 89	110
90 & up	67
<b>Total</b>	<b>2,141</b>

# Substantive Plan Provisions

## City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### Eligibility

To be eligible for retiree health care coverage employees must attain service retirement eligibility from their respective pension plans.

1. For police officers this is 20 years of service regardless of age
2. For COTPA employees, this is the earlier of (a) age 62 with 10 years of service or (b) 25 years of service regardless of age.
3. For all other employees:
  - a. If hired before January 1, 2017 and reached the age of 55 with 5 years of service on or before December 31, 2016, the employee is immediately eligible to retire.
  - b. If not meeting the above requirements, eligible upon reaching the earlier of age 60 with 15 years of service or 25 years of service regardless of age.

Eligibility for retiree health care coverage resulting from a disability retirement is 15 years of service for general/police and 10 years of service for COTPA employees. There are no service requirements for disabilities occurring in the line of duty.

Employees who retired on deferred retirements are not eligible for retiree health care coverage at the time of retirement. Retirees who drop health care coverage are not eligible to return.

### Medical Benefits

Same benefits are available to retirees as active employees. UHC HMO and Medicare Advantage plans are fully-insured and partially experience-rated. BCBS Standard Indemnity and Alternate Indemnity plans are self-insured and rates are based on actual claims experience. The monthly funding rates by plan effective on January 1, 2019 and January 1, 2020 are as shown below.

Medical/Rx	Eff. 1/1/2019			Eff. 1/1/2020		
	Retiree	Retiree + Spouse	Retiree + Spouse	Retiree	Retiree	Retiree + Spouse
<b>Pre-65</b>						
BCBS Standard Indemnity	\$ 1,428.88	\$ 2,757.75	\$ 1,428.88	\$ 1,428.88	\$ 2,757.75	\$ 2,757.75
BCBS Alternate Indemnity	\$ 838.42	\$ 1,618.15	\$ 838.42	\$ 838.42	\$ 1,618.15	\$ 1,618.15
UHC HMO	\$ 1,383.77	\$ 3,113.47	\$ 1,443.47	\$ 1,443.47	\$ 3,247.79	\$ 3,247.79
<b>Post-65</b>						
BCBS Standard Indemnity	\$ 654.07	\$ 1,241.26	\$ 654.07	\$ 654.07	\$ 1,241.26	\$ 1,241.26
BCBS Alternate Indemnity	\$ 426.72	\$ 809.81	\$ 426.72	\$ 426.72	\$ 809.81	\$ 809.81
UHC Medicare Advantage	\$ 382.13	\$ 764.26	\$ 393.59	\$ 393.59	\$ 787.18	\$ 787.18

# Substantive Plan Provisions

## City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### Spouse Benefit

Spouse coverage continues upon death of retiree or active employee who is eligible to retire. Surviving spouses receive the same subsidies as the retirees.

### Retiree Cost Sharing

City general and police retirees contribute 50% of the premium rates in 2020. The healthcare contribution rate for qualified retirees eligible to participate in the City's health care plans is assumed to remain at 50% in the future.

General and police employees hired on or after January 1, 2017 are no longer eligible for a subsidy from the City for retiree health coverage.

### COTPA

The Central Oklahoma Transportation and Parking Authority (COTPA) retirees are provided a flat dollar subsidy according to the below schedule.

YOS at Retirement	Subsidy/month			
	Eff. 7/1/2019		Eff. 7/1/2020	
	Pre-65	Post-65	Pre-65	Post-65
10 – 14	\$ 170.00	\$ 128.00	\$ 187.00	\$ 140.80
15 – 19	\$ 250.00	\$ 188.00	\$ 275.00	\$ 206.80
20 – 24	\$ 340.00	\$ 255.00	\$ 374.00	\$ 280.50
25+	\$ 420.00	\$ 315.00	\$ 462.00	\$ 346.50

### Dental/Vision

Retirees may continue dental and vision insurance coverage at retirement as long as they pay the entire cost. There are no GASB liabilities generated by the dental or vision benefit.

### Life Insurance

Retirees may continue life insurance coverage at retirement as long as they pay the entire cost. There are no GASB liabilities generated by the life insurance benefit.



# Actuarial Methods and Assumptions

## City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

The actuarial assumptions used in this report represent a reasonable long-term expectation of future OPEB outcomes. As national economic and City experience change over time, the assumptions will be tested for ongoing reasonableness and, if necessary, updated.

There are changes to the actuarial methods and assumptions since the last GASB valuation, which was for the fiscal year ending June 30, 2019. Refer to Actuary's Notes section for complete information on these changes. For the current year GASB valuation, we have also updated the per capita costs. We expect to update discount rate, health care trend rates, and per capita costs again in the next full GASB valuation, which will be for the fiscal year ending June 30, 2021.

### Measurement Date

For fiscal year ending June 30, 2020, a June 30, 2020 measurement date was used.

### Actuarial Valuation Date

The City uses a June 30, 2020 actuarial valuation date with no adjustments to get to the June 30, 2020 measurement date. Liabilities as of July 1, 2019 are based on an actuarial valuation date of June 30, 2019 with no adjustments.

COTPA uses a June 30, 2019 actuarial valuation date projected to the June 30, 2020 measurement date on a "no loss / no gain" basis. Liabilities as of July 1, 2019 are based on an actuarial valuation date of June 30, 2019 with no adjustments.

### Discount Rate

4.05% for accounting disclosures as of June 30, 2019  
3.35% for accounting disclosures as of June 30, 2020  
7.50% for funding disclosures as of June 30, 2019 and 2020

Refer to the Discussion of Discount Rates section for more information on selection of the discount rate.

### Payroll Growth

3.25% general wage inflation per year plus the annual merit scale shown below based on the Oklahoma City Employee Retirement System actuarial valuation report as of June 30, 2019 for general employees. Payroll growth for police employees uses 3.50% general wage inflation per year plus the annual merit scale shown below based on the Oklahoma Police Retirement System actuarial valuation as of June 30, 2020.

	YOS	General	Police
	0	3.5%	8.5%
	5	3.5%	4.0%
	10	3.5%	3.0%
	15	0.0%	0.8%
	20	0.0%	0.3%
	25	0.0%	0.3%
	26+	0.0%	0.0%

# Actuarial Methods and Assumptions

## City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### Inflation Rate

3.25% per year for general employees, 3.50% per year for police employees

### Cost Method

Allocation of Actuarial Present Value of Future Benefits for services prior and after the Measurement Date was determined using Entry Age Normal Level % of Salary method where:

- Service Cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant's benefit at retirement; and
- Annual Service Cost is a constant percentage of the participant's salary that is assumed to increase according to the Payroll Growth.

### Employer Funding Policy

Pay-as-you-go cash basis plus additional contributions funded from favorable claims experience compared to budgeted health costs

### Census Data

Census information for the City was provided by the City in September 2020. We have reviewed it for reasonableness and no material modifications were made to the census data.

65

Census information for COTPA is based on the same census information used for the June 30, 2019 actuarial valuation.

### Experience Study

Best actuarial practices call for a periodic assumption review and Nyhart recommends the City to complete an actuarial assumption review (also referred to as an experience study).

### Health Care Coverage Election Rate

Active Police employees with current coverage: 90%  
Active non-Police employees with current coverage: 80%  
Active COTPA employees with current coverage: 35%  
Active employees with no coverage: 0%

Inactive employees with current coverage: 100%  
Inactive employees with no coverage: 0%

### Spousal Coverage

70% of male employees and 35% of female employees are assumed to be married at retirement. Husbands are assumed to be three years older than wives.

Actual spousal coverage and age is used for retirees.

### Mortality

RP-2000 Combined Mortality Table fully generational using Scale AA (set forward 7 years for disabled retirees)

# Actuarial Methods and Assumptions

## City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### Turnover Rate

Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage. The rates represent the probability of termination in the next 12 months.

Police rates based on Oklahoma Police Retirement System actuarial valuation as of June 30, 2020 are as shown below:

YOS	Rate	YOS	Rate
0	15.00%	8	4.00%
1	12.00%	9	3.50%
2	10.00%	10	3.00%
3	8.00%	11	2.50%
4	7.00%	12	2.00%
5	6.00%	13	1.50%
6	5.00%	14 - 20	1.00%
7	4.50%	21+	0.00%

General employees rates based on Oklahoma City Employee Retirement System actuarial valuation as of June 30, 2019 are shown below:

Age	YOS	Rate
	0	25.00%
25 Age ≤	1	17.00%
	2	12.00%
	3	8.00%
	4	6.00%
25		7.00%
30		6.00%
35		4.75%
40		3.50%
45		2.40%
50		1.50%
55		1.00%
60		0.00%

# Actuarial Methods and Assumptions

## City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### Turnover Rate (Continued)

Sample rates based on the last OPEB valuation for COTPA are as shown below:

Age	Male	Female
25	15.0%	22.5%
30	10.5%	15.0%
35	7.5%	10.5%
40	4.5%	7.5%
45	3.0%	4.5%
50	1.5%	3.0%
55	0.0%	1.5%
60	0.0%	0.0%

### Disability

Rates for police officers based on the Oklahoma Police Retirement System actuarial valuation as of June 30, 2020 and rates for the general employees based on the Oklahoma City Employee Retirement System actuarial valuation as of June 30, 2019 are as shown below:

Age	Police Officers		General Employees	
	Unisex	Male	Female	Female
25	0.02%	0.08%	0.06%	0.06%
30	0.04%	0.09%	0.07%	0.07%
35	0.06%	0.11%	0.09%	0.09%
40	0.08%	0.14%	0.13%	0.13%
45	0.10%	0.21%	0.19%	0.19%
50	0.12%	0.62%	0.57%	0.57%
55	0.14%	0.97%	0.86%	0.86%

# Actuarial Methods and Assumptions

## City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### Retirement Rate

Police rates based on Oklahoma Police Retirement System actuarial valuation as of June 30, 2020 are as shown below:

YOS	Rate	YOS	Rate
20	15%	31	30%
21 - 24	8%	32	40%
25	20%	33	50%
26 - 28	10%	34	75%
29	15%	35+	100%
30	20%		

General employees rates based on Oklahoma City Employee Retirement System actuarial valuation as of June 30, 2019 are as shown below:

Age	0 - 4 YOS	5 - 24 YOS	25 YOS	26 - 39 YOS	40 YOS	41 YOS	42 YOS	43 - 44 YOS	45+ YOS
50 - 54	0%	0%	15%	10%	20%	10%	20%	10%	100%
55 - 64	0%	6%	15%	10%	20%	10%	20%	10%	100%
65	40%	40%	15%	10%	20%	10%	20%	10%	100%
66	25%	25%	15%	10%	20%	10%	20%	10%	100%
67	25%	25%	15%	10%	20%	10%	20%	10%	100%
68	30%	30%	15%	10%	20%	10%	20%	10%	100%
69	40%	40%	15%	10%	20%	10%	20%	10%	100%
70	100%	100%	100%	100%	100%	100%	100%	100%	100%

COTPA retirement rates are as shown below.

Age	Years of Service	
	< 25	> = 25
50 - 61	0%	15%
62	25%	25%
63 - 64	15%	15%
65	25%	25%
66 - 69	33%	33%
70+	100%	100%

# Actuarial Methods and Assumptions

## City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### Health Care Trend Rates

Health care trend rates pre and post Medicare are as shown below:

FYE	Pre-65	Post-65	FYE	Pre-65	Post-65
2021	8.00%	6.00%	2025	6.00%	4.75%
2022	7.50%	5.75%	2026	5.50%	4.50%
2023	7.00%	5.50%	2027	5.00%	4.50%
2024	6.50%	5.25%	2028+	4.50%	4.50%

The initial trend rate was based on a combination of employer history, national trend surveys, and professional judgment.

The ultimate trend rate was selected based on historical medical CPI information.

COTPA subsidies are assumed to remain the same in the future.

COTPA trend rates are the same as their prior full valuation for fiscal year ending June 30, 2019 with adjustments made for actual premium increases from January 1, 2019 to January 1, 2020.

### Retiree Contributions

Retiree contributions are assumed to increase according to health care trend rates.

# Actuarial Methods and Assumptions

## City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### Per Capita Costs

Annual per capita costs were calculated based on the City's monthly premium rates effective on January 1, 2020 actuarially increased using health index factors and current enrollment. The costs are assumed to increase with health care trend rates. Per capita costs for the Medicare Advantage plan are set equal to the premium rate. Sample annual per capita costs are as shown below:

Age	Indemnity <sup>13</sup>		HMO	
	Male	Female	Male	Female
<55	\$ 7,800	\$ 8,600	\$ 11,200	\$ 12,400
55 - 60	\$ 10,500	\$ 10,100	\$ 15,100	\$ 14,500
60 - 64	\$ 14,200	\$ 12,500	\$ 20,500	\$ 18,000
65 - 69	\$ 5,800	\$ 5,800	\$ 4,723	\$ 4,723
70 - 74	\$ 7,200	\$ 7,200	\$ 4,723	\$ 4,723
75+	\$ 8,400	\$ 8,400	\$ 4,723	\$ 4,723

The per capita costs represent the cost of coverage for a retiree-only population.

Actuarial standards require the recognition of higher inherent costs for a retired population versus an active population.

Future retirees are assumed to elect the same plan they are currently enrolled in while they are active at retirement. Upon reaching age 65, 67% of retirees on the HMO plan are assumed to elect the Indemnity Plan and the remaining 33% are assumed to continue on the HMO plan. All retirees on the Indemnity plan are assumed to remain on the Indemnity plan.

### Explicit Subsidy

The difference between (a) the premium rate and (b) the retiree contribution. Below is an example of the monthly explicit subsidies for a future retiree under 65 enrolled in the HMO plan.

	Funding Rate	Retiree Contribution	Explicit Subsidy
	A	B	C = A - B
Retiree	\$ 1,443.47	\$ 721.74	\$ 721.73
Spouse	\$ 1,804.32	\$ 902.16	\$ 902.16

<sup>13</sup> Indemnity plan per capita costs are based on the current enrollment mix between the Standard and Alternate plans for pre/post-65 retirees.

# Actuarial Methods and Assumptions

## City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### Implicit Subsidy

The difference between (a) the per capita cost and (b) the premium rate. Below is an example of the monthly implicit subsidies for a male retiree age 64 with spouse of the same age enrolled in the HMO plan.

	Per Capita Cost		Funding Rate	Implicit Subsidy
	A	B	C = A - B	
Retiree	\$ 1,708.33	\$ 1,443.47		\$ 264.86
Spouse	\$ 1,500.00	\$ 1,804.32		\$ 0.00 <sup>14</sup>

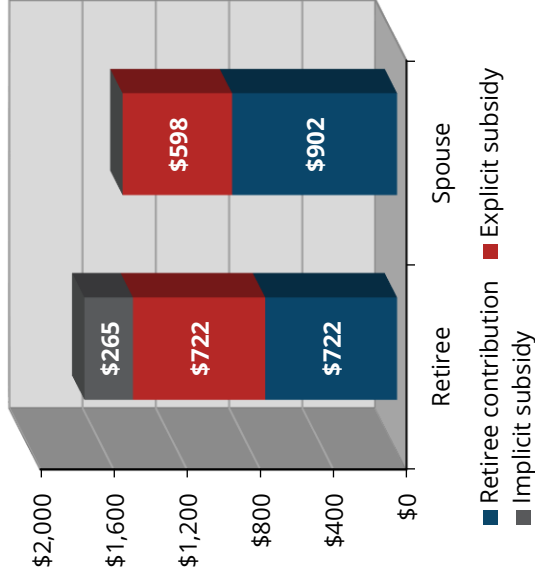
All employers that utilize premium rates based on blended active/retiree claims experience will have an implicit subsidy. There is an exception for Medicare plans using a true community-rated premium rate.

### GASB Subsidy Breakdown

Below is a breakdown of the GASB 75 monthly total cost for a male retiree age 64 with spouse of the same age enrolled in the HMO plan.

	Retiree	Spouse
Retiree contribution	\$ 721.74	\$ 902.16
Explicit subsidy	\$ 721.73	\$ 902.16
Implicit subsidy	\$ 264.86	\$ 0.00
Total monthly cost	\$ 1,708.33	\$ 1,500.00 <sup>15</sup>

### GASB Subsidy Breakdown



<sup>14</sup> Limited to be no less than \$0

<sup>15</sup> Limited to the monthly per capita cost



# APPENDIX

# Appendix

## City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### Comparison of Participant Demographic Information

The active participants' number below may include active employees who currently have no health care coverage. Refer to Summary of Participants section for an accurate breakdown of active employees with and without coverage.

	As of June 30, 2019	As of June 30, 2020 <sup>16</sup>
Active Participants	3,789	3,487
City <sup>17</sup>	3,531	3,487
COTPA	258	N/A
Retired Participants	2,149	2,141
City	2,136	2,141
COTPA	13	N/A
Averages for Active Age		
Total	45.5	44.8
City	45.1	44.8
COTPA	51.4	N/A
Service		
Total	12.1	12.4
City	12.5	12.4
COTPA	6.2	N/A
Averages for Inactive Age		
Total	71.4	71.8
City	71.4	71.8
COTPA	70.3	N/A

<sup>16</sup> Updated census data for COTPA employees was not provided for the June 30, 2020 valuation.

<sup>17</sup> Active employees shown for the City as of June 30, 2020 include all active employees, included those hired on/after January 1, 2017 who are not eligible to receive a post-retirement health care subsidy from the City.

# Appendix

## City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### Detailed Actuary's Notes

There have been no substantive plan provision changes since the last full valuation, which was for the fiscal year ending June 30, 2019.

The following assumptions have also been updated since the last valuation:

1. The current valuation uses a discount rate of 4.05% as of July 1, 2019 and 3.35% as of June 30, 2020 for accounting disclosure purposes, which was calculated using a discounted cash flow method. This update caused an increase in liabilities for both the City and COTPA. For funding purposes, we have also used a 7.50% discount rate in calculating the Actuarially Determined Contribution. The discount rate will be updated annually to reflect market conditions as of the Measurement Date.
2. The payroll growth assumption for Police officers has been updated to follow the scale used in the Oklahoma Police Retirement System actuarial valuation as of June 30, 2020. This change has caused a slight decrease in the City's liabilities.
3. Health care trend rates for the City have been updated as shown below. This change caused a slight increase in the City's liabilities.

FYE	Current			Prior		
	Pre-65	Post-65	FYE	Pre-65	Post-65	Post-65
2021	8.00%	6.00%	2025	6.00%	5.00%	4.75%
2022	7.50%	5.75%	2026	5.50%	4.75%	4.50%
2023	7.00%	5.50%	2027	5.00%	4.50%	4.50%
2024	6.50%	5.25%	2028+	4.50%	4.50%	4.50%

4. Subsidy amounts for COTPA retirees have been updated based on subsidy changes effective January 1, 2020. This change has caused an increase in COTPA's liabilities.

# Appendix

## City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### Summary of Medical Benefits

A brief summary of all health plans offered effective on January 1, 2020 is as shown below. The out-of-pocket maximum includes the deductible, coinsurance, and copayments.

(In-Network)	Standard Indemnity Plan	Alternate Indemnity Plan	UHC HMO Plan	UHC Medicare Advantage Plan
Deductible (EE / Family)	\$250 / \$500	\$750 / \$1,250	\$0 / \$0	\$0 / \$0
Coinsurance	90% <sup>18</sup>	80% <sup>17</sup>	100%	100%
Out-of-Pocket Maximum (EE / Family)	Ded/coins <sup>19</sup>	Ded/coins <sup>20</sup>	\$1,500 / \$3,000	\$7,150 (per member)
Coplay / co-insurances for:				
Office Visit	\$15 (then ded/coins)	\$25 (then ded/coins)	\$30	\$5
Urgent Care	\$15 (then ded/coins)	\$25 (then ded/coins)	\$30	\$5
Emergency Room	\$50 (then ded/coins)	\$50 (then ded/coins)	\$50	\$50
Prescription drugs				
Retail (Generic / Pref / Non-Pref)	\$15 / \$30 / N/A	\$15 / \$40 / \$55	\$15 / \$30 / \$65	\$10 / \$20 / \$40
Mail Order (Generic / Pref / Non-Pref)	\$30 / \$60 / N/A	\$30 / \$80 / \$110	\$30 / \$60 / \$130	\$20 / \$40 / \$80

75

<sup>18</sup> For BluePreferred PPO

<sup>19</sup> Coinsurance maximum of \$1,000 per member

<sup>20</sup> Coinsurance maximum of \$4,000 per member

# GLOSSARY

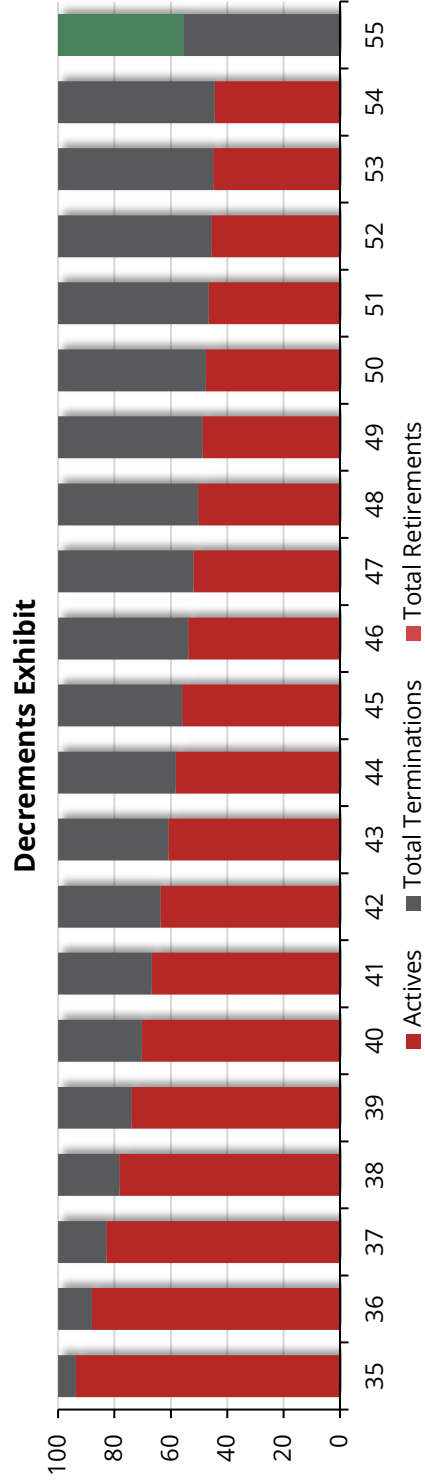
# Glossary – Decrements Exhibit

## City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. Starting with 100 employees at age 35, the illustrated actuarial assumptions show that 44.43 employees out of the original 100 are expected to retire and could elect retiree health benefits at age 55.

Age	# Remaining Employees	# of Terminations per Year <sup>21</sup>	# of Retirements per Year	Total Decrements
35	100.000	6.276	0.000	6.276
36	93.724	5.677	0.000	5.677
37	88.047	5.136	0.000	5.136
38	82.911	4.648	0.000	4.648
39	78.262	4.209	0.000	4.209
40	74.053	3.814	0.000	3.814
41	70.239	3.456	0.000	3.456
42	66.783	3.131	0.000	3.131
43	63.652	2.835	0.000	2.835
44	60.817	2.564	0.000	2.564
45	58.253	2.316	0.000	2.316

Age	# Remaining Employees	# of Terminations per Year	# of Retirements per Year	Total Decrements
46	55.938	2.085	0.000	2.085
47	53.853	1.866	0.000	1.866
48	51.987	1.656	0.000	1.656
49	50.331	1.452	0.000	1.452
50	48.880	1.253	0.000	1.253
51	47.627	1.060	0.000	1.060
52	46.567	0.877	0.000	0.877
53	45.690	0.707	0.000	0.707
54	44.983	0.553	0.000	0.553
55	44.430	0.000	44.430	44.430



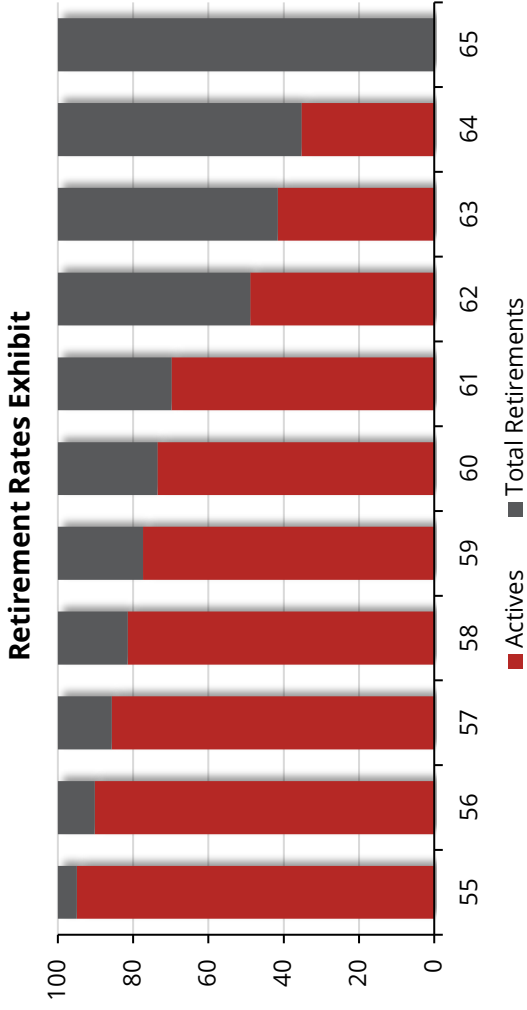
<sup>21</sup> The above rates are illustrative rates and are not used in our GASB calculations.

# Glossary – Retirement Rates Exhibit

## City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. The illustrated retirement rates show the number of employees who are assumed to retire annually based on 100 employees age 55 who are eligible for retiree health care coverage. The average age at retirement is 62.0.

Age	Active Employees BOY	Annual Retirement Rates*	# Retirements per Year	Active Employees EOY
55	100,000	5.0%	5,000	95,000
56	95,000	5.0%	4,750	90,250
57	90,250	5.0%	4,513	85,738
58	85,738	5.0%	4,287	81,451
59	81,451	5.0%	4,073	77,378
60	77,378	5.0%	3,869	73,509
61	73,509	5.0%	3,675	69,834
62	69,834	30.0%	20,950	48,884
63	48,884	15.0%	7,333	41,551
64	41,551	15.0%	6,233	35,318
65	35,318	100.0%	35,318	0.000



\* The above rates are illustrative rates and are not used in our GASB calculations.

# Glossary – Definitions

## City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

GASB 75 defines several unique terms not commonly employed in the funding of pension and retiree health plans. The definitions of the terms used in the GASB actuarial valuations are noted below.

1. **Actuarial Assumptions** – Assumptions as to the occurrence of future events affecting health care costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided health care benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.
2. **Actuarial Cost Method** – A procedure for determining the Actuarial Present Value of Future Benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Service Cost and a Total OPEB Liability.
3. **Actuarially Determined Contribution** - A target or recommended contribution to a defined benefit OPEB plan for the reporting period, determined in accordance with the parameters and in conformity with Actuarial Standards of Practice.
4. **Actuarial Present Value** – The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:
  - a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, Social Security, marital status, etc.);
  - b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned; and
  - c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.
5. **Deferred Outflow / (Inflow) of Resources** – represents the following items that have not been recognized in the OPEB Expense:
  - a. Differences between expected and actual experience of the OPEB plan
  - b. Changes in assumptions
  - c. Differences between projected and actual earnings in OPEB plan investments (for funded plans only)
6. **Explicit Subsidy** – The difference between (a) the amounts required to be contributed by the retirees based on the premium rates and (b) actual cash contribution made by the employer.
7. **Funded Ratio** – The actuarial value of assets expressed as a percentage of the Total OPEB Liability.



# Glossary – Definitions

## City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

8. **Healthcare Cost Trend Rate** – The rate of change in the 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.
9. **Implicit Subsidy** – In an experience-rated healthcare plan that includes both active employees and retirees with blended premium rates for all plan members, the difference between (a) the age-adjusted premiums approximating claim costs for retirees in the group (which, because of the effect of age on claim costs, generally will be higher than the blended premium rates for all group members) and (b) the amounts required to be contributed by the retirees.
10. **OPEB** – Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.
11. **OPEB Expense** – Changes in the Net OPEB Liability in the current reporting period, which includes Service Cost, interest cost, changes of benefit terms, expected earnings on OPEB Plan investments, reduction of active employees' contributions, OPEB plan administrative expenses, and current period recognition of Deferred Outflows / (Inflows) of Resources.
12. **Pay-as-you-go** – A method of financing a benefit plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.
13. **Per Capita Costs** – The current cost of providing postretirement health care benefits for one year at each age from the youngest age to the oldest age at which plan participants are expected to receive benefits under the plan.
14. **Present Value of Future Benefits** – Total projected benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of total projected benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.
15. **Real Rate of Return** – the rate of return on an investment after adjustment to eliminate inflation.

# Glossary – Definitions

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## City of Oklahoma City GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

16. **Select and Ultimate Rates** – Actuarial assumptions that contemplate different rates for successive years. Instead of a single assumed rate with respect to, for example, the investment return assumption, the actuary may apply different rates for the early years of a projection and a single rate for all subsequent years. For example, if an actuary applies an assumed investment return of 8% for year 20W0, then 7.5% for 20W1, and 7% for 20W2 and thereafter, then 8% and 7.5% select rates, and 7% is the ultimate rate.
17. **Service Cost** – The portion of the Actuarial Present Value of projected benefit payments that are attributed to a valuation year by the Actuarial Cost Method.
18. **Substantive Plan** – The terms of an OPEB plan as understood by the employer(s) and plan members.
19. **Total OPEB Liability** – That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Benefits which is attributed to past periods of employee service (or not provided for by the future Service Costs).

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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To the Board of Trustees  
**Oklahoma City Post-Employment Benefits Trust**  
Oklahoma City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Oklahoma City Post-Employment Benefits Trust (Trust), a fiduciary component unit of the City of Oklahoma City, Oklahoma, as of and for the years ended June 30, 2020 and 2019, and the related notes to financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 20, 2020.

### **Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control on compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Allen, Gibbs & Houlik, L.C.*  
CERTIFIED PUBLIC ACCOUNTANTS

November 20, 2020  
Wichita, Kansas