

# City of Victoria Retiree Health Care Plan

Actuarial Valuation Report as of December 31, 2023

GASB Statements No. 74 and No. 75, Accounting and Financial  
Reporting for Postemployment Benefits Other Than Pensions  
for Fiscal Year Ending September 30, 2024





March 10, 2025

Mr. Gilbert P. Reyna, Jr., CPA  
Chief Financial Officer  
City of Victoria  
700 Main Center, Suite 100  
Victoria, Texas 77901

Dear Mr. Reyna:

This report provides information on behalf of the City of Victoria Retiree Health Care Plan in connection with the Governmental Accounting Standards Board (GASB) Statements No. 74 and No. 75. GASB Statement No. 74 is the accounting standard, which applies to other postemployment benefits (OPEB) plans that are administered through trusts or equivalent arrangements. GASB Statement No. 75 establishes accounting and financial reporting requirements for state and local government employers that provide their employees with postemployment benefits other than pensions.

Sections B through D of this report address the calculation of the liability for the purpose of satisfying the requirements of GASB Statements No. 74 and No. 75. Section E of this report is for funding purposes, including the determination of the recommended employer contribution. This report may be provided to parties other than the City of Victoria only in its entirety and only with the permission of the City. GRS is not responsible for unauthorized use of this report.

This report is based upon information, furnished to us by the City, concerning other postemployment benefits (OPEB), active members, deferred vested members, retirees and beneficiaries, and financial data. This information was checked for internal consistency, but it was not audited.

Based on the available data, the information contained in this report is accurate and fairly represents the actuarial position of the City of Victoria Retiree Health Care Plan as of the reporting date. All calculations have been made in conformity with generally accepted actuarial principles and practices as well as the Actuarial Standards of Practice. The assumptions used for the measurements are reasonable and appropriate for the purposes for which they have been used. If you have reason to believe that the information provided in this report is inaccurate, or is in any way incomplete, or if you need further information in order to make an informed decision on the subject matter of this report, please contact the author of the report prior to making such decision.

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

Mr. Gilbert P. Reyna, Jr., CPA

March 10, 2025

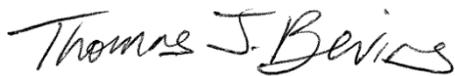
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Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

The signing individuals are independent of the plan sponsor.

Mr. Bevins, Mr. Orth, and Mr. Fritz are members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,  
Gabriel, Roeder, Smith & Company



Thomas J. Bevins, ASA, MAAA



Blake Orth, FSA, EA, MAAA



Andy Fritz, EA, MAAA



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## SECTION A

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### EXECUTIVE SUMMARY

Auditor's Note – This information is intended to assist in preparation of the financial statements of the City of Victoria Retiree Health Care Plan. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.

# Executive Summary

Actuarial Valuation Date	December 31, 2023
Measurement Date of the Net OPEB Liability	December 31, 2023
Employer's Fiscal Year Ending Date	September 30, 2024

## Membership

Number of	
- Retirees and Beneficiaries	153
- Inactive, Nonretired Members	0
- Active Members	568
- Total	721
Covered Payroll	\$ 36,607,680

## Net OPEB Liability

Total OPEB Liability	\$ 9,943,188
Plan Fiduciary Net Position	3,791,614
Net OPEB Liability	\$ 6,151,574
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	38.13 %
Net OPEB Liability as a Percentage of Covered Payroll	16.80 %

## Development of the Single Discount Rate

Single Discount Rate	6.50 %
Long-Term Expected Rate of Investment Return	6.50 %
Long-Term Municipal Bond Rate*	3.77 %

<b>Total OPEB Expense</b>	\$ 394,535
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## Actuarially Determined Contribution (ADC)

ADC for Fiscal Year Ending September 30, 2026	\$ 809,585
ADC for Fiscal Year Ending September 30, 2027	\$ 814,607

## Balances of Deferred Outflows and Deferred Inflows of Resources Related to OPEB

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience, liability	\$ 552,826	\$ 1,505,547
Changes in assumptions	288,666	5,120
Difference between expected and actual experience, assets	177,937	0
Contributions subsequent to the measurement date	859,865	
<b>Total</b>	<b>\$ 1,879,294</b>	<b>\$ 1,510,667</b>

\* Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in the Fidelity "20-Year Municipal GO AA Index" as of December 31, 2023.

## Total OPEB Liability by Category as of December 31, 2023

Category 1 (retired as of 12/31/2008)			
Years of Service at Retirement	Count	Portion of Liability	Percentage of Liability
<b>Retirees under age 65 on the City's self-insured health plan</b>			
0 - 19	0	\$ 0	0.0%
20 -29	4	222,979	2.2%
30+	0	-	0.0%
<b>Total</b>	<b>4</b>	<b>\$ 222,979</b>	<b>2.2%</b>
<b>Retirees age 65 and older with a Retiree Reimbursement Account</b>			
0 - 19	0	\$ 0	0.0%
20 -29	31	621,855	6.3%
30+	38	903,252	9.1%
<b>Total</b>	<b>69</b>	<b>\$ 1,525,107</b>	<b>15.3%</b>
<b>Category 1 Total</b>	<b>73</b>	<b>\$ 1,748,086</b>	<b>17.6%</b>
<b>Category 2 (employed at 12/31/2008; retired on or after January 1, 2009)</b>			
Years of Service at 1/1/2009	Count	Portion of Liability	Percentage of Liability
<b>Active Employees</b>			
0 - 9	84	\$ 711,698	7.2%
10 -19	22	722,515	7.3%
20+	6	260,329	2.6%
<b>Total</b>	<b>112</b>	<b>\$ 1,694,542</b>	<b>17.0%</b>
<b>Retirees under age 65 on the City's self-insured health plan</b>			
0 - 9	1	\$ 235,520	2.4%
10 -19	28	2,978,642	30.0%
20+	18	1,466,218	14.7%
<b>Total</b>	<b>47</b>	<b>\$ 4,680,380</b>	<b>47.1%</b>
<b>Retirees age 65 and older with a Retiree Reimbursement Account</b>			
0 - 9	0	\$ 0	0.0%
10 -19	16	363,350	3.7%
20+	16	527,857	5.3%
<b>Total</b>	<b>32</b>	<b>\$ 891,207</b>	<b>9.0%</b>
<b>Category 2 Total</b>	<b>191</b>	<b>\$ 7,266,129</b>	<b>73.1%</b>
<b>Category 3 (hired on or after January 1, 2009)</b>			
Years of Service at Retirement	Count	Portion of Liability	Percentage of Liability
<b>Active Employees</b>			
0 - 20+	456	\$ 719,565	7.2%
<b>Total</b>	<b>456</b>	<b>\$ 719,565</b>	<b>7.2%</b>
<b>Retirees under age 65 on the City's self-insured health plan</b>			
0 - 20+	1	\$ 209,408	2.1%
<b>Total</b>	<b>1</b>	<b>\$ 209,408</b>	<b>2.1%</b>
<b>Retirees age 65 and older with a Retiree Reimbursement Account</b>			
0 - 20+	0	\$ 0	0.0%
<b>Total</b>	<b>0</b>	<b>\$ 0</b>	<b>0.0%</b>
<b>Category 3 Total</b>	<b>457</b>	<b>\$ 928,973</b>	<b>9.3%</b>
<b>Grand Total</b>	<b>721</b>	<b>\$ 9,943,188</b>	<b>100.0%</b>

## Discussion

### Accounting Standard

For post-employment (OPEB) benefit plans that are administered through trusts or equivalent arrangements, Governmental Accounting Standards Board (GASB) Statement No. 74, “Financial Reporting for Postemployment Benefit Plans other than Pension Plans,” replaces the requirements of GASB Statement No. 43, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.” Similarly, GASB Statement No. 75 establishes standards for state and local government employers (as well as non-employer contributing entities) to account for and disclose net OPEB liability, OPEB expense, and other information associated with providing OPEB to their employees (and former employees) on their financial statements.

GASB Statements No. 74 and No. 75 are effective for fiscal years beginning after June 15, 2016 and June 15, 2017, respectively.

The following discussion provides a summary of the information that is required to be disclosed under these accounting standards. A number of these disclosure items are provided in this report. However, certain information, such as notes regarding accounting policies and investments, is not included in this report. As a result, the plan sponsor will be responsible for preparing and disclosing the non-actuarial information needed to comply with these accounting standards.

### Financial Statements

For plans that have formal trusts, GASB Statement No. 75 requires state and local government employers to recognize the net OPEB liability and the OPEB expense on their financial statements, along with the related deferred outflows and inflows of resources. The net OPEB liability is the difference between the total OPEB liability and the plan’s fiduciary net position. In traditional actuarial terms, the net OPEB liability is analogous to the actuarial accrued liability less the market value of assets.

GASB Statement No. 75 states the employer contributions made to the OPEB plan subsequent to the measurement date and before the end of the employer’s reporting period should be reported as a deferred outflow of resources.

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

GASB Statement No. 74 requires defined benefit OPEB plans which are administered as trusts or equivalent arrangements to present two financial statements: a statement of fiduciary net position and a statement of changes in fiduciary net position. The statement of fiduciary net position presents the assets and liabilities of the OPEB plan at the end of the OPEB plan’s reporting period. The statement of changes in fiduciary net position presents the additions, such as contributions and investment income, and deductions, such as benefit payments and expense, and net increase or decrease in the fiduciary net position.

### Progress Toward Realization of Financial Objectives

The funded ratio increased from 31.27% as of December 31, 2022 to 38.13% as of December 31, 2023.

## Notes to Financial Statements

GASB Statement No. 75 requires the notes of the employer's financial statements to disclose the total OPEB expense, the OPEB plan's liabilities and assets, and deferred outflows of resources and inflows of resources related to OPEB.

GASB Statements No. 74 and No. 75 require the notes of the financial statements for employers and OPEB plans to include certain additional information. The list of disclosure items should include:

- The name of the OPEB plan, the administrator of the OPEB plan, and the identification of whether the OPEB plan is a single-employer, agent, or cost-sharing OPEB plan;
- A description of the benefits provided by the plan;
- A brief description of changes in benefit terms or assumptions that affected the measurement of the total OPEB liability since the prior measurement date;
- The number of plan members by category and if the plan is closed;
- A description of the plan's funding policy, which includes member and employer contribution requirements;
- The OPEB plan's investment policies;
- The OPEB plan's fiduciary net position and the net OPEB liability;
- The net OPEB liability using +/- 1% on the discount rate;
- The net OPEB liability using +/- 1% on the healthcare trend rate;
- Significant assumptions and methods used to calculate the total OPEB liability;
- Inputs to the discount rates; and
- Certain information about mortality assumptions and the dates of experience studies.

OPEB plans that are administered through trusts or equivalent arrangements are required to disclose additional information in accordance with GASB Statement No. 74. This information includes:

- The composition of the OPEB plan's Board and the authority under which benefit terms may be amended;
- A description of how fair value is determined;
- Information regarding certain reserves and investments, which include concentrations of investments greater than or equal to 5%, receivables, and insurance contracts excluded from plan assets; and
- Annual money-weighted rate of return.

## Required Supplementary Information

GASB Statement No. 74 requires a 10-year fiscal history of:

- Sources of changes in the net OPEB liability.
- Information about the components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability and the net OPEB liability as a percent of covered-employee payroll.
- Comparison of the actual employer contributions to the actuarially determined contributions based on the plan's funding policy.
- For plans with an actuarially determined contribution, the schedule covering each of the 10 most recent fiscal years of the actuarially determined contribution, contributions to the OPEB plan and related ratios.

## Timing and Frequency of the Actuarial Valuation

An actuarial valuation to determine the total OPEB liability is required to be performed at least every two years. For the employer’s financial reporting purposes, the total OPEB liability and OPEB expense should be measured as of the employer’s “measurement date” which may not be earlier than the employer’s prior fiscal year end-date. If the actuarial valuation used to determine the total OPEB liability is not calculated as of the measurement date, the total OPEB liability is required to be rolled forward from the actuarial valuation date to the measurement date.

The total OPEB liability shown in this report is based on an actuarial valuation performed as of December 31, 2023 and a measurement date of December 31, 2023.

## Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan’s fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on OPEB plan investments is 6.50%; the municipal bond rate is 3.77% (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-Year Municipal GO AA Index”); and the resulting Single Discount Rate is 6.50%.

The funding policy of the City is to pay the pay-go benefits from its own assets plus contribute \$200,000 to the OPEB trust each fiscal year. The City has made, and is expected to continue to make, total contributions that exceed the recommended actuarially determined contribution, which is based on a closed amortization period. As a result, the OPEB plan’s fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

## Actuarial Assumptions

The actuarial assumptions used to value the liabilities are outlined in detail in Section I. The assumptions include details on the health care trend assumption, the aging factors as well as the cost method used to develop the OPEB expense. The demographic assumptions are based on the assumptions that were developed for the defined benefit plan in which the City participates (TMRS) as a result of the 2023 experience study conducted for the Texas Municipal Retirement System (TMRS). The demographic assumptions that are specific to OPEB are based on the plan’s individual experience and are revisited during each full valuation. The healthcare trend assumption is based on the framework developed in the Society of Actuaries’ Getzen Model.

## Future Uncertainty or Risk

Future results may differ from those anticipated in this valuation. Reasons include, but are not limited to:

- Actual medical trend differing from expected;
- Changes in the healthcare plan designs offered to active and retired members;
- Participant behavior or experience differing from expected;
  - Elections at retirement;
  - One-person versus two-person coverage elections;
  - Time of retirement or termination;
  - Catastrophic claims.

## Benefits Valued

The benefit provisions that were valued are in Section F. The valuation is required to be performed on the current benefit terms and existing legal agreements. Consideration is to be given to the written plan document as well as other communications between the employer and plan members and an established pattern of practice for cost sharing. The summary of major plan provisions is designed to outline principal plan benefits. If the plan summary is not in accordance with the actual provisions, please alert the actuaries IMMEDIATELY so they can both be sure the proper provisions are valued.

## Effective Date and Transition

GASB Statements No. 74 and No. 75 are effective for fiscal years beginning after June 15, 2016 and June 15, 2017, respectively.

**SECTION B**

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**PLAN FINANCIAL STATEMENTS**

## Statement of Fiduciary Net Position

	<u>December 31, 2023</u>
<b>Assets</b>	
Cash and Equivalents	\$ 34,660
Receivables	
Accrued Income	\$ 87
Total Receivables	<u>\$ 87</u>
Investments	
Mutual Funds - Equity	\$ 2,306,893
Mutual Funds - Fixed Income	1,449,974
Total Investments	<u>\$ 3,756,867</u>
<b>Total Assets</b>	<u>\$ 3,791,614</u>
<b>Liabilities</b>	
<b>Total Liabilities</b>	<u>\$ 0</u>
<b>Net Position Restricted for OPEB</b>	<u><u>\$ 3,791,614</u></u>

## Statement of Changes in Fiduciary Net Position

	<b>December 31, 2023</b>
<b>Additions</b>	
Contributions	
Employer	\$ 844,149
Total Contributions	\$ 844,149
Investment Income	
Net Appreciation in Fair Value of Investments	\$ 379,373
Dividends	100,420
Interest	1,832
Net Investment Income	\$ 481,625
<b>Total Additions</b>	<b>\$ 1,325,774</b>
 <b>Deductions</b>	
Benefit Payments	\$ 844,149
OPEB Plan Administrative Expense	15,340
Other	1,651
<b>Total Deductions</b>	<b>\$ 861,140</b>
<b>Net Increase in Net Position</b>	<b>\$ 464,634</b>
 <b>Net Position Restricted for OPEB</b>	
Beginning of Year	\$ 3,326,980
End of Year	<b>\$ 3,791,614</b>

Consistent with the requirements of GASB Statements No. 74 and No. 75, employer contributions include “amounts for OPEB as the benefits come due that will not be reimbursed to the employer using OPEB plan assets.” The employer contributions of \$844,149 consists of a trust contribution of \$0 and benefit payments of \$844,149, which were paid by the City using its own assets. Please see page C-1 for the development of the benefit payments amount.

# SECTION C

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## FINANCIAL SCHEDULES

## Schedule of Changes in Net OPEB Liability

### Fiscal Year Ending September 30, 2024

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
<b>Beginning balance</b>	\$ 10,639,441	\$ 3,326,980	\$ 7,312,461
Service cost	121,396		121,396
Interest on the total OPEB liability	668,074		668,074
Changes of benefit terms	0		0
Difference between expected and actual experience	(864,209)		(864,209)
Changes of assumptions	222,635		222,635
Employer contributions		844,149	(844,149)
Net investment income		481,625	(481,625)
Benefit payments	(844,149)	(844,149)	0
Administrative expense		(15,340)	15,340
Other		(1,651)	1,651
<b>Net changes</b>	<u>(696,253)</u>	<u>464,634</u>	<u>(1,160,887)</u>
<b>Ending balance</b>	<u>\$ 9,943,188</u>	<u>\$ 3,791,614</u>	<u>\$ 6,151,574</u>

Ending balances are as of the measurement date, December 31, 2023.

Changes of assumptions reflect revised TMRS demographic and salary increase assumptions, as well as updates to the health care trend assumption to reflect the plan's anticipated experience.

Consistent with the requirements of GASB Statements No. 74 and No. 75, employer contributions include "amounts for OPEB as the benefits come due that will not be reimbursed to the employer using OPEB plan assets." The employer contributions of \$844,149 consists of a trust contribution of \$0 and benefit payments of \$844,149, which were paid by the City using its own assets.

The benefit payments during the measurement period were determined as follows:

a. Retiree claims paid by the City	\$ 780,371
b. Administrative fees for retirees*	(4,024)
c. Stop-loss premiums for retirees*	84,300
d. City's subsidies for Medicare retirees	303,150
e. Retiree contributions	(319,648)
f. Stop-loss reimbursements	0
g. Total benefit payments	<u>\$ 844,149</u>

\* Administrative fees and stop-loss premiums for retirees were estimated by GRS



## Recognition of Deferred Outflows and Deferred Inflows of Resources

Differences between expected and actual experience and changes in assumptions are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period.

At the beginning of the current measurement period, the expected remaining service lives of all active employees in the plan was approximately 5,106 years. Additionally, the total plan membership (active employees and inactive employees) was 721. As a result, the average of the expected remaining service lives for purposes of recognizing the applicable deferred outflows and inflows of resources established in the current measurement period is 7.0816 years.

Additionally, differences between projected and actual earnings on OPEB plan investments should be recognized in OPEB expense using a systematic and rational method over a closed five-year period. For this purpose, the deferred outflows and inflows of resources are recognized in the OPEB expense as a level dollar amount over the closed period identified above.

### Statement of Outflows and Inflows Arising from Current Reporting Period

	Recognition Period (or amortization years)	Total (Inflow) or Outflow	2024 Recognized in current OPEB expense	Deferred (Inflow) or Outflow in future expense
<b><u>Due to Liabilities:</u></b>				
Differences in expected and actual experience	7.0816	\$ (864,209)	\$ (122,036)	\$ (742,173)
Assumption changes	7.0816	\$ 222,635	\$ 31,439	\$ 191,196
<b><u>Due to Assets:</u></b>				
Excess Investment Returns	5.0000	\$ (265,924)	\$ (53,185)	\$ (212,739)
<b>Total</b>		<b>\$ (907,498)</b>	<b>\$ (143,782)</b>	<b>\$ (763,716)</b>

This table is provided to document sources of the new deferred inflows and outflows resulting from the current reporting year. The table is not a required disclosure. The required disclosures regarding deferred inflows and outflows of resources related to OPEB are shown on page C-4.

## Statement of OPEB Expense under GASB Statement No. 75

### Fiscal Year Ending September 30, 2024

1. Service Cost	\$	121,396
2. Interest on the Total OPEB Liability		668,074
3. Current-Period Benefit Changes		0
4. Employee Contributions (made negative for addition here)		0
5. Projected Earnings on Plan Investments (made negative for addition here)		(215,701)
6. OPEB Plan Administrative Expense		15,340
7. Other Changes in Plan Fiduciary Net Position		1,651
8. Recognition of Current Year Outflow/(Inflow) due to Liabilities		(90,597)
9. Recognition of Current Year Outflow/(Inflow) due to Assets		(53,185)
10. Amortization of Prior Year Outflow/(Inflow) due to Liabilities		(80,107)
11. Amortization of Prior Year Outflow/(Inflow) due to Assets		27,664
<b>12. Total OPEB Expense</b>	<b>\$</b>	<b>394,535</b>

## Balances of Deferred Outflows and Deferred Inflows of Resources Related to OPEB

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience, liability	\$ 552,826	\$ 1,505,547
Changes in assumptions	288,666	5,120
Difference between expected and actual experience, assets	177,937	0
Contributions subsequent to the measurement date	859,865	
<b>Total</b>	<b>\$ 1,879,294</b>	<b>\$ 1,510,667</b>

Employer contributions made subsequent to the measurement date of the total OPEB liability (December 31, 2023) and prior to the end of the employer's reporting period (September 30, 2024) should be reported by the employer as a deferred outflow related to OPEB. See paragraph 44 of GASB Statement No. 75 for single/agent employers that have formal assets.

The employer contributions made subsequent to the measurement date (\$859,865 amount above) equals the sum of the City's OPEB trust contributions of \$200,000 and \$659,865 in benefits paid by the City using its own assets (net of OPEB trust reimbursements).

## Deferred Outflows and Deferred Inflows to be Recognized in Future OPEB Expense

Year Ending September 30	Net Deferred Outflows (Inflows)
2025	\$ (142,538)
2026	(84,937)
2027	49,025
2028	(63,030)
2029	(143,846)
Thereafter	(105,912)
<b>Total</b>	<b>\$ (491,238)</b>

## Deferred Outflows and Inflows – Amortization Schedule

	Remaining Recognition Period	Outflow/(Inflow) at beginning of Fiscal Year (or created in current year)	Fiscal Year Ending							Outflow/(Inflow) at end of Fiscal Year	
			2024	2025	2026	2027	2028	2029	Thereafter		
<b>Differences in Liability Experience</b>											
2024	7.0816	(864,209)	(122,036)	(122,036)	(122,036)	(122,036)	(122,036)	(122,036)	(122,036)	(131,993)	(742,173)
2023	6.1117	(433,422)	(70,917)	(70,917)	(70,917)	(70,917)	(70,917)	(70,917)	(70,917)	(7,920)	(362,505)
2022	5.1117	687,278	134,452	134,452	134,452	134,452	134,452	134,452	15,018	0	552,826
2021	4.1587	(169,957)	(40,867)	(40,867)	(40,867)	(40,867)	(40,867)	(6,489)	0	0	(129,090)
2020	3.2255	(385,409)	(119,488)	(119,488)	(119,488)	(119,488)	(26,945)	0	0	0	(265,921)
2019	2.2495	(10,549)	(4,691)	(4,691)	(1,167)	0	0	0	0	0	(5,858)
2018	1.2495	0	0	0	0	0	0	0	0	0	0
Total			\$ (223,547)	\$ (223,547)	\$ (220,023)	\$ (126,313)	\$ (64,990)	\$ (177,935)	\$ (139,913)	\$	(952,721)
<b>Assumption Changes</b>											
2024	7.0816	222,635	31,439	31,439	31,439	31,439	31,439	31,439	31,439	34,001	191,196
2023	6.1117	0	0	0	0	0	0	0	0	0	0
2022	5.1117	121,175	23,705	23,705	23,705	23,705	23,705	23,705	2,650	0	97,470
2021	4.1587	0	0	0	0	0	0	0	0	0	0
2020	3.2255	(7,421)	(2,301)	(2,301)	(2,301)	(518)	0	0	0	0	(5,120)
2019	2.2495	0	0	0	0	0	0	0	0	0	0
2018	1.2495	0	0	0	0	0	0	0	0	0	0
Total			\$ 52,843	\$ 52,843	\$ 52,843	\$ 54,626	\$ 55,144	\$ 34,089	\$ 34,001	\$	283,546
<b>Investment Experience</b>											
2024	5.0000	(265,924)	(53,185)	(53,185)	(53,185)	(53,185)	(53,184)	0	0	0	(212,739)
2023	4.0000	695,588	173,897	173,897	173,897	173,897	0	0	0	0	521,691
2022	3.0000	(115,411)	(38,471)	(38,471)	(38,469)	0	0	0	0	0	(76,940)
2021	2.0000	(108,150)	(54,075)	(54,075)	0	0	0	0	0	0	(54,075)
2020	1.0000	(53,687)	(53,687)	0	0	0	0	0	0	0	0
Total			\$ (25,521)	\$ 28,166	\$ 82,243	\$ 120,712	\$ (53,184)	\$ 0	\$ 0	\$	177,937
<b>Total Recognized in Future Expense</b>				\$ (142,538)	\$ (84,937)	\$ 49,025	\$ (63,030)	\$ (143,846)	\$ (105,912)	\$	(491,238)

This table is provided to document sources of the outstanding deferred inflows and outflows from year to year. The table is not a required disclosure. The required disclosures regarding deferred inflows and outflows of resources related to OPEB are shown on the previous page.

# Actuarial Assumptions and Methods

**Valuation Date:** December 31, 2023

**Methods and Assumptions:**

Actuarial Cost Method Individual Entry-Age Normal

Single Discount Rate 6.50% as of December 31, 2023

Inflation 2.50%

Salary Increases 3.60% to 11.85%, including inflation

Demographic Assumptions Based on the 2023 experience study conducted for the Texas Municipal Retirement System (TMRS).

Mortality For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used, with male rates multiplied by 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 table to account for future mortality improvements.

Healthcare Cost Trend Rates Initial rate of 7.20% declining to an ultimate rate of 4.25% after 15 years. City subsidies are not expected to increase in the future.

Participation Rates It was assumed that retirees would choose to receive retiree health care benefits through the City of Victoria according to the schedule below:

Service with Victoria as of 1/1/2009	Pre-65 Election Percentage
< 10	15%
10 - 19	50%
20 +	75%

Since retirees must be on the City's plan upon attainment of age 65 in order to be eligible for City contributions to a Retiree Reimbursement Account (RRA), the rates above were multiplied by 120% at ages 63 and 64 for those eligible for RRA contributions. In addition, it was assumed that 100% of employees retiring after the age of 65, who are eligible to receive a RRA contribution from the City, would participate.

**Other Information:**

Notes The demographic and salary increase assumptions were updated to reflect the 2023 TMRS Experience Study and the health care trend rates were updated to reflect the plan's anticipated experience.

## Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan’s fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on OPEB plan investments is 6.50%; the municipal bond rate is 3.77% (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-Year Municipal GO AA Index”); and the resulting Single Discount Rate is 6.50%.

The funding policy of the City is to pay the pay-go benefits from its own assets plus contribute \$200,000 to the OPEB trust each fiscal year. The City has made and is expected to continue to make total contributions that exceed the recommended actuarially determined contribution, which is based on a closed amortization period. As a result, the OPEB plan’s fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

## Summary of Membership Information

The following table provides a summary of the number of participants in the plan as of December 31, 2023:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	153
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	0
Active Plan Members	<u>568</u>
Total Plan Members	721

## Sample Disclosures and Required Supplementary Information (RSI)

Illustration 1 in Appendix C of GASB Statement No. 75 provides sample note disclosures and required supplementary information (RSI) for a single employer plan that is administered through a formal trust.

### Sensitivity of Net OPEB Liability to the Single Discount Rate Assumption

Regarding the sensitivity of the net OPEB liability to changes in the Single Discount Rate, the following presents the plan’s net OPEB liability, calculated using a Single Discount Rate of 6.50%, as well as what the plan’s net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

<b>1% Decrease</b>	<b>Current Single Discount Rate Assumption</b>	<b>1% Increase</b>
<b>5.50%</b>	<b>6.50%</b>	<b>7.50%</b>
\$ 6,878,131	\$ 6,151,574	\$ 5,504,950

### Sensitivity of Net OPEB Liability to the Healthcare Cost Trend Rate Assumption

Regarding the sensitivity of the net OPEB liability to changes in the healthcare cost trend rates, the following presents the plan’s net OPEB liability, calculated using the assumed trend rates as well as what the plan’s net OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rate Assumption</b>	<b>1% Increase</b>
\$ 5,880,982	\$ 6,151,574	\$ 6,462,718

## SECTION D

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### REQUIRED SUPPLEMENTARY INFORMATION

## Schedule of Changes in Net OPEB Liability and Related Ratios Last 10 Fiscal Years (which may be built prospectively)

Fiscal year ending September 30,	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>							
Service cost	\$ 121,396	\$ 125,403	\$ 85,602	\$ 92,605	\$ 120,216	\$ 127,975	\$ 124,247
Interest on the total OPEB liability	668,074	698,743	632,762	672,383	751,286	766,878	769,282
Changes of benefit terms	0	0	0	0	0	0	0
Difference between expected and actual experience	(864,209)	(504,339)	956,182	(292,558)	(863,361)	(34,004)	0
Changes of assumptions	222,635	0	168,585	0	(16,625)	0	0
Benefit payments	(844,149)	(735,117)	(960,760)	(1,196,197)	(1,187,013)	(1,006,672)	(858,080)
<b>Net change in total OPEB liability</b>	<u>(696,253)</u>	<u>(415,310)</u>	<u>882,371</u>	<u>(723,767)</u>	<u>(1,195,497)</u>	<u>(145,823)</u>	<u>35,449</u>
<b>Total OPEB liability - beginning</b>	<u>10,639,441</u>	<u>11,054,751</u>	<u>10,172,380</u>	<u>10,896,147</u>	<u>12,091,644</u>	<u>12,237,467</u>	<u>12,202,018</u>
<b>Total OPEB liability - ending (a)</b>	<u>\$ 9,943,188</u>	<u>\$ 10,639,441</u>	<u>\$ 11,054,751</u>	<u>\$ 10,172,380</u>	<u>\$ 10,896,147</u>	<u>\$ 12,091,644</u>	<u>\$ 12,237,467</u>
<b>Plan fiduciary net position</b>							
Employer contributions	\$ 844,149	\$ 1,135,117	\$ 1,160,760	\$ 1,396,197	\$ 1,387,013	\$ 1,064,672	\$ 1,000,080
OPEB plan net investment income	481,625	(625,064)	392,811	430,797	391,205	(99,554)	234,929
Benefit payments	(844,149)	(735,117)	(960,760)	(1,196,197)	(1,187,013)	(1,006,672)	(858,080)
OPEB plan administrative expense	(15,340)	(14,444)	(14,712)	(11,303)	(9,544)	(8,579)	(8,160)
Other	(1,651)	(2,123)	(1,621)	(2,082)	(1,202)	(903)	0
<b>Net change in plan fiduciary net position</b>	<u>464,634</u>	<u>(241,631)</u>	<u>576,478</u>	<u>617,412</u>	<u>580,459</u>	<u>(51,036)</u>	<u>368,769</u>
<b>Plan fiduciary net position - beginning</b>	<u>3,326,980</u>	<u>3,568,611</u>	<u>2,992,133</u>	<u>2,374,721</u>	<u>1,794,262</u>	<u>1,845,298</u>	<u>1,476,529</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 3,791,614</u>	<u>\$ 3,326,980</u>	<u>\$ 3,568,611</u>	<u>\$ 2,992,133</u>	<u>\$ 2,374,721</u>	<u>\$ 1,794,262</u>	<u>\$ 1,845,298</u>
<b>Net OPEB liability - ending (a) - (b)</b>	<u>\$ 6,151,574</u>	<u>\$ 7,312,461</u>	<u>\$ 7,486,140</u>	<u>\$ 7,180,247</u>	<u>\$ 8,521,426</u>	<u>\$ 10,297,382</u>	<u>\$ 10,392,169</u>
<b>Plan fiduciary net position as a percentage of total OPEB liability</b>	38.13 %	31.27 %	32.28 %	29.41 %	21.79 %	14.84 %	15.08 %
<b>Covered-employee payroll</b>	\$ 36,607,680	\$ 33,714,715	\$ 34,311,990	\$ 32,784,223	\$ 31,242,478	\$ 30,702,381	\$ 30,181,968
<b>Net OPEB liability as a percentage of covered-employee payroll</b>	16.80 %	21.69 %	21.82 %	21.90 %	27.28 %	33.54 %	34.43 %

**Notes to Schedule:**

FYE24 - The demographic assumptions were updated to reflect the 2023 TMRS Experience Study, and the health care trend rates were updated to reflect the plan's anticipated experience.

FYE22 - Changes of assumptions reflect revised participation rates to better reflect the plan's experience and changing the methodology for determining service cost such that the attribution period for the accumulation of service costs is now based only on employment with the City of Victoria.

FYE20 - Changes of assumptions reflect updates to the demographic and salary increase assumptions to reflect the 2019 TMRS Experience Study and revised health care trend rates.



## Schedule of Contributions

(Multi-year schedules may be built prospectively)

<u>FY Ending September 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered-Employee Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2018	\$ 1,050,147	\$ 1,192,162	\$ (142,015)	\$ 30,414,370	3.92 %
2019	1,054,239	1,440,166	(385,927)	31,269,773	4.61 %
2020	1,058,453	1,272,852	(214,399)	31,749,423	4.01 %
2021	890,640	1,331,993	(441,353)	34,421,447	3.87 %
2022	894,322	805,911	88,411	34,113,003	2.36 %
2023	898,115	1,170,152	(272,037)	34,492,918	3.39 %
2024	882,758	1,050,717	(167,959)	36,145,646	2.91 %

Employer contributions include trust contributions and benefit payments/expenses paid by the City with its own assets. The benefit payments were determined in a manner similar to how the benefit payments for the measurement period were developed (see page C-1).

## Notes to Schedule of Contributions

**Valuation Date:** The actuarially determined contribution for fiscal year ending September 30, 2024 was developed in the December 31, 2021 valuation.

**Methods and Assumptions:**

Actuarial Cost Method	Individual Entry-Age Normal
Amortization Method	Level Dollar
Amortization Period	Closed, 14 years as of FYE24
Asset Valuation	Market Value
Investment Rate of Return	6.50%, net of investment expenses, including inflation
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS)
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables published through 2019 to account for future mortality improvements.
Healthcare Cost Trend Rates	Initial rate of 7.00% declining to an ultimate rate of 4.15% after 13 years
Participation Rates	It was assumed that retirees would choose to receive retiree health care benefits through the City of Victoria according to the schedule below:

Service with Victoria as of 1/1/2009	Pre-65 Election Percentage
< 10	15%
10 - 19	50%
20 +	75%

Since retirees must be on the City's plan upon attainment of age 65 in order to be eligible for City contributions to a Retiree Reimbursement Account (RRA), the rates above were multiplied by 120% at ages 63 and 64 for those eligible for RRA contributions. In addition, it was assumed that 100% of employees retiring after the age of 65, who are eligible to receive a RRA contribution from the City, would participate.

# SECTION E

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## FUNDING RESULTS

## Development of the Actuarially Determined Contribution and Unfunded Actuarial Accrued Liability

	Development of the Actuarially Determined Contribution	
	<u>September 30, 2026</u>	<u>September 30, 2024</u>
Fiscal Year Ending		
Employer Normal Cost	\$167,410	\$148,018
Amortization of UAAL	<u>\$642,175</u>	<u>\$734,740</u>
Actuarially Determined Contribution (ADC)	\$809,585	\$882,758
ADC Per Active Participant	\$1,425	\$1,644
ADC for Fiscal Year Ending September 30, 2027	\$814,607	

The normal costs shown above include plan administrative expenses.

	Determination of Unfunded Actuarial Accrued Liability	
	<u>December 31, 2023</u>	<u>December 31, 2021</u>
Valuation Date		
A. Present Value of Future Benefits		
i) Retirees and Beneficiaries	\$7,529,084	\$8,433,817
ii) Vested Terminated Members	\$0	\$0
iii) Active Members	<u>\$3,441,675</u>	<u>\$3,512,495</u>
Total Present Value of Future Benefits	\$10,970,759	\$11,946,312
B. Present Value of Future Normal Costs	\$1,027,571	\$891,561
C. Actuarial Accrued Liabilities (A.-B.)	\$9,943,188	\$11,054,751
D. Actuarial Value of Assets	\$3,791,614	\$3,568,611
E. Unfunded Actuarial Accrued Liability (C.-D.)	\$6,151,574	\$7,486,140
F. Funded Ratio (D./C.)	38.13%	32.28%

## Comments

**COMMENT A:** One of the key assumptions used in any valuation of the cost of post-employment benefits is the rate of return on Plan assets. Higher assumed investment returns will result in a lower actuarially determined contribution (ADC). Lower returns will tend to increase the computed ADC. Based on the investment strategy selected by the plan, the assumed long-term rate of return on the OPEB trust is 6.50%.

**COMMENT B:** The ADC shown in this report has been calculated using level dollar amortization of the unfunded actuarial accrued liability. The unfunded actuarial accrued liabilities were amortized over a closed period of 20 years, beginning in FYE 2018. As of FYE26, there are 12 years remaining.

### 10-Year Projection of Net Employer Provided Benefits

Year	Net Employer Benefits
2024	\$1,098,000
2025	1,064,000
2026	988,000
2027	943,000
2028	939,000
2029	925,000
2030	882,000
2031	844,000
2032	830,000
2033	819,000

The projected benefits shown above are based on the active employees and retirees as of the valuation date.

# SECTION F

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## SUMMARY OF BENEFITS

# Summary of Benefits

## As of December 31, 2023

### Plan Participants

Full-time employees of the City who are on the City's health care plan at the time of separation and eligible to retire with TMRS are eligible to participate in the retiree health care plan. Beginning January 1, 2019, to receive City health benefits upon retirement, employees must have been with the City of Victoria for five (5) continuous years and be employed by the City of Victoria until the date of retirement.

### Retirement Benefits

The City participates in the Texas Municipal Retirement System (TMRS). Employees are eligible for retirement after completing 20 years of service, or at age 60 with 5 years of service. Service for retirement eligibility can include TMRS service earned with a different employer. However, eligibility for the City's contribution toward retiree health care premiums is based on the number of years of consecutive service with the City of Victoria. Service accruals for the purpose of determining retiree health care benefits were frozen as of December 31, 2008.

- Category 1 (retired as of 12/31/08)

Years of Service At Retirement	Service Tier
0 – 19	1
20 - 29	2
30 +	3

- Category 2 (employed at 12/31/08; retired on or after January 1, 2009)

Years of Service At 1/1/2009	Service Tier
0 – 9	1
10 - 19	2
20 +	3

- Category 3 (hired on or after January 1, 2009)

### Vested Termination Benefits

Members terminating before normal retirement conditions are not eligible for retiree health care when their vested pension benefit commences.

### Death-in-Service Benefits

If the employee is eligible for the City's Pre-65 Retiree Health Plan at the time of their death, the spouse may continue as a survivor under COBRA coverage for up to 36 months.



# Summary of Benefits

## As of December 31, 2023

### Disability Retirement Benefits

Disabled retirement benefits are provided similar to non-disabled retirement benefits but, at one-half the premium amount. The same provisions apply to disabled retirees as non-disabled retirees. Once the retiree attains age 65, they are no longer on the City's self-insured plan and are only eligible for the Retiree Reimbursement Account contribution.

### Spouse/Dependent Coverage

Retirees may carry spouse and/or dependent coverage on the City's self-insured plan. The City does not provide any post-65 Retiree Reimbursement Account on behalf of a spouse or dependent.

### Benefits for Surviving Spouses of Retired Employees

Surviving spouses may remain on the City's self-insured plan until attaining age 65.

### Medicare–Eligible Provisions

Upon attaining age 65, retirees may no longer participate in the City's self-insured plan. The City provides a flat dollar contribution to a Retiree Reimbursement Account in accordance with the service-based tables above.

### Vision Coverage

Vision benefits are not provided to retirees.

### Dental Coverage

Dental benefits are provided to retirees through the City's self-insured plan. Retirees pay 100% of the dental premiums.

### Life Insurance Coverage

The City does not provide a life insurance benefit for retirees.

### Retiree Opt-Out

There are no additional benefits provided to retirees who choose to not participate.

### Re-enrollment and Early Exit Option

Retirees cannot re-enroll in the City's plan if there is a lapse in coverage. If a retiree has coverage on the City's self-insured health care plan, they must maintain coverage until age 65 in order to be eligible to receive a Retiree Reimbursement Account contribution (if applicable) from the City.



# Summary of Benefits

As of December 31, 2023

## Monthly Premiums for Fiscal Year 2023-2024

### HDHP-1 Pre-65 Medical Plan

Plan Coverage	Category	Service Tier	Total Premium	City Portion	Retiree Portion
Retiree	1	2	\$928.20	\$603.48	\$324.72
Retiree	1	3	\$928.20	\$765.84	\$162.36
Retiree	2	1	\$928.20	\$456.40	\$471.80
Retiree	2	2	\$928.20	\$524.40	\$403.80
Retiree	2	3	\$928.20	\$660.40	\$267.80
Retiree	3	-	\$928.20	\$456.40	\$471.80
Spouse	All	All	\$549.82	\$78.60	\$471.22

### HDHP-2 Pre-65 Medical Plan

Plan Coverage	Category	Service Tier	Total Premium	City Portion	Retiree Portion
Retiree	1	2	\$915.23	\$622.08	\$293.15
Retiree	1	3	\$915.23	\$768.65	\$146.58
Retiree	2	1	\$915.23	\$522.35	\$392.88
Retiree	2	2	\$915.23	\$590.35	\$324.88
Retiree	2	3	\$915.23	\$726.35	\$188.88
Retiree	3	-	\$915.23	\$522.35	\$392.88
Spouse	All	All	\$642.41	\$278.06	\$364.35

### Medicare Plan Retiree Reimbursement Account

Category	Service Tier	City Contribution
1	2	\$213.72
1	3	\$284.96
2	1	\$0.00
2	2	\$204.00
2	3	\$272.00
3	-	\$0.00

The City's contributions are not expected to increase in the future for retirees under age 65 on the City's self-insured health plan for Category 2 and 3; however, there could be an increase for Category 1. Also, the City's contribution amounts to the Medicare Plan Retiree Reimbursement Account are not expected to increase in future years. There currently are no eligible Category 1 retirees in Service Tier 1.



**SECTION G**

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**UNDERLYING RETIREE CLAIMS COST DEVELOPMENT**

## Underlying Retiree Claims Cost Development

The initial per capita costs were developed for the pre-65 retirees using active and retiree claims experience for calendar years 2021 through 2023 in conjunction with census data for the active and retired members of the retiree health care program. It is our understanding that no plan changes occurred over this time period; therefore, no adjustments were applied to the claims for plan changes. The claims were projected on an incurred claim basis, adjusted for large claims, and loaded for administrative expenses. An inherent assumption in this methodology is that the projected future retirees will have a similar distribution by plan type as the current retirees. The prescription drug costs were analyzed separately and are included in the age rated costs shown below.

Age-graded and sex-distinct per capita costs are utilized by this valuation. These costs are appropriate for the unique age and sex distribution currently existing. Over the future years covered by this valuation, the age and sex distribution will most likely change. Therefore, our process “distributes” the average rate over all age/sex combinations and assigns a unique rate for each combination. The age/sex specific costs more accurately reflect the health care utilization and cost at that age.

The monthly per capita costs including medical and prescription drug benefits at select ages are shown below:

For Those Not Eligible For Medicare		
Age	Male	Female
40	\$494.28	\$803.17
50	801.22	987.03
60	1,361.71	1,340.82
64	1,655.88	1,562.70

Medicare-eligible retirees are not eligible to participate in the City’s self-insured health care plan. However, they may be eligible for a flat dollar contribution to a Retiree Reimbursement Account. See Section F of this report for additional details.

# SECTION H

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## SUMMARY OF PARTICIPANT DATA



**City of Victoria**  
**Total Active Members as of December 31, 2023**  
**By Attained Age and Years of Service**

Attained Age	Years of Service to Valuation Date							Total
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	
Under 20	3							3
20-24	44	1						45
25-29	63	17						80
30-34	51	28	4					83
35-39	31	21	24	16				92
40-44	27	14	12	18	8			79
45-49	14	10	9	11	15	2	1	62
50-54	14	3	4	5	7	5	4	42
55-59	12	7	4	3	1	9	11	47
60-64	5	9	2	4	4	4	7	35
65 & Over								
<b>Totals</b>	<b>264</b>	<b>110</b>	<b>59</b>	<b>57</b>	<b>35</b>	<b>20</b>	<b>23</b>	<b>568</b>

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

**Age:** 40.1 years

**Service:** 9.0 years

**City of Victoria**  
**Total Retired Members as of December 31, 2023**  
**By Attained Age**

Attained Age	Number of Retirees		
	Male	Female	Total
Under 55	8	0	8
55-59	9	1	10
60-64	23	11	34
65 & Over	74	27	101
<b>Totals</b>	<b>114</b>	<b>39</b>	<b>153</b>

The number counts above only include those retirees who have elected to receive retiree health care coverage through the City of Victoria Retiree Health Care Plan or are receiving a contribution from the City to a Retiree Reimbursement Account.

## SECTION I

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### VALUATION METHODS AND ACTUARIAL ASSUMPTIONS

## Valuation Methods

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

- (i) the annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement; and
- (ii) each annual normal cost is a constant percentage of the member's year by year projected covered pay.

Actuarial gains/(losses), as they occur, reduce/(increase) the Total OPEB Liability.

# Actuarial Assumptions

**The rate of inflation** is assumed to be 2.50% per year.

**The investment return assumption** used in the valuation was 6.50% per year, compounded annually, net after investment expenses.

**The Single Discount Rate** of 6.50% is based on the measurement date of December 31, 2023.

**The rates of salary increase** used for individual members are in accordance with the following table.

TMRS Years of Service	Male & Female
1	11.85%
2	7.60
3	7.10
4	6.60
5	6.35
6	6.10
7	5.85
8	5.60
9	5.35
10	5.10
11-12	4.85
13-15	4.60
16-20	4.35
21-24	4.10
25+	3.60

## **The rates of post retirement mortality for healthy retirees:**

The gender-distinct 2019 Municipal Retirees of Texas mortality tables were used, with male rates multiplied by 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 table to account for future mortality improvements.

## **The rates of post retirement mortality for disabled retirees:**

The same as healthy retirees, except with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied to reflect impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 table to account for future mortality improvements and are applied before the 3.5% and 3% minimum mortality floors are applied.

## **The rates of mortality for active members:**

The gender-distinct Pub-2010 Public Retirement Plans mortality tables were used, with 110% of the public safety table (PubS-2010 Employee) used for males and 100% of the general employees table (PubG-2010 Employee) used for females. The rates are projected on a fully generational basis using the



## Actuarial Assumptions

ultimate mortality improvement rates in the MP-2021 table to account for future mortality improvements.

## Actuarial Assumptions

The rates of retirement shown in the following table vary by age.

Age	Male & Female
<50	7%
50-52	8
53	9
54	10
55	11
56	12
57	13
58	14
59	15
60	16
61	17
62-64	20
65-74	30
75+	100

Rates of disability among active members. Sample rates are shown below:

Age	Male & Female
20	0.0002%
25	0.0015
30	0.0059
35	0.0155
40	0.0296
45	0.0482
50	0.0713
55	0.0988
60	0.1308
65	0.1672

# Actuarial Assumptions

## Rates of separation from active membership

The probabilities for the member's first three years of service are 22.5%, 17.5%, and 14.5%. After 3 years of service, base termination rates vary by number of years remaining until first retirement eligibility as shown below. All rates are then multiplied by 75% to 125% based on each city's own experience and size. A further multiplier is applied depending on an employee's classification: 1) Fire – 63%, 2) Police – 82%, or 3) Other – 116%.

Years from Retirement	Male & Female
1	2.72%
2	3.01
3	3.32
4	3.67
5	4.06
6	4.49
7	4.96
8	5.48
9	6.06
10	6.70
11	7.41
12	8.19
13	9.05
14	10.01
15	11.06
16+	12.23

Termination rates do not apply to members eligible to retire and do not include separation on account of death or disability.

## Actuarial Assumptions

Health cost increases are displayed in the following table:

Year	Health Care Trend Inflation Rates
	Medical and Drug
2024	7.20%
2025	7.10
2026	7.00
2027	6.80
2028	6.60
2029	6.40
2030	6.20
2031	6.00
2032	5.80
2033	5.60
2034	5.40
2035	5.20
2036	5.00
2037	4.75
2038	4.50
2039 & Later	4.25

The City's contributions for Category 2 and 3 retirees under age 65 as well as toward Medicare Plan Retiree Reimbursement Accounts are not expected to increase in future years.

# Miscellaneous and Technical Assumptions

- Administrative Expenses**      The age-related claims shown on page G-1 include administrative expenses.
  
- Claims Utilization**      To model the impact of aging on the underlying health care costs, the valuation relied on the Society of Actuaries’ 2013 Study “Health Care Costs – From Birth to Death”. Chart 1 (2010 Aggregate Commercial Costs) was used to model the impact of aging for ages less than 65.
  
- Decrement Timing**      Decrements of all types are assumed to occur mid-year.
  
- Decrement Operation**      Disability does not operate during retirement eligibility.
  
- Eligibility Testing**      Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
  
- Marriage Assumption**      Male spouses are assumed to be three years older than female spouses for active member valuation purposes.
  
- Medicare Coverage**      Assumed to be available for all covered employees on attainment of age 65. Disabled retirees were assumed to be eligible for Medicare coverage at age 65.
  
- Election Percentage**      All future retirees are in either Category 2 or 3. It was assumed that retirees would choose to receive retiree health care benefits through the City of Victoria according to the schedule below.

Service with Victoria as of 1/1/2009	Pre-65 Election Rate in City’s Plan
< 10	15%
10 – 19	50%
20 +	75%

Since retirees must be on the City’s plan upon attainment of age 65 in order to be eligible for City contributions to a Retiree Reimbursement Account (RRA), the rates above are multiplied by 120% at ages 63 and 64 for those eligible for RRA contributions.

Of those assumed to elect coverage, 35% of males and 20% of females were assumed to elect two-person coverage, if eligible. For those that elect two-person coverage, it was assumed that coverage would continue to the spouse upon death of the retiree.

In addition, 100% of employees retiring after attaining age 65, who are eligible to receive an RRA contribution from the City, were assumed to participate.

- Demographic Assumptions**      This report has used the same demographic assumptions used to value the defined benefit retirement plan in which the members participate. We are reliant upon the retirement plan actuary to develop the demographic assumptions. Based on our experience, the assumptions appear reasonable.



## Assumption, Method, and Plan Changes

### Assumption, Method, and Plan Changes

1. Demographic and salary increase assumptions have been updated to match those used in the December 31, 2023 TMRS pension valuation.
2. The trend rates were reset to reflect the plan's anticipated experience. This change increased the total OPEB liability.

# SECTION J

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## GLOSSARY OF TERMS

# Glossary of Terms

<b>Accrued Service</b>	Service credited under the system that was rendered before the date of the actuarial valuation.
<b>Actuarial Accrued Liability (AAL)</b>	The AAL is the difference between the actuarial present value of all benefits and the actuarial value of future normal costs. The definition comes from the fundamental equation of funding which states that the present value of all benefits is the sum of the Actuarial Accrued Liability and the present value of future normal costs. The AAL may also be referred to as "accrued liability" or "actuarial liability."
<b>Actuarial Assumptions</b>	These assumptions are estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and compensation increases. Actuarial assumptions are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (compensation increases, payroll growth, inflation and investment return) consist of an underlying real rate of return plus an assumption for a long-term average rate of inflation.
<b>Actuarial Cost Method</b>	A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of the OPEB trust benefits between future normal cost and actuarial accrued liability. The actuarial cost method may also be referred to as the actuarial funding method.
<b>Actuarial Equivalent</b>	A single amount or series of amounts of equal actuarial value to another single amount or series of amounts, computed on the basis of appropriate actuarial assumptions.
<b>Actuarial Gain (Loss)</b>	The difference in liabilities between actual experience and expected experience during the period between two actuarial valuations is the gain (loss) on the accrued liabilities.
<b>Actuarial Present Value (APV)</b>	The amount of funds currently required to provide a payment or series of payments in the future. The present value is determined by discounting future payments at predetermined rates of interest and probabilities of payment.
<b>Actuarial Valuation</b>	The actuarial valuation report determines, as of the actuarial valuation date, the service cost, total OPEB liability, and related actuarial present value of projected benefit payments for OPEB.
<b>Actuarial Valuation Date</b>	The date as of which an actuarial valuation is performed.

# Glossary of Terms

<b>Actuarially Determined Contribution (ADC) or Annual Required Contribution (ARC)</b>	A calculated contribution into an OPEB plan for the reporting period, most often determined based on the funding policy of the plan. Typically the Actuarially Determined Contribution has a normal cost payment and an amortization payment.
<b>Amortization Method</b>	The method used to determine the periodic amortization payment may be a level dollar amount, or a level percent of pay amount. The period will typically be expressed in years, and the method will either be “open” (meaning, reset each year) or “closed” (the number of years remaining will decline each year).
<b>Amortization Payment</b>	The amortization payment is the periodic payment required to pay off an interest-discounted amount with payments of interest and principal.
<b>Cost-of-Living Adjustments</b>	Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.
<b>Cost-Sharing Multiple-Employer Defined Benefit OPEB Plan (cost-sharing OPEB plan)</b>	A multiple-employer defined benefit OPEB plan in which the OPEB obligations to the employees of more than one employer are pooled and OPEB plan assets can be used to pay the benefits of the employees of any employer that provides benefits through the OPEB plan.
<b>Covered-Employee Payroll</b>	The payroll of employees that are provided with benefits through the OPEB plan.
<b>Deferred Inflows and Outflows</b>	The deferred inflows and outflows of OPEB resources are amounts used under GASB Statement No. 75 in developing the annual OPEB expense. Deferred inflows and outflows arise with differences between expected and actual experiences; changes of assumptions. The portion of these amounts not included in the OPEB expense should be included in the deferred inflows or outflows of resources.
<b>Discount Rate</b>	For GASB purposes, the discount rate is the single rate of return that results in the present value of all projected benefit payments to be equal to the sum of the funded and unfunded projected benefit payments, specifically: <ol style="list-style-type: none"><li>1. The benefit payments to be made while the OPEB plans’ fiduciary net position is projected to be greater than the benefit payments that are projected to be made in the period; and</li><li>2. The present value of the benefit payments not in (1) above, discounted using the municipal bond rate.</li></ol>

## Glossary of Terms

### **Entry Age Actuarial Cost Method (EAN)**

The EAN is a cost method for allocating the costs of the plan between the normal cost and the accrued liability. The actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis (either level dollar or level percent of pay) over the earnings or service of the individual between entry age and assumed exit ages(s). The portion of the actuarial present value allocated to a valuation year is the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is the actuarial accrued liability. The sum of the accrued liability plus the present value of all future normal costs is the present value of all benefits.

### **Fiduciary Net Position**

The fiduciary net position is the market value of the assets of the trust dedicated to the defined benefit provisions.

### **GASB**

The Governmental Accounting Standards Board is an organization that exists in order to promulgate accounting standards for governmental entities.

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

The long-term rate of return is the expected return to be earned over the entire trust portfolio based on the asset allocation of the portfolio.

### **Money-Weighted Rate of Return**

The money-weighted rate of return is a method of calculating the returns that adjusts for the changing amounts actually invested. For purposes of GASB Statement No. 74, the money-weighted rate of return is calculated as the internal rate of return on OPEB plan investments, net of OPEB plan investment expense.

### **Multiple-Employer Defined Benefit OPEB Plan**

A multiple-employer plan is a defined benefit OPEB plan that is used to provide OPEB payments to the employees of more than one employer.

### **Municipal Bond Rate**

The Municipal Bond Rate is the discount rate to be used for those benefit payments that occur after the assets of the trust have been depleted.

### **Net OPEB Liability (NOL)**

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

### **Non-Employer Contributing Entities**

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

# Glossary of Terms

<b>Normal Cost</b>	The portion of the actuarial present value allocated to a valuation year is called the normal cost. For purposes of application to the requirements of this Statement, the term normal cost is the equivalent of service cost.
<b>Other Postemployment Benefits (OPEB)</b>	All postemployment benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits regardless of the manner in which they are provided. Other post-employment benefits do not include termination benefits.
<b>Real Rate of Return</b>	The real rate of return is the rate of return on an investment after adjustment to eliminate inflation.
<b>Service Cost</b>	The service cost is the portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.
<b>Total OPEB Expense</b>	The total OPEB expense is the sum of the following items that are recognized at the end of the employer's fiscal year: <ol style="list-style-type: none"><li>1. Service Cost</li><li>2. Interest on the Total OPEB Liability</li><li>3. Current-Period Benefit Changes</li><li>4. Employee Contributions (made negative for addition here)</li><li>5. Projected Earnings on Plan Investments (made negative for addition here)</li><li>6. OPEB Plan Administrative Expense</li><li>7. Other Changes in Plan Fiduciary Net Position</li><li>8. Recognition of Outflow (Inflow) of Resources due to Liabilities</li><li>9. Recognition of Outflow (Inflow) of Resources due to Assets</li></ol>
<b>Total OPEB Liability (TOL)</b>	The TOL is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service.
<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	The UAAL is the difference between actuarial accrued liability and valuation assets.
<b>Valuation Assets</b>	The valuation assets are the assets used in determining the unfunded liability of the plan. For purposes of GASB Statements No. 74 and No. 75, the valuation assets are equal to the market value of assets.