

DFW Airport Retiree Health Care Plan

GASB Statement Nos. 74 and 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

Prepared for the OPEB Plan's Year Ending December 31, 2019 and for DFW's Fiscal Year Ending September 30, 2020





May 11, 2020

Board of Directors
DFW Airport
Dallas/Fort Worth International Airport Board
PO Drawer DFW
DFW Airport, TX 75261-9428

Dear Board of Directors:

This report provides information on behalf of DFW Airport in connection with the Governmental Accounting Standards Board (GASB) Statement Nos. 74 and 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. This report does not reflect the recent and still developing impact of the COVID-19 pandemic, which may significantly impact the demographic and economic experience occurring after this valuation date.

The calculation of the liability associated with the benefits described in this report was performed for the purpose of satisfying the requirements of GASB Statement Nos. 74 and 75. The calculation of the plan's liability for this report is not applicable for funding purposes of the plan. A calculation of the plan's liability for purposes other than satisfying the requirements of GASB Statement Nos. 74 and 75 may produce significantly different results. This report may be provided to parties other than DFW Airport only in its entirety and only with the permission of DFW Airport. GRS is not responsible for unauthorized use of this report.

This report complements the actuarial valuation report prepared as of January 1, 2020, and information herein should be considered along with the information from that report, especially for additional discussions of the nature of actuarial calculations and for more information related to participant data, economic, demographic, health care trend, morbidity assumptions, and benefit provisions.

This report is based upon information, furnished to us by DFW Airport, 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.

All calculations have been made in conformity with generally accepted actuarial principles and practices as well as the Actuarial Standards of Practice. 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.

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 actuaries are independent of the plan sponsor. To the best of our knowledge, this report is complete and accurate and was made in accordance with generally recognized actuarial methods. Mehdi Riazi is a member of the American Academy of Actuaries and meets the Qualification Standards of the Academy of Actuaries to render the actuarial opinion herein.

Respectfully submitted,



Lewis Ward
Consultant



Mehdi Riazi, FSA, EA, MAAA
Consultant



Daniel Siblik, ASA, EA, FCA, MAAA
Consultant

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SECTION A

EXECUTIVE SUMMARY

Note to Auditor – This information is intended to assist in preparation of the financial statements of DFW Airport. Financial statements are the responsibility of the DFW Airport Board’s management, subject to the auditor’s review. Please let us know if the auditor recommends any changes.

Executive Summary

Actuarial Valuation Date	January 1, 2020
Measurement Date of the Net OPEB Liability	December 31, 2019
Plan's Fiscal Year Ending Date (Reporting Date)	December 31, 2019
Employer's Fiscal Year Ending Date (Reporting Date)	September 30, 2020

Membership

Number of	
- Retirees and Beneficiaries	142
- Inactive, Nonretired Members	0
- Active Members	2,079
- Total	2,221
Covered Payroll	\$ 164,498,078

Net OPEB Liability

Total OPEB Liability	\$ 25,109,985
Plan Fiduciary Net Position	30,648,508
Net OPEB Liability	\$ (5,538,523)
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	122.06 %
Net OPEB Liability as a Percentage of Covered Payroll	(3.37)%

Development of the Single Discount Rate

Single Discount Rate	6.75 %
Long-Term Expected Rate of Investment Return	6.75 %
Long-Term Municipal Bond Rate*	2.75 %

Total OPEB Expense	\$ (5,871)
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**Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal in Fidelity Index's "20-Year Municipal GO AA Index" as of December 31, 2019.*

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 Statement Nos. 74 and 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

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, this is analogous to the accrued liability less the market value of assets.

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. 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 information contained in this report does not incorporate any employer contributions made subsequent to the measurement date of December 31, 2019.

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.

Notes to Financial Statements

Paragraphs 47 through 58 of GASB Statement No. 75 discuss the note disclosures and RSI for single-employer plans that have formal assets. We recommend DFW review these paragraphs as well as Illustration 1 in Appendix C of GASB Statement No. 75. 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, deferred outflows of resources and inflows of resources related to OPEB, and descriptive information about the plan. GASB Statement Nos. 74 and 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:

- **Plan Description:**
 - 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 brief description of the types of benefits provided by the plan, automatic or ad hoc postemployment benefit changes including COLAs, and terms or policies regarding the sharing of benefit-related costs with inactive plan members.
 - The authority under which benefit terms are established or may be changed.
 - The number of plan members by category and if the plan is closed.
 - A brief description of contribution requirements, including a description of the plan's funding policy, as well as member and employer contribution requirements.
 - The availability of a stand-alone financial report for the OPEB plan.
- **Components of the net OPEB liability:**
 - The total OPEB liability; the fiduciary net position; and the net OPEB liability.
- **Significant assumptions and other inputs used to measure the total OPEB liability:**
 - Significant assumptions include: Inflation, healthcare cost trend rates, salary changes, ad hoc postemployment benefit changes, and the sharing of benefit-related costs with inactive plan members.
 - If applicable, the patterns of practice relied upon for projecting the sharing of benefit-related costs with inactive plan members.
 - Source of the assumptions for mortality and dates of experience studies.
- **Measure of the net OPEB liability using +/- 1% on the health care trend rate.**
- **On the discount rate:**
 - The discount rate used and the change in the discount rate since the prior fiscal year-end.
 - Assumptions about projected cash flows.
 - The long-term expected rate of return on OPEB investments and a description of how it was determined.
 - The municipal bond rate used and the source of that rate.
 - The periods of projected benefit payments to which the long-term expected rate of return are used.
 - The assumed asset allocation of the portfolio and the long-term expected real rate of return for each major asset class, and whether the returns are arithmetic or geometric.
 - Measure of the net OPEB liability using +/- 1% on the discount rate.
- **The measurement date, the date of the actuarial valuation, and if applicable the fact that update procedures were used to roll forward the total OPEB liability.**
- **A brief description of changes in benefit terms or assumptions that affected the measurement of the total OPEB liability since the prior measurement date.**
- **A brief description of changes made between the measurement date and reporting date.**
- **The employer's contributions made subsequent to the measurement date.**

Required Supplementary Information

GASB Statement Nos. 74 and 75 requires a 10-year 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 net 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 January 1, 2020 and a measurement date of December 31, 2019.

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 6.75%; the municipal bond rate is 2.75% (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 6.75%.

Actuarial Assumptions

The actuarial assumptions used to value the liabilities are the same as those used in the valuation report as of January 1, 2020. 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 were based on the December 31, 2015 experience study. OPEB-specific assumptions, such as the participation assumption for future retirees, health care trend, etc., are reviewed during each valuation.

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; and
- participant behavior differing from expected, e.g.,
 - elections at retirement;
 - one-person versus two-person coverage elections; and
 - time of retirement or termination.

Benefits Valued

The benefit provisions are the same as those described in the funding valuation report as of January 1, 2020.

Effective Date and Transition

GASB Statement Nos. 74 and 75 are effective for fiscal years beginning after June 15, 2016, and June 15, 2017, respectively.

SECTION B

FINANCIAL STATEMENTS

Statement of Net Position

	<u>December 31, 2019</u>
Assets	
Cash and Cash Equivalents	\$ 3,846,747
Receivables	
Due from DFW for stop-loss recovery	\$ 0
Interest and Dividends	4,522
Contributions	<u>0</u>
Total Receivables	<u>\$ 4,522</u>
Investments	
Bond and notes	\$ 11,240,848
Equities	<u>15,825,110</u>
Total Investments	<u>\$ 27,065,958</u>
Total Assets	<u>\$ 30,917,227</u>
Liabilities	
Payables	
Premiums / Claims Payable	\$ 264,741
Accrued Expenses	0
Trustee Fees Payable	<u>3,978</u>
Total Liabilities	<u>\$ 268,719</u>
Net Position Restricted for OPEB	<u>\$ 30,648,508</u>

Statement Changes in Net Position

	December 31, 2019
Additions	
Contributions	
Employer	\$ 1,403,506
Other	0
Total Contributions	\$ 1,403,506
Investment Income	
Net Appreciation in Fair Value of Investments	\$ 4,333,506
Dividends	590,169
Interest	61,714
Net Investment Income	\$ 4,985,389
Other	\$ 0
Total Additions	\$ 6,388,895
Deductions	
Benefit Payments*	\$ 1,311,668
OPEB Plan Administrative Expense	15,021
Other	0
Total Deductions	\$ 1,326,689
Net Increase in Net Position	\$ 5,062,206
Net Position Restricted for OPEB	
Beginning of Year	\$ 25,586,302
End of Year	\$ 30,648,508

*Note: Stop-loss reimbursements were included in the Benefit Payments row.

SECTION C

NOTES TO FINANCIAL STATEMENTS

Schedule of Changes in Net OPEB Liability Period Ending December 31, 2019

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning balance	\$ 25,017,272	\$ 25,586,302	\$ (569,030)
Service cost	1,384,079		1,384,079
Interest on the total OPEB liability	1,691,110		1,691,110
Changes of benefit terms	0		0
Difference between expected and actual experience	(1,670,808)		(1,670,808)
Changes of assumptions	0		0
Employer contributions		1,403,506	(1,403,506)
Net investment income		4,985,389	(4,985,389)
Benefit payments	(1,311,668)	(1,311,668)	0
Administrative expense		(15,021)	15,021
Other		0	0
Net changes	<u>92,713</u>	<u>5,062,206</u>	<u>(4,969,493)</u>
Ending balance	<u>\$ 25,109,985</u>	<u>\$ 30,648,508</u>	<u>\$ (5,538,523)</u>

Ending balances are as of the measurement date, December 31, 2019. The healthcare trend assumption was updated to better reflect future plan experience.

Recognition of Deferred Outflows and Deferred Inflows

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.

The expected remaining service lives of all active employees in the plan were approximately 22,301 years. Additionally, the total plan membership (active employees and inactive employees) was 2,142 (as of the beginning of the measurement period). 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 10.4113 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	2020 Recognized in current OPEB expense	Deferred (Inflow) or Outflow in future expense
Due to Liabilities:				
Differences in expected actual and experience	10.4113	\$ (1,670,808)	\$ (160,480)	\$ (1,510,328)
Assumption changes	10.4113	\$ 0	\$ 0	\$ 0
Due to Assets:				
Excess Investment Returns	5.0000	\$ (3,255,721)	\$ (651,144)	\$ (2,604,577)
Total		\$ (4,926,529)	\$ (811,624)	\$ (4,114,905)

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 the following page.

Schedule of OPEB Expense under GASB Statement No. 75 Fiscal Year Ended September 30, 2020

A. Expense

1. Service Cost	\$ 1,384,079
2. Interest on the Total OPEB Liability	1,691,110
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)	(1,729,668)
6. OPEB Plan Administrative Expense	15,021
7. Other Changes in Plan Fiduciary Net Position	0
8. Recognition of Outflow (Inflow) due to Liabilities	(853,903)
9. Recognition of Outflow (Inflow) due to Assets	(512,510)
10. Total OPEB Expense	\$ (5,871)

Deferred Outflows and Inflows Related to OPEB

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience, liability	\$ 0	\$ 6,507,340
Changes in assumptions	691,588	1,227,496
Difference between expected and actual experience, assets	0	1,830,757
Contributions subsequent to the measurement date	TBD	
Total	TBD	\$ 9,565,593

Employer contributions made subsequent to the measurement date of the total OPEB liability (December 31, 2019) and prior to the end of the employer's reporting period (September 30, 2020) 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 information contained in this report does not incorporate any contributions made subsequent to the measurement date.

Deferred Outflows and Inflows to be Recognized in Future OPEB Expense

Year Ending September 30	Net Deferred Outflows (Inflows)
2021	\$ (1,366,413)
2022	(1,366,415)
2023	(1,008,493)
2024	(1,505,048)
2025	(853,903)
Thereafter	(2,773,733)
Total	\$ (8,874,005)

Deferred Outflows and Inflows – Amortization Schedule

	Remaining Recognition Period	Outflow (Inflow), Beginning of Fiscal Year (or created during the year)	Fiscal Year Ending							Outflow (Inflow), end of Fiscal Year	
			2020	2021	2022	2023	2024	2025	Thereafter		
Differences in Experience											
	2020	10.4113	(1,670,808)	(160,480)	(160,480)	(160,480)	(160,480)	(160,480)	(160,480)	(707,928)	(1,510,328)
	2019	9.3615	(2,459,092)	(262,681)	(262,681)	(262,681)	(262,681)	(262,681)	(262,681)	(883,006)	(2,196,411)
	2018	8.4277	(3,177,649)	<u>(377,048)</u>	<u>(377,048)</u>	<u>(377,048)</u>	<u>(377,048)</u>	<u>(377,048)</u>	<u>(377,048)</u>	<u>(915,361)</u>	<u>(2,800,601)</u>
	Total		(800,209)	(800,209)	(800,209)	(800,209)	(800,209)	(800,209)	(800,209)	(2,506,295)	(6,507,340)
Assumption Changes											
	2020	10.4113	0	0	0	0	0	0	0	0	0
	2019	9.3615	(1,374,299)	(146,803)	(146,803)	(146,803)	(146,803)	(146,803)	(146,803)	(493,481)	(1,227,496)
	2018	8.4277	784,697	<u>93,109</u>	<u>93,109</u>	<u>93,109</u>	<u>93,109</u>	<u>93,109</u>	<u>93,109</u>	<u>226,043</u>	<u>691,588</u>
	Total		(53,694)	(53,694)	(53,694)	(53,694)	(53,694)	(53,694)	(53,694)	(267,438)	(535,908)
Excess Investment Returns											
	2020	5.0000	(3,255,721)	(651,144)	(651,144)	(651,144)	(651,144)	(651,145)	0	0	(2,604,577)
	2019	4.0000	1,986,219	496,555	496,555	496,555	496,554	0	0	0	1,489,664
	2018	3.0000	(1,073,765)	<u>(357,921)</u>	<u>(357,921)</u>	<u>(357,923)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(715,844)</u>
	Total		(512,510)	(512,510)	(512,512)	(154,590)	(651,145)	0	0	0	(1,830,757)
Total Recognized in Future Expense				(1,366,413)	(1,366,415)	(1,008,493)	(1,505,048)	(853,903)	(2,773,733)		(8,874,005)

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: January 1, 2020

Methods and Assumptions:

Actuarial Cost Method	Individual Entry Age Normal
Discount Rate	6.75%
Inflation	2.75%
Salary Increases	3.75 to 6.25% for General Employees and 3.75% to 13.25% for Public Safety, including inflation
Demographic Assumptions	Based on the May 2016 experience study
Mortality	RP-2014 Combined Healthy Mortality tables with Blue Collar Adjustments, with no set back for males or females. Generational mortality improvements in accordance with Scale BB from the table's base year of 2014.
Participation Rates	Participation rates vary based on years of service: 20% for less than 10 years, 30% for 10-14 years, 40% for 15-19 years, and 80% for those with 20 or more years.
Healthcare cost trend rates	
Health	Initial rates of 7.30%, declining to a rate of 4.50% after 13 years.

Single Discount Rate

A Single Discount Rate of 6.75% was used to measure the total OPEB liability. This Single Discount Rate was based on the expected rate of return on OPEB plan investments of 6.75%. The funding policy of DFW Airport is to pay 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, 2019:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	142
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	<u>2,079</u>
Total Plan Members	2,221

Sample Disclosure and 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

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 6.75%, 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:

Sensitivity of Net OPEB Liability to the Single Discount Rate Assumption

1% Decrease	Current Single Discount Rate Assumption	1% Increase
5.75%	6.75%	7.75%
\$ (3,834,816)	\$ (5,538,523)	\$ (7,131,327)

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:

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

1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
\$ (7,416,618)	\$ (5,538,523)	\$ (3,361,233)

SECTION D

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net OPEB Liability and Related Ratios

(Multi-year schedules may be built prospectively)

Measurement period ending December 31,	2019	2018	2017
Total OPEB liability			
Service cost	\$ 1,384,079	\$ 1,566,973	\$ 1,500,492
Interest on the total OPEB liability	1,691,110	1,846,687	1,904,888
Changes of benefit terms	0	0	-
Difference between expected and actual experience	(1,670,808)	(2,721,773)	(3,931,747)
Changes of assumptions	0	(1,521,102)	970,916
Benefit payments	(1,311,668)	(1,456,713)	(1,223,323)
Net change in total OPEB liability	92,713	(2,285,928)	(778,774)
Total OPEB liability - beginning	25,017,272	27,303,200	28,081,974
Total OPEB liability - ending (a)	<u>\$ 25,109,985</u>	<u>\$ 25,017,272</u>	<u>\$ 27,303,200</u>
Plan fiduciary net position			
Employer contributions	\$ 1,403,506	\$ 1,913,077	\$ 1,943,319
Nonemployer contributing entities contributions	0	0	\$ -
Employee contributions	0	0	-
OPEB plan net investment income	4,985,389	(721,613)	3,290,690
Benefit payments	(1,311,668)	(1,456,713)	(1,223,323)
OPEB plan administrative expense	(15,021)	(23,086)	(28,643)
Other	0	0	-
Net change in plan fiduciary net position	5,062,206	(288,335)	3,982,043
Plan fiduciary net position - beginning	25,586,302	25,874,637	21,892,594
Plan fiduciary net position - ending (b)	<u>\$ 30,648,508</u>	<u>\$ 25,586,302</u>	<u>\$ 25,874,637</u>
Net OPEB liability - ending (a) - (b)	<u>\$ (5,538,523)</u>	<u>\$ (569,030)</u>	<u>\$ 1,428,563</u>
Plan fiduciary net position as a percentage of total OPEB liability	122.06 %	102.27 %	94.77 %
Covered-employee payroll	\$ 164,498,078	\$ 154,804,740	\$ 145,204,180
Net OPEB liability as a percentage of covered-employee payroll	(3.37)%	(0.37)%	0.98 %

Notes to Schedules:

2017: The healthcare trend assumption was updated to better reflect future plan experience.

2018: The participation assumption was updated to better reflect future plan experience.

Schedule of Contributions Multiyear Last 10 Fiscal Years

(Schedule may be built prospectively)

Plan FY Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2017	\$ 1,943,319	\$ 1,943,319	\$ 0	\$ 145,204,180	1.34 %
2018	1,913,077	1,913,077	0	154,804,740	1.24 %
2019	1,403,506	1,403,506	0	164,498,078	0.85 %

Notes to Schedule of Contributions

Valuation Date: The Actuarially determined contribution for DFW's fiscal year ending September 30, 2020 was developed in the January 1, 2019 valuation. The ADC for the employer's fiscal year ending September 30, 2020 was contributed during the plan's fiscal year ending December 31, 2019.

Methods and Assumptions:

Actuarial Cost Method	Entry Age Normal
Discount Rate	6.75%
Inflation	2.75%
Salary Increases	3.75 to 6.25% for General Employees and 3.75% to 13.25% for Public Safety, including inflation
Demographic Assumptions	Based on the May 2016 experience study
Mortality	RP-2014 Combined Healthy Mortality tables with Blue Collar Adjustments, with no set back for males or females. Generational mortality improvements in accordance with Scale BB from the table's base year of 2014.
Participation Rates	Participation rates vary based on years of service: 30% for less than 10 years, 40% for 10-14 years, 50% for 15-19 years, and 85% for those with 20 or more years.
Healthcare cost trend rates	
Health	Initial rate of 7.40%, declining to a rate of 4.50% after 14 years.

SECTION E

GLOSSARY OF TERMS

Glossary of Terms

Accrued Service	Service credited under the system that was rendered before the date of the actuarial valuation.
Actuarial Accrued Liability (AAL)	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."
Actuarial Assumptions	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.
Actuarial Cost Method	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.
Actuarial Equivalent	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.
Actuarial Gain (Loss)	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.
Actuarial Present Value (APV)	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.
Actuarial Valuation	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.
Actuarial Valuation Date	The date as of which an actuarial valuation is performed.

Glossary of Terms

Actuarially Determined Contribution (ADC)	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.
Amortization Method	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).
Amortization Payment	The amortization payment is the periodic payment required to pay off an interest-discounted amount with payments of interest and principal.
Cost-of-Living Adjustments	Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.
Cost-Sharing Multiple-Employer Defined Benefit OPEB Plan (cost-sharing OPEB plan)	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.
Covered-Employee Payroll	The payroll of employees that are provided with benefits through the OPEB plan.
Deferred Inflows and Outflows	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.
Discount Rate	For GASB purposes, the discount rate is the single rate of return that results in the present value of all projected benefit payments to be equal to the sum of the funded and unfunded projected benefit payments, specifically: <ol style="list-style-type: none">1. The benefit payments to be made while the OPEB plans’ fiduciary net position is projected to be greater than the benefit payments that are projected to be made in the period; and2. The present value of the benefit payments not in (1) above, discounted using the municipal bond rate.

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

Normal Cost	The portion of the actuarial present value allocated to a valuation year is called the normal cost. For purposes of application to the requirements of this Statement, the term normal cost is the equivalent of service cost.
Other Postemployment Benefits (OPEB)	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.
Real Rate of Return	The real rate of return is the rate of return on an investment after adjustment to eliminate inflation.
Service Cost	The service cost is the portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.
Total OPEB Expense	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">1. Service Cost2. Interest on the Total OPEB Liability3. Current-Period Benefit Changes4. Employee Contributions (made negative for addition here)5. Projected Earnings on Plan Investments (made negative for addition here)6. OPEB Plan Administrative Expense7. Other Changes in Plan Fiduciary Net Position8. Recognition of Outflow (Inflow) of Resources due to Liabilities9. Recognition of Outflow (Inflow) of Resources due to Assets
Total OPEB Liability (TOL)	The TOL is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service.
Unfunded Actuarial Accrued Liability (UAAL)	The UAAL is the difference between actuarial accrued liability and valuation assets.
Valuation Assets	The valuation assets are the assets used in determining the unfunded liability of the plan. For purposes of GASB Statement Nos. 74 and 75, the valuation assets are equal to the market value of assets.