



GASB 75 INTERIM ACTUARIAL VALUATION

Fiscal Year Ending June 30, 2021

TOPEKA METROPOLITAN TRANSIT AUTHORITY

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July 2, 2021

**Chip Falldine, CFO
Topeka Metropolitan Transit Authority
201 N. Kansas Avenue
Topeka, KS 66603**

This report summarizes the interim GASB actuarial valuation for the Topeka Metropolitan Transit Authority 2020/21 fiscal year. To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statement No. 75 (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions).

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

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

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

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

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

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

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

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



Suraj M. Datta, FSA, MAAA
Consulting Actuary



David Murciano, ASA, MAAA, EA
Valuation Actuary

Executive Summary

Topeka Metropolitan Transit Authority Interim GASB 75 Valuation for Fiscal Year Ending June 30, 2021

Summary of Results

Presented below is the summary of GASB 75 results for the fiscal year ending June 30, 2021 compared to the prior fiscal year as shown in the Transit Authority's Notes to Financial Statement.

	As of June 30, 2020		As of June 30, 2021	
Total OPEB Liability	\$	82,672	\$	87,984
Actuarial Value of Assets	\$	0	\$	0
Net OPEB Liability	\$	82,672	\$	87,984
Funded Ratio		0.0%		0.0%

	FY 2019/20		FY 2020/21	
OPEB Expense	\$	(2,979)	\$	(7,031)
Annual Employer Contributions	\$	6,546	\$	4,496

	As of June 30, 2020		As of June 30, 2021	
Discount Rate		2.66%		2.19%
Expected Return on Assets		N/A		N/A

GASB Disclosures

Topeka Metropolitan Transit Authority Interim GASB 75 Valuation for Fiscal Year Ending June 30, 2021

Schedule of Changes in Net OPEB Liability and Related Ratios

OPEB Liability	FY 2020/21	FY 2019/20	FY 2018/19	FY 2017/18
Total OPEB Liability				
Total OPEB Liability - beginning of year	\$ 82,672	\$ 112,091	\$ 140,755	\$ 146,176
Service cost	6,015	8,497	10,473	13,611
Interest	2,300	4,119	5,729	5,688
Change of benefit terms	0	0	0	0
Changes in assumptions	2,470	(2,230)	2,504	(12,568)
Differences between expected and actual experience	(977)	(33,259)	(40,950)	(10,341)
Benefit payments	(4,496)	(6,546)	(6,420)	(1,811)
Net change in total OPEB liability	\$ 5,312	\$ (29,419)	\$ (28,664)	\$ (5,421)
Total OPEB Liability - end of year	\$ 87,984	\$ 82,672	\$ 112,091	\$ 140,755
Plan Fiduciary Net Position				
Plan fiduciary net position - beginning of year	\$ 0	\$ 0	\$ 0	\$ 0
Contributions - employer	4,496	6,546	6,420	1,811
Contributions - active employees	0	0	0	0
Net investment income	0	0	0	0
Benefit payments	(4,496)	(6,546)	(6,420)	(1,811)
Trust administrative expenses	0	0	0	0
Net change in plan fiduciary net position	\$ 0	\$ 0	\$ 0	\$ 0
Plan fiduciary net position - end of year	\$ 0	\$ 0	\$ 0	\$ 0
Net OPEB Liability - end of year	\$ 87,984	\$ 82,672	\$ 112,091	\$ 140,755
Plan fiduciary net position as % of total OPEB liability	0.0%	0.0%	0.0%	0.0%
Covered employee payroll	\$ 3,978,641	\$ 3,844,098	\$ 4,223,949	\$ 3,464,914
Net OPEB liability as % of covered payroll	2.2%	2.2%	2.7%	4.1%

* FY 2020/21 covered payroll is based on FY 2019/20 covered payroll increased by the general wage inflation rate (3.50%).

GASB Disclosures

Topeka Metropolitan Transit Authority Interim GASB 75 Valuation for Fiscal Year Ending June 30, 2021

OPEB Expense

OPEB Expense	FY 2020/21	FY 2019/20
Discount Rate		
Beginning of year	2.66%	3.51%
End of year	2.19%	2.66%
Service cost	\$ 6,015	\$ 8,497
Interest	2,300	4,119
Change of benefit terms	0	0
Projected earnings on OPEB plan investments	0	0
Reduction for contributions from active employees	0	0
OPEB plan administrative expenses	0	0
Current period recognition of deferred outflows / (inflows) of resources		
Differences between expected and actual experience	\$ (14,008)	\$ (13,845)
Changes in assumptions	(1,338)	(1,750)
Net difference between projected and actual earnings on OPEB plan investments	0	0
Total current period recognition	\$ (15,346)	\$ (15,595)
Total OPEB expense	\$ (7,031)	\$ (2,979)

GASB Disclosures

Topeka Metropolitan Transit Authority Interim GASB 75 Valuation for Fiscal Year Ending June 30, 2021

Deferred Outflows / (Inflows) of Resources

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

1. Differences between expected and actual experience of the OPEB plan
2. Changes of assumptions
3. Differences between projected and actual earnings in OPEB plan investments (for funded plans only)

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

Differences between expected and actual experience for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2021
June 30, 2018	\$ (10,341)	7	\$ (1,477)	\$ (4,433)
June 30, 2019	\$ (40,950)	6	\$ (6,825)	\$ (20,475)
June 30, 2020	\$ (33,259)	6	\$ (5,543)	\$ (22,173)
June 30, 2021	\$ (977)	6	\$ (163)	\$ (814)

Changes in assumptions for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2021
June 30, 2018	\$ (12,568)	7	\$ (1,795)	\$ (5,388)
June 30, 2019	\$ 2,504	6	\$ 417	\$ 1,253
June 30, 2020	\$ (2,230)	6	\$ (372)	\$ (1,486)
June 30, 2021	\$ 2,470	6	\$ 412	\$ 2,058

GASB Disclosures

Topeka Metropolitan Transit Authority Interim GASB 75 Valuation for Fiscal Year Ending June 30, 2021

Deferred Outflows / (Inflows) of Resources (Continued)

Net Difference between projected and actual earnings in OPEB plan investments for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2021
June 30, 2018	\$ 0	N/A	\$ 0	\$ 0
June 30, 2019	\$ 0	N/A	\$ 0	\$ 0
June 30, 2020	\$ 0	N/A	\$ 0	\$ 0
June 30, 2021	\$ 0	N/A	\$ 0	\$ 0

As of fiscal year ending June 30, 2021	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 0	\$ (47,895)
Changes in assumptions	3,311	(6,874)
Net difference between projected and actual earnings in OPEB plan investments	N/A	N/A
Total	\$ 3,311	\$ (54,769)

Annual Amortization of Deferred Outflows / (Inflows)

The balances as of June 30, 2021 of the deferred outflows / (inflows) of resources will be recognized in OPEB expense in the future fiscal years as noted below.

FYE	Balance
2022	\$ (15,346)
2023	\$ (15,346)
2024	\$ (15,349)
2025	\$ (5,665)
2026	\$ 248
Thereafter	\$ 0

GASB Disclosures

Topeka Metropolitan Transit Authority Interim GASB 75 Valuation for Fiscal Year Ending June 30, 2021

Sensitivity Results

The following presents the Net OPEB Liability as of June 30, 2021, calculated using the discount rate assumed and what it would be using a 1% higher and 1% lower discount rate.

- The current discount rate is 2.19%.
- The 1% decrease in discount rate would be 1.19%.
- The 1% increase in discount rate would be 3.19%.

As of June 30, 2021	Net OPEB Liability	
1% Decrease	\$	93,270
Current Discount Rate	\$	87,984
1% Increase	\$	82,758

The following presents the Net OPEB Liability as of June 30, 2021, using the health care trend rates assumed and what it would be using 1% higher and 1% lower health care trend rates.

- The current health care trend rate starts at an initial rate of 7.50%, decreasing to an ultimate rate of 4.50%.
- The 1% decrease in health care trend rates would assume an initial rate of 6.50%, decreasing to an ultimate rate of 3.50%.
- The 1% increase in health care trend rates would assume an initial rate of 8.50%, decreasing to an ultimate rate of 5.50%.

As of June 30, 2021	Net OPEB Liability	
1% Decrease	\$	78,352
Current Trend Rates	\$	87,984
1% Increase	\$	99,266

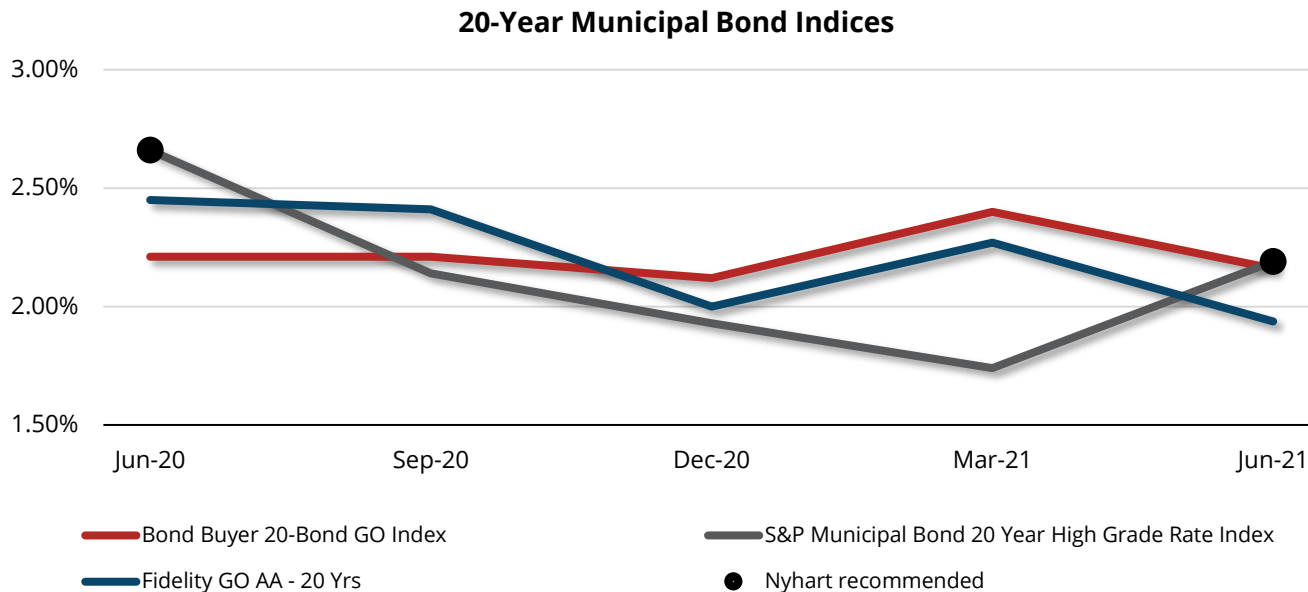
Discussion of Discount Rates

Topeka Metropolitan Transit Authority Interim GASB 75 Valuation for Fiscal Year Ending June 30, 2021

Under GASB 75, the discount rate used in valuing OPEB liabilities for unfunded plans as of the Measurement Date must be based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA /Aa or higher (or equivalent quality on another rating scale).

For the current valuation, the discount rate was selected from the range of indices as shown in the table below, where the range is given as the spread between the lowest and highest rate shown.

	Bond Buyer Go 20-Bond Municipal Bond Index	S&P Municipal Bond 20-Year High Grade Rate Index	Fidelity 20-Year Go Municipal Bond Index	Bond Index Range	Actual Discount Rate Used
Yield as of July 1, 2020	2.21%	2.66%	2.45%	2.21% - 2.66%	2.66%
Yield as of June 30, 2021	2.16%	2.19%	1.94%	1.94% - 2.19%	2.19%



Summary of Key Actuarial Assumptions

Topeka Metropolitan Transit Authority Interim GASB 75 Valuation for Fiscal Year Ending June 30, 2021

For a complete summary of actuarial methods and assumptions, refer to the GASB 75 actuarial valuation report for the fiscal year ending June 30, 2020.

Measurement Date

For fiscal year ending June 30, 2021, a June 30, 2021 measurement date was used.

Actuarial Valuation Date

July 1, 2020 with results actuarially projected on a “no gain / no loss” basis to get to the June 30, 2021 measurement date. Liabilities as of July 1, 2020 are based on an actuarial valuation date of July 1, 2020.

Discount Rate

2.19% as of June 30, 2021 and 2.66% as of July 1, 2020 for accounting disclosure purposes. Refer to the Discussion of Discount Rates section for more information on selection of the discount rate.

Payroll Growth

Payroll growth rates including general wage inflation of 3.50% (2.75% general inflation and 0.75% productivity) plus merit increases as shown below are based on the Kansas Public Employees Retirement System December 31, 2019 Actuarial Valuation for local employees.

YOS	General
0	6.50%
5	2.20%
10	1.20%
15	0.80%
20	0.60%
25	0.10%
30+	0.00%

Inflation Rate

2.75% per year

Cost Method

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

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

Summary of Key Actuarial Assumptions

Topeka Metropolitan Transit Authority Interim GASB 75 Valuation for Fiscal Year Ending June 30, 2021

Health Care Trend Rates	FYE	Medical/Rx	FYE	Medical/Rx
	2022	7.5%	2026	5.5%
	2023	7.0%	2027	5.0%
	2024	6.5%	2028+	4.5%
	2025	6.0%		

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

Actuary's Notes

Topeka Metropolitan Transit Authority Interim GASB 75 Valuation for Fiscal Year Ending June 30, 2021

Interim year valuation results have been projected from the prior year's valuation, with adjustments for actual premium and contribution increases from 2019/20 to 2020/21. The impact of this change was an increase in liabilities.

Additionally, we have updated the discount rate assumption based on the yield for 20-year-tax-exempt general obligation municipal bonds as of June 30, 2021 (measurement date). The discount rate is 2.66% as of July 1, 2020 and 2.19% as of June 30, 2021. Refer to the Discussion of Discount Rates section for more information on selection of the discount rate. Making this change resulted in an increase in liabilities.

Premium Rates

Same benefit options are offered to retirees as active employees. The Transit Authority's health plans are fully-insured and experience-rated. The monthly premiums by plan effective on January 1, 2020 and January 1, 2021 are as shown below.

Plan (Eff. 1/1/2020)	EE	EE + Spouse
\$1,500/\$3,000 Ded Plan	\$ 645.57	\$ 1,380.78
\$2,500/\$5,000 Ded Plan	\$ 585.88	\$ 1,253.12
\$3,500/\$7,000 Ded Plan	\$ 544.95	\$ 1,165.57
Plan (Eff. 1/1/2021)	EE	EE + Spouse
\$1,500/\$3,000 Ded Plan	\$ 663.85	\$ 1,426.09
\$2,500/\$5,000 Ded Plan	\$ 651.74	\$ 1,400.05
\$3,500/\$7,000 Ded Plan	\$ 644.57	\$ 1,384.62

Retiree Cost Sharing

Retirees are responsible for the full premium rates up to 125% of the premium.