



July 12, 2019

Mr. Patrick Hopkins  
 Business Administrator  
 City of Lancaster  
**Sent via email: [phopkins@cityoflanasterpa.com](mailto:phopkins@cityoflanasterpa.com)**

Re: OPEB Contribution

Dear Patrick:

Previously, you requested that we provide an actuarial determined contribution amount for each of the various funds based on the January 1, 2018 OPEB Valuation.

The contribution amounts shown below are determined following the same methodology that the Annual Required Contribution (ARC) figure is calculated under GASB 45. Under this method, there are two components that comprise the ARC: 1) Normal (or Service) costs for the benefits earned for the upcoming year and 2) an amortized amount of the unfunded accrued liability.

The Normal (or Service) Cost component includes 4.50% of interest since the ARC assumes the contribution is made at the end of the year.

The amortization component is based on the Unfunded Actuarial Accrued Liability which shown determined below.

|   | Water Fund         | Sewer Fund         | General Fund         | Stormwater Mgmt. Fund | Solid Waste and Recycling Fund |
|---|--------------------|--------------------|----------------------|-----------------------|--------------------------------|
| <b>Actuarial Accrued Liability</b>          | \$12,247,291       | \$5,999,473        | \$101,311,853        | \$1,138,113           | \$163,171                      |
| <b>Value of Assets</b>                      | \$5,880,326        | \$605,759          | \$0                  | \$0                   | \$0                            |
| <b>Unfunded Actuarial Accrued Liability</b> | <u>\$6,366,965</u> | <u>\$5,393,714</u> | <u>\$101,311,853</u> | <u>\$1,138,113</u>    | <u>\$163,171</u>               |

There is flexibility in the length of the amortization period and it is ultimately the decision of the City. Under GASB 45, the amortization period was 30 years since that was the longest allowable period under the standard. Note, the Actuarial Accrued Liability figures are based on the long-term expected rate of return on assets of 4.50%.

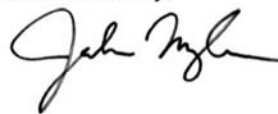


|                            | Water Fund | Sewer Fund | General Fund | Stormwater Mgmt. Fund | Solid Waste and Recycling Fund |
|----------------------------|------------|------------|--------------|-----------------------|--------------------------------|
| <b>Normal Cost</b>         | \$368,671  | \$223,954  | \$3,646,515  | \$86,487              | \$0                            |
| <b>Amortization of UAL</b> | \$374,045  | \$316,869  | \$5,951,853  | \$66,862              | \$9,586                        |
| <b>Contribution</b>        | \$742,716  | \$540,823  | \$9,598,368  | \$153,349             | \$9,586                        |

It should be noted that GASB 75 does not require a minimum contribution amount or even that an employer funds the OPEB benefit. The decisions to fund and the amount to contribute is at the employer's discretion. The figures provided are a projection of liabilities based upon stated assumptions and is not an exact statement of the Plan's ultimate benefits and liabilities. Future actuarial measurements may differ significantly from the current measurements present here 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 or changes in plan provisions or applicable law. In funding this plan, the City should consider possible differences between these projections and the ultimate costs of the Plan.

Please contact me if you would like to discuss further or have additional questions.

Yours sincerely,



Joshua R. Mayhue, F.S.A.  
 Consulting Actuary