

October 23, 2020

PERSONAL & CONFIDENTIAL

Joesph Young
Village of Lake Orion
21 East Church Street
Lake Orion, Michigan 48362

RE: Village of Lake Orion Retiree Medical Plan

Dear Joe:

Transmitted via email, this is a copy of your OPEB accounting report for the fiscal year ending June 30, 2020. This information is intended to assist you in complying with Governmental Accounting Standards Board Statement No. 74 (GASB 74) Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, and Statement No. 75 (GASB 75) Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.

If you have any questions about this report, please call me at (616) 742-9244.

Sincerely,



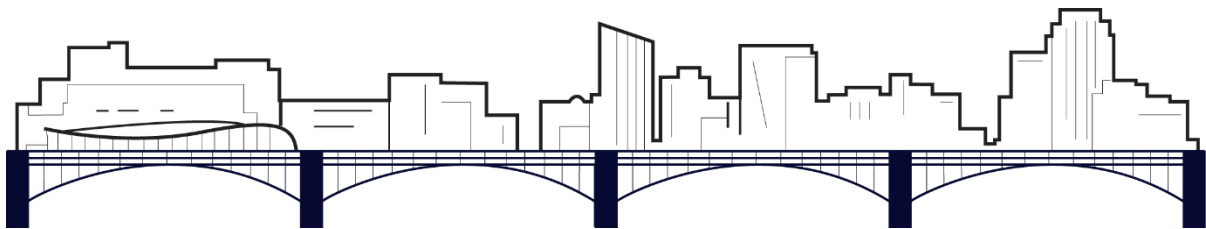
Christian R. Veenstra, FCA, ASA, MAAA
President / Enrolled Actuary

Enclosure

Village of Lake Orion Retiree Medical Plan

Accounting Report

for the Period Ending June 30, 2020
under GASB Statement 74 & 75



WATKINS ROSS | 200 OTTAWA AVE N.W. | SUITE 600 | GRAND RAPIDS, MI 49503 | 616.456.9696

Report presented by:



October 2020

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INTRODUCTION AND CERTIFICATION

The schedules included in this report have been prepared in order to provide the information necessary to comply with Governmental Accounting Standards Board (GASB) Statement Nos. 74 and 75. This information may, at the discretion of management of the plan sponsor and its auditor, be used for the preparation of its financial statements. The calculations herein have been made based on our understanding of GASB 74 and 75, and may be inappropriate for other purposes.

The calculations summarized in this report involve actuarial calculations that require assumptions about future events. We believe that the assumptions used in the report are within the range of possible assumptions that are reasonable and appropriate for the purposes for which they have been used. However, other assumptions are also reasonable and appropriate and their use would produce different results.

This report contains additional information and details related to plan provisions and recommended contribution calculations.

This report was prepared on the basis of participant data and asset values as reported to us by the plan sponsor. Watkins Ross relied upon the data as submitted, and has no reason to believe that any information, which would have a material effect on the results of this valuation, was not considered in the preparation of the report.

The actuary certifying this report represents herself as meeting the Qualification Standards of the American Academy of Actuaries to render actuarial opinions contained in the report.

Prepared by:



Lisa J. Hayes
Senior OPEB Analyst

Certified by:



Leah A. Dudley, ASA, MAAA
Health Actuary

COMMENTS

Purpose of Governmental Accounting Standards Board (GASB) Reporting

The objective of GASB is to provide guidelines and requirements for accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). This statement establishes standards for recognizing and measuring liabilities, deferred inflows and outflows of resources and methods and assumptions that are required to be used to project benefit payments and discount those payments to their actuarial present value.

The methods and assumptions may or may not be an appropriate measure of the plan's liability for funding purposes or for reporting liabilities under Public Act 202 of the State of Michigan. Thus, liabilities and other values calculated for those purposes may differ from the ones used for GASB reporting.

State of Michigan Public Act 202

Public Act 202 (PA 202) was drafted to address the underfunded status of pension and retiree healthcare plans of local governments in Michigan. Accordingly, PA 202 included transparency and funding requirements. In addition, in order that the plans' funded status be reported on a consistent basis, Uniform Assumptions were published. While all of the Uniform Assumptions have a sound and reasonable basis, some might not be appropriate for each plan and therefore may be different than what is used for funding. Additionally, some of the assumptions may differ from what is required for reporting under GASB.

Actuarially Determined Contribution for GASB reporting

GASB reporting includes a 10-year history of actual annual amounts contributed by an employer on behalf of the OPEB plan and an Actuarially Determined Contribution (ADC). In addition, the report includes a summary of assumptions used to determine the ADC. This reporting requirement presumes a separate funding report is completed. However, for many employers, separate funding studies have not been solicited. We have included a contribution section in this report (Schedules of Required Supplementary Information: Description of Actuarially Determined Contribution) that provides this information. The assumptions and methods used for these calculations are derived from those used for GASB reporting and are not necessarily consistent with PA 202. This report includes an ADC determined using an amortization of the unfunded liability over average future service for actives for GASB reporting purposes.

Actuarially Determined Contribution under Public Act 202

Public Act 202 requires a calculation of an ADC using the Uniform Assumptions prescribed under PA 202. This ADC differs from the one used for the 10-year reporting history noted in the paragraph above. (Schedules of Required Supplementary Information: State of Michigan Public Acts 530 and 202 Information)

Changes in Actuarial Assumptions, Plan Changes and Expected Actuarial Experience

There was an actuarial gain (decrease in liability) of \$492,465, mostly due to the change in post-65 premiums other than expected. The combination of actuarial assumption changes, described in the "Assumptions and Methods for Calculation of Actuarially Determined Contribution" section of this report, generated an actuarial loss (increase in liability) of \$489,911.

PLAN DESCRIPTION

Summary of Significant Accounting Policies

For purposes of measuring the net Other Post-Employment Benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Village of Lake Orion Retiree Medical Plan and additions to/deductions from the Village's fiduciary net position have been determined on the same basis as they are reported by the Village of Lake Orion. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

Village of Lake Orion Retiree Medical Plan is a single employer plan established and administered by **Village of Lake Orion** and can be amended at its discretion.

Benefits Provided

A summary of the benefits provided is available in the Plan Provisions section of the report.

Summary of Plan Participants

As of June 30, 2020, Retirement Plan membership consisted of the following:

Active members	3
Inactive members	1
Retirees and beneficiaries	10
Total members	14

Contributions

The Village of Lake Orion Retiree Medical Plan was established and is being funded under the authority of the Village. The plan's funding policy is that the employer will contribute any required amounts as determined by an annual actuarial valuation as a reference but not as a definitive requirement. Currently, benefit payments are made from general operating funds. There are no long-term contracts for contributions to the plan.

ASSUMPTIONS AND METHODS

The Village of Lake Orion's OPEB liability was measured as of June 30, 2020.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020. The following actuarial assumptions were used in the measurement:

Inflation	Included in investment return
Salary increases	3.0% (for purpose of allocating liability)
Investment rate of return	4.46% (including inflation)
20-year Aa Municipal bond rate	2.66% (S&P Municipal Bond 20-Year High Grade Rate Index)
Mortality	Police: Public Safety 2010 Employee and Healthy Retiree, headcount weighted Spouses and general employees: Public General 2010 Employee and Healthy Retiree, headcount weighted
Improvement Scale	MP-2018

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of retirement plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the retirement plan's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	65.4%	4.80%
Global Fixed Income	29.1%	3.60%
Real Assets	3.1%	6.40%
Diversifying Strategies	2.4%	3.00%

The sum of each target allocation times its long-term expected real rate, plus inflation, is 4.46%.

Discount Rate

The discount rate used to measure the total OPEB liability was **4.46%**. Because the covered group is closed to new entrants and the employer continues to make benefit payments on a pay-as-you-go basis, assets will theoretically not be depleted and no cross-over point will occur so the average rate above is used for the discount rate. **It is our opinion that because the plan is only 7.3% funded and the employer has not committed to funding the plan, as long as benefits are paid from general operating funds those payments ought to be discounted at the municipal bond rate and a lower discount rate would result in a higher liability.** This discount rate is used to determine the Total OPEB Liability. As of June 30, 2019 the discount rate used to value OPEB liabilities was 7.09%.

RECONCILIATION AND RECOGNITION OF NET OPEB LIABILITY

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2019	\$1,945,900	\$136,880	\$1,809,020
Changes during the Year			
Service Cost	13,960		13,960
Interest	136,147		136,147
Experience (Gains)/Losses	(492,465)		(492,465)
Change in plan terms	0		0
Change in actuarial assumptions	489,911		489,911
Contributions to OPEB trust		10,000	(10,000)
Contributions/benefit paid from general operating funds		79,196	(79,196)
Employee Contributions		0	0
Net Investment Income		962	(962)
Benefit Payments; Including Refunds of Employee Contributions	(79,196)	(79,196)	0
Administrative Expenses		(694)	694
Other Changes		0	0
Total Changes	68,357	10,268	58,089
Balance at June 30, 2020	\$2,014,257	\$147,148	\$1,867,109

Net OPEB Liability – Discount and Trend Rate Sensitivities

The following presents the net OPEB liability (NOL) of the Village, calculated using trend and discount rates 1% higher and lower than base assumptions:

Discount	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$2,292,367	\$2,014,257	\$1,786,356
Plan Fiduciary Net Position	147,148	147,148	147,148
Net OPEB Liability	\$2,145,219	\$1,867,109	\$1,639,208

Trend	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$1,776,136	\$2,014,257	\$2,302,859
Plan Fiduciary Net Position	147,148	147,148	147,148
Net OPEB Liability	\$1,628,988	\$1,867,109	\$2,155,711

RECONCILIATION AND RECOGNITION OF NET OPEB LIABILITY

OPEB Expense

Below are the components of the Total OPEB Expense:

	Fiscal Year Ending 06/30/2020
Service Cost	\$13,960
Interest on Total OPEB Liability	136,147
Experience (Gains)/Losses	(305,505)
Changes in Plan Terms	0
Changes in Assumptions	166,439
Employee Contributions	0
Projected Earnings on OPEB Plan Investments	(9,857)
Investment Earnings (Gains)/Losses	1,465
Administrative Expenses	694
Other Changes in Fiduciary Net Position	0
Total OPEB Expense	\$3,343

OPEB Plan Fiduciary Net Position

The OPEB Plan Fiduciary Net Position as of June 30, 2020 is \$147,148.

Deferred Inflows and Outflows of Resources Related to OPEB Plan

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Experience (Gains)/Losses	85	186,586
Changes of Assumptions	185,618	31,706
Investment Earnings (Gains)/Losses	6,711	0
Total	\$192,414	\$218,292

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount Recognized
2021	\$(31,124)
2022	1,464
2023	2,003
2024	1,779
2025	0
Thereafter	0

RECONCILIATION AND RECOGNITION OF NET OPEB LIABILITY

Reconciliation of Net OPEB Liability

	Net OPEB Liability
Net OPEB Liability June 30, 2019	\$1,809,020
Total OPEB expense	3,343
Contributions	(89,196)
Change in deferred outflows of resources	191,955
Change in deferred inflows of resources	(48,013)
Net OPEB Liability June 30, 2020	\$1,867,109

Total OPEB Liability by Participant Status

	Total OPEB Liability
Active participants	\$487,459
Inactive participants	323,246
Retirees and beneficiaries	1,203,552
Total OPEB Liability	\$2,014,257

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Description of Actuarially Determined Contributions

Previously, under Governmental Accounting Standards Board (GASB) Statement Nos. 43 and 45, an Annual Required Contribution (ARC) was provided in order that an OPEB plan sponsor could either contribute such amount to an OPEB trust or book the balance on the employer's financial pages as an OPEB Obligation.

GASB Nos. 74 and 75, however, eliminate the ARC as a component of the financial statement and, instead, separately identify an accounting expense that must be recorded on the financial pages - whether or not a contribution was actually made to an OPEB trust. Although a recommended contribution is no longer necessary as part of GASB reporting, we have included one along with the accounting entries in this report in order to provide information for funding. This recommended contribution is designed to eventually fund your plan enough that you can pay retiree benefits directly from that trust instead of general operating funds. The amortization period is based on average future working years for active employees.

Actuarially Determined Contribution (ADC)	Fiscal Year Ending June 30,	
	2021	2020
Discount rate	4.46%	7.09%
Amortization period	8 years	9 years
Amortization method	Level \$	Level \$
Normal cost	15,453	13,960
Amortization of Net OPEB Liability	270,543	260,271
Interest to end of year	12,755	19,443
Total ADC	\$298,751	\$293,674

PA 202 was issued by the State of Michigan and requires the calculation of other "contribution" amounts. These are

1. The Actuarially Determined Contribution (ADC) using Assumptions for financial reporting and
2. The minimum required amount to be deposited into an OPEB trust

The first of these contributions as shown above, \$293,674, is an amount required to be reported to the State of Michigan and may be used to determine whether a Corrective Action Plan (CAP) must be adopted if one hasn't yet been implemented. *It is not a required contribution.*

The second of these numbers is the actual minimum amount the State of Michigan requires you to deposit into a trust and it is based on the normal cost (actuarially calculated) for those covered by your plan and hired after June 30, 2018. Because your plan is closed to new hires after July 1, 2007, this requirement is not applicable.

Minimum funding rules under PA 202 require that retiree healthcare benefits continue to be paid from general operating funds until plan funds are sufficient to pay benefits. That amount (\$79,196 for 2020) when added to what you deposited into a trust, generates a total minimum required amount of \$79,196 as shown on the following page of this report.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

State of Michigan Public Acts 530 and 202 Information

Financial information	2020
Assets (Fiduciary net position)	147,148
Liabilities (Total OPEB Liability)	2,014,257
Funded ratio for the Plan Year	7.31%
Actuarially Determined Contribution	\$293,674
Is ADC calculated in compliance with No. Letter 2018-3?	Yes

Membership	2020
Number of active members	3
Number of inactive members	1
Number of retirees and beneficiaries	10
Premiums paid on behalf of the retirants	\$79,196

Investment Performance
This information is available from the Investment Manager

Actuarial Assumptions	2020
Actuarially assumed rate of investment return	4.46%
Discount rate	4.46%
Amortization method used for funding unfunded liability	Level \$
Amortization period used for funding unfunded liability	9 years
Is each division closed to new employees	Yes
Healthcare inflation assumption next year	8.25%
Healthcare inflation assumption - long term	4.50%

Uniform Assumptions	2020
Actuarial value of assets using uniform assumptions	147,148
Actuarial accrued liability using uniform assumptions	2,007,955
Funded ratio using uniform assumptions	7.33%
Actuarially Determined Contribution (ADC) using uniform assumptions	\$293,052

Information for Summary Report (minimum required contribution) ¹	2020
Retiree insurance premiums for the year (1)	79,196
Normal cost as a percent of covered payroll (2)	8.39%
Covered payroll for employees hired after June 30, 2018 (3)	0
Normal cost for employees hired after June 30, 2018 (4) = (2)X(3)	0
Minimum required contribution under PA 202 (1) + (4)	\$79,196

¹ Senate Bill 686 requires that a local unit must contribute at least both of the following – Normal cost for employees first hired after June 30, 2018 and retiree premiums due to retirants in the retirement system; In order to obtain 40% funding, higher contributions may be needed.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Changes in Net OPEB Liability and Related Ratios

Fiscal Year Ending	06/30/2020	06/30/2019	06/30/2018
Total OPEB Liability			
Service Cost	\$13,960	\$27,523	\$26,056
Interest	136,147	120,056	119,190
Changes of Benefit Terms	0	0	0
Difference between Expected and Actual Experience	(492,465)	833	0
Change of Assumptions	489,911	(307,414)	0
Benefit Payments (Including Refunds of Employee Contributions)	(79,196)	(87,636)	(87,425)
Net Change in Total OPEB Liability	68,357	(246,638)	57,821
Total OPEB Liability – Beginning	1,945,900	2,192,538	2,134,717
Total OPEB Liability – Ending (a)	\$2,014,257	\$1,945,900	\$2,192,538
Plan Fiduciary Net Position			
Contributions to OPEB trust	\$10,000	\$10,000	\$10,000
Contributions/benefit payments made from general operating funds	79,196	87,636	87,425
Net Investment Income	962	5,726	8,776
Benefit Payments (Including Refunds of Employee Contributions)	(79,196)	(87,636)	(87,425)
Administrative Expenses	(694)	(606)	(554)
Other	0	0	0
Net Change in Fiduciary Net Position	10,268	15,120	18,221
Plan Fiduciary Net Position – Beginning	136,880	121,760	103,539
Plan Fiduciary Net Position – Ending (b)	147,148	136,880 ¹	121,760
Net OPEB Liability – Ending (a)-(b)	\$1,867,109	\$1,809,020	\$2,070,778
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	7.31%	7.03%	5.55%
Covered Employee Payroll	\$178,243	Not available	Not available
Net OPEB Liability as Percentage of Payroll	1047.5%	Not available	Not available
Actuarially Determined Contribution	\$293,674	\$305,514	\$253,808
Employer Contribution/benefit payments	(89,196)	(97,636)	(97,425)
Contribution Deficiency/(Excess)	\$204,478	\$207,878	\$156,383
ADC as a Percentage of Covered Payroll	164.8%	Not available	Not available
Employer Contribution as a Percentage of Covered Payroll	50.0%	Not available	Not available

¹ Includes \$10,000 accrued contribution per the financial statements

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Assumptions and Methods for Calculation of Actuarially Determined Contribution

Valuation date June 30, 2020

Measurement date June 30, 2020

Reporting date June 30, 2020

Actuarial Methods

Cost method Entry Age Normal (level percentage of compensation)

Asset valuation method Market value

Actuarial Assumptions

Discount Rate – 4.46% for June 30, 2020 liability and 2021 contribution

Rationale – The discount rate has been set equal to the long term expected return

20-year Aa Municipal Bond Rate – 2.66%

Rationale – 20-year Aa bond rate (based on information published by Bartel Associates, LLC as of June 30, 2020)

Salary Scale – 3.0%

Rationale – Per employer experience and expectations

Return on Plan Assets – 4.46%

Rationale – Consistent with plan investment experience

Mortality Rates

Police: Public Safety 2010 Employee and Healthy Retiree, headcount weighted, MP 2018 mortality improvement

Spouses and general employees: Public General 2010 Employee and Healthy Retiree, headcount weighted, MP-2018 mortality improvement

Rationale – Current mortality rates for municipalities

Utilization – 100% of future retirees are expected to elect Simply Blue PPO 2000 Gold plan for pre-65 coverage and receive contributions towards healthcare costs; actual coverage used for non-active

Rationale – historical

Termination Rates – none

Rationale – Small group

Disability Rates – none

Rationale – Small group

Retirement Rates – Upon attainment of 32 years of service

Rationale – These rates were chosen based on this plan's historical experience

Marital assumption – Actual spouse data used for current and future retirees

Rationale – consistent with experience

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Monthly per capita claims costs

Pre-65 costs – for retiree or spouse less than age 65, see rates below:

Simply Blue 2000 PPO Gold	
Age	Medical
55	\$662.35
56	692.95
57	723.84
58	756.81
59	773.14
60	806.11
61	834.63
62	853.34
63	876.80
64	891.06

Rationale – actual premiums effective September 2020

Post-65 medical: \$545.47 Single, \$1,090.94 Double per month

Rationale – actual Blue Cross Blue Shield Medicare Advantage PPO monthly premiums effective January 1, 2021

Implicit Subsidy – Not applicable; premiums are age-graded

Medical Trend – Medical premiums: Pre-Medicare 8.25% graded down to 4.5% by 0.25% per year; Post-Medicare, 6.5% graded down to 4.5% by 0.25% per year

Rationale – Based on State of Michigan trend survey

Data Collection

Date and form of data - All personnel and asset data was prepared by the plan sponsor or a representative and was generally relied upon as being correct and complete without audit by Watkins Ross

Assumption changes since prior valuation

- Spouse mortality updated
- Trend updated
- Marital assumptions updated
- Discount rate lowered from 7.09% to 4.46%

Assumptions used for PA 202 Reporting

Salary Scale – 3.5%

All other assumptions are the same as used for GASB

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Difference between Actual and Expected Experience

Year	Difference between expected and actual Experience	Recognition period (years)	Amount Recognized in Year Ended June 30,							Deferred Outflow of Resources	Deferred Inflow of Resources
			2020	2021	2022	2023	2024	2025	2026+		
2018	-	3.23	-	-	-	-	-	-	-	-	-
2019	833	2.23	374	85	-	-	-	-	-	85	-
2020	(492,465)	1.61	(305,879)	(186,586)	-	-	-	-	-	-	(186,586)
Net recognized in OPEB expense			<u>\$ (305,505)</u>	<u>\$ (186,501)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85</u>	<u>\$ (186,586)</u>

Schedule of Changes in Assumptions

Year	Changes in Assumptions	Recognition period (years)	Amount Recognized in Year Ended June 30,							Deferred Outflow of Resources	Deferred Inflow of Resources
			2020	2021	2022	2023	2024	2025	2026+		
2018	-	3.23	-	-	-	-	-	-	-	-	-
2019	(307,414)	2.23	(137,854)	(31,706)	-	-	-	-	-	-	(31,706)
2020	489,911	1.61	304,293	185,618	-	-	-	-	-	185,618	-
Net recognized in OPEB expense			<u>\$ 166,439</u>	<u>\$ 153,912</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 185,618</u>	<u>\$ (31,706)</u>

Schedule of Differences between Projected and Actual Earnings on OPEB Plan Investments

Year	Difference between expected and actual earnings on OPEB assets	Recognition period (years)	Amount Recognized in Year Ended June 30,							Deferred Outflow of Resources	Deferred Inflow of Resources
			2020	2021	2022	2023	2024	2025	2026+		
2018	(2,681)	5.00	(536)	(536)	(537)	-	-	-	-	-	(1,073)
2019	1,112	5.00	222	222	222	224	-	-	-	668	-
2020	8,895	5.00	1,779	1,779	1,779	1,779	1,779	-	-	7,116	-
Net recognized in OPEB expense			<u>\$ 1,465</u>	<u>\$ 1,465</u>	<u>\$ 1,464</u>	<u>\$ 2,003</u>	<u>\$ 1,779</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,784</u>	<u>\$ (1,073)</u>

Total Deferred Outflow/(Inflow) of Resources

	Amount Recognized in Year Ended June 30,					
	2021	2022	2023	2024	2025	2026+
Total Deferred Outflow/(Inflow) of Resources	(31,124)	1,464	2,003	1,779	-	

SUMMARY OF PLAN PROVISIONS

Plan name	Village of Lake Orion Retiree Medical Plan
Benefit eligibility	
AFSCME Union	Hired prior to 7/1/2007 and 30 years of service
POAM Union	Hired prior to 7/1/2007 and 25 years of service
Non-Union	Hired prior to 7/1/2007 and 25 years of service
Benefit	
AFSCME Union	Village pays 75% of premium for retiree and spouse for their lifetimes
POAM Union	Village pays 75% of premium for retiree and spouse for their lifetimes
Non-Union	Village pays 75% ¹ of premium for retiree and spouse for their lifetimes
Retiree contribution	Balance of premium not paid by the Village, if any
Changes since prior valuation	Non-Union contribution clarified

¹ The Village pays 100% for certain retirees with grandfathered benefits

GLOSSARY

A number of special terms and concepts are used in connection with OPEB plans and the OPEB accounting report. The following list reviews a number of these terms and provides a brief discussion of their meaning.

Actuarially Determined Contribution (ADC) – A target or recommended contribution for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.

Actuarial Cost Method – This is a mathematical formula which is used to allocate the present value of projected benefits to past and future plan years.

Amortization – The difference between actual and expected investment returns, the difference between actual and expected experience, and the impact of any plan or assumption changes will be amortized and paid over future years.

Depletion Date (Cross-over Point) – The projected date (if any) where plan assets, including future contributions, are no longer sufficient to pay Projected Benefit Payments to current members.

Long-term expected rate of return – The rate of return based on the nature and mix of current and expected plan investments and over the time period from when an employee is hired to when all benefits to the employee have been paid.

Market Value of Assets – The market value of all assets in the fund including any accrued contribution for the previous plan year, which was not paid by the end of the year.

Measurement Date – The date the Total OPEB Liability, Fiduciary Net Position, and Net OPEB Liability are determined.

Net OPEB Liability (NOL) – The Total OPEB Liability less the Plan Fiduciary Net Position.

Normal Cost – For GASB 74/75 purposes, normal cost is the equivalent of service cost (see definition of service cost).

Other Post-Employment Benefits (OPEB) – Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.

OPEB Expense (OE) – The change in the Net OPEB Liability (NOL) recognized in the current measurement period. Changes to the NOL not fully recognized in a given year's OPEB expense will be maintained as deferred inflows and deferred outflows. These will be recognized incrementally in the OPEB expense over time.

GLOSSARY

Plan assets – Stocks, bonds and other investments that have been segregated and restricted (usually in a trust) to provide for post-retirement benefits. Assets not segregated in a trust, or otherwise effectively restricted so that they cannot be used by the employer for other purposes, are not plan assets, even though it may be intended that those assets be used to provide post-retirement benefits.

Plan Fiduciary Net Position – The market value of plan assets as of the measurement date.

Present Value – The present value of a future payment or a series of payments is the amount of each payment, discounted to recognize the time value of money, and further reduced for the probability that the payment might not be made because of death, disability or termination of employment.

Projected Benefit Payments – All benefits projected to be payable to current active and inactive participants as a result of their past service and their expected future service.

Real Rate of Return – The rate of return on an investment after the adjustment to eliminate inflation.

Reporting Date – The date that represents the fiscal year end for the plan or employer.

Service Cost – The value of portion of Total OPEB Liability earned during the current year computed in accordance with GAAP accounting rules.

Single Equivalent Discount Rate – The single rate that gives the same total present value as discounting the Projected Benefit Payments with the long-term expected rate of return until the Depletion Date and discounting any remaining Projected Benefit Payments with the yield on a 20-year AA/Aa tax-exempt municipal bond index.

Total OPEB Liability (TOL) – The actuarial present value of the accrued benefit determined under the Entry Age actuarial cost method calculated using the blended Single Equivalent Discount Rate.

Valuation Date – The date as of which an actuarial valuation is performed.