

January 27, 2021

PERSONAL & CONFIDENTIAL

Mr. Brent Friess
Shiawassee County Road Commission
701 W. Corunna Ave
Corunna, MI 48817

RE: Shiawassee County Road Commission Retiree Health Care Plan

Dear Brent:

Transmitted via email, this is a copy of your OPEB accounting report for the fiscal year ending December 31, 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.

The actuarial values shown in this report are based on December 31, 2019 results rolled forward to December 31, 2020.

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

Sincerely,



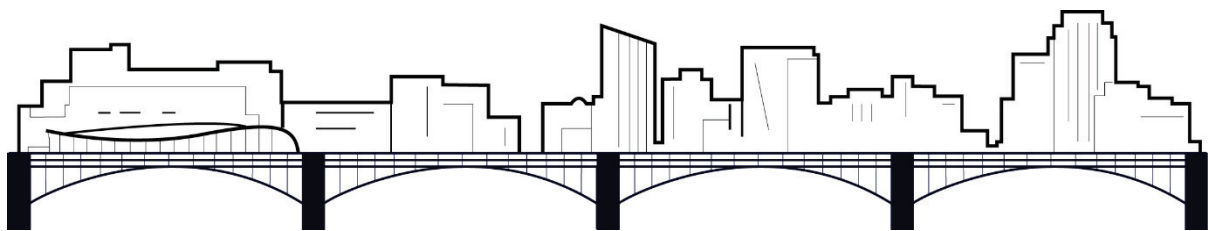
Christian R. Veenstra, FCA, ASA, MAAA
President / Enrolled Actuary

Enclosure

Shiawassee County Road Commission Retiree Health Care Plan

Accounting Report

for the Period Ending December 31, 2020
under GASB Statement 74 & 75



Report presented by:



January 2021

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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 and Certified by:



Leah A. Dudley, ASA, MAAA
Health Actuary

Reviewed by:



Lisa J. Hayes
Senior OPEB Analyst

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 \$23,678, due to the actual benefit payments being lower than expected.

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 Shiawassee County Road Commission Retiree Health Care Plan and additions to/deductions from the Road Commission's fiduciary net position have been determined on the same basis as they are reported by the Shiawassee County Road Commission. 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

Shiawassee County Road Commission Retiree Health Care Plan is a single employer plan established and administered by **Shiawassee County Road Commission** 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 December 31, Retirement Plan membership consisted of the following:

	2016	2017	2019
Active members	8	1	1
Inactive members	0	0	0
Retirees and beneficiaries	38	39	35
Total members	46	40	36

Contributions

The Shiawassee County Road Commission Retiree Health Care Plan was established and is being funded under the authority of the Road Commission. 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 the trust. There are no long-term contracts for contributions to the plan.

ASSUMPTIONS AND METHODS

The Shiawassee County Road Commission's OPEB liability was measured as of December 31, 2020.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2019 rolled forward to December 31, 2020. The following actuarial assumptions were used in the measurement:

Inflation	2.5%
Salary increases	1.0% (for purpose of allocating liability)
Investment rate of return	7.35% (including inflation)
20-year Aa Municipal bond rate	1.93% (S&P Municipal Bond 20-Year High Grade Rate Index)
Mortality	Public General 2010 Employee and Healthy Retiree, Headcount weighted
Improvement Scale	MP-2019

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 Real Rate of Return
Global Equity	60.0%	5.25%
Global Fixed Income	20.0%	1.25%
Private Investments	20.0%	7.25%

The sum of each target allocation times its long-term expected real rate, plus inflation, is 7.35%.

Discount Rate

The discount rate used to measure the total OPEB liability was **7.35%**. The projection of cash flows used to determine the discount rate assumed that the Road Commission will make no further contributions to the trust. Based on this assumption, the retirement plan's fiduciary net position was projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date", not applicable for this plan), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability. As of December 31, 2019 the discount rate used to value OPEB liabilities was 7.35%.

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 December 31, 2019	\$1,922,972	\$2,458,940	\$(535,968)
Changes during the Year			
Service Cost	695		695
Interest	132,868		132,868
Experience (Gains)/Losses	(23,678)		(23,678)
Change in plan terms	0		0
Change in actuarial assumptions	0		0
Contributions to OPEB trust		0	0
Contributions/benefit paid from general operating funds		0	0
Employee Contributions		0	0
Net Investment Income		292,938	(292,938)
Benefit Payments;			
Including Refunds of Employee Contributions	(231,877)	(231,877)	0
Administrative Expenses		(4,240)	4,240
Other Changes		0	0
Total Changes	(121,992)	56,821	(178,813)
Balance at December 31, 2020	\$1,800,980	\$2,515,761¹	\$(714,781)

Net OPEB Liability – Discount and Trend Rate Sensitivities

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

Discount	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$1,913,959	\$1,800,980	\$1,700,891
Plan Fiduciary Net Position	2,515,761	2,515,761	2,515,761
Net OPEB Liability	\$(601,802)	\$(714,781)	\$(814,870)
Trend	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$1,793,474	\$1,800,980	\$1,808,731
Plan Fiduciary Net Position	2,515,761	2,515,761	2,515,761
Net OPEB Liability	\$(722,287)	\$(714,781)	\$(707,030)

¹ Balance reflects the withdrawal of \$38,890 in retiree OPEB benefits paid for 2020 but withdrawn from the trust in January 2021

RECONCILIATION AND RECOGNITION OF NET OPEB LIABILITY

OPEB Expense

Below are the components of the Total OPEB Expense:

	Fiscal Year Ending 12/31/2020
Service Cost	\$695
Interest on Total OPEB Liability	132,868
Experience (Gains)/Losses	(23,678)
Changes in Plan Terms	0
Changes in Assumptions	0
Employee Contributions	0
Projected Earnings on OPEB Plan Investments	(172,055)
Investment Earnings (Gains)/Losses	(29,711)
Administrative Expenses	4,240
Other Changes in Fiduciary Net Position	0
Total OPEB Expense	\$(87,641)

OPEB Plan Fiduciary Net Position

The OPEB Plan Fiduciary Net Position as of December 31, 2020 is \$2,515,761.

Deferred Inflows and Outflows of Resources Related to OPEB Plan

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Experience (Gains)/Losses	0	0
Changes of Assumptions	0	0
Investment Earnings (Gains)/Losses	0	136,688
Total	\$0	\$136,688

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 December 31,	Amount Recognized
2021	\$(29,711)
2022	(29,710)
2023	(53,092)
2024	(24,175)
2025	0
Thereafter	0

RECONCILIATION AND RECOGNITION OF NET OPEB LIABILITY

Reconciliation of Net OPEB Liability

	Net OPEB Liability
Net OPEB Liability December 31, 2019	\$(535,968)
Total OPEB expense	(87,641)
Contributions	0
Change in deferred outflows of resources	0
Change in deferred inflows of resources	(91,172)
Net OPEB Liability December 31, 2020	\$(714,781)

Total OPEB Liability by Participant Status

	Total OPEB Liability
Active participants	\$145,163
Inactive participants	0
Retirees and beneficiaries	1,655,817
Total OPEB Liability	\$1,800,980

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 December 31,	
	2021	2020
Discount rate	7.35%	7.35%
Amortization period	2 years	3 years
Amortization method	Level \$	Level \$
Normal cost	594	695
Amortization of Net OPEB Liability	(370,059)	(191,466)
Interest to end of year	(27,155)	(14,022)
Total ADC (A) + (B) + (C), not less than \$0	\$0	\$0

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, \$0, 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, shown in the last table on the following page of this report 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, this trust contribution is not required.

This plan is fully funded and, therefore, all retiree OPEB benefits may be paid from the trust.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

State of Michigan Public Acts 530 and 202 Information

Financial information	2020
Assets (Fiduciary net position)	\$2,515,761
Liabilities (Total OPEB Liability)	1,800,980
Funded ratio for the Plan Year	139.69%
Actuarially Determined Contribution	\$0
Is ADC calculated in compliance with No. Letter 2018-3?	Yes

Membership	2020
Number of active members	1
Number of inactive members	0
Number of retirees and beneficiaries	35
Premiums paid on behalf of the retirants	\$231,877

Investment Performance
This information is available from the Investment Manager

Actuarial Assumptions	2020
Actuarially assumed rate of investment return	7.35%
Discount rate	7.35%
Amortization method used for funding unfunded liability	Level \$
Amortization period used for funding unfunded liability	3 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	\$2,515,761
Actuarial accrued liability using uniform assumptions	1,843,684
Funded ratio using uniform assumptions	136.45%
Actuarially Determined Contribution (ADC) using uniform assumptions	\$0

Information for Summary Report (minimum required contribution) ¹	2020
Retiree insurance premiums for the year (1)	231,877
Normal cost as a percent of covered payroll (2)	0.64%
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), not greater than the ADC	\$0

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	12/31/2020	12/31/2019	12/31/2018
Total OPEB Liability			
Service Cost	\$695	\$1,032	\$2,484
Interest	132,868	120,737	83,884
Changes of Benefit Terms	0	0	0
Difference between Expected and Actual Experience	(23,678)	(41,679)	2,525
Change of Assumptions	0	(65,580)	(397,706)
Benefit Payments (Including Refunds of Employee Contributions)	(231,877)	(219,011)	(268,719)
Net Change in Total OPEB Liability	(121,992)	(204,501)	(577,532)
Total OPEB Liability – Beginning	1,922,972	2,127,473	2,705,005
Total OPEB Liability – Ending (a)	\$1,800,980	\$1,922,972	\$2,127,473
Plan Fiduciary Net Position			
Contributions to OPEB trust	\$0	\$825,000	\$1,050,000
Contributions/benefit payments made from general operating funds	0	219,011	268,719
Net Investment Income	292,938	264,628	(55,995)
Benefit Payments (Including Refunds of Employee Contributions)	(231,877)	(219,011)	(268,719)
Administrative Expenses	(4,240)	(3,972)	(1,706)
Other	0	0	0
Net Change in Fiduciary Net Position	56,821	1,085,656	992,299
Plan Fiduciary Net Position – Beginning	2,458,940	1,373,284	380,985
Plan Fiduciary Net Position – Ending (b)	2,515,761	2,458,940	1,373,284
Net OPEB Liability – Ending (a)-(b)	\$(714,781)	\$(535,968)	\$754,189
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	139.69%	127.87%	64.55%
Covered Employee Payroll	\$116,808	\$110,255	\$99,317
Net OPEB Liability as Percentage of Payroll	(611.9)%	(486.1)%	759.4%
Actuarially Determined Contribution	\$0	\$77,707	\$199,711
Employer Contribution/benefit payments	0	(1,044,011)	(1,318,719)
Contribution Deficiency/(Excess)	\$0	\$(966,304)	\$(1,119,008)
ADC as a Percentage of Covered Payroll	0.0%	70.5%	201.1%
Employer Contribution as a Percentage of Covered Payroll	0.0%	946.9%	1327.8%

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Assumptions and Methods for Calculation of Actuarially Determined Contribution

Valuation date December 31, 2019

Measurement date December 31, 2020

Reporting date December 31, 2020

Actuarial Methods

Cost method Entry Age Normal (level percentage of compensation)

Asset valuation method Market value

Actuarial Assumptions

Discount Rate – 7.35% for December 31, 2020 liability and 2021 contribution

Rationale – Blended rate based on long term expected return and the 20-year Aa Municipal Bond rate

20-year Aa Municipal Bond Rate – 1.93%

Rationale – Current bond rate (based on information published by S&P as of December 31, 2020)

Salary Scale – 1.0%

Rationale – Per employer experience and expectations

Return on Plan Assets – 7.35%

Rationale – Consistent with plan investment experience

Mortality Rates – Public General 2010 Employee and Healthy Retiree, Headcount weighted, with MP-2019 improvement

Rationale – Most current mortality rates available for municipalities

Utilization – 100% of active and terminated eligible employees will elect coverage at retirement; actual coverage used for non-active

Rationale – historical

Termination Rates – See sample rates below:

Age	Rate
30	4.8%
35	4.5
40	3.8
45	3.2
50	1.5

Rationale – Based on past employer experience

Disability Rates – None

Rationale – Small group

Marital status – 75% of future retirees will have a covered spouse at retirement with males three years older than females; actual status used for retirees

Rationale – Based on past employer experience

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Retirement Rates – Rates as shown below

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

Age	Rate	Age	Rate
55	18%	61-63	24%
56	15	64	27
57	10	65-69	30
58	15	70	100
59-60	20		

Claims Costs

Pre-65

Medical – see annual rates below:

Blue Cross / Blue Shield			
Age	Medical & Vision	Age	Medical & Vision
55	\$6,822	60	\$8,300
56	7,122	61	8,650
57	7,448	62	8,952
58	7,776	63	9,151
59	8,126	64	9,399

HRA Monthly Administrative Fee – \$20.45 per pre-65 retiree

Annual pre-65 HRA Support – \$4,750 per covered person

Rationale – Actual 2020 premiums for medical and administrative fees; estimated HRA benefit amount based on plan provisions and actuarial judgement

Post-65

Medical – \$3,234 per covered person

Vision – \$72.12 single, \$109.92 double

Rationale – Actual 2020 premiums

Implicit Subsidy – Not applicable; premiums are age-graded

Trend rates

Pre-65 Medical, Vision and HRA Administrative fee – 8.5% graded down to 4.5% by 0.25% per year

Pre-65 HRA Support – None

Post-65 Medical – 7.0% graded down to 6.5% after one year and then by 0.25% per year to an ultimate rate of 4.5%

Post-65 Vision – 5.0%

Rationale – Based on State of Michigan trend survey

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

- Post-65 trend rates updated (no effect on liability due to the cap on post-65 benefits)

Assumptions used for PA 202 Reporting

Discount rate – 7.00%

Mortality – Public General 2010 Employee and Healthy Retiree, Headcount weighted, with MP-2018 improvement scale

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 December 31,							Deferred Outflow of Resources	Deferred Inflow of Resources
			2020	2021	2022	2023	2024	2025	2026+		
2018	2,525	1.00								-	-
2019	(41,679)	1.00								-	-
2020	(23,678)	1.00	(23,678)	-	-	-	-	-	-	-	-
Net recognized in OPEB expense			\$ (23,678)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Schedule of Changes in Assumptions

Year	Changes in Assumptions	Recognition period (years)	Amount Recognized in Year Ended December 31,							Deferred Outflow of Resources	Deferred Inflow of Resources
			2020	2021	2022	2023	2024	2025	2026+		
2018	(397,706)	1.00								-	-
2019	(65,580)	1.00								-	-
2020	-	1.00	-	-	-	-	-	-	-	-	-
Net recognized in OPEB expense			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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 December 31,							Deferred Outflow of Resources	Deferred Inflow of Resources
			2020	2021	2022	2023	2024	2025	2026+		
2018	116,911	5	23,382	23,382	23,383					46,765	-
2019	(144,579)	5	(28,916)	(28,916)	(28,916)	(28,915)				-	(86,747)
2020	(120,883)	5	(24,177)	(24,177)	(24,177)	(24,177)	(24,175)			-	(96,706)
Net recognized in OPEB expense			\$ (29,711)	\$ (29,711)	\$ (29,710)	\$ (53,092)	\$ (24,175)			\$ 46,765	\$ (183,453)

Total Deferred Outflow/(Inflow) of Resources

	Amount Recognized in Year Ended December 31,						
	2021	2022	2023	2024	2025	2026+	
Total Deferred Outflow/(Inflow) of Resources	\$ (29,711)	\$ (29,710)	\$ (53,092)	\$ (24,175)	\$ -	\$ -	

SUMMARY OF PLAN PROVISIONS

Plan name	Shiawassee County Road Commission Retiree Health Care Plan
Eligibility:	Limited to one active employee as of December 31, 2017; minimum of Age 60 with 10 years of service for retiree benefits; minimum of Age 55 with 25 years of service required for retiree and spouse benefits
Employer benefits:	Payment of medical and vision premiums for the retiree's lifetime; post-65 medical benefits are supplemental to Medicare and limited to \$300 per month per person; Pre-65 coverage is subsidized through a Health Reimbursement Arrangement
Spouse coverage	
Retirement between January 1, 1975 and December 31, 1991	No benefit ¹
Retirement between January 1, 1992 and December 31, 1998	Payment of medical and vision premiums for the spouse's lifetime
Retirement after December 31, 1998	Payment of medical and vision premiums for the spouse's lifetime for retirees with 25 or more years of service at retirement
Retiree contribution	None
Changes since prior valuation	None

¹ Two spouses have paid coverage by special arrangement

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.