

January 29, 2020

PERSONAL & CONFIDENTIAL

Jerry Heim
Kalkaska County Road Commission
1049 Island Lake Road
Kalkaska, MI 49646

RE: Kalkaska County Road Commission Retiree Health Care Plan

Dear Jerry:

Transmitted via email, this is a copy of your Other Post-Employment Benefit (OPEB) Plan accounting report for the fiscal year ending December 31, 2019. This information is intended to assist you in complying with Governmental Accounting Standards Board Statement (GASB) No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.

The end of year liability shown in this report are based on a recalculation and roll-forward of December 31, 2018 liability.

If you have any questions, I may be reached at (616) 742-9244.

Sincerely,



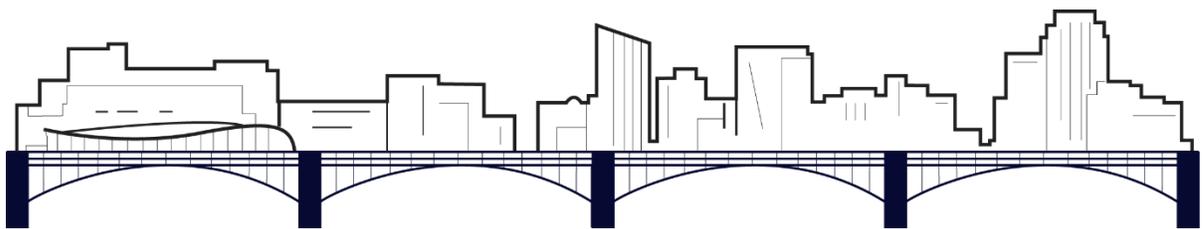
Christian R. Veenstra, FCA, ASA, MAAA
President / Enrolled Actuary

Enclosure

Kalkaska County Road Commission Retiree Health Care Plan

Accounting Report

for the Period Ending December 31, 2019
under GASB Statement 75



Report presented by:



January 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 No. 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 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 himself as meeting the Qualification Standards of the American Academy of Actuaries to render actuarial opinions contained in the report.

Prepared and Certified by:



Christian R. Veenstra, FCA, ASA, MAAA
Enrolled Actuary #17-05668

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 benefits 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 (the Act) was drafted to address the underfunded status of pension and retiree healthcare plans of local governments in Michigan. Accordingly, the Act included transparency and funding requirements. In addition, in order that the plans' funded status of plan sponsors 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 a comparison 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. So, in order to provide this information, 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 not necessarily consistent with PA 202 unless otherwise indicated. This report includes an ADC determined using an amortization of the unfunded liability over a period chosen such that the ADC will approximate ongoing retiree healthcare benefit payments for retirees.

Actuarially Determined Contribution under Public Act 202

Public Act 202 also 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 \$20,203, due to the actual benefit payments less 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 gain (decrease in liability) of \$29,243. The primary cause of the decrease was the discount rate change from 3.0% to 3.26%.

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 Kalkaska County Road Commission Employee OPEB Plan and additions to/deductions from the County Road Commission's fiduciary net position have been determined on the same basis as they are reported by the Kalkaska 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

Kalkaska County Road Commission Retiree Health Care Plan is a single employer plan established and administered by **Kalkaska County Road Commission** and can be amended at its discretion.

Benefits Provided

A summary of plan provisions is available on page 14.

Summary of Plan Participants

As of December 31, 2018, Retirement Plan membership consisted of the following:

Inactive plan members receiving benefits	20
Active plan members	<u>0</u>
Total participants	20

Contributions

The Kalkaska County Road Commission Employee OPEB Plan was established and is being funded under the authority of the County Commission and under agreements with the unions representing various classes of employees. The plan's funding policy is that the employer will fund the plan on a pay-as-you-go basis. That is, benefit payments will be made from general operating funds. There are no long term contracts for contributions to the plan. The plan has no legally required reserves.

ASSUMPTIONS AND METHODS

The County Road Commission's OPEB liability was measured as of December 31, 2019.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2018 and rolled forward to December 31, 2019 using the following actuarial assumptions:

Inflation	Implicit in expected payroll increases
Salary increases	3.50%
Investment rate of return	N/A; plan is not pre-funded
20-year Aa Municipal bond rate	3.26%
Mortality	General 2010 Public employer, headcount weighted, annuitant and non-annuitant, sex-distinct mortality with MP-2019 improvement scale

As this plan is not pre-funded, no long-term expected rate of return on plan investments was determined.

Discount Rate

The discount rate used to measure the total OPEB liability was **3.26%**. Because the plan does not have a dedicated OPEB trust, there are not assets 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"), 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. This discount rate used as of December 31, 2018 was 3.0%.

NET OPEB LIABILITY – GASB 75 PLAN ACCOUNTING

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at July 1, 2018	\$1,964,775	-	\$1,964,775
Changes during the Year			
Service Cost	-	-	-
Interest	57,427	-	57,427
Experience (Gains)/Losses	(20,203)	-	(20,203)
Change in plan terms	-	-	-
Change in actuarial assumptions	(29,243)	-	(29,243)
Contributions to OPEB trust	-	-	-
Contributions/benefit paid from general operating funds	-	101,049	(101,049)
Net Investment Income	-	-	-
Benefit Payments; Including Refunds of Employee Contributions	(101,049)	(101,049)	-
Administrative Expenses	-	-	-
Other Changes	-	-	-
Total Changes	(93,068)	-	(93,068)
Balance at December 31, 2019	\$1,871,707	-	\$1,871,707

Net OPEB Liability – Discount and Trend Rate Sensitivities

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

	1% Decrease	Current Rate	1% Increase
<u>Discount</u>			
Total OPEB Liability	\$2,058,661	\$1,871,707	\$1,712,322
Plan Fiduciary Net Position	<u>0</u>	<u>0</u>	<u>0</u>
Net OPEB Liability	\$2,058,661	\$1,871,707	\$1,712,322
<u>Trend</u>			
Total OPEB Liability	\$1,719,966	\$1,871,707	\$2,139,972
Plan Fiduciary Net Position	<u>0</u>	<u>0</u>	<u>0</u>
Net OPEB Liability	\$1,719,966	\$1,871,707	\$2,139,972

NET OPEB LIABILITY - GASB 75 PLAN ACCOUNTING

OPEB Plan Fiduciary Net Position

The OPEB Plan Fiduciary Net Position as of December 31, 2019 is \$-0-; this plan is not pre-funded.

Reconciliation of Net OPEB Liability

	Net OPEB Liability
Net OPEB Liability December 31, 2018	\$1,964,775
Total OPEB expense	7,981
Contributions	(101,049)
Change in deferred outflows of resources	-
Change in deferred inflows of resources	-
Net OPEB Liability December 31, 2019	\$1,871,707

Net OPEB Liability by Participant Status

	Net OPEB Liability
Active participants	\$-0-
Inactive participants receiving benefits	<u>1,871,707</u>
Total	\$1,871,707

OPEB EXPENSE

Components of County Road Commission's OPEB Expense for the Fiscal Year Ending December 31, 2019

Below are the components of the Total OPEB Expense:

	Fiscal Year Ending December 31, 2019
Service Cost	\$-
Interest on Total OPEB Liability	57,427
Experience (Gains)/Losses	(20,203)
Changes of Assumptions	(29,243)
Changes in plan terms	-
Employee Contributions	-
Projected Earnings on OPEB Plan Investments	-
Investment Earnings (Gains)/Losses	-
Administrative Expenses	-
Other Changes in Fiduciary Net Position	-
Total OPEB Expense	\$7,981

Deferred Inflows and Outflows of Resources Related to OPEB Plan

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Experience (Gains)/Losses	-	-
Changes of Assumptions	-	-
Investment Earnings (Gains)/Losses	-	-
Total	\$-	\$-

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
2020	\$-
2021	-
2022	-
2023	-
2024	-
Thereafter	-

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. Because this plan covers only retirees, the amortization period was chosen such that the ADC approximates ongoing benefit payments.

Actuarially Determined Contribution (ADC)	Fiscal Year Ending December 31,	
	2020	2019
Discount rate	3.26%	3.0%
Amortization period	23 years	24 years
Amortization method	Level \$	Level \$
Normal cost	-	-
Amortization of Net OPEB Liability	113,234	112,636
Interest to end of year	<u>3,691</u>	<u>3,379</u>
Total ADC	\$116,925	\$116,015

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 financial reporting assumptions and
2. The minimum required amount to be deposited into an OPEB trust

The first of these contributions as shown on the following page of this report, \$116,015, is an amount required to be reported to the State of Michigan. 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, this required amount is \$-0-.

In addition to the normal cost contribution noted in the preceding paragraph, minimum funding rules under PA 202 requires that retiree healthcare benefits continue to be paid from general operating funds. That amount was \$101,049 for 2019.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

State of Michigan Public Acts 530 and 202 Information

Financial information	2019
Assets (Fiduciary net position)	-
Liabilities (Total OPEB Liability)	1,871,707
Funded ratio for the Plan Year	0.0%
Actuarially Determined Contribution	116,015
Is ARC calculated in compliance with No. Letter 2018-3?	Yes
Membership	2019
Active members as of December 31, 2018	0
Retirees and Beneficiaries as of December 31, 2018	20
Premiums (costs) paid on behalf of the retirants	101,049
Actuarial Assumptions	2019
Actuarially assumed rate of investment return	N/A
Discount rate	3.26%
Amortization method used for funding unfunded liability	Level dollar
Amortization period used for funding unfunded liability	24
Is each division closed to new employees	Yes
Healthcare inflation assumption – initial rate	8.5%
Healthcare inflation assumption – ultimate rate	4.5%
Uniform Assumptions	2019
Actuarial value of assets using uniform assumptions	-
Actuarial accrued liability using uniform assumptions	1,900,950
Funded ratio using uniform assumptions	0.0%
Actuarially Determined Contribution (ADC) using uniform assumptions	116,015
Information for Summary Report (minimum required contribution) ¹	2019
Retiree insurance premiums (costs) for the year (1)	101,049
Normal cost as a percent of covered payroll (2) calculated for new hires	0%
Covered payroll for employees hired after June 30, 2018 (3)	93,202
Normal cost for employees hired after June 30, 2018 (4) = (2)X(3)	-0-
Minimum required contribution under PA 202 (1) + (4)	101,049

Uniform Assumptions used for PA 202, if different from GASB

End of Year Mortality – RP 2006, headcount weighted with improvement scale MP-2018

End of Year Discount rate – 3.0%

ADC using Uniform Assumptions is same as ADC using GASB assumptions because beginning of year assumptions were identical for both GASB and PA 202

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 December 31		
	2019	2018
Total OPEB Liability		
Service Cost	\$-	\$-
Interest	57,427	58,939
Changes of Benefit Terms	-	-
Difference between Expected and Actual Experience	(20,203)	(172)
Change of Assumptions	(29,243)	-
Benefit Payments (Including Refunds of Employee Contributions)	(101,049)	(117,262)
Net Change in Total OPEB Liability	(93,068)	(58,495)
Total OPEB Liability – Beginning	1,964,775	2,023,270
Total OPEB Liability – Ending (a)	1,871,707	1,964,775
Plan Fiduciary Net Position		
Contributions to OPEB trust	-	-
Contributions/benefit payments made from general operating funds	101,049	117,262
Net Investment Income	-	-
Benefit Payments (Including Refunds of Employee Contributions)	(101,049)	(117,262)
Administrative Expenses		
Other		
Net Change in Fiduciary Net Position	-	-
Plan Fiduciary Net Position – Beginning	-	-
Plan Fiduciary Net Position – Ending (b)	-	-
Net OPEB Liability – Ending (a)-(b)	\$1,871,707	\$1,964,775
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	0.0%	0.0%
Covered Employee Payroll ²	1,442,229	1,300,123
Net OPEB Liability as Percentage of Payroll	130%	151%

Schedule of Employer Contributions

Fiscal Year Ending December 31,		
	2019	2018
Service cost	\$-	\$-
Amortization of unfunded liability ¹	116,015	116,192
Actuarially Determined Employer Contribution	\$116,015	\$116,192
Employer Contribution (benefit payments)	(101,049)	(117,262)
Contribution Deficiency/(Excess)	\$14,966	\$(1,070)
Covered Employee Payroll ²	1,442,229	1,300,123
Contribution as a Percentage of Covered Payroll	8.0%	8.9%

¹ Based on 24 and 25-year, level dollar, closed amortization of unfunded liability; alternative funding scenarios could be considered

² As a plan closed to future retirees, there is no covered payroll; this value is total payroll

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Assumptions and methods used in Calculation of Actuarially Determined Contribution

Valuation date December 31, 2018

Actuarial Methods

Cost method Entry Age Normal (level percentage of compensation)

Asset valuation method Not applicable; plan is not pre-funded

Actuarial Assumptions

Discount rate – 3.0% for December 31, 2018 liability and 2019 contribution; 3.26% for December 31, 2019 liability

Rationale – 20-year Aa Municipal bond rates

Salary scale – 3.5%

Rationale – State of Michigan Public Act 202 requirement

Return on plan assets – N/A; Plan is not pre-funded

Mortality rates – General public 2010, Headcount weighted, annuitant and non-annuitant, sex-distinct mortality table with MP 2019 improvement table

Rationale – Contemporary tables

Utilization – Actual election used for non-active

Rationale – All plan participants are retired

Turnover rates – N/A; all participants are retired

Retirement rates – N/A; all participants are retired

Dependent assumption – N/A; only retirees are covered – benefits not available to spouse or other dependents

Claims costs

Pre-65:

Medical: \$698.51 per month

State of Michigan Public Employer Annual Cost Limitation: \$6,560.52

Dental and vision: \$33.89 per month

Medicare eligible:

Medical: \$569.00 per month

Dental and vision: \$23.47 per month

Opt out benefit: \$275 per month per covered retiree

Rationale – actual monthly premiums in effect for 2018 for medical, dental and vision; as of the valuation date all but one retiree is Medicare eligible and subject to the Annual Cost Limitation so **implicit costs**, if any, are minimal

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Healthcare trend rates

Medical:

Pre-65 – 8.5% in 2019 graded 0.25% per year to 4.5%

Post-65 – 7.0% in 2019 graded 0.25% per year to 4.5%

State of Michigan Public Employer Annual Cost Limitation – 3.0% per year

Dental & Vision: 3.0% per year

Rationale – consistent with uniform assumptions under State of Michigan Public Act 202

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 used for the roll-forward report

- Mortality update for to Public, General mortality with improvement scale MP-2019
- Discount rate increased from 3.0% to 3.26%
- Salary scale changed from 3.75% to 3.5% consistent with PA 202 but has no impact as only retirees are covered and the present value of future benefits is fully attributed/accrued

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Difference between Actual and Expected Experience

Year Ended December 31,	Difference Between Expected and Actual Experience	Recognition Period (Years)	Amount Recognized in Year Ended December 31,						Deferred Outflow of Resources	Deferred Inflow of Resources
			2019	2020	2021	2022	2023	2024+		
2019	(20,203)	1.0	(20,203)	=	=	=	=	=	=	
Net Recognized in OPEB Expense			(20,203)	-	-	-	-	-	-	

Schedule of Changes in Assumptions

Year Ended December 31,	Changes in Assumptions	Recognition Period (Years)	Amount Recognized in Year Ended December 31,						Deferred Outflow of Resources	Deferred Inflow of Resources
			2019	2020	2021	2022	2023	2024+		
2019	(29,243)	1.0	(29,243)	=	=	=	=	=	=	
Net Recognized in OPEB Expense			(29,243)	-	-	-	-	-	-	

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

Year Ended December 31	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
			2019	2020	2021	2022	2023	2024+		
2019	-	5.00	=	=	=	=	=	=	=	
Net Recognized in OPEB Expense			-	-	-	-	-	-	-	

Total Deferred Outflow/(Inflow) of Resources

	Amount Recognized in Year Ended December 31,				
	2020	2021	2022	2023	2024+
Total Deferred Outflow/(Inflow) of Resources	-	-	-	-	-

SUMMARY OF PLAN PROVISIONS

Plan name – Kalkaska County Road Commission Retiree Health Care Plan

Benefit eligibility

Retired, currently receiving health coverage

Benefit

Medical, dental, vision, and prescription coverage following retirement for the retiree; for pre-65 retirees, the retiree contributes toward medical premiums in excess of the State of Michigan Annual Cost Limitation

For retirees who've opted out of coverage, a monthly stipend of \$270 is provided

The plan is closed to future retirees

Changes since prior valuation

None for roll-forward report

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.

Annual Recommended Contribution (ARC) – the sum of the normal cost payment and the annual amortization payment for past service costs to fund the net OPEB liability.

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.