

02/24/2023

PERSONAL & CONFIDENTIAL

Andrea Herman  
Wexford County Road Commission  
85 West Highway M-115  
Boon, Michigan 49618

RE: Wexford County Road Commission Retiree Health Care Plan

Dear Andrea:

Transmitted via email, this is a copy of your OPEB accounting report for the fiscal year ending December 31, 2022. 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,



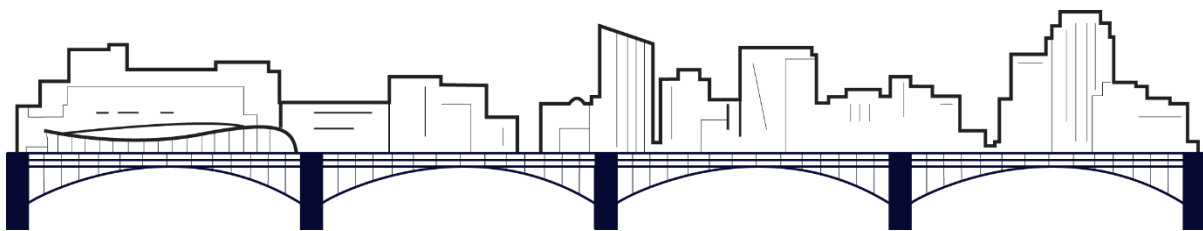
Christian R. Veenstra, FCA, ASA, MAAA  
President / Enrolled Actuary

Enclosure

# Wexford County Road Commission Retiree Health Care Plan

## Accounting Report

for the Period Ending December 31, 2022  
under GASB Statement 74 & 75



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

Report presented by:



February 2023

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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.

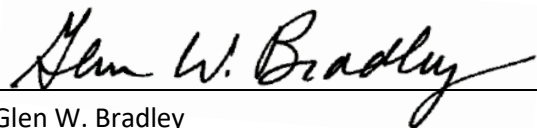
This report contains additional information and details related to plan provisions and recommended contribution calculations.

This report was prepared based on 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.

**Reviewed by:**

**Prepared & Certified by:**



Glen W. Bradley  
Senior Pension Analyst



Joseph Shackelford, ASA, MAAA  
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.

### **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.

### **PA 202 further requires that plans covering 100 or more Plan Members – active and inactive:**

- 1. At least every 5 years, the local unit of government (city, village, township, county, county road commission or other districts, authorities created by the state or 1 or more these entities) shall have an actuarial experience study conducted by the plan actuary for each retirement system of the local unit of government and**
- 2. At least every 8 years, the local unit of government shall do at least 1 of the following:**
  - a. Have a peer actuarial audit conducted by an actuary that is not the plan actuary**
  - b. Replace the plan actuary**

### **Actuarial Experience Study – Not applicable; the plan has fewer than 100 participants**

There was an actuarial loss (increase in liability) of \$46,866, due to demographics. The combination of actuarial assumption changes, described in the "Assumptions and Methods for Calculation of Actuarially Determined Contribution" section of this report, generated an increase in liability of \$7,908.

### **Peer Review and rotation of Certifying Actuary**

Current year Certifying Actuary: Joey Shackelford

Peer reviewed/change in Actuary: 12/31/2020

## 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 Wexford 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 Wexford 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

**Wexford County Road Commission Retiree Health Care Plan** is a single employer plan established and administered by **Wexford 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, 2022, Retirement Plan membership consisted of the following:

Active members	0
Inactive members	0
Retirees and beneficiaries	15
Total members	15

### Contributions

The Wexford County Road Commission Retiree Health Care 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 consider 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 Wexford County Road Commission's OPEB liability was measured as of December 31, 2022.

### Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2022. The following actuarial assumptions were used in the measurement:

Inflation	2.50%
Salary increases	None; the plan is closed to active employees
Investment rate of return	7.00% (including inflation)
20-year Aa Municipal bond rate	4.31% (S&P Municipal Bond 20-Year High Grade Rate Index)
Mortality	2010 Public General Employees and Healthy Retirees, Headcount weighted
Improvement Scale	MP-2021

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%	4.50%
Global Fixed Income	20.0%	2.00%
Private Assets	20.0%	7.00%

The sum of each target allocation times its long-term expected real rate, plus inflation, is 7.00%.

### Discount Rate

The discount rate used to measure the total OPEB liability was **7.00%**. The projection of cash flows used to determine the discount rate assumed that Employer contributions will be made at rates equal to the most recent recommended contribution. Based on this assumption together with the current funded status of the plan, the retirement plan's fiduciary net position was projected to be sufficient to make projected future benefit payments of current plan members indefinitely – there is no cross-over point or depletion date. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. 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, 2021 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)
<b>Balance at December 31, 2021</b>	\$392,021	\$442,977	\$(50,956)
<b>Changes during the Year</b>			
Service Cost	0		0
Interest	27,094		27,094
Experience (Gains)/Losses	46,866		46,866
Change in plan terms	0		0
Change in actuarial assumptions	7,908		7,908
Contributions to OPEB trust		0	0
Contributions/benefit from general operating funds		46,800	(46,800)
Employee Contributions		0	0
Net Investment Income		(46,129)	46,129
Benefit Payments;			
Including Refunds of Employee Contributions	(46,800)	(46,800)	0
Administrative Expenses		(728)	728
Other Changes		0	0
<b>Total Changes</b>	<b>35,068</b>	<b>(46,857)</b>	<b>81,925</b>
<b>Balance at December 31, 2022</b>	<b>\$427,089</b>	<b>\$396,120</b>	<b>\$30,969</b>

### Net OPEB Liability – Discount and Trend Rate Sensitivities

The following presents the net OPEB liability (NOL) of the Employer, calculated using discount rates 1% higher and lower than base assumptions. The benefit is a fixed monthly payment, so the liability is unaffected by trend.

Discount	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$451,451	\$427,089	\$405,262
Plan Fiduciary Net Position	396,120	396,120	396,120
Net OPEB Liability	\$55,331	\$30,969	\$9,142

## RECONCILIATION AND RECOGNITION OF NET OPEB LIABILITY

### OPEB Expense

Below are the components of the Total OPEB Expense:

	Fiscal Year Ending 12/31/2022
Service Cost	\$0
Interest on Total OPEB Liability	27,094
Experience (Gains)/Losses	46,866
Changes in Plan Terms	0
Changes in Assumptions	7,908
Employee Contributions	0
Projected Earnings on OPEB Plan Investments	(32,532)
Investment Earnings (Gains)/Losses	4,496
Administrative Expenses	728
Other Changes in Fiduciary Net Position	0
<b>Total OPEB Expense</b>	<b>\$54,560</b>

### OPEB Plan Fiduciary Net Position

The OPEB Plan Fiduciary Net Position as of December 31, 2022 is \$396,120.

### 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	35,744	0
<b>Total</b>	<b>\$35,744</b>	<b>\$0</b>

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
2023	\$4,034
2024	4,967
2025	11,010
2026	15,733
2027	0
Thereafter	0

## RECONCILIATION AND RECOGNITION OF NET OPEB LIABILITY

### Reconciliation of Net OPEB Liability

	Net OPEB Liability
Net OPEB Liability December 31, 2021	\$(50,956)
Total OPEB expense	54,560
Contributions	(46,800)
Change in deferred outflows of resources	35,744
Change in deferred inflows of resources	38,421
<b>Net OPEB Liability December 31, 2022</b>	<b>\$30,969</b>

### Total OPEB Liability by Participant Status

	Total OPEB Liability
Active participants	\$0
Inactive participants	0
Retirees and beneficiaries	427,089
<b>Total OPEB Liability</b>	<b>\$427,089</b>

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

### Description of Actuarially Determined Contributions

Although not required as part of GASB reporting, we have included an Actuarially Determined Contribution 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 the trust instead of general operating funds. The amortization period is based on average future working years for active employees.

Actuarially Determined Contribution (ADC) <sup>1</sup>	Fiscal Year Ending December 31,	
	2023	2022
Discount rate	7.00%	7.35%
Amortization period	7 years	8 years
Amortization method	Level \$	Level \$
Normal cost	0	0
Amortization of Net OPEB Liability	5,370	(8,057)
Interest to end of year	376	(592)
Total ADC	\$5,746	\$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 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. The intent of this contribution requirement is to pre-fund the liability for those hired after June 30, 2018. Because the plan is closed to employees retiring after January 1, 2011 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.

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<sup>1</sup> ADC for 2022 and 2023 is based on actuarial assumptions consistent with reporting as of December 31, 2021, and December 31, 2022, respectively.

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

### State of Michigan Public Acts 530 and 202 Information

<b>Financial information</b>	<b>2022</b>
Assets (Fiduciary net position)	396,120
Liabilities (Total OPEB Liability)	427,089
Funded ratio for the Plan Year	92.75%
Actuarially Determined Contribution	\$0
Is ADC calculated in compliance with No. Letter 2018-3?	Yes

<b>Membership</b>	<b>2022</b>
Number of active members	0
Number of inactive members	0
Number of retirees and beneficiaries	15
Premiums paid on behalf of the retirants	\$46,800

<b>Investment Performance</b>
This information is available from the Investment Manager

<b>Actuarial Assumptions</b>	<b>2022</b>
Actuarially assumed rate of investment return	7.00%
Discount rate	7.00%
Amortization method used for funding unfunded liability	Level \$
Amortization period used for funding unfunded liability	8 years
Is each division closed to new employees	Yes
Healthcare inflation assumption next year	None
Healthcare inflation assumption - long term	None

<b>Uniform Assumptions</b>	<b>2022</b>
Actuarial value of assets using uniform assumptions	396,120
Actuarial accrued liability using uniform assumptions	429,455
Funded ratio using uniform assumptions	92.24%
Actuarially Determined Contribution (ADC) using uniform assumptions	\$0

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

### Changes in Net OPEB Liability and Related Ratios

Fiscal Year Ending	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018
<b>Total OPEB Liability</b>					
Service Cost	\$0	\$0	\$0	\$0	\$0
Interest	27,094	28,869	31,981	57,770	57,765
Changes of Benefit Terms	0	0	0	(322,174)	-
Difference between Expected and Actual Experience	46,866	(5,406)	(23,102)	(5,817)	3,479
Change of Assumptions	7,908	1,136	(2,176)	13,115	-
Benefit Payments (Including Refunds of Employee Contributions)	(46,800)	(50,700)	(47,400)	(59,010)	(63,313)
Net Change in Total OPEB Liability	35,068	(26,101)	(40,697)	(316,116)	(2,069)
Total OPEB Liability – Beginning	392,021	418,122	458,819	774,935	777,004
Total OPEB Liability – Ending (a)	\$427,089	\$392,021	\$418,122	\$458,819	\$774,935
<b>Plan Fiduciary Net Position</b>					
Contributions to OPEB trust	\$0	\$105,865	\$105,865	\$103,773	\$26,380
Contributions/benefit payments made from general operating funds	46,800	50,700	47,400	59,010	63,313
Net Investment Income	(46,129)	48,727	44,332	10,611	(1,324)
Benefit Payments (Including Refunds of Employee Contributions)	(46,800)	(50,700)	(47,400)	(59,010)	(63,313)
Administrative Expenses	(728)	(707)	(400)	(127)	(19)
Other	0	0	0	-	-
Net Change in Fiduciary Net Position	(46,857)	153,885	149,797	114,257	25,037
Plan Fiduciary Net Position – Beginning	442,977	289,092	139,295	25,037	-
Plan Fiduciary Net Position – Ending (b)	396,120	442,977	289,092	139,294	25,037
<b>Net OPEB Liability – Ending (a)-(b)</b>	\$30,969	\$(50,956)	\$129,030	\$319,525	\$749,898
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	92.75%	113.00%	69.14%	30.36%	3.23%
Covered Employee Payroll	\$0	\$0	\$0	\$0	\$0
Net OPEB Liability as Percentage of Payroll	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
<b>Actuarially Determined Contribution</b>	(8,649)	\$20,100	\$46,231	\$103,773	\$101,773
Employer Contribution/benefit payments	(46,800)	(156,565)	(153,265)	(162,783)	(89,693)
Contribution Deficiency/(Excess)	\$(55,449)	\$(136,465)	\$(107,034)	\$(59,010)	\$12,080
ADC as a Percentage of Covered Payroll	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Employer Contribution as a Percentage of Covered Payroll	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

### Assumptions and Methods for Calculation of Actuarially Determined Contribution

**Valuation date** December 31, 2022

**Measurement date** December 31, 2022

**Reporting date** December 31, 2022

#### Actuarial Methods

Cost method Entry Age Normal (level percentage of compensation)

Asset valuation method Market value

#### Actuarial Assumptions

**Discount Rate** – 7.35% for 2022 contribution; 7.00% for 2022 liability and 2023 contribution  
Rationale – Blended rate based on long term expected return and the 20-year Aa Municipal Bond rate

**20-year Aa Municipal Bond Rate** – 4.31%  
Rationale – S&P Municipal High Grade Bond Index as of December 31, 2022

**Salary Scale** – Not applicable  
Rationale – The plan is closed to future retirees

**Return on Plan Assets** – 7.00%  
Rationale – Consistent with plan investment experience

**Mortality Rates** – 2010 Public General Healthy Retirees, Headcount weighted with 2021 Mortality Improvement Scale  
Rationale – Most current mortality rates available for municipalities

**Utilization** – actual coverage used for non-active  
Rationale – actual coverage

**Termination Rates** – None  
Rationale – All participants are retired

**Retirement Rates** – None  
Rationale – All participants are retired

**Claims Costs** – \$300 per retiree per month; per benefit provisions  
Rationale – Sponsor provided stipend

**Medical Trend** – None  
Rationale – Not applied because the benefit is fixed

#### Data Collection

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

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

### Assumption changes since prior valuation

- Discount rate updated from 7.35% to 7.00%

### Assumptions used for PA 202 Reporting

**Discount rate** – 6.85%

**Mortality Improvement Scale** – MP-2020

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
			2022	2023	2024	2025	2026	2027	2028+		
2022	46,866	1.00	46,866	-	-	-	-	-	-	-	-
Net recognized in OPEB expense			\$ 46,866	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

### 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
			2022	2023	2024	2025	2026	2027	2028+		
2022	7,908	1.00	7,908	-	-	-	-	-	-	-	-
Net recognized in OPEB expense			\$ 7,908	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

### 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
			2022	2023	2024	2025	2026	2027	2028+		
2018	2,312	5.00	462							-	-
2019	(4,655)	5.00	(931)	(931)						-	(931)
2020	(30,218)	5.00	(6,044)	(6,044)	(6,042)					-	(12,086)
2021	(23,614)	5.00	(4,723)	(4,723)	(4,723)	(4,722)				-	(14,168)
2022	78,661	5.00	15,732	15,732	15,732	15,732	15,733			62,929	-
Net recognized in OPEB expense			\$ 4,496	\$ 4,034	\$ 4,967	\$ 11,010	\$ 15,733			\$ 62,929	\$ (27,185)

### Total Deferred Outflow/(Inflow) of Resources

Total Deferred Outflow/(Inflow) of Resources	Amount Recognized in Year Ended December 31,					
	2023	2024	2025	2026	2027	2028+
	4,034	4,967	11,010	15,733	-	-

## TRUSTEE AND FORM 5720 INFORMATION

### Projected benefit payments and contributions

Form 5720 (the Form) – Corrective Action Plan Monitoring: Application for Certification of Compliance, Section 4 asks for supporting documentation that shows projected benefit payments and contributions as a percentage of projected governmental fund revenues over the next five years. A link to a spreadsheet is provided with the Form, and within the spreadsheet, there is a link to instructions on how to complete the spreadsheet.

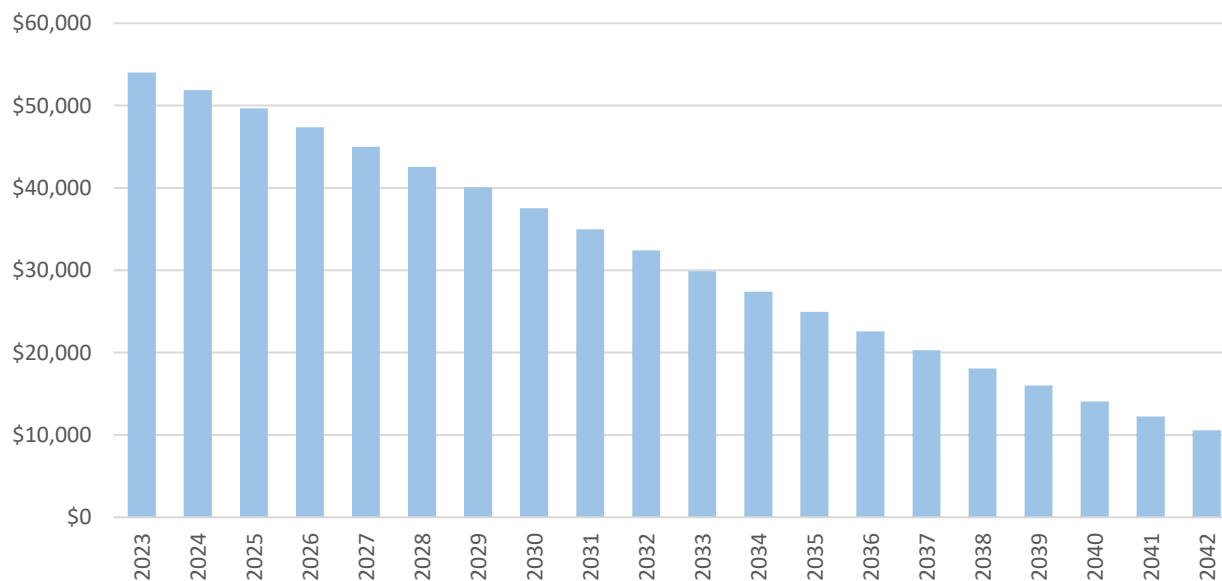
To assist in completing that section of the Form, below is a table of benefit payments as shown for the current fiscal year and projected for the next four. In addition, if a Corrective Action Plan (CAP) has been adopted that includes scheduled contributions to an OPEB trust, those are shown for the same period as either reported to us or developed with assistance from Watkins Ross:

Fiscal Year	Total OPEB Benefit Payment Amount (All Systems)	Additional OPEB Contributions (All Systems)
2022	\$46,800	
2023	54,000	
2024	51,892	
2025	49,686	
2026	47,388	

In addition to the benefit payments shown above, a graphic illustration of 20 years of projected benefit payments for the current group of covered lives is shown below. Plans open to new participants could see higher than expected payments if new members are hired and are eligible to retire during the projection period.

The chart below reflects expected cash flows to pay benefits for current plan participants.

### 20-Year Expected Payouts



## SUMMARY OF PLAN PROVISIONS

**Plan name** – Wexford County Road Commission Retiree Health Care Plan

<b>Benefit eligibility</b>	Retired prior to January 1, 2011
<b>Benefit</b>	\$300 per month for the life of the retiree
<b>Spouse</b>	No benefit

**Changes since prior valuation**                      None

## 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.