

March 23, 2021

PERSONAL & CONFIDENTIAL

Heather Cameron
Gladwin County road Commission
301 S. State Street
Gladwin, MI 48624

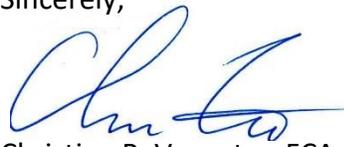
RE: Gladwin County Road Commission Other Post-Employment Benefits Plan

Dear Heather:

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.

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

Sincerely,



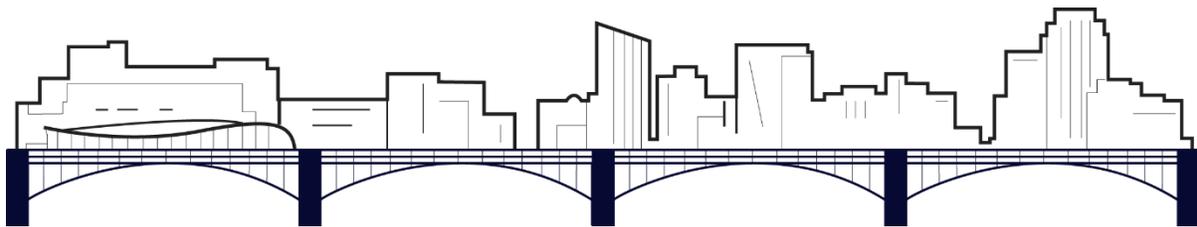
Christian R. Veenstra, FCA, ASA, MAAA
President / Enrolled Actuary

Enclosure

Gladwin County Road Commission Other Post-Employment Benefits Plan

Accounting Report

for the Period Ending December 31, 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:



March 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 himself as meeting the Qualification Standards of the American Academy of Actuaries to render actuarial opinions contained in the report.

Prepared by:

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.

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 experience gain (decrease in liability) of \$402,699. The main source of the gain, \$352,586, is due demographic changes (retirements, deaths and terminations) and premium rate changes. Another source of the gain, \$50,113, is due to actual benefit payments to retirees 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 of \$45,751.

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 Gladwin County Road Commission Other Post-Employment Benefits 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 Gladwin 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

Gladwin County Road Commission Other Post-Employment Benefits Plan is a single employer plan established and administered by **Gladwin 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, 2020, Retirement Plan membership consisted of the following:

Active members	15
Inactive members	0
Retirees and beneficiaries	28
Total members	43

Contributions

The Gladwin County Road Commission Other Post-Employment Benefits Plan was established and is being funded under the authority of the Road Commission and under agreements with 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 with an annual contribution to the OPEB Trust of \$125,000 until the plan attains a 40% funded ratio. There are no long-term contracts for contributions to the plan other than the amounts pursuant to the Corrective Action Plan.

ASSUMPTIONS AND METHODS

The Gladwin 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, 2020. The following actuarial assumptions were used in the measurement:

Inflation	2.50%
Salary increases	3.50% (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	2010 Public General Employees and Healthy Retirees, Headcount weighted
Improvement Scale	MP-2020

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 Assets	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 pay benefits from general operating funds on a pay-as-you-go basis and make contributions of \$125,000 annually, pursuant upon their Corrective Action Plan, to the OPEB Trust until a funding ratio of 40% is achieved. After the funding level is attained, the Road Commission will continue funding on a pay-as-you-go basis with those payments considered as contributions for purposes of determination of the effective discount rate. Based on this assumption, the retirement plan's fiduciary net position was projected to be sufficient to make projected future benefit payments indefinitely, there is no cross-over point or depletion date, therefore, the effective discount rate is equal to the long-term expected rate of return shown above. As of December 31, 2019 the discount rate used to value OPEB liabilities was 7.35%.

Although the Corrective Action Plan adopted by the Road Commission is targeting less than 100% funding, GASB accounting permits, and some auditors have concurred, treating benefit payments from general operating funds as plan contributions as long as there exists plan assets. Because this is a closed plan, a strict interpretation of the GASB Standard on this matter would suggest that the plan will always retain assets and, thus, no cross-over point occurs. While this report reflects that interpretation in order to be consistent with other practitioners, Watkins Ross notes that other approaches might be considered more valued which would produce a lower discount rate and, consequently, a higher liability.

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	\$5,516,427	\$339,465	\$5,176,962
Changes during the Year			
Service Cost	58,747		58,747
Interest	399,986		399,986
Experience (Gains)/Losses	(402,699)		(402,699)
Change in plan terms	0		0
Change in actuarial assumptions	(45,751)		(45,751)
Contributions to OPEB trust		125,000	(125,000)
Contributions/benefit paid from general operating funds		266,363	(266,363)
Employee Contributions		0	0
Net Investment Income		51,416	(51,416)
Benefit Payments;			
Including Refunds of Employee Contributions	(266,363)	(266,363)	0
Administrative Expenses		(636)	636
Other Changes		0	0
Total Changes	(256,080)	175,780	(431,860)
Balance at December 31, 2020	\$5,260,347	\$515,245	\$4,745,102

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	\$5,820,855	\$5,260,347	\$4,788,061
Plan Fiduciary Net Position	515,245	515,245	515,245
Net OPEB Liability	\$5,305,610	\$4,745,102	\$4,272,816
Trend	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$4,746,730	\$5,260,347	\$5,868,511
Plan Fiduciary Net Position	515,245	515,245	515,245
Net OPEB Liability	\$4,231,485	\$4,745,102	\$5,353,266

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	\$58,747
Interest on Total OPEB Liability	399,986
Experience (Gains)/Losses	(294,073)
Changes in Plan Terms	0
Changes in Assumptions	(1,353,297)
Employee Contributions	0
Projected Earnings on OPEB Plan Investments	(27,225)
Investment Earnings (Gains)/Losses	(3,490)
Administrative Expenses	636
Other Changes in Fiduciary Net Position	0
Total OPEB Expense	\$(1,218,716)

OPEB Plan Fiduciary Net Position

The OPEB Plan Fiduciary Net Position as of December 31, 2020 is \$515,245.

Deferred Inflows and Outflows of Resources Related to OPEB Plan

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Experience (Gains)/Losses	0	128,754
Changes of Assumptions	0	14,628
Investment Earnings (Gains)/Losses	0	15,309
Total	\$0	\$158,691

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	\$(146,872)
2022	(3,490)
2023	(3,490)
2024	(4,839)
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	\$5,176,962
Total OPEB expense	(1,218,716)
Contributions	(391,363)
Change in deferred outflows of resources	(54,705)
Change in deferred inflows of resources	1,232,924
Net OPEB Liability December 31, 2020	\$4,745,102

Total OPEB Liability by Participant Status

	Total OPEB Liability
Active participants	\$1,858,521
Inactive participants	0
Retirees and beneficiaries	3,401,826
Total OPEB Liability	\$5,260,347

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)	Fiscal Year Ending December 31,	
	2021	2020
Discount rate	7.35%	7.35%
Amortization period	4 years	5 years
Amortization method	Level \$	Level \$
Normal cost	51,039	58,747
Amortization of Net OPEB Liability	1,315,298	1,187,208
Interest to end of year	100,425	91,578
Total ADC	\$1,466,762	\$1,337,533

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, \$1,337,533, 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 was closed to new hires prior to June 30, 2018, this requirement is not applicable to your plan.

You must continue to pay retiree benefits from general operating funds until the plan has sufficient assets to pay benefits from the Trust.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

State of Michigan Public Acts 530 and 202 Information

Financial information	2020
Assets (Fiduciary net position)	515,245
Liabilities (Total OPEB Liability)	5,260,347
Funded ratio for the Plan Year	9.79%
Actuarially Determined Contribution	\$1,337,533
Is ADC calculated in compliance with No. Letter 2018-3?	Yes

Membership	2020
Number of active members	15
Number of inactive members	0
Number of retirees and beneficiaries	28
Premiums paid on behalf of the retirants	\$266,363

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	5 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	515,245
Actuarial accrued liability using uniform assumptions	5,496,263
Funded ratio using uniform assumptions	9.37%
Actuarially Determined Contribution (ADC) using uniform assumptions	\$1,338,456

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	12/31/2017
Total OPEB Liability				
Service Cost	\$58,747	\$177,245	\$79,743	\$0
Interest	399,986	260,315	187,374	0
Changes of Benefit Terms	0	0	0	0
Difference between Expected and Actual Experience	(402,699)	(12,486)	(1,008,245)	0
Change of Assumptions	(45,751)	(3,276,331)	3,336,801	0
Benefit Payments (Including Refunds of Employee Contributions)	(266,363)	(262,592)	(262,921)	0
Net Change in Total OPEB Liability	(256,080)	(3,113,849)	2,332,752	(460,644)
Total OPEB Liability – Beginning	5,516,427	8,630,276	6,297,524	6,758,168
Total OPEB Liability – Ending (a)	\$5,260,347	\$5,516,427	\$8,630,276	\$6,297,524
Plan Fiduciary Net Position				
Contributions to OPEB trust	\$125,000	\$100,000	\$25,000	\$25,000
Contributions/benefit payments made from general operating funds	266,363	262,592	262,921	0
Net Investment Income	51,416	33,398	(7,542)	19,455
Benefit Payments (Including Refunds of Employee Contributions)	(266,363)	(262,592)	(262,921)	0
Administrative Expenses	(636)	(443)	(472)	0
Other	0	0	0	0
Net Change in Fiduciary Net Position	175,780	132,955	16,986	44,455
Plan Fiduciary Net Position – Beginning	339,465	206,510	189,524	145,069
Plan Fiduciary Net Position – Ending (b)	515,245	339,465	206,510	189,524
Net OPEB Liability – Ending (a)-(b)	\$4,745,102	\$5,176,962	\$8,423,766	\$6,108,000
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	9.79%	6.15%	2.39%	3.01%
Covered Employee Payroll	\$862,900	\$945,204	\$1,769,048	\$1,031,502
Net OPEB Liability as Percentage of Payroll	549.9%	547.7%	476.2%	592.2%
Actuarially Determined Contribution	\$1,337,533	\$2,021,930	\$1,209,656	\$445,482
Employer Contribution/benefit payments	(391,363)	(362,592)	(287,921)	(279,897)
Contribution Deficiency/(Excess)	\$946,170	\$1,659,338	\$921,735	\$165,585
ADC as a Percentage of Covered Payroll	155.0%	234.3%	140.2%	51.6%
Employer Contribution as a Percentage of Covered Payroll	45.4%	38.4%	16.3%	27.1%

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Assumptions and Methods for Calculation of Actuarially Determined Contribution

Valuation date December 31, 2020

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 the 2020 contribution, 2020 liability and 2021 contribution

Rationale – Average effective rate consisting of long-term return on assets and 20-year Aa Municipal Bond

20-year Aa Municipal Bond Rate – 1.93%

Rationale – 20-year bond rate (based on information published by Bartel Associates, LLC as of December 31, 2020)

Salary Scale – 3.50%

Rationale – Statewide assumption for purposes of allocating active liability

Return on Plan Assets – 7.35%

Rationale – Per investment manager

Mortality Rates – 2010 Public General Employees and Healthy Retirees, Headcount weighted, MP-2020

Rationale – Based on most up-to-date industry studies applicable to public employers

Utilization – 100% of covered employees at the valuation date will elect coverage at retirement; actual coverage used for non-active

Rationale – historical

Termination Rates – None

Rationale – Small group

Disability Rates – None

Rationale – Small group

Retirement Rates – 100% of employees retire at first age eligible

Rationale – Based on the normal retirement date of pension benefits and consistent with experience

Spouse Assumption – 50% of the active participants are assumed to have a covered spouse at retirement with female 3 years younger than males; actual spouse data used for retirees

Rationale – Consistent with experience

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Claims Costs – see rates below:

Age	BCBS Rate	BCN Rate
20	1,881.62	2,136.84
25	2,975.01	3,378.60
30	3,363.21	3,819.48
35	3,621.00	4,112.16
40	3,786.91	4,300.68
45	4,278.81	4,859.28
50	5,292.19	6,010.08
55	6,607.86	7,504.32
60	8,042.06	9,132.96
65 (both+)	6,132.00	6,132.00

Rationale – Active employees who opt-out of employer provided medical coverage are assumed to not elect coverage at retirement

Neither the retiree nor the spouse is covered at the Post-Medicare rate until both are eligible for Medicare.

Rationale – Based on current plan provisions and premiums in effect during 2020

Michigan Public Employer Annual Cost Limitations – See rates below

Year	Single	Two Person
2020	\$6,818.87	\$14,60.37

Rationale – Actual State of Michigan hard caps

Implicit Subsidy – Not applicable; premiums are age-graded

Medical Trend – Pre-Medicare, 8.25% graded down to 4.5% by 0.25% per year; Post-Medicare, 6.5% graded down to 4.5% by .25% per year; State of Michigan hard caps, 3.0%

Rationale – Based on State of Michigan trend survey

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

Assumption changes since prior valuation

- Mortality improvement scale updated from MP-2018 to MP-2020
- Trend rates update from 2019 rates under PA 202 guidelines to the 2020 rates

Assumptions used for PA 202 Reporting

Discount rate - 7.00%

Mortality Improvement Scale – MP-2018

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	(1,008,245)	2.03	(14,901)							-	-
2019	(12,486)	1.72	(5,227)						-	-	-
2020	(402,699)	1.47	(273,945)	(128,754)	-	-	-	-	-	-	(128,754)
Net recognized in OPEB expense			<u>\$ (294,073)</u>	<u>\$ (128,754)</u>	<u>\$ -</u>	<u>\$ (128,754)</u>					

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	3,336,801	0.00	49,313							-	-
2019	(3,276,331)	1.72	(1,371,487)					-	-	-	-
2020	(45,751)	1.47	(31,123)	(14,628)	-	-	-	-	-	-	(14,628)
Net recognized in OPEB expense			<u>\$ (1,353,297)</u>	<u>\$ (14,628)</u>	<u>\$ -</u>	<u>\$ (14,628)</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 December 31,							Deferred Outflow of Resources	Deferred Inflow of Resources
			2020	2021	2022	2023	2024	2025	2026+		
2018	22,212	5.00	4,442	4,442	4,442	4,444				13,328	-
2019	(15,472)	5.00	(3,094)	(3,094)	(3,094)	(3,096)				-	(9,284)
2020	(24,191)	5.00	(4,838)	(4,838)	(4,838)	(4,838)	(4,839)			-	(19,353)
Net recognized in OPEB expense			<u>\$ (3,490)</u>	<u>\$ (3,490)</u>	<u>\$ (3,490)</u>	<u>\$ (3,490)</u>	<u>\$ (4,839)</u>			<u>\$ 13,328</u>	<u>\$ (28,637)</u>

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	(146,872)	(3,490)	(3,490)	(4,839)	-	-

SUMMARY OF PLAN PROVISIONS

Plan name

Gladwin County Road Commission Other Post-Employment Benefits Plan

Benefit eligibility

Full time employees hired prior to August 19, 2009

Retirement eligibility

The earlier of:

- (1) Attainment of age 55 with 30 years of service
- (1) Attainment of age 60 with 25 years of service
- (2) Age 62 with any years of service

Summary of Benefits

The Road Commission pays the premium for retiree and dependents up to the Public Act 152 (PA 152) Hard Cap Limits

Retiree - Medical coverage for life

Spouse - Medical coverage for the life of the spouse, continuing after death of retiree as long as the retiree elected a Joint and Survivor annuity from the pension at retirement

Retiree/Spouse Contribution

Premium cost in excess of the PA 152 Hard Cap Limits

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.