

April 6, 2022

PERSONAL & CONFIDENTIAL

Heather Braginton  
Mason County Road Commission  
510 E. State Street  
Scottville, MI 49454

RE: Mason County Road Commission Other Post-Employment Benefit (OPEB) Plan

Dear Heather:

Transmitted via email, this is a copy of your OPEB accounting report for the fiscal year ending December 31, 2021. 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 State of Michigan under Public Act (PA) 202 requires that Other Post-Employment Benefit (OPEB) Plans covering 100 or more members have a peer review or change of actuaries once every 8 years. In addition, the Act requires an actuarial study be performed once every 5 years. Watkins Ross satisfies those requirements by virtue of having three credentialed OPEB actuaries on staff providing peer review for each other and, when necessary, rotating certification of our OPEB actuarial valuations. Additionally, Watkins Ross completes full actuarial valuations for all of our OPEB Plan clients once every two years including an analysis of the sources of actuarial gains and losses (actuarial experience study) and evaluates whether or not changes in assumptions are warranted (see Comments section of this report for more detail).

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

# Mason County Road Commission Other Post-Employment Benefit (OPEB) Plan

## Accounting Report

for the Period Ending December 31, 2021  
under GASB Statement 74 & 75



Report presented by:



April 2022

## CONTENTS

<b>INTRODUCTION AND CERTIFICATION .....</b>	<b>1</b>
<b>COMMENTS .....</b>	<b>2</b>
<b>PLAN DESCRIPTION .....</b>	<b>3</b>
<b>ASSUMPTIONS AND METHODS .....</b>	<b>4</b>
<b>RECONCILIATION AND RECOGNITION OF NET OPEB LIABILITY .....</b>	<b>5</b>
Changes in the Net OPEB Liability .....	5
Net OPEB Liability – Discount and Trend Rate Sensitivities .....	5
OPEB Expense .....	6
OPEB Plan Fiduciary Net Position .....	6
Deferred Inflows and Outflows of Resources Related to OPEB Plan .....	6
Reconciliation of Net OPEB Liability .....	7
Total OPEB Liability by Participant Status .....	7
<b>SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION.....</b>	<b>8</b>
Description of Actuarially Determined Contributions.....	8
State of Michigan Public Acts 530 and 202 Information .....	9
Changes in Net OPEB Liability and Related Ratios .....	10
Assumptions and Methods for Calculation of Actuarially Determined Contribution .....	11
Assumptions used for PA 202 Reporting .....	12
Schedule of Difference between Actual and Expected Experience .....	13
Schedule of Changes in Assumptions .....	13
Schedule of Differences between Projected and Actual Earnings on OPEB Plan Investments.....	13
Total Deferred Outflow/(Inflow) of Resources.....	13
<b>TRUSTEE AND FORM 5720 INFORMATION .....</b>	<b>14</b>
<b>SUMMARY OF PLAN PROVISIONS .....</b>	<b>15</b>
<b>GLOSSARY.....</b>	<b>16</b>

## 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.

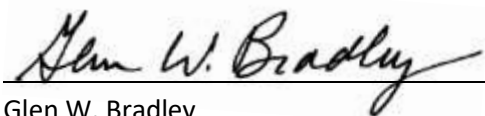
This report contains additional information and details related to plan provisions and recommended contribution calculations.

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.

**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**

### **Comments on Actuarial Experience**

There was an actuarial gain (decrease in liability) of \$15,104, primarily due to actual benefit payments higher than expected (sum of benefits paid from general operating funds and distributions from the OPEB Trust). The combination of actuarial assumption changes, described in the "Assumptions and Methods for Calculation of Actuarially Determined Contribution" section of this report, generated an actuarial loss (increase in liability) of \$782.

**Actuarial Experience Study:** N/A – this plan covers fewer than 100 active and retired employees

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

Current year Certifying Actuary: Joey Shackelford

Peer reviewed/change in Actuary: (MM/DD/YYYY) 12/31/2018

## 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 Mason County Road Commission Other Post-Employment Benefit (OPEB) 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 Mason 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

**Mason County Road Commission Other Post-Employment Benefit (OPEB) Plan** is a single employer plan established and administered by **Mason 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, 2021, Retirement Plan membership consisted of the following:

Active members	39
Inactive members	0
Retirees and beneficiaries	5
Total members	44

### Contributions

The Mason County Road Commission Other Post-Employment Benefit (OPEB) Plan was established and is being funded under the authority of the County Road Commission and under agreements with unions representing various classes of employees. The plan's funding policy is that the Employer will contribute based on the required amounts determined by the actuarial valuation. Currently, benefit payments are made from general operating funds – pay-as-you-go, however, given the plan’s current funded status after assumption changes benefit payments may be made from the OPEB Trust, if desired. There are no long-term contracts for contributions to the plan.

## ASSUMPTIONS AND METHODS

The Mason County Road Commission's OPEB liability was measured as of December 31, 2021.

### Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2021. The following actuarial assumptions were used in the measurement:

Inflation	2.50%
Salary increases	3.00% (for purpose of allocating liability)
Investment rate of return	7.35% (including inflation)
20-year Aa Municipal bond rate	2.25% (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%	4.95%
Global Fixed Income	20.0%	2.40%
Private Assets	20.0%	7.00%

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%**. Although the plan is currently well funded and able to make benefit payments from the trust, a partial amount of the benefit payments for 2021 were still paid from general operating funds. Based on this assumption, the retirement plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. There is no cross-over point or depletion date, therefore, the long-term expected rate of return was used to discount the projected benefits. This discount rate is used to determine the Total OPEB Liability. 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)
<b>Balance at December 31, 2020</b>	\$82,901	\$285,800	\$(202,899)
<b>Changes during the Year</b>			
Service Cost	5,571		5,571
Interest	5,211		5,211
Experience (Gains)/Losses	15,104		15,104
Change in plan terms	0		0
Change in actuarial assumptions	782		782
Contributions to OPEB trust		0	0
Contributions/benefit from general operating funds		15,690	(15,690)
Employee Contributions		0	0
Net Investment Income		38,314	(38,314)
Benefit Payments;			
Including Refunds of Employee Contributions	(35,132)	(35,132)	0
Administrative Expenses		(529)	529
Other Changes		0	0
<b>Total Changes</b>	<b>(8,464)</b>	<b>18,343</b>	<b>(26,807)</b>
<b>Balance at December 31, 2021</b>	<b>\$74,437</b>	<b>\$304,143</b>	<b>\$(229,706)</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	\$77,102	\$74,437	\$71,937
Plan Fiduciary Net Position	304,143	304,143	304,143
Net OPEB Liability	\$(227,041)	\$(229,706)	\$(232,206)

## RECONCILIATION AND RECOGNITION OF NET OPEB LIABILITY

### OPEB Expense

Below are the components of the Total OPEB Expense:

	Fiscal Year Ending 12/31/2021
Service Cost	\$5,571
Interest on Total OPEB Liability	5,211
Experience (Gains)/Losses	(14,315)
Changes in Plan Terms	0
Changes in Assumptions	(11,782)
Employee Contributions	0
Projected Earnings on OPEB Plan Investments	(19,915)
Investment Earnings (Gains)/Losses	(9,154)
Administrative Expenses	529
Other Changes in Fiduciary Net Position	0
<b>Total OPEB Expense</b>	<b>\$(43,855)</b>

### OPEB Plan Fiduciary Net Position

The OPEB Plan Fiduciary Net Position as of December 31, 2021 is \$304,143.

### Deferred Inflows and Outflows of Resources Related to OPEB Plan

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Experience (Gains)/Losses	13,746	46,686
Changes of Assumptions	712	71,386
Investment Earnings (Gains)/Losses	0	34,409
<b>Total</b>	<b>\$14,458</b>	<b>\$152,481</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
2022	\$(31,625)
2023	(25,513)
2024	(26,985)
2025	(19,141)
2026	(15,462)
Thereafter	(19,297)

## RECONCILIATION AND RECOGNITION OF NET OPEB LIABILITY

### Reconciliation of Net OPEB Liability

	Net OPEB Liability
Net OPEB Liability December 31, 2020	\$(202,899)
Total OPEB expense	(43,855)
Contributions	(15,690)
Change in deferred outflows of resources	14,458
Change in deferred inflows of resources	18,280
<b>Net OPEB Liability December 31, 2021</b>	<b>\$(229,706)</b>

### Total OPEB Liability by Participant Status

	Total OPEB Liability
Active participants	\$51,795
Inactive participants	0
Retirees and beneficiaries	22,642
<b>Total OPEB Liability</b>	<b>\$74,437</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)	Fiscal Year Ending December 31,	
	2022	2021
Discount rate	7.35%	7.35%
Amortization period	12 years	10 years
Amortization method	Level % of pay	Level % of pay
Normal cost	9,842	5,571
Amortization of Net OPEB Liability	(23,789)	(23,783)
Interest to end of year	(1,025)	(1,339)
Total ADC	\$0	\$0

This plan is fully funded. No further contributions are required and all future benefits may be paid from the trust.

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

<b>Financial information</b>	<b>2021</b>
Assets (Fiduciary net position)	304,143
Liabilities (Total OPEB Liability)	74,437
Funded ratio for the Plan Year	408.59%
Actuarially Determined Contribution	\$0
Is ADC calculated in compliance with No. Letter 2018-3?	Yes

<b>Membership</b>	<b>2021</b>
Number of active members	39
Number of inactive members	0
Number of retirees and beneficiaries	5
Premiums paid on behalf of the retirants	\$15,690

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

<b>Actuarial Assumptions</b>	<b>2021</b>
Actuarially assumed rate of investment return	7.35%
Discount rate	7.35%
Amortization method used for funding unfunded liability	Level % of Pay
Amortization period used for funding unfunded liability	10 years
Is each division closed to new employees	No
Healthcare inflation assumption next year	Not applicable
Healthcare inflation assumption - long term	Not applicable

<b>Uniform Assumptions</b>	<b>2021</b>
Actuarial value of assets using uniform assumptions	304,143
Actuarial accrued liability using uniform assumptions	75,335
Funded ratio using uniform assumptions	403.72%
Actuarially Determined Contribution (ADC) using uniform assumptions	\$0

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

### Changes in Net OPEB Liability and Related Ratios

Fiscal Year Ending	12/31/2021	12/31/2020	12/31/2019	12/31/2018
<b>Total OPEB Liability</b>				
Service Cost	\$5,571	\$9,168	\$12,199	\$12,765
Interest	5,211	3,488	7,644	9,446
Changes of Benefit Terms	0	0	0	0
Difference between Expected and Actual Experience	15,104	(8,041)	(49,842)	(44,576)
Change of Assumptions	782	(9,797)	(92,249)	(4,971)
Benefit Payments (Including Refunds of Employee Contributions)	(35,132)	(19,500)	(13,250)	(8,000)
Net Change in Total OPEB Liability	(8,464)	(24,682)	(135,498)	(35,356)
Total OPEB Liability – Beginning	82,901	107,583	237,854	273,190
Total OPEB Liability – Ending (a)	\$74,437	\$82,901	\$102,356	\$237,854
<b>Plan Fiduciary Net Position</b>				
Contributions to OPEB trust	\$0	\$0	\$21,750	\$21,750
Contributions/benefit payments made from general operating funds	15,690	19,500	13,250	8,000
Net Investment Income	38,314	46,995	0	2,947
Benefit Payments (Including Refunds of Employee Contributions)	(35,132)	(19,500)	(13,250)	(8,000)
Administrative Expenses	(529)	(68)	5,231	0
Other	0	0	0	0
Net Change in Fiduciary Net Position	18,343	46,927	26,981	24,697
Plan Fiduciary Net Position – Beginning	285,800	238,931	211,949	187,252
Plan Fiduciary Net Position – Ending (b)	304,143	285,858	238,930	211,949
<b>Net OPEB Liability – Ending (a)-(b)</b>	<b>\$(229,706)</b>	<b>\$(202,957)</b>	<b>\$(136,574)</b>	<b>\$25,905</b>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	408.59%	344.82%	233.43%	89.11%
Covered Employee Payroll	\$2,358,982	\$2,124,727	\$1,598,062	Not available
Net OPEB Liability as Percentage of Payroll	(9.7)%	(9.6)%	(8.6)%	Not available
<b>Actuarially Determined Contribution</b>	<b>\$0</b>	<b>\$0</b>	<b>\$17,889</b>	<b>\$19,130</b>
Employer Contribution/benefit payments	(15,690)	(19,500)	(35,000)	(29,750)
Contribution Deficiency/(Excess)	\$(15,690)	\$(19,500)	\$(17,111)	\$(10,620)
ADC as a Percentage of Covered Payroll	0.0%	0.0%	1.1%	Not available
Employer Contribution as a Percentage of Covered Payroll	0.7%	0.9%	2.2%	Not available

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

**Valuation date** December 31, 2021

**Measurement date** December 31, 2021

**Reporting date** December 31, 2021

#### Actuarial Methods

Cost method Entry Age Normal (level percentage of compensation)

Asset valuation method Market value

#### Actuarial Assumptions

**Discount Rate** – 7.35% for 2021 contribution, 2021 liability, and 2022 contribution

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

**20-year Aa Municipal Bond Rate** – 2.25%

Rationale – Bond rate (based on information published by Bartel Associates, LLC as of December 31, 2021)

**Salary Scale** – 3.00%

Rationale – Per employer experience and expectations

**Return on Plan Assets** – 7.35%

Rationale – Consistent with plan investment experience

**Mortality Rates** – 2010 Public General Employees and Healthy Retirees, Headcount weighted, MP-2021

Rationale – Most current mortality rates available for municipalities

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

Rationale – historical

**Termination Rates** – See sample rates below:

Age	Rate (%)
20	7.79
25	6.78
30	4.66
35	3.19
40	2.21
45	1.59
50	0.00

Rationale – Based on past employer experience

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

**Retirement Rates** – See rates below:

Age	Rate (%)
58-59	10
60-61	20
62-64	50
65	100

Rationale –Based on this plan’s historical experience

**Marital Assumption** – Not applicable; no spousal benefit

**Claims Costs** – \$250 per month from age 58 to age 65

**Medical Trend** – Not applicable; the plan provides a stipend to be used to subsidize health costs

### 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 changed from MP-2020 to MP-2021
- Salary scale changed from 3.5% to 3.0%

## Assumptions used for PA 202 Reporting

**Discount rate** - 7.00%

**Mortality Improvement Scale** – MP-2019

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	
			2021	2022	2023	2024	2025	2026	2027+			
2018	(44,576)	4.66	(9,568)	(6,304)						-	(6,304)	
2019	(49,842)	9.42	(5,291)	(5,291)	(5,291)	(5,291)	(5,291)	(5,291)	(7,514)	-	(33,969)	
2020	(8,041)	9.88	(814)	(814)	(814)	(814)	(814)	(814)	(2,343)	-	(6,413)	
2021	15,104	11.12	1,358	1,358	1,358	1,358	1,358	1,358	6,956	13,746	-	
Net recognized in OPEB expense			<u>\$ (14,315)</u>	<u>\$ (11,051)</u>	<u>\$ (4,747)</u>	<u>\$ (4,747)</u>	<u>\$ (4,747)</u>	<u>\$ (4,747)</u>	<u>\$ (4,747)</u>	<u>\$ (2,901)</u>	<u>\$ 13,746</u>	<u>\$ (46,686)</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	
			2021	2022	2023	2024	2025	2026	2027+			
2018	(4,971)	4.66	(1,067)	(703)						-	(703)	
2019	(92,249)	9.42	(9,793)	(9,793)	(9,793)	(9,793)	(9,793)	(9,793)	(13,905)	-	(62,870)	
2020	(9,797)	9.88	(992)	(992)	(992)	(992)	(992)	(992)	(2,853)	-	(7,813)	
2021	782	11.12	70	70	70	70	70	70	362	712	-	
Net recognized in OPEB expense			<u>\$ (11,782)</u>	<u>\$ (11,418)</u>	<u>\$ (10,715)</u>	<u>\$ (10,715)</u>	<u>\$ (10,715)</u>	<u>\$ (10,715)</u>	<u>\$ (10,715)</u>	<u>\$ (16,396)</u>	<u>\$ 712</u>	<u>\$ (71,386)</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
			2021	2022	2023	2024	2025	2026	2027+		
2018	4,483	5.00	897	895						895	-
2019	7,350	5.00	1,470	1,470	1,470	-				2,940	-
2020	(39,207)	5.00	(7,841)	(7,841)	(7,841)	(7,843)				-	(23,525)
2021	(18,399)	5.00	(3,680)	(3,680)	(3,680)	(3,680)	(3,679)			-	(14,719)
Net recognized in OPEB expense			<u>\$ (9,154)</u>	<u>\$ (9,156)</u>	<u>\$ (10,051)</u>	<u>\$ (11,523)</u>	<u>\$ (3,679)</u>			<u>\$ 3,835</u>	<u>\$ (38,244)</u>

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

	Amount Recognized in Year Ended December 31,					
	2022	2023	2024	2025	2026	2027+
Total Deferred Outflow/(Inflow) of Resources	(31,625)	(25,513)	(26,985)	(19,141)	(15,462)	(19,297)

## 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.

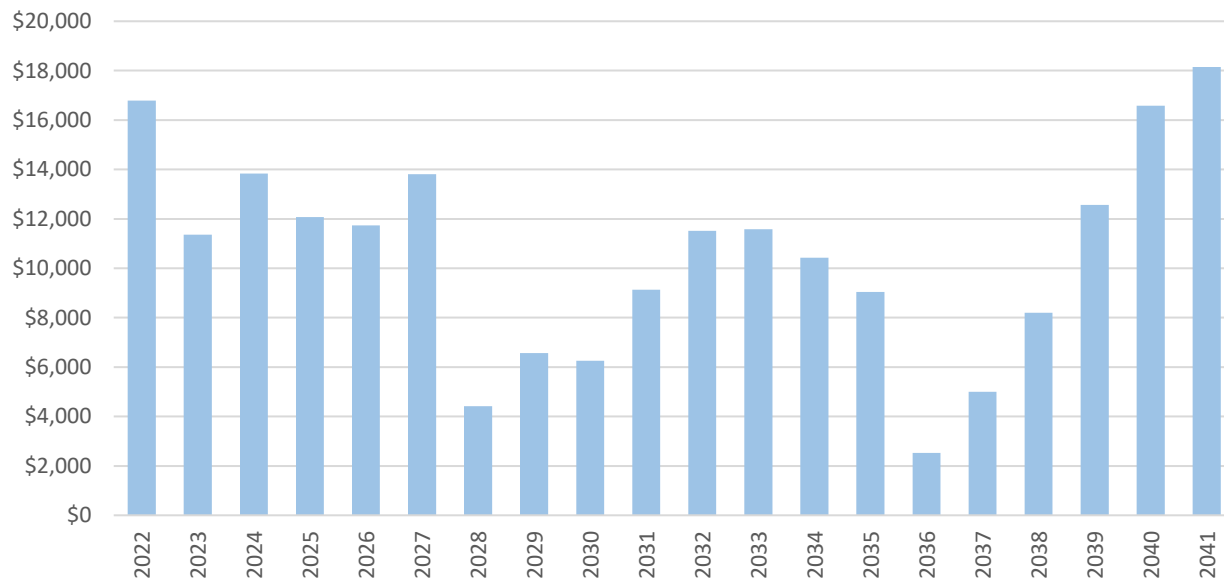
To assist in completing that section of the Form, below is a table of benefit payments as shown for the current fiscal year and projected for the next four. In addition, if a Corrective Action Plan (CAP) has been adopted that includes scheduled contributions to an OPEB trust, those are shown for the 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)
2021	\$15,690	
2022	16,789	
2023	11,367	
2024	13,838	
2025	12,076	

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:**

Mason County Road Commission Other Post-Employment Benefit (OPEB) Plan

**Eligibility and plan provisions:**

\$250 per month from age 58 to age 65

**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.