

February 21, 2024

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, 2023. 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,



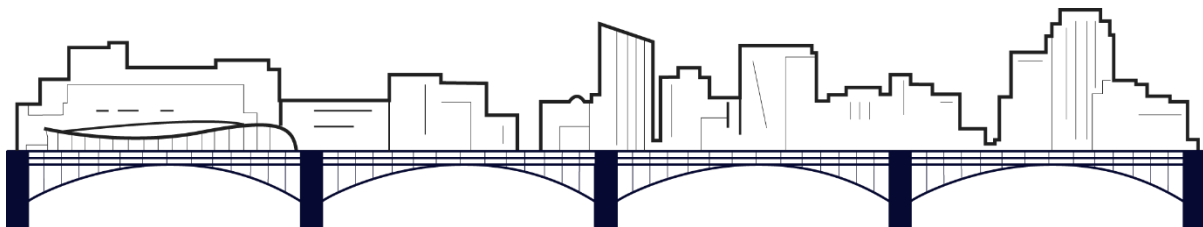
Christian R. Veenstra, FCA, ASA, MAAA  
President / Enrolled Actuary

Enclosure

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

## Accounting Report

for the Period Ending December 31, 2023  
under GASB Statement 74 & 75



Report presented by:



February 2024

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## INTRODUCTION AND CERTIFICATION

The schedules included in this report have been prepared 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 the 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.

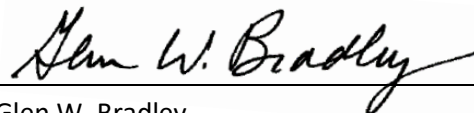
The actuary certifying this report represents himself as meeting the Qualification Standards of the American Academy of Actuaries to render actuarial opinions contained in the report.

**Prepared and Certified by:**

**Reviewed by:**



Joseph Shackelford, ASA, MAAA  
Actuary



Glen W. Bradley  
Senior Pension Analyst

## COMMENTS

### **Purpose of Governmental Accounting Standards Board (GASB) Reporting**

The objective of GASB is to provide guidelines and requirements for accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). This statement establishes standards for recognizing and measuring liabilities, deferred inflows and outflows of resources and methods and assumptions that are required to be used to project benefit payments and discount those payments to their actuarial present value.

### **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 members

### **Changes in Actuarial Assumptions, Plan Changes and Expected Actuarial Experience**

There was an actuarial gain (decrease in liability) of \$12,681, due to demographic changes (five terminations) and 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 a decrease in liability of \$2,015.

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

Current year Certifying Actuary: Joey Shackelford

Peer reviewed/change in Actuary: 12/31/2022

## 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, 2023, Retirement Plan membership consisted of the following:

|                            |    |
|----------------------------|----|
| Active members             | 39 |
| Inactive members           | 0  |
| Retirees and beneficiaries | 2  |
| Total members              | 41 |

### 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, benefits payments are made from general operating fund, however, given the plan’s current funded status, all 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, 2023.

### Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2023. The following actuarial assumptions were used in the measurement:

|                                |  |
|--------------------------------|--|
| Inflation                      | 2.50%  |
| Salary increases               | 3.25% (for purpose of allocating liability)                            |
| Investment rate of return      | 7.00% (including inflation)  |
| 20-year Aa Municipal bond rate | 4.13%  |
| 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%**. Although the plan is currently well funded and able to make benefit payments from the trust, benefit payments for 2023 were still paid from general operating funds. 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, 2022 the discount rate used to value OPEB liabilities was 7.00%.



## RECONCILIATION AND RECOGNITION OF NET OPEB LIABILITY

### Changes in the Net OPEB Liability

|  | Total OPEB<br>Liability<br>(a) | Plan<br>Fiduciary<br>Net Position<br>(b) | Net OPEB<br>Liability<br>(a) - (b) |
|--|--------------------------------|--|------------------------------------|
| <b>Balance at December 31, 2022</b>                              | \$73,453                       | \$256,855                                | \$(183,402)                        |
| <b>Changes during the Year</b>                                   |                                |  |                                    |
| Service Cost   | 9,709                          |  | 9,709                              |
| Interest   | 5,629                          |  | 5,629                              |
| Experience (Gains)/Losses  | (12,681)                       |  | (12,681)                           |
| Change in plan terms   | 0                              |  | 0                                  |
| Change in actuarial assumptions                                  | (2,015)                        |  | (2,015)                            |
| Contributions to OPEB trust                                      |                                | 0  | 0                                  |
| Contributions/benefit from general operating funds               |                                | 5,500                                    | (5,500)                            |
| Employee Contributions   |                                | 0  | 0                                  |
| Net Investment Income  |                                | 29,866                                   | (29,866)                           |
| Benefit Payments;<br>Including Refunds of Employee Contributions | (5,500)                        | (5,500)                                  | 0                                  |
| Administrative Expenses  |                                | (537)                                    | 537                                |
| Other Changes  |                                | 0  | 0                                  |
| <b>Total Changes</b>   | <b>(4,858)</b>                 | <b>29,329</b>                            | <b>(34,187)</b>                    |
| <b>Balance at December 31, 2023</b>                              | <b>\$68,595</b>                | <b>\$286,184</b>                         | <b>\$(217,589)</b>                 |

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

The following presents the net OPEB liability (NOL) of the Road Commission, calculated using discount rates 1% higher and lower than base assumptions; the plan has no benefits subject to trend rate increases:

| Discount                    | 1% Decrease | Current Rate | 1% Increase |
|-----------------------------|-------------|--------------|-------------|
| Total OPEB Liability        | \$71,346    | \$68,595     | \$65,994    |
| Plan Fiduciary Net Position | 286,184     | 286,184      | 286,184     |
| Net OPEB Liability          | \$(214,838) | \$(217,589)  | \$(220,190) |

## RECONCILIATION AND RECOGNITION OF NET OPEB LIABILITY

### OPEB Expense

Below are the components of the Total OPEB Expense:

|   | Fiscal Year Ending<br>12/31/2023 |
|---|----------------------------------|
| Service Cost                                | \$9,709                          |
| Interest on Total OPEB Liability            | 5,629                            |
| Experience (Gains)/Losses                   | (5,025)                          |
| Changes in Plan Terms                       | 0                                |
| Changes in Assumptions                      | (10,801)                         |
| Employee Contributions                      | 0                                |
| Projected Earnings on OPEB Plan Investments | (17,961)                         |
| Investment Earnings (Gains)/Losses          | (1,857)                          |
| Administrative Expenses                     | 537                              |
| Other Changes in Fiduciary Net Position     | 0                                |
| <b>Total OPEB Expense</b>                   | <b>\$(19,769)</b>                |

### OPEB Plan Fiduciary Net Position

The OPEB Plan Fiduciary Net Position as of December 31, 2023 is \$286,184.

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

|                                    | Deferred Outflows<br>Of Resources | Deferred Inflows<br>Of Resources |
|------------------------------------|-----------------------------------|----------------------------------|
| Experience (Gains)/Losses          | 18,820                            | 39,774                           |
| Changes of Assumptions             | 1,404                             | 50,957                           |
| Investment Earnings (Gains)/Losses | 6,998                             | 0                                |
| <b>Total</b>                       | <b>\$27,222</b>                   | <b>\$90,731</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<br>December 31, | Amount<br>Recognized |
|----------------------------|----------------------|
| 2024                       | \$(19,155)           |
| 2025                       | (11,311)             |
| 2026                       | (7,633)              |
| 2027                       | (18,207)             |
| 2028                       | (7,077)              |
| Thereafter                 | (126)                |

## RECONCILIATION AND RECOGNITION OF NET OPEB LIABILITY

### Reconciliation of Net OPEB Liability

|   | Net OPEB Liability |
|---|--------------------|
| Net OPEB Liability December 31, 2022        | \$(183,402)        |
| Total OPEB expense                          | (19,769)           |
| Contributions                               | (5,500)            |
| Change in deferred outflows of resources    | (12,362)           |
| Change in deferred inflows of resources     | 3,444              |
| <b>Net OPEB Liability December 31, 2023</b> | <b>\$(217,589)</b> |

### Total OPEB Liability by Participant Status

|                             | Total OPEB Liability |
|-----------------------------|----------------------|
| Active participants         | \$62,595             |
| Inactive participants       | 0                    |
| Retirees and beneficiaries  | 6,000                |
| <b>Total OPEB Liability</b> | <b>\$68,595</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, |          |
|--|---------------------------------|----------|
|  | 2024                            | 2023     |
| Discount rate  | 7.00%                           | 7.00%    |
| Amortization period                                    | 12 years                        | 13 years |
| Amortization method                                    | Level \$                        | Level \$ |
| Normal cost  | 9,225                           | 9,709    |
| Amortization of Net OPEB Liability                     | (25,603)                        | (20,509) |
| Interest to end of year                                | (1,146)                         | (756)    |
| Total ADC  | \$0                             | \$0      |

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

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<sup>1</sup> ADC for 2023 and 2024 is based on actuarial assumptions consistent with reporting as of December 30, 2022, and December 30, 2023, respectively.

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

| <b>Financial information</b>                            | <b>2023</b> |
|---|-------------|
| Assets (Fiduciary net position)                         | 286,184     |
| Liabilities (Total OPEB Liability)                      | 68,595      |
| Funded ratio for the Plan Year                          | 417.21%     |
| Actuarially Determined Contribution                     | \$0         |
| Is ADC calculated in compliance with No. Letter 2018-3? | Yes         |

| <b>Membership</b>                        | <b>2023</b> |
|--|-------------|
| Number of active members                 | 39          |
| Number of inactive members               | 0           |
| Number of retirees and beneficiaries     | 2           |
| Premiums paid on behalf of the retirants | \$5,500     |

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

| <b>Actuarial Assumptions</b>                            | <b>2023</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 | 13 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>2023</b> |
|---|-------------|
| Actuarial value of assets using uniform assumptions                 | 286,184     |
| Actuarial accrued liability using uniform assumptions               | 68,998      |
| Funded ratio using uniform assumptions                              | 414.77%     |
| Actuarially Determined Contribution (ADC) using uniform assumptions | \$0         |

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

### Changes in Net OPEB Liability and Related Ratios

| Fiscal Year Ending  | 12/31/2023         | 12/31/2022         | 12/31/2021         |
|---|--------------------|--------------------|--------------------|
| <b>Total OPEB Liability</b>   |                    |                    |                    |
| Service Cost  | \$9,709            | \$9,842            | \$5,571            |
| Interest  | 5,629              | 5,222              | 5,211              |
| Changes of Benefit Terms  | 0                  | 0                  | 0                  |
| Difference between Expected and Actual Experience                   | (12,681)           | 9,392              | 15,104             |
| Change of Assumptions   | (2,015)            | 1,002              | 782                |
| Benefit Payments (Including Refunds of Employee Contributions)      | (5,500)            | (26,442)           | (35,132)           |
| Net Change in Total OPEB Liability                                  | (4,858)            | (984)              | (8,464)            |
| Total OPEB Liability – Beginning                                    | 73,453             | 74,437             | 82,901             |
| Total OPEB Liability – Ending (a)                                   | \$68,595           | \$73,453           | \$74,437           |
| <b>Plan Fiduciary Net Position</b>                                  |                    |                    |                    |
| Contributions to OPEB trust   | \$0                | \$0                | \$0                |
| Contributions/benefit payments made from general operating funds    | 5,500              | 10,752             | 15,690             |
| Net Investment Income   | 29,866             | (31,114)           | 38,314             |
| Benefit Payments (Including Refunds of Employee Contributions)      | (5,500)            | (26,442)           | (35,132)           |
| Administrative Expenses   | (537)              | (484)              | (529)              |
| Other   | 0                  | 0                  | 0                  |
| Net Change in Fiduciary Net Position                                | 29,329             | (47,288)           | 18,343             |
| Plan Fiduciary Net Position – Beginning                             | 256,855            | 304,143            | 285,800            |
| Plan Fiduciary Net Position – Ending (b)                            | 286,184            | 256,855            | 304,143            |
| <b>Net OPEB Liability – Ending (a)-(b)</b>                          | <b>\$(217,589)</b> | <b>\$(183,402)</b> | <b>\$(229,706)</b> |
| Plan Fiduciary Net Position as a Percentage of Total OPEB Liability | 417.21%            | 349.69%            | 408.59%            |
| Covered Employee Payroll  | \$2,744,010        | \$2,638,435        | \$2,358,982        |
| Net OPEB Liability as Percentage of Payroll                         | (7.9)%             | (7.0)%             | (9.7)%             |
| <b>Actuarially Determined Contribution</b>                          | <b>\$0</b>         | <b>\$0</b>         | <b>\$0</b>         |
| Employer Contribution/benefit payments                              | (5,500)            | (10,752)           | (15,690)           |
| Contribution Deficiency/(Excess)                                    | \$(5,500)          | \$(10,752)         | \$(15,690)         |
| ADC as a Percentage of Covered Payroll                              | 0.0%               | 0.0%               | 0.0%               |
| Employer Contribution as a Percentage of Covered Payroll            | 0.2%               | 0.4%               | 0.7%               |

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

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

|                          |   |
|--------------------------|---|
| <b>Valuation date</b>    | December 31, 2023                                   |
| <b>Measurement date</b>  | December 31, 2023                                   |
| <b>Reporting date</b>    | December 31, 2023                                   |
| <b>Actuarial Methods</b> |   |
| Cost method              | Entry Age Normal (level percentage of compensation) |
| Asset valuation method   | Market value  |

#### Actuarial Assumptions

**Discount Rate** – 7.00% for 2023 contribution, 7.00% for 2023 liability, and 2024 contribution  
 Rationale – Blended rate based on long term expected return and the 20-year Aa Municipal Bond rate

**20-year Aa Municipal Bond Rate** – 4.00%  
 Rationale – S&P Municipal Bond 20-Year High Grade Rate Index as of December 31, 2023

**Salary Scale** – 4.00%  
 Rationale – Per employer experience and expectations

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

**Mortality Rates** – 2010 Public General and Public Safety Healthy Retirees, Headcount weighted, IRS 2024 Adjusted Scale 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 healthcare 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 updated from The Retirement Plans Experience Committee of the Society of Actuaries (RPEC) MP-2021 to IRS 2024 Adjusted Scale MP-2021
- Salary Scale updated from 3.00% to 4.00%

### **Assumptions used for PA 202 Reporting**

**Discount rate** - 6.85%

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 |
|--------------------------------|---|----------------------------|--|------------|------------|------------|------------|------------|----------|-------------------------------|------------------------------|
|                                |   |                            | 2023   | 2024       | 2025       | 2026       | 2027       | 2028       | 2029+    |                               |                              |
| 2019                           | (49,842)  | 9.42                       | (5,291)                                      | (5,291)    | (5,291)    | (5,291)    | (5,291)    | (2,223)    |          | -                             | (23,387)                     |
| 2020                           | (8,041)   | 9.88                       | (814)  | (814)      | (814)      | (814)      | (814)      | (814)      | (715)    | -                             | (4,785)                      |
| 2021                           | 15,104  | 11.12                      | 1,358  | 1,358      | 1,358      | 1,358      | 1,358      | 1,358      | 4,240    | 11,030                        | -                            |
| 2022                           | 9,392   | 11.72                      | 801  | 801        | 801        | 801        | 801        | 801        | 3,785    | 7,790                         | -                            |
| 2023                           | (12,681)  | 11.75                      | (1,079)                                      | (1,079)    | (1,079)    | (1,079)    | (1,079)    | (1,079)    | (6,207)  | -                             | (11,602)                     |
| Net recognized in OPEB expense |   |                            | \$ (5,025)                                   | \$ (5,025) | \$ (5,025) | \$ (5,025) | \$ (5,025) | \$ (1,957) | \$ 1,103 | \$ 18,820                     | \$ (39,774)                  |

### 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 |
|--------------------------------|------------------------|----------------------------|--|-------------|-------------|-------------|-------------|------------|------------|-------------------------------|------------------------------|
|                                |                        |                            | 2023   | 2024        | 2025        | 2026        | 2027        | 2028       | 2029+      |                               |                              |
| 2019                           | (92,249)               | 9.42                       | (9,793)                                      | (9,793)     | (9,793)     | (9,793)     | (9,793)     | (4,112)    |            | -                             | (43,284)                     |
| 2020                           | (9,797)                | 9.88                       | (992)  | (992)       | (992)       | (992)       | (992)       | (992)      | (869)      | -                             | (5,829)                      |
| 2021                           | 782                    | 11.12                      | 70   | 70          | 70          | 70          | 70          | 70         | 222        | 572                           | -                            |
| 2022                           | 1,002                  | 11.72                      | 85   | 85          | 85          | 85          | 85          | 85         | 407        | 832                           | -                            |
| 2023                           | (2,015)                | 11.75                      | (171)  | (171)       | (171)       | (171)       | (171)       | (171)      | (989)      | -                             | (1,844)                      |
| Net recognized in OPEB expense |                        |                            | \$ (10,801)                                  | \$ (10,801) | \$ (10,801) | \$ (10,801) | \$ (10,801) | \$ (5,120) | \$ (1,229) | \$ 1,404                      | \$ (50,957)                  |

### 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 |
|--------------------------------|--|----------------------------|--|------------|----------|----------|------------|------|-------|-------------------------------|------------------------------|
|                                |  |                            | 2023   | 2024       | 2025     | 2026     | 2027       | 2028 | 2029+ |                               |                              |
| 2019                           | 7,350  | 5.00                       | 1,470  | -          |          |          |            |      |       | -                             | -                            |
| 2020                           | (39,207)   | 5.00                       | (7,841)                                      | (7,843)    |          |          |            |      |       | -                             | (7,843)                      |
| 2021                           | (18,399)   | 5.00                       | (3,680)                                      | (3,680)    | (3,679)  |          |            |      |       | -                             | (7,359)                      |
| 2022                           | 52,874   | 5.00                       | 10,575                                       | 10,575     | 10,575   | 10,574   |            |      |       | 31,724                        | -                            |
| 2023                           | (11,905)   | 5.00                       | (2,381)                                      | (2,381)    | (2,381)  | (2,381)  | (2,381)    |      |       | -                             | (9,524)                      |
| Net recognized in OPEB expense |  |                            | \$ (1,857)                                   | \$ (3,329) | \$ 4,515 | \$ 8,193 | \$ (2,381) |      |       | \$ 31,724                     | \$ (24,726)                  |

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

| Deferred Outflow/(Inflow) of Resources | Amount Recognized in Year Ended December 31, |          |         |          |         |       |
|--|--|----------|---------|----------|---------|-------|
|  | 2024   | 2025     | 2026    | 2027     | 2028    | 2029+ |
|  | (19,155)                                     | (11,311) | (7,633) | (18,207) | (7,077) | (126) |

## TRUSTEE INFORMATION

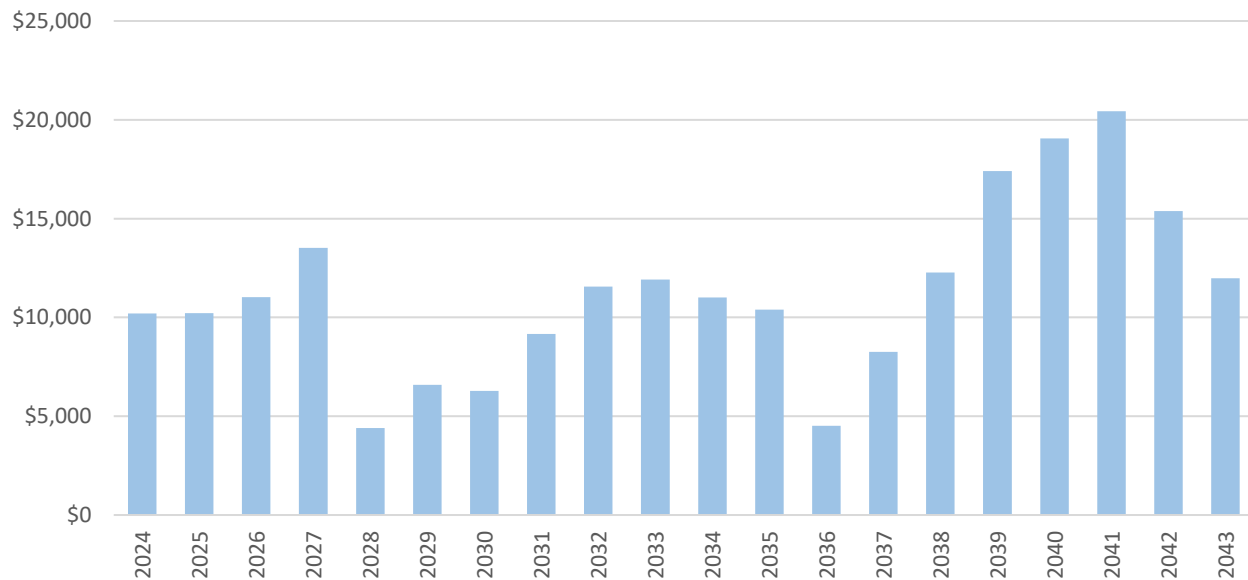
### Projected benefit payments and contributions

| Fiscal Year | Total OPEB Benefit Payment Amount (All Systems) | Additional OPEB Contributions (All Systems) |
|-------------|---|---|
| 2023        | \$5,500   |   |
| 2024        | 10,191  |   |
| 2025        | 10,209  |   |
| 2026        | 11,019  |   |
| 2027        | 13,521  |   |

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.