

February 18, 2020

PERSONAL & CONFIDENTIAL

Jessica LaPointe
Lake County Road Commission
1180 Michigan Avenue
PO Box 790
Baldwin, MI 49304

RE: Lake County Road Commission OPEB Plan

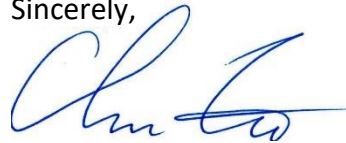
Dear Jessica:

Transmitted via email, this is a copy of your OPEB accounting report for the fiscal year ending December 31, 2019. This information is intended to assist you in complying with Governmental Accounting Standards Board Statement 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.

Please discuss these results with your accountants and let us know if additional information is needed.

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

Sincerely,



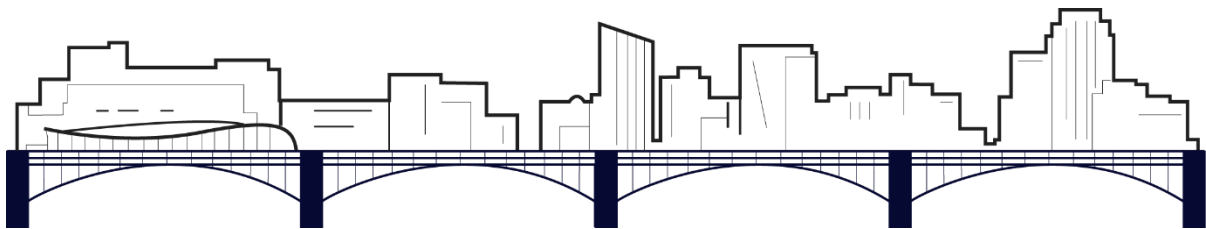
Christian R. Veenstra, FCA, ASA, MAAA
President / Enrolled Actuary

Enclosure

Lake County Road Commission OPEB Plan

Accounting Report

for the Period Ending December 31, 2019
under GASB Statement 74 & 75



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

Report presented by:



February 2020

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INTRODUCTION AND CERTIFICATION

The schedules included in this report have been prepared in order to provide the information necessary to comply with Governmental Accounting Standards Board (GASB) Statement 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.

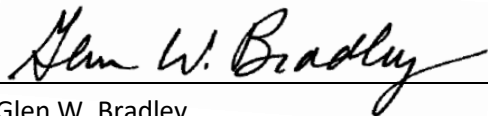
The calculations summarized in this report involve actuarial calculations that require assumptions about future events. We believe that the assumptions used in the report are within the range of possible assumptions that are reasonable and appropriate for the purposes for which they have been used. However, 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:



Glen W. Bradley
Senior Pension Analyst

Certified by:



Joseph Shackelford, ASA, MAAA
Health 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 gain (decrease in liability) of \$207,080, due to experience and demographic changes. The combination of actuarial assumption changes, described in the "Assumptions and Methods for Calculation of Actuarially Determined Contribution" section of this report, generated an actuarial gain (decrease in liability) of \$143,991. The primary cause of the decrease was the discount rate change from 3.08% to 5.00%. Finally there was an actuarial gain of \$171,785 attributed to the Road Commission's transition from utilizing a BCBS health plan to implementing a self-funded plan with lower expected healthcare costs.

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 Lake County Road Commission 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 Lake 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

Lake County Road Commission OPEB Plan is a single employer plan established and administered by **Lake 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, 2019, Retirement Plan membership consisted of the following:

Active members	34
Inactive members	0
Retirees and beneficiaries	9
Total members	43

Contributions

The Lake County Road Commission OPEB was established and is being funded under the authority of the Road Commission and under agreements with the unions representing various classes of employees. The plan's funding policy is that the employer will fund the plan on a pay-as-you-go basis with an annual contribution to the OPEB Trust of \$75,000. There are no long-term contracts for contributions to the plan.

ASSUMPTIONS AND METHODS

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

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2019. The following actuarial assumptions were used in the measurement:

Inflation	2.10%
Salary increases	3.50% (for purpose of allocating liability)
Investment rate of return	5.00% (including inflation)
20-year Aa Municipal bond rate	3.26% (S&P Municipal Bond 20-Year High Grade Rate Index)
Mortality	2010 Public General Employees and Healthy Retirees, Headcount weighted
Improvement Scale	MP-2018

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 Rate of Return (%)
Capital Appreciation Fund	100%	2.90%

The sum of each target allocation times its long-term expected real rate, plus inflation, is 5.00%.

Discount Rate

The discount rate used to measure the total OPEB liability was **5.00%**. The projection of cash flows used to determine the discount rate assumed that the Road Commission will make contributions of \$75,000 annually to the OPEB Trust in addition to paying benefits on a pay-as-you-go basis. 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. As of December 31, 2018, the discount rate used to value OPEB liabilities was 3.08%.

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, 2018	\$1,665,421	\$245,682	\$1,419,739
Changes during the Year			
Service Cost	130,664		130,664
Interest	54,086		54,086
Experience (Gains)/Losses	(207,080)		(207,080)
Change in plan terms	(171,785)		(171,785)
Change in actuarial assumptions	(143,991)		(143,991)
Contributions to OPEB trust		75,000	(75,000)
Contributions/benefit paid from general operating funds		80,067	(80,067)
Employee Contributions		0	0
Net Investment Income		52,890	(52,890)
Benefit Payments; Including Refunds of Employee Contributions	(80,067)	(80,067)	0
Administrative Expenses		(495)	495
Other Changes		0	0
Total Changes	(418,173)	127,395	(545,568)
Balance at December 31, 2019	\$1,247,248	\$373,077	\$874,171

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	\$1,333,035	\$1,247,248	\$1,168,650
Plan Fiduciary Net Position	373,077	373,077	373,077
Net OPEB Liability	\$959,958	\$874,171	\$795,573

Trend	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$1,150,673	\$1,247,248	\$1,358,429
Plan Fiduciary Net Position	373,077	373,077	373,077
Net OPEB Liability	\$777,596	\$874,171	\$985,352

RECONCILIATION AND RECOGNITION OF NET OPEB LIABILITY

OPEB Expense

Below are the components of the Total OPEB Expense:

	Fiscal Year Ending 12/31/2019
Service Cost	\$130,664
Interest on Total OPEB Liability	54,086
Experience (Gains)/Losses	(21,432)
Changes in Plan Terms	(171,785)
Changes in Assumptions	(3,760)
Employee Contributions	0
Projected Earnings on OPEB Plan Investments	(13,254)
Investment Earnings (Gains)/Losses	(5,451)
Administrative Expenses	495
Other Changes in Fiduciary Net Position	0
Total OPEB Expense	\$(30,437)

OPEB Plan Fiduciary Net Position

The OPEB Plan Fiduciary Net Position as of December 31, 2019 is \$373,077.

Deferred Inflows and Outflows of Resources Related to OPEB Plan

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Experience (Gains)/Losses	0	197,463
Changes of Assumptions	86,921	129,957
Investment Earnings (Gains)/Losses	0	20,920
Total	\$86,921	\$348,340

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	Amount Recognized
2020	\$(30,643)
2021	(30,643)
2022	(27,282)
2023	(33,120)
2024	(25,192)
Thereafter	(114,539)

RECONCILIATION AND RECOGNITION OF NET OPEB LIABILITY

Reconciliation of Net OPEB Liability

	Net OPEB Liability
Net OPEB Liability December 31, 2018	\$1,419,739
Total OPEB expense	(30,437)
Contributions	(155,067)
Change in deferred outflows of resources	(23,539)
Change in deferred inflows of resources	(336,525)
Net OPEB Liability December 31, 2019	\$874,171

Total OPEB Liability by Participant Status

	Total OPEB Liability
Active participants	\$954,478
Inactive participants	0
Retirees and beneficiaries	292,769
Total OPEB Liability	\$1,247,247

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Description of Actuarially Determined Contributions

Previously, under Governmental Accounting Standards Board (GASB) Statement Nos. 43 and 45, an Annual Required Contribution (ARC) was provided in order that an OPEB plan sponsor could either contribute such amount to an OPEB trust or book the balance on the employer's financial pages as an OPEB Obligation.

GASB Nos. 74 and 75, however, eliminate the ARC as a component of the financial statement and, instead, separately identify an accounting expense that must be recorded on the financial pages - whether or not a contribution was actually made to an OPEB trust. Although a recommended contribution is no longer necessary as part of GASB reporting, we have included one along with the accounting entries in this report in order to provide information for funding. This recommended contribution is designed to eventually fund your plan enough that you can pay retiree benefits directly from that trust instead of general operating funds. The amortization period is based on average future working years for active employees.

Actuarially Determined Contribution (ADC)	Fiscal Year Ending December 31,	
	2020	2019
Discount rate	5.00%	3.08%
Amortization period	11 years	12 years
Amortization method	Level % of pay	Level % of pay
Normal cost	93,395	130,664
Amortization of Net OPEB Liability	85,310	115,684
Interest to end of year	8,936	7,587
Total ADC	\$187,641	\$253,935

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, \$253,935, 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.

The second of these numbers, shown in the last table on the following page of this report is the actual minimum amount the State of Michigan requires you to deposit into a trust and it is based on the normal cost (actuarially calculated) for those covered by your plan and hired after June 30, 2018. The normal cost for these new hires is \$4,216 which is 8.11% of the covered payroll for this group. For 2020, you would apply a similar calculation – multiply 8.11% by covered payroll for anyone hired after June 30, 2018 and deposit that money into an OPEB trust to meet minimum funding requirements.

Minimum funding rules under PA 202 require that retiree healthcare benefits continue to be paid from general operating funds. That amount (\$80,067 for 2019) when added to what you deposited into a trust, generates a total minimum required amount of \$84,283 as shown on the following page of this report.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

State of Michigan Public Acts 530 and 202 Information

Financial information	2019
Assets (Fiduciary net position)	373,077
Liabilities (Total OPEB Liability)	1,247,248
Funded ratio for the Plan Year	29.91%
Actuarially Determined Contribution	\$253,935
Is ADC calculated in compliance with No. Letter 2018-3?	Yes

Membership	2019
Number of active members	34
Number of inactive members	0
Number of retirees and beneficiaries	9
Premiums paid on behalf of the retirants	\$80,067

Investment Performance
This information is available from the Investment Manager

Actuarial Assumptions	2019
Actuarially assumed rate of investment return	5.00%
Discount rate	5.00%
Amortization method used for funding unfunded liability	Level % of Pay
Amortization period used for funding unfunded liability	12 years
Is each division closed to new employees	No
Healthcare inflation assumption next year	8.50%
Healthcare inflation assumption - long term	4.50%

Uniform Assumptions	2019
Actuarial value of assets using uniform assumptions	373,077
Actuarial accrued liability using uniform assumptions	1,319,012
Funded ratio using uniform assumptions	28.28%
Actuarially Determined Contribution (ADC) using uniform assumptions	\$251,992

Information for Summary Report (minimum required contribution) ¹	2019
Retiree insurance premiums for the year (1)	80,067
Normal cost as a percent of covered payroll (2)	8.11%
Covered payroll for employees hired after June 30, 2018 (3)	51,983
Normal cost for employees hired after June 30, 2018 (4) = (2)X(3)	4,216
Minimum required contribution under PA 202 (1) + (4)	\$84,283

¹ Senate Bill 686 requires that a local unit must contribute at least both of the following – Normal cost for employees first hired after June 30, 2018 and retiree premiums due to retirants in the retirement system; In order to obtain 40% funding, higher contributions may be needed.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Changes in Net OPEB Liability and Related Ratios

Fiscal Year Ending	12/31/2019	12/31/2018	12/31/2017
Total OPEB Liability			
Service Cost	\$130,664	\$116,010	\$112,304
Interest	54,086	50,187	49,694
Changes of Benefit Terms	(171,785)	0	0
Difference between Expected and Actual Experience	(207,080)	(13,064)	0
Change of Assumptions	(143,991)	107,469	0
Benefit Payments (Including Refunds of Employee Contributions)	(80,067)	(100,577)	(100,359)
Net Change in Total OPEB Liability	(418,173)	160,025	61,639
Total OPEB Liability – Beginning	1,665,421	1,505,396	1,443,757
Total OPEB Liability – Ending (a)	\$1,247,248	\$1,665,421	\$1,505,396
Plan Fiduciary Net Position			
Contributions to OPEB trust	\$75,000	\$75,000	\$0
Contributions/benefit payments made from general operating funds	80,067	100,577	100,359
Net Investment Income	52,890	(18,923)	25,736
Benefit Payments (Including Refunds of Employee Contributions)	(80,067)	(100,577)	(100,359)
Administrative Expenses	(495)	(1,003)	(851)
Other	0	0	0
Net Change in Fiduciary Net Position	127,395	55,074	24,885
Plan Fiduciary Net Position – Beginning	245,682	190,608	165,723
Plan Fiduciary Net Position – Ending (b)	373,077	245,682	190,608
Net OPEB Liability – Ending (a)-(b)	\$874,171	\$1,419,739	\$1,314,788
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	29.91%	14.75%	12.66%
Covered Employee Payroll	\$1,661,289	\$1,769,048	\$1,723,975
Net OPEB Liability as Percentage of Payroll	52.62%	80.25%	76.26%
Actuarially Determined Contribution	\$253,935	\$173,911	\$220,274
Employer Contribution/benefit payments	(155,067)	(175,577)	(100,359)
Contribution Deficiency/(Excess)	\$98,868	\$(1,666)	\$119,915
Contribution as a Percentage of Covered Payroll	15.29%	9.83%	12.78%

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Assumptions and Methods for Calculation of Actuarially Determined Contribution

Valuation date December 31, 2019

Measurement date December 31, 2019

Reporting date December 31, 2019

Actuarial Methods

Cost method Entry Age Normal (level percentage of compensation)

Asset valuation method Market value

Actuarial Assumptions

Discount Rate – 3.08% for 12/31/2019 contribution; 5.00% for 2019 liability and 2020 contribution

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

20-year Aa Municipal Bond Rate – 3.26% for 2019 liability and 2020 contribution

Rationale – December 31, 2019 bond rate (based on information published by Bartel Associates, LLC as of September 30, 2019)

Salary Scale – 3.50%

Rationale – Per Uniform Assumptions as published by the State of Michigan under Public Act 202

Return on Plan Assets – 5.00%, including inflation

Rationale – Long-term expected rate of return provided by the investment advisor

Mortality Rates – Public General Headcount-weighted 2010 Employee and Healthy Retiree with MP-2018 Mortality Improvement Scale

Rationale – Most current mortality rates available for municipalities

Utilization – 100% of covered employees at the valuation date will elect coverage at retirement

Rationale – historical

Termination Rates – See sample rates below¹:

Age	Rate
20	0.07788
25	0.06780
30	0.04662
35	0.03187
40	0.02209
45	0.01591
50	0.00000

Rationale – Standard municipal turnover assumption published by GASB

Disability Rates – None

Rationale – Small group

Retirement Rates – 100% at first eligibility

Rationale – consistent with experience

¹ Rates shown in prior year's report were misstated. Rates shown above were used for liabilities at 12/31/2018.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Marital Assumption – 75% of future retirees will have a covered spouse at retirement, actual spouse data used for retirees

Rationale – Consistent with current employer demographic

Claims Costs – see rates (annual) below:

Age-Weighted Costs based on Self-Funded Plan Rates				
Age	Participant Male	Participant Female	Spouse Male	Spouse Female
55	\$6,682	\$7,046	\$6,642	\$7,003
56	6,682	7,046	6,642	7,003
57	6,682	7,046	6,642	7,003
58	6,682	7,046	6,642	7,003
59	6,682	7,046	6,642	7,003
60	8,574	8,384	8,523	8,334
61	8,574	8,384	8,523	8,334
62	8,574	8,384	8,523	8,334
63	8,574	8,384	8,523	8,334
64	8,574	8,384	8,523	8,334
65+	\$4,176	\$4,176	\$4,176	\$4,176

Rationale – Age-weighted costs based on the Self-Funded Plan Rates provided by ASR; Post-65 rates reported by the plan sponsor are higher than those shown above due to inclusion of active, post-65 participants currently not utilizing Medicare; the rates above were determined by averaging age-weighted active costs with an amount for Medicare retirees such that the average produced was consistent with the amount reported

Implicit Subsidy – Age-weighted costs valued

Rationale – active participants and retirees are covered at the same rates

Medical Trend – Pre-65: 8.5% graded down by 0.25% per year to 4.5%; Post-65: 7% graded down by 0.25% per year to 4.5%

Rationale – Consistent with Uniform Assumptions under Public Act 202

Data Collection

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

Assumption changes since prior valuation

- Last year no turnover rates were applied, but this year turnover rates based on national turnover trends have been implemented
- Discount rate increased from 3.08% to 5.00%

Assumptions used for PA 202 Reporting

Mortality – RPH-2014, adjusted to 2006, Total Data Set, with MP-2018 improvement scale

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
			2019	2020	2021	2022	2023	2024	2025+		
2018	(13,064)	10.46	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(4,321)	-	(10,566)
2019	(207,080)	10.26	(20,183)	(20,183)	(20,183)	(20,183)	(20,183)	(20,183)	(85,982)	-	(186,897)
Net recognized in OPEB expense			<u>\$ (21,432)</u>	<u>\$ (21,432)</u>	<u>\$ (21,432)</u>	<u>\$ (21,432)</u>	<u>\$ (21,432)</u>	<u>\$ (21,432)</u>	<u>\$ (90,303)</u>	<u>\$ -</u>	<u>\$ (197,463)</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
			2019	2020	2021	2022	2023	2024	2025+		
2018	107,469	10.46	10,274	10,274	10,274	10,274	10,274	10,274	35,551	86,921	-
2019	(143,991)	10.26	(14,034)	(14,034)	(14,034)	(14,034)	(14,034)	(14,034)	(59,787)	-	(129,957)
Net recognized in OPEB expense			<u>\$ (3,760)</u>	<u>\$ (3,760)</u>	<u>\$ (3,760)</u>	<u>\$ (3,760)</u>	<u>\$ (3,760)</u>	<u>\$ (3,760)</u>	<u>\$ (24,236)</u>	<u>\$ 86,921</u>	<u>\$ (129,957)</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
			2019	2020	2021	2022	2023	2024	2025+		
2017	(16,810)	5	(3,362)	(3,362)	(3,362)					-	(6,724)
2018	29,189	5	5,838	5,838	5,838	5,837				17,513	-
2019	(39,636)	5	(7,927)	(7,927)	(7,927)	(7,927)	(7,928)			-	(31,709)
Net recognized in OPEB expense			<u>\$ (5,451)</u>	<u>\$ (5,451)</u>	<u>\$ (5,451)</u>	<u>\$ (2,090)</u>	<u>\$ (7,928)</u>			<u>\$ 17,513</u>	<u>\$ (38,433)</u>

Total Deferred Outflow/(Inflow) of Resources

	Amount Recognized in Year Ended December 31,					
	2020	2021	2022	2023	2024	2025+
Total Deferred Outflow/(Inflow) of Resources	(30,643)	(30,643)	(27,282)	(33,120)	(25,192)	(114,539)

SUMMARY OF PLAN PROVISIONS

Plan name	Lake County Road Commission OPEB Plan
Benefit eligibility Union and Non-Union	Earlier of age 55 with 25 years of service or age 60 with 10 years of service
Benefit	Payment of self-insured insurance premiums for the retiree and spouse until the retiree reaches age 65; \$500 monthly stipend for retirees who waived medical coverage
Retiree contribution	None
Spouse Coverage	Spouse coverage continues after the death of the retiree until the date that the retiree would have no longer been eligible
Changes since prior valuation	Lake County Road Commission has transitioned to a Self-Funded plan

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.