

November 18, 2019

PERSONAL & CONFIDENTIAL

Joseph Young
Village of Lake Orion
21 East Church Street
Lake Orion, Michigan 48362

RE: Village of Lake Orion Retiree Medical Plan

Dear Joseph:

Transmitted via email, this is a copy of your OPEB accounting report for the fiscal year ending June 30, 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.

The actuarial values shown in this report are based on June 30, 2018 results rolled forward to June 30, 2019.

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

Sincerely,



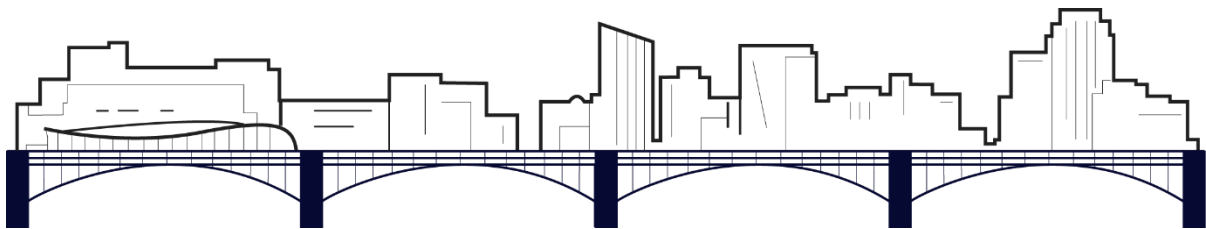
Christian R. Veenstra, ASA, MAAA, EA
President / Enrolled Actuary

Enclosure

Village of Lake Orion Retiree Medical Plan

Accounting Report

for the Period Ending June 30, 2019
under GASB Statement 74 & 75



Report presented by:



November 2019

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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.

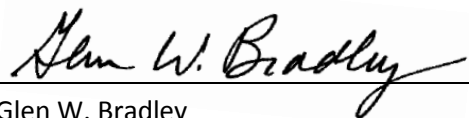
The calculations summarized in this report involve actuarial calculations that require assumptions about future events. We believe that the assumptions used in the report are within the range of possible assumptions that are reasonable and appropriate for the purposes for which they have been used. However, 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 benefits 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 (the Act) was drafted to address the underfunded status of pension and retiree healthcare plans of local governments in Michigan. Accordingly, the Act included transparency and funding requirements. In addition, in order that the plans' funded status of plan sponsors 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 a comparison 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. So, in order to provide this information, 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 not necessarily consistent with PA 202 unless otherwise indicated. This report includes an ADC determined using an amortization of the unfunded liability over ten years for GASB reporting purposes.

Actuarially Determined Contribution under Public Act 202

Public Act 202 also 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 a small actuarial loss (increase in liability) of \$833, due to the actual benefit payments slightly higher than expected. The combination of actuarial assumption changes, described in the "Assumptions and Methods for Calculation of Actuarially Determined Contribution" section of this report, generated an actuarial gain (decrease in liability) of \$307,414, primarily due to the increase in the discount rate from 5.63% to 7.09%.

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 Village of Lake Orion Retiree Medical Plan and additions to/deductions from the Village's fiduciary net position have been determined on the same basis as they are reported by the Village of Lake Orion. 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

Village of Lake Orion Retiree Medical Plan is a single employer plan established and administered by ***Village of Lake Orion*** 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 June 30, 2018, Retirement Plan membership consisted of the following:

| | |
|--|----------|
| | |
| Inactive plan members receiving or entitled to future benefits | 10 |
| Covered Spouse and dependents | 4 |
| Active plan members | <u>5</u> |
| Total participants | 19 |

Contributions

The Village of Lake Orion OPEB was established and is being funded under the authority of the Village and under agreements with the unions representing various classes of employees. The plan's funding policy is that the employer will contribute in a discretionary fashion with the actuarial valuation as a guide. Currently, benefit payments are made from general operating funds – pay-as-you-go. There are no long term contracts for contributions to the plan.

ASSUMPTIONS AND METHODS

The Village's OPEB liability was measured as of June 30, 2019.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018 and rolled forward to June 30, 2019 and the following actuarial assumptions:

| | |
|--------------------------------|---|
| Inflation | Included in the Investment Rate of Return |
| Salary increases | 3.00% |
| Investment rate of return | 7.09% (including inflation) |
| 20-year Aa Municipal bond rate | 3.00% |
| Mortality | 2010 Public General and Public Safety Employees, and Healthy Retirees, Headcount weighted, with MP-2018 improvement scale |

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 |
|-------------------------|-------------------|-----------------------------------|
| Global Equity | 65.4% | 8.00% |
| Global fixed income | 29.1 | 5.50 |
| Real Assets | 3.1 | 6.20 |
| Diversifying strategies | 2.4 | 2.75 |

The sum of each target allocation times its long-term expected real rate is 7.09% including inflation.

Discount Rate

The discount rate used to measure the total OPEB liability was **7.09%**. Because the covered group is closed to new entrants and the employer continues to make benefit payments on a pay-as-you-go basis, assets will theoretically not be depleted and no cross-over point will occur so the average rate above is used for the discount rate. **It is our opinion that because the plan is only 6.5% funded and the employer has not committed to funding the plan, as long as benefits are paid from general operating funds those payments ought to be discounted at the municipal bond rate and a lower discount rate would result in a higher liability.** This discount rate is used to determine the Total OPEB Liability. As of June 30, 2018 the discount rate used to value OPEB liabilities was 5.63%.

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 June 30, 2018 | \$2,192,538 | \$121,760 | \$2,070,778 |
| Changes during the Year | | | |
| Service Cost | 27,523 | | 27,523 |
| Interest | 120,056 | | 120,056 |
| Experience (Gains)/Losses | 833 | | 833 |
| Change in plan terms | 0 | | 0 |
| Change in actuarial assumptions | (307,414) | | (307,414) |
| Contributions to OPEB trust | | 0 | 0 |
| Contributions/benefit paid from general operating funds | | 87,636 | (87,636) |
| Net Investment Income | | 5,726 | (5,726) |
| Benefit Payments; Including Refunds of Employee Contributions | (87,636) | (87,636) | 0 |
| Administrative Expenses | | (606) | 606 |
| Other Changes | | <u>0</u> | <u>0</u> |
| Total Changes | (246,638) | 5,120 | (251,758) |
| Balance at June 30, 2019 | \$1,945,900 | \$126,880 | \$1,819,020 |

Net OPEB Liability – Discount and Trend Rate Sensitivities

The following presents the net OPEB liability (NOL) of the Village, calculated using trend and discount rates 1% higher and lower than base assumptions:

| Discount | 1% Decrease | Current Rate | 1% Increase |
|-----------------------------|----------------|----------------|----------------|
| Total OPEB Liability | \$2,173,896 | \$1,945,900 | \$1,754,435 |
| Plan Fiduciary Net Position | <u>126,880</u> | <u>126,880</u> | <u>126,880</u> |
| Net OPEB Liability | \$2,047,016 | \$1,819,020 | \$1,627,555 |

| Trend | 1% Decrease | Current Rate | 1% Increase |
|-----------------------------|----------------|----------------|----------------|
| Total OPEB Liability | \$1,722,646 | \$1,945,900 | \$2,214,167 |
| Plan Fiduciary Net Position | <u>126,880</u> | <u>126,880</u> | <u>126,880</u> |
| Net OPEB Liability | \$1,595,766 | \$1,819,020 | \$2,087,287 |

NET OPEB LIABILITY

OPEB Expense

Components of Village's OPEB Expense for the Fiscal Year Ending June 30, 2019

Below are the components of the Total OPEB Expense:

| | Fiscal Year Ending 06/30/2019 |
|---|----------------------------------|
| Service Cost | \$27,523 |
| Interest on Total OPEB Liability | 120,056 |
| Experience (Gains)/Losses | 374 |
| Changes of Assumptions | (137,854) |
| Changes in plan terms | 0 |
| Employee Contributions | 0 |
| Projected Earnings on OPEB Plan Investments | (6,838) |
| Investment Earnings (Gains)/Losses | (314) |
| Administrative Expenses | 606 |
| Other Changes in Fiduciary Net Position | <u>0</u> |
| Total OPEB Expense | \$3,553 |

OPEB Plan Fiduciary Net Position

The OPEB Plan Fiduciary Net Position as of June 30, 2019 is \$126,880.

Deferred Inflows and Outflows of Resources Related to OPEB Plan

| | Deferred Outflows Of Resources | Deferred Inflows Of Resources |
|------------------------------------|-----------------------------------|----------------------------------|
| Experience (Gains)/Losses | 459 | 0 |
| Changes of Assumptions | 0 | 169,560 |
| Investment Earnings (Gains)/Losses | <u>0</u> | <u>719</u> |
| Total | \$459 | \$170,279 |

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 June 30, | Amount Recognized |
|------------------------|----------------------|
| 2020 | \$(137,794) |
| 2021 | (31,935) |
| 2022 | (315) |
| 2023 | 224 |
| 2024 | 0 |
| Thereafter | 0 |

NET OPEB LIABILITY

Reconciliation of Net OPEB Liability

| | Net OPEB Liability |
|--|--------------------|
| Net OPEB Liability June 30, 2018 | \$2,070,778 |
| Total OPEB expense | 3,553 |
| Contributions | (87,636) |
| Change in deferred outflows of resources | 459 |
| Change in deferred inflows of resources | <u>(168,134)</u> |
| Net OPEB Liability June 30, 2019 | \$1,819,020 |

Total OPEB Liability by Participant Status

| | Total OPEB Liability |
|--|----------------------|
| Active participants | \$778,759 |
| Inactive participants receiving benefits | <u>1,167,141</u> |
| Total | \$1,945,900 |

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 June 30, | |
|---|-----------------------------|-----------|
| | 2020 | 2019 |
| Discount rate | 7.09% | 5.63% |
| Amortization period | 9 years | 10 years |
| Amortization method | Level \$ | Level \$ |
| Normal cost | 13,960 | 27,523 |
| Amortization of Net OPEB Liability | 261,710 | 261,707 |
| Interest to end of year | 19,545 | 16,284 |
| Total ADC | \$295,215 | \$305,514 |

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 on the following page of this report, \$305,514, is an amount required to be reported to the State of Michigan to be measured against your annual revenue in order to determine whether or not a Corrective Action Plan (CAP) must be adopted.

The second of these numbers is the actual minimum amount the State of Michigan requires you to deposit into a trust and it is based on the normal cost (actuarially calculated) for those covered by your plan and hired after June 30, 2018. Because your plan is closed to new hires after July 1, 2007, this requirement is not applicable. You must continue to pay retiree OPEB benefits from general operating funds.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

State of Michigan Public Acts 530 and 202 Information

| Financial information | 2019 |
|---|-----------|
| Assets (Fiduciary net position) | 126,880 |
| Liabilities (Total OPEB Liability) | 1,945,900 |
| Funded ratio for the Plan Year | 6.52% |
| Actuarially Determined Contribution | 305,514 |
| Is ARC calculated in compliance with No. Letter 2018-3? | Yes |

| Membership | 2019 |
|--|--------|
| Active members | 5 |
| Retirees and Beneficiaries | 10 |
| Premiums paid on behalf of the retirants | 87,636 |

| Actuarial Assumptions | 2019 |
|---|----------------------|
| Actuarially assumed rate of investment return | 7.09% |
| Discount rate | 7.09% |
| Amortization method used for funding unfunded liability | Level \$ |
| Amortization period used for funding unfunded liability | 10 years |
| Is each division closed to new employees | Yes |
| Healthcare inflation assumption | PA 202 uniform Trend |

| Uniform Assumptions | 2019 |
|---|-----------|
| Actuarial value of assets using uniform assumptions | 126,880 |
| Actuarial accrued liability using uniform assumptions | 1,945,073 |
| Funded ratio using uniform assumptions | 6.52% |
| Actuarially Determined Contribution (ADC) using uniform assumptions | 270,913 |

| Information for Summary Report (minimum required contribution) ¹ | 2019 |
|---|------------|
| Retiree insurance premiums for the year (1) | 87,636 |
| Normal cost as a percent of covered payroll (2) | Not Avail. |
| Covered payroll for employees hired after June 30, 2018 (3) | N/A |
| Normal cost for employees hired after June 30, 2018 (4) = (2)X(3) | N/A |
| Minimum required contribution under PA 202 (1) + (4) | 87,636 |

Assumptions used for PA 202 if other than GASB

- Discount rate - 7.0%
- Mortality – RPH-2014, adjusted to 2006, Total Data Set, with MP-2018 improvement scale
- 3.5% salary scale

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 06/30/2019 | Fiscal Year Ending 06/30/2018 |
|---|-------------------------------------|-------------------------------------|
| Total OPEB Liability | | |
| Service Cost | \$27,523 | \$26,056 |
| Interest | 120,056 | 119,190 |
| Changes of Benefit Terms | 0 | 0 |
| Difference between Expected and Actual Experience | 833 | 0 |
| Change of Assumptions | (307,414) | 0 |
| Benefit Payments (Including Refunds of Employee Contributions) | (87,636) | (87,425) |
| Net Change in Total OPEB Liability | (246,638) | 57,821 |
| Total OPEB Liability – Beginning | 2,192,538 | 2,134,717 |
| Total OPEB Liability – Ending (a) | \$1,945,900 | \$2,192,538 |
| Plan Fiduciary Net Position | | |
| Contributions to OPEB trust | \$0 | \$10,000 |
| Contributions/benefit payments made from general operating funds | 87,636 | 87,425 |
| Net Investment Income | 5,726 | 8,776 |
| Benefit Payments (Including Refunds of Employee Contributions) | (87,636) | (87,425) |
| Administrative Expenses | 0 | (554) |
| Other | 0 | 0 |
| Net Change in Fiduciary Net Position | 5,120 | 18,221 |
| Plan Fiduciary Net Position – Beginning | 121,760 | 103,539 |
| Plan Fiduciary Net Position – Ending (b) | 126,880 | 121,760 |
| Net OPEB Liability – Ending (a)-(b) | \$1,819,020 | \$2,070,778 |
| Plan Fiduciary Net Position as a Percentage of Total OPEB Liability | 6.52% | 5.6% |
| Covered Employee Payroll | Not Avail. | Not Avail. |
| Net OPEB Liability as Percentage of Payroll | Not Avail. | Not Avail. |
| Actuarially Determined Contribution | \$305,514 | \$253,808 |
| Employer Contribution (benefit payments) | <u>(87,636)</u> | <u>(97,425)</u> |
| Contribution Deficiency/(Excess) | \$217,878 | \$156,383 |
| Contribution as a Percentage of Covered Payroll | Not avail. | Not avail. |

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Assumptions and Methods for Calculation of Actuarially Determined Contribution

Valuation date June 30, 2018

Measurement date June 30, 2019¹

Reporting Date June 30, 2019

Actuarial Methods

Cost method Entry Age Normal (level percentage of compensation)

Asset valuation method Market value

Actuarial Assumptions

Discount rate – 7.09% for June 30, 2019 liability and 2020 contribution

Rationale – Blended rate based on long term expected return and the 20 Year AA Municipal Bond rate

20-year Aa Municipal Bond Rate – 3.00% (June 30, 2019)

Rationale – Consistent with reporting under PA 202 and a reasonable proxy for 20-year Aa Municipal bond rate (2.79% and 3.36% for June 30, 2019 S&P Municipal 20-Year High Grade Quarter End and Quarter Beginning respectively)

Salary scale – 3.00%

Rationale – Expected future pay increases provided by client

Return on plan assets – 7.09% (includes inflation)

Rationale – Weighted average of expected return by asset category

Mortality rates – 2010 Public General and Public Safety Employees, and Healthy Retirees, Headcount weighted, with MP-2018 improvement scale

Rationale – Based on most up-to-date industry studies

Utilization – 100% of future retirees are expected to receive contributions towards healthcare costs

Rationale – Benefits are provided at no or low cost to retirees

Marital assumption – 55% of future retirees are expected to elect spouse coverage at retirement, with females three years younger than males

Rationale – consistent with experience

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 PA 202

Termination Rates – None

Rationale – Small group

Retirement Rates – Upon attainment of 32 years of service

Rationale – Based on employer experience

¹ The Employer's OPEB liability was valued as of June 30, 2018 and rolled forward to June 30, 2019.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Assumptions and Methods for Calculation of Actuarially Determined Contribution

Monthly per capita claims costs

Pre-65 costs – for retiree or spouse less than age 65, see rates below:

Rationale – actual premiums effective September 2017

| Blue Cross/Blue Shield | |
|------------------------|----------|
| Age | Medical |
| 55 | \$574.23 |
| 56 | 600.75 |
| 57 | 627.53 |
| 58 | 656.11 |
| 59 | 670.27 |
| 60 | 698.86 |
| 61 | 723.58 |
| 62 | 739.80 |
| 63 | 760.14 |
| 64 | 772.50 |

Post-65 medical: \$619.33 Single, \$1,238.66 Double per month

Rationale – actual monthly premiums effective January 2019

Implicit Subsidy – not applicable

Rational – premiums are age-graded

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

- Discount rate increase from 5.63% to 7.09%
- Trend rates changed
 - From - Pre-65: 8.0% in 2018 graded to 5.0% over 6 years; Post-65: 5.0% in all years
 - To - 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%
- Mortality table changed
 - From - 2018 IRS 1.430(h) Annuitant and Non-annuitant (sex distinct) tables
 - To - 2010 Public General and Public Safety Employees, and Healthy Retirees, Headcount weighted, with MP-2018 improvement scale
- High cost plan excise tax (Cadillac tax) changed
 - From - a 0.5% load added to Medical inflation rate (Trend rates)
 - To - no load. (We are not including an accommodation for the Cadillac tax because of pending legislation to remove from the Affordable Care Act this provision.)

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 June 30, | | | | | Deferred Outflow of Resources | Deferred Inflow of Resources |
|--------------------------------|--|----------------------------------|--|---------------|--------------|-------------|-------------|-------------------------------------|------------------------------------|
| | | | 2019 | 2020 | 2021 | 2022 | 2023 | | |
| 2018 | - | 3.23 | - | - | - | - | - | - | - |
| 2019 | 833 | 2.23 | 374 | 374 | 85 | - | - | 459 | - |
| Net recognized in OPEB expense | | | <u>\$ 374</u> | <u>\$ 374</u> | <u>\$ 85</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 459</u> | <u>\$ -</u> |

Schedule of Changes in Assumptions

| Year | Changes in Assumptions | Recognition period (years) | Amount Recognized in Year Ended June 30, | | | | | Deferred Outflow of Resources | Deferred Inflow of Resources |
|--------------------------------|---------------------------|----------------------------------|--|---------------------|--------------------|-------------|-------------|-------------------------------------|------------------------------------|
| | | | 2019 | 2020 | 2021 | 2022 | 2023 | | |
| 2018 | - | 3.23 | - | - | - | - | - | - | - |
| 2019 | (307,414) | 2.23 | (137,854) | (137,854) | (31,706) | - | - | - | (169,560) |
| Net recognized in OPEB expense | | | <u>\$ (137,854)</u> | <u>\$ (137,854)</u> | <u>\$ (31,706)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (169,560)</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 June 30, | | | | | Deferred Outflow of Resources | Deferred Inflow of Resources |
|--------------------------------|---|----------------------------------|--|-----------------|-----------------|-----------------|---------------|-------------------------------------|------------------------------------|
| | | | 2019 | 2020 | 2021 | 2022 | 2023 | | |
| 2018 | (2,681) | 5 | (536) | (536) | (536) | (537) | - | - | (1,609) |
| 2019 | 1,112 | 5 | 222 | 222 | 222 | 222 | 224 | 890 | - |
| Net recognized in OPEB expense | | | <u>\$ (314)</u> | <u>\$ (314)</u> | <u>\$ (314)</u> | <u>\$ (315)</u> | <u>\$ 224</u> | <u>\$ 890</u> | <u>\$ (1,609)</u> |

Total Deferred Outflow/(Inflow) of Resources

| Amount Recognized in Year Ended June 30, | | | | |
|--|--------------|-------------|----------|--------|
| | 2020 | 2021 | 2022 | 2023 |
| Total Deferred Outflow/(Inflow) of Resources | \$ (137,794) | \$ (31,935) | \$ (315) | \$ 224 |

SUMMARY OF PLAN PROVISIONS

Plan name – Village of Lake Orion Retiree Medical Plan

Benefit eligibility

| | |
|--------------|---|
| AFSCME Union | Hired prior to 7/1/2007 and 30 years of service |
| POAM Union | Hired prior to 7/1/2007 and 25 years of service |
| Non-Union | Hired prior to 7/1/2007 and 25 years of service |

Benefit

| | |
|--------------|---|
| AFSCME Union | Village pays 75% of premium for retiree and spouse for their lifetimes |
| POAM Union | Village pays 75% of premium for retiree and spouse for their lifetimes |
| Non-Union | Village pays 100% of premium for retiree and spouse for their lifetimes |

Retiree contribution Balance of premium not paid by the Village, if any

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.

Annual Recommended Contribution (ARC) – the sum of the normal cost payment and the annual amortization payment for past service costs to fund the net OPEB liability.

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.