

October 25, 2019

PERSONAL & CONFIDENTIAL

Cindy Linderman  
Leoni Township  
913 5th St  
Michigan Center, MI 49254

RE: Leoni Township Other Post-Employment Benefits (OPEB) Plan

Dear Cindy:

Transmitted via email, this is a copy of your revised OPEB accounting report for the fiscal year ending June 30, 2019. This revised report reflects using the total beginning of year liability of \$711,084, which was calculated by the previous actuary in 2018. This information is intended to assist you in complying with Governmental Accounting Standards Board 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,



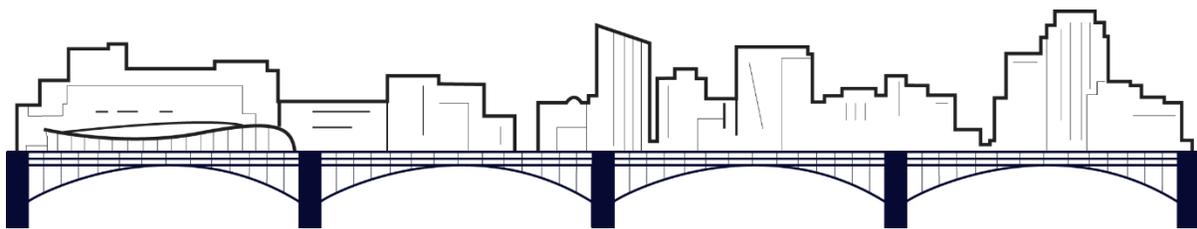
Chris Veenstra, FCA, ASA, MAAA  
President / Enrolled Actuary

Enclosure

# Leoni Township Other Post- Employment Benefits (OPEB) Plan

Accounting Report – Revised October 25<sup>th</sup>, 2019

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



Report presented by:



October 2019

**CONTENTS**

**INTRODUCTION AND CERTIFICATION .....1**

**COMMENTS .....2**

**PLAN DESCRIPTION .....3**

**ASSUMPTIONS AND METHODS .....4**

    Changes in the Net OPEB Liability ..... 5

    Net OPEB Liability – Discount and Trend Rate Sensitivities ..... 5

    OPEB Expense ..... 6

    OPEB Plan Fiduciary Net Position ..... 6

    Deferred Inflows and Outflows of Resources Related to OPEB Plan ..... 6

    Reconciliation of Net OPEB Liability ..... 7

    Total OPEB Liability by Participant Status ..... 7

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION .....8**

    Changes in Net OPEB Liability and Related Ratios ..... 8

    Description of Actuarially Determined Contributions ..... 9

    State of Michigan Public Acts 530 and 202 Information ..... 10

    PA 202 Uniform Assumptions if different from GASB: ..... 10

    Assumptions and methods for Calculation of Actuarially Determined Contribution ... 11

    Schedule of Difference between Actual and Expected Experience ..... 13

    Schedule of Changes in Assumptions ..... 13

    Schedule of Differences between Projected and Actual Earnings on OPEB Plan  
    Investments ..... 13

    Total Deferred Outflow/(Inflow) of Resources..... 13

**SUMMARY OF PLAN PROVISIONS .....14**

**GLOSSARY .....15**

## 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 No 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 75, and may be inappropriate for other purposes.

The calculations summarized in this report involve actuarial calculations that require assumptions about future events. We believe that the assumptions used in the report are within the range of possible assumptions that are reasonable and appropriate for the purposes for which they have been used. However, other assumptions are also reasonable and appropriate and their use would produce different results.

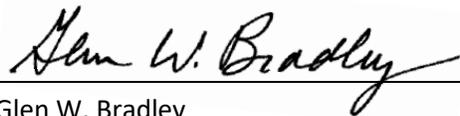
This report contains additional information and details related to plan provisions and recommended contribution calculations.

This report was prepared on the basis of participant data and asset values as reported to us by the plan sponsor. Watkins Ross relied upon the data as submitted, and has no reason to believe that any information, which would have a material effect on the results of this valuation, was not considered in the preparation of the report.

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

**Reviewed by:**

**Prepared & Certified by:**



Glen W. Bradley  
Senior Pension Analyst



Joseph Shackelford, ASA, MAAA  
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.

### **Actuarially Determined Contribution under Public Act 202**

Public Act 202 also requires a calculation of an ADC. This ADC differs from the one used for the 10 year reporting history noted in the paragraph above. The amortization period for this ADC is the lesser of 30 years and the number of years used for reporting the ADC under GASB. (Schedules of Required Supplementary Information: State of Michigan Public Acts 530 and 202 Information)

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

This is the first GASB 75 report produced by Watkins Ross for Leoni Township. A description of the actuarial assumptions used can be found in page 11 of this report. There was an increase in liability of \$564,368, which can be attributed to demographic changes. In particular, there were four additional active members considered in 2017 than in 2019, as well as seven terminated vested members that were not valued in the 2017 and 2018 reports that are being valued in this report.

## 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 Leoni Township Other Post-Employment Benefits (OPEB) Plan and additions to/deductions from the Township's fiduciary net position have been determined on the same basis as they are reported by the Leoni Township. 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

**Leoni Township Other Post-Employment Benefits (OPEB) Plan** is a single employer plan established and administered by **Leoni Township** and can be amended at its discretion.

### Benefits Provided

A summary of plan provisions is available on page 14.

### Summary of Plan Participants

As of June 30, 2019, Retirement Plan membership consisted of the following:

Inactive plan members receiving or entitled to future benefits	16 <sup>1</sup>
Covered Spouse	1
Active plan members	<u>10<sup>2</sup></u>
Total participants	27

### Contributions

The Leoni Township Other Post-Employment Benefit Plan was established and is being funded under the authority of the Employer's governing body and under agreements with the unions representing various classes of employees. The Plan's funding policy is to pay expected plan benefits from general operating funds – pay-as-you-go. Active participants do not make contributions to prefund the Plan. There are no long term contracts for contributions to the plan. The plan has no legally required reserves. Beginning for fiscal year ending June 30, 2019 contributions to a Section 115 trust will be required for employees hired after June 30, 2018, as prescribed under Public Act 202. See the section "Description of Actuarially Determined Contributions" of this report for more detail about this funding requirement.

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<sup>1</sup> Nine of these members are vested former employees.

<sup>2</sup> Three of these employees are assumed to retire before meeting the eligibility criteria and thus their liability is \$0.

## ASSUMPTIONS AND METHODS

The Township'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, 2019 and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	N/A; plan is not pre-funded
Salary increases	3.50%
Investment rate of return	N/A; plan is not pre-funded
20-year Aa Municipal bond rate	3.00% for June 30, 2018 and June 30, 2019 liability
Mortality	Public General Headcount-weighted 2010 Employee and Healthy Retiree with MP-2018 Mortality Improvement Scale

### Discount Rate

The discount rate used to measure the total OPEB liability was 3.00%. Because the plan does not have a dedicated OPEB trust, there are not assets projected to be sufficient to make projected future benefit payments of current plan members. For fiscal years subsequent to the valuation date, projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield and is used to determine the Total OPEB Liability. June 30, 2019 is the first year of required compliance with GASB 75, so there is no required discount rate change to disclose.

## NET OPEB LIABILITY

### Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
<b>Balance at June 30, 2018</b>	\$711,084	\$0	\$711,084
<b>Changes during the Year</b>			
Service Cost	41,501		41,501
Interest	22,233		22,233
Experience (Gains)/Losses	564,368		564,368
Change in plan terms	0		0
Change in actuarial assumptions	0		0
Contributions to OPEB trust		0	0
Contributions/benefit paid from general operating funds		23,002	(23,002)
Net Investment Income		0	0
Benefit Payments; Including Refunds of Employee Contributions	(23,002)	(23,002)	0
Administrative Expenses		0	0
Other Changes		<u>0</u>	<u>0</u>
Total Changes	605,100	0	605,100
<b>Balance at June 30, 2019</b>	\$1,316,184	\$0	\$1,316,184

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

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

Discount	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$1,614,855	\$1,316,184	\$1,089,100
Plan Fiduciary Net Position	<u>0</u>	<u>0</u>	<u>0</u>
Net OPEB Liability	\$1,614,855	\$1,316,184	\$1,089,100
Trend	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$1,086,475	\$1,316,184	\$1,614,519
Plan Fiduciary Net Position	<u>0</u>	<u>0</u>	<u>0</u>
Net OPEB Liability	\$1,086,475	\$1,316,184	\$1,614,519

## NET OPEB LIABILITY

### OPEB Expense

#### Components of Township'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	\$41,501
Interest on Total OPEB Liability	22,233
Experience (Gains)/Losses	75,856
Changes of Assumptions	0
Changes in plan terms	0
Employee Contributions	0
Projected Earnings on OPEB Plan Investments	0
Investment Earnings (Gains)/Losses	0
Administrative Expenses	0
Other Changes in Fiduciary Net Position	<u>0</u>
<b>Total OPEB Expense</b>	<b>\$139,590</b>

### OPEB Plan Fiduciary Net Position

The OPEB Plan Fiduciary Net Position as of June 30, 2019 is \$0

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

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Experience (Gains)/Losses	488,512	0
Changes of Assumptions	0	0
Investment Earnings (Gains)/Losses	<u>0</u>	<u>0</u>
<b>Total</b>	<b>\$488,512</b>	<b>\$0</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 June 30,	Amount Recognized
2020	\$75,856
2021	75,856
2022	75,856
2023	75,856
2024	75,856
Thereafter	109,232

## NET OPEB LIABILITY

### Reconciliation of Net OPEB Liability

	Net OPEB Liability
Net OPEB Liability June 30, 2018	\$711,084
Total OPEB expense	139,590
Contributions	(23,002)
Change in deferred outflows of resources	488,512
Change in deferred inflows of resources	<u>0</u>
<b>Net OPEB Liability June 30, 2019</b>	<b>\$1,316,184</b>

### Total OPEB Liability by Participant Status

	Total OPEB Liability
Active participants	\$89,945
Inactive participants receiving benefits	<u>1,226,239</u>
Total	\$1,316,184

## 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
<b>Total OPEB Liability</b>		
Service Cost	\$41,501	39,905
Interest	22,233	27,841
Changes of Benefit Terms	0	0
Difference between Expected and Actual Experience	564,368	0
Change of Assumptions	0	0
Benefit Payments (Including Refunds of Employee Contributions)	(23,002)	(22,547)
Other	0	(21,459)
Net Change in Total OPEB Liability	605,100	23,740
Total OPEB Liability – Beginning	711,084	687,344
Total OPEB Liability – Ending (a)	1,316,184	711,084
<b>Plan Fiduciary Net Position</b>		
Contributions to OPEB trust	0	0
Contributions/benefit payments made from general operating funds	23,002	22,547
Net Investment Income	0	0
Benefit Payments (Including Refunds of Employee Contributions)	(23,002)	(22,547)
Administrative Expenses	0	0
Other	0	0
Net Change in Fiduciary Net Position	0	0
Plan Fiduciary Net Position – Beginning	0	0
Plan Fiduciary Net Position – Ending (b)	0	0
<b>Net OPEB Liability – Ending (a)-(b)</b>	<b>\$1,316,184</b>	<b>\$711,084</b>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	0.00%	0.00%
Net OPEB Liability as Percentage of Payroll	479.19%	101.59%
<b>Actuarially Recommended Contribution (ARC)</b>		
Employer Contribution (benefit payments)	(23,002)	(22,547)
Contribution Deficiency/(Excess)	54,704	14,882
Covered Employee Payroll	274,669	699,931
Contribution as a Percentage of Covered Payroll	28.29%	5.35%

## 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.

Recommended Employer Contribution	Fiscal Year Ending June 30,	
	2020	2019
Normal cost	\$31,364	\$41,501
Amortization of Net OPEB Liability	66,295	33,942
Interest to end of year	<u>2,930</u>	<u>2,263</u>
Total recommended employer contribution	\$100,589	\$77,706

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 Financial Assumptions and
2. The minimum required amount to be deposited into an OPEB trust

The first of these contributions as shown on page 10 of this report, \$77,706 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. It is not a required contribution.

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 those new hires as of June 30, 2019 is \$9,555.

In addition, you may not draw on the trust until employees hired after June 30, 2018 begin to retire if the only amount deposited is the minimal amount noted above. Accordingly, you must continue to pay retiree OPEB benefits from general operating funds. That amount (\$23,002 for 2019) when added to what you deposited into a trust, generates a total minimum required amount of \$32,557 as shown on the last table on page 10 of this report.

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

<b>Financial information</b>	<b>2019</b>
Assets (Fiduciary net position)	0
Liabilities (Total OPEB Liability)	1,316,184
Funded ratio for the Plan Year	0%
Actuarially Recommended Contribution	77,706
Is ARC calculated in compliance with No. Letter 2018-3?	Yes
<b>Membership</b>	<b>2019</b>
Active members	10
Retirees, Beneficiaries and Deferred Vested	16
Premiums paid on behalf of the retirants	23,002
<b>Actuarial Assumptions</b>	<b>2019</b>
Actuarially assumed rate of investment return	0%
Discount rate	3.0%
Amortization method used for funding unfunded liability	Level %
Amortization period used for funding unfunded liability	20 years
Is each division closed to new employees	No
Healthcare inflation assumption (see page 10 of this report)	0%
<b>Uniform Assumptions</b>	<b>2019</b>
Actuarial value of assets using uniform assumptions	0
Actuarial accrued liability using uniform assumptions	1,274,623
Funded ratio using uniform assumptions	0%
Actuarially Determined Contribution (ADC) using uniform assumptions	90,664
<b>Information for Summary Report (minimum required contribution)<sup>1</sup></b>	<b>2019</b>
Retiree insurance premiums for the year (1)	23,002
Covered payroll for employees hired after June 30, 2018 (2)	36,531
Normal cost for employees hired after June 30, 2018 (3)	9,555
Minimum required contribution under PA 202 (1) + (3)	32,557

### PA 202 Uniform Assumptions if different from GASB:

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

<sup>1</sup> 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

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

**Valuation date** June 30, 2019

**Measurement date** June 30, 2019

#### Actuarial Methods

Cost method Entry Age Normal (level percentage of compensation)

Asset valuation method Market value

#### Actuarial Assumptions

**Discount rate** – 3.00% for June 30, 2019

Rationale – June 30, 2019 20 Year AA Municipal Bond rate

**20-year Aa Municipal Bond Rate** – 3.00%

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** – 3.50%

Rationale – Consistent with Uniform Assumptions under Public Act 202

**Return on plan assets** – 0.00%

Rationale – The plan is not pre-funded

**Mortality rates** – Pub-2010 Public Retirement Plans Mortality Tables for General Employees / Healthy Retirees; annuitant and non-annuitant, sex-distinct

Rationale – Mortality tables from the most recent study published by the Society of Actuaries using only data from public retirement plans

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

Rationale – historical

**Marital Assumption** – 10% of active and vested former employees will have a covered spouse at retirement with females 3 years younger than males; actual spouse data used for retirees

Rationale – consistent with experience

**Termination Rates** – No turnover assumed given the plan provision that permits terminated participants to claim coverage at retirement

Rationale – consistent with experience

**Retirement Rates** – Actives assumed to retire at the earlier of age 60 and 20 years of service and age 70.

Terminated vested members assumed to retire at age 60.

Rationale – These rates were chosen based on this plan's historical experience

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

**Medical Trend** – Medical premiums: Pre-Medicare, 8.5% graded down to 4.5% by 0.25% per year; 3% for Dental and Vision  
Rationale – Consistent with Uniform Assumptions under Public Act 202

#### Annual per capita claims costs

Pre-65 BC/BS Rates and Medicare Supplement Rates Below:

Age	Medical	Dental + Vision
50	\$4,740.91	\$437.64
51	4,950.65	447.96
52	5,181.69	459.00
53	5,415.17	470.04
54	5,667.36	481.80
55	5,919.53	493.44
56	6,192.94	505.92
57	6,469.00	518.52
58	6,763.67	531.60
59	6,909.66	541.92
60	7,204.32	555.24
61	7,459.13	568.08
62	7,626.34	579.36
63	7,836.06	591.72
64	7,963.41	602.40

Medicare Supplement Rates: Medical: \$1,920; Dental + Vision: \$606.96.

Rationale – actual annual pooled premiums amounts in effect for 2019

#### Implicit Subsidy – Valued

Rationale – Age-weighted premiums calculated based on employee demographics

#### 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

## 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	2024		
2018									-	-
2019	564,368	7	75,856	75,856	75,856	75,856	75,856	75,856	488,512	-
Net recognized in OPEB expense			\$ 75,856	\$ 75,856	\$ 75,856	\$ 75,856	\$ 75,856	\$ 75,856	\$ 488,512	\$ -

### Schedule of Changes in Assumptions

None

### Schedule of Differences between Projected and Actual Earnings on OPEB Plan Investments

None

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

	Amount Recognized in Year Ended June 30,				
	2020	2021	2022	2023	2024
<b>Total Deferred Outflow/(Inflow) of Resources</b>	\$ 75,856	\$ 75,856	\$ 75,856	\$ 75,856	\$ 75,856

## SUMMARY OF PLAN PROVISIONS

**Plan name** – Leoni Township OPEB Plan

### **Benefit eligibility**

Attainment of age 60 with 15 years of service or age 60 with 20 years of service. Employees hired prior to December 2006 can be eligible at any age provided they attain 15 or 20 years of service with the Township. The four vested former employees of the Township that are participating in the OPEB plan have satisfied the benefit eligibility criteria. These members worked for the Township long enough to become eligible to receive benefits from The Township and left the Township to work elsewhere, but they are entitled to receive retiree healthcare benefits from The Township when they retire.

### **Benefit**

If member retirees after attainment of age 60 with 15 years of service but before attaining 20 years of service, then the Township will pay 50% of the medical, dental, and vision premiums for the member and 25% of the medical, dental, and vision premiums for the spouse of the member. If member retirees after attainment of age 60 with 20 years of service, then the Township will pay 70% of the medical, dental, and vision premiums for the member and 30% of the medical, dental, and vision premiums for the spouse of the member. In the event that the member passes away during retirement before his or her spouse, then the spouse could continue coverage with the Township at the existing rate of their coverage. The Township will provide the same benefits for vested former employees that are participating in the plan once they retire.

### **Retiree contribution**

Years of Service	% of Member Premium	Years of Service	% of Spouse Premium
15	50	15	25
16	50	16	25
17	50	17	25
18	50	18	25
19	50	19	25
20+	70	20+	30

### **Changes since prior valuation**

None to report. This is first GASB 75 valuation completed by Watkins Ross for the Township.

## 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.

**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.