

ONTONAGON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2019

NOTE I--POSTEMPLOYMENT HEALTHCARE BENEFITS

*Plan Description.* The Road Commission provides postemployment healthcare insurance benefits to certain retired union and administrative employees and/or their spouse pursuant to a single-employer Plan administered by the Road Commission.

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NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2019

NOTE I--POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

*Benefits Provided.* The Road Commission provides post-employment healthcare benefits and life insurance benefits in accordance with the provisions of the union and no-bargaining unit agreements. The Road Commission shall pay 100% of the Medical, Vision, and Medicare Part B premiums for the retiree and spouse for a five-year period from the date of retirement. After the five-year period, the Road Commission will pay either (1) 25% of the Blue Cross/Blue Shield Supplemental Insurance Plan (including vision) and 25% of the Medicare Part B premiums for the retiree and spouse for life or (2) 50% of the Senior Choice Plan for the retiree and spouse for life.

The postemployment life insurance benefit provides that the Road Commission will provide for term-life insurance coverage of \$5,000 for employees who retired prior to July 1, 2003, and \$10,000 for those who retired after that date.

*Employees covered by benefit terms.* At the September 30, 2019, the following employees were covered by the benefit terms:

Inactive plan members receiving benefits	48
Active plan members	<u>39</u>
Total participants	<u>87</u>

*Contributions.* The Road Commission's policy is to finance these benefits on a pay-as-you-go basis. During the year ending September 30, 2019, 48 retirees were eligible for the post-retirement healthcare benefits at a cost of \$253,145.

*Net OPEB Liability.* The Road Commission's net OPEB liability was measured as of September 30, 2019. The September 30, 2019 total OPEB liability was determined by an actuarial valuation performed as of September 30, 2019.

*Actuarial Assumptions.* The total OPEB liability was determined by an actuarial valuation as of September 30, 2019. The following actuarial assumptions, applied to all periods included in the measurement:

Inflation	Implicit in expected payroll increases
Salary increases	3.5% (for purposes of allocating liability)
Investment rate of return	N/A; plan is not pre-funded
PA 202 uniform discount rate	3.58%
Mortality	RPH-2014 adjusted to 2006 Total Data Set with MP-2018 mortality improvement

As the plan is not pre-funded, no long-term expected rate of return on plan investments was determined.

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NOTE I--POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

*Discount Rate.* The discount rate used to measure the total OPEB liability was 3.58%. 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 projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the crossover or “depletion date,” not applicable for this plan), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability. This discount rate is used to determine the Total OPEB Liability. The discount rate used for September 30, 2018 was 3.00%.

Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances as of September 30, 2018	\$ 5,792,439	\$ -	\$ 5,792,439
Changes for the year			
Service Cost	154,999	-	154,999
Interest	174,626	-	174,626
Experience Gains/Losses	713,649	-	713,649
Change in Actuarial Assumptions	(291,950)	-	(291,950)
Contributions/benefit paid from general operating funds	-	253,145	(253,145)
Benefit payments, including refunds of employee contributions	(253,145)	(253,145)	-
Net changes	498,179	-	498,179
Balances as of September 30, 2019	\$ 6,290,618	\$ -	\$ 6,290,618

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NOTE I--POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

*Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.* The following presents the net OPEB liability of the Road Commission, as well as what the Road Commission's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58%) or 1 percentage point higher (4.58%) than the current discount rate:

	<u>1% Decrease (2.58%)</u>	<u>Current Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
Net OPEB Liability of the Road Commission	\$ 7,227,470	\$ 6,290,618	\$ 5,551,073

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.* The following presents the net OPEB liability of the Road Commission, as well as what the Road Commission's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Rate</u>	<u>1% Increase</u>
Net OPEB Liability of the Road Commission	\$ 5,519,115	\$ 6,290,618	\$ 7,272,355

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.* For the year ended September 30, 2019, the Road Commission recognized OPEB expense of \$486,026. At September 30, 2019, the Road Commission reported the deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Source</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in Experience	\$ 452,239	\$ 17,710
Change in Assumptions	<u>19,932</u>	<u>185,009</u>
Total	<u>\$ 472,171</u>	<u>\$ 202,719</u>

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

<u>Year Ended September 30</u>	<u>Amount</u>
2020	\$ 156,400
2021	113,052