

NOTE 9 - LONG-TERM DEBT (Continued)

Annual debt service requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 421,160	\$ 30,430	\$ 451,590
2022	432,627	18,807	451,434
2023	284,174	7,554	291,728
2024	90,912	2,970	93,882
2025	<u>41,761</u>	<u>368</u>	<u>42,129</u>
Total	<u>\$ 1,270,634</u>	<u>\$ 60,129</u>	<u>\$ 1,330,763</u>

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits, the Chippewa County Road Commission agrees to provide 100% of BC/BS and prescription drug coverage benefits to eligible retirees and/or their spouses who retire after February 1, 1985 and who were hired prior to February 1, 2005 until retiree’s death. If a retiree dies, the current spouse shall be provided the same coverage until attainment of Medicare eligibility. Upon attainment of Medicare eligibility, the retiree’s spouse will be responsible for 100% of the cost of any medical coverage if they elect to stay in the group.

For eligible retirees who were hired after February 1, 2005, the Chippewa County Road Commission agrees to pay a fixed percent of the premium for BC/BS and prescription drug coverage benefits based on years of service, but only until attainment of Medicare eligibility, at which time, 100% of premium shall be paid for by the retiree and or spouse if they elect to remain in the group.

Plan Description. The Road Commission administers a single-employer healthcare plan (“the Retiree Health Plan”). The plan provides healthcare insurance for eligible retirees through the Road Commission’s group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the Road Commission and employees. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy. Contribution requirements also are negotiated between the Road Commission and employees. The Road Commission contributes 100% of the cost of current-year premiums for eligible retired plan members. For fiscal year 2020, the Road Commission contributed \$1,916,829 to the plan. Total member contributions were \$54,909. There are no long-term contracts for contributions to the plan.

Employees Covered by Benefit Terms

As of December 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	71
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>67</u>
Total participants covered by OPEB Plan	<u>138</u>

The Road Commission’s total OPEB liability of was measured as of December 31, 2020, and was determined by an actuarial valuation as of December 31, 2019.

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Actuarial assumptions and other inputs - The total OPEB liability was determined by an actuarial valuation as of December 31, 2020 and the following actuarial assumptions, applies to all periods included in the measurement:

Inflation	1.80%
Salary Increases	3.50%
Investment rate of return	6.02% including inflation
Discount rate	6.02%
20 year Aa Municipal Bond rate	1.93%
Mortality	2010 Public General Employees and Healthy and Disabled Retirees.

The long-term expected rate of return on investments was determined using a building-block method in which best-estimate ranges of expected future 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 rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the retirement plan’s target asset allocation as of December 31, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Large Cap US	20%	5.95%
Mid Cap US	4	6.30
Small Cap US	4	5.50
International Equities	25	4.90
Emerging Mkt Equity	8	6.50
Short Term Fixed Inc.	14	1.30
US Fixed Inc.	9	1.70
International Fixed Inc.	2	1.50
Inflation – Linked	2	2.40
High Yield	4	3.30
Master Limited Partnerships	4	5.20
Precious Metals (Commodities)	4	1.50

The sum of each target allocation times its long-term expected rate results in a long-term expected rate of return of - 6.02%.

Discount Rate - The discount rate used to measure the total OPEB liability was 6.02%. The projection of cash flows used to determine the discount rate assumed that the Road Commission will make annual \$1,000,000 until the plan is fully funded. Based on this assumption, the retirement plan’s fiduciary net position was 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 point 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.

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (Continued)

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balances at December 31, 2019	\$ 18,230,242	\$ 1,657,569	\$ 16,572,673
Service cost	113,097	-	113,097
Interest on total OPEB liability	1,099,108	-	1,099,108
Difference between actual and expected experience	25,384	-	25,384
Change in actuarial assumptions	(7,086)	-	(7,086)
Contributions to OPEB trust	-	800,000	(800,000)
Contributions/benefit paid from general operating funds	-	1,116,829	(1,116,829)
Net investment income	-	494,383	(494,383)
Benefit payments including refunds of employee contributions	(1,116,829)	(1,116,829)	-
Administrative expense	-	(19,858)	19,858
Net changes	<u>113,674</u>	<u>1,274,525</u>	<u>(1,160,851)</u>
Balances as December 31, 2020	<u>\$ 18,343,916</u>	<u>\$ 2,932,094</u>	<u>\$ 15,411,822</u>

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
Net OPEB Liability	\$17,400,022	\$15,411,822	\$13,732,073
	Trend		
	1% Decrease	Current Rate	1% Increase
Net OPEB Liability	\$13,486,654	\$15,411,822	\$17,689,412

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (Continued)

OPEB Expense

Components of Road Commission’s OPEB Expense for the fiscal year ending December 31, 2020 are as follows:

Service Cost	\$ 113,097
Interest on total OPEB liability	1,099,108
Experience (Gains)/Losses	(79,686)
Changes of Assumptions	(2,452,880)
Projected Earnings on OPEB Plan Investments	(126,544)
Investment Earnings (Gains)/Losses	(79,002)
Administrative Expenses	<u>19,858</u>
 Total OPEB Expense	 <u>\$ (1,506,049)</u>

Deferred Outflows and Inflows of Resources Related to OPEB Plan

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Experience (Gains)/Losses	\$ 15,390	\$ 156,774
Changes in Assumptions	-	3,988,905
Investment Earnings (Gains)/Losses	-	<u>324,892</u>
 Total	 <u>\$ 15,390</u>	 <u>\$ 4,470,571</u>

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:	
<u>2021</u>	\$ (2,611,568)
2022	(1,642,631)
2023	(127,415)
2024	(73,567)

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Grants – The Road Commission has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Commission.