

Oakland County Retirees' Health Care Trust

GASB Statement No. 74, Financial Reporting for Postemployment
Benefit Plans Other Than Pension Plans

September 30, 2022





January 12, 2023

The Oakland County VEBA Board
Waterford, Michigan

Dear Board Members:

This report provides actuarial information for the Oakland County Retirees' Health Care Trust with benefits provided through a VEBA in connection with the Governmental Accounting Standards Board Statement No. 74 (GASB 74) "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans." The information provided herein was prepared for the purpose of assisting the VEBA in its efforts to comply with the financial reporting and disclosure requirements of GASB 74. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.

The calculation of the liability associated with the benefits described in this report was performed for the purpose of satisfying the requirements of GASB 74. The Net OPEB Liability (NOL) is not an appropriate measure for measuring the sufficiency of plan assets to cover the estimated cost of settling the employer's benefit obligation. The NOL is not an appropriate measure for assessing the need for or amount of future employer contributions. A calculation of the plan's liability for this report is not applicable for funding purposes of the plan. A calculation of the Plan's liability for purposes other than satisfying the requirements of GASB 74 may produce significantly different results. This report may be provided to parties other than the Board only in its entirety and only with the permission of the Board. GRS is not responsible for unauthorized use of this report.

The Total OPEB liability (TOL), NOL, and certain sensitivity information shown in this report are based on the retiree health benefits actuarial valuation performed as of September 30, 2021. The TOL was "rolled forward" from September 30, 2021 to September 30, 2022 using generally accepted actuarial principles.

This report is based upon information, furnished to us by the Plan, concerning Other Postemployment Benefits (OPEB), active members, deferred vested members, retirees and beneficiaries, and financial data. This information was checked for internal consistency, but it was not audited by us. As a result, we are unable to assume responsibility for the accuracy or completeness of the information provided.


Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

The assumptions and methods used in developing the Total OPEB Liability shown in this report are shown in our September 31, 2021 actuarial valuation of the Retiree Health Plan report dated May 19, 2022. This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purpose of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

To the best of our knowledge this report is accurate and all calculations have been made in conformity with generally accepted actuarial principles and practices as well as Actuarial Standards of Practice issued by the Actuarial Standards Board. Louise M. Gates and Michael D. Kosciuk are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. The signing actuaries are independent of the plan sponsor.

Section F of the report includes actuarial information necessary for completing the 2022 Form 5572 for State of Michigan reporting. This information is not required to be included in your financial statements.

Respectfully submitted,
Gabriel, Roeder, Smith & Company


Louise M. Gates, ASA, FCA, MAAA


Michael D. Kosciuk, FSA, EA, FCA, MAAA



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SECTION A

EXECUTIVE SUMMARY

Executive Summary as of September 30, 2022

	2022
Actuarial Valuation Date	September 30, 2021
OPEB Plan's Fiscal Year Ending Date (Measurement & Reporting Date)	September 30, 2022

Membership ⁽¹⁾

Number of	
- Retirees and Beneficiaries	2,756
- Inactive, Nonretired Members	189
- Active Members	1,381
- Total	4,326
Covered Payroll	N/A

Net OPEB Liability

Total OPEB Liability	\$ 942,297,298
Plan Fiduciary Net Position	1,342,562,400
Net OPEB Liability	\$ (400,265,102)
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	142.48 %
Net OPEB Liability as a Percentage of Covered Payroll	N/A

Development of the Single Discount Rate

Single Discount Rate	7.25 %
Long-Term Expected Rate of Return	7.25 %
Long-Term Municipal Bond Rate ⁽²⁾	4.40 %
Last year ending September 30 in the 2023 to 2122 projection period for which projected benefit payments are fully funded	2122

⁽¹⁾ Number counts are as of the Actuarial Valuation Date.

⁽²⁾ Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of September 30, 2022. In describing this index, Fidelity notes that the municipal curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.

Discussion

Accounting Standard

For post-employment (OPEB) benefit plans that are administered through trusts or equivalent arrangements, Governmental Accounting Standards Board (GASB) Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other than Pension Plans,” replaces the requirements of GASB Statement No. 43, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.” GASB Statement No. 74 establishes standards of financial reporting for separately issued financial reports of state and local government OPEB plans.

Reporting under GASB 74 is effective for plan fiscal years commencing after June 15, 2016.

The following discussion provides a summary of the information that is required to be disclosed under this new accounting standard. A number of these disclosure items are provided in this report. However, certain information, such as notes regarding accounting policies and investments, is not included in this report, and internal staff will be responsible for preparing that information to comply with this accounting standard.

Financial Statements

GASB Statement No. 74 requires defined benefit OPEB plans to present two financial statements: a statement of fiduciary net position and a statement of changes in fiduciary net position.

The *statement of fiduciary net position* presents the following items as of the end of the OPEB plan’s reporting period:

- Assets;
- Receivables (deferred inflows and outflows of resources);
- Investments;
- Liabilities; and
- Fiduciary net position (assets, plus deferred outflows, minus liabilities, minus deferred inflows).

The *statement of changes in fiduciary net position* presents the following for the plan’s reporting period:

- Additions, such as contributions and investment income;
- Deductions, such as benefit payments and expenses; and
- Net increase or decrease in the fiduciary net position (the difference between additions and deductions).

Notes to Financial Statements

GASB Statement No. 74 also requires the notes of the plan's financial statements to include additional disclosure information. This disclosure information should include:

- **Plan Description:**
 - The name of the OPEB plan, the administrator of the OPEB plan, and the identification of whether the OPEB plan is a single-employer, agent, or cost-sharing OPEB plan.
 - The number of participating employers (if agent or cost-sharing OPEB plan) and the number of non-employer contributing entities.
 - The composition of the OPEB plan's Board and the authority under which benefit terms may be amended.
 - The number of plan members by category and if the plan is closed.
 - The authority under which benefit terms are established or may be changed, the types of benefit provided and the classes of plan members covered. A brief description of the benefits and the description of automatic postemployment benefit changes and the sharing of benefit-related costs with inactive plan members.
 - A brief description of contribution requirements, including (a) identification of the authority under which contribution requirements of employers, non-employer contributing entities, and plan members are established or may be amended; (b) the contribution rates of the employer, non-employer contributing entities, and plan members; and (c) legal or contractual maximum contribution rates. If the OPEB plan of the entity that administers the OPEB plan has the authority to establish or amend contribution requirements, disclose the basis for determining contributions.
- **Plan Investments:**
 - A description of investment policies, including procedures for making and amending investment decisions; policies for asset allocation; and description of any significant changes in investment policy occurring during the reporting period.
 - Identification of investments that represent 5% or more of the fiduciary net position.
 - The annual money-weighted rate of return on the OPEB plan investments.
- **Receivables:**
 - The terms of any long-term contracts for contributions to the OPEB plan and the outstanding balance on any such long-term contracts.
- **Allocated insurance contracts excluded from OPEB plan assets**
- **Reserves:**
 - A description of the policy related to reserves;
 - The authority for the reserve policy;
 - The conditions under which the reserves can be used; and
 - The balances of the reserves.

In addition, Single-Employer and Cost-Sharing OPEB plans should disclose the following information in the notes to financial statements:

- The components of the net OPEB liability:
 - The total OPEB liability;
 - The fiduciary net position;
 - The net OPEB liability; and
 - The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.
- Significant assumptions and other inputs used to measure the total OPEB liability:
 - Significant assumptions include inflation, healthcare cost trend rates, salary changes, ad hoc postemployment benefit changes, and the sharing of benefit-related costs with inactive plan members.
 - If applicable, the patterns of practice relied upon for projecting the sharing of benefit-related costs with inactive plan members.
 - The source of the assumptions for mortality.
 - The dates of experience studies on which assumptions are based.
- Measure of the net OPEB liability using +/- 1% on the healthcare trend rate.
- On the discount rate:
 - The discount rate used and the change in the discount rate since the prior fiscal year-end.
 - Assumptions about projected cash flows.
 - The long-term expected rate of return on OPEB investments and a description of how it was determined.
 - The municipal bond rate used and the source of that rate.
 - The periods of projected benefit payments to which the long-term expected rate of return are used.
 - The assumed asset allocation of the portfolio and the long-term expected real rate of return for each major asset class, and whether the returns are arithmetic or geometric.
 - Measure of the net OPEB liability using +/- 1% on the discount rate.
- The date of the valuation and, if applicable, the fact that update procedures were used to roll forward the total OPEB liability.

Required Supplementary Information

For Single-Employer and Cost-Sharing OPEB Plans, GASB Statement No. 74 requires a 10-year fiscal history of:

- Sources of changes in the net OPEB liability;
- Information about the components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability, and the net OPEB liability as a percent of covered-employee payroll;
- Comparison of the actual employer contributions to the actuarially determined contributions based on the plan's funding policy along with the significant methods and assumptions used in calculating the actuarially determined contributions; and
- The annual money-weighted rate of return on OPEB plan investments for each year.

For Agent OPEB Plans, GASB Statement No. 74 requires a 10-year history of the annual money-weighted rate of return on OPEB plan investments.



Notes to the required schedules should include factors that significantly affect trends in the amounts reported (for example, changes of benefit terms, changes in the size or composition of the population covered, or the use of different assumptions). Information about investment-related factors that significantly affect trends in the amounts reported should be limited to those factors over which the OPEB plan or the participating governments have influence.

Measurement of the Net OPEB Liability

The net OPEB liability is to be measured as the total OPEB liability, less the amount of the OPEB plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement). The net OPEB liability should be measured as of the OPEB plan's most recent fiscal year end.

Frequency and Timing of the Actuarial Valuation

An actuarial valuation to determine the total OPEB liability is required to be performed at least every two years. If the actuarial valuation is not calculated as of the plan's fiscal year end, the total OPEB liability is required to be rolled forward from the actuarial valuation date to the OPEB plan's fiscal year end. If update procedures are used to roll forward the total OPEB liability, the date of the actuarial valuation must be no more than 24 months earlier than the OPEB plan's most recent fiscal year end.

The total OPEB liability shown in this report is based on an actuarial valuation performed as of September 30, 2021 and a measurement date of September 30, 2022.

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on OPEB plan investments is 7.25%; the municipal bond rate is 4.40% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"); and the resulting Single Discount Rate is 7.25%.

Actuarial Assumptions

The actuarial assumptions used to value the liabilities are outlined in the September 30, 2021 retiree health benefits actuarial valuation. The assumptions include details on the healthcare trend assumption and premium amounts, as well as the cost method used to develop the OPEB expense.

Future Uncertainty or Risk

Future results may differ from those anticipated in this valuation. Reasons include, but are not limited to:

- Actual medical trend differing from expected;
- Changes in the healthcare plan designs offered to active and retired members; and
- Participant behavior differing from expected, e.g.,
 - Elections at retirement;
 - One-person versus two-person coverage elections; and
 - Time of retirement or termination.

Benefits Valued

The benefit provisions that were valued are described in the September 30, 2021 retiree health benefits actuarial valuation. The valuation is required to be performed on the current benefit terms and existing legal agreements. Consideration is to be given to the written plan document as well as other communications between the employer and plan members and an established pattern of practice for cost sharing. The summary of major plan provisions is designed to outline principal plan benefits. If the plan summary is not in accordance with the actual provisions, please alert the authors of this report, so they can ensure the proper provisions are valued.

Effective Date and Transition

GASB Statement No. 74 is effective for an OPEB plan's fiscal years beginning after June 15, 2016.

SECTION B

FINANCIAL STATEMENTS

Information in this section of the report was provided by the County and is included here as supporting documentation.

Statement of Fiduciary Net Position as of September 30, 2022

To be Provided by the System

	<u>2022</u>
Assets	
Cash and Deposits	
Receivables	
Accounts Receivable - Sale of Investments	
Accrued Interest and Other Dividends	
Contributions	
Accounts Receivable - Other	
Total Receivables	
Investments	
Fixed Income	
Domestic Equities	
International Equities	
Real Estate	
Other	
Total Investments	
Total Assets	
Liabilities	
Payables	
Accounts Payable - Purchase of Investments	
Accrued Expenses	
Accounts Payable - Other	
Total Liabilities	
Net Position Restricted for OPEB	<u>\$ 1,342,562,400</u>

Statement of Changes in Fiduciary Net Position for Year Ended September 30, 2022

	<u>2022</u>
Additions	
Contributions	
Employer	\$ 0
Nonemployer contributing entities	0
Current Employees	0
Member	281,845
Other	0
Total Contributions	<u>\$ 281,845</u>
Investment Income	
Net Appreciation in Fair Value of Investments	\$ (203,736,481)
Interest and Dividends	20,391,512
Less Investment Expense	<u>(3,428,342)</u>
Net Investment Income	\$ (186,773,311)
Other Income	\$ 6,777,954
Audit Adjustment	999,995
Total Additions	<u><u>\$ (178,713,517)</u></u>
 Deductions	
Employer Paid Benefits	\$ 46,038,122
Member Paid Benefits	281,845
Administrative Expenses	360,970
Other	0
Total Deductions	<u><u>\$ 46,680,937</u></u>
 Net Increase in Net Position	 \$ (225,394,454)
 Net Position Restricted for OPEB	
Beginning of Year	<u>\$ 1,567,956,854</u>
End of Year	<u><u>\$ 1,342,562,400</u></u>

SECTION C

REQUIRED SUPPLEMENTARY INFORMATION

Auditor's Note – This information is intended to assist in preparation of the financial statements of the Oakland County Retirees' Health Care Trust. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.

Schedule of Changes in Net OPEB Liability and Related Ratios Multiyear

Last 10 Fiscal Years (which may be built prospectively)

Fiscal year ending September 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total OPEB liability										
Service cost	\$ 8,239,992	\$ 9,355,546	\$ 9,220,055	\$ 8,876,381	\$ 9,742,233	\$ 11,009,857				
Interest on the total OPEB liability	67,482,596	67,891,807	66,070,507	63,749,998	70,351,546	67,692,444				
Change in benefit terms	0	0	0	0	0	0				
Difference between expected and actual experience	(73,242,187)	(29,755,582)	(17,653,479)	(53,355,110)	(82,048,924)	(6,799,845)				
Change in assumptions	36,161,530	(8,152,094)	7,578,642	50,056,376	(51,205,346)	0				
Employer-financed benefit payments	(46,038,122)	(42,814,260)	(37,509,924)	(37,474,992)	(37,449,853)	(31,732,905)				
Net change in total OPEB liability	(7,396,191)	(3,474,583)	27,705,801	31,852,653	(90,610,344)	40,169,551				
Total OPEB liability - beginning	949,693,489	953,168,072	925,462,271	893,609,618	984,219,962	944,050,411				
Total OPEB liability - ending (a)	\$ 942,297,298	\$ 949,693,489	\$ 953,168,072	\$ 925,462,271	\$ 893,609,618	\$ 984,219,962				
Plan fiduciary net position										
Employer contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0				
Employee contributions	0	0	0	0	0	0				
Member contributions	281,845	354,983	279,397	290,718	234,284	218,517				
OPEB plan net investment income	(186,773,311)	267,795,534	63,070,473	46,821,806	84,162,823	134,380,948				
Employer-financed benefit payments	(46,038,122)	(42,814,260)	(37,509,924)	(37,474,992)	(37,449,853)	(31,732,905)				
Member-financed benefit payments	(281,845)	(354,983)	(279,397)	(290,718)	(234,284)	(218,517)				
OPEB plan administrative expense	(360,970)	(380,146)	(399,973)	(251,109)	(234,935)	(204,215)				
Other Income ⁽¹⁾	7,777,949	5,849,415	4,767,201	2,959,477	3,465,258	3,332,028				
Net change in plan fiduciary net position	(225,394,454)	230,450,543	29,927,777	12,055,182	49,943,293	105,775,856				
Plan fiduciary net position - beginning	1,567,956,854	1,337,506,311	1,307,578,534	1,295,523,352	1,245,580,059	1,139,804,203				
Plan fiduciary net position - ending (b)	\$ 1,342,562,400	\$ 1,567,956,854	\$ 1,337,506,311	\$ 1,307,578,534	\$ 1,295,523,352	\$ 1,245,580,059				
Net OPEB liability - ending (a) - (b)	\$ (400,265,102)	\$ (618,263,365)	\$ (384,338,239)	\$ (382,116,263)	\$ (401,913,734)	\$ (261,360,097)				
Plan fiduciary net position as a percentage of total OPEB liability	142.48 %	165.10 %	140.32 %	141.29 %	144.98 %	126.56 %				
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A				
Net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A				

⁽¹⁾ Includes an audit adjustment of \$999,995 for fiscal year 2022.



Schedule of the Net OPEB Liability Multiyear

Last 10 Fiscal Years (which may be built prospectively)

<u>FY Ending September 30,</u>	<u>Total OPEB Liability</u>	<u>Plan Net Position</u>	<u>Net OPEB Liability</u>	<u>Plan Net Position as a % of Total OPEB Liability</u>	<u>Covered Payroll</u>	<u>Net OPEB Liability as a % of Covered Payroll</u>
2013						
2014						
2015						
2016						
2017	\$ 984,219,962	\$ 1,245,580,059	\$ (261,360,097)	126.56 %	N/A	N/A
2018	893,609,618	1,295,523,352	(401,913,734)	144.98 %	N/A	N/A
2019	925,462,271	1,307,578,534	(382,116,263)	141.29 %	N/A	N/A
2020	953,168,072	1,337,506,311	(384,338,239)	140.32 %	N/A	N/A
2021	949,693,489	1,567,956,854	(618,263,365)	165.10 %	N/A	N/A
2022	942,297,298	1,342,562,400	(400,265,102)	142.48 %	N/A	N/A

Schedule of Contributions Multiyear

Last 10 Fiscal Years (which may be built prospectively)

<u>FY Ending September 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2013					
2014					
2015					
2016					
2017	\$ 0	\$ 0	\$ 0	N/A	N/A
2018	0	0	0	N/A	N/A
2019	0	0	0	N/A	N/A
2020	0	0	0	N/A	N/A
2021	0	0	0	N/A	N/A
2022	0	0	0	N/A	N/A

Notes to Schedule of Contributions

Methods and Assumptions Used to Determine Contributions for the Fiscal Year Ending September 30, 2022:

Valuation Date	September 30, 2020
Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level dollar, open if over 100% funded
Amortization Period	10 years
Asset Valuation Method	5-year smoothed market
Investment Rate of Return	7.25%, net of investment and administrative expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	The RP-2014 Healthy Annuitant Mortality Table (unadjusted) projected to 2021 based on the 2-dimensional MP-2014 improvement scales.
Health Care Trend Rates	<u>Medical, Prescription Drug, Medicare Part B:</u> Pre-65: 7.50% trend, gradually decreasing to 3.50% in year 12 Post-65: 6.25% trend, gradually decreasing to 3.50% in year 12 <u>Dental and Vision:</u> 3.50% trend for all years
Aging Factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"

Actuarially determined contribution amounts for fiscal year 2022 are calculated based upon the results of the September 30, 2020 funding actuarial valuation.

SECTION D

NOTES TO FINANCIAL STATEMENTS

Auditor's Note – This information is intended to assist in preparation of the financial statements of the Oakland County Retirees' Health Care Trust. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.

Long-Term Expected Return on Plan Assets

The assumed rate of investment return was adopted by the VEBA Board after considering input from the plan's investment consultant(s). Additional information about the assumed rate of investment return is included in our actuarial valuation report as of September 30, 2021.

The approach used to determine the long-term expected rate of return on OPEB plan investments was based on the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan expenses and inflation) are developed for each major asset class. These real rates of return 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. The long-term expected rates of return for each major asset class included in the OPEB plan's current target asset allocation were provided by the VEBA's investment consultant and are summarized in the following table:

Asset Class	Target Allocation	Expected Real Rate of Return*
Domestic Equity	32.5 %	7.50 %
International Equity	12.5 %	8.50 %
Domestic Bonds	25.0 %	2.50 %
International Bonds	5.0 %	3.50 %
Real Estate	10.0 %	4.50 %
Alternative Assets	15.0 %	5.59 %
Total	100.0 %	

* The expected real rate of return shown above was based on an arithmetic calculation and a 10-15-year time horizon. The investment consultant's price inflation assumption was reported to be 2.5% per year.

The information shown in the table above was provided by the Plan's investment consultant. Gabriel, Roeder, Smith & Company does not provide investment advice.

The table above includes expected rates of return on VEBA trust assets for a 10-15-year time horizon. The nature of VEBA obligations is long term and a long term forecast of VEBA investment returns is needed to establish the expected rate of return on trust assets. A review of expected rates of return for a portfolio comparable to the VEBA's portfolio from 12 national investment firms produced a 10-year arithmetic average return of 5.90% and a geometric average return of 5.27%. Long term forward looking return expectations were not provided by these investment firms. We believe that return expectations for longer time periods would likely produce higher average rates of investment return.

Summary of Membership Information[#]

The following table provides a summary of the number of participants in the plan:

Retired Plan Members or Surviving Spouses Currently Receiving Benefits	2,756
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	189
Active Plan Members	1,381
Total Plan Members	<u>4,326</u>

[#] As of the Actuarial Valuation Date

Single Discount Rate

A Single Discount Rate of 7.25% was used to measure the total OPEB liability as of September 30, 2021. This Single Discount Rate was based on the expected rate of return on OPEB plan investments of 7.25%. The projection of cash flows used to determine this Single Discount Rate assumed that in the future plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Section E of this report contains additional information related to the Single Discount Rate.

As required by GASB Statement No. 74, we have determined the sensitivity of the net OPEB liability to changes in the Single Discount Rate. The following table presents the plan's net OPEB liability, calculated using a Single Discount Rate of 7.25%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

Sensitivity of Net OPEB Liability to the Single Discount Rate Assumption Results as of September 30, 2022

1% Decrease	Current Single Discount Rate Assumption	1% Increase
6.25%	7.25%	8.25%
\$ (291,875,249)	\$ (400,265,102)	\$ (491,506,445)

As required by GASB Statement No. 74, we have determined the sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following table presents the plan's net OPEB liability, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if it were calculated using trend rates that are one percent lower or one percent higher:

Sensitivity of Net OPEB Liability to the Healthcare Cost Trend Rate Assumption Results as of September 30, 2022

1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
\$ (503,578,792)	\$ (400,265,102)	\$ (276,843,880)



SECTION E

CALCULATION OF THE SINGLE DISCOUNT RATE

Calculation of the Single Discount Rate

GASB Statement No. 74 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total OPEB Liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a municipal bond rate is required, as described in the following paragraph.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on OPEB plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on OPEB plan investments is 7.25%; the municipal bond rate is 4.40%; and the resulting SDR is 7.25%.

The Oakland County Retirees' Health Care Trust has a history of adhering to a funding policy of making the entire actuarially determined contribution. As a result, the Single Discount Rate is the expected rate of return on pension plan investments (7.25%) and projections have been excluded from this report.

SECTION F

MICHIGAN PUBLIC ACT 202

State Reporting Assumptions as of September 30, 2022

The Protecting Local Government Retirement and Benefits Act, Public Act 202 of 2017 (the Act), has created new reporting requirements for local units of government that sponsor defined benefit plans. Sec. 5(1) of the Act provides the State Treasurer with the authority to annually establish uniform actuarial assumptions (UAA) for the purpose of developing the required disclosures. The UAA are available in a memo from the Department of Treasury (DOT) dated December 17, 2021.

The Local unit of government must report certain actuarial information related to the retiree health plan on the Form 5572. The chart below is an excerpt of this form and includes the information needed for the Fiscal Year 2022 Form 5572 UAA disclosures for the County's Retiree Health Care Plan (a.k.a. VEBA).

27	Uniform Assumptions	
28	Enter retirement health care system's actuarial value of assets using uniform assumptions	\$ 1,470,868,143
29	Enter retirement health care system's actuarial accrued liabilities using uniform assumptions	\$ 954,059,622
30	Funded ratio using uniform assumptions	154.2%
31	Actuarially Determined Contribution (ADC) using uniform assumptions ¹	\$ -
32	All systems combined ADC/Governmental fund revenues	Auto ²

¹ For Fiscal Year 2022

² Automatically calculated by State of Michigan Form 5572 based on user inputs

The actuarial assumptions and methods used to develop this information comply with the UAA established by the DOT and are shown in Section F of the 2021 report of the actuarial valuation of the VEBA with the following exceptions:

Assumed rate of investment return: 6.85% net of expenses.

Wage inflation: 3.0% per year.

Mortality tables: A version of Pub-2010 with mortality projected generationally to 2025 using scale MP-2020.

Medical and prescription drug increases:

Pre-65: Initial rate of 7.25% decreasing by 0.25% per year to an ultimate rate of 4.50% per year.

Age 65 and beyond: Initial rate of 5.50% decreasing by 0.25% per year to an ultimate rate of 4.50% per year.



SECTION G

GLOSSARY OF TERMS

Glossary of Terms

Accrued Service	Service credited under the system that was rendered before the date of the actuarial valuation.
Actuarial Accrued Liability (AAL)	The AAL is the difference between the actuarial present value of all benefits and the actuarial value of future normal costs. The definition comes from the fundamental equation of funding which states that the present value of all benefits is the sum of the Actuarial Accrued Liability and the present value of future normal costs. The AAL may also be referred to as “accrued liability” or “actuarial liability.”
Actuarial Assumptions	These assumptions are estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and compensation increases. Actuarial assumptions are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (compensation increases, payroll growth, inflation and investment return) consist of an underlying real rate of return plus an assumption for a long-term average rate of inflation.
Actuarial Cost Method	A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of the OPEB trust benefits between future normal cost and actuarial accrued liability. The actuarial cost method may also be referred to as the actuarial funding method.
Actuarial Equivalent	A single amount or series of amounts of equal actuarial value to another single amount or series of amounts, computed on the basis of appropriate actuarial assumptions.
Actuarial Gain (Loss)	The difference in liabilities between actual experience and expected experience during the period between two actuarial valuations is the gain (loss) on the accrued liabilities.
Actuarial Present Value (APV)	The amount of funds currently required to provide a payment or series of payments in the future. The present value is determined by discounting future payments at predetermined rates of interest and probabilities of payment.
Actuarial Valuation	The actuarial valuation report determines, as of the actuarial valuation date, the service cost, total OPEB liability, and related actuarial present value of projected benefit payments for OPEB.
Actuarial Valuation Date	The date as of which an actuarial valuation is performed.

Glossary of Terms

Actuarially Determined Contribution (ADC) or Annual Required Contribution (ARC)	A calculated contribution into an OPEB plan for the reporting period, most often determined based on the funding policy of the plan. Typically, the Actuarially Determined Contribution has a normal cost payment and an amortization payment.
Amortization Method	The method used to determine the periodic amortization payment may be a level dollar amount, or a level percent of pay amount. The period will typically be expressed in years, and the method will either be “open” (meaning, reset each year) or “closed” (the number of years remaining will decline each year).
Amortization Payment	The amortization payment is the periodic payment required to pay off an interest-discounted amount with payments of interest and principal.
Cost-of-Living Adjustments	Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.
Cost-Sharing Multiple-Employer Defined Benefit OPEB Plan (cost-sharing OPEB plan)	A multiple-employer defined benefit OPEB plan in which the OPEB obligations to the employees of more than one employer are pooled and OPEB plan assets can be used to pay the benefits of the employees of any employer that provides benefits through the OPEB plan.
Covered-Employee Payroll	The payroll of employees that are provided with benefits through the OPEB plan.
Deferred Inflows and Outflows	The deferred inflows and outflows of OPEB resources are amounts used under GASB Statement No. 75 in developing the annual OPEB expense. Deferred inflows and outflows arise with differences between expected and actual experiences; changes of assumptions. The portion of these amounts not included in the OPEB expense should be included in the deferred inflows or outflows of resources.
Discount Rate	<p>For GASB purposes, the discount rate is the single rate of return that results in the present value of all projected benefit payments to be equal to the sum of the funded and unfunded projected benefit payments, specifically:</p> <p>The benefit payments to be made while the OPEB plans’ fiduciary net position is projected to be greater than the benefit payments that are projected to be made in the period; and</p> <p>The present value of the benefit payments not in (1) above, discounted using the municipal bond rate.</p>

Glossary of Terms

Entry Age Actuarial Cost Method (EAN)

The EAN is a cost method for allocating the costs of the plan between the normal cost and the accrued liability. The actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis (either level dollar or level percent of pay) over the earnings or service of the individual between entry age and assumed exit age(s). The portion of the actuarial present value allocated to a valuation year is the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is the actuarial accrued liability. The sum of the accrued liability plus the present value of all future normal costs is the present value of all benefits.

Fiduciary Net Position

The fiduciary net position is the market value of the assets of the trust dedicated to the defined benefit provisions.

GASB

The Governmental Accounting Standards Board is an organization that exists in order to promulgate accounting standards for governmental entities.

Long-Term Expected Rate of Return

The long-term rate of return is the expected return to be earned over the entire trust portfolio based on the asset allocation of the portfolio.

Money-Weighted Rate of Return

The money-weighted rate of return is a method of calculating the returns that adjusts for the changing amounts actually invested. For purposes of GASB Statement No. 74, the money-weighted rate of return is calculated as the internal rate of return on OPEB plan investments, net of OPEB plan investment expense.

Multiple-Employer Defined Benefit OPEB Plan

A multiple-employer plan is a defined benefit OPEB plan that is used to provide OPEB payments to the employees of more than one employer.

Municipal Bond Rate

The Municipal Bond Rate is the discount rate to be used for those benefit payments that occur after the assets of the trust have been depleted.

Net OPEB Liability (NOL)

The NOL is the liability of employers and non-employer contributing entities to plan members for benefits provided through a defined benefit OPEB plan.

Non-Employer Contributing Entities

Non-employer contributing entities are entities that make contributions to an OPEB plan that is used to provide OPEB payments to the employees of other entities. For purposes of the GASB accounting statements, plan members are not considered non-employer contributing entities.

Glossary of Terms

Normal Cost	The portion of the actuarial present value allocated to a valuation year is called the normal cost. For purposes of application to the requirements of this Statement, the term normal cost is the equivalent of service cost.
Other Postemployment Benefits (OPEB)	All postemployment benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits regardless of the manner in which they are provided. Other post-employment benefits do not include termination benefits.
Real Rate of Return	The real rate of return is the rate of return on an investment after adjustment to eliminate inflation.
Service Cost	The service cost is the portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.
Total OPEB Expense	<p>The total OPEB expense is the sum of the following items that are recognized at the end of the employer's fiscal year:</p> <ol style="list-style-type: none">1. Service Cost2. Interest on the Total OPEB Liability3. Current-Period Benefit Changes4. Employee Contributions (made negative for addition here)5. Projected Earnings on Plan Investments (made negative for addition here)6. OPEB Plan Administrative Expense7. Other Changes in Plan Fiduciary Net Position8. Recognition of Outflow (Inflow) of Resources due to Liabilities9. Recognition of Outflow (Inflow) of Resources due to Assets
Total OPEB Liability (TOL)	The TOL is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service.
Unfunded Actuarial Accrued Liability (UAAL)	The UAAL is the difference between actuarial accrued liability and valuation assets.
Valuation Assets	The valuation assets are the assets used in determining the unfunded liability of the plan. For purposes of GASB Statement Nos. 74 and 75, the valuation assets are equal to the market value of assets.