NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Benefits Provided:

Table 2	2019 Valuation	2019 Valuation
	01 - General Other: Closed to new hires,	10 - Gnrl Rd Com: Closed to new hires
Benefit Multiplier:	2.25% Multiplier (80% max)	2.25% Multiplier (80% max)
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	55/25	55/25
Early Retirement (Reduced):	50/25	50/25
	55/15	55/15
Final Average Compensation:	5 years	5 years
Employee Contributions:	0%	3% under $4,200; 5% over $4,200
DC Plan for New Hires:	11/1/2013	-
Act 88:	No	No

Employees covered by benefit terms: At the December 31, 2019 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	44
Inactive employees entitled to but not yet receiving benefits	8
Active employees	16
Total employees covered by MERS Plan	68

Contributions: The Road Commission is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended December 31, 2020, the Road Commission's contribution rate was $53,122 monthly for general employees and $164 monthly for general road commission employees.

Net Pension Liability

The employer's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation performed as of that date.

NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Actuarial assumptions: The total pension liability in the December 31, 2019 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	3.00% in the long-term
Investment Rate of Return	7.35%, net of investment expense and administrative expense including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3% - 4%.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of the most recent actuarial experience completed in 2015 for the period of January 1, 2009 - December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses 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. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2019, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	60.0%	3.15%
Global Fixed Income	20.0%	0.25%
Private Investments	20.0%	1.45%

NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Discount rate: The discount rate used to measure the total pension liability is 7.60% for the valuation on December 31, 2019. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	Increase (Decrease)		
Changes in Net Pension Liability	Total Pension Liability	Plan Net Position	Net Pension Liability
Balances at December 31, 2018	$10,601,016	$4,748,232	$5,852,784
Changes for the Year:			
Service Cost	82,976	-	82,976
Interest	820,523	-	820,523
Difference between expected and actual experience	(113,584)	-	(113,584)
Changes in assumptions	329,544	-	329,544
Contributions--Employer	-	692,250	(692,250)
Net investment income	-	634,714	(634,714)
Benefit payments, including refunds	(771,937)	(771,937)	-
Administrative expense	-	(10,939)	10,939
Net changes	347,522	544,088	(196,566)
Balances as of December 31, 2019	$10,948,538	$5,292,320	$5,656,218

Sensitivity of the Net Pension Liability to changes in the discount rate: The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.60%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.60%) or 1% higher (8.60%) than the current rate.

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
Net Pension Liability on December 31, 2019		$ 5,656,218	
Change in Net Pension Liability (NPL)	$ 1,083,898		$ (930,829)

NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2020, the Road Commission recognized pension expense of ($1,972). At December 31, 2020, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	$ -	$ 56,792
Excess (Deficit) Investment Returns	151,214	-
Changes in assumptions	164,772	-
Contributions subsequent to the measurement date*	769,377	-
Total	$ 1,085,363	$ 56,792

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the fiscal year ending December 31, 2021.

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

Years Ending December 31	Amount
2021	$ 147,350
2022	57,441
2023	93,573
2024	(39,170)

NOTE H--OTHER POSTEMPLOYMENT BENEFITS

Plan Description: In addition to the pension benefits described in Note G, the Road Commission provides post-employment healthcare insurance benefits to specified retired employees and/or their spouse. The benefits are provided in accordance with Article 10, Section 1, of the union agreement.

Benefits Provided: Healthcare benefits are provided upon retirement as follows: For salaried employees hired after May 2, 2012 and for Union employees, premiums are paid by the Road Commission for the participant for 8 years after retirement and pre-65 reimbursement of deductible up to $3,750 and premiums are paid by the Road Commission for the spouse for 3 years after retirement and pre-65 reimbursement of deductible up to $3,750. For salaried employees hired by May 2, 2012, the premiums are paid by the Road Commission for the participant for life and pre-65 reimbursement of deductible up to $3,750 and premiums are paid by the Road Commission for the spouse until age 70 and pre-65 reimbursement of deductible up to $3,750.

Employees covered by benefit terms. At the December 31, 2020, the following employees were covered by the benefit terms:

Active Plan Participants	24
Inactive Plan Participants	0
Retirees and Beneficiaries	19
Total Participants	43

Contributions. The Dickinson County Road Commission Retiree Health Plan was established and is being funded under the authority of the Road Commission. The plan's funding policy has been that the employer funds the plan on a "pay-as-you-go" basis. That is, benefit payments have been made from general operating funds. Currently, benefit payments are made from general operating funds. There are no long-term contracts for contributions to the plan. The plan has no legally required reserves. During the year, the Road Commission contributed $371,033 for the benefit.

Net OPEB Liability. The Road Commission's net OPEB liability was measured as of December 31, 2020. The December 31, 2020 total OPEB liability was determined by an actuarial valuation performed as of December 31, 2020.

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

Inflation	2.5%
Salary increases	0.0%
Investment rate of return	7.35%
PA 202 uniform discount rate	1.93%
Mortality	Public General 2010 Employee and Healthy Retiree, Headcount Weighted

NOTE H--OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount Rate. The discount rate used to measure the total OPEB liability was 4.16%. The projection of cash flows used to determine the discount rate assumed that the Road Commission will make contributions consistent with the Corrective Action Plan until reaching 40% funded status. 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 through 2044 – the cross over point. 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 "depletion date"), 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. The discount rate used to value the liabilities as of December 31, 2020 was 4.77%.

	Increase (Decrease)		
Changes in Net OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at December 31, 2019	$ 3,735,385	$ 63,401	$ 3,671,984
Changes for the Year:			
Service Cost	188,103	-	188,103
Interest	181,164	-	181,164
Experience (Gains) / Losses	(240,180)	-	(240,180)
Change in Actuarial Assumptions	394,845		394,845
Contributions - Employer	-	371,033	(371,033)
Benefit Payments, Including Refunds	(251,033)	(251,033)	-
Investment Income	-	26,074	(26,074)
Administrative Expenses	-	(235)	235
Net Changes	272,899	145,839	127,060
Balance at December 31, 2020	$ 4,008,284	$ 209,240	$ 3,799,044

NOTE H--OTHER POSTEMPLOYMENT 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 (3.77) or 1-percentage-point higher (5.77) than the current discount rate:

	1% Decrease (3.77%)	Current Discount Rate (4.77%)	1% Increase (5.77%)
Net OPEB Liability of the Road Commission	$ 4,192,291	$ 3,799,044	$ 3,461,519

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:

	1% Decrease	Current Health Care Trend Rate	1% Increase
Net OPEB Liability of the Road Commission	$ 3,388,705	$ 3,799,044	$ 4,292,071

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended December 31, 2020, the Road Commission recognized OPEB expense of $3,260. At December 31, 2020, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience (Gains) / Losses	$ 244,655	$ 234,641
Changes in Assumptions	554,863	451,574
Investment Earnings (Gains)/Losses	-	14,290
Total	$ 799,518	$ 700,505

NOTE H--OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Years Ending December 31	Amount
2021	$ 13,852
2022	13,852
2023	13,850
2024	14,080
2025	17,481
Thereafter	25,898

NOTE I--RISK MANAGEMENT

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for medical benefits claims and participates in the Michigan County Road Commission Self-Insurance Pool (Pool) for claims relating to general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings, and contents) and workers' compensation. The Road Commission's maximum deductible for property and liability coverage, and automobile coverage is $1,000 per occurrence. The maximum liability for the property and liability coverage is $10,500,000 per occurrence. The automobile coverage provides for limits of liability of $250,000 per person, $500,000 per accident and $1,000,000 in total. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 3 years.

The county road commissions in the State of Michigan established and created a trust fund, known as the Pool pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection.

Membership is restricted to road commissions and related road commission activities with the State. The Road Commission became a member of the Pool for liability and property coverage in 1991 and for workers' compensation coverage in 1993. The Pool program operates as a common risk-sharing management program for road commissions in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.