

Village of Lake Orion

OPEB Presentation

Review of June 30, 2025 GASB No. 74 and No. 75 Report

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Agenda

- Funded status
 - Reconciliation from prior year (roll-forward)
 - Looking at all the pieces
- Implications on trustee decisions
 - Actuarially Determined Contribution
 - Asset allocation

Funded status

- ▶ Reconciliation from prior year
 - Service cost – additional liability earned by active, covered lives

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 - Experience (gains)/losses
 - Changes in actuarial assumptions
- 

Funded status

- ▶ Reconciliation from prior year
 - Service cost – additional liability earned by active, covered lives
 - Interest – Liabilities are values of benefits paid in the future discounted to the valuation date
 - Experience (gains)/losses
 - Changes in actuarial assumptions
 - Benefit payments – benefits paid during the year reduce the liability as those benefits are settled (no longer included in the liability at the end of the year)
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Funded status

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2024	\$1,225,055	\$255,063	\$969,992
Changes during the Year			
Service Cost	2,469		2,469
Interest	81,214		81,214
Experience (Gains)/Losses	1,069		1,069
Change in plan terms	0		0
Change in actuarial assumptions	78,222		78,222
Contributions to OPEB trust		10,000	(10,000)
Contributions/benefit from general operating funds		101,006	(101,006)
Employee Contributions		0	0
Net Investment Income		28,642	(28,642)
Benefit Payments; Including Refunds of Employee Contributions	(101,006)	(101,006)	0
Administrative Expenses		(1,353)	1,353
Other Changes		0	0
Total Changes	61,968	37,289	24,679
Balance at June 30, 2025	\$1,287,023	\$292,352	\$994,671

Funded status

ASSUMPTIONS AND METHODS

The Village of Lake Orion's OPEB liability was measured as of June 30, 2025.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2024 rolled forward to June 30, 2025. The following actuarial assumptions were used in the measurement:

Inflation	Included in investment return
Salary increases	7.00% (for purpose of allocating liability)
Investment rate of return	6.28% (including inflation)
20-year Aa Municipal bond rate	4.81%
Mortality	Public General 2010 Employee and Healthy Retiree, Headcount weighted
Improvement Scale	IRS 2024 Adjusted Scale MP-2021

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	64.0%	7.10%
Global Fixed Income	26.0%	4.20%
Real Assets	5.0%	8.00%
Diversifying Strategies	5.0%	4.90%

Looking at all the pieces

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2024	\$1,225,055	\$1,225,055	\$0
Changes during the Year			
Service Cost	2,469		2,469
Interest	81,214		81,214
Experience (Gains)/Losses	0		0
Change in plan terms	0		0
Change in actuarial assumptions	0		0
Contributions to OPEB trust		0	0
Contributions/benefit from general operating funds		0	0
Employee Contributions		0	0
Net Investment Income		82,567	(82,567)
Benefit Payments; Including Refunds of Employee Contributions	(101,006)	(101,006)	0
Administrative Expenses		(1,353)	1,353
Other Changes		0	0
Total Changes	(17,323)	(19,792)	2,469
Balance at June 30, 2025	\$1,207,732	\$1,205,263	\$2,469

Looking at all the pieces

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2024	\$1,225,055	\$1,225,055	\$0
Changes during the Year			
Service Cost	2,469		2,469
Interest	81,214		81,214
Experience (Gains)/Losses	1,069		1,069
Change in plan terms	0		0
Change in actuarial assumptions	0		0
Contributions to OPEB trust		0	0
Contributions/benefit from general operating funds		0	0
Employee Contributions		0	0
Net Investment Income		28,642	(28,642)
Benefit Payments; Including Refunds of Employee Contributions	(101,006)	(101,006)	0
Administrative Expenses		(1,353)	1,353
Other Changes		0	0
Total Changes	(16,254)	(73,717)	57,463
Balance at June 30, 2025	\$1,208,801	\$1,151,338	\$57,463

Looking at all the pieces

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2024	\$1,225,055	\$1,225,055	\$0
Changes during the Year			
Service Cost	2,469		2,469
Interest	81,214		81,214
Experience (Gains)/Losses	1,069		1,069
Change in plan terms	0		0
Change in actuarial assumptions	78,222		78,222
Contributions to OPEB trust		0	0
Contributions/benefit from general operating funds		0	0
Employee Contributions		0	0
Net Investment Income		28,642	(28,642)
Benefit Payments; Including Refunds of Employee Contributions	(101,006)	(101,006)	0
Administrative Expenses		(1,353)	1,353
Other Changes		0	0
Total Changes	61,968	(73,717)	135,685
Balance at June 30, 2025	\$1,287,023	\$1,151,338	\$135,685

Looking at all the pieces

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2024	\$1,225,055	\$1,225,055	\$0
Changes during the Year			
Service Cost	2,469		2,469
Interest	81,214		81,214
Experience (Gains)/Losses	1,069		1,069
Change in plan terms	0		0
Change in actuarial assumptions	78,222		78,222
Contributions to OPEB trust		10,000	(10,000)
Contributions/benefit from general operating funds		101,006	(101,006)
Employee Contributions		0	0
Net Investment Income		28,642	(28,642)
Benefit Payments; Including Refunds of Employee Contributions	(101,006)	(101,006)	0
Administrative Expenses		(1,353)	1,353
Other Changes		0	0
Total Changes	61,968	37,289	24,679
Balance at June 30, 2025	\$1,287,023	\$1,262,344	\$24,679

Looking at all the pieces

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2024	\$1,225,055	\$255,063	\$969,992
Changes during the Year			
Service Cost	2,469		2,469
Interest	81,214		81,214
Experience (Gains)/Losses	1,069		1,069
Change in plan terms	0		0
Change in actuarial assumptions	78,222		78,222
Contributions to OPEB trust		10,000	(10,000)
Contributions/benefit from general operating funds		101,006	(101,006)
Employee Contributions		0	0
Net Investment Income		28,642	(28,642)
Benefit Payments; Including Refunds of Employee Contributions	(101,006)	(101,006)	0
Administrative Expenses		(1,353)	1,353
Other Changes		0	0
Total Changes	61,968	37,289	24,679
Balance at June 30, 2025	\$1,287,023	\$292,352	\$994,671

Implications on trustee decisions

► Actuarially Determined Contribution (ADC)

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)	
Balance at June 30, 2024	\$1,225,055	\$255,063	\$969,992	ADC 220,710
Changes during the Year				
Service Cost	2,469		2,469	2,469
Interest	81,214		81,214	<u>15,399</u>
Experience (Gains)/Losses	1,069		1,069	238,578
Change in plan terms	0		0	
Change in actuarial assumptions	78,222		78,222	
Contributions to OPEB trust		10,000	(10,000)	
Contributions/benefit from general operating funds		101,006	(101,006)	(111,006)
Employee Contributions		0	0	47%
Net Investment Income		28,642	(28,642)	
Benefit Payments; Including Refunds of Employee Contributions	(101,006)	(101,006)	0	
Administrative Expenses		(1,353)	1,353	
Other Changes		0	0	
Total Changes	61,968	37,289	24,679	127,572
Balance at June 30, 2025	\$1,287,023	\$292,352	\$994,671	

Implications on trustee decisions

- ▶ Asset allocation
 - 90% of covered lives are in pay status (retired)
 - Discuss with investment advisor allocation strategies that match your cash flow needs with fund liquidity



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