Frequently Asked Questions on GASB-74, 75 and 85 (The GASB's OPEB Standards)

1. What are the implementation dates of the various standards?

A. GASB-74 on OPEB plans has an implementation date for periods beginning after June 15, 2016. For employers GASB-75 has an implementation date for periods beginning after June 15, 2017. GASB-85 (Omnibus 2017,) which contains clarification standards related to GASB-74 and 75 has an implementation date also for periods beginning after June 15, 2017. All of the standards require a retroactive restatement of financial statements for all prior periods presented. If restatement for prior periods is not practical, the cumulative effect of applying the statements is presented as a restatement of beginning net position for the earliest period restated. Note disclosure and RSI will need to also be redrafted.

2. In the year of transition to GASB-74, won't there be a presentation of old information for employers and new information for the plan(s)?

A. Yes. Unless an employer early implements GASB-75 and GASB-85, there will be a mixture of note disclosure and required supplementary information (RSI) for employers with single employer plans for the initial fiscal year of implementation of GASB-74. The note disclosure and RSI that has been required by the former GASB-45 will continue for another year until GASB-75 and GASB-85 are to be implemented.

3. Can I use the actuarial valuation prepared 3 years prior to June 30, 2017 for the purposes of GASB-74?

A. No. First, the total OPEB liability should be determined by:
(1) an actuarial valuation as of the OPEB plan's most recent fiscal year-end *or*
(2) the use of update procedures to roll forward to the OPEB plan's most recent fiscal year-end amounts from an actuarial valuation as of a date *no more than 24 months earlier than the OPEB plan's most recent fiscal year-end*.

If update procedures are used and significant changes occur between the actuarial valuation date and the OPEB plan's fiscal year-end, professional judgment should be used to determine the extent of procedures needed to roll forward the measurement from the actuarial valuation to the OPEB plan's fiscal year-end, and consideration should be given to whether a new actuarial valuation is needed. For purposes of this determination, the effects of changes in the discount rate resulting from changes in the OPEB plan's fiduciary net position or from changes in the municipal bond rate, if applicable, should be among the factors evaluated. For financial reporting purposes, an actuarial valuation of the total OPEB liability should be performed at least biennially. More frequent actuarial valuations are encouraged.

Second, the actuarial valuation must use all assumptions in conformity with actuarial standards of practice (ASOP). Actuarial deviations are common and should be excluded for the purposes of financial reporting.

Third, the valuation should use the entry-age normal actuarial cost method only. GASB-43 and 45 allowed the use of six potential methods, including the entry-age normal method. Each period's service cost should be presented as a level percentage of pay.

Fourth, the discount rate previously used may be materially different than the new rate required in accordance with GASB-74, 75 and 85. The new rate is the long-term expected rate of return on plan investments used to finance the payment of benefits to the extent the OPEB plan's fiduciary net position is projected to be sufficient to make those benefit payments and OPEB plan assets are expected to be invested using a strategy to achieve that return. Where the conditions are not met to pay benefits, a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher is used. The two rates are then adjusted to a single rate.

Fifth, many valuations are solely for an implicit rate subsidy provided to beneficiaries. This subsidy occurred when an employer was paying a health insurance premium that was *not age-adjusted*. GASB-74, 75 and 85 require valuations to measure the total OPEB liability using projected benefit payments based on *claims costs*, or *age-adjusted premiums approximating claims costs*. Therefore, the implicit rate subsidy calculation becomes meaningless.

Finally, the OPEB valuation must also be adjusted for the presence of insurance where there is a transfer of risk, taxation (including the effects of Medicare, the Patient Protection and Affordable Care Act taxation), legal or contractual caps on benefit payments and many other factors and assumptions that may not be present in a current valuation.

4. What are the major differences in understanding OPEB versus pensions?

A. Some of the major differences are as follows:

Pensions	**OPEB**
• Salary and time are vital in projection of benefits (longer you work, the more your salary, the more benefit)	• Based on healthcare claims – years of service do not impact in many cases
• Pension actuaries are common	• OPEB actuaries must have experience in both pensions *and* healthcare claims development *or* have 2 certifications
• Actuarial assumptions are relatively stable	• Actuarial assumptions include pension assumptions, plus healthcare cost trend rate, effects of taxation, insurance and Medicare (as well as law) – pension assumptions may not be that significant in OPEB
• Benefits are well documented and change infrequently	• Much more informal – may change annually based on budget / healthcare trends / laws / bargaining
• Usually a separate plan, usually an irrevocable trust	• Most often part of the employer, potentially part of HR – irrevocable trust is not common
• Annual valuations most often done	• Biennial (or triennial) valuations performed
• Data sources / internal controls are usually well documented, even if some is at the employer(s) and some at the plan	• Data sources / internal controls less documented, especially if a third-party administrator / insurer is involved
• Actuarial valuations use entry-age normal method – focusing on projecting the future benefits, discounting payments to present value and attribute amounts to future periods	• Same method as pensions, but adds healthcare claims development and effect of laws, insurance etc.

Pensions	OPEB
• Long-term investment rate of return is usually key driver in discount rate	• Investment rate of return is usually immaterial due to lack of funding and no trust available
• Mortality rate is critical in projection of liability	• Mortality rate is less critical as plan is usually pay as you go (PAYGO) meaning much of the liability is pre-age 65 / 67 (after that age – Medicare or other insurance?)
• Retirement age is where liability is to be ready to be paid	• Retirement age is crucial to determine cash flows, but years of service harder to determine
• Inflation and COLAs may be present	• Healthcare cost trend rate may be a larger driver than investment return
• Multiple retirement benefit options may exist for survivors	• Plan choice, number of dependents / beneficiaries may significantly change liabilities
• Not a factor	• Utilization by Age is key – the older you get, the more healthcare costs
• Not a factor	• Retirees may have to pay for / share in costs of healthcare (premiums). Higher premiums may result in lower participation rates. The OPEB liability may also convert to Medicare or other insurance after age 65 to 67
• Not a factor unless GASB in the future revisits decision not to include social security as a liability	• Excise tax exists (ACA "Cadillac Tax")

5. Does GASB-74 require the issuance of a stand-alone financial report for a defined benefit OPEB plan?

A. No. However, many governments have laws or regulations that require a separate report that is audited.

6. A government has a single-employer OPEB plan reported as a trust fund. A stand-alone financial report is prepared. Does the government have to apply all the requirements of GASB-74 for the purposes of reporting the trust fund in the government's financial report?

A. No. In general, Statement 74 applies to financial reporting of the plan in stand-alone financial statements and in circumstances in which the plan is included as a trust fund of another government, for purposes of including the OPEB plan as a trust fund in the government's financial report, footnotes 8 and 10 of GASB-74 limit the applicability of the note disclosure and RSI requirements to circumstances in which defined benefit OPEB plan financial statements are presented *solely in the financial report of the government*. Therefore, because a stand-alone plan financial report is prepared in accordance with the requirements of GASB-74, GASB-74 does not require that the government to include the information identified in the detailed disclosure and RSI requirements of Statement 74 as part of *its presentation* of the OPEB plan as a trust fund in its financial report. Paragraph 106 of GASB-34, as amended, requires that, in this circumstance, the government's notes to financial statements include information about how to obtain the stand-alone plan financial report.

7. **A government only offers an unfunded ("PAYGO") defined benefit OPEB plan. The government's annual contributions are approximately equal to benefit payments. A trust is present in accordance with the provisions of GASB-74. Does GASB-74 apply?**

A. Yes. Since a trust is present in accordance with GASB-74, the reporting requirements apply. This would be also true if the plan was closed to new entrants. **If no trust is present (an agency fund is currently used**,) there is no OPEB plan reporting (a statement of fiduciary net position, a statement of changes in fiduciary net position, notes to the basic financial statements, or RSI) in accordance with the majority of GASB-74. However, if any assets are accumulated for OPEB, the assets are reported on the employer's financial reports as an agency fund. Also, upon the implementation of GASB-84, such reporting may change to a custodial fund which will present a statement of fiduciary net position and a statement of changes in fiduciary net position.

8. **A defined-benefit pension plan using an irrevocable trust also provides benefits for postemployment healthcare. Does GASB-74 apply?**

A. Yes. If a trust is used to administer *both* a pension plan and an OPEB plan *and* the OPEB partition of the trust meets the criteria for an irrevocable trust in GASB-74 relative to the assets held for OPEB. However, steps must be taken to ensure that the assets, *once initially allocated to OPEB* are *dedicated solely to provide OPEB until the point in time at which all benefits provided through the OPEB plan have been paid*. Otherwise, the dedicated purpose provisions of GASB-74 (and the Internal Revenue Code) are not met. The benefits then are classified as pensions.

9. **A defined benefit pension plan also provides a postemployment health insurance subsidy in the form of an additional monthly cash payment to each recipient. There is *no limitation* on the use of the subsidy. Should the subsidy be classified as OPEB?**

A. No. Since there is no limitation, it is considered retiree income and classified as pensions.

10. **Is separate reporting required for a defined benefit plan administered through a trust in accordance with GASB-67 and a postemployment healthcare plan administered through a trust in accordance with GASB-74?**

A. Yes. Two plans are present. Separate columns should be presented or if there are multiple plans, a combining statement may be used in stand-alone reports. If the plans are reported as trust funds by the employer or sponsor (no stand-alone reporting,) fiduciary fund financial statements are required to include a separate column for each fiduciary fund type, including pension and other employee benefit trust funds as one of those fund types. If separate financial reports of the individual pension and postemployment healthcare plans prepared in accordance with GAAP have been issued, the employer's or sponsor's notes to financial statements should include information about how to obtain those reports. In that case, separate plan financial statements (including notes to financial statements) for those plans *are not required* to be presented in the employer's or sponsor's report. If separate GAAP-basis plan reports *have not been issued*, separate financial statements (including notes to financial statements) for individual pension and postemployment healthcare plans should be presented in the employer's or sponsor's notes to financial statements and should be accompanied by required schedules of each plan, as applicable, in accordance with GASB-34, par. 106, as amended.

11. **A state-administered cost-sharing pension plan collects $75 per plan member per month from employers for postemployment healthcare benefits. Amounts collected by the pension plan for postemployment healthcare benefits are remitted to a separate state agency that**

administers the postemployment healthcare plan. The cash collected for postemployment healthcare benefits is credited to a liability account in the pension trust fund, which is liquidated when money is remitted to the state agency that administers the postemployment healthcare plan. For financial reporting purposes, should the pension plan instead report those amounts in accordance with the requirements of Statement 74 for an OPEB plan?

A. No. In collecting and remitting contributions to the agency administering the postemployment healthcare plan, the pension plan's role in this case is that of *a cash conduit*. Reporting the cash flow through a liability account in the trust fund is an appropriate way of reporting the pension plan's involvement. (Agency fund reporting also would fit the circumstances until the implementation of GASB-84).

> **POINT OF FOCUS**: A problem in many states is which entity should implement GASB-74. Many states have similar situations to the above. If a separate state agency is an administrator of an OPEB plan, managing the plan provisions, then the state agency should implement GASB-74 where applicable not a pension plan that merely collects cash from employers and passes the cash to the agency.

12. In order to trim payroll, a government offers an early retirement incentive in the form of healthcare benefits for 5 years to any employee with at least 20 years of service. This is in addition to already existing OPEB healthcare benefits. Acceptance of the early termination offer also extends postemployment healthcare benefits to include ages 60-64. Does the early retirement incentive affect the amounts reported by the OPEB plan about the net OPEB liability?

A. Yes. Although this is a termination benefit in accordance with GASB-47, *Accounting for Termination Benefits*, as amended, an enhanced OPEB benefit results in accordance with GASB-74 due to the extending of the period of time in which benefits are provided. Therefore, the net OPEB liability is affected.

13. An employer allows employees' unused sick leave at the conclusion of active service to be applied to postemployment healthcare premiums or claims costs. Does any of the following activities constitute OPEB: establishment of the accounts, the payment of cash equal to the account balances to a third party administrator, or cash payments from the accounts for premiums or benefits if the employer retains administration?

A. No. None of the above are specifically OPEB. In those cases, conversion of sick leave of an individual account is an example of termination of sick leave in accordance with GASB-16, *Accounting for Compensated Absences*, footnote 6, as amended. **However**, if the balance of unused sick leave is converted to postemployment healthcare benefits at the rate of one month of healthcare premiums up to a stipulated monthly amount, for a formula of hours of sick leave (example one month premium for every 8 hours of sick leave converted), **they would be defined benefit OPEB** in accordance with GASB-74, footnote 6.

14. Are long-term disability and workers' compensation benefits considered OPEB for financial reporting purposes?

A. Disability depends on facts and circumstances. If they are provided through a defined benefit pension plan, they are pensions. If they are provided separately, they are OPEB. Workers' compensation benefits are not OPEB benefits in exchange for employee service. They should be accounted for in accordance with the provisions of GASB-10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*.

15. A defined benefit OPEB plan that is administered through a trust is used to provide OPEB to the employees of a state government and several governments that are component units of the state. There are no other entities whose employees are provided with OPEB through the plan. The assets in the plan legally can be used to pay benefits to the employees of the state or any of the component units. Is this plan a single-employer, agent multiple-employer, or cost-sharing multiple-employer plan?

A. The plan is a single employer plan. GASB-74 par. 13 specifies that a primary government and its component units should be considered to be one employer for purposes of classifying a defined benefit OPEB plan as single employer or multiple employer. If non-state / non-component unit entities are also members of the plan, the plan is a multiple-employer plan for financial reporting purposes. If (a) a separate account is maintained for each of the governments or (b) a separate account is maintained for the state and its component units together and separate accounts are maintained for each of the other governments, such that the assets in each of the separate accounts legally are available to pay the benefits of only the employees of the government or governments whose assets are maintained in the separate account, the plan would be classified as an agent multiple-employer plan. If, instead, the OPEB plan assets legally can be used to pay the benefits of the employees of *any of the governments*, the plan would be classified as a cost - sharing multiple-employer plan.

16. What is the difference between investment-related expenses, (which would offset investment income in the statement of changes in fiduciary net position) versus administrative expenses? For example, should the CIO, investment staff salaries, payroll taxes, technology and other related costs be reported as investment expense?

A. GASB-74 par. 28(d)(2) requires separate display of investment expense, including investment management and custodial fees and all other significant investment-related costs. The purpose of that requirement is to help users of the OPEB plan's financial statements assess both gross and net investment income. GASB-74 provides that investment-related costs should be reported as investment expense if they are separable from

(a) investment income and
(b) the administrative expense of the OPEB plan.

Each investment-related cost should be evaluated on its own merits. The cost associated with each of the examples given in the question that are readily identifiable as an investment-related cost and should be reported as an investment expense. In contrast, if a plan employee's time is variable and cannot be directly identified with investments, professional judgment should be used to measure the cost of investment expense and administrative expense.

17. Should the information that is required in the notes on census data and the authority under which benefit terms are established or may be amended, the types of benefits and policies of COLAs and other changes be current as of (a) the actuarial valuation date that is used as the basis for the total OPEB liability or (b) the OPEB plan's fiscal year-end?

A. The requirements are intended to result in the disclosure of information about the benefit terms at the OPEB plan's fiscal year-end.

18. A government includes the OPEB plan through which it provides benefits to its employees as a fiduciary fund in its financial report. The OPEB plan does not issue a stand-alone financial report. Should the government make the note disclosures required by GASB-74 for the OPEB plan, as well as the note disclosures required for an employer that provides benefits through the plan?

A. **Yes.** In this circumstance, the presentation of information from two perspectives is required within the same report—first, from the perspective of an employer that provides its employees with benefits through the OPEB plan and, second, from the standpoint of the OPEB plan itself. Accordingly, in addition to applying employer reporting requirements, the government should include in its financial report information required by GASB-74 for the OPEB plan. However, footnote 8 of GASB-74 provides for coordination of employer and plan note disclosures within the employer's financial report with the objective of avoiding unnecessary duplication of information within that report.

19. What about RSI for the same government?

A. **Yes.** In addition to applying employer reporting requirements, the government should present the information required by GASB-74 with regard to the OPEB plan, again avoiding unnecessary duplication of information.

20. Within a single employer plan, multiple tiers of benefits have been created with different benefits to plan members hired between certain dates. Separate actuarial valuations are prepared. Are separate RSI schedules required for each tier?

A. No. The RSI is presented for the plan as a whole.

21. A cost-sharing multiple-employer OPEB plan only covers volunteers. Employer contributions are assessed as a dollar amount per active member. How does this affect the presentation of RSI and the measures of the net OPEB liability and contributions in relation to a measure of payroll?

A. As employer contributions are not based on a measure of pay, there is no covered payroll. Therefore, the payroll ratios are not presented in the RSI schedules.

22. A single-employer OPEB plan intends to have annual actuarial valuations for the purposes of determining the net OPEB liability information required to be presented in its financial statements. On an ongoing basis, the plan intend to base the measurement of the NOL on an actuarial valuation performed as of *the end of the prior fiscal year* and updated to the end of the current fiscal year. In the initial year of implementation (June 30, 2017,) can the results of the June 30, 2016 actuarial valuation be used as a basis for determining the total OPEB liability at BOTH July 1, 2016 and June 30, 2017?

A. **Yes**. Use of the valuation would be consistent with the timing requirements of GASB-74. The valuation is within 24 months of the OPEB plan's fiscal year end. The amounts reported as of the end of the plan's fiscal year (June 30, 2017) should be updated to include the significant effects of transactions and other events that occur during the year.

SAMPLE GOVERNMENT NOTE DISCLOSURE IN THE YEAR OF TRANSITION

Financial Statements, Note Disclosures, and Required Supplementary Information for a Single-Employer OPEB Plan Administered through a Trust That Meets the Criteria in GASB-74 (No Nonemployer Contributing Entities) AND GASB-45 – TO BE ONLY USED FOR FISCAL YEARS ENDING JUNE 30, 2017

[Note: This illustration includes only note disclosures and required supplementary information required by this Statement. If the OPEB plan is included in the financial report of a government that applies the requirements of GASB-45 for benefits provided through the OPEB plan, the OPEB plan should apply the requirements of footnotes 8 and 10 of GASB-74, as applicable (avoiding duplication of note disclosures and RSI. The circumstances of this OPEB plan do not include all circumstances for which note disclosures and required supplementary information should be presented.]

CITY EMPLOYEES RETIREMENT SYSTEM
Sample City Retiree Benefits Plan
Statement of Fiduciary Net Position June 30, 2017
(Dollar amounts in thousands)

	2017
Assets	
Cash and deposits	$9,173
Receivables:	
Contributions	132
Due from broker for investments sold	5,322
Investment income	493
Total receivables	5,947
Investments:	
Domestic equities	196,836
Fixed income	165,103
Private equity	91,058
Real estate	15,368
Total investments	468,365
Total assets	483,485
Liabilities	
Payables:	
Investment management fees	245
Due to broker for investments purchased	6,394
Total liabilities	6,639
Net position restricted for postemployment benefits other than pensions	$476,846

Statement of Changes in Fiduciary Net Position for the Year Ended June 30, 2017

(Dollar amounts in thousands)

	2017
Additions	
Employer contributions	$22,424
Investment income:	
Net increase in fair value of investments	37,842
Interest and dividends	7,625
Less investment expense	(1,252)
Net investment income	44,215
Total additions	66,639
Deductions	
Benefit payments	7,899
Administrative expense	148
Total deductions	8,047
Net increase in net position	58,592
Net position restricted for postemployment benefits other than pensions	
Beginning of year	418,254
End of year	$476,846

Notes to the Financial Statements for the Year Ended June 30, 2017

(Dollar amounts in thousands)

Plan Description

Plan administration. The Sample City Employees Retirement System (SCERS) administers the Sample City Retiree Benefits Plan (SCRBP)—a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent full-time general and public safety employees of the City.

Management of the SCRBP is vested in the SCERS Board of Trustees (SCERS Board), which consists of nine members—four elected by plan members, four appointed by the City Council, and the City Treasurer, who serves as an ex-officio member.

Plan membership. At June 30, 2017, SCRBP membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	1,307
Inactive plan members entitled to but not yet receiving benefit payments	142
Active plan members	8,356
	9,805

[If the OPEB plan was closed to new entrants, the OPEB plan should disclose that fact, as required by paragraph 34a(4) of GASB-74.]

Benefits provided. SCRBP provides healthcare and vision benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the plan. Chapter 21 of the Sample City Code grants the authority to establish and amend the benefit terms to the SCERS Board.

[If the benefit terms included automatic or ad hoc postemployment benefit changes, the OPEB plan should disclose information about those terms, as required by paragraph 34a(5) of GASB-74.]

Contributions. Chapter 21 of the Sample City Code grants the authority to establish and amend the contribution requirements of the City and plan members to the SCERS Board. The Board establishes rates based on an actuarially determined rate. For the year ended June 30, 2017, the City's average contribution rate was 4.19 percent of covered-employee payroll. Plan members are not required to contribute to the plan.

[If there was a legal or contractual maximum contribution rate, the OPEB plan should disclose information required by paragraph 34a(6)(c) of GASB-74.]

Investments

Investment policy. SCRBP's policy in regard to the allocation of invested assets is established and may be amended by the SCERS Board by a majority vote of its members. It is the policy of the SCERS Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. SCRBP's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2017:

Asset Class	Target Allocation
Domestic equity	40%
Fixed income	35
Private equity	20
Real estate	3
Cash	2
Total	100%

[If there had been a significant change in the OPEB plan's investment policy during the reporting period, the OPEB plan should disclose information required by paragraph 34b(1)(c) of GASB-74.]

Concentrations. [If the OPEB plan held investments (other than those issued or explicitly guaranteed by the U.S. government) in any one organization that represent 5 *percent or more of the OPEB plan's fiduciary net position, the OPEB plan should* disclose information required by paragraph 34b(2) of GASB-74.]

Rate of return. For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 10.34 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Receivables

[If the OPEB plan reported receivables from long-term contracts with the City for contributions, the OPEB plan should disclose information required by paragraph 34c of GASB-74.]

Allocated Insurance Contracts

[If the OPEB plan had allocated insurance contracts that are excluded from OPEB plan assets, the OPEB plan should disclose information required by paragraph 34d of GASB-74.]

Reserves

[If the OPEB plan had reserves, the OPEB plan should disclose information required by paragraph 34e of GASB-74.]

Net OPEB Liability of the City

The components of the net OPEB liability of the City at June 30, 2017, were as follows:

Total OPEB liability	$483,212
Plan fiduciary net position	(476,846)
City's net OPEB liability	$6,366
Plan fiduciary net position as a percentage of the total OPEB liability	98.68%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.0 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	9.5 percent for 2018, decreasing 0.5 percent per year to an ultimate rate of 5.5 percent for 2026 and later years

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2013 - April 30, 2015.

[If the benefit terms included ad hoc postemployment benefit changes, the OPEB plan should disclose information about assumptions related to those changes, as required by paragraph 35b of GASB-74.]

The long-term expected rate of return on OPEB 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 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 target asset allocation as of June 30, 2017 (see the discussion of SCRBP's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	5.8%
Fixed income	1.0
Private equity	6.0
Real estate	5.9
Cash	0.0

Discount rate. The discount rate used to measure the total OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those 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.

[If there had been a change in the discount rate since the end of the prior fiscal year, the OPEB plan should disclose information about that change, as required by paragraph 35b(2)(a) of GASB-74.]

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current discount rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Net OPEB liability (asset)	$64,687	$6,366	$(41,620)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the City, as well as what the City's net OPEB **liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (8.5 percent decreasing to 4.5 percent) or 1-percentage-point higher (10.5 percent decreasing to 6.5 percent) than the current healthcare cost trend rates:**

	1% Decrease (8.5% decreasing to 4.5%)	Healthcare Cost Trend Rates (9.5% decreasing to 5.5%)	1% Increase (10.5% decreasing to 6.5%)
Net OPEB liability (asset)	$(61,284)	$6,336	$88,512

EMPLOYER DISCLOSURES

[The following are already disclosed above and are not presented again as they are duplicative: Plan Description, Funding Policy (not presented in GASB-75,) Actuarial Methods and Assumptions]

Annual OPEB Cost and Net OPEB Obligation of the City

The City's annual OPEB cost (expense) is calculated based on the annual required **contribution of the City (ARC) using an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding, if paid on an ongoing basis, is projected to cover the normal cost (which approximates service cost) each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table** shows the components of the City's **annual OPEB cost for the year, the amount actually contributed to the plan, and changes** in the City's net OPEB obligation to SCRBP (dollar amounts in thousands):

Annual Required Contribution	$22,424
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	22.424
Contributions made	22,424
Increase in net OPEB obligation	-
Net OPEB obligation-beginning of year	-
Net OPEB obligation – end of year	$-

The City's annual **OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the proceeding two years were as follows (dollar amounts in thousands):**

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	28,260	100%	-
2016	25,255	100%	-
2017	22,424	100%	-

Funded Status and Funding Progress. As of June 30, 2017, the most recent actuarial valuation date, the plan was 97.3 percent funded on a basis in alignment with GASB Statement No. 45. The actuarial accrued liability for benefits was $483,212,000, and the actuarial value of assets was $472,078,000, resulting in an unfunded actuarial accrued liability (UAAL) of $11,134,000. The covered payroll (annual payroll of active employees covered by the plan) was $535,043,000, and the ratio of the UAAL to the covered payroll was 2.08 percent.

[NOTE – The amounts changed from GASB-74 numbers is intentional to show the difference between UAAL calculations and GASB-74/75 calculations. It is unclear if the covered payroll and covered-employee payroll calculations would differ in this illustration.]

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Schedules of Required Supplementary Information

SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years

(Dollar amounts in thousands)

	2017	2016	2015	2014
Total OPEB liability				
Service cost	$19,051	$18,190	$16,642	$16,732
Interest	30,663	27,176	26,061	25,394
Changes of benefit terms	–	–	–	(36,889)
Differences between expected and actual experience	8,925	11,845	(18,490)	11,845
Changes of assumptions	–	–	(1,369)	–
Benefit payments	(7,899)	(7,758)	(7,601)	(7,425)
Net change in total OPEB liability	50,740	49,453	15,243	9,657
Total OPEB liability—beginning	432,472	383,019	367,776	358,119
Total OPEB liability—ending (a)	$483,212	$432,472	$383,019	$367,776
Plan fiduciary net position				
Contributions—employer	$22,424	$25,255	$28,260	$24,737
Net investment income	44,215	28,698	32,698	25,691
Benefit payments	(7,899)	(7,758)	(7,601)	(7,425)
Administrative expense	(148)	(144)	(137)	(128)
Net change in plan fiduciary net position	58,592	46,051	53,220	42,875
Plan fiduciary net position—beginning	418,254	372,203	318,983	276,108
Plan fiduciary net position—ending (b)	$476,846	$418,254	$372,203	$318,983
City's net OPEB liability—ending (a) - (b)	$6,366	$14,218	$10,816	$48,793
Plan fiduciary net position as a percentage of the total OPEB liability	98.68%	96.71%	97.18%	86.73%
Covered-employee payroll	$535,043	$524,209	$511,884	$510,760
City's net OPEB liability as a percentage of covered-employee payroll	1.19%	2.71%	2.11%	9.55%

Notes to Schedule:

Benefit changes, In 2014, benefit terms were modified to increase copayments for prescription drugs.

Changes of assumption. In 2015, expected retirement ages of general employees were adjusted to more closely reflect actual experience.

> This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complied, OPEB plans should present information for those years for which information is available.

SCHEDULE OF CITY CONTRIBUTIONS

Last 10 Fiscal Years

(Dollar amounts in thousands)

	2017	2016	2015	2015
Actuarially determined contribution	$22,424	$25,255	$28,260	$24,737
Contributions in relation to the actuarially determined contribution	22,424	25,255	28,260	24,737
Contribution deficiency (excess)	$–	$–	$–	$–
Covered-employee payroll	$535,043	$524,209	$511,884	$510,760
Contribution as a percentage of covered employee payroll	4.19%	4.82%	5.52%	4.84%

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	**Entry age**
Amortization method	**Level percentage of payroll, closed**
Amortization period	**15 years**
Asset valuation method	**5-year smoothed market**
Inflation	**3.0 percent**
Healthcare cost trend rates	**9.5 percent initial, decreasing 0.5 percent per year to an ultimate rate of 5.5 percent**
Salary increases	**3.25 percent, average, including inflation**
Investment rate of return	**7.0 percent, net of OPEB plan investment expense, including inflation**
Retirement age	**In the 2015 actuarial valuation, expected retirement ages of general employees were adjusted to more closely reflect actual experience**
Mortality	**RP-2000 Healthy Annuitant Mortality Table**

Other information:

The results of the 2014 actuarial valuation reflect a modification to benefit terms that increased retiree copayments for prescription drugs.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complied, OPEB plans should present information for those years for which information is available.

SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Annual money-weighted rate of return, net of investment expense	10.34%	7.55%	9.96%	9.05%	(0.51)%	5.49%	6.95%	15.75%	12.51%	(1.33)%

SCHEDULE OF FUNDING PROGRESS SCRBP
Last 3 Fiscal Years

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a ÷ b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) ÷ c]
2015	$368,481	$383,019	14,538	96.2%	511,884	2.84%
2016	414,071	432,472	18,401	95.7%	524,209	3.51%
2017	470,165	483,212	11,134	97.3%	535,043	2.08%

This schedule must be discontinued upon the implementation of GASB-75.