

Illustration - Note Disclosures and Required Supplementary Information for a cost sharing employer in OPEB without any non-employer contributing entity (no special funding situation)

[Note: This illustration includes only note disclosures and required supplementary information required by GASB Statement 75. The circumstances of this example employer do not include all circumstances for which note disclosures and required supplementary information should be presented.]

**State Employer Agency
Notes to the Financial Statements
For the Year Ended June 30, 2021
(Dollar amounts in thousands)**

Note X - Summary of Significant Accounting Policies

Postemployment Benefits Other Than Pensions (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Georgia State Employees Postemployment Benefit Fund (State OPEB Fund) and additions to/deductions from State OPEB Fund fiduciary net position have been determined on the same basis as they are reported by State OPEB Fund. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note X – OPEB

[This illustration provides an example of note disclosures of an employer participating only in State OPEB Fund. If employees were provided with benefits through more than one defined benefit OPEB fund, the employer should disclose information required by paragraph 89 of Statement 75 and should apply the requirements of paragraph 90 of Statement 75.]

General Information about the State OPEB Fund

Plan description: – Employees of State organizations as defined in §45-18-25 of the *Official Code of Georgia Annotated* (O.C.G.A.) are provided OPEB through the State OPEB Fund - a cost-sharing multiple-employer defined benefit postemployment healthcare plan, reported as an employee trust fund and administered by a Board of Community Health (Board). Title 45 of the O.C.G.A. assigns the authority to establish and amend the benefit terms of the group health plan to the Board.

Benefits provided: The State OPEB Fund provides healthcare benefits for retirees and their dependents due under the group health plan for employees of State organizations (including technical colleges) and other entities authorized by law to contract with the Department of Community Health (DCH) for inclusion in the plan. Retiree medical eligibility is attained when an employee retires and is immediately eligible to draw a retirement annuity from Employees' Retirement System (ERS), Georgia Judicial Retirement System (JRS), Legislative Retirement System (LRS), Teachers Retirement System (TRS) or Public School Employees Retirement System (PSERS). If elected, dependent coverage starts on the same day as retiree coverage. Medicare-eligible retirees are offered Standard and Premium Medicare Advantage plan options. Non-Medicare eligible retiree plan options include Health Reimbursement Arrangement (HRA), Health Maintenance Organization (HMO) and a High Deductible Health Plan (HDHP). The State OPEB Fund also pays for administrative expenses of the fund. By law, no other use of the assets of the State OPEB Fund is permitted.

Contributions: As established by the Board, the State OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions to the State OPEB Fund from the Employer Agency were \$XX,XXX for the year ended June 30, 2021. Active employees are not required to contribute to the State OPEB Fund.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2021, the Employer Agency reported a liability of \$XX,XXX for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2019. An expected total OPEB liability as of June 30, 2020 was determined using standard roll-forward techniques. The Employer Agency's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2020. At June 30, 2020, the Employer Agency's proportion was X.XXXXXX%, which was an increase (decrease) of X.XX% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Employer Agency recognized OPEB expense of \$X,XXX. At June 30, 2021, the Employer Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ X,XXX	\$ X,XXX
Changes of assumptions	X,XXX	X,XXX
Net difference between projected and actual earnings on OPEB plan investments	X,XXX	X,XXX
Changes in proportion and differences between Employer Agency contributions and proportionate share of contributions	X,XXX	X,XXX
Employer Agency contributions subsequent to the measurement date	<u>X,XXX</u>	<u>-</u>
Total	\$ <u>X,XXX</u>	\$ <u>X,XXX</u>

Employer Agency contributions subsequent to the measurement date of \$X,XXX are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2022	\$	X,XXX
2023		X,XXX
2024		X,XXX
2025		X,XXX
2026		X,XXX
Thereafter		X,XXX

Actuarial assumptions: The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019:

Inflation	2.50%
Salary increases	3.25 – 7.00%, including inflation
Long-term expected rate of return	7.30%, compounded annually, net of investment expense, and including inflation
Healthcare cost trend rate	
Pre-Medicare Eligible	7.00%
Medicare Eligible	5.25%
Ultimate trend rate	
Pre-Medicare Eligible	4.50%
Medicare Eligible	4.50%
Year of Ultimate trend rate	
Pre-Medicare Eligible	2029
Medicare Eligible	2023

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB as follows:

- For ERS, JRS and LRS members: The RP-2000 Combined Mortality Table projected to 2025 with projection scale BB (set forward two years for both males and females) is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set back seven years for males and set forward three years for females) is used for the period after disability retirement. There is a margin for future mortality improvement in the tables used by the plan. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2019 valuation are based on the results of the most recent actuarial experience studies for the pension systems, which covered the five year period ending June 30, 2014 and adopted by the pension Board on December 17, 2015. The next experience study for ERS will be for the period ending June 30, 2019.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of investment expense and the assumed rate of 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 for the major asset class is summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Fixed Income	30.0%	0.5%
Equities	70.0%	9.2%
Total	100.00%	

* Net of Inflation

Discount rate: In order to measure the total OPEB liability, as of June 30, 2020, for the State OPEB fund, a single equivalent interest rate of 7.06% was used, as compared with last year's discount rate of 7.30%. This is comprised of the yield or index rate for 20 year tax-exempt general obligation bonds with an average rating of AA or higher (2.21% per the Municipal Bond Index Rate) along with other factors. The projection of cash flows used to determine the discount rate assumed that contributions from members and from the employer will be made at the current level as leveraged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2118.

Sensitivity of the Employer Agency's proportionate share of the net OPEB liability to changes in the discount rate: The following presents the collective net OPEB liability of the participating employers calculated using the discount rate of 7.06% as well as what the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.06%) or 1-percentage-point higher (8.06%) than the current discount rate (amounts in thousands):

	<u>1% Decrease (6.06%)</u>	<u>Current Discount Rate (7.06%)</u>	<u>1% Increase (8.06%)</u>
Collective Net OPEB Liability	\$ XXX,XXX	\$ XXX,XXX	\$ XXX,XXX

Sensitivity of the Employer Agency's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates: The following presents the collective net OPEB liability of the participating employers, as well as what the collective 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 (amounts in thousands):

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Collective Net OPEB Liability	\$ XXX,XXX	\$ XXX,XXX	\$ XXX,XXX

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the 2020 State of Georgia Comprehensive Annual Financial Report which is publicly available at <https://sao.georgia.gov/comprehensive-annual-financial-reports>.

State Employer Agency
Required Supplementary Information
Schedule of Proportionate Share of the Net OPEB Liability
State OPEB Fund
For the Year Ended June 30
(Dollar amounts in thousands)

	<u>2021</u>
Employer Agency's proportion of the net OPEB liability	X.XXX%
Employer Agency's proportionate share of the net OPEB liability (assets)	XX,XXX
Employer Agency's covered payroll (CP)*	XX,XXX
Employer Agency's proportionate share of the net OPEB liability as a percentage of its covered payroll	X.XX%
Plan fiduciary net position as a percentage of the total OPEB liability	X.XX%

**CEP - the payroll of employees that are provided OPEB through the OPEB plan*

Note: Schedule is intended to show information for 10 fiscal years. Additional years will be displayed as they become available.

State Employer Agency
Required Supplementary Information
Schedule of Contributions
State OPEB Fund
For the Year Ended June 30
(Dollar amounts in thousands)

	2021
	<hr/>
Contractually required contribution (CRC)*	\$ XX,XXX
Contributions in relation to the contractually required contribution*	<hr/> XX,XXX
Contribution deficiency (excess)	<hr/> \$ XX,XXX
Employer Agency's covered payroll (CP)**	\$ XX,XXX
Contributions as a percentage of covered payroll (CP)**	X.XX%

*The "Contractually Required Contribution (CRC)" and "Contributions in relation to the contractually required contribution" are the same amount and can be found in the organization's customized employer packet identified as "Contributions made during the measurement period" on page 1.

**CP is the payroll of employees that are provided OPEB through the OPEB plan.

Note: Schedule is intended to show information for 10 fiscal years. Additional years will be displayed as they become available

State Employer Agency
Notes to Required Supplementary Information
For the Year Ended June 30, 2021
(Dollar amounts in thousands)

Changes of benefit terms: There have been no changes in benefit terms.

Changes in assumptions:

- 6/30/2019 valuation: The inflation assumption was lowered from 2.75% to 2.50% in anticipation of the upcoming ERS Experience Study. Additionally, decremental assumptions were changed to reflect the Teachers Retirement Systems experience study. Approximately 6.0% of employees are members of the Teachers Retirement System.
- 6/30/2017 valuation: The participation assumption, tobacco use assumption and morbidity factors were revised.
- The discount rate was updated from 3.09% as of June 30, 2016 to 3.60% as of June 30, 2017, to 5.22% as of June 30, 2018, to 7.30% as of June 30, 2019, and to 7.06% as of June 30, 2020.