

**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, 2023  
(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, 2023. 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, 2023, 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, 2022. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2021. An expected total OPEB liability as of June 30, 2022 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, 2022. At June 30, 2022, the Employer Agency's proportion was X.XXXXXX%, which was an increase (decrease) of X.XX% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Employer Agency recognized OPEB expense of \$X,XXX. At June 30, 2023, 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, 2024. 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:**

2024	\$	X,XXX
2025		X,XXX
2026		X,XXX
2027		X,XXX
Thereafter		X,XXX

**Actuarial assumptions:** The total OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2021 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, 2021:

Inflation	2.50%
Salary increases	3.00 – 6.75%, including inflation
Long-term expected rate of return	7.00%, compounded annually, net of investment expense, and including inflation
Healthcare cost trend rate	
Pre-Medicare Eligible	6.50%
Medicare Eligible	5.00%
Ultimate trend rate	
Pre-Medicare Eligible	4.50%
Medicare Eligible	4.50%
Year of Ultimate trend rate	
Pre-Medicare Eligible	2029
Medicare Eligible	2023

Pre-retirement mortality rates were based on the Pub-2010 General Employee Mortality Table, with no adjustment, with the MP-2019 Projection scale applied generationally. Post-retirement mortality rates for service retirements were based on the Pub-2010 General Healthy Annuitant Mortality Table (ages set forward one year and adjusted 105% for males and 108% for females) with the MP-2019 Projection scale applied generationally. Post-retirement mortality rates for disability retirements were based on the Pub-2010 General Disabled Mortality Table (ages set back three years for males and adjusted 103% for males and 106% for females) with the MP-2019 Projection scale applied generationally. Post-retirement mortality rates for beneficiaries were based on the Pub-2010 General Contingent Survivor Mortality Table (ages set forward two years and adjusted 106% for males and 105% for females) with the MP-2019 Projection scale applied generationally.

The actuarial assumptions used in the June 30, 2022 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, 2019 and adopted by the pension Board on December 17, 2020.

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, 2022 valuation were based on a review of recent plan experience done concurrently with the June 30, 2022 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 each major asset class are 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%	2.0%
Equities	70.0%	9.4%
Total	100.00%	

\* Net of Inflation

**Discount rate:** In order to measure the total OPEB liability, as of June 30, 2022, for the State OPEB fund, a discount rate of 7.00% was used, the same as last year's rate. 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 averaged over the last five years, adjusted for annual projected changes in headcount. Based on those assumptions, the 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 investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Projected future benefit payments for all current plan members were projected through 2120.

**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 7.00% 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 (6.00%) or 1-percentage-point higher (8.00%) than the current discount rate (amounts in thousands):

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Net OPEB liability (asset)	\$ 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>
Net OPEB liability (asset)	\$ 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 2022 State of Georgia Annual Comprehensive Financial Report which is publicly available at: <https://sao.georgia.gov/statewide-reporting/acfr>.

**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><b>2023</b></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)**

	2023
	<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**  
(Dollar amounts in thousands)

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

***Changes in assumptions:***

- 6/30/2020 valuation: Decremental assumptions were changed to reflect the Employees Retirement Systems experience study.
- 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.
- 6/30/2015 valuation: Decremental and underlying inflation assumptions were changed to reflect the Retirement Systems' experience studies.
- 6/30/2012 valuation: A data audit was performed and data collection procedures and assumptions were changed.
- 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; to 7.06% as of June 30, 2020; and to 7.00% as of June 30, 2021.