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Multiple-Employer Plans

Table 9

Financial Reporting for Postemployment Benefit Plans Other than Pension Plans and OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans

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Data, Assumptions, Methods and Plan Provisions

Table 9

Contributions: The Board has a written contribution policy of contributing each year the amount necessary to assure the solvency of the Plan through the third fiscal year following the valuation date. The following liability and asset cost methods are used to determine contributions:

1. Expected eligible retirees are determined based on the assumptions outlined in Section 3 of this report.
2. Assets are valued at fair value.
3. The Plan is funded by employer contributions. For the year ended June 30, 2018, a contribution of \$111,986,000 was made to the Plan.

Receivables

Not applicable.

Net OPEB Liability

The components of the net OPEB liability were as follows:

(Amounts x \$ 1,000)	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Total OPEB liability	\$ 2,161,155	\$ 2,207,683
Plan fiduciary net position	<u>(123,743)</u>	<u>(122,734)</u>
Commonwealth's net position	\$ 2,037,412	\$2,084,949
Plan fiduciary net position as a percentage of the total OPEB liability	5.73%	5.56%

Actuarial Assumptions and Methods

The total OPEB liability as of June 30, 2018 was determined by rolling forward the Plan's total OPEB liability as of June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement. All other methods and assumptions used to determine the total OPEB liability are set forth in Section 3.

a. Actuarial Cost Method

The actuarial cost method used to develop the total pension liability is the Entry Age Normal Cost - Level Percent of Pay method, as required by GASB Statement No. 74.

b. Discount Rate

The valuation uses a discount rate of 2.98%, the S&P Municipal Bond 20-Year High Grade Rate Index as of June 29, 2018 (last business day of June). Although the Plan holds assets in a trust, the assets are invested on a short-term basis. Therefore, the S&P Municipal Bond 20-Year High Grade Rate Index as of the measurement date has been used to determine the discount rate to be used for calculating the Total OPEB Liability.

We relied upon GASB Statement No. 74 and the GASB Implementation Guide for Statement No. 74. Given the short-term nature of investment mix for the current assets, the S&P 20-year Municipal Bond Rate as of the fiscal year end was used to measure the Plan's obligations without performing a depletion date projection. We understand PSERS' staff has confirmed that this approach is acceptable.

We believe these assumptions are reasonable for the purposes of the measurements required by the Statement.

Schedule of Required Supplementary Information

a. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, calculated using the discount rate of 2.98%, as well as what the Commonwealth's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.98%) or 1-percentage-point higher (3.98%) than the current rate:

(Amounts x \$1,000)	1% Decrease <u>(1.98%)</u>	Current Discount Rate <u>(2.98%)</u>	1% Increase <u>(3.98%)</u>
Net OPEB Liability	\$ 2,371,118	\$ 2,084,949	\$ 1,847,409

b. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability, calculated using the assumed healthcare cost trend rate, as well as what the Commonwealth's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

(Amounts x \$1,000)	<u>1% Decrease</u>	Current Trend Rate	<u>1% Increase</u>
Net OPEB Liability	\$ 2,084,537	\$ 2,084,949	\$ 2,085,279

c. Schedule of Changes in the Commonwealth's Net OPEB Liability and Related Ratios

(Amounts x \$1,000)	Plan Fiduciary Net		
	<u>Total OPEB Liability</u>	<u>Position</u>	<u>Net OPEB Liability</u>
	(a)	(b)	(a) – (b)
Changes for the year			
Balances as of 6/30/2017	\$ 2,161,155	\$ 123,743	\$ 2,037,412
Service Cost	\$ 37,809	\$ 0	\$ 37,809
Interest Cost	67,091	0	67,091
Difference between Expected and Actual Experience	15,019	0	15,019
Changes in Assumption	38,456	0	38,456
Contribution – Employer	0	111,986	(111,986)
Contribution – Member	0	0	0
Net Investment Income (actual)	0	1,455	(1,455)
Refunds of Contributions	0	0	0
Benefit Payments (actual)	(111,847)	(111,847)	0
Plan Administrative Expense (actual)	0	(2,603)	2,603
Other Changes	<u>0</u>	<u>0</u>	<u>0</u>
Net Changes	\$ 46,528	\$ (1,009)	\$ 47,537
Balances as of 6/30/2018	\$ 2,207,683	\$ 122,734	\$ 2,084,949
Plan fiduciary net position as a percentage of the total OPEB liability			5.56%
Covered-employee payroll as of the June 30, 2017 actuarial valuation			\$ 13,033,919
Net OPEB liability as a percentage of covered-employee payroll			16.00%

Notes to Schedule:

- Benefit changes: None.
- Changes of assumptions: The discount rate changed from 3.13% as of June 30, 2017 to 2.98% as of June 30, 2018.

Participation Rate:

Participation rate is the percentage of employees who are enrolled in the plan. It is calculated as the number of employees enrolled in the plan divided by the total number of employees eligible for the plan.

- Enrollment rate - 100%
- Participation rate - 100%

Participation rate is the percentage of employees who are enrolled in the plan. It is calculated as the number of employees enrolled in the plan divided by the total number of employees eligible for the plan. The participation rate is a key indicator of the success of a retirement plan. A high participation rate indicates that a large number of employees are saving for retirement, which is a positive sign for the company's financial health.

Persistence:

Persistence is the percentage of employees who remain enrolled in the plan for a specified period of time. It is calculated as the number of employees who remain enrolled in the plan for a specified period of time divided by the total number of employees who were enrolled in the plan at the beginning of the period.

Spouse Coverage:

Spouse coverage - 100%

Age Difference:

Age difference - 100%

Administrative Expenses:

Administrative expenses are the costs of operating the plan. They include the costs of the plan administrator, the costs of the plan's investments, and the costs of the plan's recordkeeping.

Employees Covered:

Employees covered are the employees who are eligible for the plan. They are the employees who are employed by the company and who are not already covered by another retirement plan.

Retirees:

Retirees are the employees who have reached the plan's normal retirement age and who are no longer employed by the company. They are eligible for the plan's benefits and are receiving payments from the plan.

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Salary Increase:

Salary increase is the percentage increase in an employee's salary from one year to the next. It is calculated as the difference between the employee's salary in the current year and the employee's salary in the previous year, divided by the employee's salary in the previous year.

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Death after Retirement:

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Medicare Part D Subsidy - Shrinking Medicare Prescription Drug "Donut Hole" - Starting 1/1/2011

Medicare Part D subsidy - Shrinking Medicare Prescription Drug "Donut Hole" - Starting 1/1/2011. This provision will reduce the out-of-pocket maximum for Medicare Part D beneficiaries starting in 2011. The out-of-pocket maximum is the total amount a beneficiary must pay for covered services in a calendar year. For 2010, the out-of-pocket maximum is \$4,450. For 2011, it is \$4,300. For 2012, it is \$4,150. For 2013, it is \$4,000. For 2014, it is \$3,850. For 2015, it is \$3,700. For 2016, it is \$3,550. For 2017, it is \$3,400. For 2018, it is \$3,250. For 2019, it is \$3,100. For 2020, it is \$2,950. For 2021, it is \$2,800. For 2022, it is \$2,650. For 2023, it is \$2,500. For 2024, it is \$2,350. For 2025, it is \$2,200. For 2026, it is \$2,050. For 2027, it is \$1,900. For 2028, it is \$1,750. For 2029, it is \$1,600. For 2030, it is \$1,450. For 2031, it is \$1,300. For 2032, it is \$1,150. For 2033, it is \$1,000. For 2034, it is \$850. For 2035, it is \$700. For 2036, it is \$550. For 2037, it is \$400. For 2038, it is \$250. For 2039, it is \$100. For 2040, it is \$0. For 2041, it is \$0. For 2042, it is \$0. For 2043, it is \$0. For 2044, it is \$0. For 2045, it is \$0. For 2046, it is \$0. For 2047, it is \$0. For 2048, it is \$0. For 2049, it is \$0. For 2050, it is \$0.

Removal of Lifetime Maximum – Effective 1/1/2011

Removal of Lifetime Maximum – Effective 1/1/2011. This provision will remove the lifetime maximum benefit for Medicare Part A starting in 2011. The lifetime maximum benefit is the total amount a beneficiary can receive for Medicare Part A services over their lifetime. For 2010, the lifetime maximum benefit is \$2,500. For 2011, it is \$2,500. For 2012, it is \$2,500. For 2013, it is \$2,500. For 2014, it is \$2,500. For 2015, it is \$2,500. For 2016, it is \$2,500. For 2017, it is \$2,500. For 2018, it is \$2,500. For 2019, it is \$2,500. For 2020, it is \$2,500. For 2021, it is \$2,500. For 2022, it is \$2,500. For 2023, it is \$2,500. For 2024, it is \$2,500. For 2025, it is \$2,500. For 2026, it is \$2,500. For 2027, it is \$2,500. For 2028, it is \$2,500. For 2029, it is \$2,500. For 2030, it is \$2,500. For 2031, it is \$2,500. For 2032, it is \$2,500. For 2033, it is \$2,500. For 2034, it is \$2,500. For 2035, it is \$2,500. For 2036, it is \$2,500. For 2037, it is \$2,500. For 2038, it is \$2,500. For 2039, it is \$2,500. For 2040, it is \$2,500. For 2041, it is \$2,500. For 2042, it is \$2,500. For 2043, it is \$2,500. For 2044, it is \$2,500. For 2045, it is \$2,500. For 2046, it is \$2,500. For 2047, it is \$2,500. For 2048, it is \$2,500. For 2049, it is \$2,500. For 2050, it is \$2,500.

Expansion of Child Coverage to Age 26 - Effective 1/1/2011

Expansion of Child Coverage to Age 26 - Effective 1/1/2011. This provision will expand the age of child coverage for Medicare Part A starting in 2011. The age of child coverage is the age at which a child can be covered by their parent's Medicare Part A. For 2010, the age of child coverage is 21. For 2011, it is 26. For 2012, it is 26. For 2013, it is 26. For 2014, it is 26. For 2015, it is 26. For 2016, it is 26. For 2017, it is 26. For 2018, it is 26. For 2019, it is 26. For 2020, it is 26. For 2021, it is 26. For 2022, it is 26. For 2023, it is 26. For 2024, it is 26. For 2025, it is 26. For 2026, it is 26. For 2027, it is 26. For 2028, it is 26. For 2029, it is 26. For 2030, it is 26. For 2031, it is 26. For 2032, it is 26. For 2033, it is 26. For 2034, it is 26. For 2035, it is 26. For 2036, it is 26. For 2037, it is 26. For 2038, it is 26. For 2039, it is 26. For 2040, it is 26. For 2041, it is 26. For 2042, it is 26. For 2043, it is 26. For 2044, it is 26. For 2045, it is 26. For 2046, it is 26. For 2047, it is 26. For 2048, it is 26. For 2049, it is 26. For 2050, it is 26.

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Other Revenue Raisers

Other Revenue Raisers. This provision will increase the excise tax on high-cost employer health plans starting in 2011. The excise tax is a tax on the value of the health plan. For 2010, the excise tax is 2.5%. For 2011, it is 3.8%. For 2012, it is 3.8%. For 2013, it is 3.8%. For 2014, it is 3.8%. For 2015, it is 3.8%. For 2016, it is 3.8%. For 2017, it is 3.8%. For 2018, it is 3.8%. For 2019, it is 3.8%. For 2020, it is 3.8%. For 2021, it is 3.8%. For 2022, it is 3.8%. For 2023, it is 3.8%. For 2024, it is 3.8%. For 2025, it is 3.8%. For 2026, it is 3.8%. For 2027, it is 3.8%. For 2028, it is 3.8%. For 2029, it is 3.8%. For 2030, it is 3.8%. For 2031, it is 3.8%. For 2032, it is 3.8%. For 2033, it is 3.8%. For 2034, it is 3.8%. For 2035, it is 3.8%. For 2036, it is 3.8%. For 2037, it is 3.8%. For 2038, it is 3.8%. For 2039, it is 3.8%. For 2040, it is 3.8%. For 2041, it is 3.8%. For 2042, it is 3.8%. For 2043, it is 3.8%. For 2044, it is 3.8%. For 2045, it is 3.8%. For 2046, it is 3.8%. For 2047, it is 3.8%. For 2048, it is 3.8%. For 2049, it is 3.8%. For 2050, it is 3.8%.

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Excise Tax on High-Cost Employer Health Plans (aka Cadillac Tax)

Excise Tax on High-Cost Employer Health Plans (aka Cadillac Tax). This provision will increase the excise tax on high-cost employer health plans starting in 2011. The excise tax is a tax on the value of the health plan. For 2010, the excise tax is 2.5%. For 2011, it is 3.8%. For 2012, it is 3.8%. For 2013, it is 3.8%. For 2014, it is 3.8%. For 2015, it is 3.8%. For 2016, it is 3.8%. For 2017, it is 3.8%. For 2018, it is 3.8%. For 2019, it is 3.8%. For 2020, it is 3.8%. For 2021, it is 3.8%. For 2022, it is 3.8%. For 2023, it is 3.8%. For 2024, it is 3.8%. For 2025, it is 3.8%. For 2026, it is 3.8%. For 2027, it is 3.8%. For 2028, it is 3.8%. For 2029, it is 3.8%. For 2030, it is 3.8%. For 2031, it is 3.8%. For 2032, it is 3.8%. For 2033, it is 3.8%. For 2034, it is 3.8%. For 2035, it is 3.8%. For 2036, it is 3.8%. For 2037, it is 3.8%. For 2038, it is 3.8%. For 2039, it is 3.8%. For 2040, it is 3.8%. For 2041, it is 3.8%. For 2042, it is 3.8%. For 2043, it is 3.8%. For 2044, it is 3.8%. For 2045, it is 3.8%. For 2046, it is 3.8%. For 2047, it is 3.8%. For 2048, it is 3.8%. For 2049, it is 3.8%. For 2050, it is 3.8%.

Discount rate

The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following:

a. The actuarial present value of benefit payments projected to be made in the period in which the amount of the OPEB plan's fiduciary net position is projected (under the requirements of this Statement) to be greater than the benefit payments that are projected to be made in that period and (2) OPEB plan

b. The actuarial present value of projected benefit payments not included in the period in which the amount of the OPEB plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period

Entry age actuarial cost method

The actuarial present value of the projected benefits of each individual included in the OPEB plan is determined by the entry age actuarial cost method.

Healthcare cost trend rates

Healthcare cost trend rates are based on inflation, utilization of healthcare services, plan design, and technological developments.

The healthcare cost trend rates are based on the M-1000

Net OPEB liability

The net OPEB liability is the difference between the actuarial present value of the projected benefits provided through a defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of this Statement. Other postemployment benefits (OPEB) Benefits (such as death benefits,

Projected benefit payments

All benefits (including refunds of employee contributions) estimated to be payable through the OPEB plan

