Buck

Pennsylvania Public School Employees' Retirement System

Health Insurance Premium Assistance Program

Information Required Under Governmental Accounting Standards Board Statement No. 74 as of June 30, 2018

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September 19, 2018

Board of Trustees
Pennsylvania Public School Employees'
Retirement System
5 North 5th Street
Harrisburg, Pennsylvania 17101

Members of the Board,

This valuation provides information concerning the Pennsylvania Public School Employees' Retirement System (PSERS) Health Insurance Premium Assistance Program (Plan) in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 74, effective for the fiscal year ending June 30, 2018.

GASB Statement No. 74, replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, effective for the fiscal year ending June 30, 2017.

The Board of Trustees and staff of PSERS may use this report for the review of the operation of the Plan and as a source of information for the Commonwealth's financial statements. The report may also be used in the preparation of the Plan's audited financial statements.

Use of this report for any other purpose or by anyone other than the Board of Trustees or the staff of PSERS may not be appropriate and may result in mistaken conclusions because of failure to understand applicable assumptions, methods, or inapplicability of the report for that purpose. Buck should be asked to review any statement to be made on the basis of the results contained in this report. Buck will accept no liability for any such statement made without prior review by Buck.

Future actuarial measurements may differ significantly from current measurements due to Plan experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in Plan provisions or applicable law. Liability models necessarily rely on the use of approximations and estimates and are sensitive to changes in these approximations and estimates. Small variations in these approximations and estimates may lead to significant changes in actuarial measurements. An analysis of the potential range of such future differences is beyond the scope of this valuation.

Data, Assumptions, Methods and Plan Provisions

This valuation was performed using employee census data, asset information, and Plan provisions provided by PSERS. Although we did not audit the data, we reviewed the data for reasonableness and consistency. A detailed review of the data and its sources beyond that necessary to develop the analysis was not performed and is beyond the scope of the analysis. The accuracy of the results of the valuation is dependent on the accuracy of the data.

The data, assumptions, methods, and Plan provisions used were the same as those outlined in the PSERS June 30, 2017 actuarial valuation report, except for the following:

- The actual data for retirees benefiting under the Plan as of June 30, 2017 was used in lieu of the 63% utilization assumption for eligible retirees. Current retirees receiving premium assistance are assumed to receive premium assistance until death.

- For current retirees under age 65 and eligible for coverage but are not receiving premium assistance, it is assumed 40% will receive premium assistance beginning at age 65.

- For current active employees who terminate employment and become eligible for coverage under the Plan, it is assumed that 50% of members retiring prior to age 65 will receive premium assistance and on or after age 65 70% will receive premium assistance. For members retiring on or after age 65, it is assumed 70% will receive premium assistance.

- The discount rates used to determine the total OPEB liability are as follows:

  - 3.13% as of June 30, 2017, which is based on the S&P Municipal Bond 20-Year High Grade Rate Index as of June 30, 2017

  - 2.98% as of June 30, 2018, which is based on the S&P Municipal Bond 20-Year High Grade Rate Index as of June 29, 2018 (last business day of June)

  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.

- Pre- and post-age 65 trend rates were used to reflect increases in health care premiums and corresponding increases in premium reimbursements for retirees currently receiving reimbursements less than $1,200 per year. However, premium reimbursements have been capped at $1,200 per year.

- Only liabilities of the Health Insurance Premium Assistance Program have been valued for this report. Any subsidies provided under the Health Options Plan or any employer plan have not been reflected in this report.

Certification

The assumptions used for financial accounting purposes were selected by the Plan sponsor with our advice. In our opinion, the actuarial assumptions used are appropriate for purposes of the valuation and are reasonably related to the experience of the Plan and to reasonable long-term expectations. The cost results and actuarial exhibits presented in this report were determined on a consistent and objective basis in accordance with applicable Actuarial Standards of Practice and generally accepted actuarial procedures. To the best of our knowledge, the information fairly presents the actuarial position of the PSERS Health Insurance Premium Assistance Program in accordance with the requirements of GASB Statement No. 74 as of June 30, 2018.

It is important to note that the measurement of postretirement medical obligations is extremely sensitive to the assumptions chosen. The results presented in this report are based upon one set of reasonable assumptions. Other sets of equally reasonable assumptions can yield materially lesser or greater obligations.

This report represents a statement of actuarial opinion by the undersigned actuaries. We are Members of the American Academy of Actuaries. We meet the Qualification Standards of the Academy to render the actuarial opinions contained herein. David Driscoll and Edward Quinn meet the Qualification Standards in the pension areas of practice and have concentrated on the long-term aspects of this analysis. Stephen Oates meets the Qualification Standards in the health area of practice and has concentrated on the short-term aspects of this analysis. All of the undersigned actuaries have reviewed the overall reasonableness and consistency of these results. This report has been prepared in accordance with all applicable Actuarial Standards of Practice, and we are available to answer questions concerning it.

Respectfully submitted,

David L. Driscoll

David L. Driscoll, FSA, EA, MAAA, FCA
Principal, Consulting Actuary

Edward Quinn

Edward Quinn, EA, MAAA, FCA
Director, Retirement Actuary

Stephen P. Oates

Stephen Oates, ASA, EA, MAAA, FCA
Principal, Health Actuary

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Section 1 – GASB 74 Information

Summary of Significant Accounting Policies

Method used to value investments: Investments are reported at fair value.

Actuarial cost method: Entry Age Normal – Level Percent of Pay

Plan Description

Plan administration: The administrative staff of the Pennsylvania Public School Employees' Retirement System (PSERS or System) administers the Health Insurance Premium Assistance Program (Plan). The Plan is a governmental cost-sharing multi-employer postretirement benefits plan that provides premium assistance to eligible public school employees of the Commonwealth of Pennsylvania (Commonwealth). The Plan covers eligible retirees of the System.

The control and management of the Plan, including the investment of its assets, is vested in the Board of Trustees (Board). The Board consists of 15 members: the Secretary of Education, ex officio; the State Treasurer, ex officio; two Senators; two members of the House of Representatives; the executive secretary of the Pennsylvania School Boards Association, ex officio; two Governor appointees, at least one of whom shall not be a school employee or an officer or employee of the State of Pennsylvania; three who are elected by the active professional members of the System from among their number; one who is elected by annuitants from among their number; one who is elected by the active nonprofessional members of the System from among their number; and one who is elected by members of Pennsylvania public school boards from among their number. The chairman of the Board is elected by the Board members. Each ex officio member of the Board and each legislative member of the Board may appoint a duly authorized designee to act in their stead.

The Commonwealth's General Assembly has the authority to amend the benefit terms of the Plan by passing bills in the Senate and House of Representatives and sending them to the Governor for approval.

Plan membership: Plan membership consisted of the following:

	June 30, 2016	June 30, 2017
Inactive Plan members currently receiving benefits	93,151	94,457
Inactive Plan members entitled to but not yet receiving benefits	346	327
Active Plan members	257,080	255,945
	350,777	350,729

Benefits provided: Please see Section 4 of this report for a summary of Plan provisions.

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)		June 30, 2017		June 30, 2018
Total OPEB liability	$	2,161,155	$	2,207,683
Plan fiduciary net position		(123,743)		(122,734)
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 (1.98%)**	**Current Discount Rate (2.98%)**	**1% Increase (3.98%)**
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)	**1% Decrease**	**Current Trend Rate**	**1% Increase**
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)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Changes for the year	**(a)**	**(b)**	**(a) – (b)**
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	0	0	0
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:

1. Benefit changes: None.

2. Changes of assumptions: The discount rate changed from 3.13% as of June 30, 2017 to 2.98% as of June 30, 2018.

d. Schedule of Commonwealth Contributions

(Amounts x $1,000)		2017		2018
Actuarially determined contributions	$	125,694	$	134,607
Contributions related to the actuarially determined contribution*		110,985		111,724
Contribution deficiency (excess)	$	14,709	$	22,883
Covered-employee payroll	$	12,851,289	$	13,033,919
Contribution as a percent of payroll		0.86%		0.86%

*The fiscal year 2018 amount excludes purchase of service contribution amounts of $262.

Notes to Schedule:

1. Valuation date: The actuarially determined contribution calculated as of June 30, 2015 applies for the fiscal year ended June 30, 2017 and the actuarially determined contribution calculated as of June 30, 2016 applies for the fiscal year ended June 30, 2018.

2. The fiscal year 2017 actuarially determined contribution was based on the Entry Age Normal Accrued Liability as of June 30, 2015 of $1,368,089,000, assets of $120,643,000, 30-year amortization of the unfunded accrued liability and a 0.13% normal cost rate.

3. The fiscal year 2018 actuarially determined contribution was based on the Entry Age Normal Accrued Liability as of June 30, 2016 of $1,431,487,000, assets of $124,563,000, 30-year amortization of the unfunded accrued liability and of 0.13% normal cost rate.

4. Discount Rate: 7.50% for the June 30, 2015 valuation and 7.25% for the June 30, 2016 valuation.

5. Methods and assumptions used to determine contributions:

Cost method:	Amount necessary to assure solvency of the Plan through the third fiscal year after the valuation date.
Asset valuation method:	Market Value
Inflation:	Not Applicable
Salary increases:	Not Applicable
Healthcare cost trend rates:	Not Applicable
Investment Rate of Return:	Not Applicable
Retirement age:	Age-related assumptions are used. Please see the retirement assumptions outlined in the PSERS June 30, 2016 actuarial valuation report (published April 7, 2017).
Mortality:	Please see the actuarial assumptions and methods outlined in the PSERS June 30, 2016 actuarial valuation report (published April 7, 2017).
Other information:	Please see the actuarial assumptions and methods outlined in the PSERS June 30, 2016 actuarial valuation report (published April 7, 2017).

Section 2 – Demographic Information

1. The following table shows a distribution of age, service for all active members:

	Completed Years of Service									
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
Under 25	6,550	43								6,593
25-29	15,689	4,160	48							19,897
30-34	8,703	13,652	6,013	23						28,391
35-39	7,016	6,331	15,321	4,202	22					32,892
40-44	7,230	4,549	6,826	11,576	2,553	22				32,756
45-49	7,840	5,545	6,151	7,337	8,916	1,965	34			37,788
50-54	6,205	5,275	6,425	5,559	4,294	5,079	1,741	43		34,621
55-59	4,912	4,341	6,167	6,586	4,350	3,017	2,891	604	21	32,889
60-64	3,160	2,638	3,509	4,350	3,423	2,209	948	665	210	21,112
65+	2,491	1,637	1,411	1,247	857	653	347	151	212	9,006
Total	69,796	48,171	51,871	40,880	24,415	12,945	5,961	1,463	443	255,945

2. The retiree, disabled and terminated vested counts are summarized below:

	Count	Avg. Age
Retirees < 65	10,818	62.0
Retirees >= 65	80,298	73.8
Disabled < 65	1,169	58.6
Disabled >= 65	2,172	72.7
Terminated Vested	327	56.6
Total	94,784	72.5

There are 13,632 eligible retirees under age 65 who are not receiving benefits from the Plan. 40% of these retirees are assumed to commence benefits at age 65.

Section 3 – Actuarial Assumptions and Methods

Discount Rate: 2.98% per annum. Since the assets of the Plan are invested in short term investments, the S&P Municipal Bond 20 – Year High Grade Rate Index as of June 29, 2018 (the last business day of June) has been used to determine the total OPEB liability.

Long Term Expected

Rate of Return: Not Applicable.

Actuarial Cost

Method: Entry Age Normal, level percent of pay.

Valuation Date: June 30, 2017.

Measurement Date: June 30, 2018.

Asset Valuation: Market value of assets.

Healthcare Cost Trend: Assumed healthcare cost trend applied to current retirees with less than $1,200 in premium assistance per year. Premium assistance is capped at $1,200 per year.

Year	Pre-Age 65 Trend Rate	Post Age 65 Trend Rate
2017	7.75%	5.75%
2018	7.50	5.50
2019	7.25	5.25
2020	7.00	5.00
2021	6.75	5.00
2022	6.50	5.00
2023	6.25	5.00
2024	6.00	5.00
2025	5.75	5.00
2026	5.50	5.00
2027	5.25	5.00
2028 and later	5.00	5.00

Participation Rate: It is assumed that future eligible retirees will elect to participate in the Health Options Plan (HOP) or employer plan that is eligible for the Health Insurance Premium Assistance benefit as follows:

- Pre-age 65 – 50%
- Post-age 65 – 70%

In addition, 40% of eligible retirees under age 65 who are not currently receiving benefits under the Plan are assumed to elect coverage under the HOP or an employer plan that is eligible for the Health Insurance Premium Assistance at age 65 and receive premium assistance under the Plan. No assumption is made with respect to current eligible retirees over age 65 and who are not receiving premium assistance, electing coverage in a medical plan that is eligible for premium assistance in the future.

Persistence: Once in receipt of premium assistance, retirees are assumed to continue participation until death.

Spouse Coverage: N/A – spouses do not receive coverage.

Age Difference: N/A – spouses do not receive any premium assistance.

Administrative Expenses: Assumed equal to 2.00% of the contributions made during a fiscal year.

Employees Covered: Any employee or former employee who meets the eligibility requirements as outlined in Section 4 of this report is eligible to receive employer-provided benefits under the Premium Assistance Program. See above for assumed participation rates.

Retirees: PSERS provided actual data for retirees benefiting under the Plan. All current retired employees who are receiving premium assistance will continue participation in their current medical plan and, thus, coverage by the Health Insurance Premium Assistance Program. See above for other participation rate assumptions.

The following is a summary of the demographic and economic assumptions recommended on the basis of the July 1, 2010 to June 30, 2015 Experience Review, which was adopted by the Board of Trustees at their June 10, 2016 meeting**.**

Salary Increase: Effective average of 5.00% per annum, compounded annually (adopted as of June 30, 2016). The components are 2.75% for inflation, and 2.25% for real wage growth and merit or seniority increases. Representative values are as follows:

Age	Annual Rate of Salary Increase
20	10.25%
30	7.75
40	5.75
50	3.75
55	3.25
60	3.25
65	3.25
70	3.25

Death after Retirement:

Male annuitants: RP-2014 male mortality table adjusted backward to 2006 with the MP-2014 mortality improvement scale and projected to the valuation date with the Buck Modified 2015 projection scale.

Female annuitants: RP-2014 female mortality table adjusted backward to 2006 with the MP-2014 mortality improvement scale, projected to 2013 with the Buck Modified 2015 projection scale and adjusted for credibility. This base mortality table will then be projected on a generational basis using the Buck Modified 2015 projection scale to the valuation date.

Disabled annuitants: RP-2014 male and female disabled mortality tables adjusted backward to 2006 with the MP-2014 mortality improvement scale and projected to the valuation date with the Buck Modified 2015 projection scale.

These base mortality tables will then be projected on a generational basis using the Buck Modified 2015 projection scale from the valuation date.

The Buck Modified 2015 projection scale is based on the same data and algorithm as the MP-2015 Projection Scale but trends to an ultimate improvement rate of 0.75% at most ages, achieving the ultimate rate over a fifteen year period following the end of the historic data used to construct MP-2015.

Separation from Service: Illustrative rates of assumed separation from service are shown in the following table.

Age	Annual Rate of:						
	Withdrawal						
	Less Than Five Years of Service	Five Years but Less Than 10 Years of Service	10 or More Years of Service	Death[1]	Disability	Early Retirement[2]	Superannuation Retirement
				MALES			
25	14.85%	5.70%	2.57%	.041%	.020%		
30	12.74	3.37	2.57	.039	.020		
35	13.39	3.21	1.50	.044	.058		
40	14.49	3.97	1.34	.050	.116		
45	14.42	4.53	1.37	.084	.160		19.16%
50	14.31	4.45	1.92	.138	.284		19.16
55	12.17	4.43	3.38	.233	.442	18.57%	26.59
60	12.43	5.58	5.57	.379	.582	14.42	30.87
65				.700	.087		21.39
69				1.067	.135		19.34
				FEMALES			
25	13.41%	7.47%	5.02%	.013%	.018%		
30	13.81	6.05	4.02	.017	.023		
35	14.22	5.53	2.85	.024	.055		
40	11.79	4.87	1.60	.032	.096		
45	11.54	4.51	1.65	.051	.135		15.00%
50	11.66	4.43	2.06	.088	.229		15.00
55	11.75	4.38	3.11	.133	.368	18.59%	10.02
60	12.25	5.97	6.40	.196	.360	17.05	35.77
65				.327	.082		22.23
69				.443	.118		22.79

1. These base mortality tables will then be projected on a generational basis using the Buck Modified 2015 projection scale to the valuation date and thereafter.
2. Early Retirement – Age 55 with 25 years of service, but not eligible for Superannuation retirement.

Section 4 – Summary of Plan Provisions

Plan sponsor: Pennsylvania Public Schools Employees' Retirement System

Plan name: Health Insurance Premium Assistance Program

Eligibility: Retirees can participate if they satisfy the following criteria:

(a) Have 24 ½ or more years of service, or

(b) Are disability retirees, or

(c) Have 15 or more years of service and who both terminated school service and retired after attaining superannuation age, and

(d) Participate in the PSERS health options program or in an employer-sponsored health insurance program.

Benefits: Participating eligible retirees receive health insurance premium assistance payments from the Health Insurance Account equal to the lesser of $100 per month or the actual monthly premium.

Section 5 – Health Care Reform Considerations

Health care delivery is going through a revolution due to the enactment of Health Care Reform. The Patient Protection and Affordable Care Act (PPACA), was signed March 23, 2010, with further changes enacted by the Health Care and Education Affordability Reconciliation Act (HCEARA), signed March 30, 2010. This valuation uses various assumptions that were modified based on considerations under Health Care Reform legislation. This Section discusses particular legislative changes that were reflected in our assumptions. We have not identified any other specific provision of Health Care Reform that would be expected to have a significant impact on the measured obligation. As additional guidance on the legislation is issued, we continue to monitor any potential impacts.

Removal of Lifetime Maximum – Effective 1/1/2011

The health insurance premium assistance benefit valued in this report is a retiree only benefit and does not consider underlying plan coverage concerns for which the premium assistance is applied. Retiree only arrangements are not subject to the lifetime maximum provision.

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

The health insurance premium assistance benefit valued in this report is a retiree only benefit that is not available to children.

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

The health insurance premium assistance benefit valued in this report is not impacted by Medicare Part D changes.

Other Revenue Raisers

The Health Care Reform includes a variety of other revenue raisers that involve additional costs on providers (such as medical device manufacturers) and insurers. We considered these factors when developing the trend assumptions.

Other

We have not identified any other specific provision of health care reform that would be expected to have a significant impact on the measured obligation. As additional guidance on the legislation is issued, we will continue to monitor any potential impacts.

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

The health insurance premium assistance benefit valued in this report is capped at $1,200 per year per retiree and does not consider underlying plan coverage concerns for which the premium assistance is applied. To the extent that underlying coverage costs exceed excise tax thresholds, it is assumed that any applicable excise tax cost would be passed along to retirees in the form of increased premiums and would have no impact on the capped premium assistance.

Section 6 – Summary of Key Accounting Terms

Actuarially determined contribution

A target or recommended contribution to a defined benefit OPEB plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.

Actuarial present value of projected benefit payments

Projected benefit payments discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.

Actuarial valuation

The determination, as of a point in time (the actuarial valuation date), of the service cost, total OPEB liability, and related actuarial present value of projected benefit payments for OPEB performed in conformity with Actuarial Standards of Practice unless otherwise specified by the GASB.

Actuarial valuation date

The date as of which an actuarial valuation is performed.

Ad hoc postemployment benefit changes

Postemployment benefit changes that require a decision to grant by the authority responsible for making such decisions.

Automatic postemployment benefit changes

Postemployment benefit changes that occur without a requirement for a decision to grand by a responsible authority.

Covered-employee payroll

The payroll for employees that are provided with OPEB through the OPEB plan.

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 future periods in which (1) 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 assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on OPEB plan investments

b. The actuarial present value of projected benefit payments not included in (a), calculated using a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

Entry age actuarial cost method

A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the Actuarial accrued liability.

Healthcare cost trend rates

The rates of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

Inactive employees Individuals no longer employed by an employer in the OP Measurement period

The period between the prior and the current measurement dates.

Net OPEB liability

The liability of employers and non-employer contributing entities to employees for 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, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.

Projected benefit payments

All benefits (including refunds of employee contributions) estimated to be payable through the OPEB plan (including amounts to be paid by employers or non-employer contributing entities as the benefits come due) to current active and inactive employees as a result of their past service and their expected future service.

Real rate of return

The rate of return on an investment after adjustment to eliminate inflation.

Service costs

The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.

Total OPEB liability

The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service.