

**Note X - Other Postemployment Benefits (OPEB)**

[If the entity provides OPEB benefits through more than one plan, the entity should disclose the total of the employers OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense/expenditures for the period if not otherwise identifiable in the financial statements. These amounts should be disclosed in the aggregate for each element.]

**Closed Local Government OPEB Plan**

*General information about the OPEB plan*

**Plan description** - Employees of [entity], who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Local Government OPEB Plan (LGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired employees and disability participants of local governments, who choose coverage, participate in the LGOP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

**Benefits provided** - The [entity] offers the LGOP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness healthsavings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the LGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. **[Entities should insert language to explain their direct subsidy policy for pre-65 retiree insurance coverage or the fact that they do not directly subsidize and are only subject to the implicit].** The LGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

**Employees covered by benefit terms** - At July 1, 2017, the following employees of [entity name] was covered by the benefit terms of the LGOP:

Inactive employees currently receiving benefit payments	7
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>74</u>
Total	<u><u>81</u></u>

An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2018, the [entity] paid \$xxx.xxx million to the LGOP for OPEB benefits as they came due.

### **Total OPEB Liability**

**Actuarial assumptions** - The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	7.5% for 2018, decreasing annually over a 33 year period to an ultimate rate of 3.71%.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

**Discount rate** - The discount rate used to measure the total OPEB liability was 3.56 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

### **Changes in the Total OPEB Liability**

LGOP - (expressed in thousands)

	Total OPEB Liability (a)
Balances at June 30, 2016	<u>\$ 1,166</u>
Changes for the year:	
Service cost	54
Interest	35
Changes of benefit terms	-
Differences between expected and actual experience	-
Change in assumptions	(41)
Benefit payments	<u>(70)</u>
Net changes	<u>(23)</u>
Balances at June 30, 2017	<u>\$ 1,143</u>

**Changes in assumptions** - The discount rate was changed from 2.92% as of the beginning of the measurement period to 3.56% as of June 30, 2017. This change in assumption decreased the total OPEB liability.

**Sensitivity of total OPEB liability to changes in the discount rate** - The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate. (expressed in thousands)

	<b>1% Decrease (2.56%)</b>	<b>Discount Rate (3.56%)</b>	<b>1% Increase (4.56%)</b>
Total OPEB liability	\$ 1,208	\$ 1,143	\$ 1,080

**Sensitivity of total OPEB liability to changes in the healthcare cost trend rate** - The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (6.50% decreasing to 2.71%) or 1-percentage-point higher (8.50% decreasing to 4.71%) than the current healthcare cost trend rate. (expressed in thousands)

	<b>1% Decrease (6.50% decreasing to 2.71%)</b>	<b>Healthcare Cost Trend Rates (7.50% decreasing to 3.71%)</b>	<b>1% Increase (8.50% decreasing to 4.71%)</b>
Total OPEB liability	\$ 1,045	\$ 1,143	\$ 1,255

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

**OPEB expense** - For the fiscal year ended June, 30, 2018, [entity name] recognized OPEB expense of \$xxx.xx million.

**Deferred outflows of resources and deferred inflows of resources** - For the fiscal year ended June, 30, 2018, [entity name] reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

LGOP - (expressed in thousands)

	<u>Deferred Outflows of resources</u>	<u>Deferred Inflows of resources</u>
Differences between actual and expected experience	\$ -	\$ -
Changes of assumptions	-	37
Employer payments subsequent to the measurement date	69	-
Total	<u>\$ 69</u>	<u>\$ 37</u>

The amounts shown above for "Employer payments subsequent to the measurement date" will be recognized as a reduction to total OPEB liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

LGOP - (expressed in thousands)

For the year ended June 30:

2019	\$ (5)
2020	(5)
2021	(5)
2022	(5)
2023	(5)
Thereafter	(13)

In the table above, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

**Required Supplementary Information**  
**Schedule of Changes in [entity name] Total OPEB Liability and Related Ratios**  
(dollar amount in thousands)

**LGOP**

	<b>2018</b>
<b>Total OPEB liability</b>	
Service cost	\$ 54
Interest	35
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(41)
Benefit payments	(70)
<b>Net change in total OPEB liability</b>	<b>\$ (23)</b>
<b>Total OPEB liability - beginning</b>	<b>1,166</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 1,143</b>

**Covered-employee payroll** EMPLOYER PROVIDED

**Total OPEB liability as a percentage of covered-employee payroll** #VALUE!

**Notes to Schedule**

There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.