

ROCKWOOD R-VI SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2018

VIII. DEFERRED COMPENSATION PLANS

The District offers its employees a choice of deferred compensation plans created in accordance with Internal Revenue Code Sections 403(b) or 457(b). These plans, available to all District employees, permit them to defer a portion of their salary until future years. The District makes these Plans available to its employees as an accommodation only. The District's role in connection with the Plans is generally limited to processing the paperwork necessary to remit participant's salary withholdings (deferrals) to annuity providers and custodians.

IX. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

In addition to providing the pension benefits described above, the District (under the provisions of the Rockwood Self-insurance Plan) provides continuation of medical, dental and vision insurance coverage, including prescription drugs to employees who are eligible for normal or early retirement under a single employer plan. The plan is not accounted for as a trust fund since an irrevocable trust has not been established. A stand-alone financial report is not available for the plan. No assets are accumulated in a trust that meets all of the criteria in GASB Statement No. 75, paragraph 4.

Retirees who elect to participate must pay the premium in effect for the current plan year or any subsequent year at the premium rates in effect at that time. Since the retirees pay the premium for each year, the District's share of any premium cost is determined on the basis of a blended rate or implicit rate subsidy calculation.

Employees covered by benefit terms at July 1, 2016:

	<u>Number</u>	<u>Average Age</u>	<u>Average Service</u>
Actives	2,193	44.0	10.2
Inactive Currently Receiving Benefit Payments	<u>338</u>	64.4	
Total	<u><u>2,531</u></u>		

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June 30, 2018

IX. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Contributions

The District currently pays for the implicit rate subsidy associated with these postemployment health care benefits on a pay-as-you-go basis. The implicit rate is the difference between the calculated claims cost and the premiums paid by retirees. The District determines contribution requirements and they may be amended by the District. For fiscal year 2018, claims paid for retirees totaled \$3,810,081. Retirees contributed \$2,527,441 through premiums, the remaining \$1,282,640 was paid by the District.

Total OPEB Liability

The District's total OPEB liability of \$62,233,833 was measured as of June 30, 2017, and the total liability used to calculate the total OPEB was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Inflation – 2.50% long-term inflation, 1.00% real GDP growth and 1.00% medical technology.

Discount Rate – 3.13% for determining fiscal 2018 disclosure and estimated fiscal 2019 expense, 2.71% for determining fiscal 2017 liability and fiscal 218 expense.

Salary Increase Rate – 3.00%, based on actual and anticipated experience.

Healthcare Cost Trend Rates – 7.35% in 2018 and decreasing to an ultimate rate of 4.50% for 2037 and beyond.

Mortality Rates – RP-2014 Combined Mortality Table backed off to 2006 and projected generationally with Scale MP-2017.

Participation – It is assumed that 50% of participants will continue coverage under the plan upon retirement.

Actuarial Cost Method – Entry Age Normal.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018**

IX. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Changes in Total OPEB Liability

The components of the total OPEB liability of the District at June 30, 2018, are as follows:

	Total OPEB Liability
Balances at June 30, 2017	\$ 63,789,266
Service cost	3,139,508
Interest	1,711,309
Employee contributions	2,527,441
Benefits paid	(3,810,081)
Changes in assumptions	(5,123,610)
 Balances at June 30, 2018	 \$ 62,233,833

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.13%) and 1 percentage point higher (4.13%) than the current discount rate.

	1% Decrease 2.13%	Current Rate 3.13%	1% Increase 4.13%
Total OPEB Liability	\$ 70,152,780	\$ 62,233,833	\$ 55,511,006

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trends

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a health care trend rate that is 1 percentage point lower (6.35%) and 1 percentage point higher (8.35%) than the current health care trend rate.

	1% Decrease 6.35%	Current Rate 7.35%	1% Increase 8.35%
Total OPEB Liability	\$ 53,866,092	\$ 62,233,833	\$ 72,409,269

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IX. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONCLUDED)

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$3,124,574. At June 30, 2018, the District reported deferred inflows of resources related to OPEB of \$4,680,007 related to changes in assumptions.

Amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ending June 30,	Annual Net Inflows of Resources
2019	\$ 443,603
2020	443,603
2021	443,603
2022	443,603
2023	443,603
Thereafter	<u>2,461,992</u>
	<u>\$ 4,680,007</u>

X. SELF-INSURED MEDICAL BENEFITS

The District is under a self-insured plan to provide medical and dental benefits to participating employees and their families. The participating employees contribute to the self-insurance fund through payroll deductions based on their coverage election. The District's maximum liability for each employee and in the aggregate for a one-year period is limited by insurance coverage. Transactions for the self-funded insurance are recorded in the Internal Service Fund.

Liabilities of the fund are recorded when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated based upon recent claim settlement trends. Settlements have not exceeded coverage for each of the past three fiscal years.