



GOVERNMENT OF GUAM

OTHER POSTEMPLOYMENT BENEFITS PROGRAM

FINANCIAL REPORTING AND DISCLOSURES Governmental Accounting Standards Board Statement 75

Disclosures Measured as of September 30, 2018

KMS Actuarial, LLC
52 Hunt Road
Kingston, NH 03848

March, 2020



March 12, 2020

Mr. Edward M. Birn
Director, Department of Administration
Government of Guam
ITC Building, 2nd Floor, Suite 224
590 South Marine Corps Drive
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Dear Edward:

We are pleased to present the enclosed report of the September 30, 2018 actuarial valuation of the retiree health care benefits for the Government of Guam. The valuation was prepared in accordance with and for the purpose of financial reporting and disclosures as of September 30, 2018 under the following Government Accounting Standards Board (GASB) Statement:

- ◆ GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75)

The Principal Valuation Results, including assets, liabilities and the development of future contributions, are provided in Section 1. The Notes to the Financial Statements and the Required Supplementary Information are provided in Sections 2 and 3, respectively. Employer Reporting Amounts under GASB 75 are provided in Section 4. The Summary of Plan Provisions and Actuarial Assumptions and Methods are shown in Sections 5 and 6, respectively. Section 7 summarizes the demographic profile of active members and retired members, covered spouses and survivors. Finally, a Glossary of Terms is provided in Section 8 and governmental agency breakouts are included in Section 9.

This report considers only Postemployment Benefits Other Than Pensions, and not pension-like benefits such as supplemental pension benefits and pension Cost of Living Adjustments, even though such benefits are provided outside of the Government of Guam Retirement Fund.

Our calculations are based on member census data and other information provided by the Government of Guam as well as health plan rates provided by the Government of Guam. Although we did not audit the data used in the valuation and disclosure calculations, we believe that the information is complete and reliable.

Liabilities presented in this report are based on a discount rate of 4.18%, the rate that reflects a tax-exempt, high quality municipal bond rate. The municipal bond rate of 4.18% is based on the Bond Buyer 20-Bond GO Index published on September 30, 2018.

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Mr. Edward M. Birn

March 12, 2020

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This report was completed in accordance with generally accepted actuarial standards and procedures, and conforms to the Code of Professional Conduct of the American Academy of Actuaries. The actuarial assumptions other than those explicitly applicable to the postemployment benefit plans are consistent with those used by the Government of Guam Retirement Fund's actuaries for the Retirement System pension valuations.

Future actuarial valuation results may differ significantly from the current results presented in this report. Examples of potential sources of volatility include plan experience differing from that anticipated by the economic or demographic assumptions, the effect of new entrants, changes in economic or demographic assumptions, the effect of law changes and the delayed effect of smoothing techniques.

Our valuation follows generally accepted actuarial methods and we perform such tests as we consider necessary to assure the accuracy of the results. The amounts presented in this report have been appropriately determined according to the actuarial assumptions and methods stated herein.

This report is intended for the sole use of the Government of Guam and is intended to provide information to comply with the stated purpose of the report. It may not be appropriate for other purposes.

The undersigned credentialed actuaries are Members of the American Academy of Actuaries and together meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinion contained herein. They are available to answer any questions with regard to this report.

Respectfully submitted,



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EXECUTIVE SUMMARY

This report presents the results of the actuarial valuation of the Government of Guam's retiree health care benefits as of September 30, 2018. The valuation was prepared in accordance with and for the purpose of financial reporting and disclosures as of September 30, 2018 under the following Government Accounting Standards Board (GASB) Statement:

- ◆ GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75)

The results as of the measurement date are based on liabilities developed in the most recent actuarial valuation.

New Accounting Standards

In June 2015, the GASB approved two related Statements that significantly changed the way other postemployment benefits (OPEB) plans and governments account and report OPEB liabilities. Effective for plans with fiscal years beginning after June 15, 2016, GASB Statement No. 74 (GASB 74), *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, replaced the requirements of Statement No. 43 and effective for employers with fiscal years beginning after June 15, 2017, GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaced the requirements of Statement No. 45.

GASB 74 requires OPEB plans to present a statement of fiduciary net position (OPEB plan assets) and a statement of changes in fiduciary net position. Further, the statement requires that notes to financial statements include descriptive information such as the types of benefits provided, the classes of plan members covered and the authority under which benefit terms are established or may be amended. Finally, GASB 74 requires OPEB plans to present in required supplementary information the sources of the changes in the net OPEB liability and information about the actuarially determined contributions compared with the actual contributions made to the plan and related ratios.

GASB 74 and GASB 75 require projected benefit payments be discounted to their actuarial present value using the single rate that reflects:

- (1) a long-term expected rate of return on OPEB plan investments *to the extent that the OPEB plan's assets are sufficient to pay benefits and OPEB plan assets are expected to be invested using a strategy to achieve that return and*
- (2) a tax-exempt, high-quality municipal bond rate *to the extent that the conditions for use of the long-term expected rate of return are not met.*

GASB 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and OPEB expense by state and local governments.

EXECUTIVE SUMMARY

Government of Guam Other Postemployment Benefits Program

The effective date for GASB 75 is for fiscal years beginning after June 15, 2017, which is the fiscal year ending September 30, 2018 for the Government of Guam.

GASB 75 allows for a measurement of the Total OPEB Liability no earlier than the end of the employer's prior fiscal year and no later than the end of the employer's current fiscal year, consistently applied from period to period. The Government of Guam has elected to report results under GASB 75 with a measurement date of September 30, 2018 for the September 30, 2019 reporting date, the earliest measurement date permitted.

Summary of Results

A summary of principal results from the current and prior measurement dates follows:

Measurement Date	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>Increase/ (Decrease)</u>
Valuation Date	September 30, 2018	September 30, 2016	
Membership Data as of Valuation Date			
Active Plan Members	10,136	10,282	(1.4%)
Inactive Plan Members	8,207	7,342	11.8%
Total Plan Members	18,343	17,624	4.1%
Covered Payroll as of Valuation Date	\$ 494,595,522	\$ 474,098,955	4.3%
Valuation Results (GASB 75)			
Total OPEB Liability	\$ 1,874,970,335	\$ 2,431,048,672	(22.9%)
Discount rate	4.18%	3.63%	
OPEB Expense	\$ 65,394,675	\$ 192,253,885	
Deferred Outflows	\$ 135,796,692	\$ 180,762,485	
Deferred Inflows	\$ 739,755,258	\$ 208,321,792	

EXECUTIVE SUMMARY

Experience Gain and Loss

In developing the Total OPEB Liability, various assumptions are made regarding future premium rates, mortality, retirement, disability and turnover rates. A comparison of the results of the current and prior measurements is made to determine how closely actual experience relates to expected. For the current measurement period, the difference between expected and actual experience resulted in an actuarial gain of approximately \$522,358,000. A significant driver of the actuarial experience gain is the change in retiree contribution rates relative to the 1500 plan option. A summary of the impact on the Total OPEB Liability (TOL) for the major sources of experience gain and loss is presented below:

◆ Increase due to Demographic Data Changes	\$	49,536,000
◆ Decrease due to Updated Claims Costs		(485,555,000)
◆ Decrease due to Updated Premiums		(86,339,000)
Total	\$	(522,358,000)

Changes of Assumptions

The discount rate changed from 3.63% as of September 30, 2017 to 4.18% as of September 30, 2018. In addition, many other assumptions were updated in this valuation, including the salary scale, retirement and disability rates, mortality and mortality improvement rates, health care and dental trend rates and inflation. A summary of the impact on the Total OPEB Liability (TOL) of each assumption change is provided below:

◆ Increase due to change in Salary Scale	\$	7,963,000
◆ Decrease due to change in Retirement Rates		(5,441,000)
◆ Increase due to change in Disability Rates		29,000
◆ Increase due to change in Mortality and Mortality Improvement Rates		79,477,000
◆ Decrease due to change in Trend		(82,348,000)
◆ Decrease due to change in Discount Rate		(175,622,000)
Total	\$	(175,942,000)

All of the assumptions used in this valuation are shown in Section 6, Actuarial Assumptions and Methods.

Changes of Benefit Terms

All benefit terms are substantially the same as those used in the prior measurement. A summary of the principal plan provisions is provided in Section 5, Summary of Plan Provisions.

Total OPEB Liability

The Total OPEB Liability as of the current measurement date, September 30, 2018, is \$1,874,970,335. The Total OPEB Liability as of the prior measurement date, September 30, 2017, was \$2,431,048,672. The development of the Total OPEB Liability for the current and prior measurement dates is shown in Section 1, Exhibit 1.1.

Employer Future Period Contributions

No employer contributions are assumed to be made since an OPEB trust has not been established.

EXECUTIVE SUMMARY

Discount Rate

The discount rate used to measure the total OPEB liability was 4.18%. As of the September 30, 2018 measurement date, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the 4.18% municipal bond rate was applied to all periods to determine the total OPEB liability.

OPEB Expense

The OPEB Expense as of the current measurement date, September 30, 2018, is \$65,394,675. Benefit changes are recognized immediately and experience and assumption changes developed in this valuation are recognized over 5.57 years. The OPEB Expense for the prior measurement period was \$192,253,885. The development of the OPEB expense for the current measurement date is shown in Section 4, Exhibit 4.2.

SECTION 1 - PRINCIPAL VALUATION RESULTS

Exhibit 1.1 - Total OPEB Liability

The Total OPEB Liability, developed using the Entry Age Normal funding method, is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service. The total OPEB liability as of the September 30, 2018 measurement date was developed from an actuarial valuation as of September 30, 2018.

The Service Cost is the portion of the actuarial present value of projected benefit payments that is attributed to a valuation year. Only active employees who have not reached the age at which the probability of retirement is 100% incur a service cost.

Actuarial gains and losses arise from the difference between estimates and actual experience, excluding amounts related to benefit changes and changes in assumptions or other inputs.

The development of the Total OPEB Liability from the beginning of the measurement period, September 30, 2017 to the end of the measurement period, September 30, 2018 is shown below:

<u>Measurement Date</u>	<u>September 30, 2018</u>
1. Total OPEB Liability, beginning of year:	
a. Actives	\$ 1,496,996,336
b. Retirees, Covered Spouses and Survivors	934,052,336
c. Total OPEB Liability at 3.63% (a. + b.)	\$ 2,431,048,672
2. Service Cost	96,368,122
3. Expected Benefit Payments	
a. Current retirees	\$ (39,045,906)
b. Future retirees	(6,027,847)
c. Total (a. + b.)	\$ (45,073,753)
4. Interest [3.63% x (1.c. + 2. + .5 x 3.c)]	\$ 90,927,141
5. Changes of benefit terms	0
6. Differences between expected and actual experience	(522,357,892)
7. Changes of assumptions or other inputs	(175,941,955)
8. Total OPEB Liability, end of year (1.c. + 2. + 3.c. + 4. + 5. + 6. + 7.)	
a. Actives	\$ 1,154,885,378
b. Retirees, Covered Spouses and Survivors	720,084,957
c. Total OPEB Liability at 4.18% (a. + b.)	\$ 1,874,970,335

SECTION 1 - PRINCIPAL VALUATION RESULTS

Exhibit 1.2 - Development of Actuarially Determined Contributions

No employer contributions are assumed to be made since an OPEB trust has not been established.

The Actuarially Determined Employer Contribution (ADEC) of the employer equals the Normal Cost plus a provision for amortizing the Unfunded Actuarial Accrued Liability. We have assumed level dollar amortization over an amortization period of 30 years.

Fiscal Year Ending	September 30, 2018
Discount Rate	3.63%
1. Normal Cost	\$ 96,368,122
2. Unfunded Actuarial Accrued Liability, Beginning of Year	
a. Actuarial Accrued Liability	\$ 2,431,048,672
b. Actuarial Value of Plan Assets	0
c. Unfunded Actuarial Accrued Liability	\$ 2,431,048,672
3. Amortization of Unfunded Actuarial Accrued Liability	
a. Unfunded Actuarial Accrued Liability	\$ 2,431,048,672
b. Amortization Period in years	30
c. Payroll Growth Rate	0.0%
d. Amortization Factor	18.75
e. Amortization Amount (3.a. / 3.d.)	\$ 129,655,929
4. Interest on 1. and 3.e.	\$ 8,204,673
5. Actuarially Determined Employer Contribution (1. + 3.e. + 4.)	\$ 234,228,724
7. Expected Benefit Payments	\$ 45,073,753

SECTION 2 - NOTES TO THE FINANCIAL STATEMENTS

Exhibit 2.1 - Plan Description

Plan administration:

The Government of Guam administers the retiree health care benefits program - an agent-multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible employees.

Plan membership:

At September 30, 2018, OPEB plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments ¹	8,207
Inactive plan members entitled to but not yet receiving benefit payments	0
Active plan members	10,136
	<u>18,343</u>

¹Per paragraph 34a of GASB 74 and further clarified by Question 4.67 of the 2017-2 GASB 74 Implementation Guide, the total shown for inactive plan members or beneficiaries currently receiving benefit payments does not include covered spouses or other dependents.

Benefits provided:

The Government of Guam provides postemployment medical, dental and life insurance benefits to Government retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only. GovGuam contributes a portion of the medical and dental premiums, based on a schedule of semi-monthly rates, and reimburses certain Medicare premiums to eligible retirees. Retirees may also pay a portion of the medical and dental insurance premiums, depending on the plan and coverage selected. The benefit provisions are detailed in Section 5 - Summary of Plan Provisions.

Employer Future Period Contributions:

No employer contributions are assumed to be made since an OPEB trust has not been established.

SECTION 2 - NOTES TO THE FINANCIAL STATEMENTS

Exhibit 2.2 - Total OPEB Liability

Actuarial assumptions:

The total OPEB liability was determined by an actuarial valuation as of September 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Discount rate	4.18%, net of investment expenses, including inflation
Healthcare cost trend rate (Non-Medicare):	13.5 percent for FY2019, 6.75 percent for FY2020, decreasing 0.25 percent per year to an ultimate rate of 4.25 percent for FY2030 and later years.
Healthcare cost trend rate (Medicare):	-25 percent for FY2019, 6.75 percent for FY2020, decreasing 0.25 percent per year to an ultimate rate of 4.25 percent for FY2030 and later years.
Healthy mortality rates:	RP-2000 Combined Healthy Mortality Table, set forward 3 years and 2 years for males and females, respectively, projected generationally using 30% of Scale BB.
Disabled mortality rates:	RP-2000 Disabled Mortality Table, set forward 6 years and 4 years for males and females, respectively, projected generationally using 30% of Scale BB.

Discount rate:

The discount rate used to measure the total OPEB liability was 4.18%. The projection of cash flows used to determine the discount rate assumed that contributions from the Government will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the 4.18% municipal bond rate was applied to all periods to determine the total OPEB liability.

SECTION 2 - NOTES TO THE FINANCIAL STATEMENTS

Exhibit 2.2 - Total OPEB Liability

Sensitivity of the total OPEB liability to changes in the discount rate:

The following presents the total OPEB liability calculated using the current discount rate of 4.18 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate 1-percentage point lower (3.18 percent) or 1-percentage point higher (5.18 percent) than the current rate:

	1% Decrease 3.18%	Discount Rate 4.18%	1% Increase 5.18%
Total OPEB Liability	\$ 2,211,191,181	\$ 1,874,970,335	\$ 1,604,889,825

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates:

The following presents the total OPEB liability calculated using the current healthcare cost trend rates as well as what the total 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:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
	Current trend rates minus 1%	Current trend rates	Current trends rates plus 1%
Total OPEB Liability	\$ 1,563,531,324	\$ 1,874,970,335	\$ 2,278,113,130

Current Trend Rates:

Non-Medicare Trend: 13.5 percent for FY2019, 6.75 percent for FY2020, decreasing 0.25 percent per year to an ultimate rate of 4.25 percent for FY2030 and later years.

Medicare Trend: -25 percent for FY2019, 6.75 percent for FY2020, decreasing 0.25 percent per year to an ultimate rate of 4.25 percent for FY2030 and later years.

SECTION 3 - REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 3.1 - Changes in Total OPEB Liability and Related Ratios

Fiscal Year Ended September 30	2018	2017	2016
Total OPEB Liability			
Service cost	\$ 96,368,122	\$ 108,634,675	\$ 87,158,663
Interest	90,927,141	80,151,782	81,647,699
Changes of benefit terms	0	0	0
Differences between expected and actual experience	(522,357,892)	0	0
Changes of assumptions	(175,941,955)	(249,820,157)	270,694,071
Benefit payments	(45,073,753)	(40,670,668)	(40,670,668)
Net change in total OPEB liability	\$ (556,078,337)	\$ (101,704,368)	\$ 398,829,765
Total OPEB liability—beginning	\$ 2,431,048,672	\$ 2,532,753,040	\$ 2,133,923,275
Total OPEB liability—ending (a)	\$ 1,874,970,335	\$ 2,431,048,672	\$ 2,532,753,040
Covered payroll as of valuation date	\$ 494,595,522	\$ 474,098,955	\$ 474,098,955
Total OPEB liability as a percentage of covered payroll	379.09%	512.77%	534.22%

Notes to Schedule:

Discount rate: 4.18% 3.63% 3.058%

Changes of benefit terms:

All benefit terms are substantially the same as those used in the prior measurement. A summary of the principal plan provisions is provided in Section 5, Summary of Plan Provisions.

Changes of assumptions:

The discount rate changed from 3.63% as of September 30, 2017 to 4.18% as of September 30, 2018. In addition, many other assumptions were updated in this valuation, including the salary scale, retirement and disability rates, mortality and mortality improvement rates, health care and dental trend rates and inflation. All of the assumptions used in this valuation are shown in Section 6, Actuarial Assumptions and Methods.

SECTION 3 - REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 3.2 - Schedule of Employer Contributions

Fiscal Year Ended September 30	2018	2017	2016
Actuarially determined contribution	\$ 234,228,724	\$ 242,141,492	\$ 209,503,758
Contributions in relation to the actuarially determined contribution	45,073,753	40,670,668	40,670,668
Contribution deficiency (excess)	\$ 189,154,971	\$ 201,470,824	\$ 168,833,090
Covered payroll as of valuation date	\$ 494,595,522	\$ 474,098,955	\$ 474,098,955
Contributions as a percentage of covered payroll	9.11%	8.58%	8.58%
Discount rate	3.63%	3.058%	3.71%
Inflation	2.75%	3.00%	3.00%

Notes to Schedule

Valuation date:

Actuarially determined contributions are determined as of October 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used in calculations of actuarially determined contributions:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar amount over 30 years on an open amortization period
Amortization period	30 years
Asset valuation method	Market value
Healthcare cost trend rates (Non-Medicare)	13.5 percent for FY2019, 6.75 percent for FY2020, decreasing 0.25 percent per year to an ultimate rate of 4.25 percent for FY2030 and later years.
Healthcare cost trend rates (Medicare)	-25 percent for FY2019, 6.75 percent for FY2020, decreasing 0.25 percent per year to an ultimate rate of 4.25 percent for FY2030 and later years.

SECTION 4 - EMPLOYER REPORTING AMOUNTS UNDER GASB 75

Exhibit 4.1 - Deferred Outflows and Deferred Inflows of Resources

Deferred Outflows of Resources and Deferred Inflows of Resources arising from differences between expected and actual experience are recognized in OPEB Expense over the average expected remaining service life of all active and inactive participants.

Year	Experience Losses (a)	Experience Gains (b)	Amounts Recognized in OPEB Expense through September 30, 2018 (c)	Balances at September 30, 2018	
				Deferred Outflows of Resources (a) - (c)	Deferred Inflows of Resources (b) - (c)
2016	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2017	0	0	0	0	0
2018	0	522,357,892	(93,780,591)	0	428,577,301
Total				<u>\$ 0</u>	<u>\$ 428,577,301</u>

Deferred Outflows of Resources and Deferred Inflows of Resources arising from changes of assumptions are recognized in OPEB Expense over the average expected remaining service life of all active and inactive participants.

Year	Increases in the Total OPEB Liability (a)	Decreases in the Total OPEB Liability (b)	Amounts Recognized in OPEB Expense through September 30, 2018 (c)	Balances at September 30, 2018	
				Deferred Outflows of Resources (a) - (c)	Deferred Inflows of Resources (b) - (c)
2016	\$270,694,071	\$ 0	\$ 134,897,379	\$135,796,692	\$ 0
2017	0	249,820,157	(82,996,730)	0	166,823,427
2018	0	175,941,955	(31,587,425)	0	144,354,530
Total				<u>\$135,796,692</u>	<u>\$ 311,177,957</u>

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources will be recognized in OPEB expense as follows:

Year ended September 30	
2019	\$ (121,900,588)
2020	\$ (121,900,588)
2021	\$ (121,900,588)
2022	\$ (165,967,068)
2023	\$ (72,289,734)
Thereafter	\$ 0

Government of Guam Postemployment Benefits Other Than Pensions
Financial Reporting and Disclosures Under GASB 75 Measured as of September 30, 2018

SECTION 4 - EMPLOYER REPORTING AMOUNTS UNDER GASB 75

Exhibit 4.2 - OPEB Expense

The OPEB Expense and deferred outflows and inflows of resources primarily result from changes in the components of the total OPEB liability (TOL). Most changes in the TOL are included in the OPEB Expense in the period of the change, including service cost, interest on total OPEB liability and changes in benefit terms. Other changes in the total OPEB liability are included in OPEB Expense over the current and future periods. These include the effects on the total OPEB liability of changes of economic and demographic assumptions and differences between expected and actual experience. The OPEB Expense for the reporting period ending September 30, 2019 is presented below:

Fiscal Reporting Year Ended September 30	<u>2019</u> *
Measurement date	9/30/2018
1. Service cost	\$ 96,368,122
2. Interest on the total OPEB liability	
a. Total OPEB liability, beginning of year	\$ 2,431,048,672
b. Service cost, beginning of year	96,368,122
c. Benefit payments	<u>(45,073,753)</u>
d. Interest on total OPEB liability = 3.63% times (a. + b. + .5 times c.)	\$ 90,927,141
3. Differences between expected and actual experience	(93,780,591)
4. Changes of benefit terms	0
5. Changes of assumptions	(28,119,997)
6. Total OPEB Expense	<u><u>\$ 65,394,675</u></u>

* GASB 75 permits measurement of the Total OPEB Liability no earlier than the end of the employer's prior fiscal year and no later than the end of the employer's current fiscal year, consistently applied from period to period. The Government of Guam has elected to measure the Total OPEB Liability for the September 30, 2019 reporting date as of September 30, 2018. OPEB Expense for the September 30, 2019 reporting period has been developed using a measurement date of September 30, 2018.

SECTION 5 - SUMMARY OF PLAN PROVISIONS

Retirement Eligibility:	<p>To participate in the GovGuam Group Health Insurance program, an employee must retire under the eligibility requirements set forth below:</p> <p>Hired prior to October 1, 1981: Age 60 or over, at least 25 years of service, or for uniformed personnel, age 55 with at least 10 years of service.</p> <p>Hired on or after October 1, 1981 and prior to August 22, 1984: Age 60 or over, at least 30 years of service, or for uniformed personnel, age 55 with at least 15 years of service.</p> <p>Hired on or after August 22, 1984: Age 65 or over, at least 30 years of service, or for uniformed personnel, age 60 with at least 15 years of service.</p>
Ordinary Disability Eligibility:	<p>Any member who is unable to perform his or her duties due to a non-occupational disability and has six or more years of creditable service.</p>
Occupational Disability Eligibility:	<p>Any member who is unable to perform his or her duties due to a job-related disability.</p>
Medicare Eligibility:	<p>The Government of Guam began participating in Medicare on September 27, 1998. Guam encourages Medicare-eligible retirees to participate in Medicare, but does not require it. Retirees over age 65 may continue coverage, or if enrolled in Medicare Parts A and B, may elect a Retiree Supplemental Plan. Retirees may also opt, upon eligibility, to enroll their spouse, provided the spouse is enrolled in Medicare Parts A and B.</p>
Medicare Part B and Part D Reimbursements:	<p>Retirees and survivors domiciled on Guam who are eligible to receive Social Security income benefits and who are eligible to enroll in the Government of Guam Group Health Insurance Program are eligible to receive a reimbursement of the Medicare premiums, inclusive of premiums for Medicare Parts B and D. Enrollment in the Government of Guam Group Health Insurance Program is not required.</p>
Life Insurance Benefit:	<p>Retirees and covered spouses are eligible for a \$10,000 life insurance benefit. Retirees do not share in the cost of this benefit.</p>
Life Insurance Premium:	<p>The total monthly cost is \$15.52 per covered life.</p>

SECTION 5 - SUMMARY OF PLAN PROVISIONS

Continuation of Coverage to Spouse After Death of Retiree: Surviving spouse may continue coverage for lifetime by paying required premium rates.

PPACA Excise Tax: The Patient Protection and Affordable Care Act (PPACA) applies a 40% excise tax to the cost of plan benefits in excess of statutory thresholds beginning in 2022. The Government of Guam has represented to us that the PPACA excise tax does not apply to this plan. Further, the PPACA tax was repealed in December, 2019.

SECTION 5 - SUMMARY OF PLAN PROVISIONS

Medical Premium Rates:

Total monthly premium rates by plan and class, provided by the Government of Guam, as of October 1, 2018 are shown below:

Class	SelectCare 2000			SelectCare 1500		
	GovGuam	Member	Total	GovGuam	Member	Total
I - Retiree Only	\$ 316.16	\$ 2.92	\$ 319.08	\$ 889.54	\$ 131.34	\$ 1,020.88
II - Retiree + Spouse	609.72	57.18	666.90	1,796.44	328.40	2,124.84
III - Retiree + Children	511.64	47.54	559.18	1,505.92	274.20	1,780.12
IV - Retiree + Family	849.64	79.92	929.56	2,497.18	457.70	2,954.88

Class	TakeCare 2000			TakeCare 1500		
	GovGuam	Member	Total	GovGuam	Member	Total
I - Retiree Only	\$ 319.76	\$ 4.20	\$ 323.96	\$ 730.86	\$ 51.52	\$ 782.38
II - Retiree + Spouse	611.82	57.70	669.52	1,462.32	160.30	1,622.62
III - Retiree + Children	515.60	49.02	564.62	1,229.10	134.74	1,363.84
IV - Retiree + Family	852.12	79.66	931.78	2,030.14	222.64	2,252.78

Class	SelectCare (RSP)		
	GovGuam	Member	Total
I - Retiree Only	\$ 371.42	\$ 0.00	\$ 371.42
II - Retiree + Spouse	741.80	0.00	741.80

Class	TakeCare (RSP)		
	GovGuam	Member	Total
I - Retiree Only	\$ 376.44	\$ 0.00	\$ 376.44
II - Retiree + Spouse	796.94	0.00	796.94

In addition to the SelectCare and TakeCare plans listed above, NetCare was previously offered. Effective October 1, 2018, NetCare 2000, NetCare 1500 and NetCare (RSP) were not offered and effective October 1, 2019, all plans are replaced by Aetna International.

SECTION 5 - SUMMARY OF PLAN PROVISIONS

Dental Premium Rates:

Total monthly premium rates by plan and class, provided by the Government of Guam, as of October 1, 2018 are shown below:

<u>Class</u>	SelectCare Dental		
	<u>GovGuam</u>	<u>Member</u>	<u>Total</u>
I - Retiree Only	\$ 16.94	\$ 17.94	\$ 34.88
II - Retiree + Spouse	22.36	56.64	79.00
III - Retiree + Children	19.00	43.58	62.58
IV - Retiree + Family	31.00	74.68	105.68

<u>Class</u>	TakeCare Dental		
	<u>GovGuam</u>	<u>Member</u>	<u>Total</u>
I - Retiree Only	\$ 16.94	\$ 15.14	\$ 32.08
II - Retiree + Spouse	22.36	52.16	74.52
III - Retiree + Children	19.00	41.04	60.04
IV - Retiree + Family	31.00	69.40	100.40

In addition to the SelectCare and TakeCare plans listed above, NetCare was previously offered. Effective October 1, 2018, NetCare was not offered and effective October 1, 2019, all plans are replaced by Aetna International.

SECTION 5 - SUMMARY OF PLAN PROVISIONS

SelectCare Medical Plan Features:

Plan Features	SelectCare 2000		SelectCare 1500		SelectCare RSP
	Participating Providers	Non-Participating Providers	Participating Providers	Non-Participating Providers	Plan Pays
Plan Deductible					
Individual	2,000	4,000	1,500	3,000	N/A
Family	4,000	12,000	3,000	9,000	N/A
Out of Pocket Maximums					
Individual	4,000	No Maximum	3,000	No Maximum	N/A
Family	12,000	No Maximum	9,000	No Maximum	N/A
Coverage Maximums	Unlimited		Unlimited		No Maximum
Preventive Services	100%	Not Covered	100%	Not Covered	Nothing
Immunizations/Vaccinations	100%	Not Covered	100%	Not Covered	Nothing
Pre-Natal Care/Well Baby Care	100%	Not Covered	100%	Not Covered	Nothing
Outpatient Physician Care & Services					
Primary Care Visits	\$20 Member Copay	Plan pays 50%	\$20 Member Copay	Plan pays 70%	20%
Specialist Care Visits	\$40 Member Copay	Plan pays 50%	\$40 Member Copay	Plan pays 70%	20%
Emergency Care	Plan pays 80%	Plan pays 80%	Plan pays 80%	Plan pays 80%	80%
Prescription Drugs					
Formulary generic drugs	\$15 Member Copay (30 day supply)	Plan pays 50% of average wholesale price	\$15 Member Copay (30 day supply)	Plan pays 50% of average wholesale price	100% after \$15 Member Copay (30 day supply)
Formulary brand name drugs	\$30 Member Copay (30 day supply)		\$30 Member Copay (30 day supply)		100% after \$30 Member Copay (30 day supply)
Non-Formulary drugs	\$60 Member Copay (30 day supply)		\$60 Member Copay (30 day supply)		100% after \$60 Member Copay (30 day supply)
Mail Order	Copay Waived		Copay Waived		100%

SelectCare Dental Plan Features:

Plan Features	Participating Providers	Non-Participating Providers
Plan Deductible		
Individual	None	None
Family	None	None
Maximum annual benefit	1,000	1,000
Diagnostic and preventive care	100%	70%
Basic and restorative care	80%	70%
Major restorative care	50%	35%

SECTION 5 - SUMMARY OF PLAN PROVISIONS

TakeCare Medical Plan Features:

Plan Features	TakeCare 2000		TakeCare 1500		TakeCare RSP
	Participating Providers	Non-Participating Providers	Participating Providers	Non-Participating Providers	Plan Pays
Plan Deductible					
Individual	2,000	4,000	1,500	3,000	N/A
Family	4,000	12,000	3,000	9,000	N/A
Out of Pocket Maximums					
Individual	4,000	No Maximum	3,000	No Maximum	N/A
Family	12,000	No Maximum	9,000	No Maximum	N/A
Coverage Maximums	Unlimited		Unlimited		No Maximum
Preventive Services	100%	Not Covered	100%	Not Covered	100%
Immunizations/Vaccinations	100%	Not Covered	100%	Not Covered	100%
Pre-Natal Care/Well Baby Care	100%	Not Covered	100%	Not Covered	N/A
Outpatient Physician Care & Services					
Primary Care Visits	\$5-\$20 Member Copay	Plan pays 50%	\$5-\$20 Member Copay	Plan pays 70%	100%
Specialist Care Visits	\$40 Member Copay	Plan pays 50%	\$40 Member Copay	Plan pays 70%	100%
Emergency Care	Plan pays 80%	Plan pays 80%	Plan pays 80%	Plan pays 80%	80%
Prescription Drugs					
Formulary generic drugs	\$10-\$15 Member Copay (30 day supply)	Plan pays 50% of average wholesale price	\$15 Member Copay (30 day supply)	Plan pays 50% of average wholesale price	100% after \$15 Member Copay (30 day supply)
Formulary brand name drugs	\$30 Member Copay (30 day supply)		\$30 Member Copay (30 day supply)		100% after \$30 Member Copay (30 day supply)
Non-Formulary drugs	\$60 Member Copay (30 day supply)		\$60 Member Copay (30 day supply)		100% after \$60 Member Copay (30 day supply)
Mail Order	Copay Waived		Copay Waived		100%

TakeCare Dental Plan Features:

Plan Features	Participating Providers	Non-Participating Providers
Plan Deductible		
Individual	None	None
Family	None	None
Maximum annual benefit	1,000	1,000
Diagnostic and preventive care	100%	70%
Basic and restorative care	80%	70%
Major restorative care	50%	35%

SECTION 6 - ACTUARIAL ASSUMPTIONS AND METHODS

Valuation Date: September 30, 2018

Measurement Date: September 30, 2018

GASB 75 Reporting Date: September 30, 2019

Municipal Bond Rate: 4.18%, based on the Bond Buyer 20-Bond GO Index published on September 30, 2018.

Discount Rate (GASB 75): 4.18%, compounded annually, for the measurement as of September 30, 2018. 3.63%, compounded annually, for the measurement as of September 30, 2017.

Based on a tax-exempt, high-quality municipal bond rate.

Discount Rate (ADEC): 3.63%, compounded annually, for development of the Actuarially Determined Contribution (ADEC) for the period ending September 30, 2018.

Amortization Method: Level dollar amount over 30 years on an open amortization period for pay-as-you-go funding.

Salary Increases:	Service	% Increase
	0-5	7.50%
	6-10	6.00%
	11-15	5.00%
	16-20	4.00%
	Over 20	4.00%

Previously, 7.5% per year for the first 5 years of service, 6% for 5-10 years, 5% for 11-15 years and 4.5% for service over 15 years.

Health Care Cost Trend Rates:	Year	Non-		
		Medicare	Medicare	Part B
	1	13.50%	-25.00%	5.33%
	2	6.75%	6.75%	6.75%
	3	6.50%	6.50%	6.50%
	4	6.25%	6.25%	6.25%
	5	6.00%	6.00%	6.00%
	6	5.75%	5.75%	5.75%
	7	5.50%	5.50%	5.50%
	8	5.25%	5.25%	5.25%
	9	5.00%	5.00%	5.00%
	10	4.75%	4.75%	4.75%

SECTION 6 - ACTUARIAL ASSUMPTIONS AND METHODS

Health Care Cost Trend Rates
(continued):

Year	Non-Medicare	Medicare	Part B
11	4.50%	4.50%	4.50%
12	4.25%	4.25%	4.25%
13	4.25%	4.25%	4.25%
14	4.25%	4.25%	4.25%
15	4.25%	4.25%	4.25%
Ultimate	4.25%	4.25%	4.25%

The initial trend rates shown were determined based on actual changes in premiums in year one. Health care trend assumptions begin at current levels and grade down over a period of years to a lower level equal to some real rate plus inflation. The principal components of health trend are medical inflation, deductible erosion, cost shifting, utilization, technology and catastrophic claims. The overall effect of these components are expected to decline year by year. Medical trend rates are applied to retiree contributions, Medicare Part B and Medicare Part D premium reimbursements.

Dental Trend Rates: 3.80% in year one, 3.75% per year thereafter, based on a blend of historical retiree premium rate increases as well as observed U.S. national trends.

Inflation: 2.75% per year.

Participation Rates:
 Medical - 100% of active employees covered under a GovGuam medical plan will elect to participate at retirement.
 Dental - 100% of active employees covered under a GovGuam dental plan will elect to participate at retirement.
 Life - 100% of active employees will elect to participate at retirement.

Current retirees will continue in the GovGuam plan as provided in the data, and upon attainment of age 65, will remain in that plan or enroll in a Retiree Supplemental Plan per Medicare Enrollment assumption below.

Medicare Enrollment: Based on current over-65 retiree data, 15% of current and future retirees are assumed to enroll in Medicare and will enroll in a Retiree Supplemental Plan upon attainment of age 65. All employees retired prior to September 28, 2008 are assumed ineligible for Medicare upon attainment of age 65 and therefore will not enroll in a Medicare Supplemental Plan.

SECTION 6 - ACTUARIAL ASSUMPTIONS AND METHODS

Dependent Status: Male spouses are assumed to be three years older and female spouses are assumed to be three years younger than the retired employee.

Medical - 100% of spouses of active employees covered under a GovGuam medical plan will elect to participate at the active employee's retirement.
 Dental - 100% of spouses of active employees covered under a GovGuam dental plan will elect to participate at the active employee's retirement.
 Life - 100% of spouses of active employees will elect to participate at the active employee's retirement.

For current retired employees, the actual census information is used.

Actuarial Cost Method: Entry Age Normal. The costs of each employee's postemployment benefits are allocated as a level basis over the earnings of the employee between the employee's date of hire and the assumed exit ages.

Employee Data: Employee and retiree data as of September 30, 2018 were submitted by the Government. We made reasonable adjustments for missing or invalid data.

Mortality Rates: Healthy: RP-2000 Combined Healthy Mortality Table, set forward 3 years and 2 years for males and females, respectively, projected generationally using 30% of Scale BB.

Disabled: RP-2000 Disabled Mortality Table, set forward 6 years and 4 years for males and females, respectively, projected generationally using 30% of Scale BB.

The actuarial valuation is performed using a mortality table used by Milliman, the current pension actuary, based on an actuarial experience study of the experience from 2011 to 2015 which justified the use of the current mortality tables.

Withdrawal Rates:	<u>Service</u>	<u>Rates</u>	<u>Service</u>	<u>Rates</u>
	0	15.00%	11	4.50%
	1	14.00%	12	4.00%
	2	13.00%	13	3.50%
	3	12.00%	14	3.00%
	4	11.00%	15	2.50%
	5	10.00%	16	2.00%
	6	9.00%	17	2.00%
	7	8.00%	18	2.00%
	8	7.00%	19	2.00%
	9	6.00%	20 & over	2.00%
10	5.00%			

SECTION 6 - ACTUARIAL ASSUMPTIONS AND METHODS

Disability Rates:

1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females, as shown below:

Age	Male	Age	Female
20-39	0.05%	20-39	0.03%
40-44	0.10%	40-44	0.05%
45-49	0.18%	45-49	0.09%
50-54	0.32%	50-54	0.16%
55-59	0.53%	55-59	0.27%
60-64	0.76%	60-64	0.38%

Previously, 1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and females.

Retirement Rates:

50% of employees are assumed to retire at earliest eligibility for unreduced benefits under the Government of Guam Retirement Fund, 20% per year thereafter until age 75 and 100% at age 75.

Previously, 40% of employees are assumed to retire at earliest eligibility for unreduced benefits under the Government of Guam Retirement Fund, 15% per year thereafter until age 65, 20% per year thereafter until age 70 and 100% at age 70.

Claim Rates:

Claim rates by age for the non-Medicare medical plans were determined from the FY2019 premium rates provided by the client. The premium rate differences by plan option, network and coverage type seemed to differ from expected relationships. We therefore developed an adjusted average rate for the 2000 HSA/HDHP and 1500 PPO based on expected relationships such that the total premium calculated under both the provided premium rates and the adjusted premium rates yielded the same total. Based on the current early retiree population, it is assumed that 23 percent of retirees elect the 2000 HSA/HDHP option and 77 percent of retirees elect the 1500 PPO option. Using the average adjusted premium rates developed from the insurance company premium rates, age-adjusted costs were developed based on aging factors from the Society of Actuaries and Health Care Cost Institute study, "Health Care Costs-From Birth to Death," published in May 2013.

SECTION 6 - ACTUARIAL ASSUMPTIONS AND METHODS

Medical Per Capita Costs: Annual per capita costs for the fiscal year beginning October 1, 2018 are as follows:

Age	Medicare-Eligible				Disabled		Non-Medicare-Eligible			
	Retiree		Spouse		Male	Female	Retiree		Spouse	
	Male	Female	Male	Female			Male	Female	Male	Female
55	4,525	4,986	6,161	6,789	9,050	9,972	4,525	4,986	6,161	6,789
60	5,834	5,819	7,944	7,923	11,668	11,638	5,834	5,819	7,944	7,923
65	3,735	3,433	3,735	3,433	14,986	14,188	7,493	7,094	9,549	9,041
70	4,441	4,088	4,441	4,088	18,276	16,830	9,138	8,415	11,646	10,724
75	4,912	4,546	4,912	4,546	21,700	19,574	10,850	9,787	13,354	12,046
80	5,204	4,896	5,204	4,896	25,098	22,258	12,549	11,129	15,445	13,698
85	5,465	5,301	5,465	5,301	28,070	24,802	14,035	12,401	16,050	14,182
90	5,652	5,597	5,652	5,597	30,600	26,878	15,300	13,439	17,497	15,369

Dental Per Capita Costs: Annual per capita costs for the fiscal year beginning October 1, 2018 are \$487.

Medicare Part B and Part D Per Capita Reimbursement: Annual per capita costs for eligible retirees and survivors for the fiscal year beginning October 1, 2018 are \$1,637. We assumed 65% of retirees under age 65 and future retirees will receive the reimbursement starting at age 65, and payable for life.

Medical Per Capita Contributions: Annual average per capita participant contributions for the fiscal year beginning October 1, 2018 are as follows:

	<u>Pre-Medicare</u>	<u>Medicare</u>
Retirees	\$1,132	\$ 0
Spouses	2,285	0

Dental Per Capita Contributions: Annual average per capita participant contributions for the fiscal year beginning October 1, 2018 are \$298.

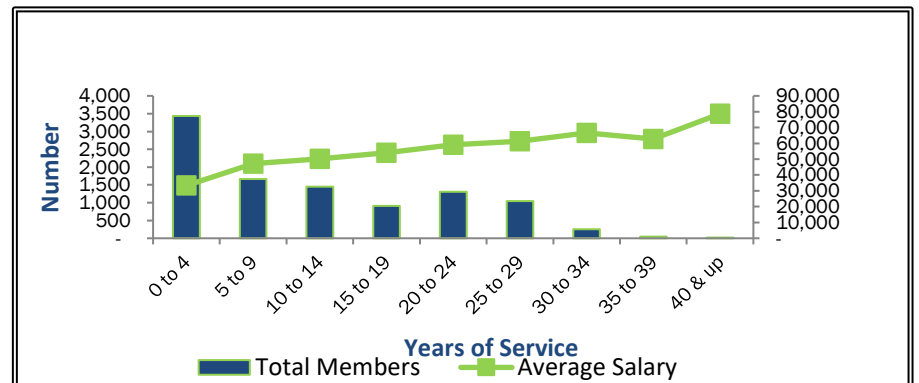
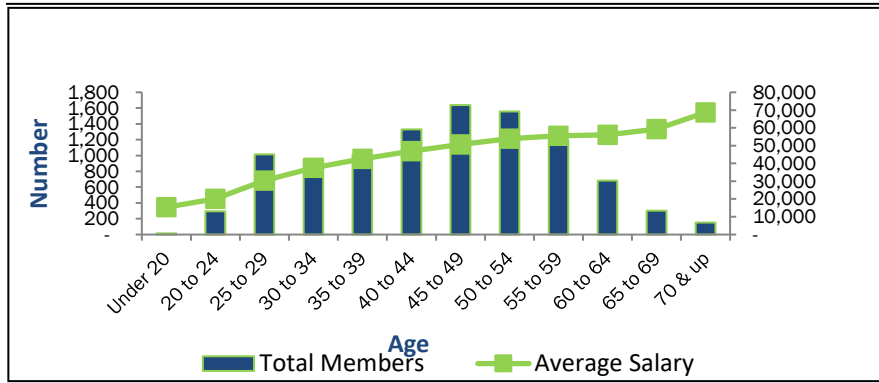
Netcare Plan Adjustment: Census data was collected as of September 30, 2018 and included retirees in the NetCare plans. However, effective October 1, 2018, NetCare 2000, NetCare 1500, NetCare (RSP) and NetCare Dental were not offered. For development of the medical and dental costs and contributions, we assumed the retirees covered under the NetCare plans would enroll in either SelectCare or TakeCare based on the September 30, 2018 enrollment in each of those plans. Trend assumptions have been adjusted to reflect this change.

Load for Dependent Children: Spouse costs are loaded based on the current demographics of the population. Sample loads are 1.24 for spouses age 55-64 (spouse cost = 1.24 x 1.10 x retiree cost; also assuming spouses cost 10% more than same age retiree); 1.16 for spouses age 65-74.

SECTION 7 - PLAN MEMBER INFORMATION

Exhibit 7.1 - Active Members by Age and Years of Service as of September 30, 2018

Age	Years of Service										Total	Total Salary	Average Salary
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up				
Under 20	13	-	-	-	-	-	-	-	-	-	13	199,722	15,363
20 to 24	286	7	-	-	-	-	-	-	-	-	293	5,885,352	20,087
25 to 29	826	180	8	-	-	-	-	-	-	-	1,014	30,781,840	30,357
30 to 34	526	313	110	1	-	-	-	-	-	-	950	35,699,073	37,578
35 to 39	414	227	261	106	3	-	-	-	-	-	1,011	43,133,763	42,664
40 to 44	405	238	225	250	203	8	-	-	-	-	1,329	62,226,102	46,822
45 to 49	346	245	259	171	415	202	1	-	-	-	1,639	83,027,102	50,657
50 to 54	274	189	227	144	259	370	92	2	-	-	1,557	83,970,123	53,931
55 to 59	174	129	194	99	215	273	86	20	2	-	1,192	66,145,062	55,491
60 to 64	112	85	95	79	117	132	45	16	3	-	684	38,363,308	56,087
65 to 69	39	34	46	41	64	41	22	7	8	-	302	17,902,946	59,281
70 & up	19	19	28	15	33	23	9	1	5	-	152	10,438,355	68,673
Total	3,434	1,666	1,453	906	1,309	1,049	255	46	18		10,136	477,772,749	47,136
Total Salary	114,489,083	78,615,761	72,913,543	48,907,492	77,305,503	64,282,045	16,955,891	2,887,178	1,416,253				
Average Salary	33,340	47,188	50,181	53,982	59,057	61,279	66,494	62,765	78,681				
Average Age:							45.6		Average Service:		12.0		



SECTION 7 - PLAN MEMBER INFORMATION

Exhibit 7.2 - Retired Members, Covered Spouses and Survivors as of September 30, 2018

Age	SelectCare 2000	TakeCare 2000	NetCare 2000	SelectCare 1500	TakeCare 1500	NetCare 1500	SelectCare RSP	TakeCare RSP	NetCare RSP	Total
Under 40	0	0	0	0	1	0	0	0	0	1
40 to 44	3	0	0	5	0	1	0	0	0	9
45 to 49	12	1	0	19	5	1	0	0	0	38
50 to 54	34	2	7	108	14	18	2	1	0	186
55 to 59	93	8	14	264	41	31	0	1	0	452
60 to 64	154	9	22	487	58	43	12	3	2	790
65 to 69	161	10	14	487	44	27	148	13	13	917
70 to 74	107	3	4	371	17	8	152	15	14	691
75 to 79	108	1	4	231	5	7	119	4	5	484
80 to 84	52	0	1	136	14	0	57	4	3	267
85 to 89	29	0	1	80	3	2	30	1	1	147
90+	17	1	0	52	0	0	9	0	0	79
Total	770	35	67	2,240	202	138	529	42	38	4,061
Covered Spouses	165	16	17	568	82	40	90	12	5	995
Average Age:						70.0				

In addition, there are 4,146 retirees, survivors and covered spouses that are not covered under any medical plan but are covered under other benefits offered to retirees by GovGuam, including life insurance, dental and reimbursement of Medicare Parts B and D which the Government contributes to.

SECTION 8 - GLOSSARY OF TERMS

Actuarial Assumptions – Assumptions as to the occurrence of future events affecting OPEB costs, such as mortality, withdrawal, disability and retirement; changes in compensation and OPEB benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.

Actuarial Cost Method (or Funding Method) – A procedure for allocating the Actuarial Present Value of projected benefit payments to the current year (Service Cost) and the past (Total OPEB Liability).

Actuarial Gain or Loss (or Experience Gain or Loss) – A measure of the difference between actual experience and that expected based upon the set of Actuarial Assumptions during the period between the valuation date and the most recent immediately preceding valuation date.

Actuarial Present Value of Projected Benefit Payments – The dollar value on the valuation date of all benefits expected to be paid to current members based upon the Actuarial Assumptions and the terms of the Plan.

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 Valuation Date – The date as of which an actuarial valuation is performed. This date may be up to 24 months prior to the measurement date and up to 30 months prior to the employer's reporting date.

Deferred Inflow of Resources – Acquisition of resources by a governmental entity that is applicable to future reporting periods. Under GASB 75, deferred inflows of resources are made up of experience gains, assumption changes reducing the Total OPEB Liability and investment gains that are recognized in future reporting periods.

Deferred Outflow of Resources – Consumption of resources by a governmental entity that is applicable to future reporting periods. Under GASB 75, deferred outflows of resources are made up of experience losses, assumption changes increasing the Total OPEB Liability and investment losses that are recognized in future reporting periods.

Discount Rate – 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 sum of:

- (1) a long-term expected rate of return on OPEB plan investments *to the extent that the OPEB plan's assets are sufficient to pay benefits and OPEB plan assets are expected to be invested using a strategy to achieve that return and*
- (2) a tax-exempt, high-quality municipal bond rate *to the extent that the conditions for use of the long-term expected rate of return are not met.*

Employer Future Period Contributions – Contributions made by the employer, generally to an outside trust fund, to pay for future OPEB costs. These are costs in addition to the employer contributions made during the year to pay for ongoing premiums.

SECTION 8 - GLOSSARY OF TERMS

Entry Age Normal Actuarial Cost Method – A method under which the actuarial present value of the projected benefits of each individual 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.

Explicit Subsidy – The difference between (a) the blended rates based on combined active and retired member experience and (b) actual cash contributions made by the employer.

Fiduciary Net Position – The fair market value of assets as of the measurement date.

Funded Ratio – The Actuarial Value of Assets expressed as a percentage of the Actuarial Accrued Liability.

GASB – Governmental Accounting Standards Board.

Health Cost Trend Rate – The rate of change in per capita health claims cost over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

Implicit Subsidy – In an experience-rated healthcare plan that includes both active employees and retirees with blended premium rates for all plan members, the difference between (a) the age-adjusted premiums approximating claim costs for retirees in the group and (b) the blended rates based on combined active and retired member experience.

Long-Term Expected Rate of Return – Long-term expected rate of return on OPEB plan investments expected to be used to finance the payment of benefits, net of investment expenses.

Measurement Date – The date as of which the Total OPEB Liability and Fiduciary Net Position are measured.

Municipal Bond Rate – Yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Net OPEB Liability – The liability of the employer for benefits provided through an OPEB plan. It is calculated as the Total OPEB Liability less the Fiduciary Net Position.

OPEB – Other Postemployment Benefits including medical, dental, vision, hearing and life insurance benefits.

Pay-As-You-Go – A method of financing an OPEB plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

Present Value of Future Benefits – The actuarial present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value of money and the probabilities of payment.

Reporting Date – The last day of the Plan or employer's fiscal year.

SECTION 8 - GLOSSARY OF TERMS

Service Cost – The portion of the actuarial present value of projected benefit amounts that is attributed to a valuation year.

Substantive Plan – The terms of an OPEB plan as understood by the employer and plan members.

Total OPEB Liability – The portion of the actuarial present value of projected benefit amounts that is attributed to past periods of employee service.

Unfunded Actuarial Accrued Liability – The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.

Valuation Date – The date as of which an actuarial valuation is performed. The valuation is as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end.

SECTION 9 - BREAKOUT OF RESULTS BY GOVERNMENTAL AGENCY

The schedule of OPEB Amounts by Governmental Agency is provided in Section 9. The schedule shows the Total OPEB Liability, the various categories of Deferred Outflows of Resources and Deferred Inflows of Resources and OPEB Expense for each Governmental Agency. The schedule includes the differences between expected and actual experience and changes of assumptions. Further, each Governmental Agency is required to recognize Deferred Outflows of Resources and Deferred Inflows of Resources related to (1) the net impact from changes in proportion between periods and (2) differences between actual contributions made by a Governmental Agency and their proportionate share of contributions.

Each Governmental Agency's allocation of OPEB Expense can be based on the proportion of its Total OPEB Liability to the aggregate amount of Governmental Agency Total OPEB Liability.

Under GASB 75, gains and losses (experience or assumption changes) and changes in Governmental Agency's proportionate shares related to OPEB are recognized in OPEB Expense systematically over time.

The first amortized amounts are recognized in OPEB Expense for the year the gain or loss occurs. The remaining amounts are categorized as Deferred Inflows and Deferred Outflows to be recognized in future OPEB Expense.

The amortization is a straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (actives, inactive and retirees) as of the beginning of the measurement period.

For 2018:

- ◆ Deferred Outflows of Resources, Deferred Inflows of Resources and OPEB Expense are allocated to each Governmental Agency based on its proportionate share of Total OPEB Liability shown in Exhibit 9.2.
- ◆ The difference between expected and actual experience is amortized over the average of the expected future service lives of all participants, with the first amortized amount recognized in OPEB Expense in the current year.
- ◆ The change in Total OPEB Liability as a result of changes in assumptions is amortized over the average of the expected future service lives of all participants, with the first amortized amount recognized in OPEB Expense in the year of the change.
- ◆ The net effect of the difference in the Governmental Agency's proportionate share of the collective Governmental Agency contribution and the actual Governmental Agency contribution is amortized over the average expected remaining service lives of all members, with the first amortized amount recognized in OPEB Expense in the current year.
- ◆ The net effect of the change in the Governmental Agency's proportionate share of the collective Total OPEB Liability, collective Deferred Outflows and collective Deferred Inflows is amortized over the average expected remaining service lives of all members, with the first amortized amount recognized in OPEB Expense in the current year.

SECTION 9 - BREAKOUT OF RESULTS BY GOVERNMENTAL AGENCY

Exhibit 9.1 - Demographic Data as of the Valuation Date, September 30, 2018

	Active Members			Retired Members and Survivors		Covered Spouses
	Count	Average Age	Average Service	Count	Average Age	Count
Primary Government:						
GovGuam Line Agencies	3,269	47.0	11.6	2,743	69.1	479
GovGuam Retirement Fund	47	48.1	13.4	32	69.2	3
Guam Legislature	40	46.2	7.4	93	74.4	15
Guam Department of Education	3,143	44.6	11.9	2,284	71.4	268
Public Defender Service Corporation	61	44.5	11.5	25	65.3	6
Unified Courts of Guam	411	41.3	11.1	174	67.6	21
Guam Telephone Authority	0	-	-	156	69.8	27
Total Primary Government	6,971	45.5	11.7	5,507	70.1	819
Component Units:						
Antonio B. Won Pat International Airport Authority	232	45.2	16.2	97	67.0	17
Guam Community College	240	47.8	11.5	211	70.8	29
Guam Economic Development Authority	24	41.3	6.1	18	67.8	3
Guam Housing Corporation	25	53.5	15.0	22	76.5	5
Guam Housing and Urban Renewal Authority	97	47.2	9.4	62	72.2	3
Guam Memorial Hospital Authority	907	44.8	10.9	502	71.1	85
Guam Power Authority	463	47.9	16.5	461	67.7	104
Guam Visitors Bureau	39	40.4	10.7	25	68.5	1
Guam Waterworks Authority	268	42.0	10.8	286	66.7	79
Port Authority of Guam	352	45.4	12.1	323	69.6	70
University of Guam	511	47.6	13.1	412	72.7	55
KGTF	7	51.0	18.6	4	64.8	2
Total Component Units	3,165	45.9	12.6	2,423	69.8	453
Total	10,136	45.6	12.0	7,930	70.0	1,272

SECTION 9 - BREAKOUT OF RESULTS BY AGENCY

Exhibit 9.2 - Total OPEB Liability/Proportionate Share

The basis of an employer's allocation of the collective OPEB amount is based on the Total OPEB Liability as of the end of the measurement period. The schedule of Governmental Agency proportionate share for 2018 and 2017, based on the Total OPEB Liability as of September 30, 2018 and September 30, 2017, respectively, shows the proportionate relationship of each Governmental Agency to all Governmental Agencies and each Governmental Agency's allocation percentage, or proportionate share.

	As of September 30, 2018		As of September 30, 2017	
	Total OPEB Liability	Proportionate Share	Total OPEB Liability	Proportionate Share
Primary Government:				
GovGuam Line Agencies	626,729,047	33.43%	820,620,484	33.76%
GovGuam Retirement Fund	8,466,261	0.45%	11,237,415	0.46%
Guam Legislature	9,739,340	0.52%	16,009,003	0.66%
Guam Department of Education	549,588,821	29.31%	726,529,256	29.89%
Public Defender Service Corporation	10,493,657	0.56%	11,882,453	0.49%
Unified Courts of Guam	62,698,664	3.34%	63,008,285	2.59%
Guam Telephone Authority	15,801,498	0.84%	23,992,237	0.99%
Total Primary Government	1,283,517,288	68.46%	1,673,279,133	68.83%
Component Units:				
Antonio B. Won Pat International Airport Authority	45,048,838	2.40%	46,614,484	1.92%
Guam Community College	42,285,436	2.26%	49,740,344	2.05%
Guam Economic Development Authority	2,250,969	0.12%	3,875,385	0.16%
Guam Housing Corporation	5,676,959	0.30%	11,223,930	0.46%
Guam Housing and Urban Renewal Authority	11,630,596	0.62%	14,924,532	0.61%
Guam Memorial Hospital Authority	134,276,729	7.16%	178,049,315	7.32%
Guam Power Authority	120,278,683	6.41%	145,955,861	6.00%
Guam Visitors Bureau	5,292,875	0.28%	5,672,967	0.23%
Guam Waterworks Authority	62,656,405	3.34%	88,950,661	3.66%
Port Authority of Guam	67,314,364	3.59%	84,786,658	3.49%
University of Guam	92,474,461	4.93%	125,480,519	5.16%
KGTF	2,266,732	0.12%	2,494,883	0.10%
Total Component Units	591,453,047	31.54%	757,769,539	31.17%
Total	1,874,970,335	100.00%	2,431,048,672	100.00%

SECTION 9 - BREAKOUT OF RESULTS BY GOVERNMENTAL AGENCY

**Exhibit 9.3 - Sensitivity of the Total OPEB Liability
To Changes in the Discount Rate and Healthcare Cost Trend Rates**

	Discount Rate		Healthcare Cost Trend Rates	
	1% Decrease	1% Increase	1% Decrease	1% Increase
Primary Government:				
GovGuam Line Agencies	739,114,488	536,451,724	522,627,200	761,483,872
GovGuam Retirement Fund	9,984,436	7,246,737	7,059,986	10,286,616
Guam Legislature	11,485,805	8,336,435	8,121,602	11,833,424
Guam Department of Education	648,141,430	470,423,180	458,300,231	667,757,503
Public Defender Service Corporation	12,375,386	8,982,096	8,750,625	12,749,929
Unified Courts of Guam	73,941,827	53,667,221	52,284,201	76,179,685
Guam Telephone Authority	18,635,032	13,525,368	13,176,815	19,199,024
Total Primary Government	1,513,678,404	1,098,632,761	1,070,320,660	1,559,490,053
Component Units:				
Antonio B. Won Pat International Airport Authority	53,127,024	38,559,768	37,566,071	54,734,919
Guam Community College	49,868,087	36,194,421	35,261,680	51,377,350
Guam Economic Development Authority	2,654,614	1,926,728	1,877,075	2,734,956
Guam Housing Corporation	6,694,955	4,859,220	4,733,997	6,897,578
Guam Housing and Urban Renewal Authority	13,716,202	9,955,264	9,698,714	14,131,324
Guam Memorial Hospital Authority	158,355,316	114,934,808	111,972,903	163,147,957
Guam Power Authority	141,847,131	102,953,114	100,299,981	146,140,151
Guam Visitors Bureau	6,241,997	4,530,462	4,413,710	6,430,911
Guam Waterworks Authority	73,891,990	53,631,050	52,248,961	76,128,340
Port Authority of Guam	79,385,218	57,618,052	56,133,217	81,787,820
University of Guam	109,057,039	79,153,957	77,114,135	112,357,662
KGTF	2,673,204	1,940,220	1,890,220	2,754,109
Total Component Units	697,512,777	506,257,064	493,210,664	718,623,077
Total	2,211,191,181	1,604,889,825	1,563,531,324	2,278,113,130

SECTION 9 - BREAKOUT OF RESULTS BY GOVERNMENTAL AGENCY

**Exhibit 9.4 - Total OPEB Liability/OPEB Expense as of September 30, 2018
To be Reported as of September 30, 2019**

	Total OPEB Liability	Proportionate Share of OPEB Expense	Net Amortization from Changes in Proportion/ Differences Between Employer Contributions and Proportionate Share	Total OPEB Expense
Primary Government:				
GovGuam Line Agencies	626,729,047	21,858,875	(1,176,518)	20,682,357
GovGuam Retirement Fund	8,466,261	295,284	(110,470)	184,814
Guam Legislature	9,739,340	339,686	(595,543)	(255,857)
Guam Department of Education	549,588,821	19,168,401	(1,990,839)	17,177,562
Public Defender Service Corporation	10,493,657	365,995	306,733	672,728
Unified Courts of Guam	62,698,664	2,186,786	3,226,666	5,413,452
Guam Telephone Authority	15,801,498	551,120	(841,405)	(290,285)
Total Primary Government	1,283,517,288	44,766,147	(1,181,376)	43,584,771
Component Units:				
Antonio B. Won Pat International Airport Authority	45,048,838	1,571,200	2,115,172	3,686,372
Guam Community College	42,285,436	1,474,819	964,476	2,439,295
Guam Economic Development Authority	2,250,969	78,509	(138,282)	(59,773)
Guam Housing Corporation	5,676,959	197,999	(752,326)	(554,327)
Guam Housing and Urban Renewal Authority	11,630,596	405,649	81,653	487,302
Guam Memorial Hospital Authority	134,276,729	4,683,265	(223,100)	4,460,165
Guam Power Authority	120,278,683	4,195,045	1,079,211	5,274,256
Guam Visitors Bureau	5,292,875	184,603	236,172	420,775
Guam Waterworks Authority	62,656,405	2,185,312	(1,591,518)	593,794
Port Authority of Guam	67,314,364	2,347,771	335,793	2,683,564
University of Guam	92,474,461	3,225,298	(1,000,862)	2,224,436
KGTF	2,266,732	79,058	74,987	154,045
Total Component Units	591,453,047	20,628,528	1,181,376	21,809,904
Total	1,874,970,335	65,394,675	0	65,394,675

SECTION 9 - BREAKOUT OF RESULTS BY GOVERNMENTAL AGENCY

**Exhibit 9.5 - Deferred Outflows as of September 30, 2018
To be Reported as of September 30, 2019**

	Differences Between Expected and Actual Experience	Changes of Assumptions	Changes in Proportion/ Differences Between Employer Contributions and Proportionate Share	Total Deferred Outflows of Resources
Primary Government:				
GovGuam Line Agencies	0	45,391,509	1,035,038	46,426,547
GovGuam Retirement Fund	0	613,178	0	613,178
Guam Legislature	0	705,382	93,082	798,464
Guam Department of Education	0	39,804,546	1,883,734	41,688,280
Public Defender Service Corporation	0	760,014	1,398,136	2,158,150
Unified Courts of Guam	0	4,541,016	14,970,946	19,511,962
Guam Telephone Authority	0	1,144,440	0	1,144,440
Total Primary Government	0	92,960,085	19,380,936	112,341,021
Component Units:				
Antonio B. Won Pat International Airport Authority	0	3,262,709	9,614,950	12,877,659
Guam Community College	0	3,062,567	4,361,019	7,423,586
Guam Economic Development Authority	0	163,029	123,559	286,588
Guam Housing Corporation	0	411,160	0	411,160
Guam Housing and Urban Renewal Authority	0	842,358	319,202	1,161,560
Guam Memorial Hospital Authority	0	9,725,133	1,751,525	11,476,658
Guam Power Authority	0	8,711,310	8,052,323	16,763,633
Guam Visitors Bureau	0	383,342	1,045,486	1,428,828
Guam Waterworks Authority	0	4,537,956	0	4,537,956
Port Authority of Guam	0	4,875,313	2,089,177	6,964,490
University of Guam	0	6,697,560	230,998	6,928,558
KGTF	0	164,170	349,090	513,260
Total Component Units	0	42,836,607	27,937,329	70,773,936
Total	0	135,796,692	47,318,265	183,114,957

SECTION 9 - BREAKOUT OF RESULTS BY GOVERNMENTAL AGENCY

**Exhibit 9.6 - Deferred Inflows as of September 30, 2018
To be Reported as of September 30, 2019**

	Differences Between Expected and Actual Experience	Changes of Assumptions	Changes in Proportion/ Differences Between Employer Contributions and Proportionate Share	Total Deferred Inflows of Resources
Primary Government:				
GovGuam Line Agencies	143,256,582	104,014,587	6,310,034	253,581,203
GovGuam Retirement Fund	1,935,203	1,405,096	455,586	3,795,885
Guam Legislature	2,226,201	1,616,382	2,713,169	6,555,752
Guam Department of Education	125,624,011	91,212,071	11,922,818	228,758,900
Public Defender Service Corporation	2,398,621	1,741,571	26,394	4,166,586
Unified Courts of Guam	14,331,546	10,405,734	364,291	25,101,571
Guam Telephone Authority	3,611,878	2,622,483	3,426,801	9,661,162
Total Primary Government	293,384,042	213,017,924	25,219,093	531,621,059
Component Units:				
Antonio B. Won Pat International Airport Authority	10,297,181	7,476,494	96,312	17,869,987
Guam Community College	9,665,528	7,017,869	0	16,683,397
Guam Economic Development Authority	514,522	373,580	793,073	1,681,175
Guam Housing Corporation	1,297,629	942,172	3,332,816	5,572,617
Guam Housing and Urban Renewal Authority	2,658,500	1,930,263	0	4,588,763
Guam Memorial Hospital Authority	30,692,730	22,285,130	3,242,741	56,220,601
Guam Power Authority	27,493,082	19,961,956	2,392,891	49,847,929
Guam Visitors Bureau	1,209,836	878,428	0	2,088,264
Guam Waterworks Authority	14,321,887	10,398,720	7,037,455	31,758,062
Port Authority of Guam	15,386,595	11,171,775	427,703	26,986,073
University of Guam	21,137,644	15,347,450	4,766,226	41,251,320
KGTF	518,125	376,196	9,955	904,276
Total Component Units	135,193,259	98,160,033	22,099,172	255,452,464
Total	428,577,301	311,177,957	47,318,265	787,073,523

Government of Guam Postemployment Benefits Other Than Pensions
Financial Reporting and Disclosures Under GASB 75 Measured as of September 30, 2018

SECTION 9 - BREAKOUT OF RESULTS BY GOVERNMENTAL AGENCY

**Exhibit 9.7 - Deferred Outflows of Resources and Deferred Inflows of Resources
Recognized in Future OPEB Expense**

	2019	2020	2021	2022	2023	Thereafter
Primary Government:						
GovGuam Line Agencies	(41,923,101)	(41,923,106)	(41,923,102)	(56,498,967)	(24,886,378)	0
GovGuam Retirement Fund	(660,900)	(660,900)	(660,900)	(841,135)	(358,871)	0
Guam Legislature	(1,228,744)	(1,228,744)	(1,228,742)	(1,385,387)	(685,671)	0
Guam Department of Education	(37,722,177)	(37,722,176)	(37,722,176)	(51,227,870)	(22,676,220)	0
Public Defender Service Corporation	(375,512)	(375,509)	(375,511)	(643,402)	(238,503)	0
Unified Courts of Guam	(849,667)	(849,667)	(849,668)	(2,442,770)	(597,835)	0
Guam Telephone Authority	(1,868,736)	(1,868,735)	(1,868,735)	(1,995,047)	(915,468)	0
Total Primary Government	(84,628,837)	(84,628,837)	(84,628,834)	(115,034,578)	(50,358,946)	0
Component Units:						
Antonio B. Won Pat International Airport Authority	(813,665)	(813,666)	(813,665)	(1,974,136)	(577,198)	0
Guam Community College	(1,784,700)	(1,784,699)	(1,784,700)	(2,785,760)	(1,119,952)	0
Guam Economic Development Authority	(284,627)	(284,628)	(284,628)	(355,343)	(185,361)	0
Guam Housing Corporation	(1,121,413)	(1,121,413)	(1,121,413)	(1,194,386)	(602,833)	0
Guam Housing and Urban Renewal Authority	(674,504)	(674,505)	(674,504)	(969,897)	(433,791)	0
Guam Memorial Hospital Authority	(8,953,059)	(8,953,057)	(8,953,059)	(12,308,903)	(5,575,865)	0
Guam Power Authority	(6,740,668)	(6,740,666)	(6,740,668)	(9,222,655)	(3,639,641)	0
Guam Visitors Bureau	(107,941)	(107,943)	(107,942)	(249,151)	(86,460)	0
Guam Waterworks Authority	(5,665,104)	(5,665,103)	(5,665,105)	(7,037,771)	(3,187,024)	0
Port Authority of Guam	(4,040,626)	(4,040,628)	(4,040,628)	(5,563,739)	(2,335,962)	0
University of Guam	(7,013,059)	(7,013,059)	(7,013,059)	(9,141,982)	(4,141,603)	0
KGTF	(72,385)	(72,384)	(72,383)	(128,767)	(45,098)	0
Total Component Units	(37,271,751)	(37,271,751)	(37,271,754)	(50,932,490)	(21,930,788)	0
Total	(121,900,588)	(121,900,588)	(121,900,588)	(165,967,068)	(72,289,734)	0

APPENDIX A - SCHEDULE OF DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Year	Differences between Expected and Actual Experience		Recognition Period (Years)									
			2016	2017	2018	2019	2020	2021	2022	2023	2024	
2016	\$	-	-	-	-	-	-	-	-	-	-	-
2017	\$	-	-	-	-	-	-	-	-	-	-	-
2018	\$	(522,357,892)	5.57	-	-	(93,780,591)	(93,780,591)	(93,780,591)	(93,780,591)	(93,780,591)	(53,454,937)	-
Net Increase (Decrease) in OPEB Expense			-	-	(93,780,591)	(93,780,591)	(93,780,591)	(93,780,591)	(93,780,591)	(93,780,591)	(53,454,937)	-

Year	Changes of Assumptions		Recognition Period (Years)									
			2016	2017	2018	2019	2020	2021	2022	2023	2024	
2016	\$	270,694,071	6.02	44,965,793	44,965,793	44,965,793	44,965,793	44,965,793	44,965,793	899,313	-	-
2017	\$	(249,820,157)	6.02	-	(41,498,365)	(41,498,365)	(41,498,365)	(41,498,365)	(41,498,365)	(41,498,365)	(829,967)	-
2018	\$	(175,941,955)	5.57	-	-	(31,587,425)	(31,587,425)	(31,587,425)	(31,587,425)	(31,587,425)	(18,004,830)	-
Net Increase (Decrease) in OPEB Expense			44,965,793	3,467,428	(28,119,997)	(28,119,997)	(28,119,997)	(28,119,997)	(28,119,997)	(72,186,477)	(18,834,797)	-