

Discount Rate Assumption for HIS and National Guard Accounting Valuations

GASB Discount Rate Assumption

- Currently, the Florida Health Insurance Subsidy (HIS) and Florida National Guard benefits are effectively funded on a pay-as-you-go basis
- Accounting standards first effective several years ago (GASB 67 & 68) give direction on the discount rate assumption to be used for financial reporting of programs funded on a pay-as-you-go basis
 - The assumption should reflect an **index of 20-year, tax exempt, high quality (AA/Aa or higher) general obligation municipal bonds**
 - The assumption selected should be based on **market conditions as of the measurement date** of the financial reporting in question
- After consideration of these requirements at the time of initial implementation of the accounting standards, the Conference adopted the **Bond Buyer General Obligation 20-Bond Municipal Bond Index** for use in HIS and National Guard GASB calculations
 - That index has been used for pay-as-you-go GASB financial reporting valuations by all public systems with which I am familiar

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Historical Values of the Bond Index

- The table below shows the value of the Bond Buyer General Obligation 20-Bond Municipal Bond Index as of the last five fiscal year-end measurement dates

June 30	Index
2021	2.16%
2020	2.21%
2019	3.50%
2018	3.87%
2017	3.58%

- The **lower** the index, the **higher** the calculated present value liability, with an index **decrease** from 2.21% to 2.16% estimated to **increase** HIS liability and National Guard liability by approximately \$95 million and \$16 million, respectively

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Needed Guidance

Needed Guidance for FRS Pension Plan

- From Conference Principals for system funding calculations, identification of **methods** and **assumptions** to use in the 2021 FRS Pension Plan valuation calculations for system funding purposes to calculate blended proposed 2022-23 statutory contribution rates, including:
 - Investment return assumption (currently 7.00%)
 - Inflation assumption (currently 2.40%)
 - Amortization policy - currently 25-year amortization as a level percent of projected future payroll for newly arising UAL (unfunded actuarial liability) bases

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Needed Guidance for the HIS and National Guard Programs

- From Conference Principals for GASB accounting valuations of the Health Insurance Subsidy (HIS) and Florida National Guard programs:
 - Re-confirmation of the Bond Buyer General Obligation 20-Bond Municipal Bond Index as the discount rate for the two programs' GASB valuations
 - Re-confirmation of the demographic assumptions used in the prior valuation

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