

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
2023	3.65%
2022	3.54%
2021	2.16%
2020	2.21%
2019	3.50%

- The **higher** the index, the **lower** the calculated present value liability, with an index **increase** from 3.54% to 3.65% estimated to **decrease** HIS liability and National Guard liability by approximately \$146 million and \$12 million, respectively
- SB 7024 increased the level of HIS monthly benefits from \$5.00 per year of service to \$7.50 per year of service; estimated HIS liability impact above is **before** reflection of SB 7024 benefit enhancements

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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
- Demographic assumptions will be consistent with those used in the prior valuation whenever appropriate, taking into consideration current provisions and currently available data
 - For HIS this will include plan changes adopted as of July 1, 2023 in SB 7024, which increased HIS monthly benefits for all members to \$7.50 per year of service, increased the minimum and maximum monthly benefits to \$45 and \$225, respectively, and increased the contribution rate from 1.66% to 2.00% of applicable payroll.

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