

Assumptions 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

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
2024	3.93%
2023	3.65%
2022	3.54%
2021	2.16%
2020	2.21%

- The **higher** the index, the **lower** the calculated present value liability
- An index **increase** from 3.65% to 3.93% could be expected to **decrease** June 30, 2023 HIS liability and National Guard liability by approximately \$541 million and \$29 million, respectively

Other Assumptions used for HIS and NG GASB valuations

- The Florida Health Insurance Subsidy (HIS) valuation uses the same demographic assumptions as the Florida Retirement System; the Florida National Guard valuation uses the FRS mortality assumption specific to non-Special Risk members who are not K-12 Instructional
- The Florida Health Insurance Subsidy (HIS) valuation requires an additional assumption relating to the proportion of eligible retirees anticipated to elect HIS in retirement
 - In conjunction with the Experience Study, we reviewed actual member elections during the 2018-2019 through 2022-2023 plan years
 - Proposed assumptions based on this experience are as follows:

Classification	Current Assumption	Proposed Assumption
Pension Plan Members		
Immediate Retirement (from Active status or DROP exit)	90%	90%
Deferred Retirement (Separating before retirement eligibility)	50%	50%
Investment Plan		
HIS-eligible at separation from active service / IP Distribution	90%	60%
Deferred Retirement (not HIS-eligible at IP Distribution)	50%	40%