



**RYE NECK UNION FREE SCHOOL DISTRICT
OTHER POST-EMPLOYMENT BENEFITS**

GASB 75 DISCLOSURE

Fiscal Year: July 1, 2022 to June 30, 2023

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GASB 75 Disclosure for Fiscal Year Ending June 30, 2023

Rye Neck Union Free School District Other Post-Employment Benefits

This work product was prepared solely for the District for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Certification

Actuarial computations presented in this report under Statement No. 75 of the Governmental Accounting Standards Board are for purposes of assisting the District in fulfilling its financial accounting requirements. No attempt is being made to offer any accounting opinion or advice. This report is for fiscal year July 1, 2022 to June 30, 2023. The reporting date for determining plan assets and obligations is June 30, 2023. The calculations enclosed in this report have been made on a basis consistent with our understanding of the plan provisions. Determinations for purposes other than meeting financial reporting requirements may be significantly different than the results contained in this report. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security or meeting employer funding requirements.

In preparing this report, we relied, without audit, on information as of July 1, 2022 and June 30, 2023 furnished by the District. This information includes, but is not limited to, statutory provisions, member census data, and financial information. Please see Questar's valuation report dated February 24, 2023 for more information on the plan's participant group as of July 1, 2022 as well as a summary of the plan provisions and a summary of the actuarial methods and assumptions used for funding purposes.

We performed a limited review of the census and financial information used directly in our analysis and have found them to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

We hereby certify that, to the best of our knowledge, this report, including all costs and liabilities based on actuarial assumptions and methods, is complete and accurate and determined in conformance with generally recognized and accepted actuarial principles and practices, which are consistent with the Actuarial Standards of Practice promulgated by the Actuarial Standards Board and the applicable Code of Professional Conduct, amplifying Opinions and supporting Recommendations of the American Academy of Actuaries.

Each of the assumptions used in this valuation with the exception of those set by law was set based on industry standard published tables and data, the particular characteristics of the plan, relevant information from the plan sponsor or other sources about future expectations, and our professional judgment regarding future plan experience. We believe the assumptions are reasonable for the contingencies they are measuring, and are not anticipated to produce significant cumulative actuarial gains or losses over the measurement period. Assumptions related to the claims costs and healthcare trend (cost inflation) rates for the retiree healthcare program discussed in this report were determined by Milliman actuaries qualified in such matters.

This valuation report is only an estimate of the plan's financial condition as of a single date. It can neither predict the plan's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of plan benefits, only the timing of plan contributions. While the valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct. Determining results using alternative assumptions is outside the scope of our engagement.

Certification

Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as, but not limited to, the following: plan experience differing from that anticipated by the demographic assumptions; changes in demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of the actuarial assignment, we did not perform an analysis of the potential range of such future measurements.

The valuation results were developed using models intended for valuations that use standard actuarial techniques. In addition to the models described previously, Milliman has developed certain models to estimate the claim costs and trend used in this analysis. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice. The models, including all input, calculations, and output may not be appropriate for any other purpose.

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No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their specific needs.

The consultant who worked on this assignment is an actuary. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuary is independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, I hereby certify that, to the best of my knowledge and belief, this report is complete and has been prepared in accordance with generally recognized accepted actuarial principles and practices. I am a member of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.



Jennifer M. Castelhana, FSA
Consulting Actuary

Overview of GASB 75

The Governmental Accounting Standards Board (GASB) released new accounting standards for public postemployment benefit plans other than pension (OPEB) and participating employers in 2015. These standards, GASB Statement No. 75, have substantially revised the accounting requirements previously mandated under GASB Statement No. 45. The most notable change is the that the Annual Required Contribution (ARC) has been eliminated and the Net OPEB Liability will be an item on the employer's financial statement rather than a footnote entry.

GASB 75 governs the specifics of accounting for public OPEB plan obligations for participating employers and is required to be implemented for employer fiscal years beginning after June 15, 2017. GASB 75 requires a liability for OPEB obligations, known as the Net OPEB Liability (Total OPEB Liability for unfunded plans), to be recognized on the balance sheets of participating employers. Changes in the Net OPEB Liability (Total OPEB Liability for unfunded plans) will be immediately recognized as OPEB Expense on the income statement or reported as deferred inflows/outflows of resources depending on the nature of the change.

Glossary

Deferred Inflows/Outflows of Resources	Portion of changes in net OPEB liability that is not immediately recognized in OPEB Expense. These changes include differences between expected and actual experience, changes in assumptions, and differences between expected and actual earnings on plan investments.
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: <ol style="list-style-type: none">1) The actuarial present value of benefit payments projected to be made in future periods where the plan assets are projected to be sufficient to meet benefit payments, calculated using the Long-Term Expected Rate of Return.2) The actuarial present value of projected benefit payments not included in (1), calculated using the Municipal Bond Rate.
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.
Projected Benefit Payments	All benefits estimated to be payable through the OPEB plan to current active and inactive employees as a result of their past service and expected future service.
Service Cost	The portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.
Total OPEB Liability	The portion of actuarial present value of projected benefit payments that is attributable to past periods of member service using the Entry Age Normal cost method based on the requirements of GASB 75.

Executive Summary

Relationship Between Valuation Date, Measurement Date, and Reporting Date

The Valuation Date is July 1, 2022. This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2023. This is the date as of which the total OPEB liability is determined. The Reporting Date is June 30, 2023. This is the plan's and/or employer's fiscal year ending date.

Significant Changes

Given the substantial uncertainty regarding the impact of COVID-19 on plan costs, including whether the pandemic will increase or decrease costs during the term of our projections, we have chosen not to make an adjustment in the expected plan costs. It is possible that the COVID-19 pandemic could have a material impact on the projected costs.

Participant Data as of July 1, 2022

Actives	240
Retirees	116
Beneficiaries	7
Spouses of Retirees	<u>55</u>
Total	418

Total OPEB Liability

Total OPEB Liability	June 30, 2022	June 30, 2023
Total OPEB liability	\$70,079,818	\$80,068,631
Covered payroll	21,126,727	21,903,312
Total OPEB liability as a % of covered payroll	331.71%	365.55%

The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 75.

Discount Rate

Discount rate	3.54%	3.65%
20 Year Tax-Exempt Municipal Bond Yield	3.54%	3.65%

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Other Key Actuarial Assumptions

The plan has not had a formal actuarial experience study performed.

Valuation date	July 1, 2020	July 1, 2022
Measurement date	June 30, 2022	June 30, 2023
Actuarial cost method	Entry Age Normal	Entry Age Normal
Salary increases including inflation	2.60%	2.40%

Please see valuation report dated February 24, 2023 for more detail.

Changes in Total OPEB Liability

Changes in Total OPEB Liability	Increase (Decrease) Total OPEB Liability
Balance as of June 30, 2022	\$70,079,818
Changes for the year:	
Service cost	2,880,538
Interest on total OPEB liability	2,550,629
Effect of plan changes	0
Effect of demographic gains or losses	476,550
Effect of assumptions changes or inputs	5,914,464
Benefit payments	(1,833,368)
Balance as of June 30, 2023	80,068,631

Sensitivity Analysis

The following presents the total OPEB liability of the District, calculated using the discount rate of 3.65%, 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 or 1 percentage point higher than the current rate.

	1% Decrease	Discount Rate	1% Increase
Total OPEB liability	\$94,732,069	\$80,068,631	\$68,442,367

The following presents the total OPEB liability of the District, calculated using the current healthcare cost trend rates as well as what the District's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	1% Decrease	Trend Rate	1% Increase
Total OPEB liability	\$66,025,750	\$80,068,631	\$98,566,335

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Schedule of Changes in Total OPEB Liability and Related Ratios

	Fiscal Year Ending June 30									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total OPEB Liability										
Service cost	\$2,880,538	\$4,091,701	\$3,608,668	\$2,870,569	\$3,304,823	\$2,511,763	N/A	N/A	N/A	N/A
Interest on total OPEB liability	2,550,629	1,905,634	1,786,864	2,239,477	1,966,441	1,853,282	N/A	N/A	N/A	N/A
Effect of plan changes	0	0	0	0	852,857	0	N/A	N/A	N/A	N/A
Effect of demographic gains or losses	476,550	0	(4,767,965)	0	2,224,593	334,185	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	5,914,464	(19,188,067)	7,919,896	12,667,227	(7,825,979)	0	N/A	N/A	N/A	N/A
Benefit payments	(1,833,368)	(1,713,908)	(1,606,998)	(1,681,084)	(1,624,306)	(1,814,896)	N/A	N/A	N/A	N/A
Net change in total OPEB liability	9,988,813	(14,904,640)	6,940,465	16,096,189	(1,101,571)	2,884,334	N/A	N/A	N/A	N/A
Total OPEB liability, beginning	70,079,818	84,984,458	78,043,993	61,947,804	63,049,375	60,165,041	N/A	N/A	N/A	N/A
Total OPEB liability, ending (a)	80,068,631	70,079,818	84,984,458	78,043,993	61,947,804	63,049,375	N/A	N/A	N/A	N/A
Covered payroll	\$21,903,312	\$21,126,727	\$21,126,727	\$20,094,681	\$20,094,681	\$18,384,278	N/A	N/A	N/A	N/A
Total OPEB liability as a % of covered payroll	365.55%	331.71%	402.26%	388.38%	308.28%	342.95%	N/A	N/A	N/A	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

OPEB Expense

OPEB Expense	July 1, 2021 to June 30, 2022	July 1, 2022 to June 30, 2023
Service cost	\$4,091,701	\$2,880,538
Interest on total OPEB liability	1,905,634	2,550,629
Effect of plan changes	0	0
Recognition of Deferred Inflows/Outflows of Resources		
Recognition of demographic gains or losses	(228,273)	(172,860)
Recognition of assumption changes or inputs	(728,527)	(40,799)
OPEB Expense	5,040,535	5,217,508

As of June 30, 2023, the deferred inflows and outflows of resources are as follows:

Deferred Inflows / Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	(\$3,178,643)	\$1,432,626
Changes of assumptions	(17,786,901)	16,677,883
Total	(20,965,544)	18,110,509

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

Year ended June 30:	
2024	(\$213,659)
2025	(213,659)
2026	(237,530)
2027	(248,752)
2028	(1,218,460)
Thereafter*	(722,975)

* Note that additional future deferred inflows and outflows of resources may impact these numbers.

Schedule of Deferred Inflows and Outflows of Resources

	Original Amount	Date Estab.	Original Rec. Period*	Amount Recognized in Expense for FYE 06/30/2023	Amount Recognized in Expense through 06/30/2023	Balance of Deferred Inflows 06/30/2023	Balance of Deferred Outflows 06/30/2023
Demographic gains	\$476,550	6/30/2023	8.6	\$55,413	\$55,413	\$0	\$421,137
	0	6/30/2022	0.0	0	0	0	0
or losses	(4,767,965)	6/30/2021	9.0	(529,774)	(1,589,322)	(3,178,643)	0
	0	6/30/2020	0.0	0	0	0	0
	2,224,593	6/30/2019	8.5	261,717	1,308,585	0	916,008
	334,185	6/30/2018	8.4	<u>39,784</u>	<u>238,704</u>	<u>0</u>	<u>95,481</u>
		Total		(172,860)	13,380	(3,178,643)	1,432,626
Assumption changes or inputs	5,914,464	6/30/2023	8.6	687,728	687,728	0	5,226,736
	(19,188,067)	6/30/2022	8.3	(2,311,815)	(4,623,630)	(14,564,437)	0
	7,919,896	6/30/2021	9.0	879,988	2,639,964	0	5,279,932
	12,667,227	6/30/2020	7.8	1,624,003	6,496,012	0	6,171,215
	(7,825,979)	6/30/2019	8.5	(920,703)	(4,603,515)	(3,222,464)	0
	0	6/30/2018	0.0	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
		Total		(40,799)	596,559	(17,786,901)	16,677,883
Total deferred (inflows)/outflows						(20,965,544)	18,110,509
Total net deferrals						(2,855,035)	

* Economic/demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active and inactive members.

	Total OPEB Liability	Deferred Inflows	Deferred Outflows	Net Deferrals	Total OPEB Liability plus Net Deferrals	Annual Expense
Balances as of June 30, 2022	(\$70,079,818)	(\$24,727,836)	\$15,268,128	(\$9,459,708)	(\$79,539,526)	
Service cost	(2,880,538)					2,880,538
Interest on total OPEB liability	(2,550,629)					2,550,629
Effect of plan changes	0					0
Effect of liability gains or losses	(476,550)		476,550	476,550		
Effect of assumption changes or inputs	(5,914,464)		5,914,464	5,914,464		
Benefit payments	1,833,368				1,833,368	
Recognition of liability gains or losses		529,774	(356,914)	172,860		(172,860)
Recognition of assumption changes or inputs		3,232,518	(3,191,719)	40,799		(40,799)
Annual expense					(5,217,508)	5,217,508
Balances as of June 30, 2023	(80,068,631)	(20,965,544)	18,110,509	(2,855,035)	(82,923,666)	