

**ARKANSAS STATE HIGHWAY  
EMPLOYEES RETIREMENT  
SYSTEM (ASHERS)**

GASB 67/68 DISCLOSURES  
AS OF JUNE 30, 2024

**Osborn, Carreiro & Associates, Inc.**

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ACTUARIES • CONSULTANTS • ANALYSTS

124 West Capitol Avenue, Suite 1690

Little Rock, AR 72201 (501)376-8043

# Osborn, Carreiro & Associates, Inc.

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ACTUARIES • CONSULTANTS • ANALYSTS

One Union National Plaza, Suite 1690  
124 West Capitol Avenue  
Little Rock, Arkansas 72201  
(501)376-8043 fax (501)376-7847

November 4, 2024

Board of Trustees  
Arkansas State Highway Employees  
Retirement System (ASHERS)  
P. O. Box 2261  
Little Rock, AR 72203

RE: GASB 67/68 Disclosures as of June 30, 2024

Ladies and Gentlemen:

This report presents the results of our actuarial valuation of the assets and liabilities of the Arkansas State Highway Employees Retirement System (ASHERS) as of June 30, 2024. This valuation is for the purposes of determining the GASB 67 and 68 disclosures for accounting purposes. This report should not be used for determinations other than accounting disclosures.

This report is a supplement to the November 4, 2024 Actuarial Valuation Report. This report should be reviewed together with that report. There is additional information in the Actuarial Valuation report that should provide further explanation to the information in this report.

## **Organization of Report**

Following this cover letter, the resulting accounting disclosures are found in the seven appendices. We have moved the discussion of the GASB disclosures from Appendix A to Appendix F in this year's report. The Appendices are as follows:

Appendix A	Statement of Fiduciary Net Position
Appendix B	Net Pension Expense
Appendix C	Details of Outflow/Inflows of Resources
Appendix D	Notes to Financial Statements
Appendix E	Required Supplementary Information
Appendix F	Discussion of GASB Disclosures
Appendix G	Calculation of Single Discount Rate

**Statement of Qualifications**

This report has been prepared by actuaries who have experience valuing public employee retirement systems, with the undersigned taking the primary responsibility. To the best of our knowledge, this report is complete and accurate and was completed in accordance with standards of practice promulgated by the Actuarial Standards Board and in conformance with applicable Arkansas law. The actuaries are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report.

The actuaries know of no significant conflicts of interest with the plan sponsor. We have previously disclosed that we also serve the Bureau of Legislative Research by preparing reports for the Joint Retirement Committee. We do not view this relationship as a significant conflict.

We look forward to discussing this report with you in detail. Please let us know if you have any questions or comments.

Sincerely,

A handwritten signature in black ink that reads "Jody Carreiro". The signature is written in a cursive style with a large, prominent initial "J".

Jody Carreiro, FCA, ASA, EA, MAAA  
Actuary

## APPENDIX A

### STATEMENT OF FIDUCIARY NET POSITION

	<u>June 30, 2023</u>	<u>June 30, 2024</u>
<b><u>Assets (Market Value)</u></b>		
Cash and Money Market Deposits	127,288,122	173,462,129
US Government Agency Obligations	368,370,565	301,556,311
Corporate Bonds	93,968,130	186,393,185
Common Stocks	911,841,371	948,392,797
Net Securities Lending	538,820	- 24,394
Total Investments	<u>1,373,641,246</u>	<u>1,436,317,899</u>
Contributions Receivable	1,702,743	1,784,456
Investment Income Receivable	2,998,787	2,709,223
Other	57,282	57,117
Total Receivables	<u>4,758,812</u>	<u>4,550,796</u>
Total Liabilities (Payables)	- 1,086,443	- 2,262,294
<b>Fiduciary Net Position for Pensions</b>	<u><u>\$ 1,504,601,737</u></u>	<u><u>\$ 1,612,068,530</u></u>
<b>Additions</b>		
Member (Employee) Contributions	\$ 12,688,641	\$ 13,409,742
State (Employer) Contributions	29,711,732	31,269,008
Total Contributions	<u>42,400,373</u>	<u>44,678,750</u>
Total Gross Investment Income (Including Securities Lending)	134,611,940	208,155,131
Less Investment Expense	- 9,293,449	- 9,293,267
Net Income from Investing	<u>- 125,318,491</u>	<u>198,861,864</u>
Other Income	20,854	3,745
Total Additions	<u>167,739,718</u>	<u>243,544,359</u>
<b>Deductions</b>		
Benefit Payments including Refunds	131,809,018	135,971,915
Administrative Expenses	167,034	105,651
Other	0	0
Total Deductions	<u>131,976,052</u>	<u>136,077,566</u>
<b>Net Increase in Net Position</b>	<u>35,763,666</u>	<u>107,466,793</u>
Net Position – Beginning of year	<u>1,468,838,071</u>	<u>1,504,601,737</u>
Net Position – End of year	<u><u>\$ 1,504,601,737</u></u>	<u><u>\$ 1,612,068,530</u></u>

**APPENDIX B**

**PENSION EXPENSE/(INCOME) UNDER GASB 68**

**Collective Pension Expense/(Income)**

	<b><u>July 1, 2022- June 30, 2023</u></b>	<b><u>July 1, 2023- June 30, 2024</u></b>
1. Service Cost	\$ 19,679,288	\$ 21,954,817
2. Interest on Total Pension Liability	133,014,275	136,483,899
3. Current Period Changes in Benefit Terms	0	0
4. Offset for Employee Contributions	(12,688,641)	(13,409,742)
5. Projected Earnings on Plan Assets	(106,804,549)	(109,417,815)
6. Administrative Expenses	146,180	101,906
7. Other Changes in Plan Net Position	0	0
8. Rec. of Outflow (Inflow) Due to Liabilities	(39,205,803)	3,301,830
9. Rec. of Outflow (Inflow) Due to Assets	15,026,886	(24,782,041)
10. Total Pension Expense/(Income)	<u>\$ 9,167,636</u>	<u>\$ 14,232,854</u>

**APPENDIX C**

**GASB 68 PENSION EXPENSE – DETAIL OF OUTFLOW/INFLOW OF RESOURCES**

	Description	Year	Original Amount	Recog- nition Period	Outflow (Inflow) In Current <u>Expense</u>	Deferred Outflow (Inflow) <u>6/30/2024</u>
1	Actual vs Expected	2020	(8,753,212)	5.00	(1,750,642)	0
2	Proj vs Actual earnings	2020	(3,313,268)	5.00	(662,654)	0
3	Actual vs Expected	2021	(33,301,030)	5.00	(6,660,206)	(6,660,206)
4	Assumption change	2021	(15,094,440)	5.00	(3,018,888)	(3,018,888)
5	Proj vs Actual earnings	2021	(296,091,904)	5.00	(59,218,381)	(59,218,380)
6	Actual vs Expected	2022	24,531,237	5.00	4,906,247	9,812,496
7	Proj vs Actual earnings	2022	283,452,951	5.00	56,690,590	113,381,181
8	Actual vs Expected	2023	26,320,796	5.00	5,264,159	15,792,478
9	Proj vs Actual earnings	2023	(18,513,942)	5.00	(3,702,788)	(11,108,366)
10	Actual vs Expected	2024	22,805,810	5.00	4,561,162	18,244,648
11	Proj vs Actual earnings	2024	(89,444,049)	5.00	(17,888,810)	(71,555,239)
	<b>TOTAL</b>				<u>(21,480,211)</u>	<u>5,669,724</u>
	Due to Liabilities				3,301,830	34,170,528
	Due to Assets				(24,782,041)	(28,500,804)
	<b>Total</b>				<u>(21,480,211)</u>	<u>5,669,724</u>
	Inflows of Resources				(92,902,369)	(151,561,079)
	Outflows of Resources				71,422,158	157,230,803
	<b>Total</b>				<u>(21,480,211)</u>	<u>5,669,724</u>

**Appendix C (continued)**

**GASB 68 Pension Expense and Deferred Outflows/Inflows**

For the year ended June 30, 2024, ASHERS recognized pension expense/(income) of \$14,232,854. At June 30, 2024, ASHERS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources	Net Outflows (Inflows)
Difference between expected and actual experience	43,849,622	6,660,206	37,189,416
Changes of assumptions	0	3,018,888	(3,018,888)
Net difference between projected and actual earnings on pension plan investments	113,381,181	141,881,985	(28,500,804)
Subtotal	157,230,803	151,861,079	5,669,724
Contributions subsequent to measurement date	0		0
Total	157,230,803	151,861,079	5,669,724

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	<u>Net Deferred Outflow of Resources</u>
2025	(19,066,914)
2026	49,830,563
2027	(11,766,277)
2028	(13,327,648)
Total thereafter	0
Total	5,669,724

## **APPENDIX D**

### **GASB 67 NOTES TO THE FINANCIAL STATEMENTS**

#### **Cost of Living Adjustment (COLA)**

Effective July 1 2017, the benefit increase will be the lesser of 3% or the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers as determined by the United States Department of Labor over the one-year period ending in the December immediately preceding the date of which the redetermined amount is being calculated. However, the redetermined amount of the benefit to be paid shall not be less than the redetermined amount of the benefit paid in the preceding year.

Based on our expected inflation assumption, we have used an assumption that a permanent 2.25% compound cost-of-living adjustment will be made.

#### **Deferred Retirement Option Plan**

This plan includes a Deferred Retirement Option Plan (DROP). Active members eligible for normal retirement are eligible to participate in the DROP program while continuing active employment. During DROP, the member will receive the regular retiree cost of living adjustments. A member can remain in DROP to the later of age 65 or the completion of five years of participation. DROP is divided into Tier I and Tier II. Tier I consists of the first five years of DROP participation, while Tier II is the remaining period. In Tier I, 90% of the retirement annuity will be deposited in the DROP account, whereas in Tier II, 79% of the retirement annuity will be deposited. The DROP account is credited with interest in Tier I and Tier II (as set by the Board, currently 6%). Furthermore, the member contributions cease during DROP until the member enters Tier II; during Tier II participation, the member contributes the member contribution rate (currently 7.00% of their total payroll earnings. Beginning July 1, 2021, the employer contributes the employer rate for active members, currently 14.90%.

#### **Single Discount Rate**

A single discount rate of 7.50% was used to measure the Total Pension Liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was projected to make all projected future benefit payments of current plan members. Therefore, the single discount rate of 7.50%, discussed in Appendix G, was applied to all periods of projected benefit payments to determine the Total Pension Liability.



**Appendix D (continued)**

**Components of Net Pension Liability**

The components of the net pension liability at June 30, 2024 were as follows:

Total Pension Liability	\$1,922,066,478
Plan's Fiduciary Net Position	<u>1,612,068,530</u>
Net Pension Liability	<u>\$309,997,948</u>

Plan Fiduciary Net Position as a Percentage of Total Pension Liability	83.87%
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Regarding the sensitivity of the Net Pension Liability to changes in the single discount rate, the following presents the plan's Net Pension Liability calculated using a single discount rate of 7.5%, as well as what the plan's Net Pension Liability would be if it were calculated using a single discount rate one percentage point lower and one percentage point higher:

	1% Decrease 6.50%	Current Single Rate Assumed	1% Increase 8.50%
Total Pension Liability	2,143,957,895	1,922,066,478	1,763,787,031
Net Pension Liability	531,889,365	309,997,948	151,718,501

**Changes in the Net Pension Liability**

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 6/30/2023	\$1,876,793,867	\$1,504,601,737	\$372,192,130
Changes for the year:			
a) Service Cost	21,954,817		21,954,817
b) Interest on NPL	136,483,899		136,483,899
c) Differences between expected and actual experience	22,805,810		22,805,810
d) Employer contributions		31,269,008	(31,269,008)
e) Employee contributions		13,409,742	(13,409,742)
f) Net investment income		198,861,864	(198,861,864)
g) Benefits and refunds	(135,971,915)	(135,971,915)	0
h) Administrative expenses		(101,906)	101,906
i) Assumption/method change	0		0
j) Benefit Changes	0		0
Net changes	<u>45,272,611</u>	<u>107,466,793</u>	<u>(62,194,182)</u>
Balances at 6/30/2024	<u>\$1,922,066,478</u>	<u>\$1,612,068,530</u>	<u>\$309,997,948</u>

## APPENDIX E

### REQUIRED SUPPLEMENTARY INFORMATION

GASB 67 requires a 10-fiscal year history of various information about the pension liability. The four schedules included with this disclosure report are:

- Schedule of changes in the net pension liability.
- Schedule of the components of net pension liability along with related ratios.
- Comparison of actual employer contributions to the actuarially determined contributions based on the plan's funding policy.
- Schedule of the annual money-weighted rate of return on pension plan investments.

Please note that the money-weighted rate of return schedule is based on all transactions occurring at mid-year. The standard calls for a monthly calculation of the weighted, but we do not have sufficient data to make that calculation.

The actuarially determined contribution rate was not calculated in the fashion described historically. Therefore, that schedule will be completed prospectively.

**\* Note on Covered Payroll on these schedules.** The next three schedules of Required Supplementary Information all include Covered Payroll as a data point. Paragraph 5 of GASB 82 clarified this definition by adding the following: Covered payroll is the payroll on which contributions to a pension plan are based. Beginning with the 2018 disclosures we disclose that amount to the extent the data allows. The amounts for previous years in the schedule have not been adjusted. Beginning with the 2022 disclosures and the above remarks, the covered payroll amount increased for the additional salaries for those on DROP that now have an employer contribution applied.

**Appendix E (continued)**

**Arkansas State Highway Employees Retirement System**  
**Schedule of Required Supplementary Information**  
**Schedule of Changes in the Employers' Net Pension Liability and Related Ratios**

Fiscal Year ending June 30,	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>										
Service Cost	21,954,817	19,679,288	19,371,421	20,916,486	19,568,869	19,699,067	23,601,075	42,816,372	18,935,319	18,412,588
Interest	136,483,899	133,014,275	129,721,361	133,728,922	127,936,561	128,527,434	113,808,845	110,543,661	126,929,266	115,441,556
Benefit Changes	0	0	0	(21,617,039)	0	(21,398,912)	0	(101,042,380)	-	-
Difference between Actual & Expected Experience	22,805,810	26,320,796	24,531,237	(33,301,030)	(8,753,212)	26,324,123	49,165,072	(31,506,816)	20,925,790	20,790,869
Assumption changes	0	0	0	(15,094,440)	0	(216,056,489)	(331,139,733)	(137,435,476)	790,989,712	91,940,822
Benefit Payments	(135,971,915)	(131,809,018)	(127,935,851)	(125,736,705)	(122,789,638)	(119,412,266)	(115,747,730)	(111,904,597)	(106,755,840)	(102,245,806)
Net Change in Total Pension Liability	45,272,611	47,205,341	45,688,168	(41,103,806)	15,962,580	(182,317,043)	(260,312,471)	(228,529,236)	850,924,247	144,340,029
Total Pension Liability – Beginning	1,876,793,867	1,829,588,526	1,783,900,358	1,825,004,164	1,809,041,584	1,991,358,627	2,251,671,098	2,480,200,334	1,629,276,087	1,484,936,058
Total Pension Liability – Ending	1,922,066,478	1,876,793,867	1,829,588,526	1,783,900,358	1,825,004,164	1,809,041,584	1,991,358,627	2,251,671,098	2,480,200,334	1,629,276,087
<b>Plan Fiduciary Net Position</b>										
Contributions – Employer	31,269,008	29,711,732	27,992,649	24,091,743	23,208,655	19,281,642	19,294,283	19,175,401	19,231,804	19,059,012
Contributions - Employee Mandatory	13,409,742	12,688,641	11,935,011	11,428,100	10,265,552	9,249,680	9,163,176	9,143,408	9,379,784	9,138,451
Net Investment Income	198,861,864	125,318,491	(158,125,788)	398,242,832	110,541,618	4,559,025	205,497,639	133,167,344	(60,344,122)	25,383,756
Benefit Payments	(135,971,915)	(131,809,018)	(127,935,851)	(125,736,705)	(122,789,638)	(119,412,266)	(115,747,730)	(111,904,597)	(106,755,840)	(102,245,806)
Administrative Expense	(101,906)	(146,180)	(121,760)	(105,929)	(129,016)	(74,348)	(55,703)	(130,076)	(118,199)	(91,542)
Other	-	-	-	-	-	-	-	-	-	-
Net Change in Plan Net Position	107,466,793	(35,763,666)	(246,255,739)	307,920,041	21,097,171	(86,396,267)	118,151,665	49,451,480	(138,606,573)	(48,756,129)
Plan Fiduciary N P – Beginning	1,504,601,737	1,468,838,071	1,715,093,810	1,407,173,769	1,386,076,598	1,472,472,865	1,354,321,200	1,304,869,720	1,443,476,293	1,492,232,422
Plan Fiduciary N P – Ending	1,612,068,530	1,504,601,737	1,468,838,071	1,715,093,810	1,407,173,769	1,386,076,598	1,472,472,865	1,354,321,200	1,304,869,720	1,443,476,293
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	83.87%	80.17%	80.28%	96.14%	77.11%	76.62%	73.94%	60.15%	52.61%	88.60%
Covered Employee Payroll *	209,859,116	199,407,600	187,870,131	159,568,380	149,976,800	146,461,468	148,527,851	141,154,763	141,906,487	140,544,393
Net Pension Liability as a Percentage Of Covered Employee Payroll	147.72%	186.65%	192.02%	43.12%	278.60%	288.79%	349.35%	635.72%	828.24%	132.20%

**Appendix E (continued)**

**Arkansas State Highway Employees Retirement System  
Schedule of Required Supplementary Information  
Schedule of Net Pension Liability**

<u>FY ending June 30,</u>	<u>(TPL) Total Pension Liability</u>	<u>Plan Net Position</u>	<u>(NPL) Net Pension Liability</u>	<u>Net Position as % of TPL</u>	<u>Covered Payroll*</u>	<u>NPL as % of Payroll</u>
2015	1,629,276,087	1,443,476,293	185,799,794	88.60%	140,544,393	132.20%
2016	2,480,200,334	1,304,869,720	1,175,330,614	52.61%	141,906,487	828.24%
2017	2,251,671,098	1,354,321,200	897,349,898	60.15%	141,154,763	635.72%
2018	1,991,358,627	1,472,472,865	518,885,762	73.94%	148,527,851	349.35%
2019	1,809,041,584	1,386,076,598	422,964,986	76.62%	146,461,468	288.79%
2020	1,825,004,164	1,407,173,769	417,830,395	77.11%	149,976,800	278.60%
2021	1,783,900,358	1,715,093,810	68,806,548	96.14%	159,568,380	43.12%
2022	1,829,588,526	1,468,838,071	360,750,455	80.28%	187,870,131	192.02%
2023	1,876,793,867	1,504,301,737	372,192,130	80.17%	199,407,600	186.65%
2024	1,922,066,478	1,612,068,530	309,997,948	83.87%	209,859,116	147.72%

**Appendix E (continued)**

**Arkansas State Highway Employees Retirement System  
Schedule of Required Supplementary Information  
Schedule of Contributions**

FY ending <u>June 30,</u>	ADC <u>Rate</u>	Actuarially Determined <u>Contribution</u>	Actual <u>Contribution</u>	Contribution Deficiency <u>(Excess)</u>	Covered <u>Payroll*</u>	Contribution as % of <u>Payroll</u>
2015			19,059,012		140,544,393	13.56%
2016			19,231,804		141,906,487	13.55%
2017			19,175,401		141,154,763	13.58%
2018			19,294,283		148,527,851	12.99%
2019			19,281,642		146,461,468	13.16%
2020			23,208,655		149,976,800	15.47%
2021			24,091,743		159,568,380	15.10%
2022	12.55%	23,577,701	27,992,649	(4,414,948)	187,870,131	14.90%
2023	14.02%	27,956,946	29,711,732	(1,754,786)	199,407,600	14.90%
2024	14.94%	31,352,952	31,269,008	89,944	209,859,116	14.90%

**Key Assumptions for ADC:**

Cost Method	Entry Age Normal
Amortization Method	Level Percent of Salary
Amortization Period	Closed Layers, beginning at 18 years
Asset Valuation	4-year smoothed Market Value
Investment rate of return	7.50%
Inflation	2.5%
Salary Scale	3.5% to 10.5%, total payroll growth of 3.0%
Mortality	105% Pub-2010-G(B) with no setback scaled with MP-2020 for males and females

**Appendix E (continued)**

**Arkansas State Highway Employees Retirement System  
Schedule of Required Supplementary Information  
Schedule of Investment Returns**

<u>FY ending June 30,</u>	<u>Annual Money-weighted Rate of Return</u>
2015	1.74%
2016	-4.31%
2017	10.53%
2018	15.68%
2019	0.32%
2020	8.24%
2021	29.24%
2022	-9.47%
2023	8.80%
2024	13.63%

The amounts shown are net of investment expenses.

The actuary calculated these rates with the information that was provided, therefore, these rates are annual money-weighted. Monthly money-weighted returns are not available.

## **APPENDIX F**

### **DISCUSSION OF GASB DISCLOSURES**

#### **Accounting Standard**

For pension plans that are administered through trusts or equivalent arrangements, Governmental Accounting Standards Board (GASB) Statement No. 67, “Financial Reporting for Pension Plans,” (GASB 67) replaces Statements No. 25 and No. 50. GASB 67 establishes standards of financial reporting and specifies the required approach for measuring the pension liability of employers for benefits provided through the pension plan.

This discussion provides a summary of the information that is required to be disclosed under GASB 67. A number of these disclosure items are provided. However, certain information, such as notes regarding accounting policies and investments, is not included in this report, and your internal staff will be responsible for preparing that information to fully comply with this accounting standard.

#### **Financial Statements**

GASB 67 requires defined benefit plans to present two financial statements: a statement of fiduciary plan net position and a statement of changes in fiduciary plan net position. Based on the information that was provided to our firm, we compiled the Financial Statements that are included in the actuarial valuation report as Exhibit 3 and summarized in Appendices A and D of this report.

#### **Notes to Financial Statements**

Paragraph 30 of GASB 67 is an extensive list of notes to the plan’s financial statements that are required to provide additional disclosure. Many of these notes concern the plan provisions and the actuarial assumptions used in making the calculations under this standard. Those items are included in Appendices 1 and 3 of the actuarial valuation report.

Please note that several items mentioned in Paragraph 30 are beyond the scope of the included information. Your internal staff will be responsible for preparing those notes. In particular, this plan has Deferred Retirement Option Plan (DROP) provisions. Those are described in Appendix 1 of the actuarial valuation and a footnote will be needed.

This report includes some notes that are actuarial in nature written in the format we understand is desired by GASB 67. These are only selected notes and not intended to be a complete compilation of notes to the financial statements.

## **Appendix F (continued)**

### **Required Supplementary Information**

GASB 67 requires a 10-fiscal year history of various information about the pension liability. These schedules may be built prospectively since the presentation is not the same as all previous years under previous standards. The four schedules are:

- Schedule of changes in the net pension liability.
- Schedule of the components of net pension liability along with related ratios.
- Comparison of actual employer contributions to the actuarially determined contributions based on the plan's funding policy.
- Schedule of the annual money-weighted rate of return on pension plan investments.

These compilations can be found in Appendix E of this report. Please note that the money-weighted rate of return schedule is based on all transactions occurring at mid-year. The standard calls for a monthly calculation of the weighted, but we do not have the data sufficient to make that calculation.

### **Single Discount Rate**

Projected benefit payments are required to be discounted to actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's net position with contributions associated with current plan members and the long-term expected rate of return are not sufficient to pay benefits). We used the S&P Municipal Bond 20 Year High Grade Index to obtain the municipal bond rate. The index used last year is no longer available, this index was similar the past few years. See Appendix G for the calculation of the single discount rate.

### **Valuation Date and Measurement Date**

GASB 67 is effective for fiscal years beginning after June 15, 2013. GASB 68 is effective for sponsor fiscal years beginning after June 15, 2014.

This report covers the employer fiscal year, which is also the plan fiscal year, ended June 30, 2024 (the measurement date). The corresponding financial statement covers the fiscal year from July 1, 2023 to June 30, 2024. The actuarial valuation date is as of June 30, 2024 (the valuation date). The calculations included in this report are not projected and there is no "roll forward" of a prior valuation. We understand that these disclosures may be used for a June 30, 2025 reporting date and would be adjusted accordingly.

Your plan is a "single-employer" plan under GASB 67/68.



## APPENDIX G

### CALCULATION OF THE SINGLE DISCOUNT RATE

GASB 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be projected and compared to the obligation to make benefit payments in those years. As long as assets are projected to be sufficient in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a “risk-free” rate is required. The single discount rate is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods.

Our projections show that Plan Net Position (assets) together with employer contributions and projected investment returns will be sufficient to meet benefit payments and expenses in all future years. Therefore, for the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%, the municipal bond rate is 4.21%, and the resulting single discount rate is 7.50%.

These projections are generated under the guidelines of GASB 67 and the related implementation guide. They should be used solely to determine the single discount rate as defined in the GASB statements. Any implication beyond that determination is beyond the scope of this report.

**For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 4.21%; since assets are projected to be sufficient to meet benefit payments, the resulting single discount rate is 7.50%. The details of these projections are available upon request.**