



Office of the State Actuary

“Supporting financial security for generations.”

May 11, 2022

Ms. Kennesy Cavanah
State Financial Consultant
Office of Financial Management
P.O. Box 43113
Olympia, WA 98504-3113

SUBJECT: OPEB ACTUARIAL VALUATION FOR THE STATE’S JUNE 30, 2022, FISCAL YEAR-END

Dear Kennesy:

This letter documents the results of an actuarial valuation of the employer-provided subsidies offered to retirees and their spouses in the Public Employee Benefits Board’s (PEBB) medical plans. The primary purpose of this valuation is to determine the Other Postemployment Benefits (OPEB) liability for the state, as the employer, under the Governmental Accounting Standards Board Statement No. 75 (GASB 75) financial reporting requirements, as of June 30, 2021. Consistent with the [2020 PEBB OPEB Report](#), this valuation focuses on state PEBB employers which includes all Washington State agency and higher education employers. This valuation should not be used for other purposes. Please replace this communication with a future report or letter when available.

The purpose of this letter is to provide the Office of Financial Management (OFM) with valuation results to include in their *2022 Annual Comprehensive Financial Report*. At the request of OFM, we also attached a Fiscal Year 2022 GASB 75 Tables spreadsheet which contains the valuation results and summarized information on the data, assumptions, and methodology. The letter and spreadsheet include the following information:

- ❖ Components for the Schedule of Changes in Total OPEB Liability (TOL) and Related Ratios:
 - Service Cost; Interest; Difference Between Expected and Actual Experience; Changes in Benefit Terms; Changes of Assumptions; Benefit Payments; Covered Employee Payroll.
- ❖ OPEB Expense.
- ❖ Deferred Outflows and Inflows of Resources.
 - Subsequent Recognition Years.



- ❖ Sensitivity of the TOL to Changes in Healthcare Trend and Discount Rate Assumptions.
- ❖ Summary of Plan Participants for the State (see attached spreadsheet).
- ❖ Summary of Assumptions and Methodology (see attached spreadsheet).

Our *2020 PEBB OPEB Report* produced GASB 75 accounting results based on a June 30, 2020, valuation date. For purposes of this analysis, we rolled forward those results to a measurement date of June 30, 2021, reflecting service cost, assumed interest, and actual benefit payments. Additionally, we lowered the discount rate from 2.21 percent to 2.16 percent consistent with the Bond Buyer 20-Bond general obligation index. Otherwise, all data, assumptions, and methods used in the roll forward are consistent with the *2020 PEBB OPEB Report*.

We believe that the assumptions and methods used in this valuation are reasonable and appropriate for the primary purpose stated above. The use of another set of assumptions and methods, however, could also be reasonable and could produce materially different results. In our opinion, all assumptions and methods are appropriate and conform to generally accepted actuarial principles and standards of practice as of the date of this publication.

The undersigned, with actuarial credentials, meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. While this report is intended to be complete, we are available to offer extra advice and explanations as needed.

Kyle Stineman, ASA, MAAA
Actuary

Lisa A. Won, ASA, FCA, MAAA
Deputy State Actuary

Attachment: FY22 GASB 75 Tables

cc: Brian Tinney, Assistant Director of Accounting
Office of Financial Management
Frank Serra, Senior Actuarial Analyst
Office of the State Actuary

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Attachment

Schedule of Changes in Total PEBB OPEB Liability and Related Ratios	
<i>Measurement Date of June 30, 2021</i>	
<i>(Dollars in Thousands)</i>	
Change in Total OPEB Liability (TOL)	
Service Cost	\$323,461
Interest	139,798
Difference Between Expected and Actual Experience*	
Changes in Benefit Terms	
Changes of Assumptions*	59,729
Benefit Payments**	(106,507)
Other	
Net Change in TOL	\$416,481
Beginning and Ending TOL	
TOL—Beginning	6,055,193
TOL—Ending	\$6,471,675
TOL as a Percentage of Covered Payroll	
Covered Employee Payroll**	\$9,547,476
TOL as a Percentage of Covered Payroll	67.78%

Note: Figures may not total due to rounding.

**The recognition period for these changes is 9 years. This is equal to the average expected remaining service lives of all active and inactive members.*

***Source: OFM.*

OPEB Expense for Measurement Date of June 30, 2021	
<i>(Dollars in Thousands)</i>	
Service Cost	\$323,461
Interest Cost	139,798
Amortization of Differences Between Expected and Actual Experience	18,561
Amortization of Assumptions Changes	(190,767)
Changes in Benefit Terms	-
Other Changes in Fiduciary Net Position	-
Total OPEB Expense	\$291,053



<i>(Dollars in Thousands)</i>	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$110,701	\$25,052
Changes of Assumptions	412,149	1,173,343
Transactions Subsequent to the Measurement Date*		
Total	\$522,850	\$1,198,396

Note: Deferred outflows will increase future OPEB expense and deferred inflows will decrease future OPEB expense.

**OFM is the source of the Transactions Subsequent to the Measurement Date. Please see the 2022 Annual Comprehensive Financial Report.*

Subsequent Years	
<i>(Dollars in Thousands)</i>	
2023	(\$172,205)
2024	(172,205)
2025	(172,205)
2026	(172,205)
2027	(71,935)
Thereafter	\$85,211

Note: Negative deferral reflects greater future inflows than outflows.

Sensitivity Analysis—Healthcare Trend			
<i>(Dollars in Thousands)</i>	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$5,221,192	\$6,471,675	\$8,161,498

Sensitivity Analysis—Discount Rate			
<i>(Dollars in Thousands)</i>	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$7,840,893	\$6,471,675	\$5,407,118