

**State of Oklahoma  
Implicit Rate Subsidy of  
Health Insurance OPEB Liability**

*Schedule of Employer Allocations and  
Schedule of Collective Other  
Postemployment Benefit Amounts*

June 30, 2019  
(With Independent Auditors' Report Thereon)

*To be used by participating agencies to record applicable  
balances in their June 30, 2019, financial statements.*



**STATE OF OKLAHOMA  
IMPLICIT RATE SUBSIDY OF  
HEALTH INSURANCE OPEB LIABILITY**

**SCHEDULES OF EMPLOYER ALLOCATIONS AND  
COLLECTIVE OPEB AMOUNTS**

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## **INDEPENDENT AUDITORS' REPORT**

To the State of Oklahoma

### **Report on the Schedules of Employer Allocations and Collective Other Postemployment Benefit (OPEB) Amounts**

We have audited the accompanying Schedule of Employer Allocations of the State of Oklahoma Implicit Rate Subsidy of Health Insurance OPEB Liability as of and for the year ended June 30, 2019, and the related notes and have also audited the totals for the columns titled "Total OPEB Liability," "Total Deferred Outflows of Resources," "Total Deferred Inflows of Resources," and "Plan OPEB Expense" included in the accompanying Schedule of Collective OPEB Amounts (the "Schedules") of the State of Oklahoma Implicit Rate Study Health Insurance OPEB Liability as of and for the year ended June 30, 2019.

#### **Management's Responsibility for the Schedules**

Management is responsible for the preparation and fair presentation of the Schedules in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules that are free from material misstatement, whether due to fraud or error.

#### **Auditors' Responsibility**

Our responsibility is to express opinions on the Schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Schedules, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the State of Oklahoma's preparation and fair presentation of the Schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Oklahoma's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

(Continued)

## **INDEPENDENT AUDITORS' REPORT, CONTINUED**

### **Opinions**

In our opinion, the Schedules referred to above present fairly, in all material respects, the employer allocations and total OPEB liability, total deferred outflows of resources, total deferred inflows of resources, and Plan OPEB expense for the total of all participating entities for the State of Oklahoma Implicit Rate Subsidy of Health Insurance OPEB Liability as of and for the year ended June 30, 2019, in accordance with accounting principles generally accepted in the United States

### **Emphasis of Matters**

As discussed in Note 1, the Schedules only include information for employer agencies which participate in the State of Oklahoma's group insurance through the Employee Group Insurance Division and whose payroll is processed through the State's payroll system. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the Schedules present only information relating to the State of Oklahoma's Implicit Rate Subsidy of Health Insurance OPEB Liability and do not purport to, and do not, present the financial position of the State of Oklahoma as of June 30, 2019, and the changes in its financial position and, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States. Our opinion is not modified with respect to this matter.

### **Restriction on Use**

Our report is intended solely for the information and use of the State of Oklahoma, the Oklahoma State Auditor & Inspector, and participating (employer) State agencies and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

*Finley + Cook, PLLC*

Shawnee, Oklahoma  
June 28, 2019

**STATE OF OKLAHOMA  
IMPLICIT RATE SUBSIDY OF  
HEALTH INSURANCE OPEB LIABILITY**

**SCHEDULE OF EMPLOYER ALLOCATIONS**

*As of and for the Year Ended June 30, 2019*

<u>Agency Number</u>	<u>Agency Name</u>	<u>Number of Active Employees</u>	<u>Active OPEB Liability</u>	<u>Proportion of Liability</u>	<u>Total Portion of Liability</u>
20	Oklahoma Accountancy Board	11	\$ 17,285	0.000215196	31,462
22	Abstractors Board	2	314	0.000003915	572
25	Oklahoma Military Department	302	555,253	0.006912645	1,010,641
30	Alcoholic Beverage Laws Enforcemnt	32	216,775	0.002698750	394,562
39	Boll Weevil Eradication Org	4	16,080	0.000200191	29,268
40	Department of Agriculture	326	947,479	0.011795688	1,724,550
45	OK Board of Architects	3	7,033	0.000087555	12,801
47	Indigent Defense System	105	262,565	0.003268814	477,906
49	Attorney General	190	315,398	0.003926566	574,071
55	State Arts Council	12	14,001	0.000174300	25,483
60	OK Aeronautics Commission	9	13,822	0.000172080	25,158
65	State Banking Department	41	189,589	0.002360304	345,081
90	Mgmt and Enterprise Services	1,188	2,724,137	0.033914278	4,958,328
92	Tobacco Board of Directors	23	39,582	0.000492781	72,045
125	Department of Mines	29	92,747	0.001154653	168,812
127	Commission on Children and Youth	20	72,899	0.000907564	132,687
131	Department of Corrections	4,136	14,018,959	0.174529733	25,516,557
145	State Board of Chiropractic Exam	3	7,604	0.000094673	13,841
148	Board of Chiropractic Examiners	3	10,137	0.000126204	18,451
160	Department of Commerce	94	206,050	0.002565225	375,041
170	Construction Industries Board	33	55,190	0.000687085	100,453
185	Corporation Commission	489	863,785	0.010753739	1,572,216
190	Cosmetology Board	13	26,119	0.000325176	47,541
199	Court of Criminal Appeals	26	102,254	0.001273014	186,117
204	Jm Davis Arms & History Museum	3	2,891	0.000035992	5,262
215	Board of Dentistry	4	3,370	0.000041955	6,134
219	District Courts	585	1,142,855	0.014228025	2,080,163
220	District Attorneys Council	988	1,845,133	0.022971073	3,358,412
265	Department of Education	249	406,565	0.005061555	740,008
266	OK Education Television Authority	41	87,924	0.001094611	160,034
270	State Election Board	21	17,538	0.000218339	31,921
275	Educ Quality & Accountability	11	20,020	0.000249237	36,439
285	Embalmers & Funeral Directors Board	3	5,406	0.000067308	9,841
290	Employment Security Commission	515	1,198,552	0.014921436	2,181,540
292	Dept of Environmental Quality	519	1,244,538	0.015493937	2,265,241

(Continued)

See Independent Auditors' Report.

See accompanying notes to Schedules of Employer Allocations and Collective OPEB Amounts.

**STATE OF OKLAHOMA  
IMPLICIT RATE SUBSIDY OF  
HEALTH INSURANCE OPEB LIABILITY**

**SCHEDULE OF EMPLOYER ALLOCATIONS, CONTINUED**

*As of and for the Year Ended June 30, 2019*

<u>Agency Number</u>	<u>Agency Name</u>	<u>Number of Active Employees</u>	<u>Active OPEB Liability</u>	<u>Proportion of Liability</u>	<u>Total Portion of Liability</u>
296	Ethics Commission	6	7,048	0.000087744	12,828
298	Merit Protection Commission	3	10,694	0.000133136	19,465
300	State Auditor and Inspector	111	279,820	0.003483628	509,313
305	Governor	22	25,657	0.000319415	46,699
306	Pardon and Parole Board	21	50,878	0.000633412	92,606
307	Interstate Oil Compact Commission	5	1,631	0.000020308	2,969
308	State Bureau of Investigation	278	1,413,711	0.017600069	2,573,161
309	Dept of Emergency Mgmt	32	48,270	0.000600944	87,859
310	State Fire Marshal	17	28,078	0.000349559	51,106
315	Firefighters Pension & Ret System	11	27,137	0.000337848	49,394
320	Department of Wildlife Conservation	337	1,602,148	0.019946022	2,916,144
326	Office of Disability Concerns	4	3,511	0.000043713	6,391
340	State Department of Health	2,016	3,963,640	0.049345530	7,214,404
342	Board of Medicolegal Investigations	94	139,907	0.001741777	254,651
345	State Dept of Transportation	2,253	6,953,217	0.086564432	12,655,874
346	OK Space Industry Develop Authority	7	4,087	0.000050882	7,439
350	Historical Society	109	239,722	0.002984431	436,329
353	OK Horse Racing Commission	27	30,879	0.000384426	56,204
369	Workers Compensation Court	26	64,814	0.000806910	117,972
370	OK Industrial Finance Authority	5	22,282	0.000277396	40,556
385	Insurance Department	120	183,402	0.002283277	333,819
391	Multiple Injury Trust Fund	9	12,023	0.000149676	21,883
400	Office of Juvenile Affairs	676	1,228,577	0.015295232	2,236,190
405	Department of Labor	70	146,177	0.001819834	266,063
410	Commission of the Land Office	62	115,589	0.001439034	210,389
415	Council on Law Enfc & Training	37	42,277	0.000526332	76,951
416	OK Law Enforcement Ret System	5	15,351	0.000191111	27,941
421	OK State Senate	144	256,866	0.003197872	467,535
422	OK House of Representatives	182	275,873	0.003434500	502,130
423	Legislative Service Bureau	7	12,650	0.000157485	23,025
430	Department of Libraries	35	70,058	0.000872195	127,516
435	OK Lottery Commission	28	37,481	0.000466617	68,220
440	Lieutenant Governor	3	5,871	0.000073094	10,686
445	Liquefied Petroleum Gas Board	6	10,656	0.000132658	19,395
448	Lic Alcohol & Drug Counselors	2	854	0.000010637	1,555

(Continued)

See Independent Auditors' Report.

See accompanying notes to Schedules of Employer Allocations and Collective OPEB Amounts.

**STATE OF OKLAHOMA  
IMPLICIT RATE SUBSIDY OF  
HEALTH INSURANCE OPEB LIABILITY**

**SCHEDULE OF EMPLOYER ALLOCATIONS, CONTINUED**

*As of and for the Year Ended June 30, 2019*

<u>Agency Number</u>	<u>Agency Name</u>	<u>Number of Active Employees</u>	<u>Active OPEB Liability</u>	<u>Proportion of Liability</u>	<u>Total Portion of Liability</u>
450	Bd of Med Licensure & Supv	23	62,136	0.000773564	113,096
452	Mental Health & Substance Abuse	1,601	2,422,879	0.030163750	4,409,994
475	OK Motor Vehicle Commission	4	19,687	0.000245100	35,834
477	Bureau of Narc & Dangerous Drugs	131	696,849	0.008675462	1,268,368
509	Long Term Care Admin Board	3	4,486	0.000055849	8,165
510	OK Board of Nursing	28	40,382	0.000502736	73,501
515	Oklahoma Public Employees Retirement System	56	98,986	0.001232337	180,170
520	Optometry Board	3	4,250	0.000052911	7,736
525	State Bd of Osteopathic Exam	6	5,433	0.000067639	9,889
557	Police Pension & Ret System	11	31,937	0.000397601	58,130
560	State Pharmacy Board	10	34,537	0.000429971	62,863
563	Board of Private Vocational Schools	3	2,273	0.000028294	4,137
566	Dept of Tourism & Recreation	408	995,141	0.012389053	1,811,302
570	Prof Engineer & Land Surveyors	8	17,952	0.000223492	32,675
575	Bd of Psychologists Examiners	1	6,306	0.000078511	11,478
582	State Bond Advisor	2	263	0.000003269	478
585	Dept of Public Safety	1,363	9,571,290	0.119158260	17,421,149
588	OK Real Estate Commission	13	36,690	0.000456770	66,781
619	Physician Manpower Trng Comm	6	20,247	0.000252069	36,853
622	OK St Bd of Licensed Social Workers	1	12,223	0.000152173	22,248
625	Secretary of State	32	48,312	0.000601457	87,934
628	Ctr for Advance of Science/Tech	16	25,187	0.000313573	45,845
629	School of Science and Math— Oklahoma City	51	69,409	0.000864107	126,334
630	Department of Securities	27	70,383	0.000876237	128,107
632	Speech-Lang Pathology & Audio	2	1,752	0.000021814	3,189
635	Dept of Consumer Credit	39	36,045	0.000448748	65,608
645	OK Conservation Commission	44	143,540	0.001787010	261,264
650	Dept of Veteran Affairs	1,734	2,294,224	0.028562059	4,175,824
670	JD McCarty Center	204	304,868	0.003795471	554,905
677	Supreme Court	171	336,600	0.004190520	612,662
678	Council on Judicial Complaints	2	8,851	0.000110188	16,110
695	OK Tax Commission	722	1,563,086	0.019459720	2,845,046
715	Teachers' Retirement System	34	77,242	0.000961625	140,591
740	State Treasurer	36	77,792	0.000968474	141,593

(Continued)

See Independent Auditors' Report.

See accompanying notes to Schedules of Employer Allocations and Collective OPEB Amounts.

**STATE OF OKLAHOMA  
 IMPLICIT RATE SUBSIDY OF  
 HEALTH INSURANCE OPEB LIABILITY**

**SCHEDULE OF EMPLOYER ALLOCATIONS, CONTINUED**

*As of and for the Year Ended June 30, 2019*

<u>Agency Number</u>	<u>Agency Name</u>	<u>Number of Active Employees</u>	<u>Active OPEB Liability</u>	<u>Proportion of Liability</u>	<u>Total Portion of Liability</u>
753	Uniform Building Code Commission	3	3,515	0.000043762	6,398
755	Used Motor Vehicle & Parts	9	13,621	0.000169581	24,793
772	Bd of Chem Test Alcohol/Drug	5	10,442	0.000129999	19,006
790	Bd of Veterinary Med Exam	4	8,725	0.000108627	15,881
800	Department of Career & Technology Equipment	217	573,296	0.007137277	1,043,483
803	Virtual Charter School Board	2	600	0.000007467	1,092
805	Dept of Rehabilitation Services	897	1,801,590	0.022428985	3,279,158
807	Health Care Authority	567	1,141,341	0.014209181	2,077,407
830	Dept of Human Services	6,090	12,133,932	0.151062004	22,085,534
835	Water Resources Board	99	200,537	0.002496592	365,006
865	Workers Compensation Commission	42	72,417	0.000901554	131,809
978	OK Turnpike Authority	524	1,142,244	0.014220425	2,079,051
		<u>32,057</u>	<u>\$ 80,324,185</u>	<u>1.000000000</u>	<u>146,201,778</u>

Due to the computed percentages being different from the percentages presented, the presented totals may vary due to rounding.

The June 30, 2019, valuation is based on a measured date of July 1, 2018, with a measurement period of July 1, 2017, to July 1, 2018.

See Independent Auditors' Report.  
 See accompanying notes to Schedules of Employer Allocations and Collective OPEB Amounts.



**STATE OF OKLAHOMA  
 IMPLICIT RATE SUBSIDY OF  
 HEALTH INSURANCE OPEB LIABILITY**

**SCHEDULE OF COLLECTIVE OPEB AMOUNTS**

*As of and for the Year Ended June 30, 2019*

	June 30, 2019 Total OPEB Liability	Deferred Outflows of Resources			Deferred Inflows of Resources			Plan OPEB Expense
		Differences Between Expected and Actual Plan Experience	Changes in Assumptions	Total Deferred Outflows of Resources, Excluding Employer- Specific Amounts*	Differences Between Expected and Actual Plan Experience	Changes in Assumptions	Total Deferred Inflows of Resources, Excluding Employer- Specific Amounts*	
<b>TOTALS</b>	<b>\$ 146,201,778</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>972,928</b>	<b>4,607,614</b>	<b>5,580,542</b>	<b>8,500,206</b>

\* Employer-specific amounts that are excluded from this schedule are the changes in employer proportion, differences between employer contributions and proportionate share of contributions, and employer contributions subsequent to the measurement date.

The June 30, 2019, valuation is based on a measured date of July 1, 2018, with a measurement period of July 1, 2017, to July 1, 2018.

See Independent Auditors' Report.  
 See accompanying notes to Schedules of Employer Allocations and Collective OPEB Amounts.

**STATE OF OKLAHOMA  
IMPLICIT RATE SUBSIDY OF  
HEALTH INSURANCE OPEB LIABILITY**

**NOTES TO SCHEDULES OF EMPLOYER ALLOCATIONS AND  
COLLECTIVE OPEB AMOUNTS**

**June 30, 2019**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Schedule of Employer Allocations and the Schedule of Collective OPEB Amounts (the “Schedules”) for the State of Oklahoma Implicit Rate Subsidy of Health Insurance OPEB Liability were prepared in accordance with the following significant accounting policies.

The Schedules present only information relating to the State of Oklahoma’s Implicit Rate Subsidy of Health Insurance OPEB Liability and do not purport to, and do not, present the financial position of the State of Oklahoma as of June 30, 2019, and the changes in its financial position and, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

**Description of the OPEB**

The State of Oklahoma Implicit Rate Subsidy of Health Insurance OPEB Liability is associated with certain State agencies that participate in the Employee Group Insurance Division’s (EGID) health insurance plan (the “Plan”) and whose payroll is processed through the State’s payroll system. EGID is a division of the Oklahoma Office of Management and Enterprise Services (OMES).

The Plan is a non-trusted single-employer plan that provides for employee and dependent healthcare coverage from the date of retirement to age 65, provided the participant was covered by the Plan before retiring. The State of Oklahoma provides postretirement medical benefits through the Plan until age 65 if the retiree and spouse pay the full active premium. Participants can elect to enroll in special coverage, and surviving spouses may continue in the Plan until age 65.

Contributions are made by both participants and participating employer agencies on a “pay as you go” basis.

**Basis of the Allocation**

The State of Oklahoma has determined that active employees as of the measurement date was appropriate as the allocation basis in determining each employer agency’s proportion of the total OPEB liability.

See Independent Auditors’ Report.

**STATE OF OKLAHOMA  
IMPLICIT RATE SUBSIDY OF  
HEALTH INSURANCE OPEB LIABILITY**

**NOTES TO SCHEDULES OF EMPLOYER ALLOCATIONS AND  
COLLECTIVE OPEB AMOUNTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Nature of the Schedules**

The purpose of these Schedules is to provide participating employer agencies with information necessary to disclose the appropriate information related to the total OPEB liability for their financial statements. The Schedules provide employer agencies with the basis to determine their proportionate share of the total OPEB liability, deferred outflows and inflows of resources, and OPEB expense as of and for the year ended June 30, 2019.

The Schedule of Collective OPEB Amounts represents collective amounts for the State of Oklahoma Implicit Rate Subsidy of Health Insurance OPEB Liability. This schedule excludes employer-specific deferral amounts that may need to be recognized to comply with governmental accounting standards. Specifically, this schedule excludes deferral amounts arising from the changes in employer proportion, differences between employer contributions and proportionate share of contributions, and employer contributions subsequent to the measurement date.

**Use of Estimates**

The preparation of the Schedules in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts, and changes therein, and disclosures. Actual results could differ from those estimates and differences could be material.

See Independent Auditors' Report.

**STATE OF OKLAHOMA  
 IMPLICIT RATE SUBSIDY OF  
 HEALTH INSURANCE OPEB LIABILITY**

**NOTES TO SCHEDULES OF EMPLOYER ALLOCATIONS AND  
 COLLECTIVE OPEB AMOUNTS, CONTINUED**

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**(2) TOTAL OPEB LIABILITY**

The total OPEB liability is the portion of the actuarial present value of projected benefit payments related to past periods. The total OPEB liability for the participating employer agencies is based on the allocation percentages from the Schedule of Employer Allocations.

Participant data for the Plan as of the July 1, 2018, measurement date is as follows:

<u>Active Participants:</u>	
Number	32,057
Average age	45.9
Average years of service	10.9
 <u>Inactive Participants:</u>	
Retirees and surviving spouses	2,702
Average age	59.7
 Covered spouses	 336
Average age	<u>58.6</u>
 Total participants	 <u><u>35,095</u></u>

The total OPEB liability for the year ended June 30, 2019, is calculated as set forth below in the following table:

Total OPEB liability, beginning July 1, 2018	\$ 148,495,918
Total OPEB expense	8,500,206
Change in deferred inflows of resources	214,095
Benefit payments	<u>(11,008,441)</u>
 Total OPEB liability, ending June 30, 2019	 <u><u>\$ 146,201,778</u></u>

See Independent Auditors' Report.

**STATE OF OKLAHOMA  
IMPLICIT RATE SUBSIDY OF  
HEALTH INSURANCE OPEB LIABILITY**

**NOTES TO SCHEDULES OF EMPLOYER ALLOCATIONS AND  
COLLECTIVE OPEB AMOUNTS, CONTINUED**

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**(2) TOTAL OPEB LIABILITY, CONTINUED**

The total OPEB liability was determined based on actuarial valuations prepared using a July 1, 2018, measurement date using the following actuarial assumptions:

- Investment return—Not applicable, as the Plan is unfunded and benefits are not paid from a qualifying trust
- Mortality rates—Pub-2010 Public Retirement Plans General Mortality Table weighted by Headcount projected by MP-2018
- Salary scale, retirement rate, withdrawal rate, and disability rate actuarial assumptions are based on rates for the various retirement systems that the Plan’s participants are in, including—
  - Oklahoma Public Employees Retirement System
  - Oklahoma Law Enforcement Retirement System
  - Teachers’ Retirement System of Oklahoma
  - Uniform Retirement System of Justices & Judges
  - Oklahoma Department of Wildlife Conservation Defined Benefit Pension Plan
- Plan participation—40% of retired employees are assumed to participate in the Plan.
- Marital assumptions—Male participants: 25% who elect coverage are assumed to have a spouse who will receive coverage  

Female participants: 15% who elect coverage are assumed to have a spouse who will receive coverage

Males are assumed to be 3 years older than their spouses
- Plan entry date is the date of hire
- Actuarial cost method—Entry age normal based upon salary
- Healthcare trend rate—7.10% decreasing to 4.60%

The June 30, 2019, valuation is based on a measured date of July 1, 2018, with a measurement period of July 1, 2017, to July 1, 2018.

See Independent Auditors’ Report.

**STATE OF OKLAHOMA  
 IMPLICIT RATE SUBSIDY OF  
 HEALTH INSURANCE OPEB LIABILITY**

**NOTES TO SCHEDULES OF EMPLOYER ALLOCATIONS AND  
 COLLECTIVE OPEB AMOUNTS, CONTINUED**

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**(2) TOTAL OPEB LIABILITY, CONTINUED**

The discount rate used to measure the total OPEB liability was 3.87%. The discount rate was determined using the Bond Buyer Go 20-Bond Municipal Bond Index.

*Sensitivity of the total OPEB liability to changes in the discount rate*—The following presents the total OPEB liability at June 30, 2019, calculated using the discount rate of 3.87%, as well as what the 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 in Discount Rate <u>(2.87%)</u>	Current Discount Rate <u>(3.87%)</u>	1% Increase in Discount Rate <u>(4.87%)</u>
Total OPEB liability	\$ <u>156,004,725</u>	<u>146,201,778</u>	<u>137,077,808</u>

*Sensitivity of the total OPEB liability to changes in the healthcare trend rate*—The following presents the total OPEB liability at June 30, 2019, calculated using the healthcare trend rate of 7.10% decreasing to 4.60%, as well as what the liability would be if it were calculated using a healthcare trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease in Healthcare Trend Rate (6.10% decreasing to <u>3.60%</u> )	Current Healthcare Trend Rate (7.10% decreasing to <u>4.60%</u> )	1% Increase in Healthcare Trend Rate (8.10% decreasing to <u>5.60%</u> )
Total OPEB liability	\$ <u>133,040,238</u>	<u>146,201,778</u>	<u>161,479,986</u>

See Independent Auditors' Report.

**STATE OF OKLAHOMA  
 IMPLICIT RATE SUBSIDY OF  
 HEALTH INSURANCE OPEB LIABILITY**

**NOTES TO SCHEDULES OF EMPLOYER ALLOCATIONS AND  
 COLLECTIVE OPEB AMOUNTS, CONTINUED**

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**(3) AVERAGE EXPECTED REMAINING SERVICE LIFE**

The average expected remaining service life is determined by taking the calculated total future service years divided by the number of participants in the Plan, including retirees. The total future service years is determined using the mortality, termination, retirement, and disability assumptions associated with the Plan.

	<u>Years</u>
June 30, 2019	3.61

**(4) TYPES OF DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

Deferred outflows of resources are the consumption of net position that is applicable to future reporting periods. Deferred inflows of resources are the acquisition of net position that is applicable to future reporting periods.

**Difference Between Expected and Actual Experience**

The actuary uses assumptions such as future salary increases and inflation to develop what they expect to be the experience of the Plan. Each year the difference between the expected experience and the actual experience is amortized over the average expected remaining service life of the Plan.

**Changes in Assumptions**

The impact of changes in assumptions used by the actuary is amortized over the average expected remaining service life of the Plan in place during the year the change in assumptions was effective.

**Amortization**

The amortization of deferred inflows at June 30, 2019, is as follows:

2020	\$ (1,996,194)
2021	(1,996,194)
2022	(1,352,345)
2023	(235,809)
2024	-
Thereafter	-
	<u>\$ (5,580,542)</u>

See Independent Auditors' Report.

**STATE OF OKLAHOMA  
IMPLICIT RATE SUBSIDY OF  
HEALTH INSURANCE OPEB LIABILITY**

**NOTES TO SCHEDULES OF EMPLOYER ALLOCATIONS AND  
COLLECTIVE OPEB AMOUNTS, CONTINUED**

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**(5) OPEB EXPENSE**

OPEB expense includes amounts for service cost (the Normal Cost under Entry Age Normal for the year), interest on the total OPEB liability, changes in the benefit structure (if applicable), recognition of increases/decreases in liability due to actual versus expected experience (if applicable), and actuarial assumption changes. The actuarial experience (if applicable) and assumption change impacts are recognized over the average expected remaining service life of the Plan's membership as of the measurement date.

The collective OPEB expense for the year ended June 30, 2019, is calculated as set forth below in the following table:

Service cost	\$	5,189,771
Interest cost		5,306,629
Expensed portion of current period differences between expected and actual plan experience		(269,509)
Expensed portion of current period changes in assumptions		<u>(1,726,685)</u>
	\$	<u>8,500,206</u>

**(6) ACCESS TO THE ACTUARIAL VALUATIONS**

A copy of the actuarial valuations can be obtained at the following link:

<http://omes.ok.gov/sites/g/files/gmc316/f/ActuarialValuationReport2019.pdf>

See Independent Auditors' Report.