

**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, 2018  
(With Independent Auditors' Report Thereon)



**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 Allocations and Net Other Postemployment Benefit (OPEB) Amounts by Employer**

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, 2018, and the related notes and have also audited the totals for the columns titled "Net 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, 2018, and the net OPEB liability as of June 30, 2017, and the related notes.

#### **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 net 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, 2018, and the net OPEB liability as of June 30, 2017, 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 2, the Schedule of Collective OPEB Amounts includes a column entitled "June 30, 2017, Net OPEB Liability," with a balance of \$158,189,265. The State of Oklahoma chose not to present a Schedule of Employer Allocations for the \$158,189,265, but recommends that participating employer agencies utilize their allocation percentage in determining their share of the June 30, 2017, net OPEB liability. 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, 2018, 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.

*Finlay + Cook, PLLC*

Shawnee, Oklahoma  
September 10, 2018

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

**SCHEDULE OF EMPLOYER ALLOCATIONS**

*As of and for the Year Ended June 30, 2018*

<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	\$ 17,864	0.000221362	32,871
22	Abstractors Board	2	324	0.000004010	595
25	Oklahoma Military Department	302	561,017	0.006951935	1,032,334
30	Alcoholic Beverage Laws Enforcem	32	217,583	0.002696217	400,377
39	Boll Weevil Eradication Org	4	16,153	0.000200162	29,723
40	Department of Agriculture	326	953,435	0.011814652	1,754,428
45	OK Board of Architects	3	7,147	0.000088569	13,152
47	Indigent Defense System	105	264,068	0.003272240	485,914
49	Attorney General	190	319,556	0.003959828	588,018
55	State Arts Council	12	14,409	0.000178548	26,514
60	OK Aeronautics Commission	9	13,917	0.000172456	25,609
65	State Banking Department	41	189,613	0.002349622	348,909
90	Mgmt and Enterprise Services	1,188	2,743,943	0.034002036	5,049,164
92	Tobacco Board of Directors	23	39,985	0.000495485	73,578
125	Department of Mines	29	92,270	0.001143374	169,786
127	Commission on Children and Youth	20	73,926	0.000916068	136,032
131	Department of Corrections	4,136	14,212,024	0.176110734	26,151,725
145	State Board of Chiropractic Exam	3	7,873	0.000097560	14,487
148	Board of Chiropractic Examiners	3	10,362	0.000128408	19,068
160	Department of Commerce	94	208,178	0.002579674	383,071
170	Construction Industries Board	33	55,222	0.000684299	101,616
185	Corporation Commission	489	868,597	0.010763373	1,598,317
190	Cosmetology Board	13	25,988	0.000322029	47,820
199	Court of Criminal Appeals	26	102,330	0.001268035	188,298
204	Jm Davis Arms & History Museum	3	2,968	0.000036774	5,461
215	Board of Dentistry	4	3,398	0.000042112	6,253
219	District Courts	585	1,147,109	0.014214601	2,110,810
220	District Attorneys Council	988	1,866,096	0.023124048	3,433,827
265	Department of Education	249	410,335	0.005084736	755,063
266	OK Education Television Authority	41	88,484	0.001096469	162,821
270	State Election Board	21	17,674	0.000219008	32,522
275	Educ Quality & Accountability	11	19,947	0.000247174	36,704
285	Embalmers & Funeral Directors Board	3	5,603	0.000069433	10,311
290	Employment Security Commission	515	1,204,693	0.014928157	2,216,770
292	Dept of Environmental Quality	519	1,259,193	0.015603510	2,317,058

(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, 2018*

<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	7,081	0.000087740	13,029
298	Merit Protection Commission	3	10,741	0.000133105	19,766
300	State Auditor and Inspector	111	282,744	0.003503665	520,280
305	Governor	22	25,992	0.000322078	47,827
306	Pardon and Parole Board	21	51,448	0.000637523	94,670
307	Interstate Oil Compact Commission	5	1,679	0.000020811	3,090
308	State Bureau of Investigation	278	1,435,326	0.017786087	2,641,161
309	Dept of Emergency Mgmt	32	48,766	0.000604298	89,736
310	State Fire Marshal	17	28,249	0.000350056	51,982
315	Firefighters Pension & Ret System	11	27,390	0.000339408	50,401
320	Department of Wildlife Conservation	228	1,095,784	0.013578599	2,016,366
326	Office of Disability Concerns	4	3,507	0.000043458	6,453
340	State Department of Health	2,016	3,999,158	0.049556250	7,358,901
342	Board of Medicolegal Investigations	94	141,864	0.001757930	261,045
345	State Dept of Transportation	2,253	7,001,439	0.086759524	12,883,435
346	OK Space Industry Develop Authority	7	4,122	0.000051073	7,584
350	Historical Society	109	241,857	0.002997008	445,043
353	OK Horse Racing Commission	27	30,953	0.000383562	56,957
369	Workers Compensation Court	26	65,263	0.000808723	120,092
370	OK Industrial Finance Authority	5	22,336	0.000276775	41,100
385	Insurance Department	120	186,168	0.002306937	342,571
391	Multiple Injury Trust Fund	9	11,988	0.000148550	22,059
400	Office of Juvenile Affairs	676	1,239,993	0.015365581	2,281,726
405	Department of Labor	70	147,653	0.001829669	271,698
410	Commission of the Land Office	62	115,838	0.001435421	213,154
415	Council on Law Enfc & Training	37	42,860	0.000531105	78,867
416	OK Law Enforcement Ret System	5	15,329	0.000189950	28,207
421	OK State Senate	144	259,079	0.003210417	476,734
422	OK House of Representatives	182	279,834	0.003467612	514,926
423	Legislative Service Bureau	7	12,847	0.000159201	23,641
430	Department of Libraries	35	70,011	0.000867555	128,828
435	OK Lottery Commission	28	38,143	0.000472658	70,188
440	Lieutenant Governor	3	5,983	0.000074143	11,010
445	Liquefied Petroleum Gas Board	6	10,667	0.000132182	19,628
448	Lic Alcohol & Drug Counselors	2	264	0.000003267	485

(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, 2018*

<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	62,325	0.000772308	114,685
452	Mental Health & Substance Abuse	1,601	2,444,602	0.030292699	4,498,342
475	OK Motor Vehicle Commission	4	19,671	0.000243752	36,196
477	Bureau of Narc & Dangerous Drugs	131	707,081	0.008761917	1,301,109
509	Long Term Care Admin Board	3	4,468	0.000055370	8,222
510	OK Board of Nursing	28	40,844	0.000506124	75,157
515	Oklahoma Public Employees Retirement System	56	99,867	0.001237513	183,766
520	Optometry Board	3	4,289	0.000053151	7,893
525	State Bd of Osteopathic Exam	6	5,399	0.000066901	9,934
557	Police Pension & Ret System	11	32,371	0.000401129	59,566
560	State Pharmacy Board	10	34,651	0.000429384	63,762
563	Board of Private Vocational Schools	3	2,293	0.000028417	4,220
566	Dept of Tourism & Recreation	408	1,003,727	0.012437855	1,846,971
570	Prof Engineer & Land Surveyors	8	17,958	0.000222536	33,046
575	Bd of Psychologists Examiners	1	6,404	0.000079358	11,784
582	State Bond Advisor	2	260	0.000003227	479
585	Dept of Public Safety	1,363	9,698,961	0.120186341	17,847,181
588	OK Real Estate Commission	13	36,756	0.000455469	67,635
619	Physician Manpower Trng Comm	6	20,152	0.000249721	37,083
622	OK St Bd of Licensed Social Workers	1	12,303	0.000152457	22,639
625	Secretary of State	32	48,871	0.000605592	89,928
628	Ctr for Advance of Science/Tech	16	25,339	0.000313994	46,627
629	School of Science and Math— Oklahoma City	51	69,982	0.000867197	128,775
630	Department of Securities	27	70,577	0.000874566	129,870
632	Speech-Lang Pathology & Audio	2	1,813	0.000022465	3,336
635	Dept of Consumer Credit	39	36,595	0.000453475	67,339
645	OK Conservation Commission	44	144,469	0.001790209	265,839
650	Dept of Veteran Affairs	1,734	2,318,871	0.028734691	4,266,984
670	JD McCarty Center	204	308,531	0.003823212	567,731
677	Supreme Court	171	339,598	0.004208184	624,898
678	Council on Judicial Complaints	2	8,795	0.000108980	16,183
695	OK Tax Commission	722	1,567,835	0.019428094	2,884,993
715	Teachers' Retirement System	34	77,717	0.000963047	143,009
740	State Treasurer	36	78,353	0.000970926	144,179

(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, 2018*

<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	3,578	0.000044334	6,583
755	Used Motor Vehicle & Parts	9	13,797	0.000170964	25,387
772	Bd of Chem Test Alcohol/Drug	5	10,728	0.000132940	19,741
790	Bd of Veterinary Med Exam	4	8,693	0.000107720	15,996
800	Department of Career & Technology Equipment	217	574,990	0.007125081	1,058,045
803	Virtual Charter School Board	2	601	0.000007451	1,106
805	Dept of Rehabilitation Services	897	1,815,089	0.022491985	3,339,968
807	Health Care Authority	567	1,155,319	0.014316335	2,125,917
830	Dept of Human Services	6,090	12,270,539	0.152052479	22,579,172
835	Water Resources Board	99	203,182	0.002517762	373,877
865	Workers Compensation Commission	42	73,154	0.000906495	134,611
978	OK Turnpike Authority	524	1,149,179	0.014240245	2,114,618
980	Grand River Dam Authority	23	65,151	0.000807331	119,885
		<u>31,971</u>	<u>\$80,699,365</u>	<u>1.000000000</u>	<u>148,495,918</u>

The June 30, 2018, valuation is based on a measured date of July 1, 2017, with a measurement period of July 1, 2016, to July 1, 2017.

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, 2018*

			Deferred Outflows of Resources			Deferred Inflows of Resources			Plan OPEB Expense
	June 30, 2017 Net OPEB Liability	June 30, 2018 Net OPEB Liability	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><u>\$158,189,265</u></b>	<b><u>148,495,918</u></b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b><u>5,794,637</u></b>	<b><u>5,794,637</u></b>	<b><u>8,807,378</u></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, 2018, valuation is based on a measured date of July 1, 2017, with a measurement period of July 1, 2016, to July 1, 2017.

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, 2018**

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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, 2018, 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 net OPEB liability.

**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 net OPEB liability for their financial statements. The Schedules provide employer agencies with the basis to determine their proportionate share of the net OPEB liability, deferred outflows and inflows of resources, and OPEB expense as of and for the year ended June 30, 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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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Nature of the Schedules, Continued**

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.

**(2) NET OPEB LIABILITY**

The net OPEB liability is the portion of the actuarial present value of projected benefit payments related to past periods. The net 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, 2017, measurement date is as follows:

<u>Active Participants:</u>	
Number	31,971
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>35,009</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) NET OPEB LIABILITY, CONTINUED**

The net OPEB liability for the year ended June 30, 2018, is calculated as set forth below in the following table:

Net OPEB liability, beginning July 1, 2017	\$ 158,189,265
Total OPEB expense	8,807,378
Change in deferred inflows of resources	(5,794,637)
Benefit payments	<u>(12,706,088)</u>
Net OPEB liability, ending June 30, 2018	<u>\$ 148,495,918</u>

The June 30, 2017, net OPEB liability was determined from the June 30, 2018, valuation rolled back to June 30, 2017.

The components of the net OPEB liability at June 30, 2018, were as follows:

Total OPEB liability	\$ 148,495,918
Plan fiduciary net position	<u>-</u>
Net OPEB liability	<u>\$ 148,495,918</u>
Plan fiduciary net position as a percentage of total OPEB liability	<u>0.00%</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) NET OPEB LIABILITY, CONTINUED**

The total OPEB liability was determined based on actuarial valuations prepared using a July 1, 2017, 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—RP-2006 Combined Healthy Mortality Table, with a fully generational projection using Scale MP-2017
- 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, 2018, valuation is based on a measured date of July 1, 2017, with a measurement period of July 1, 2016, to July 1, 2017.

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) NET OPEB LIABILITY, CONTINUED**

The discount rates used to measure the total OPEB liability was 3.58% for June 30, 2018, and 2.85% for June 30, 2017. The discount rates were determined using the Bond Buyer Go 20-Bond Municipal Bond Index.

*Sensitivity of the net OPEB liability to changes in the discount rate*—The following presents the net OPEB liability at June 30, 2018, calculated using the discount rate of 3.58%, 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>(2.58%)</u>	Current Discount Rate <u>(3.58%)</u>	1% Increase in Discount Rate <u>(4.58%)</u>
Net OPEB liability	\$ <u>158,499,180</u>	<u>148,495,918</u>	<u>139,181,293</u>

*Sensitivity of the net OPEB liability to changes in the healthcare trend rate*—The following presents the net OPEB liability at June 30, 2018, 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> )
Net OPEB liability	\$ <u>136,290,593</u>	<u>148,495,918</u>	<u>162,633,453</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, 2018	3.60

**(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. There were no differences between expected and actual experience resulting in a deferred outflow or inflow at June 30, 2018.

**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, 2018, is as follows:

2019	\$ (1,609,622)
2020	(1,609,622)
2021	(1,609,622)
2022	(965,771)
2023	-
Thereafter	-
	<u>\$ (5,794,637)</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, 2018, is calculated as set forth below in the following table:

Service cost	\$	5,919,685
Interest cost		4,497,315
Expensed portion of current period changes in assumptions		<u>(1,609,622)</u>
	\$	<u>8,807,378</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/ActuarialValuationReport2018.pdf>

See Independent Auditors' Report.