



**PERSI Sick Leave Insurance Reserve Plan Sample Footnote for Employers with a 6/30/2021 FYE using  
6/30/2020 Measurement Date**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Other Post Employment Benefits (OPEB)*

For purposes of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense;(expense offset), information about the fiduciary net position of the Public Employee Retirement System of Idaho (PERSI or System) Sick Leave Insurance Reserve Fund and additions to/deductions from Sick Leave Insurance Reserve Fund's fiduciary net position have been determined on the same basis as they are reported by the Sick Leave Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**NOTE X - OPEB PLAN**

*Plan Description*

The {Employer} contributes to the Sick Leave Insurance Reserve Fund (Sick Leave Plan) which is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits that are administered by PERSI that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for the Sick Leave Plan. That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

Responsibility for administration of the Sick Leave Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

*OPEB Benefits*

Group retiree health, dental, accident, and life insurance premiums may qualify as a benefit. Retirees who have a sick leave account can use their balance as a credit towards these premiums paid directly to the applicable insurance company.

### *Employer Contributions*

The contribution rate for employers are set by statute at .065% of covered compensation for state members. Covered school members contribution rates are set by statute based on the number of sick days offered by the employer. The contribution rate of 1.16% for school members with nine or ten sick days, 1.26% for school members with 11-14 sick days. If a school member has more than 14 days of sick leave then the contribution rate will be set by the PERSI Retirement Board based on current cost and actuarial data and reviewed annually. The {Employer's} contributions were \$xxx,xxx for the year ended {Date}.

### *OPEB Liabilities, OPEB Expense (Expense Offset), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

At {Year End}, the {Employer} reported an asset for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The {Employer's} proportion of the net OPEB asset was based on the {Employer's} share of contributions relative to the total contributions of all participating Sick Leave employers. At June 30, 2020, the {Employer's} proportion was {X.XXXXXXX} percent.

For the year ended {Date}, the {Employer} recognized OPEB expense (expense offset) of {\$X,XXX}. \$X,XXX reported as deferred outflows of resources related to OPEBs resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset in the year ending {Employer year-end}.

### *Actuarial Assumptions*

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. The Sick Leave Plan amortizes any net OPEB asset based on a level percentage of payroll. The maximum amortization period for the Sick Leave Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Salary inflation	3.75%
Investment rate of return	7.05%, net of investment expenses

The long-term expected rate of return on OPEB plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The health care trend rate is not applicable as the benefit amount a participant will receive is established with a set amount upon retirement thus would have no impact.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market

assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

**Capital Market Assumptions from Callen 2020**

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return (Arithmetic)	Long-Term Expected Real Rate of Return (Arithmetic)
Core Fixed Income	30.00%	2.80%	0.55%
Broad US Equities	55.00%	8.55%	6.30%
Developed Foreign Equities	15.00%	8.70%	6.45%
Assumed Inflation - Mean		2.25%	2.25%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.85%	4.60%
Portfolio Standard Deviation		12.33%	12.33%
Portfolio Long-Term (Geometric) Expected Rate of Return		6.25%	3.89%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses		5.85%	3.49%

**Investment Policy Assumptions from PERSI November 2019**

Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expenses	4.14%
Portfolio Standard Deviation	14.16%

**Economic/Demographic Assumptions from Milliman 2018**

<b>Valuation Assumptions Chosen by PERSI Board</b>	
Long-Term Expected Real Rate of Return, Net of Investment Expenses	4.05%
Assumed Inflation	3.00%
<b>Long-Term Expected Geometric Rate of Return, Net of Investment Expenses</b>	<b>7.05%</b>

*Discount Rate*

The discount rate used to measure the total OPEB liability was 7.05%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the OPEB plan's net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The long-term expected rate of return was determined net of OPEB plan investment expense but without reduction for OPEB plan administrative expense.

*Sensitivity of the net OPEB asset to changes in the discount rate.*

The following presents the Employer's proportionate share of the net OPEB asset calculated using the discount rate of 7.05 percent, as well as what the Employer's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.05 percent) or 1-percentage-point higher (8.05 percent) than the current rate:

	<b>1% Decrease (6.05%)</b>	<b>Current Discount Rate (7.05%)</b>	<b>1% Increase (8.05%)</b>
Employer's proportionate share of the net OPEB liability (asset)	\$xxx,xxx	\$xxx,xxx	\$xxx,xxx

*OPEB plan fiduciary net position*

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

*Payables to the OPEB plan*

At {year end}, the {Employer} reported payables to the defined benefit OPEB plan of \$X,XXX for legally required employer contributions and \$X,XXX for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

**Required Supplementary Information**

**Schedule of Employer's Share of Net OPEB Asset  
PERSI – OPEB Plan  
Last 10 – Fiscal Years \***

	<b>2021</b>
Employer's portion of net the OPEB asset	X.XXX%
Employer's proportionate share of the net OPEB asset	\$X,XXX
Employer's covered-employee payroll	\$X,XXX
Employer's proportional share of the net OPEB asset as a percentage of its covered-employee payroll	XX.XX%
Plan fiduciary net position as a percentage of the total OPEB Asset	XX.XX%

\* GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the {Employer} will present information for those years for which information is available.

Data reported is measured as of June 30, 2020

**Schedule of Employer Contributions  
PERSI – OPEB Plan  
Last 10 – Fiscal Years \***

	<b>2021</b>
Statutorily required contribution	\$X,XXX
Contributions in relation to the statutorily required contribution	(\$X,XX)
Contribution (deficiency) excess	\$X,XXX
Employer's covered-employee payroll	\$X,XXX
Contributions as a percentage of covered-employee payroll	X.XX%

\* GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the {Employer} will present information for those years for which information is available.

Data is reported is measured as of {Employer's most recent fiscal year-end}.

**Notes to the Required Supplementary Information  
For the Year Ended {Date}**

Changes of benefit terms: {Describe changes, if any. Otherwise delete}

Changes in composition of the population covered by the benefit terms: {Describe changes, if any. Otherwise delete}

Changes of assumptions: {Describe changes, if any. Otherwise delete}