**Disclaimer:** The GASB 75 Employer Template Note Disclosures provided by the North Dakota Public Employees Retirement System (NDPERS) is intended to provide participating employers with general guidance in accounting and financial reporting matters. The materials do not constitute, and should not be treated as, professional advice regarding the use of any particular or financial reporting technique. Every effort has been made to assure the accuracy of these materials. However, NDPERS participating employers and auditors should independently verify all statements made before applying them to a particular fact situation, and should independently determine the consequences of any particular technique before implementing.

**NOTE: Items in yellow will be input by employer or employer auditor each year. The text in red gives direction to where the information can be found.**

 **Employer Name**

**Notes to the Financial Statements**

**for the Year Ended June 30, 2018**

**Summary of Significant Accounting Policies**

*Other Post Employment Benefits (OPEB)*. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS’ fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**General Information about the OPEB Plan**

*North Dakota Public Employees Retirement System*

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges

retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

**OPEB Benefits**

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as *"prefunded credit applied"* on the Statement of Changes in Plan Net Position for the OPEB trust funds.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The benefits are equal to $5.00 for each of the employee’s, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

At mm/dd/yyyy(employer’s fiscal year-end), the Employer reported a liability of $$$ (from Section E, Schedule of Net OPEB Liability by Employer) for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of mm/dd/yyyy, (date of NDPERS GASB Report) and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At mm/dd/yyyy, (date of NDPERS GASB Report) the Employer's proportion was X.XXXXXX percent, (from Section E, Schedule of Net OPEB Liability by Employer) which was an increase or decrease of X.XXXXXX (employer will select increase or decrease and calculate change – not applicable for first year of implementation) from its proportion measured as of mm/dd/yyyy (one year prior to date above).

*[If there had been a change of benefit terms that affected the measurement of the total OPEB liability since the prior measurement date, the Employer should disclose information]* ***(NDPERS will provide if applicable.)***

*[If changes expected to have a significant effect on the measurement of the Employer’s proportionate share of the net OPEB liability had occurred between the measurement date and the reporting date, the Employer should disclose information.]*

For the year ended mm/dd/yyyy, (employer’s fiscal year-end) the Employer recognized OPEB expense of $$$ (from Section E, Schedule of Contributions by Employer). At mm/dd/yyyy, (employer’s fiscal year-end) the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (from Section E, Schedule of Net Deferred Outflows and Inflows by Year by Employer):

|  |  |  |
| --- | --- | --- |
|  | **Deferred Outflows of Resources** | **Deferred Inflows of Resources** |
|  |
| Differences between expected and actual experience | $ X,XXX | $ X,XXX |
| Changes of assumptions | X,XXX | X,XXX |
| Net difference between projected and actual earnings on OPEB plan investments | X,XXX | X,XXX |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | X,XXX | X,XXX |
| Employer contributions subsequent to the measurement date (see below) | \*,\*\*\* |  - |
|       Total |  \*$ X,XXX  | $X,XXX  |
|  |  |  |
|  |  |  |

$\*,\*\*\* reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended mm/dd/yyyy (employer’s subsequent fiscal year-end). (Because valuation/measurement date will generally be one year prior to employers’ fiscal year end, this amount will be the actual employer contributions **(do not include employer paid member contributions)** paid during the fiscal year for which this disclosure applies - employers’ responsibility to calculate).

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows (from Section E, Schedule of Net Deferred Outflows and Inflows by Year By Employer). Years will need to be rolled forward one year from dates in report):

|  |  |
| --- | --- |
| **Year ended June 30:** |  |
| 2018 | $ X,XXX |
| 2019 | X,XXX |
| 2020 | X,XXX |
| 2021 | X,XXX |
| 2022 | X,XXX |
| Thereafter | X,XXX |

***Actuarial assumptions*.** The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|  |  |
| --- | --- |
|  |  |
| Inflation  | 2.50%  |
| Salary increases  | Not applicable |
| Investment rate of return  | 7.50%, net of investment expenses  |
| Cost-of-living adjustments  | None  |
|  |  |

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC’s target asset allocation as of July 1, 2017 are summarized in the following table:

|  |  |  |
| --- | --- | --- |
| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
| Large Cap Domestic Equities | 37% | 5.80% |
| Small Cap Domestic Equities |  9% | 7.05% |
| International Equities |  14% |  6.20% |
| Core-Plus Fixed Income | 40% | 1.56% |

***Discount rate*.** The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2017, and July 1, 2016, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

[If there had been a change in the discount rate since the prior measurement date, the Employer should disclose information about that change, as required by paragraph 78a of Statement 68.] ***(NDPERS will provide if applicable.)***

***Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate*.** The following presents the net OPEB liability of the Plans as of June 30, 2017, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate: (from Section E, Net OPEB Liability Discount Rate Sensitivity by Employer)

|  |  |  |  |
| --- | --- | --- | --- |
|  | **1% Decrease (6.5%)** | **Current Discount Rate (7.5%)** | **1% Increase (8.5%)** |
| Employer's proportionate share of the net OPEB liability | $X,XXX | $X,XXX | $X,XXX |

**Schedules of Required Supplementary Information**

**Schedule of Employer’s Share of Net OPEB Liability**

**ND Public Employees Retirement System**

**Last 10 Fiscal Years\***

(from Section E Schedule of Net OPEB Liability by Employer)

|  |  |
| --- | --- |
|  | 2018 |
| Employer’s proportion of the net OPEB liability (asset) | XX.XXXXXX% 1. |
| Employer’s proportionate share of the net OPEB liability (asset) | $X,XXX 2. |
| Employer’s covered-employee payroll | $X,XXX 3. |
| Employer’s proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll  | XXX.XX% 4. Calculate, 2 divided by 3 |
| Plan fiduciary net position as a percentage of the total OPEB liability  | XXX.XX% 5. Section C Schedule of Changes in Net OPEB Liability and Related Ratio Current Period – Plan Fiduciary Net Position as a Percentage |

\*Complete data for this schedule is not available prior to 2017.

If employer is using prior year measurement date may want to note that the amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

**Schedule of Employer Contributions**

**ND Public Employees Retirement System**

**Last 10 Fiscal Years\***

(from Section E, Schedule of Contributions by Employer)

|  |  |
| --- | --- |
|  | 2018 |
| Statutorily required contribution | $X,XXX  |
| Contributions in relation to the statutorily required contribution | ($X,XXX)  |
| Contribution deficiency (excess)  | $X.XXX  |
| Employer’s covered-employee payroll | $X,XXX  |
| Contributions as a percentage of covered-employee payroll | XX.XX%  |

\*Complete data for this schedule is not available prior to 2017

**Notes to Required Supplementary Information**

 **for the Year Ended June 30, 2018**

***Changes of benefit terms.***

(NDPERS will provide if applicable.)

***Changes of assumptions.***

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.