

*Governmental Accounting Standards Board
Statement No. 75 Schedules*

Government of Guam

Other Postemployment Benefits Program

*Year ended September 30, 2022 Presentation
(September 30, 2021 Measurement Date)
with Report of Independent Auditors*



Government of Guam
Other Postemployment Benefits Program
Governmental Accounting Standards Board
Statement No. 75 Schedules

September 30, 2021

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Report of Independent Auditors

Government of Guam
Other Postemployment Benefits Program

Report on the Schedules

We have audited the accompanying schedule of employer's proportionate shares (allocations) by component unit of the Government of Guam Other Postemployment Benefits (OPEB) Program as of September 30, 2021, and the related notes. We have also audited the total for all entities of the columns titled total OPEB liability, total deferred outflows of resources, total deferred inflows of resources, and total OPEB expense (specified column totals) included in the accompanying schedule of OPEB amounts by component unit of the Government of Guam OPEB Program as of and for the year ended September 30, 2021, and the related notes (hereafter referred to as the schedules).

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules in accordance with accounting principles generally accepted in the United States of America; 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.

Auditor's 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 of America. 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity'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.

Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer's proportionate shares (allocations) by component unit as of September 30, 2021, and the total OPEB liability, total deferred outflows of resources, total deferred inflows of resources, and total OPEB expense by component unit of the Government of Guam OPEB Program as of and for the year ended September 30, 2021, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Government of Guam

We have not audited the financial statements of the Government of Guam as of and for the year ended September 30, 2021, those financial statements were audited by other auditors, whose report thereon, dated July 13, 2022, expressed unmodified opinions on those financial statements.

Restriction on Use

Our report is intended solely for the information and use of the management of the Government of Guam OPEB Program, the participating component units of the Government of Guam OPEB Program and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

August 14, 2023

Government of Guam
Other Postemployment Benefits Program

Schedule of Employer's Proportionate Shares (Allocations) by Component Unit
September 30, 2021

	<u>Total OPEB Liability</u>	<u>Proportionate Share</u>
Primary government:		
Government of Guam Line Agencies	\$ 935,950,135	33.77%
Guam Department of Education	775,538,115	27.98%
Unified Courts of Guam	92,898,484	3.35%
Guam Telephone Authority	27,986,069	1.01%
Guam Legislature	15,981,421	0.58%
Public Defender Service Corporation	15,061,388	0.54%
	<u>1,863,415,612</u>	67.23%
Component units:		
Guam Memorial Hospital Authority	211,965,288	7.65%
Guam Power Authority	174,910,068	6.31%
University of Guam	131,486,215	4.74%
Guam Waterworks Authority	116,272,057	4.19%
Port Authority of Guam	107,471,269	3.88%
Guam Community College	61,585,699	2.22%
Antonio B. Won Pat International Airport Authority	50,781,242	1.83%
Guam Housing and Urban Renewal Authority	19,074,796	0.69%
GovGuam Retirement Fund	11,956,561	0.43%
Guam Housing Corporation	7,696,588	0.28%
Guam Visitors Bureau	7,323,969	0.26%
Guam Economic Development Authority	6,281,833	0.23%
Guam Educational Telecommunications Corporation	1,626,892	0.06%
	<u>908,432,477</u>	32.77%
	<u>\$ 2,771,848,089</u>	100.00%

See accompanying notes.

Government of Guam
Other Postemployment Benefits Program

Schedule of OPEB Amounts by Component Unit
September 30, 2021

	Deferred Outflows of Resources				Deferred Inflows of Resources				OPEB Expense			
	Total OPEB Liability	Differences Between Expected and Actual Experience	Changes of Assumptions	Changes in Proportion/ Differences Between Employer Contributions and Proportionate Share	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Changes of Assumptions	Changes in Proportion/ Differences Between Employer Contributions and Proportionate Share	Total Deferred Inflows of Resources	Proportionate Share of OPEB Expense	Net Amortization from Changes in Proportion/ Differences Between Employer Contributions and Proportionate Share	Total OPEB Expense
Primary government:												
Government of Guam Line Agencies	\$ 935,950,135	\$ 81,559,054	\$ 109,277,437	\$ 9,576,065	\$ 200,412,556	\$ 49,715,967	\$ 131,598,674	\$ 3,514,185	\$ 184,828,826	\$ 42,839,786	\$ 888,871	\$ 43,728,657
Guam Department of Education	775,538,115	67,580,687	90,548,433	2,026,269	160,155,389	41,195,174	109,044,041	29,591,252	179,830,467	35,497,496	(8,225,718)	27,271,778
Unified Courts of Guam	92,898,484	8,095,209	10,846,420	6,966,185	25,907,814	4,934,598	13,061,932	3,510,507	21,507,037	4,252,097	2,967,334	7,219,431
Guam Telephone Authority	27,986,069	2,438,717	3,267,531	6,558,187	12,264,435	1,486,569	3,934,964	3,542,849	8,964,382	1,280,963	182,340	1,463,303
Guam Legislature	15,981,421	1,392,627	1,865,921	1,995,105	5,253,653	848,904	2,247,057	1,143,187	4,239,148	731,493	(178,101)	553,392
Public Defender Service Corporation	15,061,388	1,312,455	1,758,502	491,119	3,562,076	800,034	2,117,696	456,822	3,374,552	689,382	200,417	889,799
	<u>1,863,415,612</u>	<u>162,378,749</u>	<u>217,564,244</u>	<u>27,612,930</u>	<u>407,555,923</u>	<u>98,981,246</u>	<u>262,004,364</u>	<u>41,758,802</u>	<u>402,744,412</u>	<u>85,291,217</u>	<u>(4,164,857)</u>	<u>81,126,360</u>
Component units:												
Guam Memorial Hospital Authority	211,965,288	18,470,736	24,748,138	8,609,577	51,828,451	11,259,211	29,803,243	1,114,027	42,176,481	9,701,956	1,970,053	11,672,009
Guam Power Authority	174,910,068	15,241,730	20,421,733	3,082,777	38,746,240	9,290,905	24,593,118	2,712,106	36,596,129	8,005,886	491,050	8,496,936
University of Guam	131,486,215	11,457,759	15,351,754	901,057	27,710,570	6,984,309	18,487,535	5,560,811	31,032,655	6,018,313	(1,911,661)	4,106,652
Guam Waterworks Authority	116,272,057	10,131,991	13,575,416	15,385,349	39,092,756	6,176,160	16,348,358	3,328,419	25,852,937	5,321,940	2,315,995	7,637,935
Port Authority of Guam	107,471,269	9,365,087	12,547,874	5,267,119	27,180,080	5,708,678	15,110,929	63,636	20,883,243	4,919,115	1,574,400	6,493,515
Guam Community College	61,585,699	5,366,601	7,190,476	1,640,779	14,197,856	3,271,320	8,659,217	679,988	12,610,525	2,818,866	808,927	3,627,793
Antonio B. Won Pat International Airport Authority	50,781,242	4,425,097	5,928,995	4,215,097	14,569,189	2,697,407	7,140,064	11,497,530	21,335,001	2,324,331	(686,508)	1,637,823
Guam Housing and Urban Renewal Authority	19,074,796	1,662,185	2,227,089	1,248,330	5,137,604	1,013,218	2,681,999	-	3,695,217	873,081	385,039	1,258,120
GovGuam Retirement Fund	11,956,561	1,041,899	1,395,995	-	2,437,894	635,111	1,681,145	487,474	2,803,730	547,269	(215,967)	331,302
Guam Housing Corporation	7,696,588	670,684	898,620	78,236	1,647,540	408,829	1,082,174	1,412,650	2,903,653	352,284	(839,674)	(487,390)
Guam Visitors Bureau	7,323,969	638,213	855,115	403,275	1,896,603	389,036	1,029,782	431,877	1,850,695	335,229	144,001	479,230
Guam Economic Development Authority	6,281,833	547,401	733,439	1,789,142	3,069,982	333,680	883,253	272,456	1,489,389	287,529	337,083	624,612
Guam Educational Telecommunications Corporation	1,626,892	141,768	189,949	116,700	448,417	86,418	228,748	1,030,592	1,345,758	74,465	(207,881)	(133,416)
	<u>908,432,477</u>	<u>79,161,151</u>	<u>106,064,593</u>	<u>42,737,438</u>	<u>227,963,182</u>	<u>48,254,282</u>	<u>127,729,565</u>	<u>28,591,566</u>	<u>204,575,413</u>	<u>41,580,264</u>	<u>4,164,857</u>	<u>45,745,121</u>
	<u>\$ 2,771,848,089</u>	<u>\$ 241,539,900</u>	<u>\$ 323,628,837</u>	<u>\$ 70,350,368</u>	<u>\$ 635,519,105</u>	<u>\$ 147,235,528</u>	<u>\$ 389,733,929</u>	<u>\$ 70,350,368</u>	<u>\$ 607,319,825</u>	<u>\$ 126,871,481</u>	<u>\$ -</u>	<u>\$ 126,871,481</u>

See accompanying notes.

See accompanying notes.

Government of Guam
Other Postemployment Benefits Program

Notes to Schedules

September 30, 2021

(1) Plan Description

Plan Administration:

The Government of Guam (GovGuam) administers the retiree health care benefits program – a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible employees.

Plan Membership:

As of September 30, 2021 (the measurement date), OPEB plan membership consisted of the following as of September 30, 2020 (the actuarial valuation date):

Inactive plan members or beneficiaries currently receiving benefits	11,118
Active plan members	<u>8,638</u>
Total members	<u>19,756</u>

Benefits Provided:

GovGuam provides postemployment medical, dental and life insurance benefits to GovGuam retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only. GovGuam contributes a portion of the medical and dental premiums, based on a schedule of semi-monthly rates, and reimburses certain Medicare premiums to eligible retirees. Retirees may also pay a portion of the medical and dental insurance premiums, depending on the plan and coverage selected.

Contributions:

No employer contributions are assumed to be made since an OPEB trust has not been established. Instead, the OPEB plan is financed on a substantially “pay-as-you-go” basis whereby contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

Government of Guam
Other Postemployment Benefits Program

Notes to Schedules, Continued

(2) Summary of Significant Accounting Policies

Governmental Accounting Standards Board (GASB) Statement No. 75

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires the liability of employers and non-employer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. As of September 30, 2021, an OPEB trust has not been established; thus, the OPEB plan does not presently report OPEB plan fiduciary net position.

The Schedule of Employer's Proportionate Shares (Allocations) by Component Unit and the Schedule of OPEB Amounts by Component Unit (collectively, "the Schedules") provide employers with the required information for financial reporting related to OPEB provided through the OPEB plan as of and for the year ended September 30, 2021.

Basis of Accounting and Disclosure

The Schedules are presented in accordance with the standards issued by GASB, which is the generally accepted standard setting body for establishing accounting principles generally accepted in the United States of America for governmental entities. As prescribed by GASB, the Schedules are reported using the economic resources measurement focus and the accrual basis of accounting.

The Schedule of Employer's Proportionate Shares (Allocations) by Component Unit reflects employer allocation percentages calculated by GovGuam as of September 30, 2021. Consistent with GASB Statement No. 75, paragraph 59(a), employer proportions are determined as a measure of the proportionate relationship of the employers to all employers consistent with the manner in which contributions to the OPEB plan are determined.

Total OPEB Liability

The employer's proportionate share of the total OPEB liability is equal to the total OPEB liability multiplied by the employer's proportionate share percentage for the year ended September 30, 2021 as shown in the Schedule of Employer's Proportionate Shares (Allocations) by Component Unit.

Government of Guam
Other Postemployment Benefits Program

Notes to Schedules, Continued

(2) Summary of Significant Accounting Policies, Continued

Total OPEB Liability, Continued

The components of total OPEB liability as of September 30, 2021 are as follows:

Service cost	\$ 95,471,040
Interest	57,253,336
Differences between expected and actual experience	73,424,623
Changes of assumptions and other inputs	73,832,951
Benefit payments	<u>(46,623,006)</u>
Net change in total OPEB liability	253,358,944
Total OPEB liability - beginning of year	<u>2,518,489,145</u>
Total OPEB liability - end of year	\$ <u>2,771,848,089</u>

Changes of Assumptions

The effect of changes of assumptions is amortized over the estimated remaining service lives for all active and inactive members.

Deferred Outflows of Resources and Deferred Inflows of Resources

The recognition period for amortizing the deferred outflows and deferred inflows is set forth by GASB Statement No. 75, paragraph 86, and which is defined as the average expected remaining service life of all employees that are provided OPEB through the OPEB plan (active employees and inactive employees). The following table presents a summary of changes in the deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended September 30, 2021:

	Year of Deferral	Amortization Period	Beginning Balance	Additions	Deductions	Ending Balance
<u>Deferred Outflows of Resources</u>						
Differences between expected and actual experience	2020	5.66 years	\$ 230,565,373	\$ -	\$ (49,477,548)	\$ 181,087,825
	2021	5.66 years	-	<u>73,424,623</u>	<u>(12,972,548)</u>	<u>60,452,075</u>
			<u>230,565,373</u>	<u>73,424,623</u>	<u>(62,450,096)</u>	<u>241,539,900</u>
Changes of assumptions	2016	6.02 years	45,865,106	-	(44,965,793)	899,313
Changes of assumptions	2019	5.57 years	363,863,934	-	(101,922,670)	261,941,264
Changes of assumptions	2021	5.66 years	-	<u>73,832,951</u>	<u>(13,044,691)</u>	<u>60,788,260</u>
			<u>409,729,040</u>	<u>73,832,951</u>	<u>(159,933,154)</u>	<u>323,628,837</u>
			\$ <u>640,294,413</u>	\$ <u>147,257,574</u>	\$ <u>(222,383,250)</u>	\$ <u>565,168,737</u>

Government of Guam
Other Postemployment Benefits Program

Notes to Schedules, Continued

(2) Summary of Significant Accounting Policies, Continued

Deferred Outflows of Resources and Deferred Inflows of Resources, Continued

	Year of Deferral	Amortization Period	Beginning Balance	Additions	Deductions	Ending Balance
Differences between expected and actual experience	2018	5.57 years	\$(241,016,119)	\$ _____ -	\$ 93,780,591	\$(147,235,528)
Changes of assumptions	2017	6.02 years	(83,826,697)	-	41,498,365	(42,328,332)
Changes of assumptions	2018	5.57 years	(81,179,680)	-	31,587,425	(49,592,255)
Changes of assumptions	2020	5.66 years	(379,183,108)	-	81,369,766	(297,813,342)
			<u>(544,189,485)</u>	<u>_____ -</u>	<u>154,455,556</u>	<u>(389,733,929)</u>
			\$ <u>(785,205,604)</u>	\$ <u>_____ -</u>	<u>\$248,236,147</u>	<u>\$(536,969,457)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to OPEBs that will be subsequently recognized in OPEB expense are shown in the following table:

Year Ended September 30,	
2022	\$ (69,919,377)
2023	23,757,957
2024	52,220,945
2025	4,968,376
2026	<u>17,171,379</u>
	<u>\$ 28,199,280</u>

Total OPEB Expense

The components of total OPEB expense for the year ended September 30, 2021 are as follows:

Service cost	\$ 95,471,040
Interest	57,253,336
Amortization of deferred inflows and outflows of resources:	
Differences between expected and actual experience	(31,330,495)
Changes of assumptions	<u>5,477,600</u>
	<u>\$ 126,871,481</u>

Government of Guam
Other Postemployment Benefits Program

Notes to Schedules, Continued

(3) Summary of Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2020, and rolled forward to September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.75%
Discount rate:	2.26% as of September 30, 2021 (2.21% as of September 30, 2020).
Amortization rate:	Level dollar amount over 30 years on an open amortization period for pay-as-you-go funding.
Salary increases:	7.5% per year for the first 5 years of service, 6% for 6-10 years, 5% for 11-15 years and 4% for service over 15 years.
Healthcare cost trend rates:	Non-Medicare and Medicare - 19% and 31%, respectively, for Year 1, 6% for Year 2-3 then reducing 0.25% annually to an ultimate rate of 4.25%. Part B 2.7% for Year 1 and 4.25% thereafter. Health care trend assumptions begin at current levels and grade down over a period of years to a lower level equal to some real rate plus inflation. The principal components of health trend are medical inflation, deductible erosion, cost shifting, utilization, technology and catastrophic claims. The overall effect of these components are expected to decline year by year. Medical trend rates are applied to claims cost and retiree contributions, Medicare Part B and Medicare Part D reimbursements are assumed to be 4.25% per year.
Dental trend rates:	4.25% per year, based on a blend of historical retiree premium rate increases as well as observed U.S. national trends.

Government of Guam
Other Postemployment Benefits Program

Notes to Schedules, Continued

(3) Summary of Actuarial Assumptions, Continued

Participation rates:	Medical - 100% of active employees covered under a GovGuam medical plan will elect to participate at retirement. Dental - 100% of active employees under a GovGuam dental plan will elect to participate at retirement. Life - 100% of eligible retirees will elect to participate at retirement. Current retirees will continue in the GovGuam plan as provided in the data, and upon attainment of age 65, will remain in that plan or enroll in a Retiree Supplemental Plan per Medicare Enrollment assumption below.
Medicare enrollment:	Based on current over-65 retiree data, 55% (previously 15%) of current and future retirees are assumed to enroll in Medicare and will enroll in a Retiree Supplemental Plan upon attainment of age 65. All employees retired prior to September 30, 2008 are assumed ineligible for Medicare upon attainment of age 65 and therefore will not enroll in a Medicare Supplemental Plan.
Dependent status:	Male spouses are assumed to be three years older and female spouses are assumed to be three years younger than the retired employee. Medical - 100% of spouses of active employees covered under a GovGuam medical plan will elect to participate at the active employee's retirement. Dental - 100% of spouses of active employees covered under a GovGuam dental plan will elect to participate at the active employee's retirement. Life - 100% of spouses of active employees will elect to participate at the active employee's retirement. For current retired employees, the actual census information is used.
Actuarial cost method:	Entry Age Normal. The costs of each employee's post-employment benefits are allocated as a level basis over the earnings of the employee between the employee's date of hire and the assumed exit ages.
Employee data:	Employee and retiree data as of September 30, 2020 were submitted by GovGuam. Reasonable adjustments for missing or invalid data were made.

Government of Guam
Other Postemployment Benefits Program

Notes to Schedules, Continued

(3) Summary of Actuarial Assumptions, Continued

Healthy Retiree mortality rates:	Head-count weighted PUB-2010 Table, set forward 4 years for males and 2 years for females, respectively, projected generationally using 50% of MP-2020.
Disabled Retiree mortality rates:	PUB-2010 Disabled Retiree Amount Weighted mortality table set forward 4 years for males and 2 years for females, respectively, using 130% of the rates before age 80 and projected generationally from 2010 using 50% of mortality improvement scale MP-2020.
Withdrawal rates:	15% for less than 1 year of service, decreasing 1% for each additional year of service up to 10 years, further decreasing 0.5% for each additional year of service up to 15 years, and 2% for service over 15 years.
Disability rates:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females as follows: 0.05% for males aged 20-39 years (0.03% for females); 0.10% - 0.18% for males aged 40-49 years (0.05% - 0.09% for females); 0.32% - 0.53% for males aged 50-59 years (0.16% - 0.27% for females); and 0.76% for males aged 60-64 years (0.38% for females).
Retirement rates:	50% of employees are assumed to retire at first eligibility for unreduced benefits under the GovGuam Retirement Fund, 20% per year thereafter until age 75, and 100% at age 75.

(4) Discount Rate

The discount rate used to measure the total OPEB liability was 2.26% as of September 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions from GovGuam will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the 2.26% tax-exempt, high quality municipal bond rate as of September 30, 2021 was applied to all periods to determine the total OPEB liability.

Government of Guam
Other Postemployment Benefits Program

Notes to Schedules, Continued

(5) Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the sensitivity of the total OPEB liability to changes in the discount rate. The sensitivity analysis shows the impact to the total OPEB liability if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

1% Decrease in Discount Rate <u>1.26%</u>	Current Discount Rate <u>2.26%</u>	1% Increase in Discount Rate <u>3.26%</u>
\$ <u>3,187,289,704</u>	\$ <u>2,771,848,089</u>	\$ <u>2,296,978,654</u>

(6) Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The sensitivity analysis shows the impact to the total OPEB liability if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

<u>1% Decrease</u>	Healthcare Cost Trend Rates	<u>1% Increase</u>
\$ <u>2,228,206,857</u>	\$ <u>2,771,848,089</u>	\$ <u>3,298,125,336</u>

(7) COVID-19 Pandemic

The total OPEB liability was determined by an actuarial valuation as of September 30, 2020, using actuarial assumptions. These actuarial assumptions do not reflect the potential future impact of the COVID-19 pandemic on the OPEB program. Especially in the short range, the pandemic is likely to materially affect the economic, demographic and healthcare-specific experience, in a way not anticipated by the assumptions on which the projections are based.