



COMMONWEALTH OF PUERTO RICO
OTHER POSTEMPLOYMENT BENEFIT PLAN OF THE
COMMONWEALTH OF PUERTO RICO FOR RETIRED PARTICIPANTS
OF THE EMPLOYEES' RETIREMENT SYSTEM

Schedule of Employer Allocations and Schedule of
OPEB Amounts by Employer

June 30, 2018

(With Independent Auditors' Report Thereon)

COMMONWEALTH OF PUERTO RICO

Other Postemployment Benefit Plan of the Commonwealth of Puerto Rico for Retired Participants of the Employees' Retirement System

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Independent Auditors' Report

Retirement Board of the Government of Puerto Rico
Employees' Retirement System of the Government of the
Commonwealth of Puerto Rico:

We have audited the accompanying schedule of employer allocations of the Other Postemployment Benefit Plan of the Commonwealth of Puerto Rico (the Commonwealth) for Retired Participants of the Employees' Retirement System (the Plan) as of and for the year ended June 30, 2018, and the related notes. We have also audited the total for all entities of the columns titled total OPEB liability, and the total OPEB expense (benefit) (specified column totals) included in the accompanying schedule of OPEB amounts by employer of the Plan as of and for the year ended June 30, 2018, and the related notes.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules in accordance with U.S. generally accepted accounting principles; 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 schedule of employer allocations and the specified column totals included in the schedule of OPEB amounts by employer 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 schedule of employer allocations and specified column totals included in the schedule of OPEB amounts by employer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and specified column totals included in the schedule of OPEB amounts by employer. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and specified column totals included in the schedule of OPEB amounts by employer, 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 schedule of employer allocations and specified column totals included in the schedule of OPEB amounts by employer 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 schedule of employer allocations and specified column totals included in the schedule of OPEB amounts by employer.

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 allocations, and total OPEB liability and total OPEB expense (benefit) for the total of all participating entities for the Plan as of and for the year ended June 30, 2018, in accordance with U. S. generally accepted accounting principles.

Other Matter

The supplemental schedules of intra-entity allocations – primary government – excluding blended component units and intra-entity OPEB amounts – primary government – excluding blended component units on pages 8 and 9 have not been subjected to the auditing procedures applied in the audit of the schedule of employer allocations and the schedule of OPEB amounts by employer and accordingly, we do not express an opinion or provide any assurance on them.

Restriction on Use

Our report is intended solely for the information and use of management of the Commonwealth of Puerto Rico and its component units and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

San Juan, Puerto Rico
August 12, 2021

Stamp No. E453523 of the Puerto Rico
Society of Certified Public Accountants
was affixed to the record copy of this report.

COMMONWEALTH OF PUERTO RICO

Other Postemployment Benefit Plan of the Commonwealth of Puerto Rico
for Retired Participants of the Employees' Retirement System

Schedule of Employer Allocations

As of and for the year ended June 30, 2018

Agency Code	Agency Name	Actual employer benefit payments	Employer allocation percentage
various	Commonwealth of Puerto Rico - Primary Government - Excluding blended component units	\$ 56,669,219	81.01681%
	Blended component units:		
115	Corporación de Servicio Centro Médico	1,212,721	1.73376%
203	Autoridad de Edificios Públicos	735,667	1.05174%
292	Administración de Seguros de Salud	11,326	0.01619%
502	Aut de Transporte Maritimo	14,644	0.02094%
	Subtotal for the Commonwealth of Puerto Rico - Primary Government	58,643,577	83.83944%
	Discretely presented component units:		
163	Fondo del Seguro del Estado	2,082,589	2.97736%
196	Instituto de Cultura Puertorriqueña	182,274	0.26059%
201	Autoridad de Acueductos y Alcantarillados	3,816,600	5.45638%
205	Autoridad Metropolitana de Autobuses	698,482	0.99858%
206	Autoridad de los Puertos	655,337	0.93690%
207	Autoridad de Tierras de P.R.	132,141	0.18891%
208	Autoridad de Carreteras	1,335,315	1.90903%
209	Autoridad de Naviera de PR	9,979	0.01427%
210	Autoridad para el Manejo de los Desperdicios Sólidos	14,077	0.02013%
211	Administración de Terrenos	81,999	0.11723%
212	Corporación del Centro de Bellas Artes, Luis A. Ferré	10,784	0.01542%
214	Administración de Compensaciones de Accidentes de Auto	384,399	0.54955%
217	Corporación de las Artes Musicales	18,083	0.02585%
219	Banco Gubernamental de Fomento	112,362	0.16064%
	Autoridad para el Financiamiento de Facilidades Industriales, Turísticas, Educativas, Médicas y de Control Ambiental (AFICA)	1,200	0.00172%
219a			
219c	Sub-Fondo Desarrollo Turismo (TDF)	1,100	0.00157%
221	Corporación para el Desarrollo de Comercios y Exportaciones	103,585	0.14809%
222	Compañía de Fomento Industrial (PRIDCO)	459,001	0.65621%
223	Compañía de Desarrollo Coop. de P.R.	1,700	0.00243%
224	Compañía de Turismo	182,582	0.26103%
227	Corporación del Centro Cardiovascular	55,559	0.07943%
228	Crop. Sup. Y Seg. Coop. (COSSEC)	14,071	0.02012%
229	Corporación Azucarera de PR (Land Authority)	186,165	0.26615%
235	Autoridad de Conservación y Desarrollo de Culebra	1,200	0.00172%
241	Administración de Servicios y Desarrollo Agropecuario	527,932	0.75475%
245	Banco de Desarrollo Economico (EDB)	36,333	0.05194%
249	Corporación para la Difusión Pública	42,558	0.06084%
270	Corporación de Seguros Agrícolas	4,784	0.00684%
272	Escuela de Artes Plásticas	11,333	0.01620%
293	Consejo de Educación Superior	3,600	0.00515%
295	Corporación Conservatorio de Música	16,624	0.02377%
507	Comisión Energía de PR	1,200	0.00172%
511	Administracion Financiamiento Vivienda (AFV)	118,959	0.17007%
	Total	\$ 69,947,484	100.00000%

See accompanying notes to schedule of employer allocations and schedule of OPEB amounts by employer.

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Other Postemployment Benefit Plan of the Commonwealth of Puerto Rico
for Retired Participants of the Employees' Retirement System

Schedule of OPEB Amounts by Employer

As of and for the year ended June 30, 2018

Agency Code	Agency Name	Total OPEB liability as of June 30, 2018	Year ended June 30, 2018		
			Proportionate share of OPEB expense (benefit)	Net amortization from changes in proportion	Total OPEB expense (benefit)
various	Commonwealth of Puerto Rico - Primary Government - Excluding blended component units	\$ 682,285,531	(6,819,089)	(6,380,280)	(13,199,369)
	Blended component units:				
115	Corporación de Servicio Centro Médico	14,600,907	(145,928)	571,702	425,774
203	Autoridad de Edificios Públicos	8,857,277	(88,524)	263,504	174,980
292	Administración de Seguros de Salud	136,363	(1,363)	13,715	12,352
502	Aut de Transporte Marítimo	176,311	(1,762)	37,282	35,520
	Subtotal for the Commonwealth of Puerto Rico - Primary Government	706,056,389	(7,056,666)	(5,494,077)	(12,550,743)
	Discretely presented component units:				
163	Fondo del Seguro del Estado	25,073,936	(250,601)	992,838	742,237
196	Instituto de Cultura Puertorriqueña	2,194,541	(21,933)	72,598	50,665
201	Autoridad de Acueductos y Alcantarillados	45,951,065	(459,257)	1,967,046	1,507,789
205	Autoridad Metropolitana de Autobuses	8,409,577	(84,049)	101,781	17,732
206	Autoridad de los Puertos	7,890,120	(78,858)	458,684	379,826
207	Autoridad de Tierras de P.R.	1,590,950	(15,901)	81,030	65,129
208	Autoridad de Carreteras	16,076,913	(160,680)	680,379	519,699
209	Autoridad de Naviera de PR	120,145	(1,201)	3,256	2,055
210	Autoridad para el Manejo de los Desperdicios Sólidos	169,484	(1,694)	27,959	26,265
211	Administración de Terrenos	987,251	(9,867)	26,496	16,629
212	Corporación del Centro de Bellas Artes, Luis A. Ferré	129,837	(1,298)	13,146	11,848
214	Administración de Compensaciones de Accidentes de Auto	4,628,083	(46,255)	474,406	428,151
217	Corporación de las Artes Musicales	217,716	(2,176)	1,922	(254)
219	Banco Gubernamental de Fomento	1,352,815	(13,521)	132,596	119,075
219a	Turísticas, Educativas, Médicas y de Control Ambiental (AFICA)	14,448	(144)	1,471	1,327
219c	Sub-Fondo Desarrollo Turismo (TDF)	13,244	(132)	1,348	1,216
221	Corporación para el Desarrollo de Comercios y Exportaciones	1,247,142	(12,465)	54,360	41,895
222	Compañía de Fomento Industrial (PRIDCO)	5,526,276	(55,232)	311,612	256,380
223	Compañía de Desarrollo Coop. de P.R.	20,468	(205)	(6,271)	(6,476)
224	Compañía de Turismo	2,198,249	(21,970)	10,415	(11,555)
227	Corporación del Centro Cardiovascular	668,919	(6,685)	3,148	(3,537)
228	Crop. Sup. Y Seg. Coop. (COSSEC)	169,412	(1,693)	27,987	26,294
229	Corporación Azucarera de PR (Land Authority)	2,241,388	(22,401)	(14,325)	(36,726)
235	Autoridad de Conservación y Desarrollo de Culebra	14,448	(144)	1,471	1,327
241	Administración de Servicios y Desarrollo Agropecuario	6,356,191	(63,527)	(27,278)	(90,805)
245	Banco de Desarrollo Economico (EDB)	437,442	(4,372)	(12,456)	(16,828)
249	Corporación para la Difusión Pública	512,389	(5,121)	13,326	8,205
270	Corporación de Seguros Agrícolas	57,598	(576)	6,985	6,409
272	Escuela de Artes Plásticas	136,447	(1,364)	(5,288)	(6,652)
293	Consejo de Educación Superior	43,343	(433)	4,412	3,979
295	Corporación Conservatorio de Música	200,149	(2,000)	(10,058)	(12,058)
507	Comisión Energía de PR	14,448	(144)	1,471	1,327
511	Administracion Financiamiento Vivienda (AFV)	1,432,241	(14,315)	97,610	83,295
	Total	\$ 842,153,064	(8,416,880)	0	(8,416,880)

See accompanying notes to schedule of employer allocations and schedule of OPEB amounts by employer.

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Other Postemployment Benefit Plan of the Commonwealth of Puerto Rico for Retired Participants of the Employees' Retirement System

Notes to Schedule of Employer Allocations and Schedule of OPEB Amounts by Employer

June 30, 2018

(1) Plan Description

The Other Postemployment Benefit Plan of the Commonwealth of Puerto Rico (the Commonwealth) for Retired Participants of the Employees' Retirement System (the Plan) is an unfunded, defined benefit other postemployment healthcare benefit plan (OPEB). The Plan is administered on a pay- as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB Statement No. 75). Under the guidance of GASB Statement No. 75, the Commonwealth and its component units are considered to be one employer and are classified for financial reporting purposes as a single-employer defined benefit OPEB plan. Therefore, the accompanying schedule of employer allocations and the schedule of OPEB amounts by employer (collectively, the Schedules) present the OPEB amounts attributable to the Commonwealth reporting entity (i.e., the Commonwealth and its component units).

The Plan covers a payment of up to \$100 per month to the eligible medical insurance plan selected by each member provided that the member retired prior to July 1, 2013 (Act No. 483, as amended by Act No. 3). The Plan is financed by the Commonwealth through legislative appropriations. There is no contribution requirement from the plan members during active employment. The retirees contribute the amount of the healthcare insurance premium not covered by the Commonwealth contribution. Plan members were eligible for benefits upon reaching the applicable retirement age. Act No. 3 of 2013 eliminated this healthcare benefit to the Plan members that retired after June 30, 2013.

(2) Basis of Presentation

The Schedules present amounts that are considered elements of the financial statements of the Commonwealth or its component units. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the Commonwealth or its component units.

The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of the Commonwealth to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

(3) Allocation Methodology

GASB Statement No. 75 requires that the primary government and its component units that provide OPEB benefits through the same defined benefit OPEB plan, recognize their proportionate share of the total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense (benefit). The employer allocation percentage presented in the accompany schedule of employer allocations and applied to amounts presented in the schedule of OPEB amounts by employer are based on the ratio of each participating entity's actual benefit payments to the total actual benefit payments paid by all participating entities during the year ending on the measurement date. Employer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer may result in immaterial differences.

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for Retired Participants of the Employees' Retirement System

Notes to Schedule of Employer Allocations and Schedule of
OPEB Amounts by Employer

June 30, 2018

(4) Total OPEB Liability and Actuarial Information

The total OPEB liability was approximately \$842.2 million as of June 30, 2018. The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018 (measurement date as of June 30, 2018). The actuarial valuation used the following actuarial assumptions applied to all periods in the measurement period.

(a) Actuarial Assumptions

Discount Rate

The discount rate for June 30, 2018 was 3.87%. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality

Pre-retirement Mortality

For general employees not covered under Act No. 127, RP-2014 Employee Mortality Rates for males and females adjusted to reflect Mortality Improvement Scale MP-2018 from the 2006 base year and projected forward using MP-2018 on a generational basis. For members covered under Act No. 127, RP-2014 Employee Mortality Rates are assumed with blue collar adjustments for males and adjusted to reflect Mortality Improvement Scale MP-2018 from the 2006 base year and projected forward using MP-2018 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.

100% of deaths while in active service are assumed to be occupational for members covered under Act 127.

Post-retirement Healthy Mortality

Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 92% of the rates from the UP-1994 Mortality Table for Males and 95% of the rates from the UP-1994 Mortality Table for Females, both projected from 1994 to 2010 using Scale AA. The base rates are projected using Mortality Improvement Scale

MP-2018 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

Post-retirement Disabled Mortality

Rates which vary by gender are assumed for disabled retirees based on a study of the Plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are equal to 105% of the rates from the UP-1994 Mortality Table for Males and 115% of the rates from the UP-1994 Mortality Table for Females. The base rates are projected using

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Other Postemployment Benefit Plan of the Commonwealth of Puerto Rico
for Retired Participants of the Employees' Retirement System

Supplemental Schedule of Intra-entity Allocations
Primary Government - Excluding Blended Component Units (Unaudited)

June 30, 2018

Agency Code	Agency Name	Actual employer benefit payments	Employer allocation percentage
various	Commonwealth of Puerto Rico - Primary Government - Excluding blended component units - Other agencies	\$ 53,492,439	76.47514%
101	Senado de Puerto Rico	179,091	0.25604%
103	Cámara de Representantes de P.R.	131,657	0.18822%
114	Oficina del Contralor	159,949	0.22867%
135	Departamento de Hacienda	1,746,829	2.49734%
135a	Loteria Tradicional	142,734	0.20406%
135b	Loteria Electronica (Lotto)	1,200	0.00172%
168	Departamento de la Vivienda	500,710	0.71584%
237	Departamento de Desarrollo Económico	47,169	0.06743%
242	Oficina de Etica Gubernamental	18,842	0.02694%
243	Instituto de Ciencias Forenses	57,657	0.08243%
250	Oficina del Panel del Fiscal Especial Independiente	1,200	0.00172%
262	Oficina de Preservación Histórica (ICP)	5,900	0.00843%
264	Oficina de Servicios Legislativos	37,039	0.05295%
265	Superintendencia del Capitolio	27,679	0.03957%
266	Administración de Vivienda Pública	115,590	0.16525%
296	Junta de Gobierno Servicio 911	3,534	0.00505%
	Total	\$ 56,669,219	81.01681%

See accompanying notes to supplemental schedules and independent auditors' report.

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Other Postemployment Benefit Plan of the Commonwealth of Puerto Rico
for Retired Participants of the Employees' Retirement System

Supplemental Schedule of Intra-entity OPEB Amounts

Primary Government - Excluding Blended Component Units (Unaudited)

June 30, 2018

Agency Code	Agency Name	Total OPEB liability as of June 30, 2018	Year ended June 30, 2018		
			Proportionate share of OPEB expense (benefit)	Net amortization from changes in proportion	Total OPEB expense (benefit)
	Commonwealth of Puerto Rico - Primary Government -				
various	Excluding blended component units - Other agencies	\$ 644,037,765	(6,436,825)	(7,831,029)	(14,267,854)
101	Senado de Puerto Rico	2,156,218	(21,550)	(50,803)	(72,353)
103	Cámara de Representantes de P.R.	1,585,123	(15,842)	19,869	4,027
114	Oficina del Contralor	1,925,752	(19,247)	13,788	(5,459)
135	Departamento de Hacienda	21,031,455	(210,198)	1,077,994	867,796
135a	Lotería Tradicional	1,718,487	(17,175)	64,905	47,730
135b	Lotería Electronica (Lotto)	14,448	(144)	5,182	5,038
168	Departamento de la Vivienda	6,028,444	(60,251)	149,643	89,392
237	Departamento de Desarrollo Económico	567,905	(5,676)	22,057	16,381
242	Oficina de Ética Gubernamental	226,854	(2,267)	14,906	12,639
243	Instituto de Ciencias Forenses	694,178	(6,938)	43,265	36,327
250	Oficina del Panel del Fiscal Especial Independiente	14,448	(144)	1,471	1,327
262	Oficina de Preservación Histórica (ICP)	71,035	(710)	6,038	5,328
264	Oficina de Servicios Legislativos	445,942	(4,457)	26,743	22,286
265	Superintendencia del Capitolio	333,249	(3,331)	4,960	1,629
266	Administración de Vivienda Pública	1,391,679	(13,909)	38,117	24,208
296	Junta de Gobierno Servicio 911	42,549	(425)	12,614	12,189
	Total	\$ 682,285,531	(6,819,089)	(6,380,280)	(13,199,369)

See accompanying notes to supplemental schedules and independent auditors' report.

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Notes to Supplemental Schedule of Intra-entity Allocations and Intra-entity OPEB Amounts –
Primary Government – Excluding Blended Component Units

June 30, 2018

Mortality Improvement Scale MP-2018 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

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

The following presents the total OPEB liability of the Plan at June 30, 2018 calculated using the discount rate of 3.58%, as well as the Plan's total OPEB liability if it were calculated using the discount rate of 1-percentage point lower (2.58%) or 1-percentage point higher (4.58%) than the current rate:

	1% decrease	Current	1% increase
	(2.87%)	discount rate	(4.87%)
	<u> </u>	<u> </u>	<u> </u>
Total OPEB liability	\$ 923,667,332	842,153,064	772,938,439

(5) Deferred Outflows of Resources and Deferred Inflows of Resources

Because all participants are inactive, there are no deferred outflows or inflows of resources as changes in actuarial assumptions, economic or demographic gains and losses, and changes in proportionate share are recognized immediately during the measurement year.

(6) OPEB Expense (Benefit)

The components of OPEB expense (benefit) for the year ending June 30, 2018 are as follows:

	<u>Amount</u>
Interest on total OPEB liability	\$ 31,713,470
Effect on economic/demographics gains and losses	(15,457,521)
Effect of assumptions changes or inputs	<u>(24,672,829)</u>
OPEB expense (benefit)	<u>\$ (8,416,880)</u>

The accompanying supplemental schedules of intra-entity allocations and intra-entity OPEB amounts are provided to assist in allocating the OPEB amounts that will be reported by the Primary Government of the Commonwealth of Puerto Rico with respect to its agencies and departments. For this purpose, the employer allocation percentage presented in the accompanying supplemental schedules of intra-entity allocations, and that have been applied to the amounts presented in the accompanying supplemental schedules of intra- entity OPEB amounts are based on the ratio of OPEB benefits paid by each individual agency or department to the total OPEB benefits paid by all participating entities during the year ended on the measurement date.