

AGENDA

**INVESTMENT AND FINANCE COMMITTEE MEETING
LEUCADIA WASTEWATER DISTRICT**

Wednesday, April 25, 2018 – 2:00 p.m.
1960 La Costa Avenue, Carlsbad, CA 92009

- 1. Call to Order**
- 2. Roll Call**
- 3. Public Comment**
- 4. New Business**
 - A. Recommend that the Board of Directors receive and file the Actuarial Valuation of LWD's Retiree Health Program as of June 30, 2017 (Pages 2 - 22)
- 5. Information Items**

None.
- 6. Directors' Comments**
- 7. General Manager's Comments**
- 8. Adjournment**

MEMORANDUM

Ref: 16-6182

DATE: April 19, 2018
TO: Investment & Finance Committee
FROM: Paul J. Bushee, General Manager 
SUBJECT: Actuarial Valuation of LWD's Retiree Health Program

RECOMMENDATION:

Staff requests that the Investment and Finance Committee (IFC):

1. Receive and file the Actuarial Valuation of LWD's Retiree Health Program as of June 30, 2017; and
2. Discuss and provide direction, as appropriate.

DISCUSSION:

Tactical Goal: Financial/OPEB Valuation and Implementation

During 2004, the Government Accounting Standards Board (GASB) issued statements (No's. 43 and 45) requiring agencies such as LWD to report their liability for other post employment benefits (OPEB) in a footnote to their financial statements and to expense their OPEB costs based on a funding calculation. For LWD, this meant that the district had to account for how it would pay for retiree health benefits over the working career of employees rather than on a pay-as-you-go basis. In July 2008, LWD staff contracted with The Epler Company (now Nyhart Company) to perform an initial actuarial valuation of its retiree health program. Following this valuation, the Board authorized staff to pre-fund its actuarial liability through the California Employees' Retiree Benefit Trust (CERBT) with an initial deposit of approximately \$176,000.

In June 2015 GASB issued statements (No's. 74 and 75) requiring agencies, such as LWD, to calculate and report their Net OPEB Liability on the face of their financial statements. In January 2018, LWD staff contracted with Nyhart Company to perform an actuarial valuation of its retiree health program, in accordance with GASB statements (No's. 74 and 75).

This agenda item, which is a fiscal year 2018 tactical goal, presents the results of this recent actuarial valuation as of June 30, 2017. Based on this most recent report, the District's Net OPEB Liability is actually a Net OPEB Asset of \$123,127. The District's Plan Fiduciary Net Position (CERBT Trust investments) of \$395,490 were greater than the District's Total OPEB liability of \$272,363.

Ms. Marilyn Jones of Nyhart Company will present an overview of the actuarial valuation. A copy of the valuation report is attached.

Staff requests that the IFC receive and discuss the report. With the IFC's approval, this item will be placed on the consent calendar for the Board's May 9, 2018 meeting.

rad:PB

Attachment

CASB Nos. 74 & 75 ACTUARIAL VALUATION

Fiscal Year Ending June 30, 2018
(Measured at June 30, 2017)

Leucadia Wastewater District



nyhart

Nyhart Actuary & Employee Benefits
530 B Street, Ste. 900, San Diego, CA 92101
(619) 239-0831 - www.nyhart.com

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Mr. Richard Duffy
Leucadia Wastewater District
1960 La Costa Ave
Carlsbad, CA 92009

3/20/2018

This report summarizes the GASB actuarial valuation for the Leucadia Wastewater District's Other Post Employment Benefit (OPEB) for the fiscal year ending June 30, 2018 (measured at June 30, 2017). Nyhart prepared this report to meet employer financial accounting requirements under Governmental Accounting Standards Board (GASB) Statement No. 75 (Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions). To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statement No. 75.

The information presented herein is based on the actuarial assumptions and substantive plan provisions summarized in this report and participant information furnished to us by the Plan Sponsor. We have reviewed the employee census provided by the Plan Sponsor for reasonableness when compared to the prior information provided but have not audited the information at the source, and therefore do not accept responsibility for the accuracy or the completeness of the data on which the information is based. When relevant data may be missing, we may have made assumptions we feel are neutral or conservative to the purpose of the measurement. We are not aware of any significant issues with and have relied on the data provided.

The discount rate, other economic assumptions, and demographic assumptions have been selected by the Plan Sponsor with the concurrence of Nyhart. In our opinion, the actuarial assumptions are individually reasonable and in combination represent our estimate of anticipated experience of the Plan. All calculations have been made in accordance with generally accepted actuarial principles and practice.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period and roll-forward techniques); and changes in plan provisions or applicable law.

We did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement.

To our knowledge, there have been no significant events prior to the current year's measurement date or as of the date of this report that could materially affect the results contained herein.

Neither Nyhart nor any of its employees has any relationship with the plan or its sponsor that could impair or appear to impair the objectivity of this report. Our professional work is in full compliance with the American Academy of Actuaries "Code of Professional Conduct" Precept 7 regarding conflict of interest. The undersigned meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Should you have any questions please do not hesitate to contact us.


Marilyn Jones, ASA, EA, MAAA
Consulting Actuary


Luis Murillo, ASA, MAAA
Valuation Actuary

Retiree Health Plan
CASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2017)
Valuation Results Summary

As of Valuation Date: June 30, 2017

Present Value of Employer Contributions

	Explicit	Implicit	Total
Actives	\$ 158,474	\$ 86,504	\$ 244,978
Retirees	69,693	37,814	107,507
Total	\$ 228,167	\$ 124,318	\$ 352,485

Total (Accrued) OPEB Liability

Actives	\$ 111,688	\$ 53,167	\$ 164,855
Retirees	69,693	37,814	107,507
Total	\$ 181,381	\$ 90,981	\$ 272,362

Projected Employer Contributions for ending June 30,

	Explicit	Implicit	Total
2018	\$ 5,827	\$ 7,626	\$ 13,453
2019	6,961	8,507	15,468
2020	8,527	10,145	18,672
2021	9,778	13,798	23,576
2022	10,721	10,210	20,931
2023	11,772	10,347	22,119
2024	12,534	10,131	22,665
2025	13,286	10,365	23,651
2026	13,988	5,668	19,656
2027	14,933	5,278	20,211

Actuarial Assumptions as of Valuation Date

Inflation	2.75%
Salary increases	3.00%
Discount rate	7.00%

Plan Membership

Inactive plan members or beneficiaries currently receiving benefits
Inactive plan members entitled to but not yet receiving benefits
Active plan members

	3
	0
	20
	<u>23</u>

Net OPEB Liability

The components of the Net OPEB Liability at June 30,

Total OPEB Liability	2017
Plan fiduciary net position	\$ 272,363
Net OPEB Liability	(395,490)
	<u>\$ (123,127)</u>

Plan fiduciary net position as a % of the Total OPEB Liability

145.21%

OPEB Expense for the Fiscal Year Ended June 30,

\$ 1,935

Actuarial Assumptions

The Total OPEB Liability was determined using the following actuarial assumptions.

Inflation	2.75%
Salary increases	3.00%
Investment rate of return	7.00%
Discount rate	7.00%

Plan Membership

The Total OPEB Liability was determined based on the plan membership as of June 30,

	2017
Inactive plan members or beneficiaries currently receiving benefits	3
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	20
	<u>23</u>

Retiree Health Plan

CASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2017)
Statement of Fiduciary Net Position

	<u>June 30, 2017</u>
Assets	
Cash and deposits	N/A
Securities lending cash collateral	N/A
Total cash	N/A
Receivables:	
Contributions	N/A
Due from broker for investments sold	N/A
Investment income	N/A
Accrued Income	N/A
Total receivables	N/A
Investments:	
Fixed income obligations and mutual funds	N/A
Domestic equities	N/A
International equities	N/A
Alternative assets/private equity	N/A
Total investments	N/A
Total assets	N/A
Liabilities	
Payables:	
Investment management fees	N/A
Due to broker for investments purchased	N/A
Collateral payable for securities lending	N/A
Other	N/A
Total liabilities	N/A
Net position restricted for OPEB	\$ 395,490

Note: This information will be provided separately from the CERBT GASB 74 information.

Retiree Health Plan

GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2017)

Statement of Changes in Fiduciary Net Position

	<u>June 30, 2017</u>
Additions	
Contributions:	
Employer	\$ 27,373
Member	0
Nonemployer Contributing Entity	0
Total contributions	<u>\$ 27,373</u>
Investment income:	
Net increase in fair value of investments	\$ 37,240
Interest and dividends	0
Less investment expense, other than from securities lending	0
Net income other than from securities lending	<u>\$ 37,240</u>
Securities lending income	0
Less securities lending expense	0
Net income from securities lending	<u>\$ 0</u>
Net investment income	<u>\$ 37,240</u>
Other	0
Total additions	<u>\$ 64,613</u>
Deductions	
Benefit payments	\$ 21,841
Administrative expense	189
Investment Fees	0
Total deductions	<u>\$ 22,030</u>
Net increase in net position	<u>\$ 42,583</u>
Net position restricted for OPEB	
Beginning of year	<u>\$ 352,907</u>
End of year	<u>\$ 395,490</u>

Note: The employer contributions include retiree benefit payments inclusive of subsidy not reimbursed from the trusts.

Retiree Health Plan
CASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2017)
Schedule of Changes in Net OPEB Liability and Related Ratios

	2017
Total OPEB Liability	
Service cost	\$ 10,573
Interest	18,533
Changes of benefit terms	0
Differences between expected and actual experience	0
Changes of assumptions	0
Benefit payments, including refunds of member contributions	(21,841)
Net change in Total OPEB Liability	<u>7,265</u>
Total OPEB Liability - beginning	265,098
Total OPEB Liability - ending (a)	<u>\$ 272,363</u>
Plan fiduciary net position	
Contributions - employer	27,373
Contributions - member	0
Contributions - nonemployer contributing member	0
Net investment income	37,240
Benefit payments, including refunds of member contributions	(21,841)
Administrative expenses	(189)
Other	0
Net change in plan fiduciary net position	<u>\$ 42,583</u>
Plan fiduciary net position - beginning	352,907
Plan fiduciary net position - ending (b)	<u>\$ 395,490</u>
Net OPEB Liability - ending (a) - (b)	<u>\$ (123,127)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	145.2%
Covered - employee payroll	NA
Net OPEB Liability as percentage of covered-employee payroll	NA

Retiree Health Plan
CASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2017)
OPEB Expense

Service cost	\$	10,573
Interest on Total OPEB Liability		18,533
Projected earnings on OPEB plan investments		(24,890)
Reduction for contributions from active employees		0
OPEB plan administrative expense		189
Changes of benefit terms		0
Other changes		0
Current period recognition of deferred outflows/(inflows) of resources		
Differences between Expected & Actual Experience		0
in measurement of the Total OPEB Liability		0
Changes of assumptions		0
Differences between Projected & Actual Earnings on		
OPEB Plan Investments		(2,470)
Annual OPEB Expense	\$	1,935

Retiree Health Plan

GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2017)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Differences between expected and actuarial experience in measurement of the Total OPEB Liability for the period ending:	Initial		Annual		06/30/2017
	Balance	Amortization Period	Recognition	Balance	
June 30, 2017	\$ 0	N/A	\$ 0	\$ 0	0
Total			\$ 0	\$ 0	0
Changes of assumptions for the period ending:	Initial		Annual		06/30/2017
	Balance	Amortization Period	Recognition	Balance	
June 30, 2017	\$ 0	N/A	\$ 0	\$ 0	0
Total			\$ 0	\$ 0	0
Differences between projected and actual earnings on OPEB plan investments for the period ending:	Initial		Annual		06/30/2017
	Balance	Amortization Period	Recognition	Balance	
June 30, 2017	\$ (12,350)	5	\$ (2,470)	\$ (9,880)	
Total			\$ (2,470)	\$ (9,880)	

The balances as of June 30, 2017 of the deferred outflows/(inflows) of resources will be recognized in OPEB expense for the period ending June 30,

2018	\$ (2,470)
2019	\$ (2,470)
2020	\$ (2,470)
2021	\$ (2,470)
2022	\$ 0
Thereafter	\$ 0

Discount rate

The discount rate used to measure the Total OPEB Liability is 7.00%.

Sensitivity of the Net OPEB Liability to changes in the discount rate

The following presents the Net OPEB Liability, calculated using the discount rate of 7.00%, as well as what the Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	\$ (89,983)	\$ (123,127)	\$ (150,732)

Sensitivity of the Net OPEB Liability to changes in healthcare cost trend rates

	1% Decrease (5.00% HMO/5.50% PPO decreasing to 4.00% HMO/4.00% PPO)	Current Healthcare Cost Trend Rates (6.00% HMO/6.50% PPO decreasing to 5.00% HMO/5.00% PPO)	1% Increase (7.00% HMO/7.50% PPO decreasing to 6.00% HMO/6.00% PPO)
Net OPEB Liability	\$ (154,705)	\$ (123,127)	\$ (84,320)

Retiree Health Plan
CASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2017)
Schedule of Contributions

	2017
Actuarially determined contribution	\$ 10,836
Contributions in relation to the actuarially determined contribution	27,373
Contribution deficiency (excess)	\$ (16,537)
Covered-employee payroll	NA
Contributions as a percentage of covered-employee payroll	NA

The long-term expected rate of return on OPEB plan investments was determined using a building-block method 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
CERBT		
US Equity	30.0%	4.85%
International Equity	27.0%	5.85%
REITs	8.0%	3.65%
US Fixed Income	27.0%	2.35%
Commodities	3.0%	1.75%
Inflation Assets	5.0%	1.50%
Total	100.0%	

Long-term expected rate of return is 7.00%.

The valuation was based on the census furnished to us by the District. The following tables display the age distribution for retirees and the age/service distribution for active employees.

Age Distribution of Eligible Retired Participants & Beneficiaries*

	With Medical Coverage	Waived Medical Coverage	Total
<55	0	1	1
55-59	0	1	1
60-64	1	0	1
65-69	1	3	4
70-74	0	0	0
75-79	1	2	3
80+	0	0	0
Total:	3	7	10
Average Age:	68.6	65.2	66.3
Average Retirement Age:	59.9	55.1	56.6

*Excludes 4 retired employees who are not eligible for continuation of coverage. Retirees waiving coverage may elect coverage at a future date.

Age/Service Distribution of Active Participants**

(Based on CalPERS reported dates of hire)

Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	Total
20-24	0									0
25-29	1									1
30-34	3	1								4
35-39	1	1	0	1						3
40-44	1	1	2	0						4
45-49	0	0	1	0	0	1				2
50-54	0	0	1	0	0	0	0	1		2
55-59	0	0	0	1	0	0	1	0	0	2
60-64	1	0	0	0	0	0	0	0	0	1
65+	0	0	0	0	1	0	0	0	0	1
Total:	7	3	4	2	1	1	1	1	0	20
Average Age:			45.8							
Average Service:			11.9							

**Employee statistics exclude 2 non-employee Board Members who are also eligible for health benefits at retirement.

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2017)
Benefit Plan Provisions

This study analyzes the postretirement health benefit plans provided by the District. The District contributes to the retiree health coverage of eligible retirees and eligible surviving spouses. The District's financial obligation is as follows:

The District provides the minimum required employer contribution under the CalPERS Health Plan for eligible retirees and surviving spouses in receipt of a pension benefit from CalPERS. An employee is eligible for this employer contribution provided they are vested in their CalPERS pension benefit and commence payment of their pension benefit within 120 days of retirement from the District. Vesting requires at least 5 years of CalPERS total service. The surviving spouse of an eligible retiree who elected spouse coverage under CalPERS is eligible for the employer contribution upon the death of the retiree. Board Members during or prior to 1994 are also eligible for a District contribution at retirement.

The scheduled minimum required employer contributions under the CalPERS Health Plan are as follows:

Calendar Year	Minimum Required Employer Contribution
2006	\$64.60
2007	\$80.80
2008	\$97.00
2009	\$101.00
2010	\$105.00
2011	\$108.00
2012	\$112.00
2013	\$115.00
2014	\$119.00
2015	\$122.00
2016	\$125.00
2017	\$128.00
2018	\$133.00
2019+	Adjusted Annually to reflect Medical Portion of CPI

Premium Rates

The District participates in the CalPERS Health Program, a community-rated program for its medical coverage. The following tables summarize the 2017 and 2018 monthly premiums for the primary medical plans in which the retirees are enrolled.

2017 Other	So. Cal. Region	Kaiser	BS HMO	PERSCare	PERSchoice	PERS Select
Retiree Only		\$ 599.54	\$ 778.45	\$ 802.24	\$ 714.43	\$ 633.46
Retiree Plus Spouse		\$1,199.08	\$1,556.90	\$1,604.48	\$1,428.86	\$1,266.92
Retiree Plus Family		\$1,558.80	\$2,023.97	\$2,085.82	\$1,857.52	\$1,647.00
Retiree Only- Medicare		\$ 300.48	N/A	\$ 389.76	\$ 353.63	\$ 353.63
Retiree Plus Spouse - Medicare		\$ 600.96	N/A	\$ 779.52	\$ 707.26	\$ 707.26

Retiree Health Plan
CASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2017)
Benefit Plan Provisions

2017 Other So. Cal. Region (Continued)	Sharp HMO	UHC HMO	Anthem HMO Select	Anthem HMO Traditional	Health Net Salud	Health Net Smart Care
Retiree Only	\$ 614.46	\$ 549.76	\$ 659.03	\$ 799.15	\$ 473.46	\$ 537.20
Retiree Plus Spouse	\$1,228.92	\$1,099.52	\$1,318.06	\$1,598.30	\$ 946.92	\$1,074.40
Retiree Plus Family	\$1,597.60	\$1,429.38	\$1,713.48	\$2,077.79	\$1,231.00	\$1,396.72
Retiree Only- Medicare	N/A	\$ 324.21	N/A	N/A	N/A	N/A
Retiree Plus Spouse - Medicare	N/A	\$ 648.42	N/A	N/A	N/A	N/A

2018 Other So. Cal. Region	Kaiser	BS HMO	PERSCare	PERSChoice	PERS Select
Retiree Only	\$ 666.80	\$ 695.97	\$ 733.50	\$ 698.96	\$ 654.74
Retiree Plus Spouse	\$1,333.60	\$1,391.94	\$1,467.00	\$1,397.92	\$1,309.48
Retiree Plus Family	\$1,733.68	\$1,809.52	\$1,907.10	\$1,817.30	\$1,702.32
Retiree Only- Medicare	\$ 316.34	N/A	\$ 382.30	\$ 345.97	\$ 345.97
Retiree Plus Spouse - Medicare	\$ 632.68	N/A	\$ 764.60	\$ 691.94	\$ 691.94

2018 Other So. Cal. Region (Continued)	Sharp HMO	UHC HMO	Anthem HMO Select	Anthem HMO Traditional	Health Net Salud	Health Net Smart Care
Retiree Only	\$ 618.14	\$ 616.66	\$ 659.69	\$ 735.08	\$ 461.56	\$ 607.68
Retiree Plus Spouse	\$1,236.28	\$1,233.32	\$1,319.38	\$1,470.16	\$ 923.12	\$1,215.36
Retiree Plus Family	\$1,607.16	\$1,603.32	\$1,715.19	\$1,911.21	\$1,200.06	\$1,579.97
Retiree Only- Medicare	N/A	\$ 330.76	N/A	N/A	N/A	N/A
Retiree Plus Spouse - Medicare	N/A	\$ 661.52	N/A	N/A	N/A	N/A

The liabilities set forth in this report are based on the actuarial assumptions described in this section.

Fiscal Year:	July 1 st to June 30 th
Valuation Date:	June 30, 2017
Fiscal Periods Covered:	FY2017/18 and FY2018/19
Funding Practice:	Fund a recommended actuarially determined contribution (ADC) to fully fund the benefits over a reasonable period of time through an amortization of the net (unfunded) OPEB liability. The current actuarially determined contribution = \$0 as the District's assets exceed the present value of projected District contributions towards retiree medical coverage.
Asset Return:	7% per year; assumes the District invests in the CERBT asset allocation Strategy 1 with a margin for adverse deviation of 28 bps.
Discount Rate:	7% per annum.
Inflation:	Sensitivity analysis showing a 1% increase or decrease in the discount rate is also provided. 2.75% per annum
Salary Increases:	3.0% per annum, in aggregate

Pre-retirement Turnover: According to the termination rates under the CalPERS pension plan. Sample rates for Miscellaneous employees are as follows:

Service	Entry Age				
	20	30	40	50	
0	17.42%	16.06%	14.68%	13.32%	
5	8.68%	7.11%	5.54%	0.97%	
10	6.68%	5.07%	0.71%	0.38%	
15	5.03%	3.47%	0.23%	0.04%	
20	3.70%	0.21%	0.05%	0.01%	
25	2.29%	0.05%	0.01%	0.01%	
30	0.05%	0.01%	0.01%	0.01%	

Pre-retirement Mortality:

According to the pre-retirement mortality rates under the CalPERS pension plan updated to reflect the most recent experience study. Sample deaths per 1,000 employees applicable to Miscellaneous employees are as follows:

Age	Males	Females
25	0.4	0.2
30	0.5	0.3
35	0.6	0.4
40	0.8	0.5
45	1.1	0.7
50	1.6	1.0
55	2.3	1.4
60	3.1	1.8

Post-retirement Mortality:

According to the post-retirement mortality rates under the CalPERS pension plan updated to reflect the most recent published experience study. Sample deaths per 1,000 employees applicable to Miscellaneous employees are as follows:

Age	Males	Females
55	6.0	4.2
60	7.1	4.4
65	8.3	5.9
70	13.1	9.9
75	22.1	17.2
80	39.0	29.0
85	69.7	52.4
90	129.7	98.9

Retirement Age:

According to the retirement rates under the most recent CalPERS pension plan experience study. According to the following retirement tables:

Miscellaneous Tier 1: 3.0% @60

Miscellaneous Tier 2: 2.0% @62

Participation Rates:

50% of eligible active employees are assumed to elect medical coverage at retirement. Future retirees are assumed to elect similar plans as current retirees. Actual plan coverage is used for current retirees.

Spouse Coverage:

50% of future retirees are assumed to elect coverage for their spouse. Male spouses are assumed to be 3 years older than female spouses. Actual spouse coverage and spouse ages are used for current retirees.

Dependent Coverage:

Not explicitly valued.

Claim Cost Development:

The valuation claim costs are based on the premiums paid for medical insurance coverage. The District participates in CalPERS, a community rated plan. An implicit rate subsidy can exist when the non-Medicare rates for retirees are the same as for active employees. Since non-Medicare eligible retirees are typically much older than active employees, their actual medical costs are typically higher than for active employees. The current valuation contains an estimate of the implicit rate subsidy.

Medical Trend Rates:

Medical costs are adjusted in future years by the following trends:

Year	PPO	HMO
2018	Actual	Actual
2019	6.5%	6.0%
2020	6.0%	5.5%
2021	5.5%	5.0%
2022+	5.0%	5.0%

Minimum Contribution:

The CalPERS minimum required contribution is assumed to increase 4% per year.

Actuarial Cost Method:

The actuarial cost method used to determine the allocation of the retiree health actuarial liability to the past (accrued), current and future periods is the Entry Age Normal (EAN) cost method. The EAN cost method is a projected benefit cost method which means the "cost" is based on the projected benefit expected to be paid at retirement.

The EAN normal cost equals the level annual amount of contribution from the employee's date of hire (entry date) to their retirement date that is sufficient to fund the projected benefit. While both are acceptable methods, typically for plans unrelated to pay the normal cost is calculated to remain level in dollars and for pay-related plans the normal cost is calculated to remain level as a percentage of pay. The District has elected to use level percentage of pay. The EAN actuarial accrued liability or total OPEB liability equals the present value of all future benefits for retired and current employees and their beneficiaries less the portion expected to be funded by future normal costs.

All eligible employees and participating retirees and spouses as of the measurement date listed in the data provided by the District were included in the valuation in accordance with the provisions of the Plan.

Actuarial Value of Assets:

Any assets of the plan will be valued on a market value basis.