

AGENDA

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

Tuesday, June 2, 2020 – 9:30 a.m.

Via Teleconference

Pursuant to the State of California Executive Order N-29-20, and in the interest of public health, the District is temporarily taking actions to mitigate the COVID-19 pandemic by holding meetings by teleconference. The general public may not attend this meeting at the District's office due to social distancing requirements.

Members of the public attending via teleconference will be provided with an opportunity to comment on each agenda item prior to Committee discussion.

To join this meeting via Teleconference please dial: (669) 900-6833

Meeting ID: 824 2787 5448 Password: 030780

1. **Call to Order**
2. **Roll Call**
3. **Public Comment**
4. **New Business**
 - A. OPEB - Recommend that the Board of Directors receive and file the Actuarial Valuation of LWD's Retiree Health Program as of June 30, 2019.
 (Pages 2 - 26)
5. **Information Items**

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

MEMORANDUM

Ref: 20-7167

DATE: May 28, 2020
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 for June 30, 2020 (measured at June 30, 2019); 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). An actuarial valuation of the retiree health program is required to be performed every 2 years. In May 2019 LWD staff contracted with Nyhart Company to perform the required actuarial valuation for June 30, 2020 (measured at June 30, 2019).

This agenda item, which is a fiscal year 2020 tactical goal, presents the results of this recent actuarial valuation. Based on this most recent report, the District's Net OPEB Liability is actually a Net OPEB Asset of \$75,859. The District's Plan Fiduciary Net Position (CERBT Trust investments) of \$452,430 were greater than the District's Total OPEB liability of \$376,571.

Mr. James Burns 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 June 10, 2020 meeting.

rad:PB

Attachment



nyhart
part of FuturePlan by Ascensus®

Leucadia Wastewater District

Nyhart Actuary & Employee Benefits

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GASB No. 75 ACTUARIAL VALUATION

Fiscal Year Ending June 30, 2020

(Measured at June 30, 2019)

Certification	1
Valuation Results Summary	3
GASB 75 Summary	4
Statement of Fiduciary Net Position	5
Statement of Changes in Fiduciary Net Position	6
Schedule of Changes in Net OPEB Liability and Related Ratios	7
OPEB Expense	8
Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB	9
Rate of Return	10
Net OPEB Liability Sensitivity	11
Schedule of Contributions	12
Valuation Data	13
Benefit Plan Provisions	14
Actuarial Assumptions and Methods	17
Glossary	20

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

3/25/2020

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, 2020 (measured at June 30, 2019). 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.



Suraj Datta, ASA, MAAA, MBA
Consulting Actuary



Randy Gomez, FSA, MAAA
Consulting Actuary

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
Valuation Results Summary

As of Valuation Date: June 30, 2019

Present Value of Employer Contributions	Explicit	Implicit	Total
Actives	\$ 203,358	\$ 177,032	\$ 380,390
Retirees	68,907	45,860	114,767
Total	\$ 272,265	\$ 222,892	\$ 495,157

Total (Accrued) OPEB Liability			
Actives	\$ 148,547	\$ 113,257	\$ 261,804
Retirees	68,907	45,860	114,767
Total	\$ 217,454	\$ 159,117	\$ 376,571

Projected Employer Contributions	Explicit	Implicit	Total
2020	\$ 8,358	\$ 13,260	\$ 21,618
2021	10,204	20,672	30,876
2022	11,463	15,919	27,382
2023	12,700	16,940	29,640
2024	13,597	16,760	30,357
2025	14,347	16,936	31,283
2026	15,095	10,270	25,365
2027	16,202	9,639	25,841
2028	16,779	6,889	23,668
2029	17,346	8,961	26,307

Actuarial Assumptions as of Valuation Date		
Inflation		2.50%
Salary increases		2.75%
Discount rate		7.00%

Plan Membership	
Inactive plan members or beneficiaries currently receiving benefits	3
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	<u>23</u>
	26

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
GASB 75 Summary

Net OPEB Liability

The components of the Net OPEB Liability at June 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability	\$ 376,571	\$ 290,778	\$ 272,363
Plan fiduciary net position	(452,430)	(426,223)	(395,490)
Net OPEB Liability	<u>\$ (75,859)</u>	<u>\$ (135,445)</u>	<u>\$ (123,127)</u>
Plan fiduciary net position as a % of the Total OPEB Liability	120.14%	146.58%	145.21%
OPEB Expense for the Fiscal Year Ended June 30,	\$ 8,438	\$ 582	\$ 1,935

Actuarial Assumptions

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

Inflation	2.50%	2.75%	2.75%
Salary increases	2.75%	3.00%	3.00%
Investment rate of return	7.00%	7.00%	7.00%
Discount rate	7.00%	7.00%	7.00%

Plan Membership

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

	<u>2019</u>	<u>2017</u>	<u>2017</u>
Inactive plan members or beneficiaries currently receiving benefits	3	3	3
Inactive plan members entitled to but not yet receiving benefits	0	0	0
Active plan members	<u>23</u>	<u>20</u>	<u>20</u>
	26	23	23

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
Statement of Fiduciary Net Position

	June 30, 2019
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	\$ 452,430

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

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
Statement of Changes in Fiduciary Net Position

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Additions			
Contributions:			
Employer	\$ 13,349	\$ 12,324	\$ 27,373
Member	0	0	0
Nonemployer Contributing Entity	0	0	0
Total contributions	<u>\$ 13,349</u>	<u>\$ 12,324</u>	<u>\$ 27,373</u>
Investment income:			
Net increase in fair value of investments	\$ 26,298	\$ 31,467	\$ 37,240
Interest and dividends	0	0	0
Less investment expense, other than from securities lending	0	0	0
Net income other than from securities lending	<u>\$ 26,298</u>	<u>\$ 31,467</u>	<u>\$ 37,240</u>
Securities lending income	0	0	0
Less securities lending expense	0	0	0
Net income from securities lending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net investment income	<u>\$ 26,298</u>	<u>\$ 31,467</u>	<u>\$ 37,240</u>
Other	0	0	0
Total additions	<u>\$ 39,647</u>	<u>\$ 43,791</u>	<u>\$ 64,613</u>
Deductions			
Benefit payments	\$ 13,349	\$ 12,324	\$ 21,841
Administrative expense	91	211	189
Other expense	0	523	0
Total deductions	<u>\$ 13,440</u>	<u>\$ 13,058</u>	<u>\$ 22,030</u>
Net increase in net position	<u>\$ 26,207</u>	<u>\$ 30,733</u>	<u>\$ 42,583</u>
Net position restricted for OPEB			
Beginning of year	<u>\$ 426,223</u>	<u>\$ 395,490</u>	<u>\$ 352,907</u>
End of year	<u>\$ 452,430</u>	<u>\$ 426,223</u>	<u>\$ 395,490</u>

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

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
Schedule of Changes in Net OPEB Liability and Related Ratios

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability			
Service cost	\$ 11,652	\$ 11,313	\$ 10,573
Interest	20,703	19,426	18,533
Changes of benefit terms	0	0	0
Differences between expected and actual experience	29,797	0	0
Changes of assumptions	36,990	0	0
Benefit payments, including refunds of member contributions	<u>(13,349)</u>	<u>(12,324)</u>	<u>(21,841)</u>
Net change in Total OPEB Liability	85,793	18,415	7,265
Total OPEB Liability - beginning	<u>290,778</u>	<u>272,363</u>	<u>265,098</u>
Total OPEB Liability - ending (a)	<u>\$ 376,571</u>	<u>\$ 290,778</u>	<u>\$ 272,363</u>
Plan fiduciary net position			
Contributions - employer	\$ 13,349	\$ 12,324	\$ 27,373
Contributions - member	0	0	0
Contributions - nonemployer contributing member	0	0	0
Net investment income	26,298	31,467	37,240
Benefit payments, including refunds of member contributions	(13,349)	(12,324)	(21,841)
Administrative expenses	(91)	(211)	(189)
Other expense	0	(523)	0
Net change in plan fiduciary net position	\$ 26,207	30,733	\$ 42,583
Plan fiduciary net position - beginning	<u>426,223</u>	<u>395,490</u>	<u>352,907</u>
Plan fiduciary net position - ending (b)	<u>\$ 452,430</u>	<u>\$ 426,223</u>	<u>\$ 395,490</u>
Net OPEB Liability - ending (a) - (b)	<u>\$ (75,859)</u>	<u>\$ (135,445)</u>	<u>\$ (123,127)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	120.1%	146.6%	145.2%
Covered - employee payroll	Not Available	Not Available	Not Available
Net OPEB Liability as percentage of covered-employee payroll	Not Available	Not Available	Not Available

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
OPEB Expense

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Service cost	\$ 11,652	\$ 11,313	\$ 10,573
Interest on Total OPEB Liability	20,703	19,426	18,533
Projected earnings on OPEB plan investments	(29,832)	(27,659)	(24,890)
Reduction for contributions from active employees	0	0	0
OPEB plan administrative expense	91	734	189
Changes of benefit terms	0	0	0
Other changes	0	0	0
Current period recognition of deferred outflows/(inflows) of resources			
Differences between Expected & Actual Experience in measurement of the Total OPEB Liability	3,725	0	0
Changes of assumptions	4,624	0	0
Differences between Projected & Actual Earnings on OPEB Plan Investments	(2,525)	(3,232)	(2,470)
Annual OPEB Expense	<u>\$ 8,438</u>	<u>\$ 582</u>	<u>\$ 1,935</u>

12

Retiree Health Plan

GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
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 Balance	Initial Amortization Period	Annual Recognition	06/30/2019 Balance
June 30, 2019	\$ 29,797	8	\$ 3,725	\$ 26,072
June 30, 2018	0	7	0	0
Total			\$ 3,725	\$ 26,072

Changes of assumptions for the period ending:	Initial Balance	Initial Amortization Period	Annual Recognition	06/30/2019 Balance
June 30, 2019	\$ 36,990	8	\$ 4,624	\$ 32,366
June 30, 2018	0	7	0	0
Total			\$ 4,624	\$ 32,366

Differences between projected and actual earnings on OPEB plan investments for the period ending:	Initial Balance	Initial Amortization Period	Annual Recognition	06/30/2019 Balance
June 30, 2019	\$ 3,534	5	\$ 707	\$ 2,827
June 30, 2018	(3,808)	5	(762)	(2,284)
June 30, 2017	(12,350)	5	(2,470)	(4,940)
Total			\$ (2,525)	\$ (4,397)

The balances as of June 30, 2019 of the deferred outflows/(inflows) of resources will be recognized in OPEB expense for the period ending June 30,

2020	\$	5,824
2021	\$	5,824
2022	\$	8,296
2023	\$	9,055
2024	\$	8,349
Thereafter	\$	16,693

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
Rate of Return

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, 2019 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
<i>CERBT</i>		
Global Equity	59.0%	5.50%
Global Debt Securities	25.0%	2.35%
Inflation Assets	5.0%	1.50%
Commodities	3.0%	1.75%
REITs	8.0%	3.65%
Total	100.0%	

Long-term expected rate of return is 7.00%.

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	\$ (33,044)	\$ (75,859)	\$ (111,896)

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

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
	(5.50%HMO/5.50%PPO decreasing to 4.00%HMO/4.00%PPO)	(6.50%HMO/6.50%PPO decreasing to 5.00%HMO/5.00%PPO)	(7.50%HMO/7.50%PPO decreasing to 6.00%HMO/6.00%PPO)
Net OPEB Liability	\$ (92,356)	\$ (75,859)	\$ (51,205)

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
Schedule of Contributions

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 0	\$ 0	\$ 10,836
Contributions in relation to the actuarially determined contribution	13,349	12,324	27,373
Contribution deficiency (excess)	\$ (13,349)	\$ (12,324)	\$ (16,537)
Covered-employee payroll	Not Available	Not Available	Not Available
Contributions as a percentage of covered-employee payroll	Not Available	Not Available	Not Available

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
Valuation Data

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 as of the Valuation Date.

Age Distribution of Eligible Retired Participants & Beneficiaries*

	With Medical Coverage	Waived Medical Coverage	Total
<55	0	1	1
55-59	0	0	0
60-64	1	1	2
65-69	1	1	2
70-74	0	3	3
75-79	1	1	2
80+	<u>0</u>	<u>0</u>	<u>0</u>
Total:	3	7	10
Average Age:	70.9	67.2	68.3
Average Retirement Age:	60.4	55.6	57.1

*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	Service									Total	
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44		
20-24											1
25-29	1										1
30-34	1	1	1								3
35-39	1	1	0								2
40-44	0	3	1	1							5
45-49	0	0	1	0							1
50-54	0	0	0	1	0						1
55-59	0	0	0	0	0	1					1
60-64	0	0	0	2	0	0	0	1	0		3
65+	<u>1</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>2</u>	<u>1</u>	<u>0</u>	<u>0</u>		<u>6</u>
Total:	4	5	4	4	1	3	1	1	0		23
Average Age:			52.3								
Average Service:			14.9								

**Retiree Health Plan
 GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
 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
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	\$136.00
2020	\$139.00
2021+	Adjusted Annually to reflect Medical Portion of CPI

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
Benefit Plan Provisions

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.

2019 Other So. Cal. Region	Kaiser	BS HMO	PERS Care	PERS Choice	PERS Select
Retiree Only	\$ 628.63	\$ 760.04	\$ 907.29	\$ 721.11	\$ 462.71
Retiree Plus Spouse	\$1,257.26	\$1,520.08	\$1,814.58	\$1,442.22	\$ 925.42
Retiree Plus Family	\$1,634.44	\$1,976.10	\$2,358.95	\$1,874.89	\$1,203.05
Retiree Only- Medicare	\$ 323.74	N/A	\$ 394.83	\$ 360.41	\$ 360.41
Retiree Plus Spouse - Medicare	\$ 647.48	N/A	\$ 789.66	\$ 720.82	\$ 720.82

2019 Other So. Cal. Region (Continued)	Sharp HMO	UHC HMO	Anthem HMO Select	Anthem HMO Traditional	Health Net Salud	Health Net Smart Care
Retiree Only	\$ 593.66	\$ 646.65	\$ 625.07	\$ 830.89	\$ 427.81	\$ 642.71
Retiree Plus Spouse	\$1,187.32	\$1,293.30	\$1,250.14	\$1,661.78	\$ 855.62	\$1,285.42
Retiree Plus Family	\$1,543.52	\$1,681.29	\$1,625.18	\$2,160.31	\$1,112.31	\$1,671.05
Retiree Only- Medicare	N/A	\$ 299.37	N/A	\$ 357.44	N/A	N/A
Retiree Plus Spouse - Medicare	N/A	\$ 598.74	N/A	\$ 714.88	N/A	N/A

2020 Region 2	Kaiser	BS HMO	PERS Care	PERS Choice	PERS Select
Retiree Only	\$ 645.24	\$ 909.87	\$ 986.66	\$ 736.28	\$ 451.54
Retiree Plus Spouse	\$1,290.48	\$1,819.74	\$1,973.32	\$1,472.56	\$ 903.08
Retiree Plus Family	\$1,677.62	\$2,365.66	\$2,565.32	\$1,914.33	\$1,174.00
Retiree Only- Medicare	\$ 339.43	N/A	\$ 384.78	\$ 351.39	\$ 351.39
Retiree Plus Spouse - Medicare	\$ 678.86	N/A	\$ 769.56	\$ 702.78	\$ 702.78

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
Benefit Plan Provisions

2020 Region 2 (Continued)	Sharp	UHC HMO	Anthem HMO Select	Anthem HMO Traditional	Health Net Smart Care	Health Net Salud
Retiree Only	\$ 606.02	\$ 671.60	\$ 654.04	\$ 934.95	\$ 719.26	\$ 435.14
Retiree Plus Spouse	\$1,212.04	\$1,343.20	\$1,308.08	\$1,869.90	\$1,438.52	\$ 870.28
Retiree Plus Family	\$1,575.65	\$1,746.16	\$1,700.50	\$2,430.87	\$1,870.08	\$1,131.36
Retiree Only- Medicare	N/A	\$ 327.03	\$ 388.15	\$ 388.15	N/A	N/A
Retiree Plus Spouse – Medicare	N/A	\$ 654.06	\$ 766.30	\$ 766.30	N/A	N/A

**Retiree Health Plan
 GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
 Actuarial Assumptions and Methods**

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, 2019
Measurement Date:	June 30, 2019 for FYE June 30, 2020
Funding Policy:	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.
Expected Rate of Return:	7.0% per annum. The rate reflects the CERBT published median interest rate for strategy 1 of 7.28% with an additional margin for adverse deviation.
Discount Rate:	7.0% per annum. This discount rate assumes the District continues to fully fund for its retiree health benefits through the California Employers' Retiree Benefit Trust (CERBT) under its investment allocation strategy 1.
Inflation:	2.50% per annum
Salary Increases:	2.75% per annum plus merit <i>[The prior valuation used a rate of 3.0% and has been updated to reflect the 2017 experience study for the CalPERS pension plan.]</i>
Pre-retirement Turnover:	According to the termination rates under the 2017 experience study for the CalPERS pension plan. <i>[Rates have been updated to the CalPERS 2017 experience study from the 2014 experience study for the pension plan.]</i>

Mortality:	According to the mortality rates under the 2017 experience study for the CalPERS pension plan. <i>[Rates have been updated to the CalPERS 2017 experience study from the 2014 experience study for the pension plan.]</i>										
Retirement Age:	According to the retirement rates under the 2017 experience study for the CalPERS pension plan. According to the following retirement tables: Miscellaneous Tier 1: 3.0% @60 Miscellaneous Tier 2: 2.0% @62 <i>[Rates have been updated to the CalPERS 2017 experience study from the 2014 experience study for the pension plan.]</i>										
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:										
	<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr style="background-color: black; color: white;"> <th colspan="2">Year</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2020</td> <td style="text-align: center;">6.5%</td> </tr> <tr> <td style="text-align: center;">2021</td> <td style="text-align: center;">6.0%</td> </tr> <tr> <td style="text-align: center;">2022</td> <td style="text-align: center;">5.5%</td> </tr> <tr> <td style="text-align: center;">2023+</td> <td style="text-align: center;">5.0%</td> </tr> </tbody> </table>	Year		2020	6.5%	2021	6.0%	2022	5.5%	2023+	5.0%
Year											
2020	6.5%										
2021	6.0%										
2022	5.5%										
2023+	5.0%										
Minimum Contribution:	The CalPERS minimum required contribution is assumed to increase 4% per year.										

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
Actuarial Assumptions and Methods

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. As required by GASB 75, the normal cost is calculated to remain level as a percentage of pay. The EAN actuarial accrued 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 employees eligible as of the valuation date in accordance with the provisions of the Plan listed in the data provided by the District were included in the valuation.

Actuarial Value of Assets: Any assets of the plan will be valued on a market value basis.

GASB 75 defines several unique terms not commonly employed in the funding of pension and retiree health plans. The definitions of the terms used in the GASB actuarial valuations are noted below.

1. **Actuarial Assumptions** – Assumptions as to the occurrence of future events affecting health care costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided health care benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.
2. **Actuarial Cost Method** – A procedure for determining the Actuarial Present Value of Future Benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Service Cost and a Total OPEB Liability.
3. **Actuarially Determined Contribution** - A target or recommended contribution to a defined benefit OPEB plan for the reporting period, determined in accordance with the parameters and in conformity with Actuarial Standards of Practice.
4. **Actuarial Present Value** – The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:
 - a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, Social Security, marital status, etc.);
 - b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned; and
 - c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.
5. **Deferred Outflow / (Inflow) of Resources** – represents the following items that have not been recognized in the OPEB Expense:
 - a. Differences between expected and actual experience of the OPEB plan
 - b. Changes in assumptions
 - c. Differences between projected and actual earnings in OPEB plan investments (for funded plans only)
6. **Explicit Subsidy** – The difference between (a) the amounts required to be contributed by the retirees based on the premium rates and (b) actual cash contribution made by the employer.
7. **Funded Ratio** – The actuarial value of assets expressed as a percentage of the Total OPEB Liability.

8. **Healthcare Cost Trend Rate** – The rate of change in the per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.
9. **Implicit Subsidy** – In an experience-rated healthcare plan that includes both active employees and retirees with blended premium rates for all plan members, the difference between (a) the age-adjusted premiums approximating claim costs for retirees in the group (which, because of the effect of age on claim costs, generally will be higher than the blended premium rates for all group members) and (b) the amounts required to be contributed by the retirees.
10. **OPEB** – Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.
11. **OPEB Expense** – Changes in the Net OPEB Liability in the current reporting period, which includes Service Cost, interest cost, changes of benefit terms, expected earnings on OPEB Plan investments, reduction of active employees' contributions, OPEB plan administrative expenses, and current period recognition of Deferred Outflows / (Inflows) of Resources.
12. **Pay-as-you-go** – A method of financing a benefit plan under which the 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.
13. **Per Capita Costs** – The current cost of providing postretirement health care benefits for one year at each age from the youngest age to the oldest age at which plan participants are expected to receive benefits under the plan.
14. **Present Value of Future Benefits** – Total projected benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of total projected benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.
15. **Real Rate of Return** – the rate of return on an investment after adjustment to eliminate inflation.

16. **Select and Ultimate Rates** – Actuarial assumptions that contemplate different rates for successive years. Instead of a single assumed rate with respect to, for example, the investment return assumption, the actuary may apply different rates for the early years of a projection and a single rate for all subsequent years. For example, if an actuary applies an assumed investment return of 8% for year 20W0, then 7.5% for 20W1, and 7% for 20W2 and thereafter, then 8% and 7.5% are the select rates, and 7% is the ultimate rate.
17. **Service Cost** – The portion of the Actuarial Present Value of projected benefit payments that is attributed to a valuation year by the Actuarial Cost Method.
18. **Substantive Plan** – The terms of an OPEB plan as understood by the employer(s) and plan members.
19. **Total OPEB Liability** – That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Benefits, which is attributed to past periods of employee service (or not provided for by the future Service Costs).