

Ross Valley Sanitation District

GASB 75 OPEB Valuation Report Measured as of June 30, 2018 for Disclosures for the Fiscal Year Ending June 30, 2019

October 2, 2019



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562A Filbert Street, Suite 4
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(415) 801-5987

October 2, 2019

Melvin Garcia
Interim Finance Director
Ross Valley Sanitation District
2960 Kerner Boulevard
San Rafael, California 94901

Re: Ross Valley Sanitation District GASB 75 OPEB Valuation Measured as of June 30, 2018

Dear Mr. Garcia:

At your request, we completed an actuarial valuation of the retiree health and welfare benefits measured as of June 30, 2018, for the Ross Valley Sanitation District. This is a roll-forward of the valuation produced for the fiscal year ending June 30, 2018. Please use the information in this report for your financial statements for the fiscal year ending June 30, 2019. This valuation is based on input from the District and from CalPERS, as well as our understanding of GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" (GASB 75).

We greatly appreciate your business. If you have any questions, please feel free to call us at (415) 801-5987.

Best Regards,

A handwritten signature in blue ink that reads "Roger T. Burton".

Roger T. Burton, FSA, MAAA, FCA



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Purpose of the Report

Precision Actuarial prepared this report to meet employer financial accounting requirements under GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" (GASB 75), issued in June 2015. This report includes information with respect to the obligation to provide future retiree health and welfare benefits for the fiscal year ending June 30, 2019.

Valuation Date: June 30, 2017
Measurement Date: June 30, 2018
Report Date: June 30, 2019

Application to Financials

This report provides assets, liabilities, and expenses for use in the District's 2019 financial reports.

The District should use the liabilities, assets, and expense measured as of June 30, 2018, for its financial statements for the year ending June 30, 2019.

The report also provides the actuarially determined contributions for funding purposes for reporting for the fiscal years ending June 30 for 2018, 2019, and 2020.

Changes Since the Prior Valuation

This valuation is a roll-forward of the valuation produced for the prior fiscal year. We updated:

- Payroll Growth rate from 2.875% to 2.75%
- Benefit payments
- Contributions
- Assets

Actuarial Certification

Our determinations reflect the provisions and methods prescribed by GASB 75. In preparing this report, we relied on assets, employee census, plan design, premium rates, and administrative fees provided directly or indirectly by the plan sponsor, and demographic assumptions provided by CalPERS. CalPERS' actuaries set the premium rates using community rating. We did not attempt to verify that the community-rated premium rates represent the true cost of claims and administrative fees.

Executive Summary

Overview

Actuarial Certification *(continued)*

We based the results in this report on this information, along with the actuarial assumptions and methods used herein. In our opinion, the assumptions used represent reasonable expectations of anticipated plan experience. We reviewed the census information for reasonableness, but we did not audit it.

Actuarial computations under GASB 75 fulfill employer accounting and financial reporting requirements. The calculations are consistent with our understanding of GASB 75. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results in our report. Accordingly, additional determinations may be necessary for other purposes, such as judging benefit security at termination.

No third-party recipient of Precision Actuarial's work product should rely solely on Precision Actuarial's work product. Any third-party recipient should engage qualified professionals for advice appropriate to their own needs.

There is no relationship between Precision Actuarial, its owners, subcontractors, or staff; GovInvest; or the Ross Valley Sanitation District beyond the contractual services that we perform for the Ross Valley Sanitation District.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, the report is complete and accurate and that we prepared it in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable "Actuarial Standards of Practice" and "Actuarial Compliance Guidelines" as promulgated by the American Academy of Actuaries.

The undersigned is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



Roger T. Burton, FSA, MAAA, FCA
Chief Actuary



Christian Boughner, ASA, MAAA
Consulting Actuary

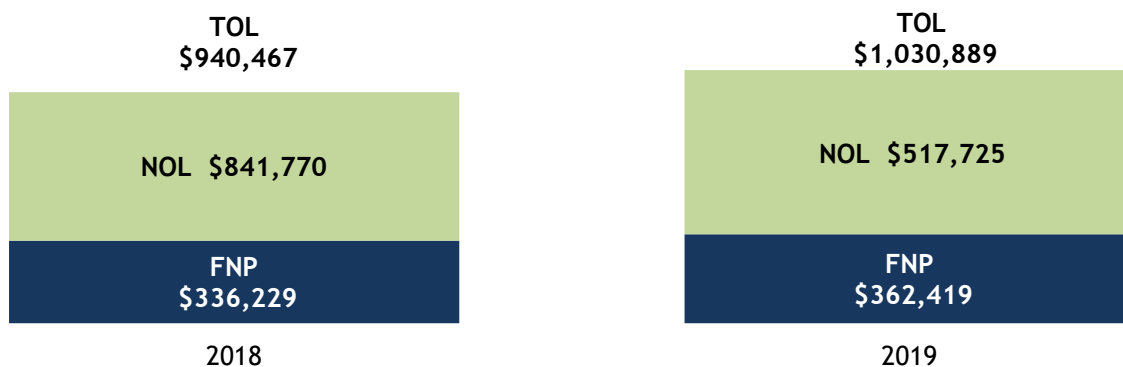
Executive Summary

Accounting Summary

A summary of the key valuation results follows.

	Valuation Date:	June 30, 2017	June 30, 2017
	Measurement Date:	June 30, 2017	June 30, 2018
	Report Date:	June 30, 2018	June 30, 2019
Present Value of Future Benefits			
Active Employees	\$	997,113	\$ 1,043,767
Retirees	+	344,412	343,323
Total Present Value of Future Benefits	=	1,341,525	1,387,090
Total Present Value of Future Normal Costs	-	401,058	356,201
Total OPEB Liability (TOL)	=	\$ 940,467	\$ 1,030,889
OPEB Liability			
Active Employees	\$	596,055	\$ 687,566
Retirees	+	344,412	343,323
Total OPEB Liability (TOL)	=	940,467	1,030,889
Fiduciary Net Position (FNP)	-	336,229	362,419
Net OPEB Liability (NOL)	=	\$ 604,238	\$ 668,470
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		35.75%	35.16%
Covered-Employee Payroll	\$	3,327,681	\$ 3,419,192
Net OPEB Liability as a Percentage of Covered-Employee Payroll		18.2%	19.6%
Measurement Period		2016-2017	2017-2018
Reporting Period		2017-2018	2018-2019
Expense	\$	85,189	\$ 87,788
Actuarially Determined Contribution (ADC), Mid-Year*		93,556	93,284

Net Position Chart



*The Actuarially Determined Contribution includes the implicit subsidy. It is not the amount that the District contributes directly to the fund. See page 14 for the District's direct contribution.

Executive Summary

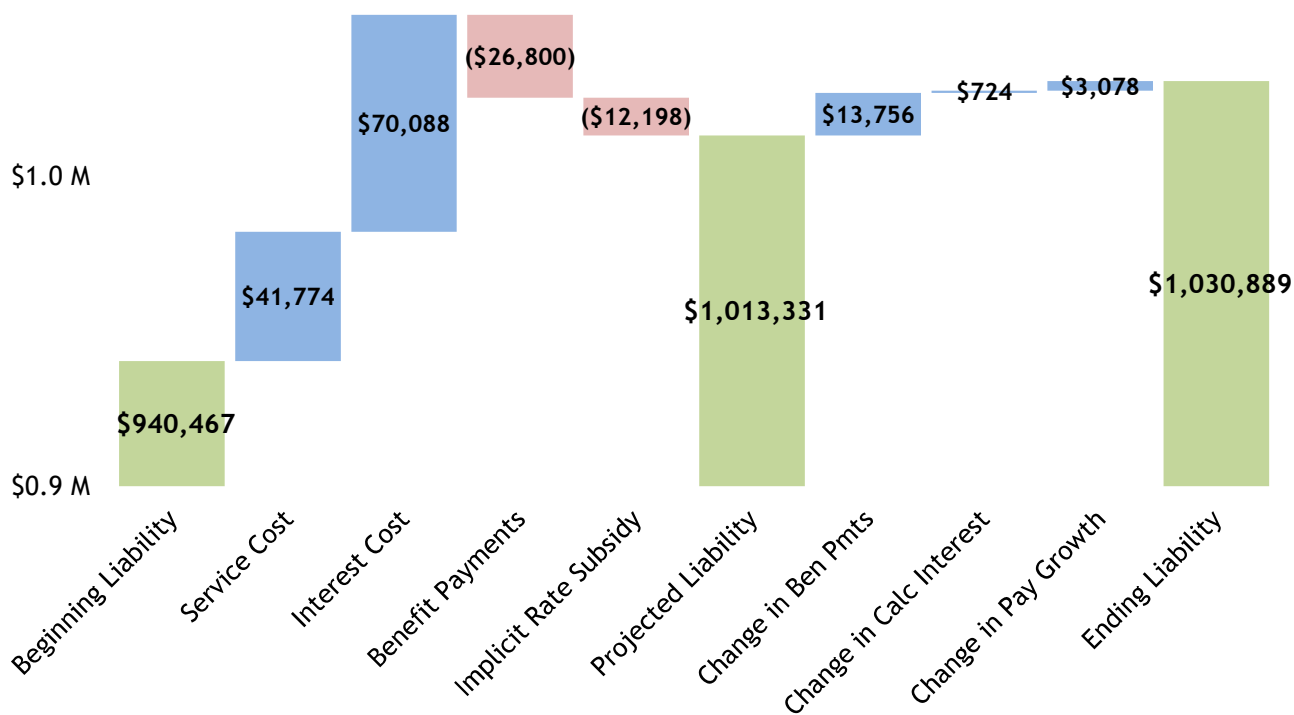
Reconciliation of the Change in the Total OPEB Liability

A reconciliation of the changes to the Total OPEB Liability since the prior valuation report follow.

Total OPEB Liability as of Measurement Date June 30, 2017 / Report Date June 30, 2018	\$ 940,467
Service Cost	41,774
Interest Cost	70,088
Expected Benefit Payments	(26,800)
Implicit Rate Subsidy Fulfilled	(12,198)
Projected Total OPEB Liability as of Measurement Date June 30, 2018	\$ 1,013,331
Change in Benefit Payments (Actual versus Expected)	13,756
Change in Calculated Interest	724
Changes in Experience	-
Change in Payroll Growth Rate	3,078
Other Assumption Changes	-
Total OPEB Liability as of Measurement Date June 30, 2018 / Report Date June 30, 2019	\$ 1,030,889

Reconciliation of the Change in the Total OPEB Liability

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Accounting Information

Statement of Fiduciary Net Position

Measurement Date: June 30, 2018

Report Date: June 30, 2019

Assets

Cash and Deposits	\$	-
Securities Lending Cash Collateral		-
Total Cash		-
Receivables:		
Contributions		-
Due from Broker for Investments Sold		-
Investment Income (Interest on Investments)		-
Other		-
Total Receivables		-
Investments:		
Domestic Fixed Income Securities		-
Domestic Equities		-
Investment Funds		362,419
International Equities		-
Real Estate		-
Total Investments		<u>362,419</u>
Total Assets	\$	<u>362,419</u>

Liabilities

Payables:

Investment Management Fees	\$	-
Due to Broker for Investments Purchased		-
Collateral Payable for Securities Lending		-
Other		-
Total Liabilities	\$	-

Net Position Restricted for Postemployment Benefits Other than Pensions \$ 362,419

Accounting Information

Statement of Changes to the Fiduciary Net Position

	Measurement Date: Report Date:	June 30, 2017 June 30, 2018	June 30, 2018 June 30, 2019
Additions			
Investment Income:			
Net Appreciation in the Fair Value of Investments		\$ 22,000	\$ 26,814
Interest and Dividends		-	-
Less Investment Expense, Other than from Securities Lending		-	-
		<u>22,000</u>	<u>26,814</u>
Net Income from Investing, Other than from Securities Lending		22,000	26,814
Securities Lending Income		-	-
Less Securities Lending Expense		-	-
Net Income from Securities Lending		<u>-</u>	<u>-</u>
Net Investment Income (a)		<u><u>22,000</u></u>	<u><u>26,814</u></u>
Contributions:			
Employer – District's Contribution		111,959	13,044
Employer – Implicit Subsidy		11,370	12,198
Total Contributions (b)		<u><u>123,329</u></u>	<u><u>25,242</u></u>
Total Additions (c) = (a) + (b)		145,329	52,056
Deductions			
Benefit Payments		11,959	13,044
Implicit Rate Subsidy Fulfilled		11,370	12,198
Administrative Expense		111	624
Total Deductions (d)		<u><u>23,440</u></u>	<u><u>25,866</u></u>
Net Increase in Net Position = (c) – (d)		121,889	26,190
Net Position Restricted for Postemployment Benefits Other than Pensions			
Beginning of Year		214,340	336,229
Net Increase in Net Position		<u>121,889</u>	<u>26,190</u>
End of Year		<u><u>\$ 336,229</u></u>	<u><u>\$ 362,419</u></u>

Accounting Information

Changes in the Net OPEB Liability

The funded status of the Plan as of the fiscal year-end, as well as other required disclosure information, follows.

	<i>Increase (Decrease)</i>		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) – (b)
Balance as of Measurement Date June 30, 2017 / Report Date June 30, 2018	\$ 940,467	\$ 336,229	\$ 604,238
Changes for the year:			
Service Cost	41,774		41,774
Interest	70,812		70,812
Changes of Benefit Terms	-		-
Differences Between Expected and Actual Experience	-		-
Changes of Assumptions	3,078		3,078
Net Investment Income		26,814	(26,814)
Contributions			
Employer – District's Contribution		13,044	(13,044)
Employer – Implicit Subsidy		12,198	(12,198)
Benefit Payments	(13,044)	(13,044)	-
Implicit Rate Subsidy Fulfilled	(12,198)	(12,198)	-
Administrative Expense		(624)	624
Other Changes	-	-	-
Net Changes	90,422	26,190	64,232
Balance as of Measurement Date June 30, 2018 / Report Date June 30, 2019	\$ 1,030,889	\$ 362,419	\$ 668,470

Accounting Information

Development of Deferred Outflows and Inflows of Resources

Balances as of Measurement Date June 30, 2018 / Report Date June 30, 2019

Deferred Outflows and Inflows of Resources Arising from Differences Between Expected and Actual Experience

Measurement Date – June 30:	Experience Losses (a)	Experience Gains (b)	Amounts Recognized in Expense Through Measurement Date June 30, 2018 (c)	Deferred Outflows of Resources (a) - (c)	Deferred Inflows of Resources (b) - (c)
2017	\$ -	\$ -	\$ -	\$ -	\$ -
2018	-	-	-	-	-
Total				\$ -	\$ -

Deferred Outflows and Inflows of Resources Arising from Changes in Assumptions

Measurement Date – June 30:	Increase in Total Liability (a)	Decrease in Total Liability (b)	Amounts Recognized in Expense Through Measurement Date June 30, 2018 (c)	Deferred Outflows of Resources (a) - (c)	Deferred Inflows of Resources (b) - (c)
2017	\$ -	\$ -	\$ -	\$ -	\$ -
2018	3,078	-	350	2,728	-
Total				\$ 2,728	\$ -

Accounting Information

Development of Deferred Outflows and Inflows of Resources

Balances as of Measurement Date June 30, 2018 / Report Date June 30, 2019

Deferred Outflows and Inflows of Resources Arising from Differences Between Projected and Actual Earnings on Investments

Measurement Date – June 30:	Investment Earnings Less Than Projected (a)	Investment Earnings Greater Than Projected (b)	Amounts Recognized in Expense Through Measurement Date June 30, 2018 (c)	Deferred Outflows of Resources (d) = (a) - (c)	Deferred Inflows of Resources (e) = (b) - (c)	Net (f) = (d) + (e)
2017	\$ -	\$ (2,325)	\$ (930)	\$ -	\$ (1,395)	
2018	-	(1,884)	(377)	-	(1,507)	
Total				\$ -	\$ (2,902)	\$ (2,902)

Accounting Information

Schedule of Deferred Outflows and Inflows of Resources

Schedule of Deferred Outflows and Inflows of Resources

	Measurement		Recognition	Remaining	Increase/(Decrease) in Expense: Measurement / Report Years Ending June 30:							Remaining
	Period	Base Amount			Period	Period	2018	2019	2020	2021	2022	
Differences Between Expected and Actual Experience	2016-2017	\$ -	8.9	7.9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
	2017-2018	-	8.8	8.8	-	-	-	-	-	-	-	-
Changes of Assumptions	2016-2017	-	8.9	7.9	-	-	-	-	-	-	-	-
	2017-2018	3,078	8.8	8.8	350	350	350	350	350	350	350	978
Differences Between Projected and Actual Earnings	2016-2017	(2,325)	5.0	4.0	(465)	(465)	(465)	(465)	-	-	-	-
	2017-2018	(1,884)	5.0	5.0	(377)	(377)	(377)	(377)	(376)	-	-	-

Summary of Deferred Outflows and Inflows of Resources

Measurement Period: 2017-2018

Fiscal Reporting Period: 2018-2019

	Measurement Years Ending June 30:		2018	2019	2020	2021	2022	2023	2024	Remaining
	2018	2019								
Differences Between Expected and Actual Experience	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Changes of Assumptions	350	350	350	350	350	350	350	350	350	978
Differences Between Projected and Actual Earnings	(842)	(842)	(842)	(842)	(842)	(842)	(376)	-	-	-
Total	\$ (492)	\$ (492)	\$ (492)	\$ (492)	\$ (492)	\$ (492)	\$ (26)	\$ 350	\$ 978	

Accounting Information

Calculation of Expense

	Measurement Period: Reporting Period:		2016-2017 2017-2018		2017-2018 2018-2019
Expense					
Service Cost	\$		40,607	\$	41,774
Interest on Total OPEB Liability			64,611		70,812
Changes of Benefit Terms			-		-
Recognized Differences Between Expected and Actual Experience			-		-
Recognized Changes of Assumptions			-		350
Projected Earnings on OPEB Plan Investments			(19,675)		(24,930)
Recognized Differences Between Projected and Actual Earnings			(465)		(842)
Administrative Expense			111		624
Other Miscellaneous (Income)/Expense			-		-
Total Expense	\$		85,189	\$	87,788

Deferred Outflows and Inflows of Resources

	Report Year Ending June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions	2,728	-
Net Difference Between Projected and Actual Earnings on Plan Investments	-	-
Contributions Subsequent to the Measurement Date	33,518	-
Total	\$ 36,246	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Report Year Ending June 30:	Amount
	2020	\$ (492)
	2021	(492)
	2022	(492)
	2023	(26)
	2024	350
	Remaining	978

Accounting Information

Reconciliation of Expense

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Deferred (Inflows)	Deferred Outflows	Net Investment (Inflows)/ Outflows	Net Deferrals	Net OPEB Liability plus Net Deferrals	Annual Expense
Balance as of Measurement Date June 30, 2017 / Report Date June 30, 2018	\$ (940,467)	\$ 336,229	\$ (604,238)	\$ -	\$ -	\$ (1,860)	\$ (1,860)	\$ (606,098)	
Service Cost	(41,774)		(41,774)						\$ 41,774
Interest on Total OPEB Liability	(70,812)		(70,812)						70,812
Effect of Changes of Benefit Terms	-		-						-
Effect of Liability Gains or Losses	-		-	-	-		-		
Effect of Assumption Changes or Inputs	(3,078)		(3,078)	-	3,078		3,078		
Expected Investment Income (Net of Investment Expenses)		24,930	24,930						(24,930)
Investment Gains or Losses on Expected Return		1,884	1,884			(1,884)	(1,884)		
Contributions									
Employer – District's Contribution		13,044	13,044					13,044	
Employer – Implicit Subsidy		12,198	12,198					12,198	
Benefit Payments	13,044	(13,044)	-						
Implicit Rate Subsidy Fulfilled	12,198	(12,198)	-						
Administrative Expenses		(624)	(624)						624
Recognition of Liability Gains or Losses				-	-		-		-
Recognition of Assumption Changes or Inputs				-	(350)		(350)		350
Recognition of Investment Gains or Losses						842	842		(842)
Annual Expense								(87,788)	\$ 87,788
Balance as of Measurement Date June 30, 2018 / Report Date June 30, 2019	\$ (1,030,889)	\$ 362,419	\$ (668,470)	\$ -	\$ 2,728	\$ (2,902)	\$ (174)	\$ (668,644)	

Accounting Information

Amortization of Unfunded Actuarial Accrued Liability

A summary of the information used to establish the amortization amount for the current year, with respect to the Unfunded Actuarial Accrued Liability (UAAL), follows. We recalculate the amortization of the UAAL each fiscal year.

	Measurement Period:	2016-2017	2017-2018	2018-2019
	Reporting Period:	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>
Actuarial Accrued Liability (AAL) – Beginning of Fiscal Year		\$ 858,578	\$ 940,467	\$ 1,110,852
Actuarial Value of Plan Assets, Beginning of Fiscal Year	-	<u>214,340</u>	<u>336,229</u>	<u>362,419</u>
Unfunded Actuarial Accrued Liability (UAAL), Beginning of Fiscal Year	=	<u>\$ 644,238</u>	<u>\$ 604,238</u>	<u>\$ 748,433</u>
Interest Rate Used to Determine Amortization Payment		7.28%	7.28%	7.28%
Assumed Rate of Payroll Growth		2.875%	2.875%	2.750%
Amortization Period		20 years	19 years	18 years
Amount Recognized, Beginning of Year		\$ 46,600	\$ 45,180	\$ 52,269

Accounting Information

Actuarially Determined Contribution (ADC)

The calculation of the Actuarially Determined Contribution (ADC) follows. The ADC is based on the District's funding policy. The ADC is calculated as of the middle of the year.

	Measurement Period: Reporting Period:	2016-2017 2017-2018	2017-2018 2018-2019	2018-2019 2019-2020		
Service Cost	\$	40,607	\$	41,774	\$	42,886
Amortization of the Unfunded Actuarial Accrued Liability		46,600		45,180		52,269
Interest to the End of the Year		<u>6,349</u>		<u>6,330</u>		<u>6,927</u>
ADC	\$	93,556	\$	93,284	\$	102,082
ADC as a Percentage of Payroll		2.81%		2.72%		2.91%
Discount Rate for ADC Calculation		7.28%		7.28%		7.28%

ADC Components

Benefit Payments Paid Directly by the District*	\$	11,959	\$	13,044	\$	14,167
District's Contribution to the Trust Fund		<u>70,227</u>		<u>68,042</u>		<u>68,564</u>
District's Total Contribution		82,186		81,086		82,731
Implied Contribution – Implicit Subsidy Credit		<u>11,370</u>		<u>12,198</u>		<u>19,351</u>
Adjusted ADC	\$	93,556	\$	93,284	\$	102,082

District's Funding Policy

The District's funding policy is to contribute the full amount of the ADC each year.

The ADC is the sum of the service cost and the amortization of the unfunded liability. For payment of the ADC, however, it comprises three parts: the benefit payments paid directly by the District (not through the Trust Fund), the implicit subsidy, and the contribution to the Trust Fund. The contribution to the Trust Fund is the ADC, in total, less the benefit payments and the implicit subsidy.

The District is amortizing the UAAL on a closed basis. Remaining years of amortization as of the report date of June 30, 2019:

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The discount rate assumed for ADC calculations is the expected long-term rate of return:

7.28%

The UAAL is amortized using a level percent of pay method.

Projections for fiscal year-end 2020 use an estimated expected rate of return, contributions, and benefit payments. We recommend that the District update these values for its 2020 financial statements.

*As determined in the prior report for the first two years shown.

Accounting Information

Projection of ADC and Net OPEB Liability

	<i>Actual</i>	<i>Actual</i>	<i>Projected</i>
Measurement Date:	June 30, 2017	June 30, 2018	June 30, 2019
Report Date:	June 30, 2018	June 30, 2019	June 30, 2020
Estimated Liabilities			
OPEB Liability, Beginning of Year	\$ 858,578	\$ 940,467	\$ 1,030,889
Service Cost	40,607	41,774	42,886
Interest on Liabilities	64,611	70,812	70,595
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	-	-	-
Changes of Assumptions	-	3,078	-
Benefit Payments	(11,959)	(13,044)	(14,167)
Implicit Rate Subsidy Fulfilled	(11,370)	(12,198)	(19,351)
OPEB Liability, End of Year (a)	<u>\$ 940,467</u>	<u>\$ 1,030,889</u>	<u>\$ 1,110,852</u>
Estimated Assets			
Assets, Beginning of Year	\$ 214,340	\$ 336,229	\$ 362,419
Expected Earnings	22,000	26,814	29,372
Contributions			
Employer – District’s Contribution	111,959	13,044	82,731
Employer – Implicit Subsidy	11,370	12,198	19,351
Total Contributions	123,329	25,242	102,082
Projected Benefit Payments			
Benefit Payments	(11,959)	(13,044)	(14,167)
Implicit Rate Subsidy Fulfilled	(11,370)	(12,198)	(19,351)
Total Benefit Payments	(23,329)	(25,242)	(33,518)
Administrative Expenses	(111)	(624)	(640)
Other Miscellaneous Income/ (Expense)	-	-	-
Assets, End of Year (b)	<u>\$ 336,229</u>	<u>\$ 362,419</u>	<u>\$ 459,715</u>
Net OPEB liability, End of Year = (a) – (b)	\$ 604,238	\$ 668,470	\$ 651,137
Expense	85,189	87,788	n/a
ADC	93,556	93,284	-

Accounting Information

Interest on Total OPEB Liability and Total Projected Earnings

	Amount for Period (a)	Portion of Period (b)	Interest Rate (c)	Interest on the Total OPEB Liability (d) = (a) × (b) × (c)
Interest on Total OPEB Liability				
Beginning Total OPEB Liability	\$ 940,467	100%	7.28%	\$ 68,466
Changes of Benefit Terms	-	100%	7.28%	-
Difference Between Expected and Actual Experience	-	100%	7.28%	-
Changes of Assumptions	3,078	100%	7.28%	224
Service Cost	41,774	100%	7.28%	3,041
Benefit Payments	(13,044)	50%	7.28%	(475)
Implicit Subsidy	(12,198)	50%	7.28%	(444)
Total Interest on Total OPEB Liability				\$ 70,812

	Amount for Period (a)	Portion of Period (b)	Projected Rate of Return (c)	Projected Earnings (d) = (a) × (b) × (c)
Projected Earnings on Plan Investments				
Beginning Plan Fiduciary Net Position excluding Receivables	\$ 336,229	100%	7.28%	\$ 24,478
Employer Contributions	13,044	50%	7.28%	475
Benefit Payments	-	50%	7.28%	-
Administrative Expense	(624)	50%	7.28%	(23)
Other Miscellaneous Income/(Expense)	-	50%	7.28%	-
Total Projected Earnings				\$ 24,930

Accounting Information

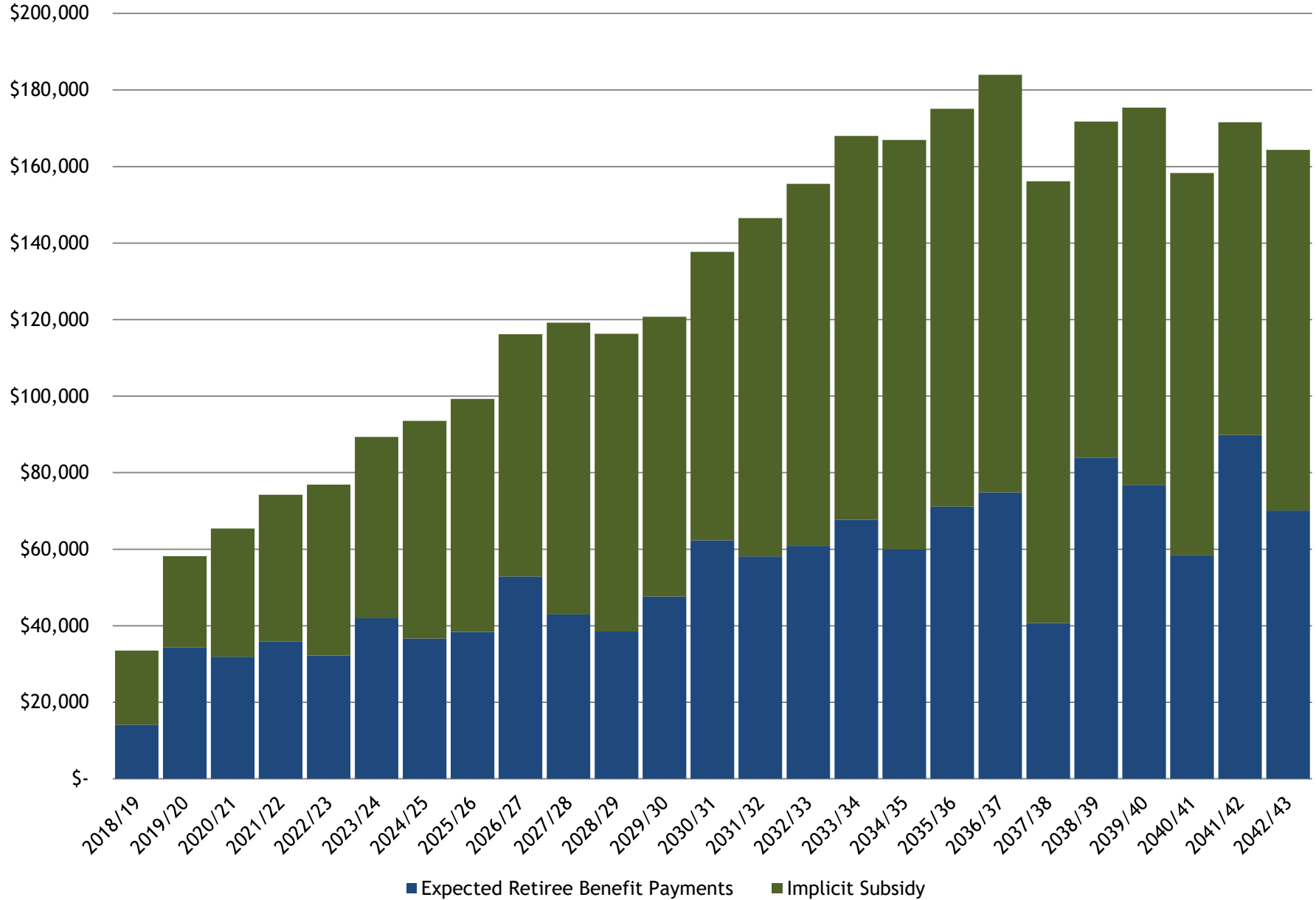
OPEB Cash-Flow Projections

OPEB cash-flow projections for current participants for the next twenty-five years follow.

Measurement Period Ending June 30:	Expected Retiree		Total Expected
	Benefit Payments	Implicit Subsidy	Credited Benefit Payments
2019	\$ 14,167	\$ 19,351	\$ 33,518
2020	34,295	23,917	58,212
2021	31,932	33,502	65,434
2022	35,950	38,257	74,207
2023	32,196	44,659	76,855
2024	41,980	47,371	89,351
2025	36,635	56,922	93,557
2026	38,391	60,892	99,283
2027	52,858	63,301	116,159
2028	42,936	76,274	119,210
2029	38,492	77,798	116,290
2030	47,631	73,088	120,719
2031	62,320	75,365	137,685
2032	58,144	88,392	146,536
2033	60,860	94,607	155,467
2034	67,691	100,278	167,969
2035	60,039	106,922	166,961
2036	71,127	103,930	175,057
2037	74,819	109,130	183,949
2038	40,751	115,419	156,170
2039	83,869	87,879	171,748
2040	76,846	98,562	175,408
2041	58,477	99,843	158,320
2042	89,822	81,726	171,548
2043	70,117	94,266	164,383

Accounting Information

OPEB Cash-Flow Projections for Current Participants



Accounting Information

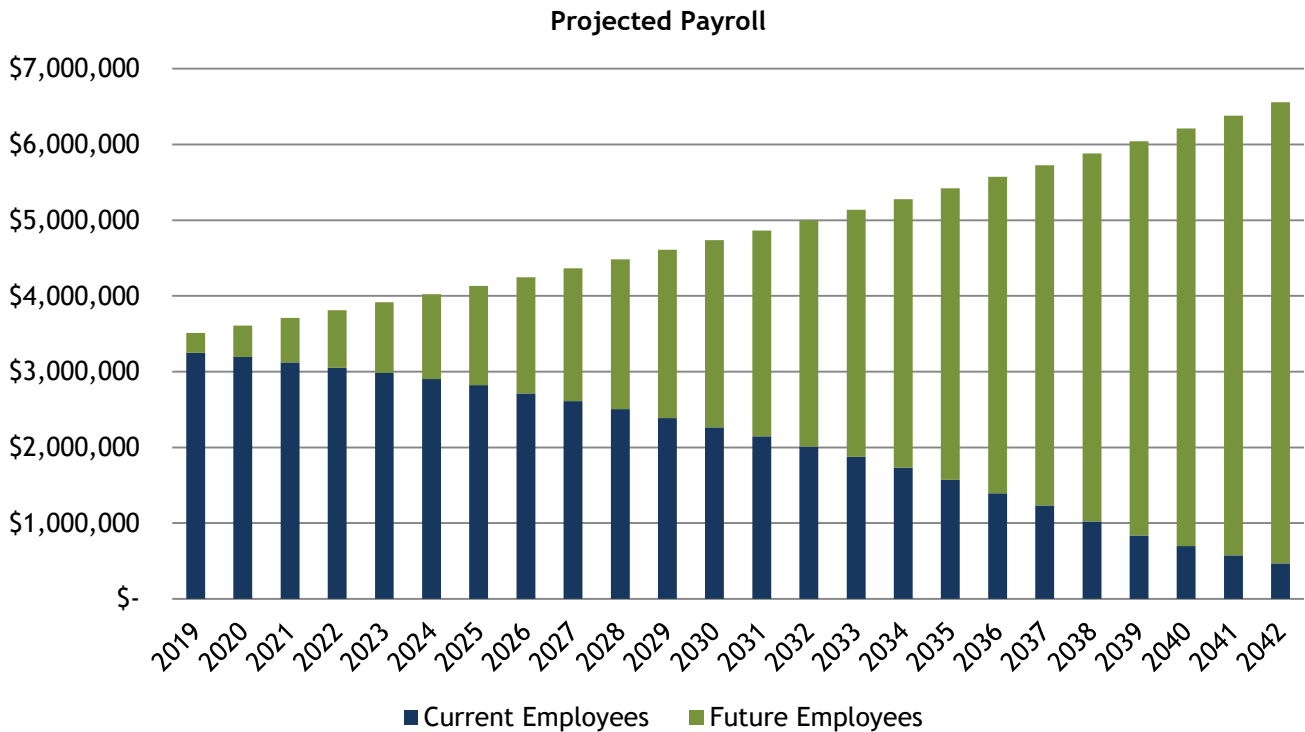
Projection of Contributions

Measurement Period Ending June 30:	Payroll for Current Employees (a)	Payroll for Future Employees (b)	Total Employee Payroll (c)	Employer Contributions Related to Payroll of all Plan Members		
				Portion of Employer Contribution for Current Plan Members (d) = (f) - (e)	Employer Contributions Related to Payroll of Future Plan Members (e) = (b) x 1.31%	(f) = (c) x 2.91% for 18 Years, 1.31% Thereafter
2019	\$ 3,248,292	\$ 264,928	\$ 3,513,220	\$ 98,613	\$ 3,469	\$ 102,082
2020	3,195,672	414,162	3,609,834	99,465	5,424	104,889
2021	3,123,358	585,746	3,709,104	100,103	7,671	107,774
2022	3,052,232	758,872	3,811,104	100,799	9,938	110,737
2023	2,983,177	932,732	3,915,909	101,568	12,215	113,783
2024	2,902,686	1,120,910	4,023,596	102,233	14,679	116,912
2025	2,822,331	1,311,914	4,134,245	102,947	17,180	120,127
2026	2,710,372	1,537,565	4,247,937	103,295	20,135	123,430
2027	2,612,772	1,751,983	4,364,755	103,882	22,943	126,825
2028	2,506,600	1,978,186	4,484,786	104,406	25,906	130,312
2029	2,386,705	2,221,413	4,608,118	104,805	29,091	133,896
2030	2,262,878	2,471,963	4,734,841	105,206	32,372	137,578
2031	2,146,288	2,718,761	4,865,049	105,757	35,604	141,361
2032	2,012,437	2,986,401	4,998,838	106,140	39,109	145,249
2033	1,875,909	3,260,397	5,136,306	106,546	42,697	149,243
2034	1,731,269	3,546,285	5,277,554	106,906	46,441	153,347
2035	1,571,164	3,851,523	5,422,687	107,126	50,438	157,564
2036	1,395,429	4,176,382	5,571,811	107,205	54,693	161,898
2037	1,234,447	4,490,589	5,725,036	16,166	58,807	74,973
2038	1,022,409	4,860,065	5,882,474	13,389	63,646	77,035
2039	837,686	5,206,556	6,044,242	10,970	68,183	79,153
2040	695,226	5,515,233	6,210,459	9,104	72,226	81,330
2041	572,582	5,808,665	6,381,247	7,499	76,068	83,567
2042	468,189	6,088,542	6,556,731	6,131	79,734	85,865
2043	381,499	6,355,542	6,737,041	4,996	83,230	88,226

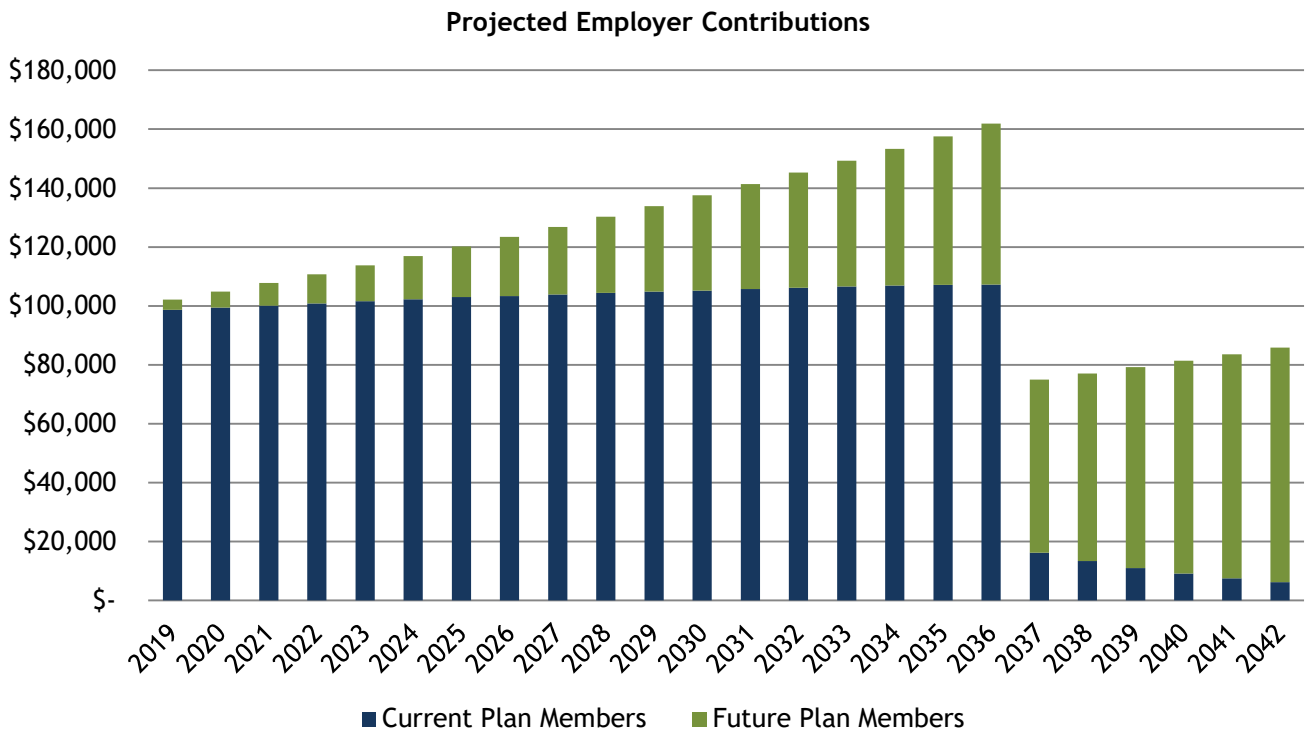
Accounting Information

Projection of Contributions Charts

Projected Payroll for Current and Future Employees



Projected Employer Contributions for Current and Future Plan Members



Accounting Information

Projection of Fiduciary Net Position

Current Participants Only

Measurement Period Ending June 30:	Projected Beginning Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (Including Implicit Subsidy) (c)	Projected Administrative Expense (d)	Projected Investment Earnings (e)	Projected Ending Fiduciary Net Position (f) = Σ [(a) : (e)]
2019	\$ 362,419	\$ 98,613	\$ (46,085)	\$ (640)	\$ 31,674	\$ 445,981
2020	445,981	99,465	(58,212)	(656)	38,231	524,809
2021	524,809	100,103	(65,434)	(672)	44,256	603,062
2022	603,062	100,799	(74,207)	(689)	50,298	679,263
2023	679,263	101,568	(76,855)	(706)	55,971	759,241
2024	759,241	102,233	(89,351)	(724)	62,273	833,672
2025	833,672	102,947	(93,557)	(742)	67,871	910,191
2026	910,191	103,295	(99,283)	(761)	73,663	987,105
2027	987,105	103,882	(116,159)	(780)	79,899	1,053,947
2028	1,053,947	104,406	(119,210)	(800)	84,896	1,123,239
2029	1,123,239	104,805	(116,290)	(820)	89,850	1,200,784
2030	1,200,784	105,206	(120,719)	(841)	95,671	1,280,101
2031	1,280,101	105,757	(137,685)	(862)	102,084	1,349,395
2032	1,349,395	106,140	(146,536)	(884)	107,466	1,415,581
2033	1,415,581	106,546	(155,467)	(906)	112,625	1,478,379
2034	1,478,379	106,906	(167,969)	(929)	117,665	1,534,052
2035	1,534,052	107,126	(166,961)	(952)	121,690	1,594,955
2036	1,594,955	107,205	(175,057)	(976)	126,423	1,652,550
2037	1,652,550	16,166	(183,949)	(1,000)	127,626	1,611,393
2038	1,611,393	13,389	(156,170)	(1,025)	123,519	1,591,106
2039	1,591,106	10,970	(171,748)	(1,051)	122,522	1,551,799
2040	1,551,799	9,104	(175,408)	(1,077)	119,726	1,504,144
2041	1,504,144	7,499	(158,320)	(1,104)	115,578	1,467,797
2042	1,467,797	6,131	(171,548)	(1,132)	113,364	1,414,612
2043	1,414,612	4,996	(164,383)	(1,160)	109,191	1,363,256

Accounting Information

Implicit Subsidy

Actuarial standard of practice (ASOP) number 6, "Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions", requires the inclusion of the implicit subsidy in OPEB valuations.

The implicit subsidy arises when an employer allows a retiree and the retiree's dependents to continue on the plans for active employees, and pay the active-employee premiums. Retirees are not paying the true cost of their benefits because they have higher costs than active employees, and therefore are partially subsidized by the active employees. Once a retiree reaches Medicare eligibility, the rates are set for Medicare retirees separately, and are set to be sufficient to cover the true costs of the Medicare retirees. Thus, there is no implicit subsidy for Medicare retirees.

Measurement Date:	Jun. 30, 2017	Jun. 30, 2018
Report Date:	<u>Jun. 30, 2018</u>	<u>Jun. 30, 2019</u>
Benefit Payments	\$ 440,408	\$ 473,486
Implicit Subsidy	<u>500,059</u>	<u>557,403</u>
Total OPEB Liability	<u>\$ 940,467</u>	<u>\$ 1,030,889</u>
Discount Rate	7.28%	7.28%

Accounting Information

Schedule of Changes in the Total OPEB Liability and Related Ratios

GASB 75 requires a disclosure of the changes in Net OPEB Liability for the last ten fiscal years, or for as many years as are available.

Measurement Date:	Jun. 30, 2017	Jun. 30, 2018
Report Date:	Jun. 30, 2018	Jun. 30, 2019
<u>Total OPEB Liability</u>		
Service Cost	\$ 40,607	\$ 41,774
Interest	64,611	70,812
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	-	-
Changes of Assumptions	-	3,078
Benefit Payments	(11,959)	(13,044)
Implicit Rate Subsidy Fulfilled	(11,370)	(12,198)
Net Change in Total OPEB liability	81,889	90,422
Total OPEB Liability – Beginning	<u>858,578</u>	<u>940,467</u>
Total OPEB Liability – Ending (a)	<u>\$ 940,467</u>	<u>\$ 1,030,889</u>
<u>Plan Fiduciary Net Position</u>		
Net Investment Income	\$ 22,000	\$ 26,814
Employer – District's Contribution	111,959	13,044
Employer – Implicit Subsidy	11,370	12,198
Benefit Payments	(11,959)	(13,044)
Implicit Rate Subsidy Fulfilled	(11,370)	(12,198)
Administrative Expense	(111)	(624)
Other Miscellaneous Income/(Expense)	-	-
Net Change in Plan Fiduciary Net Position	121,889	26,190
Plan Fiduciary Net Position – Beginning	<u>214,340</u>	<u>336,229</u>
Plan Fiduciary Net Position – Ending (b)	<u>\$ 336,229</u>	<u>\$ 362,419</u>
<u>Net OPEB Liability</u>		
District's Net OPEB Liability – Ending = (a) – (b)	\$ 604,238	\$ 668,470
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	35.8%	35.2%
Covered-Employee Payroll	\$ 3,327,681	\$ 3,419,192
District's Net OPEB Liability as a Percentage of Covered-Employee Payroll	18.2%	19.6%

Notes to schedule: the District adopted GASB 75 for the fiscal year ending June 30, 2018.

Accounting Information

Schedule of Investment Returns

GASB 75 requires a schedule of investment returns for the last ten fiscal years, or for as many years as are available if less than ten years are available.

	Jun. 30, 2017	Jun. 30, 2018
Measurement Date:		
Report Date:	<u>Jun. 30, 2018</u>	<u>Jun. 30, 2019</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	8.32%	7.98%

The annual money-weighted rate of return, net of investment expenses, is the net investment income for the year divided by the average net position for the year (less investment expenses).

Accounting Information

Schedule of Contributions

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available.

	Reporting Period:	2016-2017	2017-2018
	Report Date:	2017-2018	2018-2019
		Jun. 30, 2018	Jun. 30, 2019
Actuarially Determined Contribution (ADC)		\$ 93,556	\$ 93,284
Less: Contributions Made in Relation to the ADC	-	123,329	25,242
Contribution Deficiency (Excess)		(29,773)	68,042
Covered-Employee Payroll		\$ 3,327,681	\$ 3,419,192
Contributions as a Percentage of Covered-Employee Payroll		3.71%	0.74%

Notes to Schedule:

Assumptions and Methods

Actuarial Cost Method	Entry-age normal, level percent of pay
Amortization Method	Closed period, level percent of pay
Amortization Period	20 years
Inflation	2.50%
Assumed Payroll Growth	2.750%
Healthcare Trend Rates	7.00%, trending down to 3.84%
Rate of Return on Assets	7.28%
Mortality Rate	CalPERS Rates. See appendix.
Retirement Rates	CalPERS Rates. See appendix.

Accounting Information

Draft Notes to the Financial Statements

A draft of the required notes to the District's financial statements, based on the requirements of GASB 75 and our understanding of the District's retiree health plan, follows.

Notes to the Financial Statements for the Year Ended June 30, 2019

Summary of Significant Accounting Policies

Other Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the District Retiree Benefits Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Note X – Other Post-employment Benefits (OPEB)

Plan Description

The District administers a single-employer defined-benefit post-employment healthcare plan. Dependents are eligible to enroll, and benefits continue to surviving spouses.

Benefits Provided

Retirees are eligible for medical benefits if they retire at Age 50+, have 5+ years of District service, and were enrolled in CalPERS plan upon retirement. The District provides the PEMHCA minimum for each subscriber under the unequal contribution method (\$126.35 in 2018), regardless of elected coverage tier. If an employee attains age 55+ and 20+ years of service, the District pays 40% of the lowest cost single party premium until the retiree reaches age 65.

Employees Covered by Benefit Terms

At June 30, 2017 (the census date), the benefit terms covered the following employees:

<u>Category</u>	<u>Count</u>
Inactive employees, spouses, or beneficiaries currently receiving benefit payments:	9
Inactive employees entitled to but not yet receiving benefit payment:	0
Active employees:	31
Total	40

Contributions.

The District makes contributions based on an actuarially determined rate.

Accounting Information

Draft Notes to the Financial Statements

Contributions

The District makes contributions based on an actuarially determined rate.

Net OPEB Liability

The District's total OPEB liability was valued as of June 30, 2017 and was used to calculate the net OPEB liability measured as of June 30, 2018.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation: 2.50%

Salary increases: 2.750%. Additional merit-based increases based on CalPERS merit salary increase tables.

Investment rate of return: 7.28%

Healthcare cost trend rates: 6.50% in the first year, trending down to 3.84% over 58 years.

Mortality rates were based on CalPERS tables.

Discount Rate

The discount rate used to measure the total OPEB liability is 7.28%. This is the expected long-term rate of return on District assets using the Strategy I asset allocation provided by California Employers' Retiree Benefit Trust (CERBT). The projection of cash flows used to determine the discount rate assumed that the District contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position is projected to cover all future OPEB payments. Therefore, the discount rate was set equal to the long-term expected rate of return.

Long-Term Expected Real Rate of Return

The long-term expected rate of return is determined using the long-term rates of return developed by the CalPERS Investment Office in their report dated August 18, 2014.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compound Expected Return</u>	<u>Volatility</u>	<u>Arithmetic Expected Return</u>	<u>Long-Term Compound Return</u>	<u>Cash Yield</u>
Global Equity	57%	7.75%	17.40%	9.15%	8.71%	2.73%
Fixed Income	27%	4.29%	7.00%	4.52%	5.40%	3.70%
TIPS	5%	3.50%	6.50%	3.70%	5.25%	2.00%
Commodities	3%	2.84%	17.92%	4.39%	7.95%	0.00%
REITs	8%	5.75%	19.50%	7.53%	10.88%	3.35%
Total/Average	100%					
Expected Compound Return (1-10 Years)						6.71%
Expected Volatility						11.74%
Expected Cash Yield						2.92%
Expected Blended Return Net of Fees (1-60 years)						7.28%
Uses an expected long-term inflation rate of 2.75%						

Accounting Information

Draft Notes to the Financial Statements

Changes in the Net OPEB Liability	<i>Increase/(Decrease)</i>		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(c) = (a) - (b)
Balance as of Report Date June 30, 2018	\$ 940,467	\$ 336,229	\$ 604,238
Changes for the year:			
Service Cost	41,774		41,774
Interest	70,812		70,812
Changes of Benefit Terms	-		-
Differences Between Expected and Actual Experience	-		-
Changes of Assumptions	3,078		3,078
Contributions			
Employer – District's Contribution		13,044	(13,044)
Employer – Implicit Subsidy		12,198	(12,198)
Net Investment Income		26,814	(26,814)
Benefit Payments	(13,044)	(13,044)	-
Implicit Rate Subsidy Fulfilled	(12,198)	(12,198)	-
Administrative Expenses		(624)	624
Other Miscellaneous Income/(Expense)	-	-	-
Net Changes	90,422	26,190	64,232
Balance as of Report Date June 30, 2019	\$ 1,030,889	\$ 362,419	\$ 668,470

Sensitivity of the net OPEB liability to changes in the discount rate. The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.28%) or one percentage point higher (8.28%) follows:

	1% Decrease	Discount Rate	1% Increase
	<u>6.28%</u>	<u>7.28%</u>	<u>8.28%</u>
Net OPEB Liability (Asset)	\$ 788,208	\$ 668,470	\$ 565,560

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.50%) or one percentage point higher (7.50%) than current healthcare cost trend rates follows:

	1% Decrease	Trend Rate	1% Increase
	5.50%	6.50%	7.50%
	Decreasing to	Decreasing to	Decreasing to
	<u>2.84%</u>	<u>3.84%</u>	<u>4.84%</u>
Net OPEB Liability (Asset)	\$ 545,570	\$ 668,470	\$ 816,423

Accounting Information

Draft Notes to the Financial Statements

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

For the report year ended June 30, 2019, the District recognized an OPEB expense of \$87,788. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Actual and Expected Experience	\$ -	\$ -
Changes of Assumptions	2,728	-
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	-
Contributions Subsequent to the Measurement Date	<u>33,518</u>	<u>-</u>
Total	\$ 36,246	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Report Year Ending June 30:</u>	<u>Amount</u>
2020	\$ (492)
2021	(492)
2022	(492)
2023	(26)
2024	350
Remaining	978

Basis of Valuation

Substantive Plan

A summary of the substantive plan used as the basis of the valuation follows.

Retiree Benefits										
Retiree Medical Benefit										
Eligibility	Upon attainment of age 50 and 5 years CalPERS Service, or by qualifying disability retirement status.									
Duration of coverage	Retiree's lifetime.									
Spouse coverage	Eligible to enroll but no employer contribution. Surviving spouse benefits available if applicable.									
Medical plan choices	Retiree may choose one of any medical plan provided through CalPERS. City contributes the unequal contribution determined by PEMHCA.									
Core Contribution	<table border="1"> <thead> <tr> <th colspan="3">Year</th> </tr> <tr> <th>2016</th> <th>2017</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>\$106.25</td> <td>\$115.20</td> <td>\$126.35</td> </tr> </tbody> </table>	Year			2016	2017	2018	\$106.25	\$115.20	\$126.35
Year										
2016	2017	2018								
\$106.25	\$115.20	\$126.35								
Additional Contribution	If a retiree has attained age 55 and at least 20 years of CalPERS service, the District contributes 40% of the lowest cost single party health premium for the CalPERS Bay Area Region. This benefit ceases at 65.									

Basis of Valuation

Participant Summary

Census Date: June 30, 2017
Age and service determined as of the census date.

Active Participants												
Age	Years of Service										Total	
	< 1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+		
< 25												0
25-29												0
30-34		2	1	1	1							5
35-39		1	3									4
40-44		1	6									7
45-49		1	1	2	2							6
50-54			1	1	1	1		1				5
55-59			1	1								2
60-64				1								1
65-69			1									1
70+												0
Total	0	5	14	6	4	1	0	1	0	0	31	

Average Employee Age: 45.5
Average Years of Service: 10.0

Inactive Participants			
Age	Retiree	Spouse*	Total
< 50			0
50-54			0
55-59	2		2
60-64			0
65-69	3		3
70-74	2		2
75-79	1		1
80-84			0
85-89	1		1
90+			0
Total	9	0	9

Average Inactive Age: 68.8

*Actual spouse ages unknown

Basis of Valuation

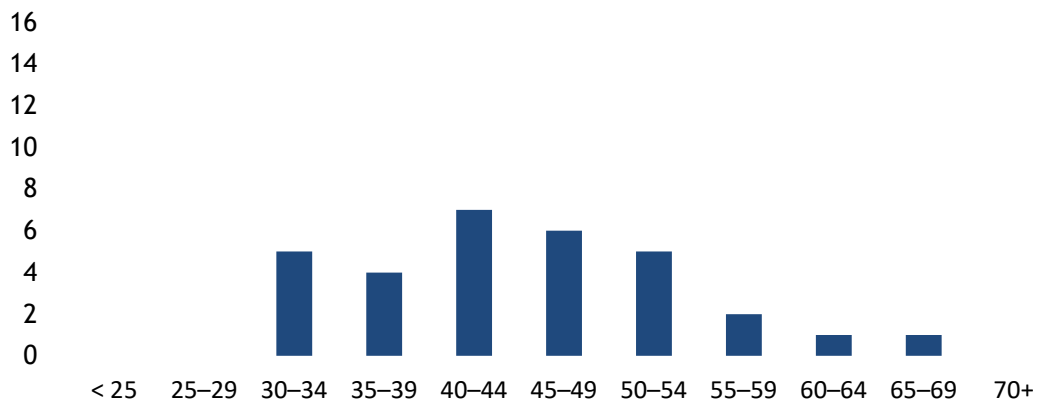
Participant Summary Charts

Census Date: June 30, 2017

Age and service determined as of the census date.

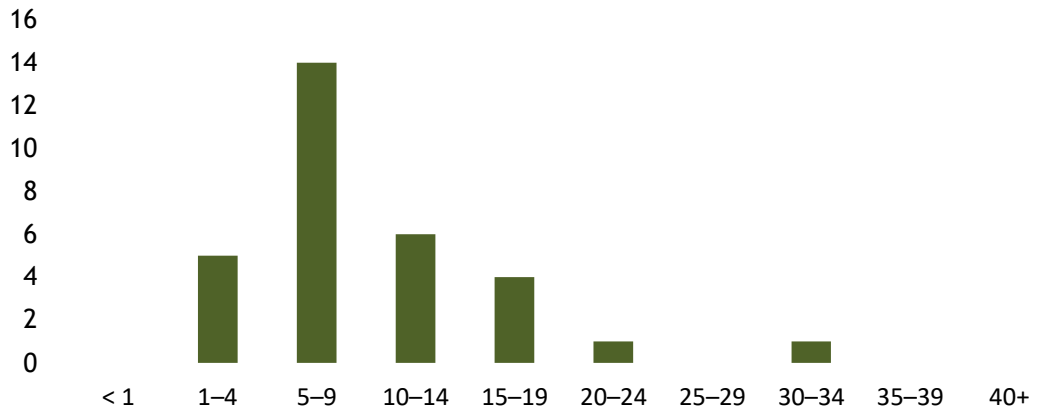
Count of Actives by Age Bracket

Average Employee Age: 45.5



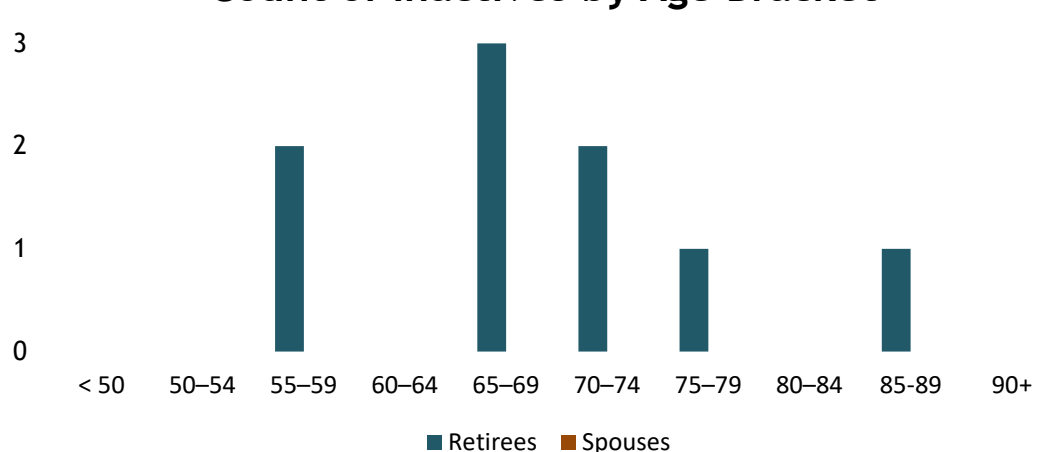
Count of Actives by Years of Service

Average Years of Service: 10.0



Count of Inactives by Age Bracket

Average Inactive Age: 68.8



Basis of Valuation

Actuarial Assumptions

A summary of the actuarial assumptions used for this valuation follows. We considered the reasonableness of each assumption independently based on its own merits, consistent with each other assumption, and the combined impact of all assumptions.

Assumption	Rates												
Actuarial Cost Method	Entry-Age Normal, Level Percentage of Salary												
Valuation Date	June 30, 2017												
Measurement Date	June 30, 2018												
Report Date	June 30, 2019												
Discount Rate	The discount rate selected is 7.28%. The discount rate is the long-term rate of return for the plan's assets, as our projections show that the assets will be sufficient to cover the projected benefit payments should the District continue to contribute to the plan with an amount of at least the ADC each year. Should the assets not be sufficient to cover the projected benefit payments at any time in the future, we would employ a discount rate reflecting the 20-year tax-exempt municipal bond yield or index rate to the period after which we project assets to run out. We would then use a single, blended discount rate equivalent to the long-term rate of return and the 20-year tax-exempt municipal bond yield. If there are no assets, we would use only the 20-year tax-exempt municipal bond yield for the valuation.												
Mortality	Same as CalPERS. See appendix.												
Termination Rates	Same as CalPERS. See appendix. Also known as "turnover".												
Disability	Same as CalPERS. See appendix.												
Retirement	Same as CalPERS. See appendix.												
Annual Per Capita Claims Cost	Developed using CalPERS experience to calculate age-related risk scores, but using the District's actual premiums for all other purposes. Assumed annual per capita claims costs follow:												
	<table border="1"> <thead> <tr> <th>Age</th> <th>Males</th> <th>Females</th> </tr> </thead> <tbody> <tr> <td>50</td> <td>\$ 11,370</td> <td>\$ 11,685</td> </tr> <tr> <td>55</td> <td>13,129</td> <td>12,543</td> </tr> <tr> <td>60-64</td> <td>16,179</td> <td>14,023</td> </tr> </tbody> </table>	Age	Males	Females	50	\$ 11,370	\$ 11,685	55	13,129	12,543	60-64	16,179	14,023
Age	Males	Females											
50	\$ 11,370	\$ 11,685											
55	13,129	12,543											
60-64	16,179	14,023											
Average Per Capita Cost for Implicit Subsidy Calculation	Developed based on premiums for the District's enrollment by plan, family demographics from CalPERS plans, and risk scores (both HMO and PPO) for the CalPERS population.												

Basis of Valuation

Actuarial Assumptions

Assumption	Rates						
Aging or Morbidity Factors	Based on actual CalPERS HMO and PPO population data.						
Participant Contributions	Based on service at retirement and employee group.						
Salary Increases	2.750% The salary increase is used to determine the growth in the aggregate payroll. Individual Salary Increases: 2018 CalPERS Merit Salary Increases.						
Inflation Rate	2.50%						
Marital Status	Current Retirees: Actual spouse coverage is used. Future retirees: 70% assumed to be married.						
Spouse Gender	Assumes spouse of opposite gender for current and future retirees.						
Spouse Age Difference	Actual spouse age is used for current retirees. Assumes males are three years older than females for future retirees.						
Participation	Current Retirees: Assume current elections continue until decrement. Future Retiree election assumptions summarized below: <table border="1" data-bbox="534 1142 1167 1257"> <thead> <tr> <th>Condition</th> <th>Participation</th> </tr> </thead> <tbody> <tr> <td>Eligible for Supplemental Benefits</td> <td>70%</td> </tr> <tr> <td>Eligible for PEMHCA Minimum Only</td> <td>60%</td> </tr> </tbody> </table>	Condition	Participation	Eligible for Supplemental Benefits	70%	Eligible for PEMHCA Minimum Only	60%
Condition	Participation						
Eligible for Supplemental Benefits	70%						
Eligible for PEMHCA Minimum Only	60%						
PEMHCA Administrative Fee	0.33% of retiree premium.						
Annual PEMHCA Amount	All retiree medical enrollees eligible for the unequal PEMHCA statutory						
ACA Excise Tax	Assumed that the District will pass the ACA Excise Tax on to the retirees.						

Basis of Valuation

Actuarial Assumptions

Assumption	Rates
------------	-------

Premiums Developed a single premium, used for active employee valuation and the inactive implicit subsidy valuation based on current enrollment patterns.

Group	Employee	Two-Party
Pre-Medicare Plans	\$ 9,067	\$ 18,134
Medicare Plans	3,914	7,828

Trend Rates Medical Long-Term Trends from Society of Actuaries "Long Term Healthcare Cost Trends Model v2018_c" using baseline assumptions. Applied to both

Year	Pre-Medicare Trend	Medicare Trend	PEMHCA Trend
2017	7.00%	6.00%	3.00%
2018	6.50%	5.50%	3.00%
2019	6.00%	5.50%	3.00%
2020	5.50%	5.30%	3.00%
2021	5.20%	5.20%	3.00%
2022	5.20%	5.20%	3.00%
2023	5.20%	5.20%	3.00%
2024	5.19%	5.19%	3.00%
2025-2074
2075+	3.84%	3.84%	3.00%

This section includes a brief summary of GASB 75, as well as definitions of some of the key terminology used in this report.

About GASB 75

In General. In June 2015 the Governmental Accounting Standards Board released GASB 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". GASB 75 replaced GASB 45 for fiscal years beginning after June 15, 2017, for employers that sponsor OPEB plans. The provisions in GASB 75 are similar to the provisions of GASB 68 for pensions.

Accounting. GASB 75 requires a liability known as the Net OPEB Liability (NOL). The employer recognizes the NOL on its balance sheet. The employer also recognizes an OPEB expense in the income statement. GASB 45 recorded the Unfunded Accrued Actuarial Liability (UAAL) in the notes to the financial statement, whereas GASB 75 records the NOL, which is very similar to the UAAL with just a few technical differences, on the balance sheet.

Financial Statement Impact (Employers). One of the biggest changes to the financial statements of governmental employers that provide OPEB is the reporting of the OPEB liability on the face of the statements rather than in the footnotes. Governments that do not provide OPEB through a trust are required to recognize the entire OPEB liability in the financial statements. For governments that provide OPEB through an OPEB plan that is administered through a trust, the government's OPEB liability is recognized net of the amount of the OPEB plan's fiduciary net position.

Changes to the Measurement of the Total OPEB Liability. Measurement of the OPEB liability includes discounting future benefit payments for current and former employees and their beneficiaries to their present value and allocating the present value over past and future periods of the employee service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The calculation continues to include employee-related events, such as projected salary increases and projected years of service, if they affect the amount of OPEB payments employees will receive, as well as provisions for automatic cost-of-living adjustments (COLAs) and other automatic benefits. Additionally, ad hoc COLAs and other ad hoc benefit changes, which are made at the discretion of the government, are included in projections as well, if they routinely recur.

GASB 75 requires governments to discount projected OPEB payments to their present value. Under the new standard, governments discount the projected OPEB payments to be made in each year and the amount of plan assets (if a government administers the OPEB through a trust) available for providing those benefits to current active and inactive employees and their beneficiaries. Similar to the pension standards, the discount rate used is based on whether the plan assets are projected to be sufficient to make future payments. If the plan assets are sufficient, governments discount future payments using the long-term expected rate of return. If projected plan assets are insufficient to make all future payments to current and inactive employees and their beneficiaries, or if there are no plan assets held in trust, the discount rate is based on a high-quality 20-year tax-exempt general obligation municipal bond yield or index rate. "High-quality" is defined as being rated AA or higher (or an equivalent rating).

Cost Method. The Entry Age Normal Cost method must be used.

About GASB 75 (continued)

Factors that affect a government's OPEB liability, such as actual earnings on plan investments when the OPEB plan is administered as a trust, employee compensation changes, interest on the outstanding OPEB liability, contributions from employees and employers, and actual demographic and economic changes that are not in line with assumptions made in the actuarial calculations, are considered when determining the government's OPEB expense. A government's annual OPEB expense is calculated with consideration for factors affecting the OPEB liability within the reporting period. Several causes of changes in OPEB liability are immediately factored into the calculation of OPEB expense for the period, such as benefits earned each year, interest on the total OPEB liability, changes in benefit terms, and projected earnings on plan investments, if administered through a trust.

Governments are required to recognize deferred outflows of resources or deferred inflows of resources and then introduce into the expense calculation, systematically and rationally over the average remaining years of employment (active employees and inactive employees, including retirees), the effect on the total OPEB liability of differences between assumptions and actual experience.

Key Terminology

Actuarially Determined Contribution	A target or recommended contribution to a defined benefit OPEB plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.
Actuarial Present Value of Projected Benefit Payments	Projected benefit payments discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.
Agent Employer	An employer whose employees are provided with OPEB through an agent multiple-employer defined-benefit OPEB plan.
Closed Period	A specific number of years that is counted from one date, which declines to zero with the passage of time. For example, if the recognition period initially is five years on a closed basis, four years remain after the first year, three years after the second year, and so forth until no years remain.
Contributions	Additions to an OPEB plan's fiduciary net position for amounts from employers, non-employer contributing entities, or employees.
Dates and Periods	
• Census Date	The date of the census. It is usually the same as the Valuation Date .
• Measurement Date	The date on which assets are measured. The liabilities are rolled forward to this date from the Valuation Date , should it differ, using actuarial roll-forward techniques.
• Measurement Period	The year ending on the Measurement Date .
• Report Date	The date on which the amounts are reported in the financial statements. It is the same as the fiscal year-end. It may be up to one year ahead of the Measurement Date , with no roll-forward of liabilities or assets required.
• Reporting Period	The year ending on the Report Date . It is the same as the fiscal year.
• Valuation Date	The date on which the liabilities are valued.
Defined-Benefit OPEB	OPEB for which the benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The OPEB may be stated as (a) a specified dollar amount (b) an amount that is calculated based on one or more factors such as age, years of service, and compensation, or (c) a type or level of coverage such as prescription drug coverage or a percentage of health insurance premiums. OPEB that does not have all of the terms of defined contribution OPEB is classified as defined-benefit OPEB.

Key Terminology (continued)

Discount Rate	<p>The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following:</p> <ul style="list-style-type: none">a. The actuarial present value of benefit payments projected to be made in future periods in which (1) the amount of the OPEB plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (2) OPEB plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on OPEB plan investments.b. The actuarial present value of projected benefit payments not included in (a), calculated using a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).
Implicit Subsidy	<p>The implicit subsidy arises when an employer allows a retiree and the retiree's dependents to continue on the plans for active employees, and pay the active-employee premiums. Retirees are not paying the true cost of their benefits because they have higher costs than active employees, and therefore are partially subsidized by the active employees. Once a retiree reaches Medicare eligibility, the rates are set for Medicare retirees separately, and are set to be sufficient to cover the true costs of the Medicare retirees. Thus, there is no implicit subsidy for Medicare retirees.</p>
Net OPEB Liability	<p>The liability of employers and non-employer contributing entities to employees for benefits provided through a defined-benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of GASB 75.</p>
Normal Cost	<p>See Service Cost.</p>
Other Postemployment Benefits (OPEB)	<p>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 payment for sick leave.</p>
Projected Benefit Payments	<p>All benefits estimated to be payable through OPEB plan to current active and inactive employees as a result of their past service and their expected future service.</p>

Key Terminology (continued)

Service Cost	The portions of the actuarial present value of projected benefit payments that are attributed to valuation years. Also called Normal Cost .
Substantive Plan	The plan terms as understood by the employer and the plan members at the time of the valuation, including only changes to plan terms that have been made and communicated to employees.

Appendix

Decrement Tables

The valuation used the following decrement tables from the CalPERS OPEB Assumption Model, revised December 20, 2017:

Mortality	<u>Source Table</u>
Miscellaneous Employees	Mort and Disb Rates_PA Misc
Disability Rates	
Miscellaneous Employees	Mort and Disb Rates_PA Misc
Terminated Refund Rates	
Miscellaneous Employees	Terminated Refund Rates_Misc
Terminated Vested Rates	
Miscellaneous Employees	Terminated Vested Rates_PA Misc
Salary Scale Rates	
Miscellaneous Employees	Salary Scale Rates_PA Misc
Service Retirement Rates	
Miscellaneous Employees	
• 2.0% at 62	Rx PA Misc 2% @ 62
• 2.7% at 55	Rx PA Misc 2.7% @ 55

Appendix

Sample Mortality and Disability Rates

Attained Age	Pre-Retirement Mortality				Post-Retirement Mortality						Disability			
	Male Assumptions		Female Assumptions		Male Assumptions			Female Assumptions			Male Assumptions		Female Assumptions	
	Non Industrial Death	Industrial Death	Non Industrial Death	Industrial Death	Healthy Recipients	Non Industrially Disabled	Industrially Disabled	Healthy Recipients	Non Industrially Disabled	Industrially Disabled	Non Industrial Disability	Industrial Disability	Non Industrial Disability	Industrial Disability
1	0.00000	0.00000	0.00000	0.00000	0.00023	0.00555	0.00128	0.00015	0.00346	0.00098	0.00000	0.00000	0.00000	0.00000
5	0.00000	0.00000	0.00000	0.00000	0.00023	0.00565	0.00129	0.00015	0.00350	0.00099	0.00000	0.00000	0.00000	0.00000
10	0.00000	0.00000	0.00000	0.00000	0.00024	0.00572	0.00130	0.00015	0.00354	0.00099	0.00000	0.00000	0.00000	0.00000
15	0.00023	0.00000	0.00017	0.00000	0.00024	0.00584	0.00132	0.00016	0.00361	0.00101	0.00017	0.00000	0.00010	0.00000
20	0.00031	0.00000	0.00020	0.00000	0.00025	0.00604	0.00135	0.00017	0.00372	0.00104	0.00017	0.00000	0.00010	0.00000
25	0.00040	0.00000	0.00023	0.00000	0.00029	0.00637	0.00141	0.00021	0.00392	0.00109	0.00017	0.00000	0.00010	0.00000
30	0.00049	0.00000	0.00025	0.00000	0.00039	0.00693	0.00153	0.00028	0.00428	0.00121	0.00019	0.00000	0.00024	0.00000
35	0.00057	0.00000	0.00035	0.00000	0.00060	0.00788	0.00178	0.00046	0.00492	0.00143	0.00049	0.00000	0.00081	0.00000
40	0.00075	0.00000	0.00050	0.00000	0.00110	0.00949	0.00225	0.00091	0.00605	0.00188	0.00122	0.00000	0.00155	0.00000
45	0.00106	0.00000	0.00071	0.00000	0.00227	0.01221	0.00318	0.00200	0.00804	0.00281	0.00191	0.00000	0.00218	0.00000
50	0.00155	0.00000	0.00100	0.00000	0.00501	0.01680	0.00501	0.00466	0.01158	0.00466	0.00213	0.00000	0.00229	0.00000
55	0.00228	0.00000	0.00138	0.00000	0.00599	0.01973	0.00599	0.00416	0.01149	0.00416	0.00221	0.00000	0.00179	0.00000
60	0.00308	0.00000	0.00182	0.00000	0.00710	0.02289	0.00754	0.00436	0.01235	0.00518	0.00222	0.00000	0.00135	0.00000
65	0.00400	0.00000	0.00257	0.00000	0.00829	0.02451	0.01122	0.00588	0.01607	0.00838	0.00210	0.00000	0.00118	0.00000
70	0.00524	0.00000	0.00367	0.00000	0.01305	0.02875	0.01635	0.00993	0.02211	0.01395	0.00180	0.00000	0.00114	0.00000
75	0.00713	0.00000	0.00526	0.00000	0.02205	0.03990	0.02834	0.01722	0.03037	0.02319	0.00142	0.00000	0.00118	0.00000
80	0.00990	0.00000	0.00814	0.00000	0.03899	0.06083	0.04899	0.02902	0.04725	0.03910	0.00142	0.00000	0.00118	0.00000
85	0.00000	0.00000	0.00000	0.00000	0.06969	0.09731	0.07679	0.05243	0.07762	0.06251	0.00000	0.00000	0.00000	0.00000
90	0.00000	0.00000	0.00000	0.00000	0.12974	0.14804	0.12974	0.09887	0.12890	0.09887	0.00000	0.00000	0.00000	0.00000
95	0.00000	0.00000	0.00000	0.00000	0.22444	0.22444	0.22444	0.18489	0.21746	0.18489	0.00000	0.00000	0.00000	0.00000
100	0.00000	0.00000	0.00000	0.00000	0.32536	0.32536	0.32536	0.30017	0.30017	0.30017	0.00000	0.00000	0.00000	0.00000
105	0.00000	0.00000	0.00000	0.00000	0.58527	0.58527	0.58527	0.56093	0.56093	0.56093	0.00000	0.00000	0.00000	0.00000
110	0.00000	0.00000	0.00000	0.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	0.00000	0.00000	0.00000	0.00000
115	0.00000	0.00000	0.00000	0.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	0.00000	0.00000	0.00000	0.00000
120	0.00000	0.00000	0.00000	0.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	0.00000	0.00000	0.00000	0.00000

Notes:

- 1) Pre-Retirement and Post-Retirement mortality rates include 20 years of projected on-going mortality improvement using Scale BB published by the Society of Actuaries.
- 2) Miscellaneous Plans usually have Industrial Death rates set to zero unless the agency has specifically contracted for Industrial Death benefits. If so, each Non-Industrial Death rate shown above will be split into two components: 99% will become the Non-Industrial Death rate and 1% will become the Industrial Death rate.
- 3) The Miscellaneous Non-Industrial Disability rates are used for Local Prosecutors.
- 4) Normally, Industrial Disability rates are zero for miscellaneous plans unless the agency has specifically contracted for Industrial Disability benefits. If so, each miscellaneous non-industrial disability rate will be split into two components: 50% will become the Non-Industrial Disability rate and 50% will become the Industrial Disability rate.

Appendix

Sample Termination Rates

		Sample Terminated Refund Rates Public Agency Miscellaneous									
Entry Ages		15	20	25	30	35	40	45	50	55	59
Service											
0		0.18120	0.17420	0.16740	0.16060	0.15370	0.14680	0.14000	0.13320	0.12620	0.12080
5		0.02320	0.02120	0.01930	0.01740	0.01550	0.01360	0.01160	0.00970	0.00780	0.00620
10		0.01550	0.01380	0.01210	0.01040	0.00880	0.00710	0.00550	0.00380	0.00210	0.00080
15		0.00700	0.00600	0.00510	0.00420	0.00320	0.00230	0.00140	0.00040	0.00020	0.00020
20		0.00450	0.00370	0.00290	0.00210	0.00130	0.00050	0.00010	0.00010	0.00010	0.00010
25		0.00240	0.00170	0.00110	0.00050	0.00010	0.00010	0.00010	0.00010	0.00010	0.00010
30		0.00110	0.00050	0.00010	0.00010	0.00010	0.00010	0.00010	0.00010	0.00000	0.00000
35		0.00010	0.00010	0.00010	0.00010	0.00010	0.00010	0.00010	0.00000	0.00000	0.00000
40		0.00010	0.00010	0.00010	0.00010	0.00010	0.00010	0.00000	0.00000	0.00000	0.00000
45		0.00010	0.00010	0.00010	0.00010	0.00010	0.00000	0.00000	0.00000	0.00000	0.00000
50		0.00010	0.00010	0.00010	0.00010	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000

		Sample Terminated Vested Rates Public Agency Miscellaneous									
Entry Ages		15	20	25	30	35	40	45	50	55	59
Service											
0		0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
5		0.07140	0.06560	0.05970	0.05370	0.04770	0.04180	0.00000	0.00000	0.00000	0.00000
10		0.05940	0.05300	0.04660	0.04030	0.03390	0.00000	0.00000	0.00000	0.00000	0.00000
15		0.05110	0.04430	0.03730	0.03050	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
20		0.04050	0.03330	0.02610	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
25		0.02880	0.02120	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
30		0.01500	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
35		0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
40		0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
45		0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
50		0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000

When a member is eligible to retire, the termination with vested benefits probability is set to zero

Appendix

Sample Salary Scale Rates

Service	Entry Ages										Public Agency Miscellaneous			
	15	20	25	30	35	40	45	50	55	60	65	70	75	79
0	0.1220	0.1220	0.1220	0.1160	0.1090	0.1020	0.0950	0.0950	0.0950	0.0950	0.0950	0.0950	0.0950	0.0950
5	0.0640	0.0640	0.0640	0.0600	0.0550	0.0520	0.0480	0.0480	0.0480	0.0480	0.0480	0.0480	0.0480	0.0480
10	0.0460	0.0460	0.0460	0.0430	0.0410	0.0390	0.0370	0.0370	0.0370	0.0370	0.0370	0.0370	0.0370	0.0370
15	0.0420	0.0420	0.0420	0.0400	0.0380	0.0360	0.0340	0.0340	0.0340	0.0340	0.0340	0.0340	0.0340	0.0340
20	0.0390	0.0390	0.0390	0.0380	0.0360	0.0340	0.0330	0.0330	0.0330	0.0330	0.0330	0.0330	0.0330	0.0330
25	0.0370	0.0370	0.0370	0.0360	0.0340	0.0330	0.0310	0.0310	0.0310	0.0310	0.0310	0.0310	0.0310	0.0310
30	0.0350	0.0350	0.0350	0.0340	0.0330	0.0320	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300
35	0.0350	0.0350	0.0350	0.0340	0.0330	0.0320	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300
40	0.0350	0.0350	0.0350	0.0340	0.0330	0.0320	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300
45	0.0350	0.0350	0.0350	0.0340	0.0330	0.0320	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300
50	0.0350	0.0350	0.0350	0.0340	0.0330	0.0320	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300

Appendix

Matrix of Sample Service Retirement Assumption Rates

Service	Attained Ages				Public Agency Miscellaneous 2% @ 62			
	50	55	60	65	70	75	79	
0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
5	0.0000	0.0100	0.0310	0.1080	0.1200	1.0000	1.0000	
10	0.0000	0.0190	0.0510	0.1410	0.1560	1.0000	1.0000	
15	0.0000	0.0280	0.0710	0.1730	0.1930	1.0000	1.0000	
20	0.0000	0.0360	0.0910	0.2060	0.2290	1.0000	1.0000	
25	0.0000	0.0610	0.1110	0.2390	0.2650	1.0000	1.0000	
30	0.0000	0.0960	0.1380	0.3000	0.3330	1.0000	1.0000	
35	0.0000	0.1520	0.1830	0.3480	0.3870	1.0000	1.0000	
40	0.0000	0.1800	0.2040	0.3600	0.4000	1.0000	1.0000	
45	0.0000	0.0000	0.2040	0.3600	0.4000	1.0000	1.0000	
50	0.0000	0.0000	0.0000	1.0000	1.0000	1.0000	1.0000	

Service	Attained Ages				Public Agency Miscellaneous 2.7% @ 55			
	50	55	60	65	70	75	79	
0	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	
5	0.00300	0.03300	0.06000	0.14000	0.15000	1.00000	1.00000	
10	0.01000	0.05500	0.08600	0.17400	0.18100	1.00000	1.00000	
15	0.01600	0.07800	0.11200	0.20800	0.21200	1.00000	1.00000	
20	0.03400	0.11300	0.15000	0.25400	0.24300	1.00000	1.00000	
25	0.03300	0.15600	0.18200	0.30600	0.29100	1.00000	1.00000	
30	0.04500	0.23400	0.23800	0.38900	0.35000	1.00000	1.00000	
35	0.12000	0.36100	0.30200	0.42200	0.39000	1.00000	1.00000	
40	0.00000	0.42500	0.33000	0.42200	0.40000	1.00000	1.00000	
45	0.00000	0.00000	0.33000	0.42200	0.40000	1.00000	1.00000	
50	0.00000	0.00000	0.00000	0.42200	0.40000	1.00000	1.00000	