KENSINGTON FIRE PROTECTION DISTRICT

DATE: November 10, 2021

TO: Board of Directors
Kensington Fire Protection District

RE: **Agenda Item 10**
General Manager's Report

SUBMITTED BY: Bill Hansell, General Manager

Coordination with the PSB renovation and temporary facility project consultants, the Emergency Preparedness Coordinator, the Grant Writer, and the Municipal Advisors continues to augment my typical monthly tasks. Although the end of the year is quickly approaching, I hope to conduct interviews for part-time Accountant/Bookkeeper assistance, as well as for the Board Clerk/Exec Assistant position, as soon as possible.

This month's new business items include reports that reflect the focus of my attention, but additional work is described below:

1. **FY2020-2021 Audit** – MUN CPAS paused their fieldwork while Maze spent time on the EOY reconciliation issues previously discussed in my report last month. Maze forwarded new figures to MUN this past week, so the fieldwork will now proceed. I am working on the required procedural statements and confirmation letters.

2. **Actuary Report** – Attached is the draft GASB 75 report for YE2021 completed by Nicolay Consulting Group. As noted last month, the draft predicts a reserve fund balance of 140% of estimated costs. No questions were submitted to the consultants so I am waiting for the final approved copy.

3. **Coordination with KPPCSD** – I was introduced to the new Finance Director and discussed our experience to date with the consulting accountants. Our admin working lunch was postponed due to more pressing police and fire staff work required by the early storm. I hope to reschedule that soon.

4. **East Bay Wildfire Prevention and Vegetation Management JPA** – The first meeting to discuss the formation was postponed but is now scheduled for December 3rd.

5. **Grant Writer Activity** – The grant writer's monthly report is attached.

Grant Writer Report:

From: **Sudi Shoja**
Date: Thu, Nov 4, 2021
Subject: Re: Board Report

We check for available grants on a weekly basis and we check the specific fire related websites every other week:

CAL FIRE Grants Program

- **Forest Health:** Closed
- **Urban and Community Forestry:** Closed
- **Fire Prevention:** Closed
- **CA Forest Improvement Program:** Closed
- **Rural Fire Capacity:** Closed
- **Wildfire Resilience:** The purpose of the block grant is to allow prospective grantees the ability to provide a program of financial and technical forestry assistance to nonindustrial forest landowners, where the grantee serves as the supervising entity, receives the grant from CAL FIRE and then provides outreach and/or technical/financial assistance to landowners so they can conduct forest restoration or management activities on their property. In 2020, CAL FIRE awarded $2.2M to two grantees in an initial pilot program.

  CAL FIRE is expanding this program in early 2022 and expects to solicit new Request for Proposals in the first quarter of 2022. Please continue to check for updates.

Department of Conservation

- **Regional Forest and Fire Capacity Program:** guidelines have been developed, however there are no grant announcements. We have sent a question to request timing for allocation of State budget surplus and potential timing of a grant.

CalOES

- No new announcements

DRAFT

Kensington Fire Protection District
OPEB Plan

Governmental Accounting Standards Board
(GASB) Statement 75
Actuarial Valuation Date: June 30, 2019
Measurement Date: June 30, 2020
Fiscal Year End: June 30, 2021

October 07, 2021

NICOLAY CONSULTING

Nicolay Consulting Group

NICOLAY CONSULTING

October 07, 2021

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Ms. Brenda Navellier
Administrator
Kensington Fire Protection District
217 Arlington Avenue
Kensington, CA 94707

Re: Kensington Fire Protection District GASB 75 Report for FYE June 30, 2021

Dear Ms. Navellier,

Kensington Fire Protection District (the "District") has retained Nicolay Consulting Group to complete this valuation of the District's postemployment medical program (the "Plan") as of June 30, 2020 measurement date compliant under Governmental Accounting Standards Board (GASB) Statement 75.

The purpose of this valuation is to determine the value of the expected postretirement benefits for current and future retirees and the Net OPEB Liability and OPEB Benefit Cost for the fiscal year ending June 30, 2021. The amounts reported herein are not necessarily appropriate for use for a different fiscal year without adjustment.

Based on the foregoing, the cost results and actuarial exhibits presented in this report were determined on a consistent and objective basis in accordance with applicable Actuarial Standards of Practice and generally accepted actuarial procedures. We believe they fully and fairly disclose the actuarial position of the Plan based on the plan provisions, employee and plan cost data submitted.

The actuarial calculations were completed under the supervision of Earlene Young, MAAA, FCA, Enrolled Actuary. She is a member of the American Academy of Actuaries whom meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. In our opinion, assumptions as approved by the plan sponsor are reasonably related to the experience of and expectations for the Plan.

We would be pleased to answer any questions on the material contained in this report or to provide explanation or further detail as may be appropriate.

Respectfully submitted,

NICOLAY CONSULTING GROUP

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Earlene L Young, EA, FCA, MAAA
Senior Actuary

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Section I Management Summary

A) Highlights

Summary of Key Valuation Results

	2020	2019
Disclosure elements as of measurement period ending June 30:		
Present Value of Future Benefits:		
Active	$0	$0
Retiree	1,005,564	1,072,175
Total	$1,005,564	$1,072,175
Actuarial Accrued Liability or Total OPEB Liability (TOL)		
Active	$0	$0
Retiree	1,005,564	1,072,175
Total	$1,005,564	$1,072,175
Plan Fiduciary Net Position (i.e. Fair Value of Assets)	1,425,669	1,459,931
Net OPEB Liability (NOL)	($420,105)	($387,756)
Plan Fiduciary Net Position as a percentage of the TOL	142%	136%
Aggregate OPEB Expense (Exhibit 4)	($48,607)	($189,077)
Covered Payroll	$0	N/A
Schedule of contributions for measurement period ending June 30:		
Actuarially determined contributions (Exhibit 7)	$0	$0
Actual contributions[1]	0	0
Contribution deficiency/(excess)	$0	$0
Employer's Share of Benefit Payments	$112,644	$105,006
Demographic data for measurement period ending June 30 [2]:		
Number of active members	0	0
Number of retired members and beneficiaries	9	9
Inactive Participants with deferred benefits	0	0
Total Participants	9	9
Key assumptions as of the Measurement Date:		
Discount rate	6.73%	6.73%
Initial Trend Rate		
Pre-65	7.00%	7.00%
Post-65	5.00%	5.00%
Ultimate Rate	5.00%	5.00%
Year Ultimate Rate is Reached	2029	2029

(1) *Includes payments to trust and amounts paid directly by the plan sponsor*

(2) *Census data as of June 30, 2019 is used in the measurement of the TOL as of June 30, 2020. See Section III for additional details on the demographic data.*

B) Gap Analysis

The Total OPEB Liability has decreased $66,611 from $1,072,175 as of June 30, 2019 to $1,005,564 as of June 30, 2020. This decrease is primarily due to expected benefits earned and interest on the total OPEB libility, offset by the expected benefit payments during the year.

Interim Valuation

This report presents liabilities as of the measurement date that are based on an interim valuation.

GASB 75 allows plan sponsors to perform valuations biennially, meaning the results for a valuation can be rolled forward to up to two GASB 75 measurement dates. The valuation date can precede a GASB 75 measurement date as long as the results would not be materially different had an updated census been collected as of the measurement date. Therefore, if the District has had a significant shift in participant demographics between the valuation date and a GASB 75 measurement date, an updated census must be collected and a full valuation performed.

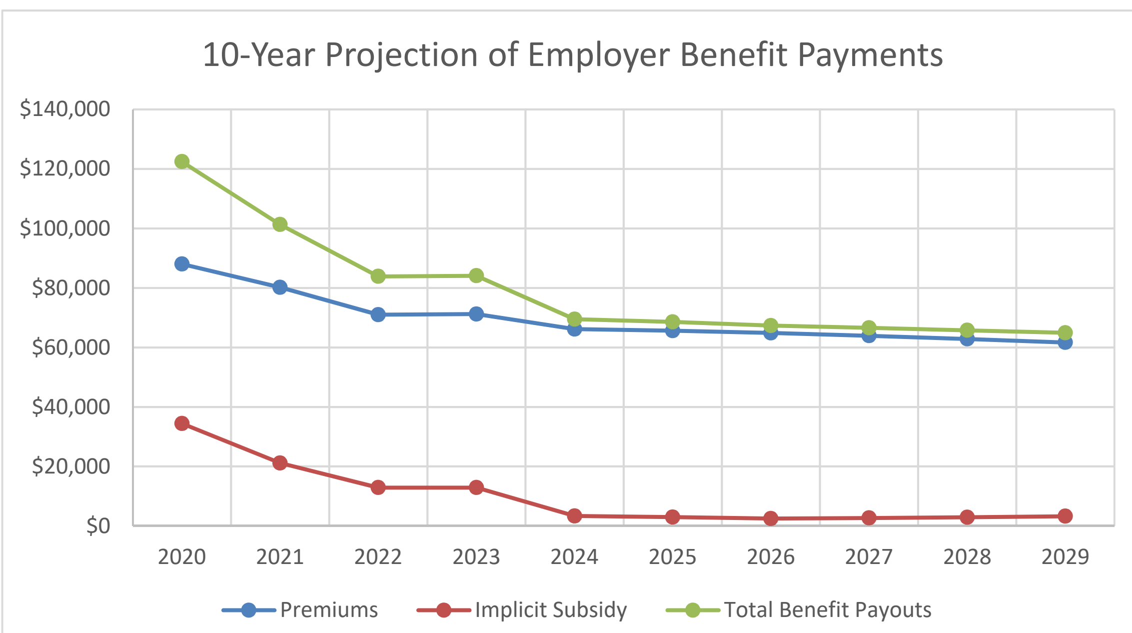
When a full valuation is performed the inputs to the valuation (participant census, plan provisions, assets, and actuarial assumptions and methods) are reviewed and updated.

When an interim valuation is performed, both the census data and the assumptions and methods do not need to be updated. What does need to be updated in an interim valuation are assets, plan provision changes materially impacting the results, and the discount rate to the extent that it is based on a yield or index rate for a 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

C) 10-Year Projection of Employer's Benefit Payments

In this table we show the projected pay-as-you-go costs (employer's share of premiums), the implicit subsidy, and total expected benefit payments. The implicit subsidy reflects the shortfall of premiums versus the true cost of coverage. The shortfall exists because claims for active employees are combined with claims of retirees (who generally are older and cost more) to develop a single flat premium paid by both groups.

Plan Year Beginning 7/1	Employer's Share of Premiums	Implicit Subsidy	Total
2020	$88,023	$34,418	$122,441
2021	$80,179	$21,124	$101,303
2022	$70,991	$12,887	$83,878
2023	$71,217	$12,876	$84,093
2024	$66,160	$3,338	$69,498
2025	$65,609	$2,955	$68,564
2026	$64,860	$2,468	$67,328
2027	$63,933	$2,655	$66,588
2028	$62,854	$2,906	$65,760
2029	$61,650	$3,260	$64,910

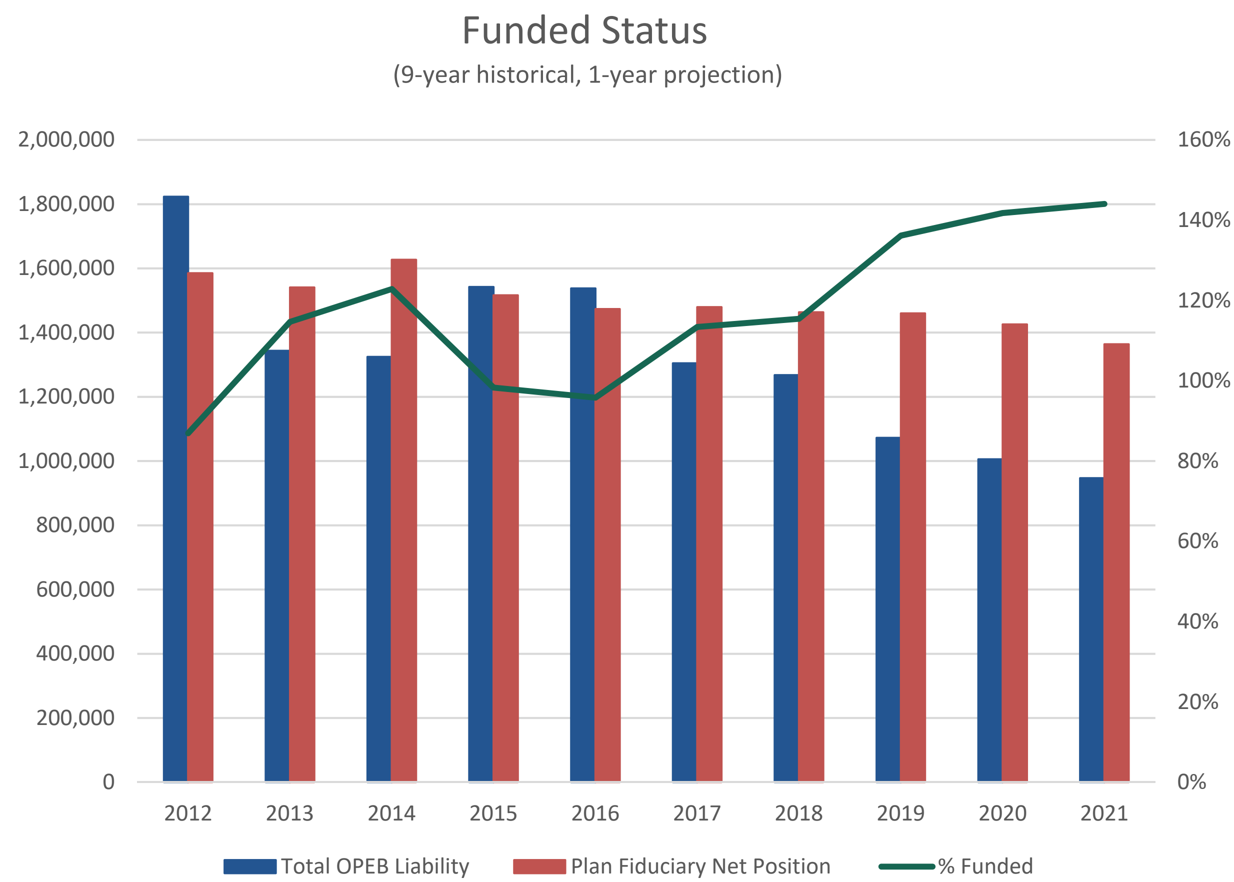


D) Breakdown of Explicit and Implicit Liabilities

	Explicit	Implicit	Total
Present Value of Future Benefits			
Actives	$0	$0	$0
Retirees	868,981	136,583	1,005,564
Total	$868,981	$136,583	$1,005,564
Actuarial Accrued Liability			
Actives	$0	$0	$0
Retirees	868,981	136,583	1,005,564
Total	$868,981	$136,583	$1,005,564
Normal Cost 2020/21	$0	$0	$0

E) Funding Progress

Below is an illustration of the funded status of the Plan for the past 9 years, and a projection of the next year looking forward:



Section II GASB 75 Exhibits

A) Schedule of Changes in Net OPEB Liability (Exhibit 1)

	2020	2019
Total OPEB Liability		
Service cost	$0	$0
Interest	68,428	81,835
Change of benefit terms	0	0
Differences between expected and actual experience	(22,395)	(167,556)
Changes of assumptions	0	(4,722)
Benefit payments	(112,644)	(105,006)
Net change in Total OPEB Liability	($66,611)	($195,449)
Total OPEB Liability – beginning (a)	$1,072,175	$1,267,624
Total OPEB Liability – ending (b)	$1,005,564	$1,072,175
Plan Fiduciary Net Position		
Contributions – employer	$0	$0
Contributions – employee	0	0
Net investment income	79,104	101,767
Benefit payments	(112,644)	(105,006)
Administrative expense	(722)	(313)
Other	0	0
Net change in Plan Fiduciary Net Position	($34,262)	($3,552)
Plan Fiduciary Net Position – beginning (c)	$1,459,931	$1,463,483
Plan Fiduciary Net Position – ending (d)	$1,425,669	$1,459,931
Net OPEB Liability - beginning (a) – (c)	($387,756)	($195,859)
Net OPEB Liability – ending (b) – (d)	($420,105)	($387,756)
Plan Fiduciary Net Position as a percentage of the TOL	142%	136%
Covered employee payroll	N/A	N/A
NOL as percentage of covered employee payroll	N/A	N/A

Section II GASB 75 Exhibits

B) Summary of Changes in Net OPEB Liability (Exhibit 2)

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Measurement as of June 30, 2019:	$1,072,175	$1,459,931	($387,756)
Recognized Changes Resulting from:			
▪ Service cost	-	-	-
▪ Interest	68,428	-	68,428
▪ Diff. between expected and actual experience	(22,395)	-	(22,395)
▪ Changes of assumptions	-	-	-
▪ Net investment income	-	79,104	(79,104)
▪ Benefit payments	(112,644)	(112,644)	-
▪ Contributions – employer	-	-	-
▪ Contributions – employee	-	-	-
▪ Administrative expense	-	(722)	722
▪ Change of benefit terms	-	-	-
Net Changes	($66,611)	($34,262)	($32,349)
Measurement as of June 30, 2020:	$1,005,564	$1,425,669	($420,105)

C) Derivation of Significant Actuarial Assumptions

Long-term Expected Rate of Return – As of June 30, 2020, the long-term expected rates of return for each major investment class in the Plan's portfolio are as follows:

Investment Class	Target Allocation	Long-Term Expected Real Rate of Return[1]
Equity	43.00%	5.43%
Fixed Income	49.00%	1.63%
REITs	8.00%	5.06%

[1]JPMorgan arithmetic Long Term Capital Market assumptions and expected inflation of 2.26%.

The above table shows the target asset allocation in the CERBT Strategy 2 investment policy.

Discount rate – The discount rate is based on a blend of the long-term expected rate of return on assets for benefits covered by plan assets and a yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or better for benefits not covered by plan assets.

Above are the arithmetic long-term expected real rates of return by asset class for the next 10 years as provided in a report by JP Morgan. For years thereafter, returns were based on historical average index real returns over the last 30 years assuming a similar equity/fixed investment mix and a 2.26% inflation rate. Investment expenses were assumed to be 10 basis points per year. These returns were matched with cash flows for benefits covered by plan assets and the Bond Buyer 20-Bond General Obligation index was matched with cash flows not covered by plan assets to measure the reasonableness of the choice in discount rate.

	June 30, 2020	June 30, 2019
Discount Rate	6.73%	6.73%
Bond Buyer 20-Bond GO Index	2.21%	3.50%

Section II GASB 75 Exhibits

D) Sensitivity Analysis (Exhibit 3)

Sensitivity of the Net OPEB Liability to changes in the discount rate – The following presents the District's Net OPEB Liability if it were calculated using a discount rate that is 1% point lower (5.73%) or 1% point higher (7.73%) than the current rate:

Sensitivity of the Net OPEB Liability to changes in the Trend rate – The following presents the District's Net OPEB Liability if it were calculated using a trend table that has rates that are 1% point lower or 1% point higher than the current set of rates:

Net OPEB Liability as of the June 30, 2020 measurement date: ($420,105)

Sensitivity Analysis:

	NOL/(A)	$ Change	%Change
Discount Rate			
+1%	($499,274)	($79,169)	19%
Base	($420,105)	-	-
-1%	($326,430)	$93,675	(22%)
Trend Rate			
+1%	($330,545)	$89,560	(21%)
Base	($420,105)	-	-
-1%	($497,048)	($76,943)	18%

E) Schedule of OPEB Expense (Exhibit 4)

Measurement Period Ending:	June 30, 2020	June 30, 2019
Components of OPEB Expense:		
Service Cost	$0	$0
Interest on the Total OPEB Liability (Exhibit 5)	68,428	81,835
Projected Earnings on OPEB Plan Investments (Exhibit 6)	(94,500)	(95,006)
Employee Contributions	0	0
Administrative Expense	722	313
Changes on Benefit Terms	0	0
Recognition of Deferred Resources Due to:		
▪ Changes of Assumptions	0	(4,722)
▪ Differences between Expected and Actual Experience	(22,395)	(167,556)
▪ Differences Between Projected Actual Earnings on Assets	(862)	(3,941)
Aggregate OPEB Expense	($48,607)	($189,077)

F) Interest on the Total OPEB Liability (Exhibit 5)

	Amount for Period a	Portion of Period b	Interest Rate c	Interest on the Total OPEB Liability a*b*c
Beginning Total OPEB Liability	$1,072,175	100%	6.73%	$72,157
Service Cost	$0	100%	6.73%	0
Benefit payments	($112,644)	50%	6.73%	(3,729)
Total Interest on the TOL				$68,428

G) Earnings on Plan Fiduciary Net Position (Exhibit 6)

Total Projected Earnings	Amount for Period a	Portion of Period b	Projected Rate of Return c	Projected Earnings a*b*c
Beginning Plan Fiduciary Net Position	$1,459,931	100%	6.73%	$98,253
Employer Contributions	$0	50%	6.73%	0
Employee Contributions	$0	50%	6.73%	0
Benefits payments	($112,644)	50%	6.73%	(3,729)
Administrative Expense and Other	($722)	50%	6.73%	(24)
Total Projected Earnings				$94,500

Comparison of Projected and Actual Earnings On Investments	
Total Projected Earnings	$94,500
Actual Net Investment Income	79,104
Difference Between Projected and Actual Earnings on Assets	$15,396

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Section II GASB 75 Exhibits

H) Schedule of Contributions[1] (Exhibit 7)

Measurement Period Ending:	June 30, 2020	June 30, 2019
Actuarially Determined Contribution[2]	$0	$0
Contributions to the Trust	$0	$0
Pay-go Payments by Employer Unreimbursed by the Trust	0	0
Active Implicit Rate Subsidy Transferred to OPEB	0	0
Total OPEB Contributions[1]	$0	$0
Covered-employee payroll[3]	N/A	N/A
Contributions as a percentage of covered-employee payroll[3]	N/A	N/A

[1] ADC and Contributions are for the measurement periods ending June 30, 2019 and June 30, 2020.

[2] Employers setting a discount rate based on the assumption that assets will be sufficient to cover all future benefit payments under the plan are assumed to annually make contributions equal to the actuarially determined contribution. Annual contributions made that are substantially less than the ADC would require additional support for use of a discount rate equal to the long-term expected return on trust assets.

[3] Covered-Employee Payroll represented above is based on covered-employee payroll provided by the employer. GASB 75 defines covered-employee payroll as the total payroll of employees that are provided benefits through the OPEB plan. Accordingly, if OPEB covered-employee payroll shown above is different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

I) Deferred Inflows/Outflows of Resources (Exhibit 8)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Unrecognized Deferred Resources due to:		
▪ Differences between expected and actual experience	$0	$0
▪ Changes in assumptions	0	0
▪ Net difference between projected and actual earnings	6,527	0
Contribution to OPEB plan after measurement date[1]	0	0
Total	$6,527	$0

[1] To be determined as of the fiscal year ending 2021

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

Fiscal Year Ended June 30	Recognized Deferred Outflows/(Inflows) of Resources
2022	($864)
2023	2,585
2024	1,726
2025	3,080
2026	-
Thereafter	-
Total Deferred Resources:	$6,527

J) Schedule of Deferred Inflows/Outflows of Resources (Exhibit 9)

Fiscal Year Established	Initial Amount	Initial Years	Years Left	Amount Recognize In FY 2021	Balances as of 06/30/21 of Deferred Outflows	Balances as of 06/30/21 of Deferred Inflows
Difference Between Expected and Actual Plan Experience						
2018	$146,389	0.000	0.000	$0	$0	$0
2019	(14,315)	0.000	0.000	0	0	0
2020	(167,556)	0.000	0.000	0	0	0
2021	(22,395)	0.000	0.000	(22,395)	0	0
Total	($57,877)			($22,395)	$0	$0
Change in Assumptions						
2018	($373,443)	0.000	0.000	$0	$0	$0
2019	0	0.000	0.000	0	0	0
2020	(4,722)	0.000	0.000	0	0	0
2021	0	0.000	0.000	0	0	0
Total	($378,165)			$0	$0	$0
Net Difference Between Projected and Actual Earnings On Investments						
2018	($17,242)	5.000	1.000	($3,448)	$0	($3,450)
2019	4,294	5.000	2.000	859	1,717	0
2020	(6,761)	5.000	3.000	(1,352)	0	(4,057)
2021	15,396	5.000	4.000	3,079	12,317	0
Subtotal	($4,313)			($862)	$14,034	($7,507)
Total					$6,527	$0
Totals:				($23,257)	$6,527	$0

K) Reconciliation of the Net Position (Exhibit 10)

Measurement as of:	June 30, 2020	June 30, 2019
Total OPEB Liability (TOL)	$1,005,564	$1,072,175
Plan Fiduciary Net Position (PFNP)	1,425,669	1,459,931
Net OPEB Liability (NOL)	($420,105)	($387,756)
Deferred Inflows of resources (CR):		
▪ Differences between expected and actual experience	0	0
▪ Changes in assumptions	0	0
▪ Net difference between projected and actual earnings	0	9,731
Deferred Outflows of resources (DR):		
▪ Differences between expected and actual experience	0	0
▪ Changes in assumptions	0	0
▪ Net difference between projected and actual earnings	6,527	0
▪ Est. contributions post measurement date[1]	0	0
Net Position	($426,632)	($378,025)

[1] Post-measurement date contributions reported by the plan sponsor.

Reconciliation of Net Position	
Net Position at June 30, 2019	($378,025)
Aggregate OPEB Expense	(48,607)
Total OPEB Contributions	0
Change in Post-Measurement date Contributions[1]	0
Net Position at June 30, 2020	($426,632)

[1] Difference between FY20 and FY21 Post-Measurement date Contributions

Post-Measurement Date Contributions Breakdown	7/1/20-6/30/21	7/1/19-6/30/20
Direct Contributions to the Trust	0	0
Employer Share of Retiree Premiums Unreimbursed by the Trust[1]	0	0
CalPERS Administration Fees Unreimbursed by the Trust[1]	0	0
Implied Subsidy Unreimbursed by the Trust	0	0
Total Post-Measurement Date Contributions	0	0

[1] CalPERS administration fees can be included in premium costs shown.

Section III Data

A) Summary of Demographic Information

The participant data used in the valuation was provided by the District as of June 30, 2019. It is assumed that this data is representative of the population as of June 30, 2020. While the participant data was checked for reasonableness, the data was not audited. The valuation results presented in this report are dependent upon the accuracy of the participant data provided. The table below presents a summary of the basic participant information for the active and retired participants covered under the terms of the Plan.

	6/30/2019
Actives	
Counts	
▪ Total	0
Averages	
▪ Age	N/A
▪ Service	N/A
Retirees	
Counts	
▪ Under age 65	3
▪ Age 65 and over	6
▪ Total	9
Averages	
▪ Age	75.8
▪ Age at Retirement	44.2
▪ Service at Retirement	0.0
Inactive Participants with deferred benefits	0
Total Participants	9
Covered Dependents of Retirees	
Counts	
▪ Spouses / Domestic Partners	4
▪ Children	0
▪ Total	4
Total Participants and Dependents	13

B) Distribution of Participants by Age and Service

Distribution of Service Groups by Age Groups

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

* Retired participants include retirees, disabled participants, and surviving family members. Does not include covered dependents.

Section IV Plan Provision Summary

A) Plan Description

Eligibility and Contribution Requirements

The District has assumed responsibility for providing the entire cost of postretirement medical, dental and vision benefits to a closed group of retirees and their dependents. Retirees may enroll in any of the plans offered by the District. Retirees are currently enrolled in Blue Shield, PERS Care, and Kaiser plans. The District also provides postretirement dental coverage through Delta Dental and postretirement vision coverage through VSP.

2019 and 2020 calendar year monthly medical premium rates for the District's plans are shown below:

	2019 CalPERS Bay Area Plans	EE	EE+SP	EE+Fam
Pre-Medicare Premiums	Kaiser	768.25	1,536.50	1,997.45
	PERS Care	1,131.68	2,263.36	2,942.37
	UnitedHealthCare	928.85	1,857.70	2,415.01
	2020 CalPERS Region 1 Plans			
	Kaiser	768.49	1,536.98	1,998.07
	PERS Care	1,133.14	2,266.28	2,946.16
	UnitedHealthCare	899.94	1,799.88	2,339.84

	2019 CalPERS Bay Area Plans	EE	EE+SP
Medicare Premiums	Kaiser	323.74	647.48
	PERS Care	394.83	789.66
	UnitedHealthCare	299.37	598.74
	2020 CalPERS Region 1 Plans		
	Kaiser	339.43	678.86
	PERS Care	384.78	769.56
	UnitedHealthCare	327.03	654.06

Dental Premiums	$66.99 for retiree, $62.47 for spouse
Vision Premiums	$31.84 composite

Duration of Benefits
Benefits continue for the life of the retiree and/or dependent(s).

Surviving Spouse Coverage
Surviving spouses of deceased retirees receive lifetime coverage.

Plan Provision Changes

There have been no plan amendments since the last measurement date.

Section IV Plan Provision Summary

A) Actuarial Assumptions

Discount Rate	6.73%, based on the CERBT Strategy 2 investment policy.
Net Investment Return	6.73%, based on the CERBT Strategy 2 investment policy.
Inflation	We assumed 2.26% annual inflation.
Payroll increases	3.25% annual increases.
Administrative Expenses	The administrative expense was $722 for the measurement period ending June 30, 2020.

Pre-Excise Tax Health Care Trend

Year Beginning	Increase in Premium Rates Pre-65	Post-65
2021	7.00%	5.00%
2022	6.75%	5.00%
2023	6.50%	5.00%
2024	6.25%	5.00%
2025	6.00%	5.00%
2026	5.75%	5.00%
2027	5.50%	5.00%
2028	5.25%	5.00%
2029 and later	5.00%	5.00%

Section V Actuarial Assumption, Methods, & Considerations

A) Actuarial Assumptions (continued)

Plan Distribution for Calculating Baseline Cost

Plan	
United Health Care	11%
Kaiser	22%
PERS Care	67%
Total	100%

Average Per Capita Claims Cost (Baseline Cost): Pre-Medicare: $11,794 per year; Post-Medicare: $4,407 per year

Health Plan Participation: We assumed that 100% of eligible participants will participate.

Medicare Coverage: We assumed that all future retirees will be eligible for Medicare when they reach age 65.

Morbidity Factors: CalPERS 2017 study

Population for Curving: CalPERS 2017 study

Age-Weighted Claims Costs

Age	Claim
50	$11,559
55	$13,821
60	$16,642
65	$4,392
70	$3,863
75	$4,523
80	$5,153
85	$5,463

A) Actuarial Assumptions (continued)

Mortality*

The mortality rates used in this valuation are those from the CalPERS 2017 experience study.

Pre-Retirement: CalPERS 2017 Mortality

Post-Retirement: CalPERS 2017 Mortality

Sample Mortality Rates				
	Active Employees		Retired Employees	
Age	Male	Female	Male	Female
55	0.17%	0.12%	0.44%	0.41%
60	0.26%	0.17%	0.67%	0.48%
65	0.36%	0.23%	0.93%	0.64%
70	0.62%	0.39%	1.34%	0.93%
75	1.06%	0.62%	2.32%	1.63%
80	1.66%	0.94%	3.98%	3.01%
85	0.00%	0.00%	7.12%	5.42%
90	0.00%	0.00%	13.04%	10.09%

Disability*

Because of the anticipated low incidence of disability retirements we did not value disability.

Percent Married

Active employees and retirees are assumed to continue to cover their current spouse through retirement

Participation

We assumed 100% of retirees will participate upon retirement.

[*] Source: NCG has not performed an experience study to select these assumptions. NCG has not observed materially consistent gains or consistent losses associated with these assumptions

Assumption Changes

There have been no assumption changes since the last measurement date.

B) Actuarial Methods

Actuarial Cost Method	Entry Age Normal An actuarial cost method under which the Actuarial Present Value of the Projected Benefits of each individual included in the valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost.
Amortization Methodology	We used straight-line amortization. For assumption changes and experience gains/losses, we assumed Average Future Working Lifetime, averages over all actives and retirees (retirees are assumed to have no future working years). For asset gains and losses, we assumed 5 years.
Financial and Census Data	The District provided the participant data, financial information and plan descriptions used in this valuation. The actuary has checked the data for reasonableness, but has not independently audited the data. The actuary has no reason to believe the data is not complete and accurate, and knows of no further information that is essential to the preparation of the actuarial valuation.
Plan Fiduciary Net Position	Market value of assets as of the measurement date
Measurement Date	June 30, 2020
Valuation Date	June 30, 2019. Results have been rolled forward (an actuarial adjustment) to June 30, 2020.
Funding Policy	The District intends to contribute the full ADC to the Plan each year. Contributions would be made up of cash contributions made to the trust as well as any benefit payments (implicit and explicit) unreimbursed by the trust. When the Plan is fully funded, the District's ADC is $0, since there are only retirees in the Plan.

Section V Actuarial Assumption, Methods, & Considerations

C) Actuarial Considerations

Health Care Reform

Health care delivery is going through an evolution due to enactment of Health Care Reform. The Patient Protection and Affordable Care Act (PPACA), was signed March 23, 2010, with further changes enacted by the Health Care and Education Affordability Reconciliation Act (HCEARA), signed March 30, 2010. This valuation uses various assumptions that may have been modified based on considerations under PPACA. This section discusses particular legislative changes that were reflected in our assumptions. We have not identified any other specific provision of PPACA that would be expected to have a significant impact on the measured obligation. As additional guidance on the Act continues to be issued, we'll continue to monitor impacts.

Individual Mandate

Under PPACA, individuals (whether actively employed or otherwise) must be covered by health insurance or else pay a penalty tax to the government. While it is not anticipated that the Act will result in universal coverage, it has increased the overall portion of the population with coverage. We believe this will result in an increased demand on health care providers, resulting in higher trend for medical services for non-Medicare eligible retirees. (Medicare costs are constrained by Medicare payment mechanisms already in place, plus additional reforms added by PPACA and HCEARA.) The penalty tax was eliminated effective January 1, 2019 and this has effectively eliminated the individual mandate on a Federal level. The individual mandate still can apply at the state level (e.g. Massachusetts since 2006). California adopted the individual mandate effective January 1, 2020. The CBO estimates the impact this will have in 2019 is a decrease of enrollees of 2% of all insureds (18% of enrollees in the individual market) and expects this to grow to 5% (28%) by 2027.

Employer Mandate

Health Care Reform includes various provisions mandating employer coverage for active employees, with penalties for non-compliance. Those provisions do not directly apply to the postemployment coverage included in this valuation.

C) Actuarial Considerations (continued)

Medicare Advantage Plans	Effective January 1, 2011, the Law provides for reductions to the amounts that would be provided to Medicare Advantage plans starting in 2011. We considered the effect of these reductions in federal payments to Medicare Advantage plans when setting our trend assumption.
Expansion of Child Coverage to Age 26	Health Care Reform mandates that coverage be offered to any child, dependent or not, through age 26, consistent with coverage for any other dependent. We assume that this change has been reflected in current premium rates. While this plan covers dependents, we do not currently assume non-spouse dependent coverage other than for firefighters. We believe the impact this assumption has on the valuation is immaterial due to the lack of retirees that have had or are expected to have non-spouse dependents for any significant amount of time during retirement.
Elimination of Annual or Lifetime Maximums	Health Care Reform provides that annual or lifetime maximums have to be eliminated for all "essential services." We assume that current premium rates already reflect the elimination of any historic maximums.
Cadillac Tax (High Cost Plan Excise Tax)	The PPACA legislation added a new High-Cost Plan Excise Tax (also known as the "Cadillac Tax") starting in calendar year 2022. These provisions do not directly apply to post employment benefits included in this valuation. On December 20, 2019 the Secure Act was signed and eliminated the tax effective January 1, 2020.

Section VI Glossary

A) Key Terms

Annual OPEB Expense	The amount recognized by an employer in each accounting period for contributions to a defined benefit OPEB plan on the modified accrual basis of accounting.
Deferred outflows and inflows of resources related to OPEB	Deferred outflows of resources and deferred inflows of resources related to OPEB arising from certain changes in the collective net OPEB liability or collective total OPEB liability
Covered Payroll	Annual compensation paid (or expected to be paid) to active employees covered by an OPEB plan, in aggregate.
Implicit Subsidy	Implicit Subsidy is the difference between the expected cost of the retiree healthcare benefits, by age and gender, and retiree premiums, that is, it is the portion of retiree healthcare costs subsidized by active employee premiums.
Net OPEB Liability (NOL)	The liability of employers and non-employer contributing entities to plan members for benefits provided through a defined benefit OPEB plan that is administered through a trust that meets the criteria of the GASB Statements.
Normal Cost or Service Cost	The portion of the Total Present Value of Future Benefits attributed to employee service during the current fiscal year by the actuarial cost method. These terms are used interchangeably.
Other Postemployment Benefits (OPEB)	Retiree health care benefits and post-employment benefits provided separately from a pension plan (excluding termination offers and benefits).
Plan Fiduciary Net Position (FNP)	Set equal to the market value of assets as of the measurement date.
Present Value of Future Benefits (PVFB)	The value, as of the valuation date, of the projected benefits payable to all members for their accrued service and their expected future service, discounted to reflect the time value (present value) of money and adjusted for the probabilities of retirement, withdrawal, death and disability.
Total OPEB Liability (TOL)	The portion of the actuarial present value of projected benefit payments that is attributed to past period of member service in conformity with the GASB Statements. The total OPEB liability is the liability of employers and non-employer contributing entities to plan members for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria of the GASB Statements.