



## KENSINGTON FIRE PROTECTION DISTRICT

**DATE:** June 6, 2023  
**TO:** Finance Committee  
**RE:** FY 2021-2022 AND 2022-23 OPEB ACTUARIAL REPORTS  
**SUBMITTED BY:** Mary A. Morris-Mayorga, Interim General Manager

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### Recommended Action

This item is provided for review, discussion, and for any staff direction prior to submitting to the Board of Directors.

### Background

Prior to the 1995 agreement with El Cerrito for fire protection services, the District had firefighter employees. The District provides post-retirement health benefits (medical, dental and vision) to this group of former employees who have retired from the District and to their surviving spouses and dependent children. All of the retiree's health plan premiums are paid by the District. There are currently nine participants receiving post-retirement health benefits.

This post-retirement benefit represents a liability which the District funds through an OPEB Trust which has been established with the California Employers' Retiree Benefit Trust (CERBT). This is an irrevocable trust fund that allows public employers to prefund the future cost of their retiree health insurance benefits and other post-employment benefits (OPEB) for their covered retirees.

As a participating agency of CERBT and as required for the annual audit, the OPEB Actuarial GASB 75 Report for Fiscal Year 2021-22 has been completed by Nicolay Consulting. The required information was included in the audit and provided to CERBT for their annual reporting. The District contributed funding to CERBT in 2008 so the OPEB liability is fully funded as of the date of the Actuarial Valuation.

As part of preparing for the Fiscal Year 2022-2023 audit, Nicolay had previously been retained to complete the required GASB 75 Report and provided the cost as \$3,000 which will be included in the budget.

### Fiscal Impact

The District's OPEB liability is 187% funded, so no additional funding is needed. The cost of the GASB 75 Report will be included in the Fiscal Year 2023-24 Budget.

**Attachments:** Fiscal Year 2021-22 OPEB Actuarial GASB 75 Report

# **Kensington Fire Protection District OPEB Plan**

**Governmental Accounting Standards Board  
(GASB) Statement 75  
Actuarial Valuation Date: June 30, 2021  
Measurement Date: June 30, 2021  
Fiscal Year End: June 30, 2022**

**March 23, 2023**

March 23, 2023

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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, 2022**

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, 2021 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, 2022. 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 Sue Simon and Earlene Young. They are members of the American Academy of Actuaries who meet 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.

NICOLAY CONSULTING GROUP



Earlene L Young EA, FCA, MAAA  
Senior Actuary



Sue Simon ASA, MAAA, EA, FCA  
Vice President & Senior Actuary

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## Section I Management Summary

### A) Highlights

#### Summary of Key Valuation Results

	2021	2020
<b>Disclosure elements as of measurement period ending June 30:</b>		
<u>Present Value of Future Benefits:</u>		
Active	\$0	\$0
Retiree	856,764	1,005,564
Total	\$856,764	\$1,005,564
<u>Actuarial Accrued Liability or Total OPEB Liability (TOL)</u>		
Active	\$0	\$0
Retiree	856,764	1,005,564
Total	\$856,764	\$1,005,564
Plan Fiduciary Net Position (i.e. Fair Value of Assets)	1,601,869	1,425,669
Net OPEB Liability (NOL)	(\$745,105)	(\$420,105)
Plan Fiduciary Net Position as a percentage of the TOL	187%	142%
Aggregate OPEB Expense (Exhibit 4)	(\$177,228)	(\$48,607)
Covered Payroll	N/A	N/A
<b>Schedule of contributions for measurement period ending June 30:</b>		
Actuarially determined contributions (Exhibit 7)	\$0	\$0
Actual contributions <sup>(1)</sup>	0	0
Contribution deficiency/(excess)	\$0	\$0
Employer's Share of Benefit Payments	\$101,648	\$112,644
<b>Demographic data for measurement period ending June 30<sup>(2)</sup>:</b>		
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
<b>Key assumptions as of the Measurement Date:</b>		
Discount rate	6.73%	6.73%
<u>Initial Trend Rate</u>		
Pre-65	6.74%	7.00%
Post-65	5.08%	5.00%
Ultimate Rate	4.00%	5.00%
Year Ultimate Rate is Reached	2069	2029

<sup>(1)</sup> Includes payments to trust and amounts paid directly by the plan sponsor

<sup>(2)</sup> Census data as of June 30, 2021 is used in the measurement of the TOL as of June 30, 2021. See Section III for additional details on the demographic data.

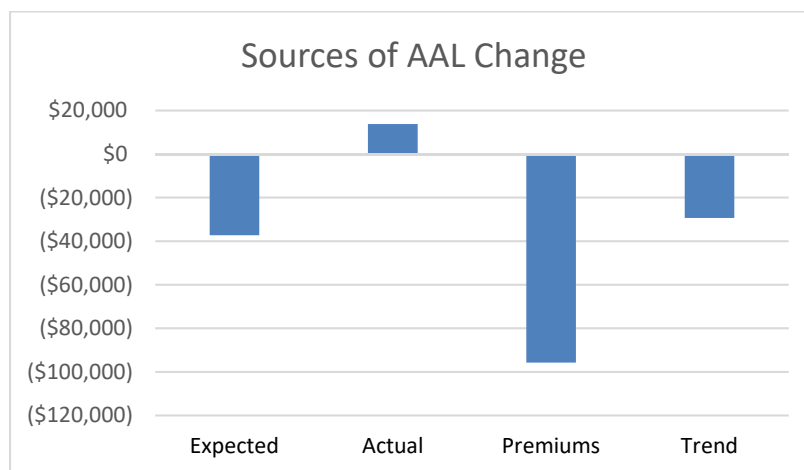
## Section I Management Summary

### B) Gap Analysis

The Total OPEB Liability has decreased \$148,800 from \$1,005,564 as of June 30, 2020 to \$856,764 as of June 30, 2021. A breakdown of the sources of this change in liability is shown below (thousands; amounts may not add due to rounding):

Change in TOL	Amount	Percentage
<b>Liability Experience</b>		
Expected Benefits Earned, Benefit Payments and Interest	(\$37)	(4%)
Actual Demographic and Other Experience*	<u>14</u>	<u>1%</u>
Total Liability Experience	(\$23)	(2%)
<b>Changes in Assumptions</b>		
New Premiums	(\$96)	(10%)
Change in Trend	(29)	(3%)
Other	<u>0</u>	<u>0%</u>
Total Assumption Change	(\$125)	(12%)
<b>Changes in Benefit Terms</b>		
Benefit Change	<u>\$0</u>	<u>0%</u>
Total Benefit Change	\$0	0%

Total Change in TOL	Amount	Percentage
Liability Experience	(\$23)	(2%)
Changes in Assumptions	(125)	(12%)
Amendments	<u>0</u>	<u>0%</u>
Total	(\$148)	(15%)

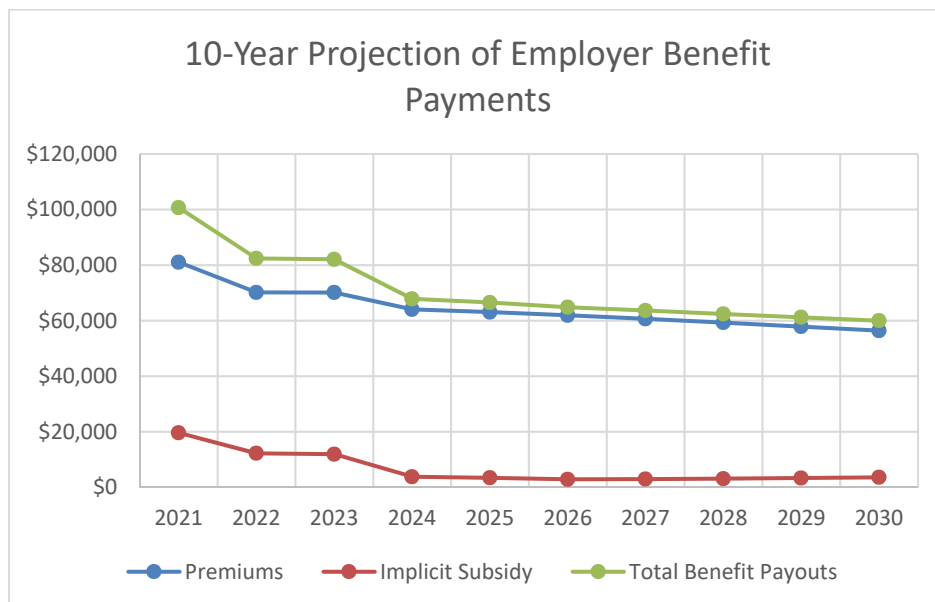


## Section I Management Summary

### 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
2021	\$81,064	\$19,624	\$100,688
2022	\$70,178	\$12,244	\$82,422
2023	\$70,154	\$11,947	\$82,101
2024	\$64,064	\$3,809	\$67,873
2025	\$63,087	\$3,442	\$66,529
2026	\$61,948	\$2,901	\$64,849
2027	\$60,677	\$2,981	\$63,658
2028	\$59,299	\$3,130	\$62,429
2029	\$57,866	\$3,343	\$61,209
2030	\$56,398	\$3,617	\$60,015





## Section I Management Summary

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### D) Breakdown of Explicit and Implicit Liabilities

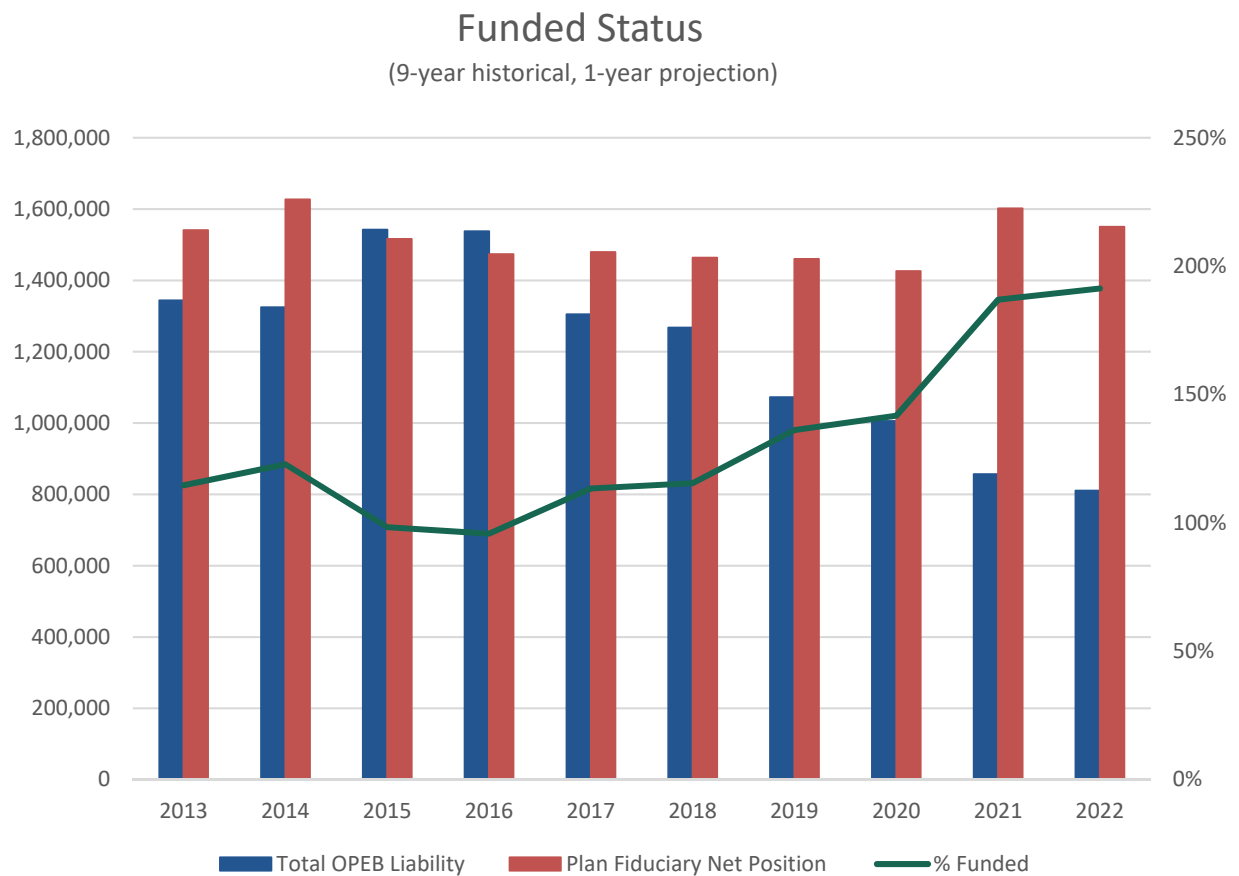
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	Explicit	Implicit	Total
<b>Present Value of Future Benefits</b>			
Actives	\$0-	\$0-	\$0
Retirees	<u>759,299</u>	<u>97,465</u>	<u>856,764</u>
Total	\$759,299	\$97,465	\$856,764
<b>Actuarial Accrued Liability</b>			
Actives	\$0-	\$0-	\$0
Retirees	<u>759,299</u>	<u>97,465</u>	<u>856,764</u>
Total	\$759,299	\$97,465	\$856,764
<b>Normal Cost (BOY) 2021-22</b>	\$0-	\$0-	\$0-

## Section I Management Summary

### 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)

	2021	2020
<b><u>Total OPEB Liability</u></b>		
Service cost	\$0	\$0
Interest	64,309	68,428
Change of benefit terms	0	0
Differences between expected and actual experience	13,722	(22,395)
Changes of assumptions	(125,183)	0
Benefit payments	<u>(101,648)</u>	<u>(112,644)</u>
<b>Net change in Total OPEB Liability</b>	<b>(\$148,800)</b>	<b>(\$66,611)</b>
<b>Total OPEB Liability – beginning (a)</b>	<b>\$1,005,564</b>	<b>\$1,072,175</b>
<b>Total OPEB Liability – ending (b)</b>	<b>\$856,764</b>	<b>\$1,005,564</b>
<b><u>Plan Fiduciary Net Position</u></b>		
Contributions – employer	\$0	\$0
Contributions – employee	0	0
Net investment income	278,361	79,104
Benefit payments	(101,648)	(112,644)
Administrative expense	(513)	(722)
Other	<u>0</u>	<u>0</u>
<b>Net change in Plan Fiduciary Net Position</b>	<b>\$176,200</b>	<b>(\$34,262)</b>
<b>Plan Fiduciary Net Position – beginning (c)</b>	<b>\$1,425,669</b>	<b>\$1,459,931</b>
<b>Plan Fiduciary Net Position – ending (d)</b>	<b>\$1,601,869</b>	<b>\$1,425,669</b>
<b>Net OPEB Liability - beginning (a) – (c)</b>	<b>(\$420,105)</b>	<b>(\$387,756)</b>
<b>Net OPEB Liability – ending (b) – (d)</b>	<b>(\$745,105)</b>	<b>(\$420,105)</b>
<b>Plan Fiduciary Net Position as a percentage of the TOL</b>	<b>187%</b>	<b>142%</b>
<b>Covered employee payroll</b>	<b>N/A</b>	<b>N/A</b>
<b>NOL as percentage of covered employee payroll</b>	<b>N/A</b>	<b>N/A</b>

## 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)
<b>Measurement as of June 30, 2020:</b>	\$1,005,564	\$1,425,669	(\$420,105)
Recognized Changes Resulting from:			
▪ Service cost	-	-	-
▪ Interest	64,309	-	64,309
▪ Diff. between expected and actual experience	13,722	-	13,722
▪ Changes of assumptions	(125,183)	-	(125,183)
▪ Net investment income	-	278,361	(278,361)
▪ Benefit payments	(101,648)	(101,648)	-
▪ Contributions – employer	-	-	-
▪ Contributions – employee	-	-	-
▪ Administrative expense	-	(513)	513
▪ Change of benefit terms	-	-	-
Net Changes	(\$148,800)	\$176,200	(\$325,000)
<b>Measurement as of June 30, 2021:</b>	\$856,764	\$1,601,869	(\$745,105)

## Section II GASB 75 Exhibits

### C) Derivation of Significant Actuarial Assumptions

**Long-term Expected Rate of Return** – As of June 30, 2021, 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 <sup>1</sup>
Equity	43.00%	5.43%
Fixed Income	49.00%	1.63%
REITs	8.00%	5.06%

<sup>1</sup>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, 2021	June 30, 2020
Discount Rate	6.73%	6.73%
Bond Buyer 20-Bond GO Index	2.16%	2.21%

## Section II GASB 75 Exhibits

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### D) Sensitivity Analysis (Exhibit 3)

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**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, 2021 measurement date:** (\$745,105)

#### Sensitivity Analysis:

	NOL(A)	\$ Change	%Change
<b>Discount Rate</b>			
+1%	(\$813,519)	(\$68,414)	9%
Base	(\$745,105)	-	-
-1%	(\$664,645)	\$80,460	(11%)
<b>Trend Rate</b>			
+1%	(\$667,974)	\$77,131	(10%)
Base	(\$745,105)	-	-
-1%	(\$811,797)	(\$66,692)	9%

## Section II GASB 75 Exhibits

### E) Schedule of OPEB Expense (Exhibit 4)

Measurement Period Ending:	June 30, 2021	June 30, 2020
<b>Components of OPEB Expense:</b>		
Service Cost	\$0	\$0
Interest on the Total OPEB Liability (Exhibit 5)	64,309	68,428
Projected Earnings on OPEB Plan Investments (Exhibit 6)	(92,566)	(94,500)
Employee Contributions	0	0
Administrative Expense	513	722
Changes on Benefit Terms	0	0
Recognition of Deferred Resources Due to:		
▪ Changes of Assumptions	(125,183)	0
▪ Differences between Expected and Actual Experience	13,722	(22,395)
▪ Differences Between Projected Actual Earnings on Assets	<u>(38,023)</u>	<u>(862)</u>
Aggregate OPEB Expense	<u>(\$177,228)</u>	<u>(\$48,607)</u>

## Section II GASB 75 Exhibits

### 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	\$1,005,564	100%	6.73%	\$67,674
Service Cost	\$0	100%	6.73%	0
Benefit payments	(\$101,648)	50%	6.73%	<u>(3,365)</u>
Total Interest on the TOL				\$64,309



## Section II GASB 75 Exhibits

### 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	\$1,425,669	100%	6.73%	\$95,948
Employer Contributions	\$0	50%	6.73%	0
Employee Contributions	\$0	50%	6.73%	0
Benefits payments	(\$101,648)	50%	6.73%	(3,365)
Administrative Expense and Other	(\$513)	50%	6.73%	(17)
<b>Total Projected Earnings</b>				<b>\$92,566</b>

#### Comparison of Projected and Actual Earnings On Investments

Total Projected Earnings	\$92,566
Actual Net Investment Income	<u>278,361</u>
Difference Between Projected and Actual Earnings on Assets	(\$185,795)

## Section II GASB 75 Exhibits

### H) Schedule of Contributions<sup>1</sup> (Exhibit 7)

Measurement Period Ending:	June 30, 2021	June 30, 2020
Actuarially Determined Contribution <sup>2</sup>	\$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 <sup>1</sup>	\$0	\$0
Covered-employee payroll <sup>3</sup>	N/A	N/A
Contributions as a percentage of covered-employee payroll <sup>3</sup>	N/A	N/A

<sup>1</sup> ADC and Contributions are for the measurement period July 1, 2020 to June 30, 2021.

<sup>2</sup> 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.

<sup>3</sup> 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.

## Section II GASB 75 Exhibits

### 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	0	141,245
Contribution to OPEB plan after measurement date <sup>1</sup>	<u>0</u>	<u>0</u>
Total	\$0	\$141,245

<sup>1</sup> To be determined as of the fiscal year ending 2022

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
2023	(\$34,574)
2024	(35,433)
2025	(34,079)
2026	(37,159)
2027	-
Thereafter	<u>-</u>
Total Deferred Resources:	(\$141,245)

## Section II GASB 75 Exhibits

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

Fiscal Year Established	Initial Amount	Initial Years	Years Left	Amount Recognize In FY 2022	Balances as of 06/30/22 of Deferred	
					Outflows	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	0	0	0
2022	13,722	0.000	0.000	13,722	0	0
Total	(\$44,155)			\$13,722	\$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
2022	(125,183)	0.000	0.000	(125,183)	0	0
Total	(\$503,348)			(\$125,183)	\$0	\$0
Net Difference Between Projected and Actual Earnings On Investments						
2018	(\$17,242)	5.000	0.000	(\$3,448)	\$0	\$0
2019	4,294	5.000	1.000	859	858	0
2020	(6,761)	5.000	2.000	(1,352)	0	(2,705)
2021	15,396	5.000	3.000	3,079	9,238	0
2022	(185,795)	5.000	4.000	(37,159)	0	(148,636)
Total	(\$190,108)			(\$38,023)	\$10,096	(\$151,341)
Sub-Total						(\$141,245)
Totals:				(\$149,484)	\$0	(\$141,245)

## Section II GASB 75 Exhibits

### K) Reconciliation of the Net Position (Exhibit 10)

Measurement as of:	June 30, 2021	June 30, 2020
Total OPEB Liability (TOL)	\$856,764	\$1,005,564
Plan Fiduciary Net Position (PFNP)	<u>1,601,869</u>	<u>1,425,669</u>
Net OPEB Liability (NOL)	(\$745,105)	(\$420,105)
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	141,245	0
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	0	6,527
▪ Est. contributions post measurement date <sup>1</sup>	<u>0</u>	<u>0</u>
<b>Net Position</b>	(\$603,860)	(\$426,632)

<sup>1</sup> Actual post-measurement date contributions should be reported in the financial disclosures

#### Reconciliation of Net Position

Net Position at June 30, 2020 <sup>1</sup>	(\$426,632)
Aggregate OPEB Expense	(177,228)
Total OPEB Contributions	0
Difference in Post-Measurement Contributions	<u>0</u>
Net Position at June 30, 2021 <sup>1</sup>	(\$603,860)

<sup>1</sup> 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 <sup>1</sup>	0	0
Administration Fees Unreimbursed by the Trust <sup>1</sup>	0	0
Implied Subsidy Unreimbursed by the Trust	<u>0</u>	<u>0</u>
Total Post-Measurement Date Contributions	\$0	\$0

<sup>1</sup> 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, 2021. It is assumed that this data is representative of the population as of June 30, 2021. 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.

	2021	2020
<u>Actives</u>		
Counts		
▪ Total	0	0
Averages		
▪ Age	N/A	N/A
▪ Service	N/A	N/A
<u>Retirees</u>		
Counts		
▪ Under age 65	2	3
▪ Age 65 and over	<u>7</u>	<u>6</u>
▪ Total	9	9
Averages		
▪ Age	77.8	75.8
▪ Age at Retirement	44.2	44.2
▪ Service at Retirement	0.0	0.0
Inactive Participants with deferred benefits	0	0
Total Participants	9	9
<u>Covered Dependents of Retirees</u>		
Counts		
▪ Spouses / Domestic Partners	4	4
▪ Children	<u>0</u>	<u>0</u>
▪ Total	4	4
Total Participants and Dependents	13	13

## Section III Data

### B) Distribution of Participants by Age and Service

**Distribution of Service Groups by Age Groups**

Age Group	Retired* Participants	Active Participant – Years of Service						Total
		0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25+	
< 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	2	0	0	0	0	0	0	0
65 - 69	1	0	0	0	0	0	0	0
> 70	6	0	0	0	0	0	0	0
<b>Total</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* 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:

		2021 CalPERS Region 1 Plans		
		EE	EE+SP	EE+Fam
Pre-Medicare Premiums	Kaiser	813.64	1,627.28	2,115.46
	PERS Care	1,294.69	2,589.38	3,366.19
	UnitedHealthCare	941.17	1,882.34	2,447.04
		2022 CalPERS Region 1 Plans		
		EE	EE+SP	EE+Fam
		857.06	1,714.12	2,228.36
		1,057.01	2,114.02	2,748.23
		1,020.28	2,040.56	2,652.73
		2021 CalPERS Region 1 Plans		
		EE	EE+SP	
Medicare Premiums	Kaiser	324.48	648.96	
	PERS Care	381.25	762.50	
	UnitedHealthCare	311.56	623.12	
		2022 CalPERS Region 1 Plans		
		EE	EE+SP	
		302.53	605.06	
		381.94	763.88	
		294.65	589.30	
Dental Premiums	\$64.41 for retiree, \$60.07 for spouse			
Vision Premiums	\$32.31 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 V Actuarial Assumption, Methods, & Considerations

### 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 \$513 for the measurement period ending June 30, 2021.

Pre-Excise Tax Health Care Trend	<b>Year</b>	<b>Increase in Premium Rates</b>	
	<b>Beginning</b>	<b>Pre-65</b>	<b>Post-65</b>
	2022	Actual	Actual
	2023	6.74%	5.08%
	2024	6.24%	5.00%
	2025	6.03%	5.00%
	2026	5.82%	5.00%
	2027	5.61%	5.00%
	2028	5.40%	5.00%
	2029	5.19%	5.00%
	2030	5.00%	5.00%
	2031-2037	5.00%	5.00%
	2038-2050	4.75%	4.75%
	2051-2068	4.50%	4.50%
	2069 and later	4.00%	4.00%

## Section V Actuarial Assumption, Methods, & Considerations

### A) Actuarial Assumptions (continued)

Plan Distribution for Calculating Baseline Cost	<b>Plan</b>	
	United Health Care	11%
	Kaiser	22%
	PERS Care	<u>57%</u>
	<b>Total</b>	100%
Average Per Capita Claims Cost (Baseline Cost)	Pre-Medicare: \$765.08 per month	
	Post-Medicare: \$356.55 per month	
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 (per month)	<b>Age</b>	<b>Claim</b>
	50	\$813
	55	\$971
	60	\$1,163
	65	\$359
	70	\$313
	75	\$363
	80	\$414
85	\$442	

## Section V Actuarial Assumption, Methods, & Considerations

### 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

Age	Sample Mortality Rates		Retired Employees	
	Active Employees Male	Active Employees 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\* None

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

The average per capita claims cost was updated to reflect actual 2021 and 2022 premiums. The health care cost trend rate was updated to reflect 2022 industry survey data and used the 2022 Getzen model to project long-term trend.

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

## Section V Actuarial Assumption, Methods, & Considerations

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### B) Actuarial Methods

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Actuarial Cost Method	<p>Entry Age Normal</p> <p>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.</p>
Amortization Methodology	<p>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.</p>
Financial and Census Data	<p>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.</p>
Plan Fiduciary Net Position	<p>Market value of assets as of the measurement date</p>
Measurement Date	<p>June 30, 2021</p>
Valuation Date	<p>June 30, 2021</p>
Funding Policy	<p>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.</p> <p>When the Plan is fully-funded, the District's ADC is \$0, since there are only retirees in the Plan.</p>
Valuation Model	<p>Results in this report were calculated with the assistance of ProVal actuarial valuation software. ProVal model was developed in 1994 and maintained by Winklevoss Technologies (WinTech). WinTech provides valuation and projection software for both pension and other postemployment benefit plans. We utilize ProVal in accordance with its intended purpose and have not identified any material inconsistencies in ProVal's assumptions nor outputs that would affect this valuation.</p>

## Section VI Glossary

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### A) Key Terms

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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.
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.