KENSINGTON FIRE PROTECTION DISTRICT

DATE: February 19, 2025

TO: Board of Directors

RE: Acceptance of FY 2023-24 OPEB Actuarial GASB 75 Report

SUBMITTED BY: Mary A. Morris-Mayorga, General Manager

Recommended Action
Staff recommends the Board accept the FY 2023-24 OPEB Actuarial GASB 75 Report as prepared by Nicolay Consulting Group.

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 2023-24 has been completed by Nicolay Consulting Group. The required information will be 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.

Fiscal Impact
The District's OPEB liability is 217% funded so no additional funding is needed. The cost of the GASB 75 Report is included in the Fiscal Year 2024-25 Budget.

Attachments: Fiscal Year 2023-24 OPEB Actuarial GASB 75 Report

Kensington Fire Protection District
OPEB Plan

Governmental Accounting Standards Board
(GASB) Statement 75
Actuarial Valuation Date: June 30, 2023
Measurement Date: June 30, 2023
Fiscal Year End: June 30, 2024

September 9, 2024

NICOLAY CONSULTING

Nicolay Consulting Group

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September 9, 2024

Ms. Mary A Morris-Mayorga
General Manager
Kensington Fire Protection District
217 Arlington Avenue
Kensington, CA 94707

Re: Kensington Fire Protection District GASB 75 Report for FYE June 30, 2024

Dear Ms. Morris-Mayorga,

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, 2023 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, 2024. 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 Tina Haugbro and Sue Simon 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 further explanation or detail as may be appropriate.

Respectfully submitted,

NICOLAY CONSULTING GROUP

Tina D. Haugbro EA, MAAA
Consulting Actuary

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

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Section I Management Summary

A) Highlights

Summary of Key Valuation Results

Total Change in TOL	2023	2022
Present Value of Future Benefits:		
Active	$0	$0
Retiree	599,094	810,403
Total	$599,094	$810,403
Actuarial Accrued Liability or Total OPEB Liability (TOL)		
Active	$0	$0
Retiree	599,094	810,403
Total	$599,094	$810,403
Plan Fiduciary Net Position (i.e. Fair Value of Assets)	1,298,526	1,318,655
Net OPEB Liability (NOL)	($699,432)	($508,252)
Plan Fiduciary Net Position as a percentage of the TOL	217%	163%
Aggregate OPEB Expense / (Income) (Exhibit 4)	($184,877)	($37,592)
Covered Payroll	N/A	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	$79,861	$87,859
Demographic data for measurement period ending June 30:		
Number of active members	0	0
Number of retired members and beneficiaries	7	9
Inactive Participants with deferred benefits	0	0
Total Participants	7	9
Key assumptions as of the Measurement Date:		
Discount rate	5.50%	6.73%
Initial Trend Rate		
Pre-65	7.56%	6.74%
Post-65	4.85%	5.08%
Ultimate Rate	4.50%	4.00%
Year Ultimate Rate is Reached	2052	2069

B) GAP Analysis

The Total OPEB Liability has decreased $211,309 from $810,403 as of June 30, 2022 to $599,094 as of June 30, 2023. See table below for details. The primary cause of the decrease is the decrease in the number of retirees.

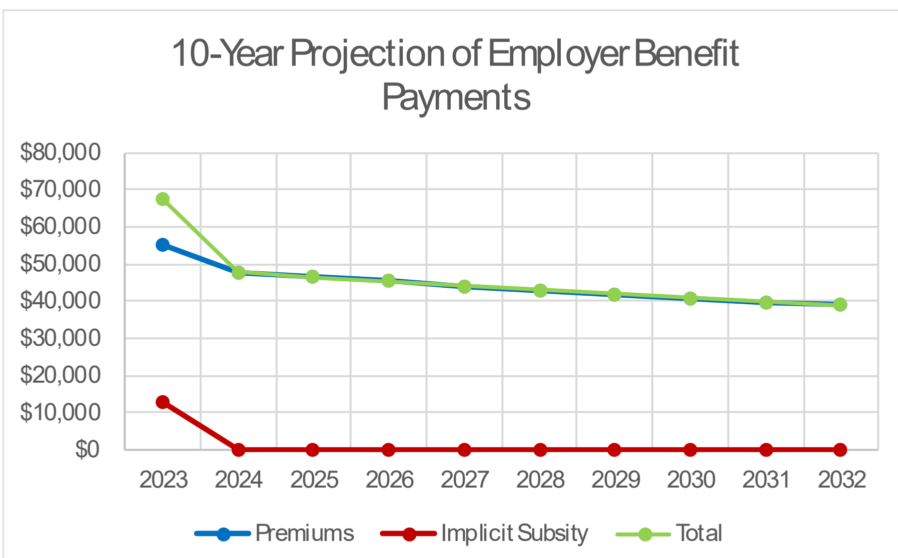
Change in TOL	Amount	Percentage
Liability Experience		
Expected Benefits Earned, Benefit Payments and Interest	($36)	(4%)
Actual Demographic and Other Experience	($227)	(28%)
New Premiums	($12)	(1%)
Total Liability Experience	($275)	(34%)
Changes in Assumptions		
Change in Trend	$13	2%
Change in Decrements (CalPERS 2021 Exp Study)	($10)	(1%)
New Discount Rate	$61	8%
Total Assumption Change	$64	8%
Changes in Benefit Terms		
Benefit Change	$0	0%
Total Benefit Change	$0	0%

Total Change in TOL	Amount	Percentage
Liability Experience	($275)	(34%)
Changes in Assumptions	$64	8%
Amendments	$0	0%
Total	($211)	(26%)

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
2023	$55,153	$12,647	$67,800
2024	$47,761	$0	$47,761
2025	$46,541	$0	$46,541
2026	$45,334	$0	$45,334
2027	$44,149	$0	$44,149
2028	$43,008	$0	$43,008
2029	$41,911	$0	$41,911
2030	$40,871	$0	$40,871
2031	$39,915	$0	$39,915
2032	$39,059	$0	$39,059

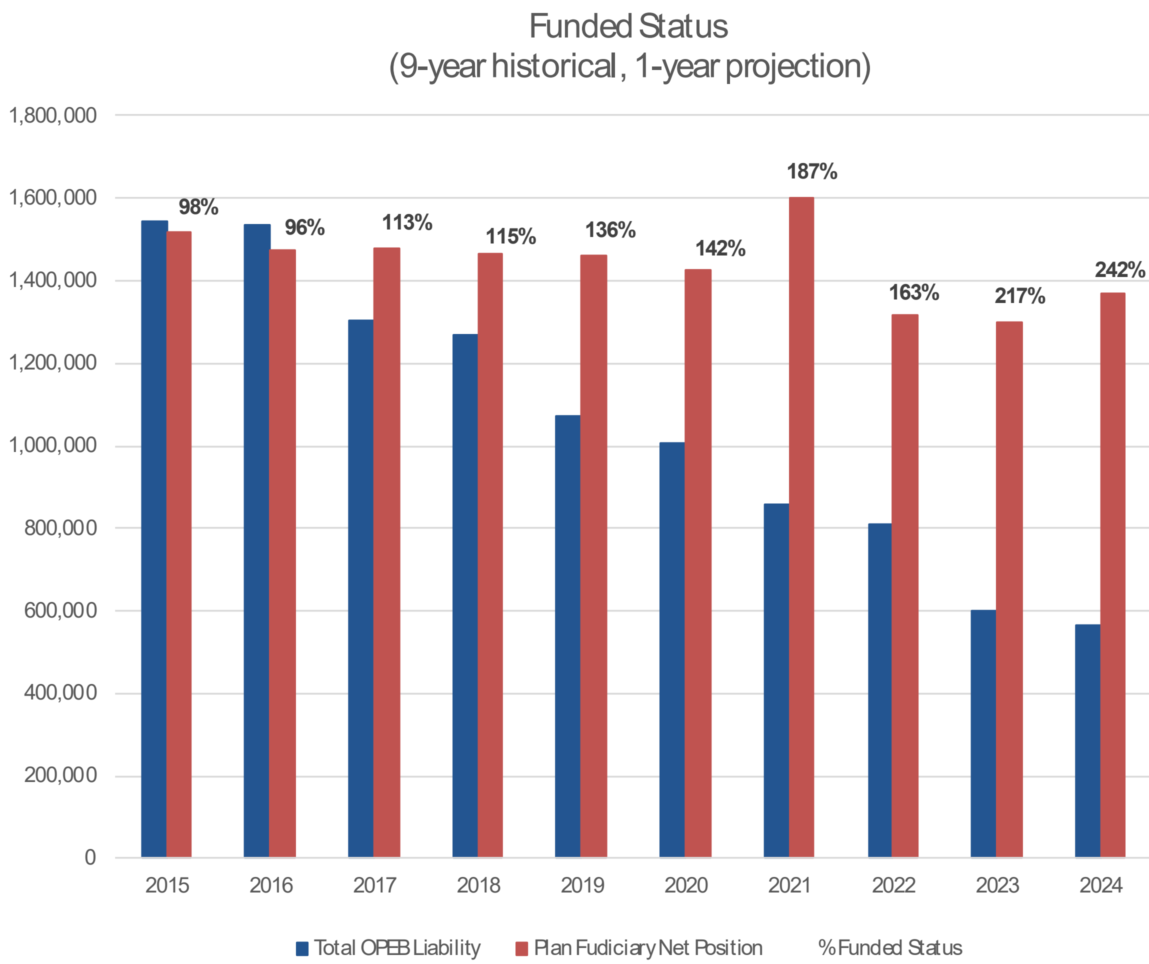


D) Breakdown of Explicit and Implicit Liabilities

	Explicit	Implicit	Total
Present Value of Future Benefits			
Actives	$0	$0	$0
Retirees	586,782	12,312	599,094
Total	$586,782	$12,312	$599,094
Actuarial Accrued Liability			
Actives	$0	$0	$0
Retirees	586,782	12,312	599,094
Total	$586,782	$12,312	$599,094
Normal Cost 2023-2024	$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:



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

	2023	2022
Total OPEB Liability		
Service cost	$0	$0
Interest	52,265	54,752
Change of benefit terms	0	0
Differences between expected and actual experience	(258,884)	(13,254)
Changes of assumptions	62,927	0
Benefit payments	(67,617)	(87,859)
Net change in Total OPEB Liability	($211,309)	($46,361)
Total OPEB Liability – beginning (a)	$810,403	$856,764
Total OPEB Liability – ending (b)	$599,094	$810,403
Plan Fiduciary Net Position		
Contributions – employer	$0	$0
Contributions – employee	0	0
Net investment income	47,866	(194,954)
Benefit payments	(67,617)	(87,859)
Administrative expense	(378)	(401)
Other	0	0
Net change in Plan Fiduciary Net Position	($20,129)	($283,214)
Plan Fiduciary Net Position – beginning (c)	$1,318,655	$1,601,869
Plan Fiduciary Net Position – ending (d)	$1,298,526	$1,318,655
Net OPEB Liability - beginning (a) – (c)	($508,252)	($745,105)
Net OPEB Liability – ending (b) – (d)	($699,432)	($508,252)
Plan Fiduciary Net Position as a percentage of the TOL	217%	163%
Covered employee payroll	N/A	N/A
NOL as percentage of covered employee payroll	N/A	N/A

B) Summary of Change I Net OPEB Liability (Exhibit 2)

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Measurement as of June 30, 2022:	$810,403	$1,318,655	($508,252)
Recognized Changes Resulting from:			
▪ Service cost	0	0	0
▪ Interest	52,265	0	52,265
▪ Diff. between exp and actual experience	(258,884)	0	(258,884)
▪ Changes of assumptions	62,927	0	62,927
▪ Net investment income	0	47,866	(47,866)
▪ Benefit payments	(67,617)	(67,617)	0
▪ Contributions – employer	0	0	0
▪ Contributions – employee	0	0	0
▪ Administrative expense	0	(378)	378
▪ Change of benefit terms	0	0	0
Net Changes	($211,309)	($20,129)	($191,180)
Measurement as of June 30, 2023:	$599,094	$1,298,526	($699,432)

C) Derivation of Significant Actuarial Assumptions

Long-term Expected Rate of Return – As of June 30, 2023, 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	34.00%	7.12%
Fixed Income	41.00%	2.06%
REITs/TIPS	22.00%	4.53%
Others	3.00%	1.98%

[1] JPMorgan arithmetic Long Term Capital Market assumptions and expected inflation of 2.50%.

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 2.50% 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 Fidelity 20yr General Obligation Bond index was matched with cash flows not covered by plan assets to measure the reasonableness of the choice in discount rate.

	June 30, 2023	June 30, 2022
Discount Rate	5.50%	6.73%
Long-term Rate of Return	5.50%	6.73%
Fidelity 20yr GO Bond Index	3.86%	3.69%

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 (4.50%) or 1% point higher (6.50%) then 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, 2023 measurement date: ($699,432).

Sensitivity Analysis:

	Net OPEB Liability	$ Change	%Change
Discount Rate			
1%	($749,568)	($50,136)	-7%
Base	($699,432)	-	-
-1%	($640,478)	$58,954	8%
Trend Rate			
1%	($643,800)	$55,632	8%
Base	($699,432)	-	-
-1%	($747,664)	($48,232)	-7%

E) Schedule of OPEB Expense (Exhibit 4)

Measurement Period Ending:	June 30, 2023	June 30, 2022
Components of OPEB Expense:		
Service Cost	$0	$0
Interest on the Total OPEB Liability (Exhibit 5)	52,265	54,752
Projected Earnings on OPEB Plan Investments (Exhibit 6)	(70,657)	(104,885)
Employee Contributions	0	0
Administrative Expense	378	401
Retro Reimburesment of Employer Contributions	0	0
Recognition of Deferred Resources Due to:		0
▪ Changes of Assumptions	62,927	0
▪ Differences between Expected and Actual Experience	(258,884)	(13,254)
▪ Differences Between Projected Actual Earnings on Assets	29,094	25,394
Aggregate OPEB Expense/(Income)	($184,877)	($37,592)

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	$810,403	100%	6.73%	$54,540
Service Cost	$0	100%	6.73%	0
Benefit payments	($67,617)	50%	6.73%	(2,275)
Total Interest on the TOL				$52,265

G) Projected Earnings on OPEB Plan Investments (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	$1,318,655	100%	5.50%	$72,526
Employer Contributions	$0	50%	5.50%	0
Employee Contributions	$0	50%	5.50%	0
Benefits payments	($67,617)	50%	5.50%	(1,859)
Administrative Expense and Other	($378)	50%	5.50%	(10)
Total Projected Earnings				$70,657

Comparison of Projected and Actual Investment Earnings Investments	
Total Projected Earnings	$70,657
Actual Net Investment Income	47,866
Difference Between Projected and Actual Earnings on Assets	$22,791

H) Schedule of Contributions (Exhibit 7)

Measurement Period Ending:	June 30, 2023	June 30, 2022
Actuarially Determined Contribution[1]	$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	$0	$0
Covered-employee payroll[2]	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A

1 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.

2 Covered-employee payroll is defined by GASB 75 to be the total payroll for employee who may become eligible to receive benefits from the OPEB plan.

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	126,898	0
Contribution to OPEB plan after measurement date[1]	0	0
Total	$126,898	$0

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
2025	$30,446
2026	27,368
2027	64,526
2028	4,558
2029	0
Thereafter	0
Total Deferred Resources:	$126,898

[1] Determined as of the fiscal year ending June 30, 2024

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

Fiscal Year Established	Initial Amount	Initial Years	Years Left	Amount Recognized In FY 2024	Balances as of 06/30/24 of Deferred Outflows	Balances as of 06/30/24 of Deferred Inflows
Difference Between Expected and Actual Plan Experience						
2024	($258,884)	1.000	-	(258,884)	$0	$0
Total	($258,884)			($258,884)	$0	$0
Change in Assumptions						
2024	$62,927	1.000	-	$62,927	$0	$0
Total	$62,927			$62,927	$0	$0
Net Difference Between Projected and Actual Investment Earnings Investments						
2020	($6,761)	5.000	-	($1,352)	$0	$0
2021	15,396	5.000	1.000	3,079	3,080	0
2022	(185,795)	5.000	2.000	(37,159)	0	(74,318)
2023	299,839	5.000	3.000	59,968	179,903	0
2024	22,791	5.000	4.000	4,558	18,233	0
Total	$145,470			$29,094	$201,216	($74,318)
Sub-Total					$126,898	
Totals:				**($166,863)**	**$126,898**	**$0**

K) Reconciliation of the Net Position (Exhibit 10)

Measurement as of:	June 30, 2023	June 30, 2022
Total OPEB Liability (TOL)	$599,094	$810,403
Plan Fiduciary Net Position (PFNP)	1,298,526	1,318,655
Net OPEB Liability (NOL)	($699,432)	($508,252)
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	0
Deferred Outflows of resources (DR):		0
▪ Differences between expected and actual experience	0	0
▪ Changes in assumptions	0	0
▪ Net difference between projected and actual earnings	126,898	133,200
▪ Est. contributions post measurement date	0	0
Net Position	($826,330)	($641,452)

Reconciliation of Net Position	
Net Position at June 30, 2022	($641,452)
Aggregate OPEB Expense/(Income)	(184,877)
Total OPEB Contributions	0
Difference in Post-Measurement Contributions	0
Net Position at June 30, 2023	($826,330)

Post-Measurement Date Contributions Breakdown	7/1/23-6/30/24	7/1/22-6/30/23
Direct Contributions to the Trust	$0	$0
Employer Share of Retiree Premiums Unreimbursed by the Trust	0	0
Implied Subsidy Unreimbursed by the Trust	0	0
Total Post-Measurement Date Contributions	$0	$0

Section III Data

A) Summary of Demographic Information

The participant data used in the valuation was provided by the District as of June 30, 2023. It is assumed that this data is representative of the population as of June 30, 2024. 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.

	2023	2021
Actives		
Counts		
Total	0	0
Averages		
Age	N/A	N/A
Service	N/A	N/A
Retirees		
Counts		
Under age 65	0	2
Age 65 and over	7	7
Total	7	9
Averages		
Age	78.4	77.8
Inactive Participants with deferred benefits	0	0
Total Participants	**7**	**9**
Covered Dependents of Retirees		
Counts		
Spouses/Domestic Partners	2	4
Children	0	0
Total	2	4
Total Participants and Dependents	**9**	**13**

B) Distributions of Participants by Age and Service

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	0	0	0	0	0	0	0	0
65 - 69	3	0	0	0	0	0	0	0
>70	4	0	0	0	0	0	0	0
Total	7	0	0	0	0	0	0	0

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

Section IIV Plan Provisions 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.

2023 and 2024 calendar year medical premium rates for the District's plan premiums are shown below:

Pre-Medicare Premiums

2023 Plan	EE	EE+SP	EE+Fam
Kaiser Traditional Plan	$913.74	$1,827.48	$2,375.72
2024 Plan			
Kaiser Traditional Plan	$1,021.41	$2,042.82	$2,655.67

Medicare Premiums

2023 Plan	EE	EE+SP
Kaiser Sr. Advantage	$283.25	$566.50
PERS Platinum	$420.02	$840.04
UHC Med Supp Plan w Rx	$299.68	$599.36
2024 Plan		
Kaiser Sr. Advantage	$324.79	$649.58
PERS Platinum	$448.15	$896.30
UHC Med Supp Plan w Rx	$341.72	$683.44

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.

Retiree Contributions

Employees and their dependents must pay the difference between the total premium cost and the amount paid by the District.

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: 5.50%, based on the CERBT Strategy 2 investment policy.

Net Investment Return: 5.50%, based on the CERBT Strategy 2 investment policy.

Inflation: We assumed 2.50% annual inflation.

Payroll increases: 3.25% annual increases.

Administrative Expenses: The administrative expense was $378 for the measurement period ending June 30, 2023.

Health Care Trend:

Year Beginning	Increase in Premium Rates Pre-65	Post-65
2023	Actual	Actual
2024	7.56%	4.85%
2025	7.31%	5.00%
2026	7.06%	5.00%
2027	6.71%	5.00%
2028	6.36%	5.00%
2029	6.02%	5.00%
2030	5.67%	5.00%
2031	5.32%	5.00%
2032-2033	5.00%	5.00%
2034-2051	4.75%	4.75%
2052-+	4.50%	4.50%

Dental Premiums: 4.0%

Vision Premiums: 1.0%

Section V Actuarial Assumption, Methods, & Considerations

A) Actuarial Assumptions (Continued)

Plan Distribution for Calculating Baseline Cost

Plan	Pre-Medicare	Post-Medicare
Kaiser HMO	100%	28%
PERS Platinum	0%	58%
UHC Med Supp Plan w Rx	0%	14%
Total	100%	100%

Average Monthly Per Capita Claims Cost (Baseline Cost)
$967.58 Pre 65 Retiree & Spouse
$371.14 Post 65 Retiree & Spouse

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

Morbidity Factors
CalPERS 2021 Experience Study

Population for Curving
CalPERS 2021 Experience Study

Age-Weighted Monthly Claims Costs

Age	Retiree	Spouse
50	$1,025	$1,025
55	$1,229	$1,229
60	$1,459	$1,459
65	$455	$455
70	$370	$370
75	$414	$414
80	$453	$453
85	$473	$473

Health Plan Participation
We assumed that 100% of eligible participants will participate in the medical.

A) Actuarial Assumptions (Continued)

Mortality* The mortality rates used in this valuation are those used in the 2021 CalPERS valuations.

Pre-Retirement: CalPERS 2021 Mortality pre-retirement

Post-Retirement: CalPERS 2021 Mortality post-retirement

	Sample Mortality Rates			
	Pre-Retirement		Post-Retirement	
Age	Male	Female	Male	Female
55	0.20%	0.12%	0.39%	0.33%
60	0.29%	0.18%	0.58%	0.46%
65	0.40%	0.25%	0.86%	0.61%
70	0.59%	0.40%	1.33%	1.00%
75	0.93%	0.69%	2.39%	1.78%
80	1.52%	1.15%	4.37%	3.40%
85	0.00%	0.00%	8.27%	6.12%
90	0.00%	0.00%	14.54%	11.09%

Disability* None

Percent Married Retirees are assumed to continue to cover their current spouse.

Assumption Changes

The investment return for CERBT Strategy 2 decreased from 6.73% to 5.5%.

The average per capita claims cost was updated to reflect the actual 2023 and 2024 premiums. The health care cost trend rate was updated to reflect 2023 industry survey data. The mortality, withdrawal, and retirement tables were updated to reflect the latest 2021 CalPERS Experience Studies. The population for curving and morbidity factors have also been updated to the 2021 CalPERS Experience Studies.

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

* *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.*

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 plan sponsor 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, 2023
Valuation Date	June 30, 2023
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
Valuation Model	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.

Section VI Glossary

A) Key Terms

Actuarially Determined Contribution (ADC)	The annual contribution amount required to fund the plan based on an actuarial funding method. The intent of a funding method is to ensure enough assets would be set aside during the working careers of participants in a plan in order to fully pay all future benefits after participants retire.
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
Actuarial Accrued Liability (AAL)	The portion of the actuarial present value of projected benefit payments that is attributed to past period of member service in conformity with the actuarial funding method. The actuarial accrued liability is the liability of the plan sponsor and represents how much assets should be set aside as of the current valuation date.
Normal Cost or Service Cost	The portion of the Present Value of Future Benefits attributed to employee service during the current fiscal year by the actuarial cost method. These terms are used interchangeably.
Unfunded Actuarial Accrued Liability	The amount of the actuarial accrued liability that has not yet been funded
Covered Payroll	Annual compensation paid (or expected to be paid) to active employees covered by an OPEB plan, in aggregate.
Other Postemployment Benefits (OPEB)	Retiree health care benefits and post-employment benefits provided separately from a pension plan (excluding termination offers and benefits).
Actuarial Value of Assets	Usually set equal to the market value of assets as of the valuation date. Sometimes, however, asset smoothing methods are used to reduce the impact of short term market volatility. In these cases the actuarial value of assets can be more or less than the market value. Often a corridor of up to 20% is used to cap how much the actuarial value of assets is more or less than the market value.
Implicit Subsidy	This phenomena arises when actives claims are mixed with pre-Medicare retiree claims to develop a single flat premium that both groups pay for medical coverage. The flat premium does not recognize that retirees generally have higher costs than active employees, thus active employees are subsidizing the retirees.