

### GASB No. 75 ACTUARIAL VALUATION

Fiscal Year Ending June 30, 2019 (Measured at June 30, 2018)

# nyhart

## **Pleasanton Unified School District**

Nyhart Actuary & Employee Benefits

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#### Mr. Thomas Gray Pleasanton Unified School District 4465 Bernal Avenue Pleasanton, CA 94566

This report summarizes the GASB actuarial valuation for the Pleasanton Unified School District's Other Post Employment Benefit (OPEB) for the fiscal year ending June 30, 2019 (measured at June 30, 2018). Nyhart prepared this report to meet employer financial accounting requirements under Governmental Accounting Standards Board (GASB) Statement No. 75 (Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions). To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statement No. 75.

The information presented herein is based on the actuarial assumptions and substantive plan provisions summarized in this report and participant information furnished to us by the Plan Sponsor. We have reviewed the employee census provided by the Plan Sponsor for reasonableness when compared to the prior information provided but have not audited the information at the source, and therefore do not accept responsibility for the accuracy or the completeness of the data on which the information is based. When relevant data may be missing, we may have made assumptions we feel are neutral or conservative to the purpose of the measurement. We are not aware of any significant issues with and have relied on the data provided.

The discount rate, other economic assumptions, and demographic assumptions have been selected by the Plan Sponsor with the concurrence of Nyhart. In our opinion, the actuarial assumptions are individually reasonable and in combination represent our estimate of anticipated experience of the Plan. All calculations have been made in accordance with generally accepted actuarial principles and practice.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period and roll-forward techniques); and changes in plan provisions or applicable law.

We did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement.

To our knowledge, there have been no significant events prior to the current year's measurement date or as of the date of this report that could materially affect the results contained herein.

Neither Nyhart nor any of its employees has any relationship with the plan or its sponsor that could impair or appear to impair the objectivity of this report. Our professional work is in full compliance with the American Academy of Actuaries "Code of Professional Conduct" Precept 7 regarding conflict of interest. The undersigned meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Should you have any questions please do not hesitate to contact us.

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Luis Murillo, ASA, MAAA Consulting Actuary

Randy Gomez, FSA, MAAA Consulting Actuary

#### Retiree Health Plan GASB 75 Report Fiscal Year Ending June 30, 2019 (Measured at June 30, 2018) Valuation Results Summary

	Certificated	Classified	Management	Total
Present Value of Employer Contributions	 			
Actives	\$ 33,401,918	\$ 10,691,600	\$ 2,036,943	\$ 46,130,461
Retirees	3,337,402	1,714,467	618,891	5,670,760
Total	\$ 36,739,320	\$ 12,406,067	\$ 2,655,834	\$ 51,801,221
Portion due to Explicit	\$ 26,126,680	\$ 8,542,206	\$ 1,905,285	\$ 36,574,171
Total (Accrued) OPEB Liability				
Actives	\$ 14,927,789	\$ 6,064,498	\$ 836,872	\$ 21,829,159
Retirees	3,337,402	1,714,467	618,891	5,670,760
Total	\$ 18,265,191	\$ 7,778,965	\$ 1,455,763	\$ 27,499,919
Portion due to Explicit	\$ 13,504,483	\$ 5,508,333	\$ 1,061,958	\$ 20,074,774
Projected Employer Contributions		Explicit	Implicit*	Total
2018		\$ 821,789	\$ 282,909	\$ 1,104,698
2019		1,000,666	355,317	1,355,983
2020		1,177,666	445,045	1,622,711
2021		1,217,359	466,352	1,683,711
2022		1,216,097	479,921	1,696,018
2023		1,289,655	525,337	1,814,992
2024		1,349,400	544,540	1,893,940
2025		1,442,610	575,856	2,018,466
2026		1,464,899	585,117	2,050,016
2027		1,624,312	650,754	2,275,066
Actuarial Assumptions as of Valuation Date				
Inflation				2.75%
Salary increases				3.00%
Discount rate				3.50%
Plan Membership				
Inactive plan members or beneficiaries currently receiving benefits				236
Inactive plan members entitled to but not yet receiving benefits				0
Active plan members				1,275
				 1,511

As of Valuation Date: June 30, 2017

\*See page 23 for an example of the implicit subsidy calculation

<b>Net OPEB Liability</b> The components of the Net OPEB Liability at June 30,		2018	 2017
Total OPEB Liability Plan fiduciary net position	\$	29,310,695 0	\$ 27,712,765 0
Net OPEB Liability	\$	29,310,695	\$ 27,712,765
Plan fiduciary net position as a % of the Total OPEB Liability		0.00%	0.00%
OPEB Expense for the Fiscal Year Ended June 30,	\$	2,720,422	\$ 2,684,437
<b>Actuarial Assumptions</b> The Total OPEB Liability was determined using the following actuarial assumptions.			
Inflation Salary increases		2.75% 3.00%	2.80% 3.00%
Discount rate		3.50%	3.40%
<b>Plan Membership</b> The Total OPEB Liability was determined based on the plan			
membership as of June 30,	·	2017	 2017
Inactive plan members or beneficiaries currently receiving benefits		236	236
Inactive plan members entitled to but not yet receiving benefits		0	0
Active plan members		1,275	 1,275
		1,511	1,511

#### Retiree Health Plan GASB 75 Report Fiscal Year Ending June 30, 2019 (Measured at June 30, 2018) Statement of Changes in Fiduciary Net Position

Additions	J	une 30, 2018	J	une 30, 2017
Contributions:				
Employer	\$	1,104,698	\$	1,037,275
Member		0		0
Nonemployer Contributing Entity		0		0
Total contributions	\$	1,104,698	\$	1,037,275
Investment income:				
Net increase in fair value of investments	\$	0	\$	0
Interest and dividends		0		0
Less investment expense, other than from securities lending		0		0
Net income other than from securities lending	\$	0	\$	0
Securities lending income		0		0
Less securities lending expense		0		0
Net income from securities lending	\$	0	\$	0
Net investment income	\$	0	\$	0
Other		0		0
Total additions	\$	1,104,698	\$	1,037,275
Deductions				
Benefit payments	\$	1,104,698	\$	1,037,275
Administrative expense		0		0
Investment Fees		0		0
Total deductions	\$	1,104,698	\$	1,037,275
Net increase in net position	\$	0	\$	0
Net position restricted for OPEB				
Beginning of year	\$	0	\$	0
End of year	\$	0	\$	0

Note: The OPEB plan is unfunded and there are no plan assets. The employer contributions reflect the estimated direct payments for benefits.

#### Retiree Health Plan GASB 75 Report Fiscal Year Ending June 30, 2019 (Measured at June 30, 2018) Schedule of Changes in Net OPEB Liability and Related Ratios

Total OPEB Liability	2018	2017
Service cost	\$ 1,934,204	\$ 2,040,337
Interest	989,217	815,557
Changes of benefit terms	0	0
Differences between expected and actual experience	0	0
Changes of assumptions	(220,793)	(1,200,202)
Benefit payments, including refunds of member contributions	(1,104,698)	(1,037,275)
Net change in Total OPEB Liability	1,597,930	 618,417
Total OPEB Liability - beginning	 27,712,765	27,094,348
Total OPEB Liability - ending (a)	\$ 29,310,695	\$ 27,712,765
Plan fiduciary net position		
Contributions - employer	\$ 1,104,698	\$ 1,037,275
Contributions - member	0	0
Contributions - nonemployer contributing member	0	0
Net investment income	0	0
Benefit payments, including refunds of member contributions	(1,104,698)	(1,037,275)
Administrative expenses	0	0
Other	 0	 0
Net change in plan fiduciary net position	\$ 0	\$ 0
Plan fiduciary net position - beginning	0	0
Plan fiduciary net position - ending (b)	\$ 0	\$ 0
Net OPEB Liability - ending (a) - (b)	\$ 29,310,695	\$ 27,712,765
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%
Covered - employee payroll	\$ 94,010,000	\$ 94,010,000
Net OPEB Liability as percentage of covered-		
employee payroll	31.2%	29.5%

		2018	2017
Service cost	\$	1,934,204	\$ 2,040,337
Interest on Total OPEB Liability		989,217	815,557
Projected earnings on OPEB plan investments		0	0
Reduction for contributions from active employees		0	0
OPEB plan administrative expense		0	0
Changes of benefit terms		0	0
Other changes		0	0
Current period recognition of deferred outflows/(inflows) of resource Differences between Expected & Actual Experience in measurement of the Total OPEB Liability	ces	0	0
Changes of assumptions		(202,999)	(171,457)
Differences between Projected & Actual Earnings on OPEB Plan Investments		0	0
Annual OPEB Expense	\$	2,720,422	\$ 2,684,437

#### **Retiree Health Plan**

#### GASB 75 Report Fiscal Year Ending June 30, 2019 (Measured at June 30, 2018) Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

			Initial				
Differences between expected and actuarial experience in		Initial	Amortization		Annual	06/	30/2018
measurement of the Total OPEB Liability for the period ending:		Balance	Period	R	ecognition		Balance
June 30, 2018	\$	0	7	\$	0	\$	0
June 30, 2017		0	7		0		0
Total				\$	0	\$	0
			Initial				
		Initial	Amortization		Annual	06/	30/2018
Changes of assumptions for the period ending:		Balance	Period	R	lecognition		Balance
June 30, 2018	\$	(220,793)	7	\$	(31,542)	\$ (	189,251)
June 30, 2017		(1,200,202)	7		(171,457)	(	857,288)
Total				\$	(202,999)	\$ (1,	046,539)
			Initial				
Differences between projected and actual earnings on OPEB		Initial	Amortization		Annual	06/	30/2018
plan investments for the period ending:		Balance	Period	R	ecognition		Balance
June 30, 2018	\$	0	5	\$	0	\$	0
June 30, 2017		0	5		0		0
Total				\$	0	\$	0
The balances as of June 30, 2018 of the deferred outflows/(inflow	vs) of resources will	be recognized	in OPEB expense	for th	e		
period ending June 30,							
2019	\$	(202,999)					
2020	\$	(202,999)					
2021	\$	(202,999)					
2022	\$	(202,999)					

2022\$(202,999)2023\$(203,002)Thereafter\$(31,541)

#### Discount rate

The discount rate used to measure the Total OPEB Liability is 3.50%.

#### Sensitivity of the Net OPEB Liability to changes in the discount rate

The following presents the Net OPEB Liability, calculated using the discount rate of 3.50%, as well as what the Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

	1% Decrease	Currer	nt Discount Rate	1% Increase		
	(2.50%)	(3.50%) (4.50%)				
Net OPEB Liability	\$ 31,591,861	\$	29,310,695	\$	27,190,690	

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

	19	% Decrease	Curre Cost	ent Healthcare t Trend Rates	1% Increase			
	(5.00% de 4.00%ł	HMO/5.50%PPO ecreasing to HMO/4.00%PPO)	(6.00% de 5.00%I	HMO/6.50%PPO ecreasing to HMO/5.00%PPO)	(7.00%) d 6.00%	6HMO/7.50%PPO ecreasing to HMO/6.00%PPO)		
Net OPEB Liability	\$	25,987,026	\$	29,310,695	\$	33,211,456		

This schedule is not required for unfunded OPEB plans.

The valuation was based on the census furnished to us by the District. The following tables display the age distribution for retirees and the age/service distribution for active employees as of the Valuation Date.

	Certificated	Classified	Management	All Retirees
<55	0	0	0	0
55-59	7	20	3	30
60-64	40	38	4	82
65+	<u>115</u>	6	_3	<u>124</u>
Total:	162	64	10	236
Average Age:	68.5	61.9	63.1	66.5
Average Retirement Age:	60.3	60.1	58.5	60.2

Age Distribution of Eligible Retired Participants & Beneficiaries

#### Age/Service Distribution of All Active Benefit Eligible Employees

					Service					
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	Total
20-24	21									21
25-29	84									84
30-34	79	16	7							102
35-39	64	20	42	1						127
40-44	80	16	35	42	2					175
45-49	73	29	55	48	16	2				223
50-54	55	30	42	54	27	10	1	1		220
55-59	31	25	54	40	15	13	7	2		187
60-64	11	11	30	39	16	4	1	3		115
65-69	2	2	4	4	2	1	0	0		15
70+	<u> </u>	<u> </u>	1	0	<u>    1</u>	<u> </u>	<u>    1</u>	<u>0</u>	<u>0</u>	6
Total:	501	150	270	228	79	31	10	6	0	1,275
Ave	rage Age:		46.9							
Averag	e Service:		10.0							
Average	Hire Age:		37.0							
Annua	al Payroll:	\$94,0	10,000							

					Service					
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	Total
20-24	9									9
25-29	74									74
30-34	62	14	2							78
35-39	45	15	37	1						98
40-44	41	15	33	40						129
45-49	32	14	46	39	14					145
50-54	23	10	18	36	23	8				118
55-59	12	5	23	20	5	7	6	1		79
60-64	2	4	13	18	8	3	0	3		51
65-69	0	1		3	0	0	0	0		4
70+	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	1
Total:	300	78	172	157	51	18	6	4	0	786
Ave	rage Age:		44.6							
Average	e Service:		10.5							
Average	Hire Age:		34.1							
Annua	al Payroll:	\$70,7	07,000							

#### Age/Service Distribution of All Eligible Certificated Employees

					Service					
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	Total
20-24	12									12
25-29	10									10
30-34	9	2	4							15
35-39	16	2	3							21
40-44	35	1	0	2	2					40
45-49	36	10	8	5	2	2				63
50-54	29	20	21	15	3	2	1	1		92
55-59	16	19	30	20	9	6	1	1		102
60-64	8	7	17	21	6	1	1	0		61
65-69	2	1	4	1	2	1	0	0	0	11
70+	_1	_1	1	<u>0</u>	<u>0</u>	1	1	<u>0</u>	<u>0</u>	5
Total:	174	63	88	64	24	13	4	2	0	432
Aver	rage Age:		51.3							
Average	e Service:		9.2							
Average	Hire Age:		42.0							
Annua	al Payroll:	\$15,5	67,000							

#### Age/Service Distribution of All Eligible Classified Employees

					Service					
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	Total
20-24										0
25-29										0
30-34	8		1							9
35-39	3	3	2							8
40-44	4	0	2							6
45-49	5	5	1	4						15
50-54	3	0	3	3	1					10
55-59	3	1	1	0	1	0				6
60-64	1	0	0	0	2	0	0			3
65-69	0	0	0	0	0	0	0	0		0
70+	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total:	27	9	10	7	4	0	0	0	0	57
Aver	age Age:		46.1							
Average	Service:		8.3							
Average H	lire Age:		37.8							
Annua	l Payroll:	\$7,7	36,000							

#### Age/Service Distribution of All Eligible Management/Confidential Employees

This study analyzes the postretirement health benefit plans provided by the District. The postretirement health benefits provided to retirees are basically a continuation of the medical and dental plans for active employees. Eligible employees are offered a choice of medical (including prescription drug coverage) plans through the CalPERS Health Program under the Public Employees' Medical and Hospital Care Act (PEMHCA).

#### Certificated Employees

Eligible employees may continue medical and dental benefits at retirement. Eligibility for a District contribution towards retiree health coverage requires retirement under STRS on or after age 55 with at least 10 years of service. The maximum District contribution towards pre-65 medical coverage is based on 100% of the applicable Kaiser rate (was 100% of any plan). The District contribution is payable for up to 7 years if the employee elects single coverage at retirement and up to 5 years if the employee elects 2-party or family coverage. Employees hired on or after July 1, 2013 are subject to an annual maximum of \$7,998 regardless of plan or family coverage, and the District's contribution is payable for up to 7 years or attainment of age 65, if sooner. The maximum District contribution towards post-65 medical coverage is the indexed CalPERS Subsidy. Employees retiring on or after February 1, 2014 are required to have 50 years of service to receive a post-65 District contribution. An eligible retiree can elect additional dependent coverage in the coverage in which the retiree is also enrolled but will be required to pay any additional cost above the District contribution. Upon the death of the retiree, a surviving spouse can continue medical coverage through the CalPERS Health Program and receive a District contribution equal to the CalPERS Subsidy. Dental coverage continues for retirees post age 65 at their own expense. Surviving dependent coverage continues at their own expense. Eligible employees working less than full time receive a pro-rated portion of the contribution.

#### Classified Employees

Eligible employees may continue medical and dental benefits at retirement. Eligibility for a District contribution towards retiree health coverage requires retirement under PERS on or after age 55 with at least 10 years of service (was at least 58 and at least 10 years of service or age 56 and at least 15 years of service). The maximum District contribution towards pre-65 medical coverage is based on 100% of the applicable Kaiser rate (was 100% of any plan). The District contribution is payable for up to 7 years if the employee elects single coverage at retirement and up to 5 years if the employee elects 2-party or family coverage. Employees hired on or after October 28, 2014 are subject to an annual maximum of \$7,998 regardless of plan or family coverage, and the District's contribution is payable for up to 7 years or attainment of age 65, if sooner. The maximum District contribution towards post-65 medical coverage is the indexed CalPERS Subsidy. Employees retiring on or after October 28, 2014 are required to have 50 years of service to receive a post-65 District contribution. An eligible retiree can elect additional dependent coverage in the coverage in which the retiree is also enrolled but will be required to pay any additional cost above the District maximum contribution. Upon the death of the retiree, a surviving spouse can continue medical coverage through the CalPERS Health Program and receive a District contribution equal to the CalPERS Subsidy. Dental coverage continues for retirees post age 65 at their own expense. Surviving dependent coverage continues at their own expense. Eligible employees working less than full time receive a pro-rated portion of the contribution.

#### Management Employees

Eligible employees may continue medical and dental benefits at retirement. Eligibility for a District contribution towards retiree health coverage requires retirement under STRS on or after age 55 with at least 10 years of service (or 7 years as administrator). The maximum District contribution towards pre-65 medical coverage is based on 100% of the applicable Kaiser rate (was 100% of any plan). The District contribution is payable for up to 7 years if the employee elects single coverage at retirement and up to 5 years if the employee elects 2-party or family coverage. Employees hired on or after October 28, 2014 are subject to an annual maximum of \$7,998 regardless of plan or family coverage, and the District's contribution is payable for up to 7 years or attainment of age 65, if sooner. Employees receiving the Early Retirement lump sum payment (limited to 5 per retirement group; currently \$40,942 and indexed) will only receive the CalPERS Subsidy. The maximum District contribution towards post-65 medical coverage is the indexed CalPERS Subsidy. Employees retiring on or after October 28, 2014 are required to have 50 years of service to receive a post-65 District contribution. An eligible retiree can elect additional dependent coverage in the coverage in which the retiree is also enrolled but will be required to pay any additional cost above the District contribution. Upon the death of the retiree, a surviving spouse can continue medical coverage through the CalPERS Health Program and receive a District contribution equal to the CalPERS Subsidy. Dental coverage continues for retirees post age 65 at their own expense. Surviving dependent coverage continues at their own expense

#### CalPERS Subsidy

The CalPERS Subsidy is based on the CalPERS minimum required contribution pro-rated based on the employee's group years of participation in PEMHCA (commencing in 2007 for Classified employees and 2014 for Certificated and Management employees). The current CalPERS subsidy is \$64.00 in 2017 and \$73.15 in 2018 for Classified employees and \$19.20 in 2017 and \$26.60 in 2018 for Certificated and Management retirees.

#### Premium Rates

The District participates in the CalPERS Health Program, a community-rated program, for its medical coverage. The tables below summarize the 2017 and 2018 monthly medical premiums for the primary medical plans in which the retirees are enrolled. All premiums are effective for the calendar year.

2017 Bay Area	Kaiser	BS HMO	PERS Care	<b>PERS</b> Choice	PERS Select
Retiree Only	\$ 733.39	\$1,024.85	\$ 932.39	\$ 830.30	\$ 736.27
Retiree Plus Spouse	\$1,466.78	\$2,049.70	\$1,864.78	\$1,660.60	\$1,472.54
Retiree Plus Family	\$1,906.81	\$2,664.61	\$2,424.21	\$2,158.78	\$1,914.30
Retiree Only- Medicare	\$ 300.48	N/A	\$ 389.76	\$ 353.63	\$ 353.63
Retiree Plus Spouse – Medicare	\$ 600.96	N/A	\$ 779.52	\$ 707.26	\$ 707.26

		Anthem HMO	Anthem HMO	Health Net Smart
2017 Bay Area (Continued)	UHC HMO	Select	Traditional	Care
Retiree Only	\$1,062.26	\$ 783.46	\$ 990.05	\$ 733.29
Retiree Plus Spouse	\$2,124.52	\$1,566.92	\$1,980.10	\$1,466.58
Retiree Plus Family	\$2,761.88	\$2,037.00	\$2,574.13	\$1,906.55
Retiree Only- Medicare	\$ 324.21	N/A	N/A	N/A
Retiree Plus Spouse – Medicare	\$ 648.42	N/A	N/A	N/A

2018 Bay Area	Kaiser	<b>BS HMO</b>	PERS Care	PERS Choice	<b>PERS Select</b>
Retiree Only	\$ 779.86	\$ 889.02	\$ 882.45	\$ 800.27	\$ 717.50
Retiree Plus Spouse	\$1,559.72	\$1,778.04	\$1,764.90	\$1,600.54	\$1,435.00
Retiree Plus Family	\$2,027.64	\$2,311.45	\$2,294.37	\$2,080.70	\$1,865.50
Retiree Only- Medicare	\$ 316.34	N/A	\$ 382.30	\$ 345.97	\$ 345.97
Retiree Plus Spouse – Medicare	\$ 632.68	N/A	\$ 764.60	\$ 691.94	\$ 691.94

		Anthem HMO	Anthem HMO	Health Net Smart
2018 Bay Area (Continued)	UHC HMO	Select	Traditional	Care
Retiree Only	\$1,371.84	\$ 856.41	\$ 925.47	\$ 863.48
Retiree Plus Spouse	\$2,743.68	\$1,712.82	\$1,850.94	\$1,726.96
Retiree Plus Family	\$3,566.78	\$2,226.67	\$2,406.22	\$2,245.05
Retiree Only- Medicare	\$ 330.76	N/A	N/A	N/A
Retiree Plus Spouse – Medicare	\$ 661.52	N/A	N/A	N/A

The tables below summarize the 2017 and 2018 monthly dental and vision premiums for the primary medical plans in which the retirees are enrolled. All premiums are effective for the calendar year.

2017	Delta Premier	Delta PMI	VSP
Retiree Only	\$ 74.31	\$ 23.79	\$ 9.17
Retiree Plus Spouse	\$ 121.03	\$ 39.24	\$ 18.32
Retiree Plus Family	\$ 181.10	\$ 58.05	\$ 29.53

2018	Delta Premier	Delta PMI	VSP
Retiree Only	\$ 76.39	\$ 23.79	\$ 9.87
Retiree Plus Spouse	\$ 124.42	\$ 39.24	\$ 19.71
Retiree Plus Family	\$ 186.18	\$ 58.05	\$ 31.77

The liabilities set forth in this report are based on the actuarial assumptions described in this section.

Fiscal Year:	July 1 <sup>st</sup> to June 30 <sup>th</sup>
Valuation Date:	June 30, 2017
Measurement Date:	June 30, 2018 for FYE2019
Funding Policy:	Pay-as-you-go funding
Discount Rate:	3.50% per annum. This discount rate is the average, rounded to 5 basis points, of the range of 3-20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO index, Fidelity GO AA 20 Year Bond Index.
	[The discount rate as of the June 30, 2017 measurement date was 3.40%.]
Inflation:	2.75% per annum
Salary Increases:	3.0% per annum, in aggregate
Pre-retirement Turnover:	Termination rates for Classified, Management and other employees are based on the rates used by the most recent CalPERS

pension valuation. Sample rates are in the following tables:

CalPERS	Entry Age				
Service	20	30	40	50	
0	17.30%	15.25%	13.19%	11.14%	
5	10.94%	8.70%	6.46%	1.07%	
10	8.01%	5.72%	0.74%	0.25%	
15	6.52%	4.18%	0.32%	0.02%	
20	4.93%	0.38%	0.02%	0.02%	
25	3.28%	0.10%	0.02%	0.02%	
30	0.15%	0.02%	0.02%	0.02%	

Termination rates for Certificated employees and Management employees in STRS are based on the experience rates under the California State Teachers Retirement System (STRS) pension valuation. Sample rates for male and females are as follows:

Service	Male	Female
0	16.0%	15.0%
5	3.5%	3.0%
10	1.8%	1.8%
15	1.2%	1.2%
20	0.9%	0.9%
25	0.7%	0.7%
30	0.6%	0.6%

Mortality Rates:

RPH 2014 mortality table with generational improvements using scale MP2017

**Retirement Rates:** 

Sample rates STRS employee retirement are as follows for 2%@60:

	Under 3	0 Years	30 or More Years		
Age	Male	Female	Male	Female	
55	2.7%	3.5%	6.0%	8.0%	
56	1.8%	2.5%	6.0%	8.0%	
57	1.8%	2.5%	8.0%	10.0%	
58	2.7%	3.5%	12.0%	15.0%	
59	4.5%	5.0%	16.0%	18.0%	
60	6.3%	7.0%	25.0%	29.0%	
61	7.0%	9.0%	50.0%	50.0%	
62	11.0%	12.5%	45.0%	45.0%	
63	12.0%	16.0%	35.0%	40.0%	
64	13.0%	14.0%	30.0%	35.0%	
65	14.0%	17.0%	32.5%	37.5%	
70	12.0%	14.0%	25.0%	30.0%	
75	100.0%	100.0%	100.0%	100.0%	

	All Y	ears
Age	Male	Female
55	3.0%	4.0%
56	2.0%	3.0%
57	3.0%	3.5%
58	4.0%	4.0%
59	6.0%	6.0%
60	9.0%	9.0%
61	15.0%	15.0%
62	15.0%	17.0%
63	15.0%	18.0%
64	15.0%	18.0%
65	30.0%	30.0%
70	20.0%	20.0%
75	100.0%	100.0%

Sample rates STRS employee retirement are as follows for 2%@62:

	Years of Service			
Age	5	15	25	35
50	0.5%	1.3%	1.6%	2.2%
51	0.5%	1.4%	1.9%	2.5%
52	0.6%	1.7%	2.2%	2.9%
53	0.7%	1.9%	2.6%	3.3%
54	1.2%	3.3%	4.4%	5.7%
55	2.4%	6.7%	8.8%	11.6%
56	2.0%	5.5%	7.2%	9.5%
57	2.1%	5.9%	7.8%	10.2%
58	2.5%	7.0%	9.2%	12.1%
59	2.9%	8.0%	10.5%	13.8%
60	3.7%	10.2%	13.4%	17.6%
61	4.6%	12.6%	16.6%	21.8%
62	7.6%	21.2%	27.8%	36.6%
63	6.9%	19.1%	25.1%	33.0%
64	6.7%	18.5%	24.4%	32.0%
65	9.1%	25.1%	33.1%	43.5%
66	7.2%	20.0%	26.4%	34.7%
67	6.7%	18.5%	24.3%	31.9%
68	6.0%	16.5%	21.7%	28.6%
69	6.7%	18.7%	24.6%	32.3%
70	6.6%	18.3%	24.1%	31.6%
71	5.1%	14.3%	18.8%	24.6%
72	4.5%	12.6%	16.6%	21.8%
73	4.4%	12.2%	16.1%	21.2%
74	5.5%	15.3%	20.1%	26.4%
75	5.5%	15.1%	19.9%	26.2%
76	4.4%	12.1%	15.9%	20.9%
77	5.0%	13.7%	18.1%	23.8%
78	5.0%	14.0%	18.4%	24.2%
79	9.3%	25.8%	34.0%	44.7%
80	100.0%	100.0%	100.0%	100.0%

Sample PERS employee retirement rates are as follows:

Participation Rates:	100% of eligible active employees (90% for management employees) are assumed to elect medical coverage at retirement. Future retirees are assumed to elect coverage similar to current retirees. Actual plan coverage is used for current retirees. 20% of future retirees and surviving spouse are assumed to elect to continue coverage when the District's contribution provided is the CalPERS Subsidy. For current retirees under age 65 and currently waiving coverage, 10% are assumed to elect coverage at age 65. The valuation assumes that Classified part time employees either terminate before reaching retirement or elect not to participate.
Spouse Coverage:	50% of future retirees are assumed to elect coverage for their spouse. Male spouses are assumed to be 3 years older than female spouses. Actual spouse coverage is used for current retirees.
Claim Cost Development:	The valuation claim costs are based on the premiums paid for medical insurance coverage. The District participates in CalPERS, a community rated plan. An implicit rate subsidy can exist when the non-Medicare rates for retirees are the same as for active employees. Since non-Medicare eligible retirees are typically much older than active employees, their actual medical costs are typically higher than for active employees. Sample representative annual claim costs for an individual under age 65 are provided in the table below:

Age	Kaiser	PERSCare	Anthem HMO Traditional
50-54	\$ 9,900	\$11,100	\$12,500
55-59	\$11,800	\$13,200	\$15,000
60-64	\$13,300	\$14,800	\$16,800

#### Explicit Subsidy:

The difference between (a) the premium rate and (b) the retiree contribution. Below is an example of the monthly explicit subsidies for a Certificated male retiree age 64 hired after July 1, 2013 with a spouse of the same age who are both eligible for the District contribution subject to an annual maximum of \$7,998 on the Kaiser plan:

	<u>Premium Rate</u>	<b>Retiree Contribution</b>	<u>Explicit Subsidy</u>
	Α	В	C = A – B
Retiree	\$ 733.39	\$ 66.89	\$ 666.50
Spouse	\$ 733.39	\$ 733.39	\$ 0.00

#### Implicit Subsidy:

The difference between (a) the claim cost and (b) the premium rate. Below is an example of the monthly implicit subsidies for a Certificated male retiree age 64 with spouse of the same age on the Kaiser plan.

	<u>Claim Cost</u>	<u>Premium Rate</u>	Implicit Subsidy
	А	В	C = A - B
Retiree	\$1,108.33	\$ 733.39	\$ 374.94
Spouse	\$1,108.33	\$ 733.39	\$ 374.94

#### GASB Subsidy Breakdown:

wn: Below is a breakdown of the GASB 75 monthly total cost for a Certificated male retiree age 64 with spouse of the same age:

	Retiree	Spouse
Retiree Contribution	\$ 66.89	\$ 733.39
Explicit Subsidy	\$ 666.50	\$ 0.00
Implicit Subsidy	\$ 374.94	\$ 374.94
Total Monthly Cost	\$1,108.33	\$1,108.33

#### Medical Trend Rates:

Medical costs are adjusted in future years by the following trends:

Year	РРО	НМО
2018	Actual	Actual
2019	Actual	Actual
2020	6.5%	6.0%
2021	6.0%	5.5%
2022	5.5%	5.0%
2023+	5.0%	5.0%

#### Dental & Vision Trend Rates:

Year	Trend
2019+	5.0%

Minimum Contribution:

The CalPERS minimum required contribution is assumed to increase 4% per year.

Actuarial Cost Method:	The actuarial cost method used to determine the allocation of the retiree health actuarial liability to the past (accrued), current and future periods is the Entry Age Normal (EAN) cost method. The EAN cost method is a projected benefit cost method which means the "cost" is based on the projected benefit expected to be paid at retirement.
	The EAN normal cost equals the level annual amount of contribution from the employee's date of hire (entry date) to their retirement date that is sufficient to fund the projected benefit. As required by GASB 75, the normal cost is calculated to remain level as a percentage of pay. The EAN actuarial accrued liability equals the present value of all future benefits for retired and current employees and their beneficiaries less the portion expected to be funded by future normal costs.
	All employees eligible as of the Valuation Date in accordance with the provisions of the Plan listed in the data provided by the District were included in the valuation.
Market Value of Assets:	As of the valuation date, there were no reported GASB eligible assets.

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

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

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

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