ACTUARIAL VALUATION OF RETIREE HEALTH BENEFITS

Los Altos School District

January 13, 2020 Board Meeting

Overview

- Under Governmental Accounting Standards Board Statement 75 (GASB 75), school districts are required to disclose their liability for retiree health benefits
- Such disclosure involves an actuarial study, which must be completed every two years
- Our last study was done two years ago, with a valuation date of July 1, 2017
- This year's study has a valuation date of July 1, 2019

Options

- Districts have the option of dealing with their liability in one of three ways…
  - **Pay-as-you-go: Make annual payments to health care providers without setting aside monies for future payments**
  - Irrevocable trust: Put funds into an irrevocable trust out of which future payments are made
    - Funds cannot be taken out once put into the trust
  - Pay-as-you-go (with set asides): Make annual payments and set aside additional monies for future payments

July 1, 2019 Valuation

- The actuarial study identifies, in present value terms, what future benefits will cost the district
  - Based on a number of assumptions (such as mortality rates, when people will retire, inflation on medical costs, and investment earnings)
- The valuation reflects the cost for current retirees and the cost for current employees when they retire
  - We have 166 eligible retired employees (compared to 174 two years ago)
  - 500 current employees (6 of whom are eligible for maximum contribution); compared to 493 two years ago

July 1, 2019 Valuation

- Employees hired prior to 1988 were eligible for district-paid lifetime benefits
- Employees hired since then are only eligible for a minimum contribution from the district
  - That contribution is required under CalPERS (our medical plan provider) and currently is set at $136 per month

July 1, 2019 Valuation

- The Present Value of the future benefits is $29.1M
  - Approximately $700,000 higher than the value two years earlier, due to changes in assumptions
    - Key change: drop in discount rate
- The unfunded liability is the portion of the $29.1M that has already been earned (i.e., in past years)
  - The unfunded liability is $16.9M

Conclusion

- The report is for information only; there is no action required by the board
- Information from the report is used in our annual financial reports