



Pleasanton Unified School District OPEB Plan

FYE June 30, 2018 GASB 75 Actuarial Valuation

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Agenda

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- 7 Balance Sheet Liability
- 8 Projected Pay-Go Costs
- 9 Manage Risks
- 10** Pre-Funding in OPEB Trust



Changes from GASB 43/45 (Summary)

Areas	Current GASB 45	New GASB 74/75
Discount Rate	Based on corporate rates, discount rate selection not defined	<ul style="list-style-type: none">• As long as projected benefit payments (BP) are funded, use the Trust's expected long-term ROR• When BP is unfunded, use general obligation municipal bond rates• Must use blended rate if Trust cannot cover future costs
Cost Method	Projected Unit Credit	Entry Age Normal (EAN) level % of Salary
Balance Sheet	OPEB liability is based on Net OPEB Obligation (NOO)	OPEB liability will be based on Total OPEB Liability (TOL) reduced by any Trust assets (Fiduciary Net Plan Position or FNP)
Income Statement	OPEB expense is equivalent to the Annual Required Contribution	Different way of calculating OPEB expense



Changes since FYE 2017

- No substantive plan provision changes
- Actuarial assumptions:
 - Updated trend rates:
 - Medical: reset to an initial rate of 6.5% for PPO/6.0% for HMO decreasing to an ultimate rate of 5.0% over 3-4 years
 - Termination rates and retirement rates updated to reflect STRS 2017 pension valuation.
 - Mortality updated to RPH (Retirement Plan Headcount Weighted) 2014 with generational projection scale MP (Mortality Projection) 2017.



Current Retiree Premiums

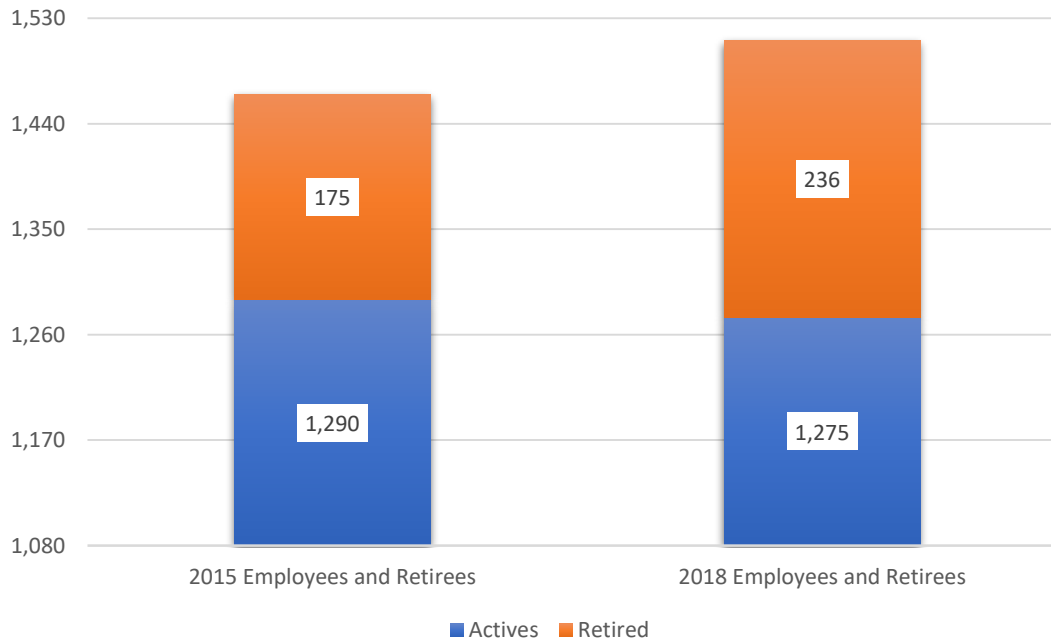
CalPERS Bay Area Medical Rates	Single	Two-Party	Medicare Advantage (per Person)
Kaiser	\$779.86	\$1,559.72	\$316.34
Blue Shield Access	\$889.02	\$1,778.04	NA
PERSCare	\$882.45	\$1,764.90	\$382.30
PERSChoice	\$800.27	\$1,600.54	\$345.97

ACTUARY'S COMMENT

In general, the actuarial liabilities track to the premium
Lower premiums = Lower actuarial liabilities



Changes in Demographic



	07/01/2015			06/30/2018		
	Cert	Class	Total	Cert	Class	Total
Actives Average Age	44.2	51.2	46.7	44.6	51.3	46.9
Actives Average Service	10.0	9.8	9.9	10.5	9.2	10.0
Retirees Average Age	67.0	64.1	65.9	68.5	61.9	66.5

Actuarial Model

Key Assumptions and Designs that Drive Costs



Health Care Trend

- Medical premiums:
- PPO - 6.50% to 5.00% in 4 years
- HMO - 6.00% to 5.00% in 3 years
- PEMHCA minimum 4.00%



Employer Cost

- The District pays the cost of coverage up to Kaiser premium
- The maximum contribution is \$7,998 for employees hired after 10/28/2014



Discount Rate

- 3.4% as of June 30, 2017; based on 20 year High Grade Municipal Bond Indices
- 3.5% as of June 30, 2018

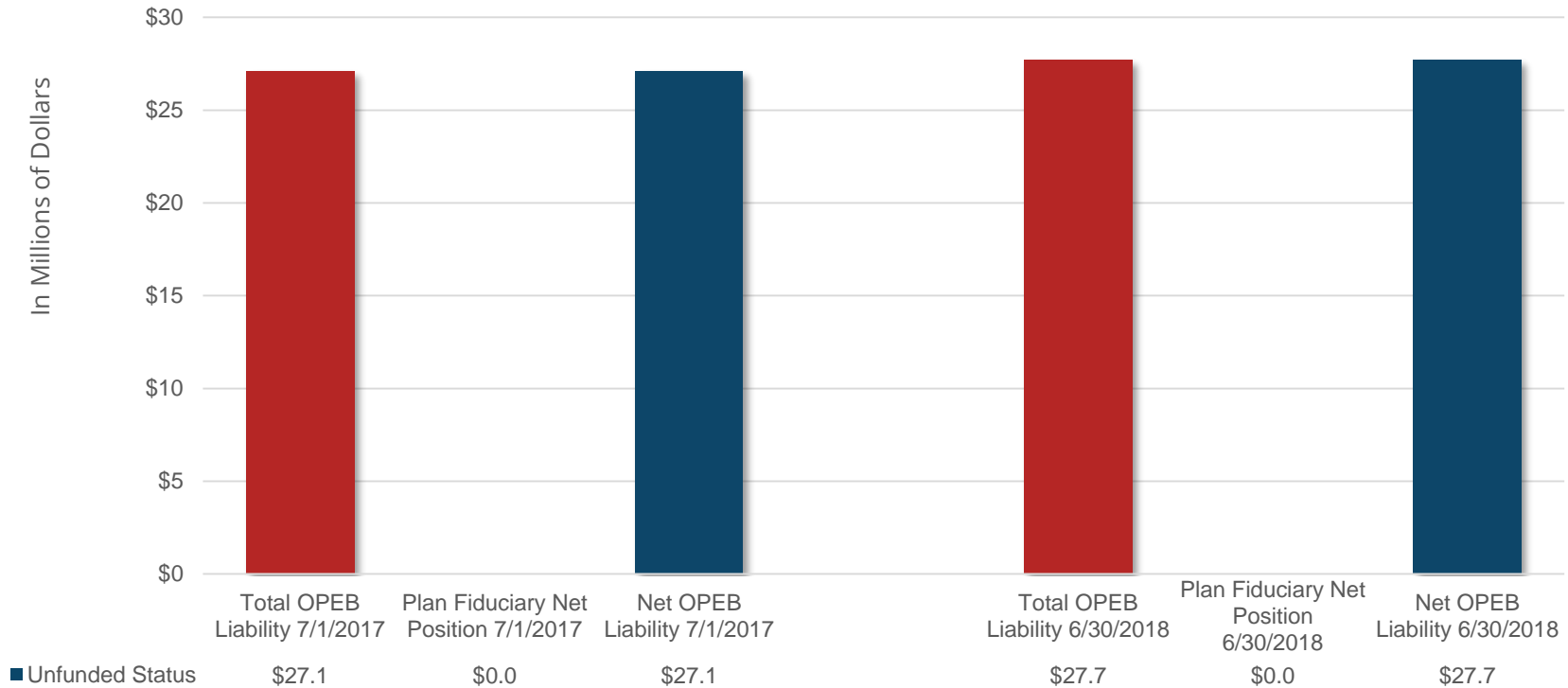


Eligibility and Duration

- Age 55 with 10 years of service
- Duration limited to earlier of 7 years or age 65

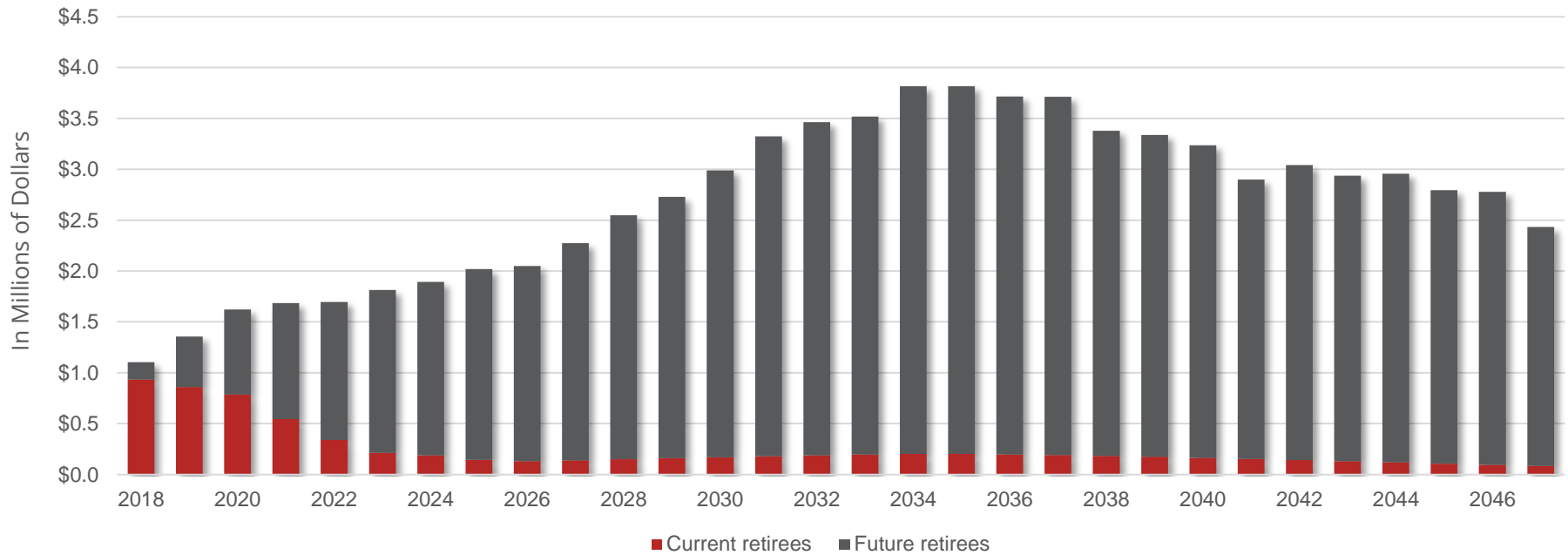


Balance Sheet Liability





Projected Pay-go Costs



Results are shown in millions

FYE	2018	2020	2022	2024	2026	2028	2030	2032	2034	2036	2038	2040	2042	2044	2046
Total	\$1.1	\$1.6	\$1.7	\$1.9	\$2.1	\$2.5	\$3.0	\$3.5	\$3.8	\$3.7	\$3.4	\$3.2	\$3.0	\$3.0	\$2.8



Manage Risks

1. Annual premium rate increases
2. Pay attention to health care trends
3. Cost shifting to retirees
4. Establish OPEB Trust
 - Long-term rate of return can be used to derive discount rate
5. Long-term projection of liabilities and assets
 - Avoid surprises with advanced planning



Pre-Funding in OPEB Trust

PROS:

- Trust assets are a direct offset to the long-term actuarial liabilities
- Higher returns ultimately lead to lower ongoing contributions
- Reduce the Total OPEB Liability through use of a higher discount rate

CONS:

- Strains on competing budgetary expenses
- Lose budgetary flexibility for non-OPEB expense as assets are tied up in Trust



QUESTIONS?



About Nyhart



100%

Employee Owned

1943

Nyhart Founded

Actuarial Services & Consulting

- Defined benefit plans valuations, consulting, and administration (for public and private sector plans)
- Defined contribution recordkeeping and consulting
- Retiree medical valuations (GASB 74/75 and ASC 715)
- Special projects:
 - ✓ Multi-year cost modeling
 - ✓ Experience studies
 - ✓ Pension sustainability studies
 - ✓ Health and pension plan designs
 - ✓ Asset liability studies including glide path modeling and EROA analysis
 - ✓ Compensation consulting

Benefit Administration Services

- HSA, FSA, and COBRA administration
- Call center, including bilingual services
- Compliance testing
- Benefit Statements

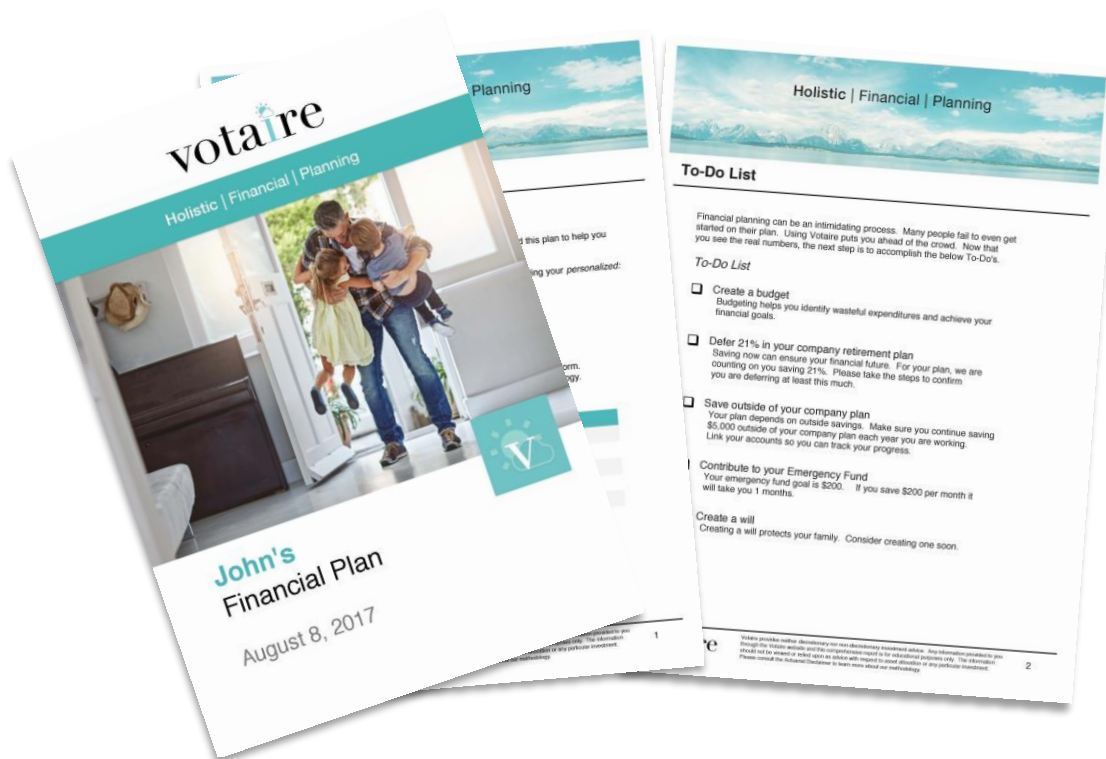
Votaire: Financial Planning

- Comprehensive planning for all users
- Answers questions about healthcare costs
- Place to track in-plan and out-of-plan accounts



Holistic | Financial | Planning

Employees' financial stress hampers productivity. **Votaire** is meant to alleviate that stress for employees of all ages.



WE HELP EMPLOYEES:

- 1 Build retirement income
- 2 Plan for healthcare costs
- 3 Create a financial plan
- 4 Monitor all accounts in one place