

To: Administration and Finance Committee

Date: April 1, 2020

From: Erick Cheung, Chief Finance Officer

SUBJECT: OPEB Actuarial Valuation

SUMMMARY OF ISSUES:

The Government Accounting Standards Board (GASB) issued reporting standards that require County Connection to prepare an actuarial valuation of our Other Post-Employment Benefits (OPEB) under GASB Statement No. 75 (GASB 75). The valuation assesses our OPEB liabilities that are recorded in the financial statements along with additional disclosure information as required by GASB 75. An OPEB actuarial valuation is required by GASB to be updated every two years with the last one completed in FY 2018. The OPEB Actuarial Valuation report attached is for FY 2020 which will be used as the basis for determining the plan contribution levels and the actuarial value of the assets/liabilities of OPEB for the financial statements. The OPEB Actuarial Valuation was prepared by MacLeod Watts Inc. (formerly Bickmore).

County Connection's Unfunded Actuarial Accrued Liability (UAAL) as of June 30, 2020 is \$3.1 million (see PP.3 of Report), a net decrease of \$1.2 million since the last measurement. The main reason for the decrease is lower than expected premium increases, particularly for retirees covered by Medicare (see PP.7 of Report) over the last two years.

The Annual Determined Contribution (ADC) is the amount the Authority should contribute to fund the retiree benefit and for FY 2020 is \$529,577 (see PP.23 of Report). However, County Connection gets credit under implicit subsidy of \$66,765 for current retirees, therefore the benefits paid to retirees and the trust should amount to \$462,812. This amount is \$46,488 less than the original FY 2020 Budget of \$509,300. The ADC for FY 2021 is \$545,410 and the amount (net of implicit credit) paid to retirees and trust should be \$457,376. The FY 2021 Proposed Budget presented in the prior month includes \$509,300 based on preliminary information. The current version has been reduced by \$51,924 to agree with the actuarial report.

Catherine L. MacLeod, Principal of MacLeod Watts Inc. will present the report with the committee members and answer questions. MacLeod Watts Inc. provides actuarial services for various public entities

RECOMMENDATION:

Staff recommends that the A&F Committee accept the OPEB Actuarial Valuation and forward to the Board of Directors.

FINANCIAL IMPLICATION:

Based on MacLeod Watts Inc actuarial valuation, the ADC net of implicit subsidy credits for FY 2020 and FY 2021 amounts to \$462,812 and \$457,376, respectively and is incorporated in the April version of the FY 2021 Proposed Budget.

ATTACHMENT:

- A. Central Contra Costa Transit Authority Actuarial Valuation of Other Post-Employment Benefit Programs As of June 30, 2019 & GASB 75 Report for the Fiscal Year Ending June 30, 2020

MacLeod Watts

February 28, 2020

Mr. Erick Cheung
Director of Finance
Central Contra Costa Transit Authority
2477 Arnold Industrial Way
Concord, CA 94520

Re: June 30, 2019 Actuarial Valuation and GASB 75 Report for Fiscal Year Ending June 30, 2020

Dear Mr. Cheung:

We are pleased to enclose our actuarial report providing information regarding the other post-employment benefit (OPEB) liability of the Central Contra Costa Transit Authority. The report's text describes our analysis and assumptions in detail.

The primary purposes of this report are to:

- 1) Remeasure plan liabilities as of June 30, 2019, in accordance with GASB 75's biennial valuation requirement,
- 2) Develop Actuarially Determined Contribution levels for prefunding plan benefits, and
- 3) Provide information required by GASB 75 ("Accounting and Financial Reporting for Postemployment Benefits Other Than Pension") to be reported in the Authority's financial statements for the fiscal year ending June 30, 2020.

The information included in this report reflects our understanding and assumption that the Authority will continue contributing 100% or more of the Actuarially Determined Contributions each year. If this is not the case, please let us know as results could change significantly.

The results presented are based on the results of an actuarial valuation prepared as of June 30, 2019 and on the employee data, details on plan benefits and retiree benefit payments reported to us by the Authority for that valuation. As with any analysis, the soundness of the report is dependent on the inputs. Please review our summary of this information to be comfortable that it matches your records.

We appreciate the opportunity to work on this analysis and acknowledge the efforts of Authority employees who provided valuable time and information to enable us to perform this valuation. Please let us know if we can be of further assistance.

Sincerely,

Catherine L. MacLeod, FSA, FCA, EA, MAAA
Principal and Consulting Actuary

Enclosure



Central Contra Costa Transit Authority

Actuarial Valuation of Other
Post-Employment Benefit Programs
As of June 30, 2019

& GASB 75 Report for the Fiscal Year Ending
June 30, 2020

Submitted February 2020

MacLeod Watts

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A. Executive Summary

This report presents the results of the June 30, 2019 actuarial valuation of the other post-employment benefit (OPEB) program of the Central Contra Costa Transit Authority (the Authority). The purposes of this valuation are to: 1) summarize the results of the valuation; 2) assess the OPEB liabilities and provide disclosure information as required by Statement No. 75 of the Governmental Accounting Standards Board (GASB 75) for the fiscal year ending June 30, 2020; and 3) develop Actuarially Determined Contribution (ADC) levels for prefunding plan benefits.

Important background information regarding the valuation process can be found in Addendum 1. We recommend users of the report read this information to familiarize themselves with the process and context of actuarial valuations, including the requirements of GASB 75. The pages following this executive summary present various exhibits and other relevant information appropriate for disclosures under GASB 75.

Absent material changes to this program, the results of the June 30, 2019 valuation will also be applied to prepare the Authority's GASB 75 report for the fiscal year ending June 30, 2021. If there are any significant changes in the employee population, plan benefits or eligibility, or to the Authority's funding policy, an earlier valuation might be required or appropriate.

OPEB Obligations of the Authority

The Authority provides continuation of medical coverage to its retiring employees. These benefits create one or more of the following types of OPEB liabilities:

- **Explicit subsidy liabilities:** An "explicit subsidy" exists when the employer contributes directly toward the cost of retiree healthcare. In this program, the Authority contributes a portion of retiree medical premiums for qualifying retirees. These benefits are described in Section 2A.

The Patient Protection and Affordable Care Act (ACA) included a 40% excise tax on high-cost employer-sponsored health coverage. We previously assumed the Authority would pay the full amount of any such excise tax for retiree health coverage. This excise tax was repealed by Senate Amendment to H.R. 1865, *Further Consolidated Appropriations Act, 2020*. While this change occurred after the current measurement date, we now assume the Authority will not incur any such tax and excluded the liability from this valuation.

- **Implicit subsidy liabilities:** An "implicit subsidy" exists when the premiums charged for retiree coverage are lower than the expected retiree claims for that coverage. In the CalPERS medical program, the same monthly premiums are charged for active employees and for pre-Medicare retirees. CalPERS has confirmed that the claims experience of these members is considered together in setting premium rates. We determine the implicit rate subsidy for pre-Medicare retirees as the projected difference between (a) retiree medical claim costs by age and (b) premiums charged for retiree coverage. For more information on this process see Section 3 and Addendum 2: MacLeod Watts Age Rating Methodology.

Different monthly premiums are charged for Medicare-eligible members. CalPERS confirmed that only the claims experience of these members is considered in setting Medicare-eligible premium rates. We assumed that the Medicare Supplement premium structure is adequate to cover their expected retiree claims and that there is no implicit subsidy by active employee premiums.



Executive Summary

(Continued)

OPEB Funding Policy

The Authority's OPEB funding policy affects the calculation of liabilities by impacting the discount rate that is used to develop the plan liability and expense. "Prefunding" is the term used when an agency consistently contributes an amount based on an actuarially determined contribution (ADC) each year.

GASB 75 allows prefunded plans to use a discount rate which reflects the expected earnings on trust assets. Pay-as-you-go, or "PAYGO", is the term used when an agency only contributes the required retiree benefits when due. When an agency finances retiree benefits on a pay-as-you-go basis, GASB 75 requires the use of a discount rate equal to a 20-year high grade municipal bond rate.

The Authority has been and continues to prefund its OPEB liability, contributing 100% or more of the Actuarially Determined Contributions each year. With the Authority's approval, the discount rate used in this valuation is 5.1%, reflecting the Authority's expectation of the long term return on trust assets as of the measurement date. For more information, see Expected Return on Trust Assets on page 10.

Actuarial Assumptions

The actuarial "demographic" assumptions (i.e. rates of retirement, death, disability or other termination of employment) used in this report were chosen, for the most part, to be the same as the actuarial demographic assumptions used for the most recent valuation of the retirement plan(s) covering Authority employees. Other assumptions, such as age-related healthcare claims, healthcare trend, retiree participation rates and spouse coverage, were selected based on demonstrated plan experience and/or our best estimate of expected future experience. All these assumptions, and more, impact expected future benefits. Please note that this valuation has been prepared on a closed group basis. This means that only employees and retirees present as of the valuation date are considered. We do not consider replacement employees for those we project to leave the current population of plan participants until the valuation date following their employment.

We emphasize that this actuarial valuation provides a projection of future results based on many assumptions. Actual results are likely to vary to some extent and we will continue to monitor these assumptions in future valuations. See Section 3 for a description of assumptions used in this valuation.

Important Dates Used in the Valuation

GASB 75 allows reporting liabilities as of any fiscal year end based on: (1) a *valuation date* no more than 30 months plus 1 day prior to the close of the fiscal year end; and (2) a *measurement date* up to one year prior to the close of the fiscal year. The following dates were used for this report:

Fiscal Year	June 30, 2020
Measurement Date	June 30, 2019
Measurement Period	June 30, 2018 to June 30, 2019
Valuation Date	June 30, 2019



Executive Summary

(Concluded)

Significant Results and Differences from the Prior Valuation

No benefit changes were reported to MacLeod Watts relative to those in place at the time the July 2017 valuation was prepared. We reviewed and did update some assumptions used to project the OPEB liability. Differences between actual and expected results (referred to as “plan experience”) since July 2017 were also recognized. Overall, the Total OPEB Liability on the current measurement date is lower than that reported one year ago.

Section C. Basic Valuation Results as of June 30, 2019 provides additional information on the impact of the new assumptions and plan experience. Assumption changes are described at the end of Section 3.

Impact on Statement of Net Position and OPEB Expense for Fiscal 2020

The plan’s impact to Net Position will be the sum of difference between assets and liabilities as of the measurement date plus the unrecognized net outflows and inflows of resources. Different recognition periods apply to deferred resources depending on their origin. The plan’s impact on Net Position on the measurement date can be summarized as follows.

Items	For Reporting At Fiscal Year Ending June 30, 2020
Total OPEB Liability	\$ 7,072,609
Fiduciary Net Position	3,990,303
Net OPEB Liability (Asset)	3,082,306
Deferred (Outflows) of Resources	(735,733)
Deferred Inflows of Resources	2,562,026
Impact on Statement of Net Position	<u>\$ 4,908,599</u>
 OPEB Expense, FYE 6/30/2020	 <u><u>\$ 68,106</u></u>

Important Notices

This report is intended to be used only to present the actuarial information relating to other postemployment benefits for the Authority’s financial statements. The results of this report may not be appropriate for other purposes, where other assumptions, methodology and/or actuarial standards of practice may be required or more suitable. We note that various issues in this report may involve legal analysis of applicable law or regulations. The Authority should consult counsel on these matters; MacLeod Watts does not practice law and does not intend anything in this report to constitute legal advice. In addition, we recommend the Authority consult with their internal accounting staff or external auditor or accounting firm about the accounting treatment of OPEB liabilities.



B. Valuation Process

The June 30, 2019 valuation has been based on employee census data and benefits initially submitted to us by the Authority in December 2019 and clarified in various related communications. A summary of the employee data is provided in Section 1 and a summary of the benefits provided under the Plan is provided in Section 2A. While individual employee records have been reviewed to verify that they are reasonable in various respects, the data has not been audited and we have otherwise relied on the Authority as to its accuracy. The valuation described below has been performed in accordance with the actuarial methods and assumptions described in Section 3.

In projecting benefit values and liabilities, we first determine an expected premium or benefit stream over the employee's future retirement. Benefits may include both direct employer payments (explicit subsidies) and/or an implicit subsidy, arising when retiree premiums are expected to be subsidized by active employee premiums. The projected benefit streams reflect assumed trends in the cost of those benefits and assumptions as to the expected date(s) when benefits will end. We then apply assumptions regarding:

- The probability that each individual employee will or will not continue in service with the Authority to receive benefits.
- To the extent assumed to retire from the Authority, the probability of various possible retirement dates for each retiree, based on current age, service and employee type; and
- The likelihood that future retirees will or will not elect retiree coverage (and benefits) for themselves and/or their dependents.

We then calculate a present value of these benefits by discounting the value of each future expected benefit payment back to the valuation date using the discount rate. These benefit projections and liabilities have a very long time horizon. Final payments for younger active employees may not be made for 70 years or more.

Projections over such long periods that are dependent on numerous assumptions regarding future economic and demographic variables are subject to substantial revision as future events unfold. While we believe that the assumptions and methods used in this valuation are reasonable for the purposes of this report, the cost to the Authority of sponsoring this plan is subject to future revision risk, perhaps materially. Demonstrating the range of potential future results was beyond the scope of our assignment.

The key outputs from an actuarial valuation are described below:

Actuarial Present Value of Projected Benefits (PVPB): PVPB refers to the discounted total value of all future benefits expected to be provided to current retirees and beneficiaries and to current active employees after they retire. In calculating the PVPB, the amount of each future payment is projected, multiplied by a probability that it will be paid and then discounted from the future payment date back to the valuation date using the assumed discount rate.

After the PVPB is calculated, the next step in the valuation process is to apportion the PVPB into

- the value of benefits already *earned by prior service* of current employees and retirees and
- the value of benefits expected to be *earned by future service* of current employees.



Valuation Process

(Concluded)

Key valuation outputs (continued)

Actuarial Accrued Liability (TOL): The value of benefits deemed earned by service worked prior to the valuation date is called the Actuarial Accrued Liability (in actuarial terminology) and **Total OPEB Liability** (in GASB terminology). The AAL/TOL represents the portion of the PVPB that is deemed to have been earned by prior service of employees. The AAL for current retirees equals their PVPB because their service is complete. For active employees, the AAL is less than the PVPB because there is always some future service possible.

Normal cost (NC): Normal cost (actuarial terminology), or service cost (in GASB terminology) represents the portion of the PVPB that is deemed to be earned by active employees over a single year. The present value of all future normal costs for the periods after the valuation date plus the AAL will be equal to the PVPB. Only active members have a current service cost.

Where contributions have been made to an irrevocable OPEB trust, the accumulated value of trust assets is applied to offset the AAL. In this valuation, we set the Actuarial Value of Assets equal to the market value of assets invested in in the Authority's PARS OPEB trust. The portion of the AAL not covered by assets is referred to as the **unfunded actuarial accrued liability** (or UAAL in actuarial terminology), or **Net OPEB Liability** (in GASB terminology).

If the actuarial cost method used for plan funding is the same as that required by GASB 75, the terms may often be used interchangeably¹:

Actuarial Funding Terminology

Present Value of Projected Benefits (PVPB)
Actuarially Accrued Liability (AAL)
Market Value of Assets
Unfunded Actuarially Accrued Liability (UAAL)
Normal Cost

GASB 75 Terminology

N/A; typically not reported for accounting purposes
Total OPEB Liability (TOL)
Fiduciary Net Position
Net OPEB Liability
Service Cost

Specific results from this valuation are provided in the following Section C. Plan contributions for fiscal years 2020, 2021 and 2022 based on this 2019 valuation are developed in Section E.

¹ i.e., the entry age normal, level percent of payroll method. There may also be some accrued transactions recognized for accounting but not for funding purposes, or vice versa.



C. Basic Valuation Results as of June 30, 2019

This chart compares the results measured as of June 30, 2018, based on the July 1, 2017 valuation, with the results measured as of June 30, 2019, based on the June 30, 2019 actuarial valuation.

Valuation Date	7/1/2017			6/30/2019		
Fiscal Year Ending	6/30/2019			6/30/2020		
Measurement Date	6/30/2018			6/30/2019		
	Explicit	Implicit	Total	Explicit	Implicit	Total
Subsidy						
Discount rate	5.10%	5.10%	5.10%	5.10%	5.10%	5.10%
Number of Covered Employees						
Actives	224	205	224	212	191	212
Retirees	52	5	52	54	3	54
Total Participants	276	210	276	266	194	266
Actuarial Present Value of Projected Benefits						
Actives	\$ 5,308,231	\$ 2,409,253	\$ 7,717,484	\$ 4,827,869	\$ 2,297,090	\$ 7,124,959
Retirees	2,279,691	61,949	2,341,640	2,409,065	34,905	2,443,970
Total APVPB	7,587,922	2,471,202	10,059,124	7,236,934	2,331,995	9,568,929
Total OPEB Liability (TOL)						
Actives	3,814,445	1,636,919	5,451,364	3,164,262	1,464,377	4,628,639
Retirees	2,279,691	61,949	2,341,640	2,409,065	34,905	2,443,970
TOL	6,094,136	1,698,868	7,793,004	5,573,327	1,499,282	7,072,609
Fiduciary Net Position			3,465,427			3,990,303
Net OPEB Liability			4,327,577			3,082,306
Service Cost	224,946	106,265	331,211	218,683	99,766	318,449
For the period following the measurement date						

The change in the Total OPEB Liability, Fiduciary Net Position and Net OPEB Liability are discussed on the following page.



Basic Valuation Results as June 30, 2019

(Concluded)

Change in the Net OPEB Liability (Unfunded Actuarial Accrued Liability): Ideally, plan assets are greater than or equal to the Total OPEB Liability (TOL), resulting in a \$0 or negative Net OPEB Liability (NOL). The change in the NOL includes both changes in the TOL and in the plan assets.

Change in TOL: The TOL has *decreased* by about \$720,000 from one year ago. We expected an *increase* of \$430,827 from normal plan operation and the passage of time. However, unexpected changes of \$(1,051,018) offset this increase, from a combination of updated actuarial assumptions and from plan experience different than projected.

Reported Total OPEB Liability at June 30, 2019 Measurement Date June 30, 2018	\$ 7,793,004
Expected Changes:	
Normal Cost	331,211
Benefit Payments	(306,893)
Interest Cost	406,509
Total Expected Change	430,827
Expected Total OPEB Liability at June 30, 2020 Measurement Date June 30, 2019	\$ 8,223,831
Unexpected Changes:	
Plan experience different than assumed	(1,357,116)
Change in demographic assumptions and mortality improvement scale	306,098
Elimination of excise tax liability	(100,204)
Total Unexpected Change	(1,151,222)
Actual Total OPEB Liability at June 30, 2020 Measurement Date June 30, 2019	\$ 7,072,609

This chart reconciles the Total OPEB Liability (TOL) based on the FYE 2019 GASB 75 liability to the actual TOL reported as of June 30, 2020.

Plan experience includes a variety of factors, such as unexpected changes in the plan’s population and medical costs different than assumed. For details on the assumption changes, see the last page of Supporting Information, Section 3.

Much of the favorable experience is the result of lower than expected increases in medical premiums between 2018 and 2020. In the 2017 valuation, we assumed that the 2018 Medicare premiums would increase by 15% by January 2020. However, the Kaiser Supplemental Medicare

rate (the most popular plan among Authority retirees) increased by only 7.3%. The consolidation of the Bay, Sacramento and Other Northern California rate regions into Region 1 also resulted in unexpected decreases for members covered by plans in the Bay area.

The chart below compares actual and expected premiums for the 3 most popular plans among CCCTA’s retirees (50 of 54 retirees were covered by one of these plans as of the June 30, 2019 valuation date):

Medicare Supplement Plan	# enrolled as of 6/30/2019	2018 Premium	Expected 2020 Premium	Actual 2020 Premium	% higher (lower) than expected
Kaiser HMO	34	\$ 316.34	\$ 363.87	\$ 339.43	-6.7%
PERS Choice PPO	5	345.97	397.95	351.39	-11.7%
UnitedHealthcare HMO	11	330.76	380.46	327.03	-14.0%

Change in plan assets: If contributions to the OPEB trust and/or return on those assets are higher or lower than previously projected, the difference also impacts the UAAL or NOL. While contribution levels were exactly as expected, the return on trust assets was about \$40,000 higher than expected over the prior 12 months. See page 10 for details on asset activity.



D. Accounting Information (GASB 75)

The following exhibits are designed to satisfy the reporting and disclosure requirements of GASB 75 for the fiscal year end June 30, 2020. The Authority is classified for GASB 75 purposes as a single employer.

The Net Deferred (Outflows) Inflows of Resources and Deferred Contributions shown in this report are subject to changes based on the final reported Employer Contributions during fiscal year 2019-2020. The implicit subsidy contribution will not change, but actual retiree benefits paid and contributions to the OPEB trust, if any, should be updated once known after the close of the year. Covered employee payroll for the current fiscal year, shown in the exhibit on page 14, will likely also change.

Components of Net Position and Expense

The exhibit below shows the development of Net Position and Expense as of the Measurement Date.

Plan Summary Information for FYE June 30, 2020 <i>Measurement Date is June 30, 2019</i>	CCCTA
Items Impacting Net Position:	
Total OPEB Liability	\$ 7,072,609
Fiduciary Net Position	3,990,303
Net OPEB Liability (Asset)	3,082,306
<i>Deferred (Outflows) Inflows of Resources Due to:</i>	
Assumption Changes	402,986
Plan Experience	1,982,686
Investment Experience	(29,802)
Deferred Contributions	(529,577)
Net Deferred (Outflows) Inflows of Resources	1,826,293
Impact on Statement of Net Position, FYE 6/30/2020	\$ 4,908,599
Items Impacting OPEB Expense:	
Service Cost	\$ 331,211
Cost of Plan Changes	-
Interest Cost	406,509
Expected Earnings on Assets	(184,385)
<i>Recognized Deferred Resource items:</i>	
Assumption Changes	(108,971)
Plan Experience	(390,825)
Investment Experience	14,567
OPEB Expense, FYE 6/30/2020	\$ 68,106



Accounting Information

(Continued)

Change in Net Position During the Fiscal Year

The exhibit below shows the year-to-year changes in the components of Net Position.

For Reporting at Fiscal Year End <i>Measurement Date</i>	6/30/2019 <i>6/30/2018</i>	6/30/2020 <i>6/30/2019</i>	Change During Period
Total OPEB Liability	\$ 7,793,004	\$ 7,072,609	\$ (720,395)
Fiduciary Net Position	3,465,427	3,990,303	524,876
Net OPEB Liability (Asset)	4,327,577	3,082,306	(1,245,271)
<i>Deferred Resource (Outflows) Inflows Due to:</i>			
Assumption Changes	717,851	402,986	(314,865)
Plan Experience	1,016,395	1,982,686	966,291
Investment Experience	(84,914)	(29,802)	55,112
Deferred Contributions	(606,839)	(529,577)	77,262
Net Deferred (Outflows) Inflows	1,042,493	1,826,293	783,800
Impact on Statement of Net Position	\$ 5,370,070	\$ 4,908,599	\$ (461,471)

Change in Net Position During the Fiscal Year

Impact on Statement of Net Position, FYE 6/30/2019	\$ 5,370,070
OPEB Expense (Income)	68,106
Employer Contributions During Fiscal Year	(529,577)
Impact on Statement of Net Position, FYE 6/30/2020	<u>\$ 4,908,599</u>

OPEB Expense

Employer Contributions During Fiscal Year	\$ 529,577
Deterioration (Improvement) in Net Position	(461,471)
OPEB Expense (Income), FYE 6/30/2020	<u>\$ 68,106</u>



Accounting Information

(Continued)

Change in Fiduciary Net Position During the Measurement Period

	CCCTA
Fiduciary Net Position at Fiscal Year Ending 6/30/2019 <i>Measurement Date 6/30/2018</i>	\$ 3,465,427
Changes During the Period:	
Investment Income	224,930
Employer Contributions	606,839
Benefit Payments	(306,893)
Net Changes During the Period	524,876
Fiduciary Net Position at Fiscal Year Ending 6/30/2020 <i>Measurement Date 6/30/2019</i>	\$ 3,990,303

Expected Long-term Return on Trust Assets

In May 2019, PARS published an expected return of 5.82% for the Moderately Conservative Portfolio, prior to offset for non-imbedded investment related fees. This 5.82% expected return was determined using a building-block method and best-estimate ranges of expected future real rates of return for each major asset class (expected returns, net of OPEB plan investment expense and inflation). These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of geometric real rates of return for each major class are summarized in this table.

Non-imbedded fees were estimated to reduce the expected yield above by 53 basis points (0.53%), reducing the net expected return on trust assets to 5.29% per year. The Authority has chosen to use a slightly more conservative assumed rate of return of 5.1% for this valuation, since the information is still relatively new and will reevaluate in the next (2021) valuation. The 5.1% rate was used in the prior two valuations.

Portfolio (Investment Strategy)		Moderately Conservative
Asset Class	Expected Return	Weight
Equity		30.00%
Large Cap Core	6.70%	15.50%
Mid Cap Core	7.00%	3.00%
Small Cap Core	7.90%	4.50%
Real Estate	5.70%	1.00%
International	7.30%	4.00%
Emerging Markets	9.70%	2.00%
Fixed Income		65.00%
Short Term Bond	3.80%	14.00%
Intermediate Term Bond	4.60%	49.25%
High Yield	6.00%	1.75%
Alternatives	4.40%	
Cash	2.10%	5.00%
Expected Return		5.82%
Expected Standard Deviation		4.72%



Accounting Information

(Continued)

Recognition Period for Deferred Resources

Liability changes due to plan experience which differs from what was assumed in the prior year and/or from assumption changes during the year are recognized over the plan's Expected Average Remaining Service Life ("EARSL"). The EARSL period is 6.97 years for deferred resources arising in the current measurement period.

Changes in the Fiduciary Net Position due to investment performance different from the assumed earnings rate are always recognized over 5 years.

Liability changes attributable to benefit changes occurring during the period are recognized immediately.

Deferred Resources as of Fiscal Year End and Expected Future Recognition

The exhibit below shows deferred resources as of the fiscal year end June 30, 2020.

Central Contra Costa Transit Authority	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 176,354	\$ 579,340
Differences Between Expected and Actual Experience	-	1,982,686
Net Difference Between Projected and Actual Earnings on Investments	29,802	-
Deferred Contributions	529,577	-
Total	\$ 735,733	\$ 2,562,026

The Authority will recognize the Deferred Contributions in the next fiscal year. In addition, future recognition of these deferred resources is shown below.

For the Fiscal Year Ending June 30	Recognized Net Deferred Outflows (Inflows) of Resources
2021	\$ (485,229)
2022	(485,231)
2023	(491,017)
2024	(507,905)
2025	(226,274)
Thereafter	(160,214)



Accounting Information

(Continued)

Sensitivity of Liabilities to Changes in the Discount Rate and Healthcare Cost Trend Rate

The discount rate used for the fiscal year end 2020 is 5.10%. Healthcare Cost Trend Rate was assumed to start at 6.5% (increase effective January 1, 2021) and grade down to 5% for years 2024 and later. The impact of a 1% increase or decrease in these assumptions is shown in the chart below.

Sensitivity to:			
Change in Discount Rate	Current - 1% 4.10%	Current 5.10%	Current + 1% 6.10%
Total OPEB Liability	7,905,170	7,072,609	6,373,659
Increase (Decrease)	832,561		(698,950)
% Increase (Decrease)	11.8%		-9.9%
Net OPEB Liability (Asset)	3,914,867	3,082,306	2,383,356
Increase (Decrease)	832,561		(698,950)
% Increase (Decrease)	27.0%		-22.7%
Change in Healthcare Cost Trend Rate	Current Trend - 1%	Current Trend	Current Trend + 1%
Total OPEB Liability	6,588,684	7,072,609	7,751,133
Increase (Decrease)	(483,925)		678,524
% Increase (Decrease)	-6.8%		9.6%
Net OPEB Liability (Asset)	2,598,381	3,082,306	3,760,830
Increase (Decrease)	(483,925)		678,524
% Increase (Decrease)	-15.7%		22.0%



Accounting Information

(Continued)

Schedule of Changes in the Authority's Net OPEB Liability and Related Ratios

GASB 75 requires presentation of the 10-year history of changes in the Net OPEB Liability. Only results for years since GASB 75 was implemented (fiscal years 2018, 2019 and 2020) are shown in the table.

Fiscal Year Ending	FYE 2020	FYE 2019	FYE 2018
<i>Measurement Date</i>	<i>6/30/2019</i>	<i>6/30/2018</i>	<i>6/30/2017</i>
<i>Discount Rate on Measurement Date</i>	<i>5.10%</i>	<i>5.10%</i>	<i>5.10%</i>
Total OPEB liability			
Service Cost	\$ 331,211	\$ 320,785	\$ 350,850
Interest	406,509	385,114	482,126
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(1,357,116)	-	(1,408,629)
Changes of assumptions	205,894	-	(994,873)
Benefit payments	(306,893)	(286,733)	(316,489)
Net change in total OPEB liability	(720,395)	419,166	(1,887,015)
Total OPEB liability - beginning	7,793,004	7,373,838	9,260,853
Total OPEB liability - ending (a)	\$ 7,072,609	\$ 7,793,004	\$ 7,373,838
Plan fiduciary net position			
Contributions - employer	\$ 606,839	\$ 588,345	\$ 748,139
Net investment income	224,930	80,538	111,685
Benefit payments	(306,893)	(286,733)	(316,489)
Administrative expenses	-	(1,550)	-
Net change in plan fiduciary net position	524,876	380,600	543,335
Plan fiduciary net position - beginning	3,465,427	3,084,827	2,541,492
Plan fiduciary net position - ending (b)	\$ 3,990,303	\$ 3,465,427	\$ 3,084,827
Net OPEB liability - ending (a) - (b)	\$ 3,082,306	\$ 4,327,577	\$ 4,289,011
Covered-employee payroll	\$ 15,503,972	\$ 14,836,604	\$ 12,531,658
Net OPEB liability as a % of covered-employee payroll	19.88%	29.17%	34.23%



Accounting Information

(Continued)

Schedule of Contributions

Since establishing the OPEB trust, the Authority has consistently contributed 100% or more of the Actuarially Determined Contribution (ADC) each year and confirmed its intention to continue doing so. This chart shows the contributions since GASB 75 was implemented. *This exhibit should be updated to reflect actual contributions and payroll for fiscal year end 2020 once known.*

Fiscal Year Ending	FYE 2020		FYE 2019		FYE 2018	
Actuarially Determined Contribution	\$	529,577	\$	606,839	\$	588,345
Contributions in relation to the actuarially determined contribution		529,577		606,839		588,345
Contribution deficiency (excess)	\$	-	\$	-	\$	-
Covered employee payroll	\$	16,007,851	\$	15,503,972	\$	14,836,604
Contributions as a percentage of covered employee payroll		3.31%		3.91%		3.97%

Notes to Schedule

Valuation Date	6/30/2019	7/1/2017	7/1/2017
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level % of Payroll	Level % of Payroll	Level % of Payroll
Amortization period	20 year closed	21 year closed	22 year closed
Asset valuation method	Market Value	Market Value	Market Value
Inflation	2.75%	2.75%	2.75%
Healthcare cost trend rates	6.5% in 2021, step down 0.5% per year to 5% in 2024	7.5% in 2019, step down 0.5% per year to 5% in 2024	7.5% in 2019, step down 0.5% per year to 5% in 2024
Salary increases	3.25%	3.25%	3.25%
Investment rate of return	5.10%	5.10%	5.10%
Retirement age	50 to 75	50 to 75	50 to 75
Mortality	2017 CalPERS Experience Study	2014 CalPERS Experience Study	2014 CalPERS Experience Study
Mortality Improvement	MacLeod Watts Scale 2018	MacLeod Watts Scale 2017	MacLeod Watts Scale 2017



Accounting Information
(Continued)

Detail of Changes to Net Position

The chart below details changes to all components of Net Position.

Central Contra Costa Transit Authority	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)	(d) Deferred Outflows (Inflows) Due to:				Impact on Statement of Net Position (e) = (c) - (d)
				Assumption Changes	Plan Experience	Investment Experience	Deferred Contributions	
Balance at Fiscal Year Ending 6/30/2019 <i>Measurement Date 6/30/2018</i>	\$ 7,793,004	\$ 3,465,427	\$4,327,577	\$ (717,851)	\$(1,016,395)	\$ 84,914	\$ 606,839	\$ 5,370,070
Changes During the Period:								
Service Cost	331,211		331,211					331,211
Interest Cost	406,509		406,509					406,509
Expected Investment Income		184,385	(184,385)					(184,385)
Employer Contributions		606,839	(606,839)					(606,839)
Changes of Benefit Terms	-		-					-
Benefit Payments	(306,893)	(306,893)	-					-
Assumption Changes	205,894		205,894	205,894				-
Plan Experience	(1,357,116)		(1,357,116)		(1,357,116)			-
Investment Experience		40,545	(40,545)			(40,545)		-
Recognized Deferred Resources				108,971	390,825	(14,567)	(606,839)	121,610
Employer Contributions in Fiscal Year							529,577	(529,577)
Net Changes in Fiscal Year 2019-2020	(720,395)	524,876	(1,245,271)	314,865	(966,291)	(55,112)	(77,262)	(461,471)
Balance at Fiscal Year Ending 6/30/2020 <i>Measurement Date 6/30/2019</i>	\$ 7,072,609	\$ 3,990,303	\$3,082,306	\$ (402,986)	\$(1,982,686)	\$ 29,802	\$ 529,577	\$ 4,908,599



Accounting Information
(Continued)

Schedule of Deferred Outflows and Inflows of Resources

A listing of all deferred resource bases used to develop the Net Position and OPEB Expense is shown below. Deferred Contributions are not shown.

Measurement Date: June 30, 2019

Deferred Resource					Balance as of Jun 30, 2019	Recognition of Deferred Outflow or Deferred (Inflow) in Measurement Period:						
Date Created	Cause	Initial Amount	Period (Yrs)	Annual Recognition		2018-19 (FYE 2020)	2019-20 (FYE 2021)	2020-21 (FYE 2022)	2021-22 (FYE 2023)	2022-23 (FYE 2024)	2023-24 (FYE 2025)	Thereafter
	Gain Due To											
6/30/2017	Assumption Changes	\$ (994,873)	7.18	\$ (138,511)	\$ (579,340)	\$(138,511)	\$(138,511)	\$(138,511)	\$(138,511)	\$(138,511)	\$ (25,296)	\$ -
	Investment Earnings											
6/30/2017	Less than Expected	28,938	5.00	5,788	11,574	5,788	5,788	5,786	-	-	-	-
	Gain Due To											
6/30/2017	Plan Experience	(1,408,629)	7.18	(196,117)	(820,278)	(196,117)	(196,117)	(196,117)	(196,117)	(196,117)	(35,810)	-
	Investment Earnings											
6/30/2018	Less than Expected	84,440	5.00	16,888	50,664	16,888	16,888	16,888	16,888	-	-	-
	Gain Due To											
6/30/2019	Plan Experience	(1,357,116)	6.97	(194,708)	(1,162,408)	(194,708)	(194,708)	(194,708)	(194,708)	(194,708)	(194,708)	(188,868)
	Loss Due To											
6/30/2019	Assumption Changes	205,894	6.97	29,540	176,354	29,540	29,540	29,540	29,540	29,540	29,540	28,654
	Investment Earnings											
6/30/2019	Greater than Expected	(40,545)	5.00	(8,109)	(32,436)	(8,109)	(8,109)	(8,109)	(8,109)	(8,109)	-	-



Accounting Information

(Continued)

Authority Contributions to the Plan

Authority contributions to the Plan occur as benefits are paid to retirees and/or to the OPEB trust. Benefit payments may occur in the form of direct payments for premiums and taxes (“explicit subsidies”) and/or indirect payments to retirees in the form of higher premiums for active employees (“implicit subsidies”). For details, see Addendum 1 – Important Background Information.

Benefits and contributions paid by the Authority during the measurement period are shown below.

Benefit Payments During the Measurement Period, Jul 1, 2018 thru Jun 30, 2019	CCCTA
Benefits Paid by Trust	\$ -
Benefits Paid by Employer (not reimbursed by trust)	186,373
Implicit benefit payments	120,520
Total Benefit Payments During the Measurement Period	\$ 306,893

Employer Contributions During the Measurement Period, Jul 1, 2018 thru Jun 30, 2019	CCCTA
Employer Contributions to the Trust	\$ 299,946
Employer Contributions in the Form of Direct Benefit Payments (not reimbursed by trust)	186,373
Implicit contributions	120,520
Total Employer Contributions During the Measurement Period	\$ 606,839

Benefits payments and other Authority contributions expected to be made in the year following the measurement period but prior to the end of the fiscal year are shown below. **These estimates should be replaced with total actual payments once known after the close of the fiscal year.**

Employer Contributions During the Fiscal Year, Jul 1, 2019 thru Jun 30, 2020	CCCTA
Employer Contributions to the Trust	\$ 211,055
Employer Contributions in the Form of Direct Benefit Payments (not reimbursed by trust)	251,757
Implicit contributions	66,765
Total Employer Contributions During the Fiscal Year	\$ 529,577



Accounting Information

(Continued)

Projected Benefit Payments (15-year projection)

The following is an estimate of other post-employment benefits to be paid on behalf of current retirees and current employees expected to retire from the Authority. Expected annual benefits have been projected on the basis of the actuarial assumptions outlined in Section 3.

These projections do not include any benefits expected to be paid on behalf of current active employees *prior to* retirement, nor do they include any benefits for potential *future employees* (i.e., those who might be hired in future years).

Projected Annual Benefit Payments							
Fiscal Year Ending June 30	Explicit Subsidy			Implicit Subsidy			Total
	Current Retirees	Future Retirees	Total	Current Retirees	Future Retirees	Total	
2020	\$ 215,088	\$ 36,669	\$ 251,757	\$ 25,006	\$ 41,759	\$ 66,765	\$ 318,522
2021	215,712	71,406	287,118	9,550	78,484	88,034	375,152
2022	216,031	102,550	318,581	1,868	105,467	107,335	425,916
2023	210,161	131,011	341,172	-	118,204	118,204	459,376
2024	204,051	157,457	361,508	-	146,425	146,425	507,933
2025	197,673	179,204	376,877	-	181,943	181,943	558,820
2026	190,805	199,544	390,349	-	169,263	169,263	559,612
2027	183,685	217,763	401,448	-	156,777	156,777	558,225
2028	176,313	234,038	410,351	-	172,510	172,510	582,861
2029	168,682	247,415	416,097	-	169,119	169,119	585,216
2030	160,799	261,461	422,260	-	170,267	170,267	592,527
2031	152,686	272,719	425,405	-	161,193	161,193	586,598
2032	144,338	284,221	428,559	-	165,310	165,310	593,869
2033	137,184	296,793	433,977	-	151,610	151,610	585,587
2034	130,464	308,602	439,066	-	170,479	170,479	609,545

The amounts shown in the Explicit Subsidy table reflect the expected payment by the Authority toward retiree medical premiums in each of the years shown. The amounts are shown separately, and in total, for those retired on the valuation date (“current retirees”) and those expected to retire after the valuation date (“future retirees”).

The amount of explicit subsidy benefits shown for FYE 2020 is currently an estimate and should be replaced with the actual amount, once known.

The amounts shown in the Implicit Subsidy table reflect the expected excess of retiree medical and prescription drug claims over the premiums expected to be charged during the year for retirees’ coverage. These amounts are also shown separately and in total for those currently retired on the valuation date and for those expected to retire in the future.



Accounting Information

(Concluded)

Sample Journal Entries

Beginning Account Balances

As of the fiscal year beginning 7/1/2019

	Debit	Credit
Net OPEB Liability		4,327,577
Deferred Resource -- Assumption Changes		717,851
Deferred Resource -- Plan experience		1,016,395
Deferred Resource -- Investment Experience	84,914	
Deferred Resource -- Contributions	606,839	
Net Position	5,370,070	

* The entries above assume nothing is on the books at the beginning of the year. So to the extent that values already exist in, for example, the Net OPEB Liability account, then only the difference should be adjusted. The entries above represent the values assumed to exist at the start of the fiscal year.

Journal entry to recharacterize retiree benefit payments not reimbursed by a trust, and record cash contributions to the trust during the fiscal year

These will change once known after the close of the fiscal year

	Debit	Credit
OPEB Expense	251,757	
Premium Expense		251,757
OPEB Expense	211,055	
Cash		211,055

* This entry assumes a prior journal entry was made to record the payment for retiree premiums. This entry assumes the prior entry debited an account called "Premium Expense" and credited Cash. This entry reverses the prior debit to "Premium Expense" and recharacterizes that entry as an "OPEB Expense". Also, the entry for cash contributions to the trust is shown.

Journal entries to record implicit subsidies during the fiscal year

	Debit	Credit
OPEB Expense	66,765	
Premium Expense		66,765

* This entry assumes that premiums for active employees were recorded to an account called "Premium Expense". This entry reverses the portion of premium payments that represent implicit subsidies and assigns that value to OPEB Expense.

Journal entries to record other account activity during the fiscal year

	Debit	Credit
Net OPEB Liability	1,245,271	
Deferred Resource -- Assumption Changes	314,865	
Deferred Resource -- Plan experience		966,291
Deferred Resource -- Investment Experience		55,112
Deferred Resource -- Contributions		77,262
OPEB Expense		461,471



E. Funding Information

The employer's OPEB funding policy and level of contributions to an irrevocable OPEB trust directly affects the discount rate which is used to calculate the OPEB liability to be reported in the employer's financial statements. Prefunding (setting aside funds to accumulate in an irrevocable OPEB trust) has certain advantages, one of which is the ability to (potentially) use a higher discount rate in the determination of liabilities for GASB 75 reporting purposes. Prefunding also improves the security of benefits for current and potential future recipients and contributes to intergenerational taxpayer equity by better matching the cost of the benefits to the service years in which they are "earned" and which correspond to years in which taxpayers benefit from those services.

The Authority has established an OPEB trust with PARS, currently invested in the Moderately Conservative asset allocation strategy. The percent of the Actuarial Accrued Liability² set aside in trust as of the June 30, 2019 valuation date was roughly 56%, as shown here:

Total AAL	FNP (Assets)	Funded %
\$ 7,072,609	\$ 3,990,303	56%

Paying Down the UAAL

Once an entity decides to prefund, a decision must be made about how to pay for benefits related to accumulated prior service that have not yet been funded (the UAAL). This is most often, though not always, handled through structured amortization payments. The period and method chosen for amortizing this unfunded liability can significantly affect the Actuarially Determined Contribution (ADC) or other basis selected for funding the OPEB program.

Much like paying off a mortgage, choosing a longer amortization period to pay off the UAAL means initial payments will be smaller, but the payments will be required for a longer period. In general, the longer the amortization period, the less time investments will work toward helping reduce required contribution levels.

There are several ways the amortization payment can be determined. The most common methods are calculating the amortization payment as a level dollar amount or as a level percentage of payroll. The employer might also choose to apply a shorter period when trust assets are lower than the AAL but opt for a longer period when assets exceed the AAL. The entire UAAL may be amortized as one single component or may be broken into multiple components reflecting the timing and source of each change, such as those arising from assumption changes, benefit changes and/or liability or investment experience.

The amortization period(s) should not exceed the number of years which would allow current trust assets plus future contributions and earnings to be sufficient to pay all future benefits and trust expenses each year. Prefunding of OPEB is optional and contributions at any level are permitted. However, if trust sufficiency is not expected, a discount rate other than the assumed trust return will likely be required for accounting purposes.

² In this section, we use actuarial terminology for the components used to develop the ADCs. Refer to Section B. for the corresponding GASB 75 terminology.



Funding Information

(Continued)

Development of the Actuarially Determined Contributions

The Authority has approved development of ADCs based on the following two components, which are then adjusted with interest to each fiscal year end:

- The amounts attributed to service performed in the current fiscal year (the normal cost) and
- Amortization of the unfunded actuarial accrued liability (UAAL) over a closed 30 year period. Amortization payments are determined on a level % of pay basis; 20 years remain for FYE 2020.

Actuarially Determined Contributions, developed as described above for the Authority's fiscal years ending June 30, 2020, June 30, 2021 and June 30, 2022, are shown in exhibits on the following 3 pages. These ADCs incorporate both explicit (cash benefit) and implicit subsidy benefit liabilities. Contributions credited toward meeting the ADC will be comprised of: (1) direct payments to insurers toward retiree premiums to the extent not reimbursed to the Authority by the trust; plus (2) each year's implicit subsidy payment; and (3) contributions to the OPEB trust.

Results are provided separately for the Authority's 3 employee groups (Admin, ATU, and Teamsters). For purposes of developing funding levels, the Authority's OPEB trust assets as of June 30, 2019 were allocated to each group based on each group's share of the Actuarially Accrued Liability as of the June 30, 2019 valuation date.

ADCs determined on this basis will provide for trust sufficiency, based on the current plan provisions and census data, *if all assumptions are exactly realized and if the Authority contributes 100% or more of the ADC each year*. When an agency commits to funding the trust at or above the ADC, GASB 75 allows use of the expected long term trust return to be used as the discount rate in determining the plan liability. Trust sufficiency cannot be guaranteed to a certainty, however, due to the non-trivial risk that the assumptions used to project future benefit liabilities may not be realized.

Funding and Prefunding of the Implicit Subsidy

An implicit subsidy liability is created when retiree medical claims are expected to exceed the premiums charged for retiree coverage. Recognition of the estimated implicit subsidy each year is handled by an accounting entry, reducing the amount paid for active employees and shifting that amount to be treated as a retiree healthcare expense/contribution (see Sample Journal Entries). The implicit subsidy is a true benefit to the retiree but can be difficult to see when medical premiums are set as a flat rate for both actives and pre-Medicare retirees. This might lead some employers to believe the benefit is not real or is merely an accounting construct, and thus to forgo prefunding of retiree implicit benefits.

Consider what would happen if the retiree premiums were based only on expected retiree claims experience. Almost certainly, retiree premiums would increase while premiums for active employees would go down if the active premiums no longer had to help support the higher retiree claims. *Who would pay the increases in retiree premiums?* Current plan documents and bargaining agreements would have to be consulted. Depending on circumstances, the increase in retiree premiums might remain the responsibility of the employer, pass entirely to the retirees, or some blending of the two. The answer would determine whether separate retiree-only premium rates would result in a higher or lower employer OPEB liability. In the current premium structure, with blended active and pre-Medicare retiree premiums, the employer is clearly, though indirectly, paying the implicit retiree cost.



Funding Information

(Concluded)

Funding and Prefunding of the Implicit Subsidy

(Concluded)

The prefunding decision is complex. OPEB materiality, budgetary concerns, desire to use the full trust rate in developing the liability for GASB 75, and other factors must be weighed by each employer. Since prefunding OPEB benefits is not required, each employer's OPEB prefunding strategy will depend on how they balance these competing perspectives.

This section is continued on the following page.



OPEB Funding Information

(Continued)

Development of Actuarially Determined Contributions for fiscal year ending June 30, 2020 (by group):

Approach	Admin	ATU	Teamsters	Total
	Prefunding Basis			
For fiscal year ending	6/30/2020	6/30/2020	6/30/2020	6/30/2020
Discount Rate	5.10%	5.10%	5.10%	5.10%
Amortization method	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay
Remaining amortization period (in years)	20	20	20	20
Number of Covered Employees				
Actives	50	153	9	212
Retirees	23	30	1	54
Total Participants	73	183	10	266
Actuarial Present Value of Projected Benefits				
Actives	\$ 1,939,502	\$ 4,813,437	\$ 372,020	\$ 7,124,959
Retirees	1,037,670	1,348,243	58,057	2,443,970
Total APVPB	2,977,172	6,161,680	430,077	9,568,929
Actuarial Accrued Liability				
Actives	1,193,191	3,171,933	263,515	4,628,639
Retirees	1,037,670	1,348,243	58,057	2,443,970
Total AAL	2,230,861	4,520,176	321,572	7,072,609
Actuarial Value of Assets	1,258,632	2,550,243	181,428	3,990,303
Unfunded Actuarial Accrued Liability	972,229	1,969,933	140,144	3,082,306
Amortization Factor	16.6225	16.6225	16.6225	16.6225
Actuarially Determined Contribution (ADC)				
Normal Cost	85,074	218,096	15,279	318,449
Amortization of UAAL	58,489	118,510	8,431	185,430
Interest to 6/30	7,322	17,167	1,209	25,698
ADC at Fiscal Year End	150,885	353,773	24,919	529,577

Estimated sources of ADC funding

Less current implicit subsidy (expense reclassification)	(22,026)	(43,656)	(1,083)	(66,765)
Cash payments needed to meet ADC	128,859	310,117	23,836	462,812
Estimated retiree benefits paid by Authority	111,134	131,952	8,671	251,757
Estimated contribution needed to the trust	17,725	178,165	15,165	211,055



OPEB Funding Information

(Continued)

Development of Actuarially Determined Contributions for fiscal year ending June 30, 2021 (by group):

Approach	Admin	ATU	Teamsters	Total
	Prefunding Basis			
For fiscal year ending	6/30/2021	6/30/2021	6/30/2021	6/30/2021
Discount Rate	5.10%	5.10%	5.10%	5.10%
Amortization method	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay
Remaining amortization period (in years)	19	19	19	19
Number of Covered Employees				
Actives	50	153	9	212
Retirees	23	30	1	54
Total Participants	73	183	10	266
Actuarial Present Value of Projected Benefits				
Actives	\$ 2,010,955	\$ 5,009,703	\$ 387,246	\$ 7,407,904
Retirees	981,498	1,286,137	54,762	2,322,397
Total APVPB	2,992,453	6,295,840	442,008	9,730,301
Actuarial Accrued Liability				
Actives	1,315,995	3,513,701	289,265	5,118,961
Retirees	981,498	1,286,137	54,762	2,322,397
Total AAL	2,297,493	4,799,838	344,027	7,441,358
Actuarial Value of Assets	1,340,999	2,863,014	206,233	4,410,246
Unfunded Actuarial Accrued Liability	956,494	1,936,824	137,794	3,031,112
Amortization Factor	15.9410	15.9410	15.9410	15.9410
Actuarially Determined Contribution (ADC)				
Normal Cost	87,839	225,183	15,776	328,798
Amortization of UAAL	60,002	121,500	8,644	190,146
Interest to 6/30	7,540	17,681	1,245	26,466
ADC at Fiscal Year End	155,381	364,364	25,665	545,410

Estimated sources of ADC funding

Less current implicit subsidy (expense reclassification)	(36,704)	(48,969)	(2,361)	(88,034)
Cash payments needed to meet ADC	118,677	315,395	23,304	457,376
Estimated retiree benefits paid by Authority	116,868	158,329	11,921	287,118
Estimated contribution needed to the trust	1,809	157,066	11,383	170,258



OPEB Funding Information

(Continued)

Development of Actuarially Determined Contributions for fiscal year ending June 30, 2022 (by group):

Approach	Admin	ATU	Teamsters	Total
	Prefunding Basis			
For fiscal year ending	6/30/2022	6/30/2022	6/30/2022	6/30/2022
Discount Rate	5.10%	5.10%	5.10%	5.10%
Amortization method	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay
Remaining amortization period (in years)	18	18	18	18
Number of Covered Employees				
Actives	50	153	9	212
Retirees	23	30	1	54
Total Participants	73	183	10	266
Actuarial Present Value of Projected Benefits				
Actives	\$ 2,063,061	\$ 5,170,483	\$ 398,451	\$ 7,631,995
Retirees	924,519	1,233,861	51,453	2,209,833
Total APVPB	2,987,580	6,404,344	449,904	9,841,828
Actuarial Accrued Liability				
Actives	1,424,976	3,834,853	312,054	5,571,883
Retirees	924,519	1,233,861	51,453	2,209,833
Total AAL	2,349,495	5,068,714	363,507	7,781,716
Actuarial Value of Assets	1,411,245	3,170,099	228,424	4,809,768
Unfunded Actuarial Accrued Liability	938,250	1,898,615	135,083	2,971,948
Amortization Factor	15.2456	15.2456	15.2456	15.2456
Actuarially Determined Contribution (ADC)				
Normal Cost	90,694	232,501	16,289	339,484
Amortization of UAAL	61,542	124,536	8,860	194,938
Interest to 6/30	7,764	18,209	1,283	27,256
ADC at Fiscal Year End	160,000	375,246	26,432	561,678

Estimated sources of ADC funding

Less current implicit subsidy (expense reclassification)	(30,122)	(73,310)	(3,903)	(107,335)
Cash payments needed to meet ADC	129,878	301,936	22,529	454,343
Estimated retiree benefits paid by Authority	121,386	184,525	12,670	318,581
Estimated contribution needed to the trust	8,492	117,411	9,859	135,762

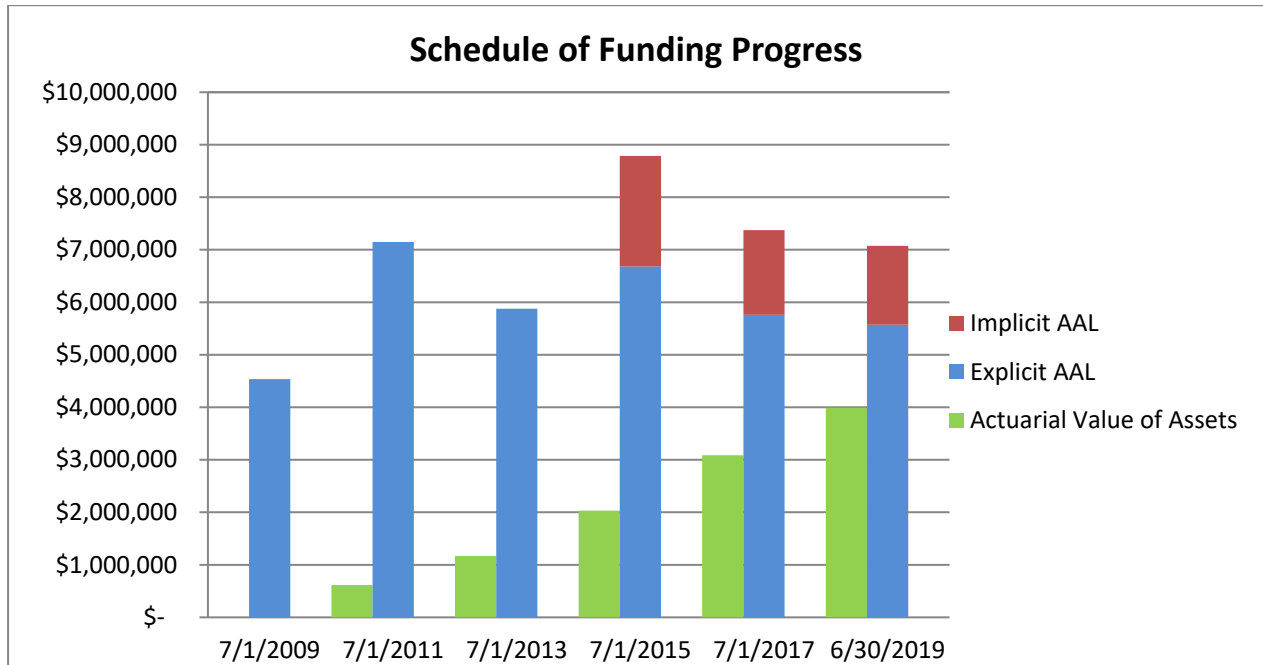


OPEB Funding Information

(Concluded)

In this section, we provide a review of key components of valuation results from 2009 through 2019.

Schedule of Funding Progress							
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)	Discount Rate
7/1/2009	\$ -	\$ 4,534,658	\$ 4,534,658	0.0%	\$15,219,990	29.8%	5.5%
7/1/2011	\$ 613,708	\$ 7,145,685	\$ 6,531,977	8.6%	\$13,510,453	48.3%	5.5%
7/1/2013	\$ 1,165,830	\$ 5,875,942	\$ 4,710,112	19.8%	\$12,017,071	39.2%	5.5%
7/1/2015	\$ 2,032,180	\$ 8,785,647	\$ 6,753,467	23.1%	\$11,784,880	57.3%	5.1%
7/1/2017	\$ 3,084,827	\$ 7,373,838	\$ 4,289,011	41.8%	\$12,531,658	34.2%	5.1%
6/30/2019	\$ 3,990,303	\$ 7,072,609	\$ 3,082,306	56.4%	\$14,836,604	20.8%	5.1%



Significant changes in recent years include:

- July 1, 2015:** Discount rate decreased from 5.5% to 5.1%; first time recognition of the implicit subsidy liability and potential excise tax liability under the Affordable Care Act; future improvement in mortality rates introduced.
- July 1, 2017:** Some decreases in assumed rates of participation for future retirees and their spouses; increase in future healthcare trend; experience gain, largely from lower than expected new retiree/spouse participation and medical premium increases.
- June 30, 2019:** Updated demographic assumptions; elimination of excise tax liability following December 2019 repeal; significantly lower medical premiums than projected following consolidation into Region 1.



F. Certification

The primary purposes of this report are: (1) to provide actuarial information of the other postemployment benefits (OPEB) provided by the Central Contra Costa Transit Authority (the Authority) in compliance with Statement 75 of the Governmental Accounting Standards Board (GASB 75); and (2) to provide Actuarially Determined Contributions for prefunding of this program in conformity with the Authority's OPEB funding policy. The Authority is not required to contribute the ADC shown in this report and we make no representation that it will, in fact, fund the OPEB trust at any particular level).

In preparing this report we relied without audit on information provided by the Authority. This information includes, but is not limited to, plan provisions, census data, and financial information. We performed a limited review of this data and found the information to be reasonably consistent. The accuracy of this report is dependent on this information and if any of the information we relied on is incomplete or inaccurate, then the results reported herein will be different from any report relying on more accurate information.

We consider the actuarial assumptions and methods used in this report to be individually reasonable under the requirements imposed by GASB 75 and taking into consideration reasonable expectations of plan experience. The results provide an estimate of the plan's financial condition at one point in time. Future actuarial results may be significantly different due to a variety of reasons including, but not limited to, demographic and economic assumptions differing from future plan experience, changes in plan provisions, changes in applicable law, or changes in the value of plan benefits relative to other alternatives available to plan members.

Alternative assumptions may also be reasonable; however, demonstrating the range of potential plan results based on alternative assumptions was beyond the scope of our assignment except to the limited extent required by GASB 75. Plan results for accounting purposes may be materially different than results obtained for other purposes such as plan termination, liability settlement, or underlying economic value of the promises made by the plan.

This report is prepared solely for the use and benefit of the Authority and may not be provided to third parties without prior written consent of MacLeod Watts. Exceptions are: The Authority may provide copies of this report to their professional accounting and legal advisors who are subject to a duty of confidentiality, and the Authority may provide this work to any party if required by law or court order. No part of this report should be used as the basis for any representations or warranties in any contract or agreement without the written consent of MacLeod Watts.

The undersigned actuaries are unaware of any relationship that might impair the objectivity of this work. Nothing within this report is intended to be a substitute for qualified legal or accounting counsel. Both actuaries are members of the American Academy of Actuaries and meet the qualification standards for rendering this opinion.

Signed: February 28, 2020

Catherine L. MacLeod, FSA, FCA, EA, MAAA

J. Kevin Watts, FSA, FCA, MAAA



G. Supporting Information

Section 1 - Summary of Employee Data

Active employees: The Authority reported 212 active members in the data provided to us for the June 2019 valuation. Of these, 172 active employees were currently enrolled in the medical program and 40 employees were waiving coverage.

Distribution of Benefits-Eligible Active Employees								
Current Age	Years of Service						Total	Percent
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 & Up		
Under 25	2						2	1%
25 to 29		3					3	1%
30 to 34	2	3	3	1			9	4%
35 to 39		4	2	4			10	5%
40 to 44	4	6	8	6	7	3	34	16%
45 to 49	3	9	3	8	2	2	27	13%
50 to 54	3	5	2	5	9	9	33	16%
55 to 59	2	11	1	6	5	16	41	19%
60 to 64		5	3	6	5	13	32	15%
65 to 69		1		1	4	11	17	8%
70 & Up		1				3	4	2%
Total	16	48	22	37	32	57	212	100%
Percent	8%	23%	10%	17%	15%	27%	100%	

Valuation	July 2017	June 2019
Average Attained Age for Actives	51.5	52.4
Average Years of Service	13.3	12.9

Retirees: There were 51 retired employees and 3 surviving spouses receiving benefits under this program on the valuation date. Their ages are summarized below.

Retirees by Age		
Current Age	Number	Percent
Below 50	0	0%
50 to 54	0	0%
55 to 59	0	0%
60 to 64	3	6%
65 to 69	10	19%
70 to 74	26	48%
75 to 79	6	11%
80 & up	9	17%
Total	54	100%
Average Age:		
On 6/30/2019	73.3	
At retirement	64.2	

Summary of Plan Member Counts: The numbers of those members currently or potentially eligible to receive benefits under the OPEB plan are required to be reported in the notes to the financial statements.

Summary of Plan Member Counts	
Number of active plan members	212
Number of inactive plan members currently receiving benefits	54
Number of inactive plan members entitled to but not receiving benefits	104*

* Retirees eligible to return to the Authority for PEMHCA coverage



Supporting Information

(Continued)

The chart below summarizes the number of active and retired employees by group:

Participants by Group				
Group	Active	Retired		Total
		Under 65	Over 65	
Administrative	50	1	22	73
ATU	153	2	28	183
Teamsters	9	0	1	10
Total	212	3	51	266

The chart below reconciles the number of actives and retirees included in the July 1, 2017 valuation of the Authority plan with those included in the June 30, 2019 valuation:

Reconciliation of Authority Plan Members Between Valuation Dates					
Status	Covered Actives	Waiving Actives	Covered Retirees	Covered Surviving Spouses	Total
Number reported as of July 1, 2017	177	47	49	3	276
New employees	22	8	-	-	30
Separated employees	(15)	(10)	-	-	(25)
New retiree, elected coverage	(6)	(1)	7	-	0
New retiree, waiving coverage	(8)	(1)	-	-	(9)
Previously covered, now waiving	(4)	4	(2)	-	(2)
Previously waiving, now covered	7	(7)	1	-	1
Deceased	(1)	-	(4)	-	(5)
Number reported as of June 30, 2019	172	40	51	3	266

The total plan population was fairly stable over the two year period between valuations. The number of active plan members, both covered and waiving, declined by 12, from 224 to 212, representing a 5% decrease in active employees included in the valuation. The number of covered retirees and spouses increased by 2 (about 4%), from 52 to 54 covered members.

Of the 16 new retirements reported as occurring between July 1, 2017 and June 30, 2019, 7 elected to continue medical coverage through the Authority, while 9 declined to do so, though they retain the right to re-enroll in the future. We reviewed the percentages of retirees at various age and group affiliation and, as expected, there were some differences in the percentages of ATU and non-ATU retirees electing coverage. There were also differences in the percentages of new retirees electing coverage over and under 65.

Recent Retiree Election by Group				
Group	Pre-65		Post-65	
	Elected	Waived	Elected	Waived
Administrative	1	0	2	0
ATU	1	6	2	2
Teamsters	1	0	0	1
Total	3	6	4	3



Supporting Information

(Continued)

Section 2A - Summary of Retiree Benefit Provisions

OPEB provided: The Authority has indicated that the only OPEB provided is medical coverage.

Access to coverage: Medical coverage is currently provided through CalPERS as permitted under the Public Employees' Medical and Hospital Care Act (PEMHCA). This coverage requires the employee to satisfy the requirements for retirement under CalPERS: either (a) attainment of age 50 (if Classic) or 52 (if PEPR) with 5 years of State or public agency service or (b) an approved disability retirement.

The employee must begin his or her retirement (pension) benefit within 120 days of terminating employment with the Authority to be eligible to continue medical coverage through the Authority and be entitled to the benefits described below. In other words, it is the timing of initiating CalPERS pension benefits and not timing of enrollment in the medical program which determines whether or not the retiree qualifies for lifetime medical coverage and any benefits defined in the PEMHCA resolution.

Once eligible, if an eligible employee is not already enrolled in the medical plan, he or she may enroll within 60 days of retirement, during any future open enrollment period or with a qualifying life event. Coverage may be continued at the retiree's option for his or her lifetime. A surviving spouse and other eligible dependents may also continue coverage

Benefits provided: As a condition of participation in the CalPERS medical program, the Authority is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. The Authority executed three resolutions, at differing dates, for the Administrative, Amalgamated Transit Union (ATU) and Teamster employee groups, respectively. Each of these resolutions was executed on an "unequal" contribution basis for retirees relative to the level of the Authority's contribution toward the cost of medical plan premiums.

- Under the unequal resolution, the employer's contribution toward *retiree* medical benefits is determined as follows: (1) 5% *multiplied by* (2) the number of prior years the agency group has been contracted with PEMHCA *multiplied by* (3) the contribution the employer makes toward active employee health benefits for that group.
- Note, however, that the monthly benefit may not be less than the required PEMHCA minimum employer contribution (MEC). The MEC was \$136 per month in 2019 and increased to \$139 per month in 2020. If the current benefits are not increased in the future, eventually the MEC will overtake the fixed subsidies and become the operative benefit. In Appendix 1, we have provided a projection of the years in which this is expected to occur.

The Administrative and Teamster groups have each participated in the CalPERS medical program under the unequal contribution resolutions for more than 20 years. Accordingly, contribution levels for these retirees are now equal to the applicable subsidy amounts stated in the PEMHCA resolutions for active employees. The first two charts at the top of the following page describe the subsidies provided to Administrative and Teamster actives and retirees, varying by group and CalPERS medical plan.

Continued on the following page



Summary of Retiree Benefit Provisions

(Continued)

Administrative Group			
Active and Retiree Monthly Subsidies by Plan			
Plan	Self	Self + 1	Self + Family
Anthem HMO Traditional	\$ 494.86	\$ 989.71	\$ 1,286.63
Anthem HMO Select	270.71	541.42	703.85
Blue Shield Access	329.08	658.10	855.60
Blue Shield Access Advantage	329.08	658.10	855.60
Kaiser	303.56	607.12	789.26
PERS Care	494.86	989.71	1,286.63
PERS Choice	289.98	579.96	753.95
PERS Select	270.71	541.42	703.85
United Healthcare	303.56	607.12	789.26
Western Health Advantage HMO	303.56	607.12	789.26
Teamsters			
Active and Retiree Monthly Subsidies by Plan			
Plan	Self	Self + 1	Self + Family
Anthem HMO Traditional	\$ 374.92	\$ 749.83	\$ 974.78
Anthem HMO Select	226.58	453.16	589.11
Blue Shield Access	280.29	560.57	728.74
Blue Shield Access Advantage	280.29	560.57	728.74
Kaiser	254.15	508.30	660.79
PERS Care	374.92	749.83	974.78
PERS Choice	241.24	482.48	627.23
PERS Select	226.58	453.16	589.11
United Healthcare	254.15	508.30	660.79
Western Health Advantage HMO	254.15	508.30	660.79

ATU's unequal resolution was executed in 2002; therefore, ATU has completed year 18 of the 20 year unequal phase-in period as of the valuation date. Thus, in 2019 the Authority contributed 90% of the active ATU subsidies to ATU retirees, which increased to 95% in 2020. The active subsidies for ATU employees, varying by plan are shown below:

Amalgamated Transit Union (ATU)			
Active Monthly Subsidies by Plan			
Plan	Self	Self + 1	Self + Family
Anthem HMO Traditional	\$ 374.92	\$ 749.83	\$ 974.78
Anthem HMO Select	233.59	467.18	607.34
Blue Shield Access	266.47	532.93	692.81
Blue Shield Access Advantage	266.47	532.93	692.81
Kaiser	235.34	470.67	611.87
PERS Care	374.92	749.83	974.78
PERS Choice	241.24	482.48	627.23
PERS Select	233.59	467.18	607.34
United Healthcare	235.34	470.67	611.87
Western Health Advantage HMO	235.34	470.67	611.87



Summary of Retiree Benefit Provisions

(Concluded)

Current premium rates: The 2020 CalPERS monthly medical plan rates in the Region 1 rate group are shown in the table below. If different rates apply where the member resides outside of this area, those rates are reflected in the valuation, but not listed here. The CalPERS administration fee is assumed to be expensed each year and has not been projected as an OPEB liability in this valuation.

Region 1 2020 Health Plan Rates						
Plan	Actives and Pre-Med Retirees			Medicare Eligible Retirees		
	Ee Only	Ee & 1	Ee & 2+	Ee Only	Ee & 1	Ee & 2+*
Anthem Select HMO	\$ 868.98	\$1,737.96	\$2,259.35	\$ 388.15	\$ 776.30	\$ 1,297.69
Anthem Traditional HMO	1,184.84	2,369.68	3,080.58	388.15	776.30	1,487.20
Blue Shield Access+ HMO	1,127.77	2,255.54	2,932.20	<i>Not Available</i>		
Health Net SmartCare	1,000.52	2,001.04	2,601.35	<i>Not Available</i>		
Kaiser HMO	768.49	1,536.98	1,998.07	339.43	678.86	1,139.95
PERS Choice PPO	861.18	1,722.36	2,239.07	351.39	702.78	1,219.49
PERS Select PPO	520.29	1,040.58	1,352.75	351.39	702.78	1,014.95
PERSCare PPO	1,133.14	2,266.28	2,946.16	384.78	769.56	1,449.44
UnitedHealthcare HMO	899.94	1,799.88	2,339.84	327.03	654.06	1,194.02
Western Health Advantage HMO	731.96	1,463.92	1,903.10	<i>Not Available</i>		

* The premiums shown for Ee & 2+ for Medicare retirees assume both adults are covered by Medicare (e.g., the retiree and spouse) and other dependents are covered by Basic plans (e.g., non-disabled children under age 26).

Section 2B - Excise Taxes for High Cost Retiree Coverage

The Patient Protection and Affordable Care Act (ACA) included a 40% excise tax on high-cost employer-sponsored health coverage. The tax applied to the aggregate annual cost of an employee's applicable coverage that exceeds a dollar limit. Implementation of this tax had been delayed by subsequent legislation to 2022.

As noted earlier in this report, this excise tax on high cost retiree coverage was repealed by Senate Amendment to H.R. 1865, *Further Consolidated Appropriations Act, 2020*, and signed by the President on December 20, 2019. Although this change occurred after the valuation date and measurement date, because of the repeal of this excise tax, we changed our assumptions, now assuming the Authority will no longer bear any such excise tax liability.



Supporting Information

(Continued)

Section 3 - Actuarial Methods and Assumptions

Valuation Date	June 30, 2019
GASB 75 Measurement Date	Last day of prior fiscal year (June 30, 2019)
Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets
Long Term Return on Assets	5.1% as of June 30, 2019 and June 30, 2018 net of plan investment expenses and including inflation
Discount Rates	5.1% as of June 30, 2019 and June 30, 2018
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.25% per year; since benefits do not depend on salary, this is used only to allocate the cost of benefits between service years
Assumed Wage inflation	3.0% per year; used to determine amortization payments for developing the Actuarially Determined Contributions
General Inflation Rate	2.75% per year

Demographic actuarial assumptions used in this valuation are based on the 2017 experience study of the California Public Employees Retirement System using data from 1997 to 2015, except for a different basis used to project future mortality improvements. Rates for selected age and service are shown below and on the following pages. The representative mortality rates were the published CalPERS rates, adjusted to back out 15 years of Scale MP 2016 to central year 2015, then projected as described below.

Mortality Improvement MacLeod Watts Scale 2018 applied generationally from 2015
(see Addendum 3)

Mortality Before Retirement
(before improvement applied)

CalPERS Public Agency Miscellaneous Non- Industrial Deaths		
Age	Male	Female
15	0.00019	0.00004
20	0.00027	0.00008
30	0.00044	0.00018
40	0.00070	0.00040
50	0.00135	0.00090
60	0.00288	0.00182
70	0.00693	0.00438
80	0.01909	0.01080



Supporting Information

(Continued)

Section 3 - Actuarial Methods and Assumptions

Mortality After Retirement
(before improvement applied)

Healthy Lives			Disabled Miscellaneous		
CalPERS Public Agency Miscellaneous, Police & Fire Post Retirement Mortality			CalPERS Public Agency Disabled Miscellaneous Post-Retirement Mortality		
Age	Male	Female	Age	Male	Female
40	0.00070	0.00040	20	0.00027	0.00008
50	0.00431	0.00390	30	0.00044	0.00018
60	0.00758	0.00524	40	0.00070	0.00040
70	0.01490	0.01044	50	0.01371	0.01221
80	0.04577	0.03459	60	0.02447	0.01545
90	0.14801	0.11315	70	0.03737	0.02462
100	0.35053	0.30412	80	0.07218	0.05338
110	1.00000	1.00000	90	0.16585	0.14826

Termination Rates

These rates reflect the assumed probability that an employee will leave the Authority in the next 12 months for reasons other than a service or disability retirement or death.

Miscellaneous Employees: Sum of Vested Terminated & Refund Rates From CalPERS Experience Study Report Issued December 2017						
Attained Age	Years of Service					
	0	3	5	10	15	20
15	0.1812	0.0000	0.0000	0.0000	0.0000	0.0000
20	0.1742	0.1193	0.0654	0.0000	0.0000	0.0000
25	0.1674	0.1125	0.0634	0.0433	0.0000	0.0000
30	0.1606	0.1055	0.0615	0.0416	0.0262	0.0000
35	0.1537	0.0987	0.0567	0.0399	0.0252	0.0184
40	0.1468	0.0919	0.0519	0.0375	0.0243	0.0176
45	0.1400	0.0849	0.0480	0.0351	0.0216	0.0168

Service Retirement Rates

The following miscellaneous retirement formulas apply:

If hired prior to 1/1/2013 or with prior PERS service: 2% @ 60
If hired on or after 1/1/2013, PEPR: 2% @ 62

Sample rates of assumed future retirements applicable to each of these retirement benefit formulas are shown in tables below. Each rate reflects the probability that an employee with that age and service will take a service retirement in the next 12 months.



Supporting Information

(Continued)

Section 3 - Actuarial Methods and Assumptions

Service retirement rates – concluded

Miscellaneous Employees: 2% at 55 formula						
From CalPERS Experience Study Report Issued December 2017						
Current Age	Years of Service					
	5	10	15	20	25	30
50	0.0080	0.0130	0.0180	0.0210	0.0220	0.0330
55	0.0400	0.0400	0.0560	0.0930	0.1090	0.1540
60	0.0580	0.0750	0.0930	0.1260	0.1430	0.1690
65	0.1450	0.1730	0.2010	0.2330	0.2660	0.2890
70	0.1500	0.1710	0.1920	0.2390	0.3040	0.3300
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Miscellaneous "PEPRA" Employees: 2% at 62 formula						
From CalPERS Experience Study Report Issued December 2017						
Current Age	Years of Service					
	5	10	15	20	25	30
50	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
55	0.0100	0.0190	0.0280	0.0360	0.0610	0.0960
60	0.0310	0.0510	0.0710	0.0910	0.1110	0.1380
65	0.1080	0.1410	0.1730	0.2060	0.2390	0.3000
70	0.1200	0.1560	0.1930	0.2290	0.2650	0.3330
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Disability Retirement Rates

CalPERS Public Agency Miscellaneous Disability From Dec 2017 Experience Study Report		
Age	Male	Female
20	0.00017	0.00010
25	0.00017	0.00010
30	0.00019	0.00024
35	0.00039	0.00071
40	0.00102	0.00135
45	0.00151	0.00188
50	0.00158	0.00199
55	0.00158	0.00149
60	0.00153	0.00105



Supporting Information

(Continued)

Section 3 - Actuarial Methods and Assumptions

Healthcare Trend

Medical plan premiums and claims costs by age are assumed to increase once each year. Increases over the prior year's levels are assumed to be effective on the dates shown below:

Effective January 1	Premium Increase	Effective January 1	Premium Increase
2020	Actual	2023	5.50%
2021	6.50%	2024	5.00%
2022	6.00%	2025 & later	5.00%

The required PEMHCA minimum employer contribution (MEC) is assumed to increase by 4.5% annually.

Employer Cost Sharing

We have assumed no increase in the fixed dollar amounts contributed by the Authority for active employees.

Medicare Eligibility

Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at age 65.

Retiree Participation Rates

Active employees: The following chart shows the percent of current active employees are assumed to elect medical coverage in retirement:

Assumed to Elect Medical Coverage in Retirement					
Group	Age at Retirement	With Medical Coverage and Retiring in 2017	With Medical Coverage and Retiring in 2019	Annual Decrease in Percent Electing Coverage	Minimum Percent Electing
Admin	Under 62	70%	67%	1.5%	50%
Admin	62 or older	90%	87%	1.5%	70%
ATU	Under 62	55%	55%	1.5%*	45%
ATU	62 or older	60%	60%	n/a	60%
Teamster	Under 62	60%	57%	1.5%	45%
Teamster	62 or older	80%	77%	1.5%	60%

* Decreased election percentages for future ATU retirees are assumed to begin in 2020, since the retiree benefit level gradually increases until then.

The applicable percentages above are multiplied by .75 to arrive at the percentages for future retirees not currently enrolled in medical coverage through the Authority.

Retired participants: Existing medical plan elections are assumed to be continued until the retiree's death.



Supporting Information

(Continued)

Section 3 - Actuarial Methods and Assumptions

Spouse Coverage

Active employees: 50% are assumed to be married and elect coverage for their spouse in retirement. Surviving spouses are assumed to retain coverage until their death. Husbands are assumed to be 3 years older than their wives.

Retired participants: Existing elections for spouse coverage are assumed to be continued until the spouse's death. Actual spouse ages are used, where known; if not, husbands are assumed to be 3 years older than their wives.

Spouse gender is assumed to be the opposite of the employee.

Dependent Coverage

Active employees: 30% are assumed to cover dependents other than a spouse under age 26 at retirement; eligibility for coverage for the youngest dependent is assumed to end at the retiree's age 62.

Retired participants covering dependent children are assumed to end such coverage when the youngest currently covered dependent reaches age 26.

Development of Age-related Medical Premiums

Actual premium rates for retirees and their spouses were adjusted to an age-related basis by applying medical claim cost factors developed from the data presented in the report, "Health Care Costs – From Birth to Death", sponsored by the Society of Actuaries. A description of the use of claims cost curves can be found in MacLeod Watts's Age Rating Methodology provided in Addendum 2 to this report.

Representative claims costs derived from the dataset provided by CalPERS for retirees not currently covered or not expected to be eligible for Medicare are shown in the chart on the following page. The monthly baseline premium costs were set equal to the active employee-only premiums shown in the chart at the bottom of Section 2A.

All current and future Medicare-eligible retirees are assumed to be covered by plans that are rated based solely on the experience of Medicare retirees and these premium rates are assumed to be sufficient to cover Medicare retiree claims over the long term. Therefore, no implicit subsidy was calculated for Medicare-eligible retirees.



Supporting Information

(Continued)

Section 3 - Actuarial Methods and Assumptions

Development of Age-related
Medical Premiums (concluded)

Expected Monthly Claims by Medical Plan for Selected Ages						
Region	Medical Plan	Male				
		50	53	56	59	62
Region 1	Anthem Select HMO	\$ 864	\$ 1,019	\$ 1,184	\$ 1,357	\$ 1,543
	Anthem Traditional HMO	1,145	1,350	1,568	1,797	2,043
	Blue Shield Access+ HMO	989	1,166	1,354	1,552	1,764
	Health Net SmartCare	725	855	993	1,138	1,293
	Kaiser HMO	763	900	1,045	1,198	1,362
	PERS Choice PPO	773	912	1,059	1,214	1,380
	PERS Select PPO	543	640	744	852	969
	PERSCare PPO	960	1,132	1,315	1,507	1,714
Out of State	PERS Choice PPO	455	536	623	714	812
Region	Medical Plan	Female				
		50	53	56	59	62
Region 1	Anthem Select HMO	\$ 1,071	\$ 1,176	\$ 1,266	\$ 1,368	\$ 1,508
	Anthem Traditional HMO	1,419	1,558	1,677	1,812	1,998
	Blue Shield Access+ HMO	1,225	1,346	1,448	1,565	1,725
	Health Net SmartCare	898	986	1,062	1,147	1,265
	Kaiser HMO	946	1,039	1,118	1,208	1,331
	PERS Choice PPO	958	1,052	1,132	1,224	1,349
	PERS Select PPO	673	739	795	859	947
	PERSCare PPO	1,190	1,307	1,406	1,520	1,675
Out of State	PERS Choice PPO	564	619	666	720	794

Changes reflected in the current measurement period:

Demographic assumptions

Assumed mortality, termination, retirement and disability rates were updated from those provided in the 2014 experience study report to those provided in the 2017 experience study report of CalPERS. In our opinion, the Authority's population would not support credible rates based only on its experience; we believe rates from the CalPERS experience study provide a reasonable estimate of the Town's future demographic experience.

Mortality Improvement

Mortality rates were updated to the 2008 rates (midpoint year) of CalPERS' 2017 experience study, then projected on a generational basis by MacLeod Watts Scale 2018 (see Addendum 3).

Excise tax repeal

As noted in Section 2B, we excluded the excise tax for high cost retiree coverage from the valuation results due to its December 2019 repeal.



Appendix 1 Summary of Caps and Expected PEMHCA MEC Increases

The chart below summarizes each of the current single party coverage caps and provides the year in which the PEMHCA Minimum Employer Contribution (MEC) is expected to exceed the cap, based on the assumed annual increase in the MEC of 4.5%.

Single Party Coverage Caps & Years When MEC is Expected to Exceed the Cap						
Group	Administrative		ATU		Teamsters	
Plan	Single Party Subsidies	Year when MEC is projected to exceed subsidy	Single Party Subsidies	Year when MEC is projected to exceed subsidy	Single Party Subsidies	Year when MEC is projected to exceed subsidy
Anthem HMO Traditional	\$ 494.86	2052	\$ 374.92	2046	\$ 374.92	2046
Anthem HMO Select	270.71	2039	233.59	2035	226.58	2035
Blue Shield	329.08	2043	266.47	2038	280.29	2039
Blue Shield Advantage	329.08	2043	266.47	2038	280.29	2039
Kaiser	303.56	2041	235.34	2035	254.15	2037
PERS Care	494.86	2052	374.92	2046	374.92	2046
PERS Choice	289.98	2040	241.24	2036	241.24	2036
PERS Select	270.71	2039	233.59	2035	226.58	2035
United Healthcare	305.56	2041	235.34	2035	254.15	2037
Western Health Advantage	305.56	2041	235.34	2035	254.15	2037



Addendum 1: Important Background Information

General Types of Other Post-Employment Benefits (OPEB)

Post-employment benefits other than pensions (OPEB) comprise a part of compensation that employers offer for services received. The most common OPEB are medical, prescription drug, dental, vision, and/or life insurance coverage. Other OPEB may include outside group legal, long-term care, or disability benefits outside of a pension plan. OPEB does not generally include COBRA, vacation, sick leave (unless converted to defined benefit OPEB), or other direct retiree payments.

A direct employer payment toward the cost of OPEB benefits is referred to as an “explicit subsidy”. Upcoming excise taxes under the Affordable Care Act for retirees covered by high cost plans is another potential source of explicit subsidies.

In addition, if claims experience of employees and retirees are pooled when determining premiums, retiree premiums are based on a pool of members which, on average, are younger and healthier. For certain types of coverage such as medical insurance, this results in an “implicit subsidy” of retiree premiums by active employee premiums since the retiree premiums are lower than they would have been if retirees were insured separately. GASB 75 and Actuarial Standards of Practice generally require that an implicit subsidy of retiree premium rates be valued as an OPEB liability.

Expected retiree claims		
Premium charged for retiree coverage		<i>Covered by higher active premiums</i>
Retiree portion of premium	Agency portion of premium Explicit subsidy	Implicit subsidy

This chart shows the sources of funds needed to cover expected medical claims for pre-Medicare retirees. The portion of the premium paid by the Agency does not impact the amount of the implicit subsidy.

Valuation Process

The valuation was based on employee census data and benefits provided by the Authority. A summary of the employee data is provided in Section 1 and a summary of the benefits provided under the Plan is provided in Section 2. While individual employee records have been reviewed to verify that they are reasonable in various respects, the data has not been audited and we have otherwise relied on the Authority as to its accuracy. The valuation was also based on the actuarial methods and assumptions described in Section 3.

In developing the projected benefit values and liabilities, we first determine an expected premium or benefit stream over the employee’s future retirement. Benefits may include both direct employer payments (explicit subsidies) and/or an implicit subsidy, arising when retiree premiums are expected to be subsidized by active employee premiums. The projected benefit streams reflect assumed trends in the cost of those benefits and assumptions as to the expected date(s) when benefits will end. We then apply assumptions regarding:

- The probability that each individual employee will or will not continue in service to receive benefits.



Important Background Information

(Continued)

- The probability of when such retirement will occur for each retiree, based on current age, service and employee type; and
- The likelihood that future retirees will or will not elect retiree coverage (and benefits) for themselves and/or their dependents.

We then calculate a present value of these benefits by discounting the value of each future expected benefit payment, multiplied by the assumed expectation that it will be paid, back to the valuation date using the discount rate. These benefit projections and liabilities have a very long time horizon. The final payments for currently active employees may not be made for many decades.

The resulting present value for each employee is allocated as a level percent of payroll each year over the employee's career using the entry age normal cost method and the amounts for each individual are then summed to get the results for the entire plan. This creates a cost expected to increase each year as payroll increases. Amounts attributed to prior fiscal years form the "Total OPEB Liability". The OPEB cost allocated for active employees in the current year is referred to as "Service Cost".

Where contributions have been made to an irrevocable OPEB trust, the accumulated value of trust assets ("Fiduciary Net Position") is applied to offset the "Total OPEB Liability", resulting in the "Net OPEB Liability". If a plan is not being funded, then the Net OPEB Liability is equal to the Total OPEB Liability.

It is important to remember that an actuarial valuation is, by its nature, a projection of one possible future outcome based on many assumptions. To the extent that actual experience is not what we assumed, future results will differ. Some possible sources of future differences may include:

- A significant change in the number of covered or eligible plan members;
- A significant increase or decrease in the future premium rates;
- A change in the subsidy provided by the Agency toward retiree premiums;
- Longer life expectancies of retirees;
- Significant changes in expected retiree healthcare claims by age, relative to healthcare claims for active employees and their dependents;
- Higher or lower returns on plan assets or contribution levels other than were assumed; and/or
- Changes in the discount rate used to value the OPEB liability



Important Background Information

(Continued)

Requirements of GASB 75

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and disclosure of OPEB expense and related liabilities (assets), note disclosures, and, required supplementary information (RSI) in the financial reports of state and local governmental employers.

Important Dates

GASB 75 requires that the information used for financial reporting falls within prescribed timeframes. Actuarial valuations of the total OPEB liability are generally required at least every two years. If a valuation is not performed as of the Measurement Date, then liabilities are required to be based on roll forward procedures from a prior valuation performed no more than 30 months and 1 day prior to the most recent year-end. In addition, the net OPEB liability is required to be measured as of a date no earlier than the end of the prior fiscal year (the "Measurement Date").

Recognition of Plan Changes and Gains and Losses

Under GASB 75, gains and losses related to changes in Total OPEB Liability and Fiduciary Net Position are recognized in OPEB expense systematically over time.

- *Timing of recognition:* Changes in the Total OPEB Liability relating to changes in plan benefits are recognized immediately (fully expensed) in the year in which the change occurs. Gains and Losses are amortized, with the applicable period based on the type of gain or loss. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.
- *Deferred recognition periods:* These periods differ depending on the source of the gain or loss.

Difference between projected
and actual trust earnings:

5 year straight-line recognition

All other amounts:

Straight-line recognition over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits, determined as of the beginning of the Measurement Period. In determining the EARSL, all active, retired and inactive (vested) members are counted, with the latter two groups having 0 remaining service years.



Important Background Information

(Continued)

Implicit Subsidy Plan Contributions

An implicit subsidy occurs when expected retiree claims exceed the premiums charged for retiree coverage. When this occurs, we expect part of the premiums paid for active employees to cover a portion of retiree claims. This transfer represents the current year’s “implicit subsidy”. Because GASB 75 treats payments to an irrevocable trust *or directly to the insurer* as employer contributions, each year’s implicit subsidy is treated as a contribution toward the payment of retiree benefits.

The following hypothetical example illustrates this treatment:

Hypothetical Illustration of Implicit Subsidy Recognition	For Active Employees	For Retired Employees
<i>Prior to Implicit Subsidy Adjustment</i>		
Premiums Paid by Agency During Fiscal Year	\$ 411,000	\$ 48,000
Accounting Treatment	Compensation Cost for Active Employees	Contribution to Plan & Benefits Paid from Plan
<i>After Implicit Subsidy Adjustment</i>		
Premiums Paid by Agency During Fiscal Year	\$ 411,000	\$ 48,000
Implicit Subsidy Adjustment	(23,000)	23,000
Accounting Cost of Premiums Paid	\$ 388,000	\$ 71,000
Accounting Treatment Impact	Reduces Compensation Cost for Active Employees	Increases Contributions to Plan & Benefits Paid from Plan

The example above shows that total payments toward active and retired employee healthcare premiums is the same, but for accounting purposes part of the total is shifted from actives to retirees. This shifted amount is recognized as an OPEB contribution and reduces the current year’s premium expense for active employees.



Important Background Information

(Continued)

Discount Rate

When the financing of OPEB liabilities is on a pay-as-you-go basis, GASB 75 requires that the discount rate used for valuing liabilities be based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). When a plan sponsor makes regular, sufficient contributions to a trust in order to prefund the OPEB liabilities, GASB 75 allows use of a rate up to the expected rate of return of the trust. Therefore, prefunding has an advantage of potentially being able to report overall lower liabilities due to future expected benefits being discounted at a higher rate.

Actuarial Funding Method and Assumptions

The “ultimate real cost” of an employee benefit plan is the value of all benefits and other expenses of the plan over its lifetime. These expenditures are dependent only on the terms of the plan and the administrative arrangements adopted, and as such are not affected by the actuarial funding method.

The actuarial funding method attempts to spread recognition of these expected costs on a level basis over the life of the plan, and as such sets the “incidence of cost”. GASB 75 specifically requires that the actuarial present value of projected benefit payments be attributed to periods of employee service using the Entry Age Actuarial Cost Method, with each period’s service cost determined as a level percentage of pay.

The results of this report may not be appropriate for other purposes, where other assumptions, methodology and/or actuarial standards of practice may be required or more suitable.



Addendum 2: MacLeod Watts Age Rating Methodology

Both accounting standards (e.g. GASB 75) and actuarial standards (e.g. ASOP 6) require that expected retiree claims, not just premiums paid, be reflected in most situations where an actuary is calculating retiree healthcare liabilities. Unfortunately, the actuary is often required to perform these calculations without any underlying claims information. In most situations, the information is not available, but even when available, the information may not be credible due to the size of the group being considered.

Actuaries have developed methodologies to approximate healthcare claims from the premiums being paid by the plan sponsor. Any methodology requires adopting certain assumptions and using general studies of healthcare costs as substitutes when there is a lack of credible claims information for the specific plan being reviewed.

Premiums paid by sponsors are often uniform for all employee and retiree ages and genders, with a drop in premiums for those participants who are Medicare-eligible. While the total premiums are expected to pay for the total claims for the insured group, on average, the premiums charged would not be sufficient to pay for the claims of older insureds, and would be expected to exceed the expected claims of younger insureds. An age-rating methodology takes the typically uniform premiums paid by plan sponsors and spreads the total premium dollars to each age and gender intended to better approximate what the insurer might be expecting in actual claims costs at each age and gender.

The process of translating premiums into expected claims by age and gender generally follows the steps below.

1. *Obtain or Develop Relative Medical Claims Costs by Age, Gender, or other categories that are deemed significant.* For example, a claims cost curve might show that, if a 50 year old male has \$1 in claims, then on average a 50 year old female has claims of \$1.25, a 30 year male has claims of \$0.40, and an 8 year old female has claims of \$0.20. The claims cost curve provides such relative costs for each age, gender, or any other significant factor the curve might have been developed to reflect. Section 3 provides the source of information used to develop such a curve and shows sample relative claims costs developed for the plan under consideration.
2. *Obtain a census of participants, their chosen medical coverage, and the premium charged for their coverage.* An attempt is made to find the group of participants that the insurer considered in setting the premiums they charge for coverage. That group includes the participant and any covered spouses and children. When information about dependents is unavailable, assumptions must be made about spouse age and the number and age of children represented in the population. These assumptions are provided in Section 3.
3. *Spread the total premium paid by the group to each covered participant or dependent based on expected claims.* The medical claims cost curve is used to spread the total premium dollars paid by the group to each participant reflecting their age, gender, or other relevant category. After this step, the actuary has a schedule of expected claims costs for each age and gender for the current premium year. It is these claims costs that are projected into the future by medical cost inflation assumptions when valuing expected future retiree claims.

The methodology described above is dependent on the data and methodologies used in whatever study might be used to develop claims cost curves for any given plan sponsor. These methodologies and assumptions can be found in the referenced paper cited as a source in the valuation report.



Addendum 3: MacLeod Watts Mortality Projection Methodology

Actuarial standards of practice (e.g., ASOP 35, Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations, and ASOP 6, Measuring Retiree Group Benefits Obligations) indicate that the actuary should reflect the effect of mortality improvement (i.e., longer life expectancies in the future), both before and after the measurement date. The development of credible mortality improvement rates requires the analysis of large quantities of data over long periods of time. Because it would be extremely difficult for an individual actuary or firm to acquire and process such extensive amounts of data, actuaries typically rely on large studies published periodically by organizations such as the Society of Actuaries or Social Security Administration.

As noted in a recent actuarial study on mortality improvement, key principles in developing a credible mortality improvement model would include the following:

- (1) Short-term mortality improvement rates should be based on recent experience.
- (2) Long-term mortality improvement rates should be based on expert opinion.
- (3) Short-term mortality improvement rates should blend smoothly into the assumed long-term rates over an appropriate transition period.

The **MacLeod Watts Scale 2018** was developed from a blending of data and methodologies found in two published sources: (1) the Society of Actuaries Mortality Improvement Scale MP-2017 Report, published in October 2017 and (2) the demographic assumptions used in the 2017 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, published July 2017.

MacLeod Watts Scale 2018 is a two-dimensional mortality improvement scale reflecting both age and year of mortality improvement. The underlying base scale is Scale MP-2017 which has two segments – (1) historical improvement rates for the period 1951-2013 and (2) an estimate of future mortality improvement for years 2014-2016 using the Scale MP-2017 methodology but utilizing the assumptions obtained from Scale MP-2015. The MacLeod Watts scale then transitions from the 2016 improvement rate to the Social Security Administration (SSA) Intermediate Scale linearly over the 10-year period 2017-2026. After this transition period, the MacLeod Watts Scale uses the constant mortality improvement rate from the SSA Intermediate Scale from 2026-2040. The SSA's Intermediate Scale has a final step down in 2041 which is reflected in the MacLeod Watts scale for years 2041 and thereafter. Over the ages 95 to 115, the SSA improvement rate is graded to zero.

Scale MP-2017 can be found at the SOA website and the projection scales used in the 2017 Social Security Administrations Trustees Report at the Social Security Administration website.



Glossary

Actuarial Funding Method – A procedure which calculates the actuarial present value of plan benefits and expenses, and allocates these expenses to time periods, typically as a normal cost and an actuarial accrued liability

Actuarial Present Value of Projected Benefits (APVPB) – The amount presently required to fund all projected plan benefits in the future. This value is determined by discounting the future payments by an appropriate interest rate and the probability of nonpayment.

CalPERS – Many state governments maintain a public employee retirement system; CalPERS is the California program, covering all eligible state government employees as well as other employees of other governments within California who have elected to join the system

Defined Benefit (DB) – A pension or OPEB plan which defines the monthly income or other benefit which the plan member receives at or after separation from employment

Deferred Contributions – When an employer makes contributions after the measurement date and prior to the fiscal year end, recognition of these contributions is deferred to a subsequent accounting period by creating a deferred resource. We refer to these contributions as Deferred Contributions.

Defined Contribution (DC) – A pension or OPEB plan which establishes an individual account for each member and specifies how contributions to each active member's account are determined and the terms of distribution of the account after separation from employment

Discount Rate - Interest rate used to discount future potential benefit payments to the valuation date. Under GASB 75, if a plan is prefunded, then the discount rate is equal to the expected trust return. If a plan is not prefunded (pay-as-you-go), then the rate of return is based on a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Expected Average Remaining Service Lifetime (EARSL) – Average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees), beginning in the current period

Entry Age Actuarial Cost Method – An actuarial funding method where, for each individual, the actuarial present value of benefits is levelly spread over the individual's projected earnings or service from entry age to the last age at which benefits can be paid

Excise Tax – The Affordable Care Act created an excise tax on the value of employer sponsored coverage which exceeds certain thresholds ("Cadillac Plans"). The tax was repealed in December 2019.

Explicit Subsidy – The projected dollar value of future retiree healthcare costs expected to be paid directly by the Employer, e.g., the Employer's payment of all or a portion of the monthly retiree premium billed by the insurer for the retiree's coverage

Fiduciary Net Position – The value of trust assets used to offset the Total OPEB Liability to determine the Net OPEB Liability.

Government Accounting Standards Board (GASB) – A private, not-for-profit organization which develops generally accepted accounting principles (GAAP) for U.S. state and local governments; like FASB, it is part of the Financial Accounting Foundation (FAF), which funds each organization and selects the members of each board



Glossary

(Continued)

Health Care Trend – The assumed rate(s) of increase in future dollar values of premiums or healthcare claims, attributable to increases in the cost of healthcare; contributing factors include medical inflation, frequency or extent of utilization of services and technological developments.

Implicit Subsidy – The projected difference between future retiree claims and the premiums to be charged for retiree coverage; this difference results when the claims experience of active and retired employees are pooled together and a ‘blended’ group premium rate is charged for both actives and retirees; a portion of the active employee premiums subsidizes the retiree premiums.

Net OPEB Liability (NOL) – The liability to employees for benefits provided through a defined benefit OPEB. Only assets administered through a trust that meet certain criteria may be used to reduce the Total OPEB Liability.

Net Position – The Impact on Statement of Net Position is the Net OPEB Liability adjusted for deferred resource items

OPEB Expense – The OPEB expense reported in the Agency’s financial statement. OPEB expense is the annual cost of the plan recognized in the financial statements.

Other Post-Employment Benefits (OPEB) – Post-employment benefits other than pension benefits, most commonly healthcare benefits but also including life insurance if provided separately from a pension plan

Pay-As-You-Go (PAYGO) – Contributions to the plan are made at about the same time and in about the same amount as benefit payments and expenses coming due

PEMHCA – The Public Employees’ Medical and Hospital Care Act, established by the California legislature in 1961, provides community-rated medical benefits to participating public employers. Among its extensive regulations are the requirements that a contracting Agency contribute toward medical insurance premiums for retired annuitants and that a contracting Agency file a resolution, adopted by its governing body, with the CalPERS Board establishing any new contribution.

Plan Assets – The value of cash and investments considered as ‘belonging’ to the plan and permitted to be used to offset the AAL for valuation purposes. To be considered a plan asset, GASB 75 requires (a) contributions to the OPEB plan be irrevocable, (b) OPEB assets to dedicated to providing OPEB benefit to plan members in accordance with the benefit terms of the plan, and (c) plan assets be legally protected from creditors, the OPEB plan administrator and the plan members.

Public Agency Miscellaneous (PAM) – Non-safety public employees.

Select and Ultimate – Actuarial assumptions which contemplate rates which differ by year initially (the select period) and then stabilize at a constant long-term rate (the ultimate rate)

Service Cost – Total dollar value of benefits expected to be earned by plan members in the current year, as assigned by the actuarial funding method; also called normal cost

Total OPEB Liability (TOL) – Total dollars required to fund all plan benefits attributable to service rendered as of the valuation date for current plan members and vested prior plan members; a subset of “Actuarial Present Value”

Vesting – As defined by the plan, requirements which when met make a plan benefit nonforfeitable on separation of service before retirement eligibility

