



Other Post-Employment Benefits (OPEB) Fund Actuarial Valuation and Impact of Retiree Medical Benefit Changes

Board of Directors Meeting
September 14, 2022

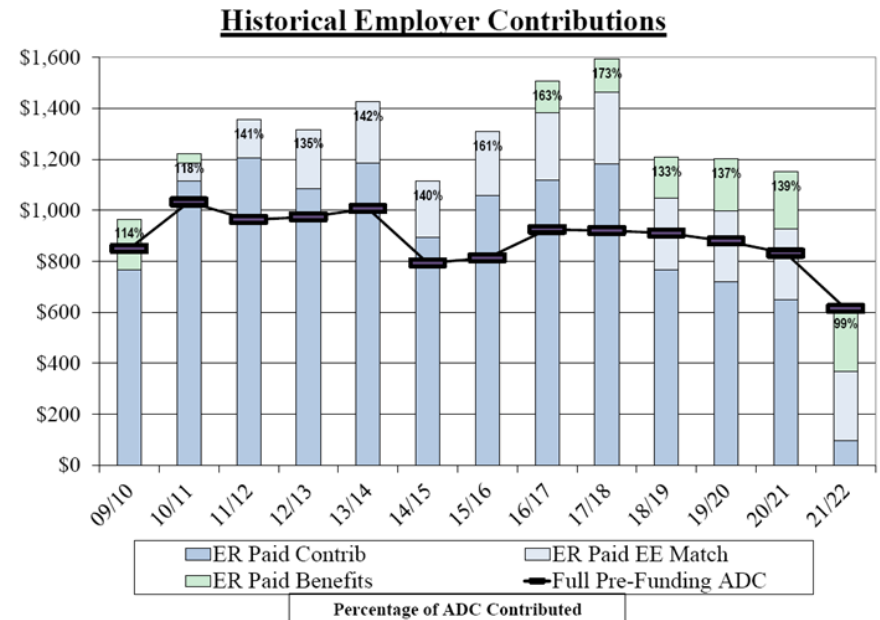


Goals


1. Present actuarial valuation as of June 30, 2022, for OPEB Trust Fund for acceptance by Board
2. Present actuarial report regarding financial impact of proposed retiree medical benefit changes for acceptance by Board pursuant to Government Code (GC) Section 7507

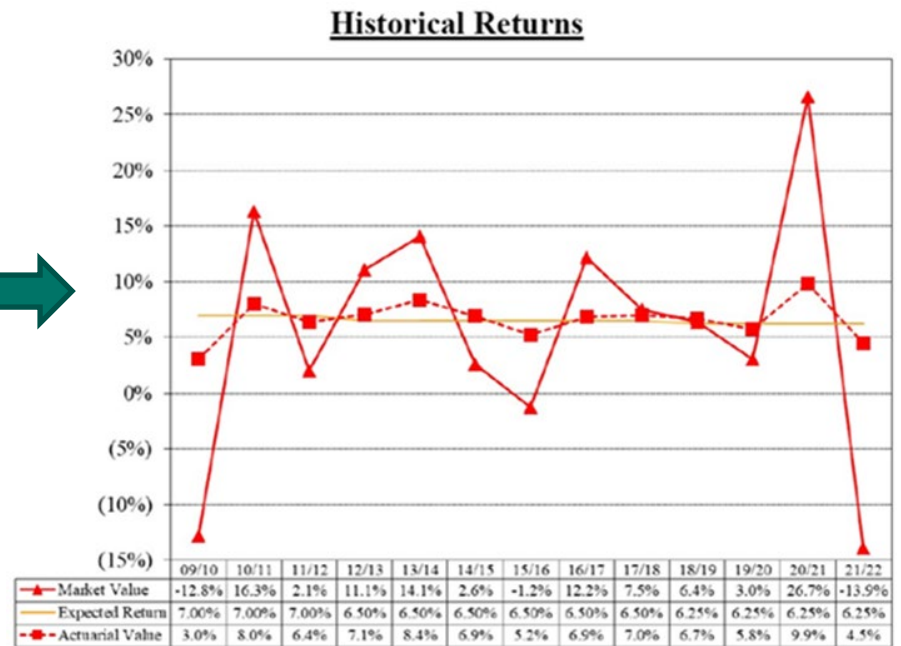
OPEB Trust Funding Policy

- OPEB Trust Funding Policy adopted by the Board in February 2010
 - States District's intention to fully fund OPEB obligations within 30 years
- Employees contribute 3% of PERSable base payroll
 - Currently, contributions end when OPEB Trust Fund is 100% funded
- District matches employee contribution plus additional amount to meet the Actuarially Determined Contribution (ADC)
 - District has historically contributed more than the ADC



1 OPEB Actuarial Valuation

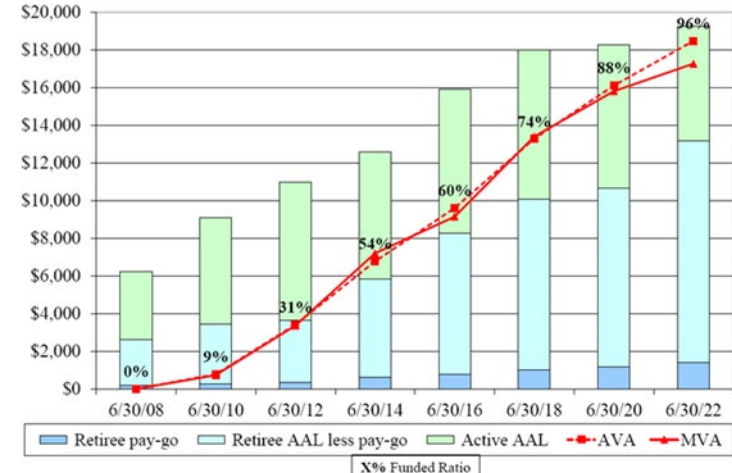
- Policy requires a Biennial OPEB Actuarial Valuation
 - Completed using District workforce data as of June 30, 2022
 - Determines the Unfunded Actuarial Accrued Liability (UAAL), OPEB Trust Funding Status, and ADC
- Factors impacting continuing reduction in UAAL
 - Changes to active employee and retiree demographics
 - Medical premiums (actual vs. prior valuation assumption)
 - Investment rate of returns 
 - Prior contributions to OPEB Trust Fund
- Current UAAL = \$777k (lower than projected)



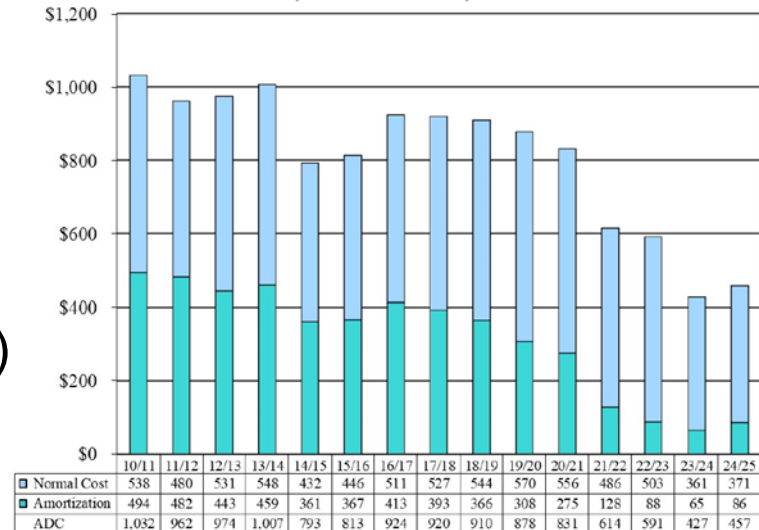
① OPEB Actuarial Valuation (cont'd)

- UAAL directly impacts OPEB Trust Fund status
 - Currently 96% funded
 - Estimated to be 100% funded in 15 years
- ADC Calculation
 - FY23/24: \$426k; FY24/25: \$457k
 - Composed of UAAL amortization, District's portion of Total Normal Costs
 - Total Normal Costs are annual cost of benefits accrued for active employees (shared with employees)
 - Funding included in the District's Operating Budget

Historical Funded Status
(Amounts in 000's)



Actuarially Determined Contribution (ADC)
(Amounts in 000's)



② Current Retiree Medical Benefits



- District is actively engaged in labor negotiations with employee bargaining units (MA, P&T, O&M)
- Current Retiree Medical Benefits
 - Tier 1 – Employees hired before January 1, 2009, who retire directly from District
 - District pays CalPERS premiums up to greater of PEMHCA Kaiser and Blue Shield Access+ Region 1 basic family premiums
 - Tier 2 – Employees hired on or after January 1, 2009, who retire directly from District
 - District pays a percentage of the greater of Tier 1 cap and California Government Code Section 22893 “100/90 amount”
 - Vesting schedule based on years of CalPERS service – 50% at 10 years increasing by 5% per year to 100% at 20 years

② Proposed Retiree Medical Benefits



- Proposed Retiree Medical Benefits (Active Employees)
 - Tier 1
 - No change to existing benefits
 - Employees contribute 3% of PERSable base payroll regardless of OPEB Trust Fund status
 - Tier 2
 - District pays up to California Government Code Section 22893 “100/90 amount” using the current vesting schedule
 - Employees contribute 3% of PERSable base payroll regardless of OPEB Trust Fund status
 - Future hires
 - Receive PEMHCA minimum benefit at retirement (\$149/mo.)
 - Future hires will not contribute 3% of PERSable base payroll

GC Section 7507 Requirements



- GC Section 7507 requires government agencies to obtain an actuarial opinion regarding the impact of proposed changes related to retiree healthcare benefits:
 - Obtain an actuarial statement of the impact of retiree healthcare benefit changes on future annual costs before authorizing the benefit change
 - Provide this information at a public meeting at least two weeks prior to the adoption of the benefit change
 - Have the actuary present at the public meeting if the future annual costs of the benefit change exceed 0.5% of the future annual costs of the current plan
 - Have an agency representative with the responsibilities of chief executive officer (i.e., General Manager) acknowledge in writing that he understands the future annual cost impact of the benefit change (future meeting)

② Financial Impacts of Proposed Medical Benefits (GC Section 7507)



- District's actuarial costs will decrease due to proposed retiree medical benefit changes
 - UAAL would decrease by \$156k, which changes OPEB funding status from 96.0% to 96.7%
 - ADC will be reduced by ~\$50k
 - Increasing cost savings as employee demographics change
- District reached tentative agreements with MA and P&T bargaining units (under consideration by O&M unit)
 - Financial impacts analysis is based on all units agreeing to proposed changes with reduction in cost savings if O&M unit does not agree (no cost increase to District, however)
 - Note: Actuarial valuation analysis does not include other negotiated financial contributions to employees (not subject GC Section 7507 requirements) (e.g., retiree health saving account contributions)
- Consultant has provided required actuarial statement

Recommended Action & Next Steps



- Recommended Actions
 - Accept actuarial valuation presentation as of June 30, 2022, for OPEB Trust Fund
 - Accept GC Section 7507 Statement prepared by District's consultant (Bartel Associates, LLC)
- Next Steps
 - Comply with all remaining GC Section 7507 requirements as they pertain to future consideration of labor contract ratification