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Novato Fire Protection District

Nyhart Actuary & Employee Benefits

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GASB No. 75 ACTUARIAL VALUATION

Fiscal Year Ending June 30, 2020

(Measured at June 30, 2019)

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Mr. Joe Valenti
Novato Fire Protection District
95 Rowland Way
Novato, CA 94945

11/9/2020

This report summarizes the GASB actuarial valuation for the Novato Fire Protection District's Other Post Employment Benefit (OPEB) for the fiscal year ending June 30, 2020 (measured at June 30, 2019). Nyhart prepared this report to meet employer financial accounting requirements under Governmental Accounting Standards Board (GASB) Statement No. 75 (Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions). To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statement No. 75.

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

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

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

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

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

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

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

Suraj Datta, ASA, MAAA, MBA
Consulting Actuary

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
Valuation Results Summary

As of Valuation Date: June 30, 2018

	Explicit	Implicit	Total
Present Value of Employer Contributions			
Actives	\$ 6,099,269	\$ 1,925,630	\$ 8,024,899
Retirees	10,829,795	1,194,489	12,024,284
Total	\$ 16,929,064	\$ 3,120,119	\$ 20,049,183

Total (Accrued) OPEB Liability			
Actives	\$ 4,781,959	\$ 1,511,345	\$ 6,293,304
Retirees	10,829,795	1,194,489	12,024,284
Total	\$ 15,611,754	\$ 2,705,834	\$ 18,317,588

	Explicit	Implicit	Total
Projected Employer Contributions			
2020	\$ 936,189	\$ 152,241	\$ 1,088,430
2021	986,828	165,315	1,152,143
2022	1,049,634	187,156	1,236,790
2023	1,082,561	182,283	1,264,844
2024	1,136,137	208,241	1,344,378
2025	1,190,638	229,174	1,419,812
2026	1,230,569	237,955	1,468,524
2027	1,269,701	247,097	1,516,798
2028	1,316,576	267,808	1,584,384
2029	1,345,211	301,500	1,646,711

Actuarial Assumptions as of Valuation Date

Inflation	3.00%
Salary increases	3.50%
Discount rate	7.00%

Plan Membership

Inactive plan members or beneficiaries currently receiving benefits	92
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	73
	165

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
GASB 75 Summary

Net OPEB Liability

The components of the Net OPEB Liability at June 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability	\$ 18,317,588	\$ 18,560,623	\$ 17,969,570
Plan fiduciary net position	(10,713,304)	(8,578,388)	(6,561,838)
Net OPEB Liability	<u>\$ 7,604,284</u>	<u>\$ 9,982,235</u>	<u>\$ 11,407,732</u>
Plan fiduciary net position as a % of the Total OPEB Liability	58.49%	46.22%	36.52%
OPEB Expense for the Fiscal Year Ended June 30,	\$ 729,286	\$ 1,018,531	\$ 1,080,733

Actuarial Assumptions

The Total OPEB Liability was determined using the following actuarial assumptions.

Inflation	3.00%	3.00%	3.00%
Salary increases	3.50%	3.50%	3.50%
Investment rate of return	7.00%	7.00%	7.00%
Discount rate	7.00%	7.00%	7.00%

Plan Membership

The Total OPEB Liability was determined based on the plan membership as of June 30,

	<u>2018</u>	<u>2017</u>	<u>2017</u>
Inactive plan members or beneficiaries currently receiving benefits	92	89	89
Inactive plan members entitled to but not yet receiving benefits	0	0	0
Active plan members	<u>73</u>	<u>73</u>	<u>73</u>
	165	162	162

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
Statement of Fiduciary Net Position

	June 30, 2019
Assets	
Cash and deposits	N/A
Securities lending cash collateral	N/A
Total cash	N/A
Receivables:	
Contributions	N/A
Due from broker for investments sold	N/A
Investment income	N/A
Accrued Income	N/A
Total receivables	N/A
Investments:	
Fixed income obligations and mutual funds	N/A
Domestic equities	N/A
International equities	N/A
Alternative assets/private equity	N/A
Total investments	N/A
Total assets	N/A
Liabilities	
Payables:	
Investment management fees	N/A
Due to broker for investments purchased	N/A
Collateral payable for securities lending	N/A
Other	N/A
Total liabilities	N/A
Net position restricted for OPEB	\$ 10,713,304

Note: This information will be provided separately from the CERBT GASB 74 Information.

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
Statement of Changes in Fiduciary Net Position

Additions	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Contributions:			
Employer	\$ 2,543,521	\$ 2,469,891	\$ 1,989,494
Member	0	0	0
Nonemployer Contributing Entity	0	0	0
Total contributions	<u>\$ 2,543,521</u>	<u>\$ 2,469,891</u>	<u>\$ 1,989,494</u>
Investment income:			
Net increase in fair value of investments	\$ 594,812	\$ 526,229	\$ 572,838
Interest and dividends	0	0	0
Less investment expense, other than from securities lending	0	0	0
Net income other than from securities lending	<u>\$ 594,812</u>	<u>\$ 526,229</u>	<u>\$ 572,838</u>
Securities lending income	0	0	0
Less securities lending expense	0	0	0
Net income from securities lending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net investment income	<u>\$ 594,812</u>	<u>\$ 526,229</u>	<u>\$ 572,838</u>
Other	0	0	0
Total additions	<u>\$ 3,138,333</u>	<u>\$ 2,996,120</u>	<u>\$ 2,562,332</u>
Deductions			
Benefit payments	\$ 995,724	\$ 967,175	\$ 996,269
Administrative expense	4,444	3,712	2,876
Other expense	3,249	8,683	0
Total deductions	<u>\$ 1,003,417</u>	<u>\$ 979,570</u>	<u>\$ 999,145</u>
Net increase in net position	<u>\$ 2,134,916</u>	<u>\$ 2,016,550</u>	<u>\$ 1,563,187</u>
Net position restricted for OPEB			
Beginning of year	<u>\$ 8,578,388</u>	<u>\$ 6,561,838</u>	<u>\$ 4,998,651</u>
End of year	<u>\$ 10,713,304</u>	<u>\$ 8,578,388</u>	<u>\$ 6,561,838</u>

Note: The employer contributions include retiree benefit payments inclusive of subsidy not reimbursed from the trust.

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
Schedule of Changes in Net OPEB Liability and Related Ratios

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability			
Service cost	\$ 334,209	\$ 312,345	\$ 291,911
Interest	1,287,788	1,245,883	1,208,168
Changes of benefit terms	0	0	0
Differences between expected and actual experience	(1,161,809)	0	0
Changes of assumptions	292,501	0	0
Benefit payments, including refunds of member contributions	(995,724)	(967,175)	(996,269)
Net change in Total OPEB Liability	<u>(243,035)</u>	<u>591,053</u>	<u>503,810</u>
Total OPEB Liability - beginning	<u>18,560,623</u>	<u>17,969,570</u>	<u>17,465,760</u>
Total OPEB Liability - ending (a)	<u>\$ 18,317,588</u>	<u>\$ 18,560,623</u>	<u>\$ 17,969,570</u>
Plan fiduciary net position			
Contributions - employer	\$ 2,543,521	\$ 2,469,891	\$ 1,989,494
Contributions - member	0	0	0
Contributions - nonemployer contributing member	0	0	0
Net investment income	594,812	526,229	572,838
Benefit payments, including refunds of member contributions	(995,724)	(967,175)	(996,269)
Administrative expenses	(4,444)	(3,712)	(2,876)
Other expense	(3,249)	(8,683)	0
Net change in plan fiduciary net position	<u>\$ 2,134,916</u>	<u>2,016,550</u>	<u>\$ 1,563,187</u>
Plan fiduciary net position - beginning	<u>8,578,388</u>	<u>6,561,838</u>	<u>4,998,651</u>
Plan fiduciary net position - ending (b)	<u>\$ 10,713,304</u>	<u>\$ 8,578,388</u>	<u>\$ 6,561,838</u>
Net OPEB Liability - ending (a) - (b)	<u>\$ 7,604,284</u>	<u>\$ 9,982,235</u>	<u>\$ 11,407,732</u>
Plan fiduciary net position as a percentage of the total OPEB liability	58.5%	46.2%	36.5%
Covered - employee payroll	\$ 8,945,314	\$ 8,684,771	\$ 8,684,771
Net OPEB Liability as percentage of covered-employee payroll	85.0%	114.9%	131.4%

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
OPEB Expense

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Service cost	\$ 334,209	\$ 312,345	\$ 291,911
Interest on Total OPEB Liability	1,287,788	1,245,883	1,208,168
Projected earnings on OPEB plan investments	(654,391)	(511,490)	(384,568)
Reduction for contributions from active employees	0	0	0
OPEB plan administrative expense	7,693	12,395	2,876
Changes of benefit terms	0	0	0
Other changes	0	0	0
Current period recognition of deferred outflows/(inflows) of resources			
Differences between Expected & Actual Experience in measurement of the Total OPEB Liability	(290,452)	0	0
Changes of assumptions	73,125	0	0
Differences between Projected & Actual Earnings on OPEB Plan Investments	(28,686)	(40,602)	(37,654)
Annual OPEB Expense	<u>\$ 729,286</u>	<u>\$ 1,018,531</u>	<u>\$ 1,080,733</u>

Retiree Health Plan

GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Differences between expected and actuarial experience in measurement of the Total OPEB Liability for the period ending:	Initial Balance	Initial Amortization Period	Annual Recognition	06/30/2019 Balance
June 30, 2019	\$ (1,161,809)	4	\$ (290,452)	\$ (871,357)
Total			\$ (290,452)	\$ (871,357)

Changes of assumptions for the period ending:	Initial Balance	Initial Amortization Period	Annual Recognition	06/30/2019 Balance
June 30, 2019	\$ 292,501	4	\$ 73,125	\$ 219,376
Total			\$ 73,125	\$ 219,376

Differences between projected and actual earnings on OPEB plan investments for the period ending:	Initial Balance	Initial Amortization Period	Annual Recognition	06/30/2019 Balance
June 30, 2019	\$ 59,579	5	\$ 11,916	\$ 47,663
June 30, 2018	(14,739)	5	(2,948)	(8,843)
Total			\$ (28,686)	\$ (36,488)

The balances as of June 30, 2019 of the deferred outflows/(inflows) of resources will be recognized in OPEB expense for the period ending June 30,

2020	\$ (246,013)
2021	\$ (246,013)
2022	\$ (208,358)
2023	\$ 11,915
2024	\$ 0
Thereafter	\$ 0

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. 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. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
<i>CERBT</i>		
Global Equity	59.0%	<i>5.50%</i>
Global Debt Securities	25.0%	<i>2.35%</i>
Inflation Assets	5.0%	<i>1.50%</i>
Commodities	3.0%	<i>1.75%</i>
REITs	8.0%	<i>3.65%</i>
Total	100.0%	

Long-term expected rate of return is 7.00%.

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
Net OPEB Liability Sensitivity

Discount rate

The discount rate used to measure the Total OPEB Liability is 7.00%.

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

The following presents the Net OPEB Liability, calculated using the discount rate of 7.00%, as well as what the Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	\$ 10,332,837	\$ 7,604,284	\$ 6,315,591

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

	1% Decrease (5.50% decreasing to 3.50%)	Current Healthcare Cost Trend Rates (6.50% decreasing to 4.50%)	1% Increase (7.50% decreasing to 5.50%)
Net OPEB Liability	\$ 6,040,464	\$ 7,604,284	\$ 10,671,299

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
Schedule of Contributions

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 1,562,769	\$ 1,502,716	\$ 1,664,462
Contributions in relation to the actuarially determined contribution	2,543,521	2,469,891	1,989,494
Contribution deficiency (excess)	\$ (980,752)	\$ (967,175)	\$ (325,032)
Covered-employee payroll	\$ 8,945,314	\$ 8,684,771	\$ 8,684,771
Contributions as a percentage of covered-employee payroll	28.43%	28.44%	22.91%

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
Valuation Data

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

Age Distribution of Eligible and Participating Retirees & Beneficiaries

	< Age 65	65 & Older	Total
<50	0	0	0
50-54	7	0	7
55-59	8	0	8
60-64	10	0	10
65-69	0	20	20
70-74	0	20	20
75-79	0	24	24
80-84	0	3	3
85+	<u>0</u>	<u>0</u>	<u>0</u>
Total:	25	67	92
Average Age:	58.1	72.9	68.9
Average Retirement Age*:	50.1	53.6	52.6

*Based on those with reported retirement dates.

Age/Service Distribution of All Active Employees

Age	Service										Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44		
<25	0										0
25-29	3	1									4
30-34	5	1									6
35-39	3	0	1	1							5
40-44	0	2	3	13							18
45-49	1	0	2	16	3	1					23
50-54	1	0	1	4	5	1					12
55-59	1	0	0	2	0	0	1	0			4
60-64	0	0	0	0	1	0	0	0	0		1
65+	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total:	14	4	7	36	9	2	1	0	0		73
Average Age:			44.6								
Average Service:			14.1								
Average Hire Age:			30.5								
Estimated Payroll:		\$9,214,000									

**Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
Benefit Plan Provisions**

This study analyzes the retiree health benefits of the District. The retiree health benefits provided to retirees are basically a continuation of the medical plans for active employees.

Active employees are offered a choice of medical (including prescription drug coverage) plans through the CalPERS Health Program under the Public Employees' Medical and Hospital Care Act (PEMHCA). The District offers the same medical plans to eligible retirees except once a retiree is eligible for Medicare, the retiree must join a Medicare HMO or Supplement Plan with Medicare being the primary payer. Eligibility for continuation of coverage and a District contribution at retirement varies by employee group and date of hire and date of retirement.

Management and Administrative Support Staff

▶ Retirement and Disability Requirements

Management and administrative support staff employees are categorized under the Miscellaneous CalPERS group. In order to be eligible for retirement benefits, these employees must attain age 55 with ten years of service. For eligibility to receive disability benefits, there is no minimum age requirement, but Miscellaneous employees must have worked at least five years for the District.

▶ Tier 1

Eligibility for tier 1 retiree medical benefits requires an employee to have been hired prior to July 1, 2009 and to be enrolled in the healthcare plan upon retirement or disability. For employees retiring prior to April 1, 2015, the District will pay 100% of the premium for single coverage or 83.29% of the premium for two-person or family coverage.

For employee retiring on or after April 1, 2015, the District will provide the Supplemental Retiree Benefit Allowance based on vesting service earned prior to June 1, 2015:

Years of Service prior to June 1, 2015	Base Percentage
0 - 5	55%
5 - 10	60%
10 - 15	65%
15 - 20	70%
20 - 25	75%
25 - 30	80%

The employee will earn an additional 0.75% of benefit coverage for the number of total years of service. The sum of the base percentage from the table plus the additional piece will be the total percentage paid by the District for single/two-party/family coverage of the Kaiser HMO Premium. The maximum percentage paid by the District is 80% on January 1, 2011, 75% on April 1, 2023, and 70% on April 1, 2028.

**Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
Benefit Plan Provisions**

▶ Tier 2

Eligibility for tier 2 retiree medical benefits requires an employee to have been hired after January 1, 2015 and to be enrolled in the healthcare plan upon retirement or disability. The District will pay the PEMHCA minimum after the retiree buys medical insurance through the District.

▶ Dental and vision benefits

All Management and Administrative Support Staff members must pay 100% of the premiums for dental and vision coverage.

Chief Officers Association

▶ Retirement and Disability Requirements

Chief Officer Association employees are categorized under the Safety CalPERS group. These employees can become eligible for retirement benefits by attaining age 50 with ten years of service, with no age requirement by attaining twenty years of service, or by continuing to work for the District until or beyond age 70. There are no age or service requirements for Safety group employees to be eligible to receive disability benefits.

▶ Tier 1

Eligibility for tier 1 retiree health benefits requires an employee to have retired prior to January 1, 2011 and to have been enrolled in the healthcare plan upon retirement or disability. The District will pay benefits as described in the following table:

	Medical Coverage	Dental Coverage	Vision Coverage
Fire Chief or Deputy Fire Chief (retired 1992 or later)	100% for retired member and dependents until the death of both parties	100% for retired member and spouse	100% for retired member and spouse
Fire Chief or Deputy Fire Chief (retired 1991 or earlier)	100% for retired member and dependents until the death of both parties	100% for retired member and spouse	0% of premium
Division Chief or Battalion Chief (retired 1992 or later)	100% of Kaiser-Family rate or 83.29% of higher premium	100% for retired member and spouse	100% for retired member and spouse
Division Chief or Battalion Chief (retired 1992 or later)	100% of Kaiser-Family rate or 83.29% of higher premium	100% for retired member and spouse	0% of premium

► Tier 2

Eligibility for tier 2 retiree medical benefits requires an employee to have been hired prior to July 1, 2009, retire after December 31, 2010 and to be enrolled in the healthcare plan upon retirement or disability. Beginning on January 1, 2012, the Supplemental Retirement Benefit Allowance the District provides will decrease by 2% per year until reaching 82% on January 1, 2020:

Year Beginning	% Paid by District
January 1, 2010	100%
January 1, 2011	100%
January 1, 2012	98%
January 1, 2013	96%
January 1, 2014	94%
January 1, 2015	92%
January 1, 2016	90%
January 1, 2017	88%
January 1, 2018	86%
January 1, 2019	84%
January 1, 2020	82%

The portion the District will pay for single/two-party/family coverage is determined by the fixed rate in effect the year the member retires. The retired member will be responsible for paying the difference between the premium and the District's portion.

► Tier 3

Eligibility for tier 3 retiree health benefits requires an employee to have been hired after June 30, 2009 and to be enrolled in the healthcare plan upon retirement or disability. The District will pay the PEMHCA minimum after the retiree buys medical insurance through the District.

► Dental and vision benefits

All members in tier 2 or tier 3 must pay 100% of the premiums for dental and vision coverage.

Firefighters

► Retirement and Disability Requirements

Firefighter employees are categorized under the Safety CalPERS group. These employees can become eligible for retirement benefits by attaining age 50 with ten years of service, with no age requirement by attaining twenty years of service, or by continuing to work for the District until or beyond age 70. There are no age or service requirements for Safety group employees to be eligible to receive disability benefits.

▶ Tier 1

Eligibility for tier 1 retiree medical benefits requires an employee to have retired on or prior to December 31, 2010 and to have been enrolled in the healthcare plan upon retirement or disability. The District will pay 100% of the premium for single coverage or 83.29% of the premium for two-person or family coverage.

▶ Tier 2

Eligibility for tier 2 retiree medical benefits requires an employee to have been hired prior to July 1, 2009, retire after December 31, 2010, and to be enrolled in the healthcare plan upon retirement or disability. The District provides the Supplemental Retiree Benefit Allowance based on vesting service as of July 1, 2010:

Years of Service prior to July 1, 2010	Base Percentage
0 – 5	55%
5 – 10	60%
10 – 15	65%
15 – 20	70%
20 – 25	75%
25 – 30	80%

The employee will earn an additional 0.75% of benefit coverage for the number of total years of service. The sum of the base percentage from the table plus the additional piece will be the total percentage paid by the District for single/two-party/family coverage of the Kaiser HMO Premium. The maximum percentage paid by the District is 80% on January 1, 2011, 75% on April 1, 2023, and 70% on April 1, 2028.

▶ Tier 3

Eligibility for tier 3 retiree health benefits requires an employee to have been hired after June 30, 2009 and to be enrolled in the healthcare plan upon retirement or disability. The District will pay the PEMHCA minimum after the retiree buys medical insurance through the District.

▶ Dental and vision benefits

All Firefighter members must pay 100% of the premiums for dental and vision coverage.

Surviving spouses or domestic partners

A surviving spouse or domestic partner will be eligible to receive the same percentage of the medical premiums paid for by the District as the retiree was receiving at the time of death.

**Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
Benefit Plan Provisions**

A surviving spouse or domestic partner of an active employee will be eligible to receive medical coverage paid for by the District only if the active employee had attained ten years of service and age 55 (if a Miscellaneous employee) or age 50 (if a Safety employee). The amount surviving spouse or domestic partner may receive equals the percentage that the active employee could have received if he or she had retired at the time of death.

PEMHCA Minimum Contribution

All employees who were hired after June 30, 2009 are only entitled to the PEMHCA minimum upon retirement regardless of coverage elected. For the calendar year 2017, the PEMHCA minimum is \$128 per month and for 2018 is \$133 per month.

Premium Costs

The District participates in the CalPERS Health Program, a community-rated program for its medical coverage. The following tables summarize the 2019 monthly premiums for the primary medical plans in which the retirees are enrolled.

2019 Bay Area	Kaiser	BS HMO	PERSCare	PERSChoice	PERS Select
Retiree Only	\$ 768.25	\$ 970.90	\$ 1,131.68	\$ 866.27	\$ 543.19
Retiree Plus Spouse	\$ 1,536.50	\$ 1,941.80	\$ 2,263.36	\$ 1,732.54	\$ 1,086.38
Retiree Plus Family	\$ 1,997.45	\$ 2,524.34	\$ 2,942.37	\$ 2,252.30	\$ 1,412.29
Retiree Only- Medicare	\$ 323.74	N/A	\$ 394.83	\$ 360.41	\$ 360.41
Retiree Plus Spouse - Medicare	\$ 647.48	N/A	\$ 789.66	\$ 720.82	\$ 720.82

2019 Bay Area (Continued)	UHC HMO	Anthem HMO Select	Anthem HMO Traditional	Health Net Smart Care
Retiree Only	N/A	\$ 831.44	\$ 1,111.13	\$ 901.55
Retiree Plus Spouse	N/A	\$ 1,662.88	\$ 2,222.26	\$ 1,803.10
Retiree Plus Family	N/A	\$ 2,161.74	\$ 2,888.94	\$ 2,344.03
Retiree Only- Medicare	\$ 299.37	N/A	\$ 357.44	N/A
Retiree Plus Spouse - Medicare	\$ 598.74	N/A	\$ 714.88	N/A

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
Benefit Plan Provisions

2020 Region 1	Kaiser	BS Access+	BS Trio	PERS Care	PERS Choice	PERS Select
Retiree Only	\$ 768.49	\$1,127.77	\$ 833.00	\$1,133.14	\$ 861.18	\$ 520.29
Retiree Plus Spouse	\$1,536.98	\$2,255.54	\$1,666.00	\$2,266.28	\$1,722.36	\$1,040.58
Retiree Plus Family	\$1,998.07	\$2,932.20	\$2,165.80	\$2,946.16	\$2,239.07	\$1,352.75
Retiree Only- Medicare	\$ 339.43	N/A	N/A	\$ 384.78	\$ 351.39	\$ 351.39
Retiree Plus Spouse - Medicare	\$ 678.86	N/A	N/A	\$ 769.56	\$ 702.78	\$ 702.78

2020 Region 1 (Continued)	UHC HMO	Anthem HMO Select	Anthem HMO Traditional	Health Net Smart Care	Western Health Advantage
Retiree Only	\$ 899.94	\$ 868.98	\$1,184.84	\$1,000.52	\$ 731.96
Retiree Plus Spouse	\$1,799.88	\$1,737.96	\$2,369.68	\$2,001.04	\$1,463.92
Retiree Plus Family	\$2,339.84	\$2,259.35	\$3,080.58	\$2,601.35	\$1,903.10
Retiree Only- Medicare	\$ 327.03	\$ 388.15	\$ 388.15	N/A	N/A
Retiree Plus Spouse - Medicare	\$ 654.06	\$ 766.30	\$ 766.30	N/A	N/A

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
Actuarial Assumptions and Methods

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

Fiscal Year:	July 1 st to June 30 th
Valuation Date:	June 30, 2019
Measurement Date:	June 30, 2019 for FYE 6/30/2020
Funding Policy:	Fund a recommended actuarially determined contribution (ADC) to fully fund the benefits over a reasonable period of time through an amortization of the net (unfunded) OPEB liability.
Expected Rate of Return:	7.0% per annum. This discount rate assumes the District continues to fully fund for its retiree health benefits through the California Employers' Retiree Benefit Trust (CERBT) under its investment allocation strategy 1. The rate reflects the CERBT published median interest rate for strategy 1 of 7.28% with an additional margin for adverse deviation.
Discount Rate:	7.0% per annum.
Salary Increases:	3.5% per annum
Inflation:	3.0% per annum, in aggregate
Pre-retirement Turnover:	Sample rates for Miscellaneous employees are as follows:

Age	Years of Service							
	0	1	2	3	4	5-9	10-14	15-19
20	15.0%	9.0%	7.0%	7.0%	7.0%	7.0%	5.3%	3.0%
25	15.0%	9.0%	7.0%	7.0%	7.0%	7.0%	5.3%	3.0%
30	15.0%	9.0%	7.0%	7.0%	7.0%	7.0%	5.3%	3.0%
35	15.0%	9.0%	7.0%	7.0%	7.0%	6.8%	4.5%	2.5%
40	15.0%	9.0%	7.0%	7.0%	7.0%	4.8%	3.2%	2.0%
45	15.0%	9.0%	7.0%	7.0%	7.0%	3.8%	2.5%	1.7%
50	15.0%	9.0%	7.0%	7.0%	7.0%	2.1%	0.0%	0.0%
55	15.0%	9.0%	7.0%	7.0%	7.0%	1.2%	0.0%	0.0%
60	15.0%	9.0%	7.0%	7.0%	7.0%	1.2%	0.0%	0.0%

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
Actuarial Assumptions and Methods

Sample rates for Safety employees are as follows:

Age	Years of Service					
	0	1	2	3	4	5-19
20	8.0%	5.0%	4.0%	4.0%	4.0%	2.1%
30	8.0%	5.0%	4.0%	4.0%	4.0%	3.5%
40	8.0%	5.0%	4.0%	4.0%	4.0%	1.1%

Pre-retirement Mortality: The RPH-2014 Total Dataset Mortality Tables Projected Fully Generational using Scale MP-2014. Rates are assumed to have sufficient provisions to reasonably reflect future mortality improvements.

Post-retirement Mortality (Non-disabled Retirees): The RPH-2014 Total Dataset Mortality Tables Projected Fully Generational using Scale MP-2014. Rates are assumed to have sufficient provisions to reasonably reflect future mortality improvements.

Post-retirement Mortality: (Disabled Retirees) The RPH-2014 Disabled Retiree Mortality Tables Projected Fully Generational using Scale MP-2014. Rates are assumed to have sufficient provisions to reasonably reflect future mortality improvements.

Industrial Disability Rates: Sample disabilities per 1,000 employees are as follows:

Age	Miscellaneous		Safety	
	Male	Female	Male	Female
25	0.8	0.8	1.7	1.7
30	1.3	1.3	4.0	4.0
35	1.6	1.6	6.1	6.1
40	2.1	2.1	13.0	13.0
45	2.6	2.6	12.5	12.5
50	3.1	3.1	14.1	14.1
55	3.3	3.3	42.9	42.9

Non-Industrial
 Disability Rate:

Sample disabilities per 1,000 employees are as follows:

Age	Miscellaneous		Safety	
	Male	Female	Male	Female
25	0.1	0.1	0.3	0.3
30	0.1	0.1	0.5	0.5
35	0.2	0.2	0.7	0.7
40	0.3	0.3	1.6	1.6
45	0.5	0.5	2.6	2.6
50	0.9	0.9	3.6	3.6
55	1.6	1.6	4.6	4.6

Retirement Rates:

Sample retirement rates for Miscellaneous employees are as follows:

Age	Years of Service		
	<20	20-29	30+
50-54	4.0%	4.0%	4.0%
55	8.0%	10.0%	25.0%
56	4.0%	4.0%	25.0%
57	4.0%	6.0%	25.0%
58	4.0%	8.0%	25.0%
59	8.0%	10.0%	25.0%
60-61	8.0%	10.0%	35.0%
62-74	20.0%	20.0%	35.0%
75-79	25.0%	25.0%	35.0%
80+	100.0%	100.0%	100.0%

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
Actuarial Assumptions and Methods

Sample retirement rates for Safety employees are as follows:

Age	3% at 50			3% at 55		
	Service at Retirement					
	<20	20-29	30+	<20	20-29	30+
40-49	0.0%	3.0%	3.0%	0.0%	1.0%	1.0%
50	25.0%	25.0%	50.0%	5.0%	5.0%	30.0%
51-53	10.0%	10.0%	20.0%	5.0%	5.0%	30.0%
54	10.0%	10.0%	20.0%	5.0%	15.0%	30.0%
55	25.0%	25.0%	50.0%	20.0%	40.0%	50.0%
56	25.0%	25.0%	50.0%	10.0%	30.0%	50.0%
57-59	25.0%	25.0%	50.0%	10.0%	20.0%	50.0%
60-64	50.0%	50.0%	50.0%	30.0%	30.0%	50.0%
65+	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

For new Safety employees subject to PEPPRA, the retirement rates under the most recent CalPERS pension plan valuation. According to the retirement table:

Safety Fire Tier 3: 2.7% @57

- Participation Rates:** The probability of electing coverage at retirement is assumed to be the same as the percentage of premium provided by the District, with a 35% minimum participation rate for those only eligible for the PEMHCA minimum contribution.
- Spouse Coverage:** 65% of those electing coverage are assumed to elect coverage for themselves and their spouse. Female spouses are assumed to be three years younger than male spouses. Spouse coverage and spouse age for current retirees is based on actual coverage and actual spouse age.
- Dependent Coverage:** Not explicitly valued.
- Plan Election:** Of those who elect coverage, Tier 1 Administrators, Tier 1 and Tier 2 Chief Officers are assumed to elect coverage under the PERSCare plan. All other active members are assumed to elect the Blue Shield Access+ Plan. Retiree members are assumed to continue their current plan election.
- Claim Cost Development:** The valuation claim costs are based on the premiums paid for medical insurance coverage. The District participates in CalPERS, a community rated plan. An implicit rate subsidy can exist when the non-Medicare rates for retirees are the same as for active employees. Since non-Medicare eligible retirees are typically much older than active employees, their actual medical costs are typically higher than for active employees. The current valuation contains an estimate of the implicit rate subsidy.

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2019)
Actuarial Assumptions and Methods

Medical Trend Rates:

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

Year	PPO	HMO	Dental	Vision	PEMHCA Minimum
2020	Actual	Actual	Actual	Actual	Actual
2021	5.5%	5.0%	3.5%	3.5%	4.0%
2022+	5.0%	5.0%	3.5%	3.5%	4.0%

Actuarial Cost Method:

The actuarial cost method used to determine the allocation of the retiree health actuarial liability to the past (accrued), current and future periods is the Entry Age Normal (EAN) cost method. The EAN cost method is a projected benefit cost method which means the “cost” is based on the projected benefit expected to be paid at retirement.

The EAN normal cost equals the level annual amount of contribution from the employee’s date of hire (entry date) to their retirement date that is sufficient to fund the projected benefit. As required by GASB 75, the normal cost is calculated to remain level as a percentage of pay. The EAN actuarial accrued liability equals the present value of all future benefits for retired and current employees and their beneficiaries less the portion expected to be funded by future normal costs.

All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the District were included in the valuation.

Actuarial Value of Assets:

Any assets of the plan will be valued on a market value basis.

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

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

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

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