

STAFF REPORT



Meeting Date: October 21, 2020
To: Board of Directors
From: Michael J. Aho – District Administrator
Subject: GASB 75 Actuarial Valuation Report Update
Prepared By: Jennifer Larkin, Administrative Services Manager

I. Recommendation

- Receive and file updated GASB 75 Actuarial Valuation for Other Post-Employment Benefits (OPEB) Liabilities for the Fiscal Year Ending (FYE) 2020.

II. Background

The Governmental Accounting Standards Board (GASB) is a non-profit organization that formulates accounting standards for state and local governments to improve the relevance of financial reporting. GASB 75, the most recent set of standards, requires the measurement, recognition and display of Other Post-Employment Benefits (OPEB) expenses and related liabilities (assets), note disclosures, and if applicable, required supplementary information in the financial reports of state and local governmental employers. Other post-employment benefits consist of post-employment healthcare benefits (including medical, dental, vision and other health-related benefits) but in the District's case only medical benefits are included in the actuarial valuation report. The information in this report will be used by the auditor in the preparation of the financial statement for FY 2019-2020.

GASB 75 requires a full actuarial valuation to be done every other year with a "re-measurement" done between full valuations. This report (Attachment A) does the following:

1. Re-measures plan liabilities as of June 30, 2019;
2. Develops the Actuarially Determined Contribution (ADC) levels for prefunding plan benefits;

3. Provides information to be submitted to the California Employers' Retiree Benefit Trust (CERBT) that the District participates in;
4. Provides information required by GASB 75 to be included on the financial statements for FY19-20.

The report, prepared by MacLeod Watts, utilized census data provided by the District as of June 30, 2019. There were no material changes to the District's health benefits program from 2018 to 2019; there was a change to the number of active employees (1 fewer than prior year). Differences between actual and expected results, due to updated census and premium data, have been reflected in the report as "plan experience."

The District did participate in the CERBT prefunding trust last fiscal year but the ad hoc contribution was not done within the measured time period. The District's OPEB funding policy for this report was considered pay-as-you-go, or PAYGO since the total amount allocated to the CERBT did not meet the full actuarial determined contribution (ADC) for last year. This lowers the discount rate used by the actuary in determining the OPEB liability calculation. The more the District contributes, the higher the discount rate and the better the Net Position.

III. Problem /Situation/ Request

For the FYE 2020, the total OPEB liability was calculated to be \$2.6 million. This includes the actual present value of the projected benefits for both active employees (\$1.6M) and retired employees (\$970K). This is an increase over the prior valuation of \$2.5M, but less than the projected increase which was calculated in the prior year of \$2.78M. The reason for the decrease the lower cost of premiums than what was anticipated.

IV. Financial Analysis

With each actuarial valuation there is a calculated ADC, the amount which is recommended to put aside for pre-funding. The District was able to set aside \$40K in FY19-20, which was less than the ADC of \$205K. Between the actual premium costs paid for retiree benefits of 50K, which includes an implicit contribution of \$9,930, and the 40K set aside, there was a deficiency of \$115K. This is reflected in the total ADC for the current FY, which is \$220K (pg 22 of the report). With the impact of Covid on the economy and on the District's budget, there was no allocation to the CERBT this year, and that will be reflected in the valuation done for FYE 2021.

Respectfully Submitted,

Michael J. Aho
District Administrator

Attachment A: Actuarial Report on GASB 75 OPEB Valuation