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City of El Paso de Robles

Nyhart Actuary & Employee Benefits

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GASB No. 75 ACTUARIAL VALUATION

Fiscal Year Ending June 30, 2020

(Measured at June 30, 2020)

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2020)
Table of Contents

Certification	1
Valuation Results Summary	3
GASB 75 Summary	4
Statement of Fiduciary Net Position	5
Statement of Changes in Fiduciary Net Position	6
Schedule of Changes in Net OPEB Liability and Related Ratios	7
OPEB Expense	8
Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB	9
Rate of Return	10
Net OPEB Liability Sensitivity	11
Schedule of Contributions	12
Valuation Data	13
Benefit Plan Provisions	14
Actuarial Assumptions and Methods	16
Glossary	20

Mr. Ryan Cornell
City of El Paso de Robles
821 Pine Street, Suite A
Paso Robles, CA 93446

12/1/2020

This report summarizes the GASB actuarial valuation for the City of El Paso de Robles's Other Post Employment Benefit (OPEB) for the fiscal year ending June 30, 2020 (measured at June 30, 2020). 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.

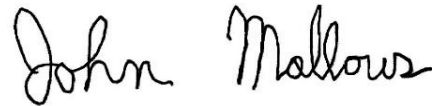
To our knowledge, there have been no significant events prior to the current year's measurement date or as of the date of this report that could materially affect the results contained herein.

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.

A handwritten signature in black ink, appearing to be 'S Datta'.

Suraj Datta, ASA, MAAA, MBA
Consulting Actuary

A handwritten signature in black ink, appearing to be 'John Mallows'.

John Mallows, FSA, MAAA
Valuation Actuary

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

As of Valuation Date: June 30, 2020

Present Value of Employer Contributions	Explicit	Implicit	Total
Actives	\$ 15,314,553	\$ 5,686,445	\$ 21,000,998
Retirees	8,960,208	835,659	9,795,867
Total	\$ 24,274,761	\$ 6,522,104	\$ 30,796,865

Total (Accrued) OPEB Liability			
Actives	\$ 5,272,478	\$ 1,889,630	\$ 7,162,108
Retirees	8,960,208	835,659	9,795,867
Total	\$ 14,232,686	\$ 2,725,289	\$ 16,957,975

Projected Employer Contributions	Explicit	Implicit	Total
2020-21	\$ 582,665	\$ 98,314	\$ 680,979
2021-22	599,158	117,247	716,405
2022-23	614,541	134,152	748,693
2023-24	629,228	127,953	757,181
2024-25	643,798	142,516	786,314
2025-26	658,112	144,939	803,051
2026-27	672,830	147,242	820,072
2027-28	687,763	136,847	824,610
2028-29	701,987	162,749	864,736
2029-30	715,958	188,745	904,703

Actuarial Assumptions as of Valuation Date

Inflation	2.75%
Salary increases	2.75%, plus merit scale
Discount rate	3.00%

Plan Membership

Inactive plan members or beneficiaries currently receiving benefits*	109
Inactive plan members entitled to but not yet receiving benefits**	7
Active plan members	192
	308

*Includes inactive plan members who are receiving health coverage or a reimbursement

**Includes inactive plan members under the age of 65 who are currently waiving coverage. Additionally, there are 23 post-65 retirees waiving coverage who have not been included in the counts

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

Net OPEB Liability

The components of the Net OPEB Liability at June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability	\$ 16,957,975	\$ 14,991,444	\$ 13,888,468
Plan fiduciary net position	(7,526,912)	(7,536,826)	(7,269,966)
Net OPEB Liability	<u>\$ 9,431,063</u>	<u>\$ 7,454,618</u>	<u>\$ 6,618,502</u>
Plan fiduciary net position as a % of the Total OPEB Liability	44.39%	50.27%	52.35%
OPEB Expense for the Fiscal Year Ended June 30,	\$ 1,147,676	\$ 771,680	\$ 641,312

Actuarial Assumptions

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

Inflation	2.75%	2.75%	2.75%
Salary increases	2.75%, plus merit scale	Salary Scale	Salary Scale
Investment rate of return	6.00%	6.00%	6.00%
Discount rate	3.00%	3.70%	3.99%

Plan Membership

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

	<u>2020</u>	<u>2018</u>	<u>2018</u>
Inactive plan members or beneficiaries currently receiving benefits	109	94	94
Inactive plan members entitled to but not yet receiving benefits	7	7	7
Active plan members	<u>192</u>	<u>183</u>	<u>183</u>
	308	284	284

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

	June 30, 2020
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:	
Balanced Funds	\$ 7,507,112
Stable Value	\$ 19,800
Total investments	\$ 7,526,912
Total assets	\$ 7,526,912
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	\$ 7,526,912

Note: This information will be provided separately from quarterly financial statements.

Retiree Health Plan

GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2020)

Statement of Changes in Fiduciary Net Position

Additions	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Contributions:			
Employer	\$ 447,814	\$ 455,146	\$ 130,500
Member	0	0	0
Nonemployer Contributing Entity	0	0	0
Total contributions	<u>\$ 447,814</u>	<u>\$ 455,146</u>	<u>\$ 130,500</u>
Investment income:			
Net increase in fair value of investments	\$ 216,352	\$ 381,914	\$ 653,066
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>\$ 216,352</u>	<u>\$ 381,914</u>	<u>\$ 653,066</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>\$ 216,352</u>	<u>\$ 381,914</u>	<u>\$ 653,066</u>
Other	0	0	0
Total additions	<u>\$ 664,166</u>	<u>\$ 837,060</u>	<u>\$ 783,566</u>
Deductions			
Benefit payments	\$ 674,080	\$ 570,200	\$ 458,739
Administrative expense	0	0	0
Other expense	0	0	0
Total deductions	<u>\$ 674,080</u>	<u>\$ 570,200</u>	<u>\$ 458,739</u>
Net increase in net position	<u>\$ (9,914)</u>	<u>\$ 266,860</u>	<u>\$ 324,827</u>
Net position restricted for OPEB			
Beginning of year	<u>\$ 7,536,826</u>	<u>\$ 7,269,966</u>	<u>\$ 6,945,139</u>
End of year	<u>\$ 7,526,912</u>	<u>\$ 7,536,826</u>	<u>\$ 7,269,966</u>

Note: The employer contributions include retiree benefit payments inclusive of subsidy not reimbursed from the trust. The Contributions - Employer and Benefit Payments include our actuarial estimate of the implicit benefit payment which is \$98,713.

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

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 653,372	\$ 594,575	\$ 579,776
Interest	566,388	566,498	537,631
Changes of benefit terms	0	0	0
Differences between expected and actual experience	(574,832)	0	0
Changes of assumptions	1,995,683	512,103	(99,964)
Benefit payments, including refunds of member contributions	(674,080)	(570,200)	(458,739)
Net change in Total OPEB Liability	<u>1,966,531</u>	<u>1,102,976</u>	<u>558,704</u>
Total OPEB Liability - beginning	<u>14,991,444</u>	<u>13,888,468</u>	<u>13,329,764</u>
Total OPEB Liability - ending (a)	<u>\$ 16,957,975</u>	<u>\$ 14,991,444</u>	<u>\$ 13,888,468</u>
Plan fiduciary net position			
Contributions - employer	\$ 447,814	\$ 455,146	\$ 130,500
Contributions - member	0	0	0
Contributions - nonemployer contributing member	0	0	0
Net investment income	216,352	381,914	653,066
Benefit payments, including refunds of member contributions	(674,080)	(570,200)	(458,739)
Administrative expenses	0	0	0
Other expense	0	0	0
Net change in plan fiduciary net position	<u>\$ (9,914)</u>	<u>266,860</u>	<u>\$ 324,827</u>
Plan fiduciary net position - beginning	<u>7,536,826</u>	<u>7,269,966</u>	<u>6,945,139</u>
Plan fiduciary net position - ending (b)	<u>\$ 7,526,912</u>	<u>\$ 7,536,826</u>	<u>\$ 7,269,966</u>
Net OPEB Liability - ending (a) - (b)	<u>\$ 9,431,063</u>	<u>\$ 7,454,618</u>	<u>\$ 6,618,502</u>
Plan fiduciary net position as a percentage of the total OPEB liability	44.4%	50.3%	52.3%
Covered - employee payroll	\$ 16,841,923	\$ 15,723,440	\$ 14,195,241
Net OPEB Liability as percentage of covered-employee payroll	56.0%	47.4%	46.6%

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 653,372	\$ 594,575	\$ 579,776
Interest on Total OPEB Liability	566,388	566,498	537,631
Projected earnings on OPEB plan investments	(445,422)	(432,746)	(406,861)
Reduction for contributions from active employees	0	0	0
OPEB plan administrative expense	0	0	0
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	(114,966)	0	0
Changes of assumptions	481,565	82,428	(19,993)
Differences between Projected & Actual Earnings on OPEB Plan Investments	6,739	(39,075)	(49,241)
Annual OPEB Expense	<u>\$ 1,147,676</u>	<u>\$ 771,680</u>	<u>\$ 641,312</u>

Retiree Health Plan

GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2020)
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	06/30/2020 Balance
June 30, 2020	\$ (574,832)	5	\$ (114,966)	\$ (459,866)
June 30, 2019	0	5	0	0
Total			\$ (114,966)	\$ (459,866)

Changes of assumptions for the period ending:	Initial Balance	Initial Amortization Period	Annual Recognition	06/30/2020 Balance
June 30, 2020	\$ 1,995,683	5	\$ 399,137	\$ 1,596,546
June 30, 2019	512,103	5	102,421	307,261
June 30, 2018	(99,964)	5	(19,993)	(39,985)
Total			\$ 481,565	\$ 1,863,822

Differences between projected and actual earnings on OPEB plan investments for the period ending:	Initial Balance	Initial Amortization Period	Annual Recognition	06/30/2020 Balance
June 30, 2020	\$ 229,070	5	\$ 45,814	\$ 183,256
June 30, 2019	50,832	5	10,166	30,500
June 30, 2018	(246,205)	5	(49,241)	(98,482)
Total			\$ 6,739	\$ 115,274

The balances as of June 30, 2020 of the deferred outflows/(inflows) of resources will be recognized in OPEB expense for the period ending June 30,

2021	\$	373,338
2022	\$	373,339
2023	\$	442,572
2024	\$	329,981
2025	\$	0
Thereafter	\$	0

Retiree Health Plan
GASB 75 Report Fiscal Year Ending June 30, 2020 (Measured at June 30, 2020)
Rate of Return

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, 2020 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Domestic Equity	49.0%	4.75%
International Equity	23.0%	5.00%
Domestic Fixed Income	23.0%	1.50%
International Fixed Income	3.0%	1.75%
Alternatives	2.0%	5.00%
Cash	0.0%	0.00%
Total	100.0%	

Long-term expected rate of return is 6.00%.

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

Discount rate

The discount rate used to measure the Total OPEB Liability is 3.00%.

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 3.00%, as well as what the Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.00%) or 1-percentage-point higher (4.00%) than the current rate:

	1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
Net OPEB Liability	\$ 11,981,929	\$ 9,431,063	\$ 7,369,844

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	\$ 8,405,590	\$ 9,431,063	\$ 11,093,591

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

This schedule is not required for plans not funding actuarially determined contributions.

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

The valuation was based on the census furnished to us by the City. 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 Retired Participants & Beneficiaries*

	Covered	Waives	Total
<50	0	1	1
50-54	6	1	7
55-59	19	1	20
60-64	21	4	25
65-69	27	1	28
70-74	25	6	31
75-79	6	7	13
80+	5	9	14
Total:	109	30	139
Average Age:	66.0	75.3	68.2
Average Retirement Age:	56.9	53.5	56.2

Age/Service Distribution of All Active Eligible Employees*

Age	Service									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	
<20	0									0
20-24	5									5
25-29	13	1								14
30-34	25	9	0							34
35-39	21	8	10	0	0					39
40-44	8	3	9	4	2					26
45-49	5	7	3	9	1					25
50-54	6	4	4	3	4	2	0			23
55-59	0	2	4	2	1	0	2	1		12
60-64	2	1	2	2	1	2	0	0		10
65-69	0	0	1	0	0	1	0	1		3
70+	1	0	0	0	0	0	0	0	0	1
Total:	86	35	33	20	9	5	2	2	0	192
Average Age:			42.6							
Average Service:			8.7							
Total Payroll:			\$16,740,739							

* Retirees exclude 2 and actives exclude 7 ineligible employees who were Elected Board members or Part-Time employees. Additionally, there are 5 retirees who are only eligible for the City's partial PEMHCA minimum contribution amount.

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

The City provides the minimum required employer contribution (MRC) under the PEMHCA unequal method to retirees of the City who are members of the California Public Employees' Retirement System. Benefit provisions are established and amended through negotiations between the City and the employee labor groups. The partial MRC is scheduled to increase (5% per year based on years of participation to 100%) in the future to the full MRC under PEMHCA. The employer MRC is statutorily set under PEMHCA and is scheduled to increase in the future based on the medical portion of CPI. A history of the full MRC and the City's (partial) MRC is presented below:

Calendar Year	Full MRC	City's MRC
2015	\$122.00	\$ 1.00
2016	\$125.00	\$ 6.25
2017	\$128.00	\$12.80
2018	\$133.00	\$19.95
2019	\$136.00	\$27.20
2020	\$139.00	\$34.75
2021+	Adjusted annually to reflect the Medical portion of CPI	Adjusted annually to reflect Medical portion of CPI & Years of Participation

Eligibility for the City's MRC requires retirement from the City and commencement of the employee's pension within 120 days. Employees may retire under service retirement (on or after age 50 with at least 5 years of total CalPERS service) or under Disability Retirement (after at least 5 years of total CalPERS service). The surviving spouse of an eligible retiree is eligible for the City's MRC upon the death of the retiree.

In addition to the City's contribution under PEMHCA stated above, employees hired prior to January 1, 2012 who reach age 50, and have completed 10 years of City service, will be eligible to receive a supplemental City contribution towards healthcare premiums for the remainder of their lifetimes. The total contribution (including the City's MRC above) shall not exceed \$500 per month. Retirees have the option of remaining on the CalPERS Health Plan or electing outside healthcare coverage. Employees hired on or after January 1, 2012 must reach age 50 with 20 years of service to be eligible for benefits and end at age 65. The total contribution (including the City's MRC above) shall not to exceed \$500 per month prior to age 65 and shall equal the PEMHCA contribution above after reaching age 65.

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

Premium Rates

The City participates in the CalPERS Health Program, a community-rated program, for medical coverage. The tables below summarize the calendar 2020 monthly medical premiums for the primary medical plans in which the retirees are enrolled.

2020 Region 2	Kaiser	BS HMO	PERS Care	PERS Choice	PERS Select
Retiree Only	\$ 645.24	\$ 909.87	\$ 986.66	\$ 736.28	\$ 451.54
Retiree Plus Spouse	\$1,290.48	\$1,819.74	\$1,973.32	\$1,472.56	\$ 903.08
Retiree Plus Family	\$1,677.62	\$2,365.66	\$2,565.32	\$1,914.33	\$1,174.00
Retiree Only- Medicare	\$ 339.43	N/A	\$ 384.78	\$ 351.39	\$ 351.39
Retiree Plus Spouse – Medicare	\$ 678.86	N/A	\$ 769.56	\$ 702.78	\$ 702.78

2020 Region 2 (Continued)	Sharp	UHC HMO	Anthem HMO Select	Anthem HMO Traditional	Health Net Smart Care	Health Net Salud
Retiree Only	\$ 606.02	\$ 671.60	\$ 654.04	\$ 934.95	\$ 719.26	\$ 435.14
Retiree Plus Spouse	\$1,212.04	\$1,343.20	\$1,308.08	\$1,869.90	\$1,438.52	\$ 870.28
Retiree Plus Family	\$1,575.65	\$1,746.16	\$1,700.50	\$2,430.87	\$1,870.08	\$1,131.36
Retiree Only- Medicare	N/A	\$ 327.03	\$ 388.15	\$ 388.15	N/A	N/A
Retiree Plus Spouse – Medicare	N/A	\$ 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, 2020)
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, 2020
Measurement Date:	June 30, 2020 for FYE 6/30/2020
Funding Practice:	The City does not currently have a pre-funding policy but has been making annual contributions of \$349,500 to the Trust. The projection of cash flows used to determine the discount rate assumed future pre-funding contributions of \$349,500 are made to the Trust.
Asset Return:	6.0% per annum.
Discount Rate:	3.00%. Based on a blend of asset expected rate of return and 2.66% using a range of 3 – 20 year municipal bond rate indices. S&P Municipal Bond 20-year High Grade Rate Index, Bond Buyer 20-Bond GO Index, Fidelity GO AA 20 Year Bond Index. <i>[The discount rate as of the June 30, 2019 measurement date was 3.70%.]</i>
Inflation:	2.75% per annum
Payroll Increases:	2.75% per annum, plus merit scale increases <i>[The prior valuation used a rate of 3.0% and has been updated to reflect the 2017 experience study for the CalPERS pension plan.]</i>
Merit Increases:	Merit increases from the 2017 CalPERS pension plan valuation. The benefits are not payroll related but each individual's projected cost is allocated over their lifetime as a level-percentage of pay.

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

Pre-retirement Turnover: According to the termination rates under the most recent CalPERS pension plan valuation. Sample rates for Miscellaneous employees are as follows:

Service	Entry Age			
	20	30	40	50
0	17.42%	16.06%	14.68%	13.32%
5	6.34%	5.67%	4.80%	3.68%
10	4.16%	3.75%	2.86%	1.97%
15	2.52%	2.16%	1.43%	0.47%
20	1.76%	1.30%	0.52%	0.08%
25	1.00%	0.53%	0.08%	0.01%
30	0.2%	0.08%	0.01%	0.01%

Sample rates for Firefighter employees are as follows:

Service	Entry Age			
	20	30	40	50
0	12.98%	12.98%	12.98%	12.98%
5	1.46%	1.46%	1.46%	1.46%
10	0.69%	0.69%	0.69%	0.69%
15	0.52%	0.52%	0.52%	0.52%
20	0.41%	0.41%	0.41%	0.41%
25	0.28%	0.28%	0.28%	0.28%
30	0.16%	0.16%	0.16%	0.16%

Sample rates for Police employees are as follows:

Service	Entry Age			
	20	30	40	50
0	10.1%	10.1%	10.1%	10.1%
5	2.5%	2.5%	2.5%	0.9%
10	1.8%	1.8%	0.5%	0.5%
15	1.1%	1.1%	0.3%	0.3%
20	0.8%	0.2%	0.2%	0.2%
25	0.7%	0.1%	0.1%	0.1%
30	0.1%	0.1%	0.1%	0.1%

[Rates have been updated to the CalPERS 2017 experience study from the 2014 experience study for the pension plan.]

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

Mortality:

General	SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2019
Public Safety	SOA Pub-2010 Public Safety Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2019
Surviving Spouses	SOA Pub-2010 Contingent Survivors Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2019

[Rates have been updated to the CalPERS 2017 experience study from the 2014 experience study for the pension plan.]

Retirement Age:

According to the retirement rates under the most recent CalPERS pension plan valuation. According to the following retirement tables:

Miscellaneous Tier 1: 2.5% @55

Miscellaneous Tier 2: 2.0% @60

Miscellaneous Tier 3: 2.0% @62

Police Tier 1: 3.0% @50

Police Tier 2: 3.0% @55

Police Tier 3: 2.7% @57

Firefighter Tier 1: 3.0% @55

Firefighter Tier 2: 3.0% @55

Firefighter Tier 3: 2.7% @57

[Rates have been updated to the CalPERS 2017 experience study from the 2014 experience study for the pension plan.]

Participation Rates:

100% of eligible active employees are assumed to elect medical coverage at retirement. Future retirees are assumed to elect similar coverage as current retirees. Actual plan coverage is used for current retirees.

Spouse Coverage:

50% of future retirees are assumed to elect coverage for their spouse. Male spouses are assumed to be 3 years older than female spouses. Actual spouse coverage and spouse ages are used for current retirees.

Dependent Coverage:

Not explicitly valued.

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

Claim Cost Development: The valuation claim costs are based on the premiums paid for medical insurance coverage. The City 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.

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

FYE	
2020	6.50%
2021	6.25%
2022	6.00%
2023	5.75%
2024	5.50%
2025	5.25%
2026	5.00%
2027	4.75%
2028+	4.50%

Medicare Participation: 100%

Minimum Contribution: The minimum required contribution increases each year based on medical portion of CPI. The assumed increase is 4% per year.

Maximum Contribution: The City's maximum contribution is assumed to remain constant in all future years.

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.

Actuarial Value of Assets: Eligible plan assets 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).