October 8, 2021

Steven Smith
County Administrative Officer
Sutter County
1160 Civic Center Blvd., Suite A
Yuba County, CA 95993

Re: Sutter County Other Post-Employment Benefits
GASB 75 Actuarial Report for the Fiscal Year Ending June 30, 2021

Dear Mr. Smith:

We are pleased to enclose our actuarial report providing actuarial information regarding the other post-employment benefit (OPEB) liabilities of Sutter County. The primary purpose of this report is to provide information required by GASB 75 ("Accounting and Financial Reporting for Postemployment Benefits Other Than Pension") to be reported in the County's financial statements for the fiscal year ending June 30, 2021. The report's text describes our analysis and assumptions in detail.

The information included in this report reflects the County's establishment of an irrevocable OPEB trust during the fiscal year ending June 30, 2021. Since this trust account did not exist on the Measurement Date (June 30, 2020), plan assets (Fiduciary Net Position) reflected in this report equal $0. The discount rate used in this report continues to be based on a 20-year high grade municipal bond rate, as required under GASB 75. We did reflect the County's initial trust contribution as a deferred contribution made after the measurement date.

The exhibits presented are based on the results of an actuarial valuation prepared as of June 30, 2019, and on the employee and plan data provided to us for that valuation. The County also provided information on retiree benefit payments and other OPEB contributions for the current fiscal year. As with any analysis, the soundness of the report is dependent on the inputs. Please review the information shown in the report to be comfortable that it matches your records.

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

Sincerely,

Catherine L. MacLeod

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

Enclosure

Sutter County

GASB 75 Actuarial Report

Measured as of June 30, 2020

For Fiscal Year End June 30, 2021 Financial Reporting

Submitted October 2021

MacLeod Watts

Table of Contents

A. Executive Summary

This report presents actuarial information regarding the other post-employment benefit (OPEB) program of Sutter County (the County). The purpose of this valuation is to assess the OPEB liabilities and provide disclosure information required by Statement No. 75 of the Governmental Accounting Standards Board (GASB 75) for the fiscal year ending June 30, 2021. **Results broken out between the County and the Children and Families Commission are shown in Appendices 1A and 1B.**

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. These exhibits were developed from a rollforward of the June 30, 2019, valuation.

A new actuarial valuation will need to be prepared as of June 30, 2021, before the GASB 75 report can be completed for the County's fiscal year ending June 30, 2022.

OPEB Obligations of the County

The County provides continuation of medical coverage to its retiring employees. This coverage may 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 County pays a portion of medical premiums for qualifying retirees. Details are provided in Supporting Information Section 2.

- **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 County's program, the claims experience of active employees and pre-Medicare retirees is co-mingled in setting premium rates for the plans in which County employees and retirees participate. As is the nature of group premium rate structures, at some ages, retirees may be expected to experience higher claims than the premiums they pay, where at other ages, the reverse may be true.

  We determine the implicit rate subsidy for pre-Medicare retirees as the difference between (a) projected retiree age-adjusted medical premiums and (b) premiums projected to be charged for retiree coverage. For more information on this process see Section 3 and Addendum 2: MacLeod Watts Age Rating Methodology.

  Coverage under the County's medical plans does not continue beyond the eligibility age for Medicare. Medicare-eligible retirees are offered coverage under separate fully insured plans with no implicit subsidy by active employees. Given the modest size of the County's portion of the premium, we expect any potential implicit subsidy between Medicare-covered retirees within the pool to be paid fully by retirees and not by the County.

Executive Summary
(Continued)

OPEB Funding Policy

The County's OPEB funding policy affects the calculation of liabilities by impacting the discount rate 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 that 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.

While the County established an OPEB trust during the fiscal year ending June 30, 2021, to begin prefunding the plan, no trust had been established as of the Measurement Date. Accordingly, with the County's approval, the discount rate used in this valuation continues to be based on the S&P General Obligation Municipal Bond 20 Year High Grade Bond Index. As of the beginning and end of the Measurement Period, use of this index results in discount rates of 2.79% on June 30, 2019, and 2.66% on June 30, 2020.

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 County 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 End	June 30, 2021
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	June 30, 2019 to June 30, 2020

Executive Summary
(Concluded)

Significant Results and Differences from the Prior Valuation

This report is based on a roll forward of the June 30, 2019, valuation. No benefit changes and no material changes were reported to MacLeod Watts during the measurement period. Accordingly, no plan or census data was gathered, and no plan experience was analyzed for this report. No assumptions were changed, other than an update to the discount rate as described earlier; this change increased the Total OPEB Liability by $140,283 relative to what was previously expected on the current measurement date.

Results are now also shown separately for the County and the Children & Families Commission in the Appendices.

Impact on Statement of Net Position and OPEB Expense for Fiscal 2021

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, 2021
Total OPEB Liability	$ 12,164,683
Fiduciary Net Position	-
Net OPEB Liability (Asset)	12,164,683
Deferred (Outflows) of Resources	(969,163)
Deferred Inflows of Resources	3,750,536
Impact on Statement of Net Position	$ 14,946,056
OPEB Expense, FYE 6/30/2021	$ 580,134

Important Notices

This report is intended to be used only to present the actuarial information relating to other postemployment benefits for the County'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 County 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 County consult with their internal accounting staff or external auditor or accounting firm about the accounting treatment of OPEB liabilities.

B. 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, 2021. The County is classified for GASB 75 purposes as a single employer.

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, 2021 *Measurement Date is June 30, 2020*	**Sutter County & Commission**
Items Impacting Net Position:	
Total OPEB Liability	$ 12,164,683
Fiduciary Net Position	-
Net OPEB Liability (Asset)	12,164,683
Deferred (Outflows) Inflows of Resources Due to:	
Assumption Changes	1,542,791
Plan Experience	1,932,555
Investment Experience	-
Deferred Contributions	(693,973)
Net Deferred (Outflows) Inflows of Resources	2,781,373
Impact on Statement of Net Position, FYE 6/30/2021	**$ 14,946,056**
Items Impacting OPEB Expense:	
Service Cost	$ 705,925
Cost of Plan Changes	-
Interest Cost	333,346
Expected Earnings on Assets	-
Recognized Deferred Resource items:	
Assumption Changes	(218,470)
Plan Experience	(240,667)
Investment Experience	-
OPEB Expense, FYE 6/30/2021	**$ 580,134**

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. Separate exhibits for the County and the Children & Families Commission are provided in the Appendices.

For Reporting at Fiscal Year End *Measurement Date*	**6/30/2020** *6/30/2019*	**6/30/2021** *6/30/2020*	**Change During Period**
Total OPEB Liability	$ 11,498,781	$ 12,164,683	$ 665,902
Fiduciary Net Position	-	-	-
Net OPEB Liability (Asset)	11,498,781	12,164,683	665,902
Deferred Resource (Outflows) Inflows Due to:			
Assumption Changes	1,901,544	1,542,791	(358,753)
Plan Experience	2,173,222	1,932,555	(240,667)
Investment Experience	-	-	-
Deferred Contributions	(513,652)	(693,973)	(180,321)
Net Deferred (Outflows) Inflows	3,561,114	2,781,373	(779,741)
Impact on Statement of Net Position	$ 15,059,895	$ 14,946,056	$ (113,839)

Change in Net Position During the Fiscal Year	
Impact on Statement of Net Position, FYE 6/30/2020	$ 15,059,895
OPEB Expense (Income)	580,134
Employer Contributions During Fiscal Year	(693,973)
Impact on Statement of Net Position, FYE 6/30/2021	$ 14,946,056

OPEB Expense	
Employer Contributions During Fiscal Year	$ 693,973
Deterioration (Improvement) in Net Position	(113,839)
OPEB Expense (Income), FYE 6/30/2021	$ 580,134

Accounting Information
(Continued)

Recognition Period for Deferred Resources

Liability changes due to plan experience which differs from what was assumed in the prior measurement period and/or from assumption changes during the period are recognized over the plan's Expected Average Remaining Service Life ("EARSL"). The Expected Average Remaining Service Life ("EARSL") is 10.03 years for such changes arising during the current measurement period.

When applicable, 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, 2021.

Sutter County & Commission	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 275,190	$ 1,817,981
Differences Between Expected and Actual Experience	-	1,932,555
Net Difference Between Projected and Actual Earnings on Investments	-	-
Deferred Contributions	693,973	-
Total	$ 969,163	$ 3,750,536

The County 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
2022	$ (459,137)
2023	(459,137)
2024	(459,137)
2025	(459,137)
2026	(430,007)
Thereafter	(1,208,791)

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 2021 is 2.66%. Healthcare cost trend rate was assumed to start at 5.4% (effective January 1, 2021) and grade down to 4% for years 2076 and thereafter. 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% 1.66%**	**Current 2.66%**	**Current + 1% 3.66%**
Net OPEB Liability (Asset)	13,310,612	12,164,683	11,133,117
Increase (Decrease)	1,145,929		(1,031,566)
% Increase (Decrease)	9.4%		-8.5%
Change in Healthcare Cost Trend Rate	**Current Trend - 1%**	**Current Trend**	**Current Trend + 1%**
Net OPEB Liability (Asset)	11,146,423	12,164,683	13,366,374
Increase (Decrease)	(1,018,260)		1,201,691
% Increase (Decrease)	-8.4%		9.9%

Accounting Information
(Continued)

Schedule of Changes in the County'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 since GASB 75 was implemented (fiscal years 2018 through 2021) are shown in this table.

Fiscal Year Ending	**6/30/2021**	**6/30/2020**	**6/30/2019**	**6/30/2018**
Measurement Date	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Discount Rate on Measurement Date	2.66%	2.79%	2.98%	3.13%
Total OPEB liability				
Service Cost	$ 705,925	$ 948,498	$ 891,160	$ 945,753
Interest	333,346	463,108	451,482	382,921
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	(2,423,066)	-	-
Changes of assumptions	140,283	(1,819,270)	228,375	(660,738)
Benefit payments	(513,652)	(525,043)	(499,306)	(454,860)
Net change in total OPEB liability	665,902	(3,355,773)	1,071,711	213,076
Total OPEB liability - beginning	11,498,781	14,854,554	13,782,843	13,569,767
Total OPEB liability - ending (a)	$ 12,164,683	$ 11,498,781	$ 14,854,554	$ 13,782,843
Plan fiduciary net position - beginning	-	-	-	-
Plan fiduciary net position - ending (b)	$ -	$ -	$ -	$ -
Net OPEB liability - ending (a) - (b)	$ 12,164,683	$ 11,498,781	$ 14,854,554	$ 13,782,843
Covered-employee payroll	$ 60,495,714	$ 57,884,672	$ 56,781,386	$ 53,626,420
Net OPEB liability as a % of covered-employee payroll	20.11%	19.86%	26.16%	25.70%

Notes to Schedule

Valuation Date	6/30/2019	6/30/2017
Actuarial cost method	Entry Age Normal Level % of Pay	Entry Age Normal Level % of Pay
Inflation	2.50%	2.75%
Healthcare cost trend rates	5.4% in 2021, fluctuating down to 4% by 2076	8.0% in 2018, step down 0.5% per year to 5.0% by 2024
Salary increases	3.00%	3.25%
Retirement age	50 to 75	50 to 75
Mortality	CalPERS 2017 Experience Study	CalPERS 2014 Experience Study
Mortality Improvement	MW Scale 2020	MW Scale 2017

Accounting Information
(Continued)

Schedule of Contributions

This schedule is not required to be provided for unfunded OPEB plans. No Actuarially Determined Contribution was prepared for fiscal year end 2021, but with the establishment of the OPEB trust after the measurement date (June 30, 2020), this exhibit will be prepared in future reports.

Accounting Information
(Continued)

Detail of Changes to Net Position

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

Sutter County & Commission	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)	(d) Deferred Outflows (Inflows) Due to: Assumption Changes	Plan Experience	Investment Experience	Deferred Contributions	Impact on Statement of Net Position (e) = (c) - (d)
Balance at Fiscal Year Ending 6/30/2020 *Measurement Date 6/30/2019*	$ 11,498,781	$ -	$ 11,498,781	$ (1,901,544)	$ (2,173,222)	$ -	$ 513,652	$ 15,059,895
Changes During the Period:								
Service Cost	705,925		705,925					705,925
Interest Cost	333,346		333,346					333,346
Expected Investment Income		-	-					-
Employer Contributions		513,652	(513,652)					(513,652)
Changes of Benefit Terms	-		-					-
Benefit Payments	(513,652)	(513,652)	-					-
Assumption Changes	140,283		140,283	140,283				-
Plan Experience	-		-		-			-
Investment Experience		-	-			-		-
Recognized Deferred Resources				218,470	240,667	-	(513,652)	54,515
Employer Contributions in Fiscal Year							693,973	(693,973)
Net Changes in Fiscal Year 2020-2021	665,902	-	665,902	358,753	240,667	-	180,321	(113,839)
Balance at Fiscal Year Ending 6/30/2021 *Measurement Date 6/30/2020*	$ 12,164,683	$ -	$ 12,164,683	$ (1,542,791)	$ (1,932,555)	$ -	$ 693,973	$ 14,946,056

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 Pension Expense is shown below. Deferred Contributions are not shown.

Measurement Date: June 30, 2020

	Deferred Resource						Recognition of Deferred Outflow or Deferred (Inflow) in Measurement Period:						
Plan	Date Created	Cause	Initial Amount	Period (Yrs)	Annual Recognition	Balance as of Jun 30, 2020	2019-20 (FYE 2021)	2020-21 (FYE 2022)	2021-22 (FYE 2023)	2022-23 (FYE 2024)	2023-24 (FYE 2025)	2024-25 (FYE 2026)	Thereafter
Sutter County	6/30/2017	Gain Due To Assumption Changes	$ (660,738)	8.62	$ (76,652)	$ (354,130)	$ (76,652)	$ (76,652)	$ (76,652)	$ (76,652)	$ (76,652)	$ (47,522)	$ -
Sutter County	6/30/2018	Loss Due To Assumption Changes	228,375	8.62	26,494	148,893	26,494	26,494	26,494	26,494	26,494	26,494	16,423
Sutter County	6/30/2019	Gain Due To Plan Experience	(2,402,258)	10.03	(239,507)	(1,923,244)	(239,507)	(239,507)	(239,507)	(239,507)	(239,507)	(239,507)	(725,709)
Sutter County	6/30/2019	Gain Due To Assumption Changes	(1,819,270)	10.03	(181,383)	(1,456,504)	(181,383)	(181,383)	(181,383)	(181,383)	(181,383)	(181,383)	(549,589)
Sutter County	6/30/2020	Loss Due To Assumption Changes	139,610	10.03	13,919	125,691	13,919	13,919	13,919	13,919	13,919	13,919	56,096
Children and Families Commission	6/30/2019	Gain Due To Plan Experience	(11,631)	10.03	(1,160)	(9,311)	(1,160)	(1,160)	(1,160)	(1,160)	(1,160)	(1,160)	(3,511)
Children and Families Commission	6/30/2019	Gain Due To Assumption Changes	(9,177)	10.03	(915)	(7,347)	(915)	(915)	(915)	(915)	(915)	(915)	(2,772)
Children and Families Commission	6/30/2020	Loss Due To Assumption Changes	673	10.03	67	606	67	67	67	67	67	67	271

Accounting Information
(Continued)

County Contributions to the Plan

County contributions to the Plan occur as benefits are paid to or on behalf of retirees. Benefit payments may occur in the form of direct payments for premiums ("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.

Employer OPEB contributions paid in the form of benefit payments during the measurement period are shown below.

Employer Contributions During the Measurement Period, Jul 1, 2019 thru Jun 30, 2020	Sutter County	Children and Families Commission	Sutter County & Commission
Employer Contributions to the Trust	$ -	$ -	$ -
Employer Contributions in the Form of Direct Benefit Payments (not reimbursed by trust)	137,414	-	137,414
Implicit contributions	373,792	2,446	376,238
Total Employer Contributions During the Measurement Period	$ 511,206	$ 2,446	$ 513,652

Retiree health benefits payments reported as made after the measurement date but prior to the current fiscal year end are shown below.

Employer Contributions During the Fiscal Year, Jul 1, 2020 thru Jun 30, 2021	Sutter County	Children and Families Commission	Sutter County & Commission
Employer Contributions to the Trust	$ 200,000	$ -	$ 200,000
Employer Contributions in the Form of Direct Benefit Payments (not reimbursed by trust)	126,707	-	126,707
Implicit contributions	365,503	1,763	367,266
Total Employer Contributions During the Fiscal Year	$ 692,210	$ 1,763	$ 693,973

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 County. 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). *These amounts include both County and Commission combined*.

Projected Annual Benefit Payments							
Fiscal Year Ending June 30	Explicit Subsidy			Implicit Subsidy			Total
	Current Retirees	Future Retirees	Total	Current Retirees	Future Retirees	Total	
2021	$ 126,707	$ -	$ 126,707	$ 367,266	$ -	$ 367,266	$ 493,973
2022	116,705	42,058	158,763	264,482	132,044	396,526	555,289
2023	107,662	54,440	162,102	262,372	183,659	446,031	608,133
2024	98,460	67,052	165,512	226,298	239,612	465,910	631,422
2025	91,918	76,488	168,406	199,038	279,097	478,135	646,541
2026	84,932	87,601	172,533	164,270	338,726	502,996	675,529
2027	78,445	100,653	179,098	126,493	411,144	537,637	716,735
2028	76,049	111,048	187,097	118,041	440,802	558,843	745,940
2029	73,604	119,429	193,033	108,932	496,582	605,514	798,547
2030	69,711	126,142	195,853	95,588	542,082	637,670	833,523
2031	65,308	130,309	195,617	56,710	583,254	639,964	835,581
2032	62,203	140,931	203,134	42,528	666,639	709,167	912,301
2033	59,917	147,767	207,684	36,508	724,463	760,971	968,655
2034	56,228	154,006	210,234	16,725	803,431	820,156	1,030,390
2035	54,241	156,407	210,648	6,516	829,592	836,108	1,046,756

The amounts shown in the Explicit Subsidy section reflect the expected payment by the County 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 amounts shown in the Implicit Subsidy section 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

Combined for County and Children & Families Commission (see Appendices for separate entries)

Beginning Account Balances As of the fiscal year beginning 7/1/2020		**Debit**	**Credit**
Net OPEB Liability			11,498,781
Deferred Resource -- Assumption Changes	±		1,901,544
Deferred Resource -- Plan experience	±		2,173,222
Deferred Resource -- Investment Experience		-	
Deferred Resource -- Contributions		513,652	
Net Position		15,059,895	

** 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	**Debit**	**Credit**
OPEB Expense	126,707	
Premium Expense		126,707
OPEB Expense	200,000	
Cash		200,000

** 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	367,266	
Premium Expense		367,266

** 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		665,902
Deferred Resource -- Assumption Changes	358,753	
Deferred Resource -- Plan experience	240,667	
Deferred Resource -- Investment Experience	-	
Deferred Resource -- Contributions	180,321	
OPEB Expense		113,839

± Changes may be needed to these prior period ending balances to support the remaining recognition. See the Appendices for updated (adjusted) amounts provided separately for the County and the Commission.

C. Funding Information

As of the June 30, 2020, measurement date, the County had not yet established an OPEB trust and did not have a formal OPEB funding policy. As such, the liabilities in this report were based on a pay-as-you-go funding approach. Actuarially Determined Contributions (ADCs) for prefunding the plan were not developed. Consistent with a pay-as-you-go approach and as required by GASB 75, the liabilities presented in this reported were calculated at a discount rate determined using a 20-year high grade municipal bond rate.

The County did establish an irrevocable OPEB trust during the fiscal year ending June 30, 2021. Once an OPEB trust is established, the discount rate used to calculate liabilities in future measurement periods may gradually begin to reflect the portion of benefits projected to be paid from the OPEB trust assets. The discount rate used in future years will depend on the funding policy adopted by the County, an established record of making contributions to the OPEB trust, and on the expected long-term return on the County's OPEB trust assets.

D. Certification

The purpose of this report is to provide actuarial information in compliance with Statement 75 of the Governmental Accounting Standards Board (GASB 75) for other postemployment benefits provided by Sutter County (the County). We summarized the benefits in this report and our calculations were based on our understanding of the benefits as described herein.

In preparing this report we relied without audit on information provided by the County. 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 County and may not be provided to third parties without prior written consent of MacLeod Watts. Exceptions are: The County may provide copies of this report to their professional accounting and legal advisors who are subject to a duty of confidentiality, and the County 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: October 8, 2021

Catherine L. MacLeod

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

J. Kevin Watts

J. Kevin Watts, FSA, FCA, MAAA

E. Supporting Information

Section 1 - Summary of Employee Data

Active employees: The County reported 844 active employees for the June 30, 2019, valuation. Of these, 794 were enrolled in a medical plan through the County, while 50 were waiving coverage through the County. Age and service information for the employees is provided below:

Distribution of Benefits-Eligible Active Employees								
	Years of Service							
Current Age	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 & Up	Total	Percent
Under 25	7	5					12	1%
25 to 29	30	61	4				95	11%
30 to 34	22	80	28	8			138	16%
35 to 39	11	60	26	28	4		129	15%
40 to 44	9	31	22	25	24	3	114	14%
45 to 49	4	18	20	27	34	22	125	15%
50 to 54	9	18	11	15	18	14	85	10%
55 to 59	5	13	9	16	22	20	85	10%
60 to 64	1	6	5	13	14	11	50	6%
65 to 69		1	1	3	2	1	8	1%
70 & Up			1	2			3	0%
Total	98	293	127	137	118	71	**844**	**100%**
Percent	12%	35%	15%	16%	14%	8%	**100%**	

Valuation	June 2017	June 2019
Average Attained Age for Actives	44.9	43.0
Average Years of Service	9.5	8.5

Retired members: There were also 138 retirees or their survivors receiving benefits on the valuation date. This chart summarizes their ages.

Retirees by Age					
Current Age	Misc	Police	Fire	Total	Percent
Below 50	0	0	0	0	0%
50 to 54	4	6	0	10	7%
55 to 59	14	3	1	18	13%
60 to 64	33	6	1	40	29%
65 to 69	14	4	0	18	13%
70 to 74	25	2	0	27	20%
75 to 79	13	0	0	13	9%
80 & up	12	0	0	12	9%
Total	**115**	**21**	**2**	**138**	**100%**
Average Age:					
On 6/30/2019	68.62	61.07	60.14	67.35	
At retirement	59.57	55.74	50.78	58.86	

Supporting Information
(Continued)

GASB 75 requires a summary of plan member counts. Here are the counts on the June 30, 2019, valuation date.

Summary of Plan Member Counts	
Number of active plan members	844
Number of inactive plan members currently receiving benefits	138
Number of inactive plan members entitled to but not receiving benefits	0*

*waiving retirees are not eligible to re-enroll in County plans

Supporting Information
(Continued)

Section 2 - Summary of Retiree Benefit Provisions

OPEB provided: The County confirmed that the only OPEB provided is retiree medical coverage.

Access to coverage: This coverage is available to employees and their dependents who satisfy the requirements for retirement under CalPERS (generally attained age of 50 or older and 5 years of State or public agency service or approved disability retirement) and are receiving a pension benefit from CalPERS.

Benefits provided: The County contributes a monthly subsidy for retirees who participate in the medical plan offered by the County. The amounts are determined based on date of retirement.

- Employees who retire before 12/24/2005 receive a monthly amount of $16, regardless of age.
- Employees who retire on or after 12/24/2005 receive a monthly amount of:
  - $55 as of 1/1/2018[1], if they are 65 or older, and
  - Prior to age 65, an amount based on years of County service, as shown in the chart below.

Years of Service	Monthly Subsidy
5-9	$16
10-14	56
15-19	96
20-24	136
25-29	176
30+	216

- Subsidies end with the death of the retiree, though a surviving spouse may continue coverage by paying the full monthly premiums. In addition, if the retiree reaches age 65 prior to his or her covered spouse, the spouse may continue coverage until age 65 by paying the full monthly premium, even if the retiree discontinues coverage on the County's plan.

Current premium rates: Pre-Medicare retirees and their dependents participate in the same medical plans available to active employees. The 2020 monthly premium rates are shown in this chart. Medicare eligible retirees may continue coverage through the County's United Healthcare Medicare plans. For 2020, the single-party premium for a Medicare retiree is $474.66 per month.

CSAC-EIA 2020 Monthly Medical Premiums			
Plan	Employee Only	Employee Plus 1	Employee Plus Family
PPO 1500	$666.50	$1,331.50	$1,883.50
PPO 1000	$682.50	$1,359.50	$1,923.50
PPO 500	$829.50	$1,658.50	$2,347.00
PPO 250	$953.50	$1,906.50	$2,699.50
Kaiser High	$836.50	$1,672.50	$2,365.50
Kaiser Low	$785.50	$1,574.50	$2,225.50
PPO 3000 (HDHP)	$474.50	$946.50	$1,336.50
UHC Medicare Advantage	474.66	949.32	n/a

[1] Prior to 1/1/2018, this benefit amount is $16 per month.

Supporting Information
(Continued)

Section 3 - Actuarial Methods 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 payments depend only on the terms of the plan and the administrative arrangements adopted. The actuarial assumptions are used to estimate the cost of these benefits; the funding method spreads the expect costs on a level basis over the life of the plan.

Important Dates

Fiscal Year End	June 30, 2021
GASB 75 Measurement Date	Last day of the prior fiscal year (June 30, 2020)
Valuation Date	June 30, 2019

Valuation Methods

Funding Method: Entry Age Normal Cost, level percent of pay

Asset Valuation Method: Not applicable; no OPEB trust existed on the measurement date

Participants Valued: Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.

Development of Age-related Medical Premiums: Medical claims by age were estimated based on data provided in the 2013 paper "Health Care Costs – From Birth to Death", prepared by Dale H. Yamamoto, and sponsored by the Society of Actuaries. A description of MacLeod Watts Age Rating Methodology is provided in Addendum 1 to this report.

Monthly baseline premium costs were set equal to the active single premiums shown in the chart at the bottom of Section 2. Actual premium rates for non-Medicare retirees and their spouses were adjusted to an age-related basis by applying the medical claim cost factors to monthly baseline premium costs.

Sample age-based claims are shown in the chart below.

Expected Monthly Claims by Medical Plan for Selected Ages								
	Male				Female			
Medical Plan	48	53	58	63	48	53	58	63
Kaiser High	$ 768	$ 1,014	$ 1,292	$ 1,602	$ 994	$ 1,171	$ 1,324	$ 1,555
Kaiser Low	764	1,009	1,286	1,594	989	1,165	1,317	1,547
PPO 1000	562	742	945	1,172	727	856	968	1,138
PPO 1500	650	859	1,094	1,356	841	991	1,121	1,317
PPO 250	703	929	1,184	1,468	910	1,072	1,213	1,425
PPO 3000	446	590	751	932	578	681	770	904
PPO 500	666	880	1,121	1,390	862	1,016	1,149	1,349

Supporting Information
(Continued)

Section 3 - Actuarial Methods and Assumptions

Economic Assumptions

Municipal Bond Index	S&P Municipal Bond 20 Year High Grade Index
Discount Rate	2.66% as of June 30, 2020 2.79% as of June 30, 2019
General Inflation Rate	2.5% per year
Salary Increase	3.0% per year; since benefits do not depend on salary, this is used to allocate the cost of benefits between service years.

Healthcare Trend

Medical plan premiums and claims costs by age are assumed to increase once each year. The 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	2060-66	4.80%
2021	5.40%	2067	4.70%
2022	5.30%	2068	4.60%
2023-26	5.20%	2069	4.50%
2027-46	5.30%	2070-71	4.40%
2047	5.20%	2072	4.30%
2048-49	5.10%	2073-74	4.20%
2050-53	5.00%	2075	4.10%
2054-59	4.90%	2076 & later	4.00%

The healthcare trend shown above was developed using the Getzen Model 2019_b published by the Society of Actuaries using the following settings: CPI 2.5%; Real GDP Growth 1.5%; Excess Medical Growth 1.2%; Expected Health Share of GDP in 2028 20.5%; Resistance Point 25%; Year after which medical growth is limited to growth in GDP 2076.

Increases in Employer-paid Premiums

Based on prior benefit levels and information provided by the County, we assumed there would be no future increases in the County's portion of retiree health premiums (as described in Section 2).

Medicare Eligibility

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

Supporting Information
(Continued)

Section 3 - Actuarial Methods and Assumptions

Participant Election Assumptions

Participation Rate

Active employees currently enrolled in a County medical plan are assumed to continue their current plan election in retirement prior to age 65 at the percentages shown below.

Active Employee Currently Covered by the County's Medical Plan Assumed to Elect Medical Coverage in Retirement Until Age 65				
Years of County Service	% assumed to Elect if Retired in 2013	% assumed to Elect if Retiring in 2019	Decrease in Percent Electing Coverage	Minimum Percent Electing
Less than 10	25%	25%	The % of new retirees assumed to elect coverage decreases by 2% each calendar year until it reaches the Minimum % (see next column)	25.0%
10 but less than 15	40%	28%		20.0%
15 but less than 20	55%	43%		27.5%
20 but less than 25	70%	58%		35.0%
25 but less than 30	85%	73%		42.5%
30 or more	100%	88%		50.0%

The percentages in the table above are multiplied by .25 to arrive at the applicable participation rates for active employees *not currently covered* by a County medical plan.

20% of future retirees are assumed to continue County coverage after age 65, regardless of their years of County service.

Retired participants currently age 65 and older: Existing medical plan elections are assumed to continue until death.

Retired participants currently under age 65: 30% are assumed to continue County medical coverage beyond age 65; the remaining 70% are assumed to find other coverage.

Spouse Coverage

Active employees: 40% are assumed to be married and to elect coverage for their spouse in retirement. Surviving spouses are assumed to continue 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 continue 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.

Supporting Information
(Concluded)

Section 3 - Actuarial Methods and Assumptions

Demographic Assumptions

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.

Mortality Improvement — MacLeod Watts Scale 2020 applied generationally from 2015 (see Addendum 3)

Retirement Formulas

	Safety	Misc
Classic, hired before 11/16/2011:	3% @ 50	2.7% @ 55
Classic, hired on or after 11/16/2011:	2% @ 50	2% @ 60
PEPRA:	2.7% @ 57	2% @ 62

For sample rates of assumed mortality, service and disability retirement and separation (termination) prior to retirement at selected ages, please refer to our June 30, 2019, valuation report and/or the CalPERS experience study referenced above.

Changes recognized in the current measurement period:

Discount rate — Changed from 2.79% as of June 30, 2019, to 2.66% as of June 30, 2020, based on the published change in return for the applicable municipal bond index.

Appendix 1A: Accounting Information for Sutter County

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, 2021 *Measurement Date is June 30, 2020*	**Sutter County**
Items Impacting Net Position:	
Total OPEB Liability	$ 12,106,730
Fiduciary Net Position	-
Net OPEB Liability (Asset)	12,106,730
Deferred (Outflows) Inflows of Resources Due to:	
Assumption Changes	1,536,050
Plan Experience	1,923,244
Investment Experience	-
Deferred Contributions	(692,210)
Net Deferred (Outflows) Inflows of Resources	2,767,084
Impact on Statement of Net Position, FYE 6/30/2021	**$ 14,873,814**
Items Impacting OPEB Expense:	
Service Cost	$ 702,537
Cost of Plan Changes	-
Interest Cost	331,758
Expected Earnings on Assets	-
Recognized Deferred Resource items:	
Assumption Changes	(217,622)
Plan Experience	(239,507)
Investment Experience	-
OPEB Expense, FYE 6/30/2021	**$ 577,166**

Accounting Information for Sutter County
(Continued)

Change in Net Position During the Fiscal Year

Sutter County			
For Reporting at Fiscal Year End *Measurement Date*	**6/30/2020** *6/30/2019*	**6/30/2021** *6/30/2020*	**Change During Period**
Total OPEB Liability	$ 11,444,031	$ 12,106,730	$ 662,699
Fiduciary Net Position	-	-	-
Net OPEB Liability (Asset)	11,444,031	12,106,730	662,699
Deferred Resource (Outflows) Inflows Due to:			
Assumption Changes	1,893,282	1,536,050	(357,232)
Plan Experience	2,162,751	1,923,244	(239,507)
Investment Experience	-	-	-
Deferred Contributions	(511,206)	(692,210)	(181,004)
Net Deferred (Outflows) Inflows	3,544,827	2,767,084	(777,743)
Impact on Statement of Net Position	$ 14,988,858	$ 14,873,814	$ (115,044)

Change in Net Position During the Fiscal Year	
Impact on Statement of Net Position, FYE 6/30/2020	$ 14,988,858
OPEB Expense (Income)	577,166
Employer Contributions During Fiscal Year	(692,210)
Impact on Statement of Net Position, FYE 6/30/2021	$ 14,873,814
OPEB Expense	
Employer Contributions During Fiscal Year	$ 692,210
Deterioration (Improvement) in Net Position	(115,044)
OPEB Expense (Income), FYE 6/30/2021	$ 577,166

Accounting Information for Sutter County
(Continued)

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, 2021.

Sutter County	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 274,584	$ 1,810,634
Differences Between Expected and Actual Experience	-	1,923,244
Net Difference Between Projected and Actual Earnings on Investments	-	-
Deferred Contributions	692,210	-
Total	$ 966,794	$ 3,733,878

The County will recognize the Contributions Made Subsequent to the Measurement Date in the next fiscal year. In addition, future recognition of these deferred resources is shown below.

For the Fiscal Year Ending June 30	Sutter County
2022	$ (457,129)
2023	(457,129)
2024	(457,129)
2025	(457,129)
2026	(427,999)
Thereafter	(1,202,779)

Accounting Information for Sutter County

(Continued)

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

The discount rate used for the fiscal year end 2021 is 2.66%. Healthcare cost trend rate was assumed to start at 5.4% (effective January 1, 2021) and grade down to 4% for years 2076 and thereafter. The impact of a 1% increase or decrease in these assumptions is shown in the chart below.

Sutter County

Sensitivity to:			
Change in Discount Rate	**Current - 1% 1.66%**	**Current 2.66%**	**Current + 1% 3.66%**
Net OPEB Liability (Asset)	13,246,593	12,106,730	11,079,743
Increase (Decrease)	1,139,863		(1,026,987)
% Increase (Decrease)	9.4%		-8.5%
Change in Healthcare Cost Trend Rate	**Current Trend - 1%**	**Current Trend**	**Current Trend + 1%**
Net OPEB Liability (Asset)	11,092,869	12,106,730	13,302,210
Increase (Decrease)	(1,013,861)		1,195,480
% Increase (Decrease)	-8.4%		9.9%

Accounting Information for Sutter County
(Continued)

Detail of Changes to Net Position

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

Sutter County	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)	(d) Deferred Outflows (Inflows) Due to: Assumption Changes	Plan Experience	Investment Experience	Deferred Contributions	Impact on Statement of Net Position (e) = (c) - (d)
Balance at Fiscal Year Ending 6/30/2020 *Measurement Date 6/30/2019*	$ 11,444,031	$ -	$ 11,444,031	$ (1,893,282)	$ (2,162,751)	$ -	$ 511,206	$ 14,988,858
Changes During the Period:								
Service Cost	702,537		702,537					702,537
Interest Cost	331,758		331,758					331,758
Expected Investment Income		-	-					-
Employer Contributions		511,206	(511,206)					(511,206)
Changes of Benefit Terms	-		-					-
Benefit Payments	(511,206)	(511,206)	-					-
Assumption Changes	139,610		139,610	139,610				-
Plan Experience	-		-		-			-
Investment Experience		-	-			-		-
Recognized Deferred Resources				217,622	239,507	-	(511,206)	54,077
Employer Contributions in Fiscal Year							692,210	(692,210)
Net Changes in Fiscal Year 2020-2021	662,699	-	662,699	357,232	239,507	-	181,004	(115,044)
Balance at Fiscal Year Ending 6/30/2021 *Measurement Date 6/30/2020*	$ 12,106,730	$ -	$ 12,106,730	$ (1,536,050)	$ (1,923,244)	$ -	$ 692,210	$ 14,873,814

Accounting Information for Sutter County
(Continued)

County Contributions to the Plan

County contributions to the Plan occur as benefits are paid to or on behalf of retirees. Benefit payments may occur in the form of direct payments for premiums ("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.

Contributions paid by the County in the form of benefit payments during the measurement period are shown below.

Employer Contributions During the Measurement Period, Jul 1, 2019 thru Jun 30, 2020	Sutter County
Employer Contributions to the Trust	$ -
Employer Contributions in the Form of Direct Benefit Payments (not reimbursed by trust)	137,414
Implicit contributions	373,792
Total Employer Contributions During the Measurement Period	$ 511,206

County retiree health benefits payments reported as made after the measurement date but prior to the current fiscal year end are shown below.

Employer Contributions During the Fiscal Year, Jul 1, 2020 thru Jun 30, 2021	Sutter County
Employer Contributions to the Trust	$ 200,000
Employer Contributions in the Form of Direct Benefit Payments (not reimbursed by trust)	126,707
Implicit contributions	365,503
Total Employer Contributions During the Fiscal Year	$ 692,210

Accounting Information for Sutter County

(Concluded)

Sample Journal Entries

Sutter County

Beginning Account Balances As of the fiscal year beginning 7/1/2020		Debit	Credit
Net OPEB Liability			11,444,031
Deferred Resource -- Assumption Changes	±		1,893,282
Deferred Resource -- Plan experience	±		2,162,751
Deferred Resource -- Investment Experience		-	
Deferred Resource -- Contributions		511,206	
Net Position		14,988,858	

** 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	Debit	Credit
OPEB Expense	126,707	
Premium Expense		126,707
OPEB Expense	200,000	
Cash		200,000

** 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	365,503	
Premium Expense		365,503

** 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		662,699
Deferred Resource -- Assumption Changes	357,232	
Deferred Resource -- Plan experience	239,507	
Deferred Resource -- Investment Experience	-	
Deferred Resource -- Contributions	181,004	
OPEB Expense		115,044

± Changes may be needed to these prior period ending balances to support the remaining recognition.

Appendix 1B: Accounting Information for Children and Families Commission

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, 2021 *Measurement Date is June 30, 2020*	**Children and Families Commission**
Items Impacting Net Position:	
Total OPEB Liability	$ 57,953
Fiduciary Net Position	-
Net OPEB Liability (Asset)	57,953
Deferred (Outflows) Inflows of Resources Due to:	
Assumption Changes	6,741
Plan Experience	9,311
Investment Experience	-
Deferred Contributions	(1,763)
Net Deferred (Outflows) Inflows of Resources	14,289
Impact on Statement of Net Position, FYE 6/30/2021	**$ 72,242**
Items Impacting OPEB Expense:	
Service Cost	$ 3,388
Cost of Plan Changes	-
Interest Cost	1,588
Expected Earnings on Assets	-
Recognized Deferred Resource items:	
Assumption Changes	(848)
Plan Experience	(1,160)
Investment Experience	-
OPEB Expense, FYE 6/30/2021	**$ 2,968**

Accounting Information for Children and Families Commission
(Continued)

Change in Net Position During the Fiscal Year

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

Children and Families Commission			
For Reporting at Fiscal Year End	**6/30/2020**	**6/30/2021**	**Change During Period**
Measurement Date	*6/30/2019*	*6/30/2020*	
Total OPEB Liability	$ 54,750	$ 57,953	$ 3,203
Fiduciary Net Position	-	-	-
Net OPEB Liability (Asset)	54,750	57,953	3,203
Deferred Resource (Outflows) Inflows Due to:			
Assumption Changes	8,262	6,741	(1,521)
Plan Experience	10,471	9,311	(1,160)
Investment Experience	-	-	-
Deferred Contributions	(2,446)	(1,763)	683
Net Deferred (Outflows) Inflows	16,287	14,289	(1,998)
Impact on Statement of Net Position	$ 71,037	$ 72,242	$ 1,205

Change in Net Position During the Fiscal Year	
Impact on Statement of Net Position, FYE 6/30/2020	$ 71,037
OPEB Expense (Income)	2,968
Employer Contributions During Fiscal Year	(1,763)
Impact on Statement of Net Position, FYE 6/30/2021	$ 72,242

OPEB Expense	
Employer Contributions During Fiscal Year	$ 1,763
Deterioration (Improvement) in Net Position	1,205
OPEB Expense (Income), FYE 6/30/2021	$ 2,968

Accounting Information for Children and Families Commission
(Continued)

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, 2021.

Children and Families Commission	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 606	$ 7,347
Differences Between Expected and Actual Experience	-	9,311
Net Difference Between Projected and Actual Earnings on Investments	-	-
Deferred Contributions	1,763	-
Total	$ 2,369	$ 16,658

The Commission will recognize the Contributions Made Subsequent to the Measurement Date in the next fiscal year. In addition, future recognition of these deferred resources is shown below.

For the Fiscal Year Ending June 30	Children and Families Commission
2022	$ (2,008)
2023	(2,008)
2024	(2,008)
2025	(2,008)
2026	(2,008)
Thereafter	(6,012)

Accounting Information for Children and Families Commission
(Continued)

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

The discount rate used for the fiscal year end 2021 is 2.66%. Healthcare cost trend rate was assumed to start at 5.4% (effective January 1, 2021) and grade down to 4% for years 2076 and thereafter. The impact of a 1% increase or decrease in these assumptions is shown in the chart below.

Children and Families Commission

Sensitivity to:			
Change in Discount Rate	**Current - 1% 1.66%**	**Current 2.66%**	**Current + 1% 3.66%**
Net OPEB Liability (Asset)	64,019	57,953	53,374
Increase (Decrease)	6,066		(4,579)
% Increase (Decrease)	10.5%		-7.9%
Change in Healthcare Cost Trend Rate	**Current Trend - 1%**	**Current Trend**	**Current Trend + 1%**
Net OPEB Liability (Asset)	53,554	57,953	64,164
Increase (Decrease)	(4,399)		6,211
% Increase (Decrease)	-7.6%		10.7%

Accounting Information for Children and Families Commission
(Continued)

Detail of Changes to Net Position

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

Children and Families Commission	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 6/30/2020 *Measurement Date 6/30/2019*	$ 54,750	$ -	$ 54,750	$ (8,262)	$ (10,471)	$ -	$ 2,446	$ 71,037
Changes During the Period:								
Service Cost	3,388		3,388					3,388
Interest Cost	1,588		1,588					1,588
Expected Investment Income		-	-					-
Employer Contributions		2,446	(2,446)					(2,446)
Changes of Benefit Terms	-		-					-
Benefit Payments	(2,446)	(2,446)	-					-
Assumption Changes	673		673	673				-
Plan Experience	-		-		-			-
Investment Experience		-	-			-		-
Recognized Deferred Resources				848	1,160	-	(2,446)	438
Employer Contributions in Fiscal Year							1,763	(1,763)
Net Changes in Fiscal Year 2020-2021	3,203	-	3,203	1,521	1,160	-	(683)	1,205
Balance at Fiscal Year Ending 6/30/2021 *Measurement Date 6/30/2020*	$ 57,953	$ -	$ 57,953	$ (6,741)	$ (9,311)	$ -	$ 1,763	$ 72,242

Accounting Information for Children and Families Commission
(Continued)

Commission Contributions to the Plan

Commission contributions to the Plan occur as benefits are paid to or on behalf of retirees. Benefit payments may occur in the form of direct payments for premiums ("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.

Contributions paid by the Commission in the form of benefit payments during the measurement period are shown below.

Employer Contributions During the Measurement Period, Jul 1, 2019 thru Jun 30, 2020	Children and Families Commission
Employer Contributions to the Trust	$ -
Employer Contributions in the Form of Direct Benefit Payments (not reimbursed by trust)	-
Implicit contributions	2,446
Total Employer Contributions During the Measurement Period	$ 2,446

Commission retiree health benefits payments reported as made after the measurement date but prior to the current fiscal year end are shown below.

Employer Contributions During the Fiscal Year, Jul 1, 2020 thru Jun 30, 2021	Children and Families Commission
Employer Contributions to the Trust	$ -
Employer Contributions in the Form of Direct Benefit Payments (not reimbursed by trust)	-
Implicit contributions	1,763
Total Employer Contributions During the Fiscal Year	$ 1,763

Accounting Information for Children and Families Commission
(Concluded)

Sample Journal Entries

Children and Families Commission

Beginning Account Balances As of the fiscal year beginning 7/1/2020		Debit	Credit
Net OPEB Liability			54,750
Deferred Resource -- Assumption Changes	±		8,262
Deferred Resource -- Plan experience	±		10,471
Deferred Resource -- Investment Experience		-	
Deferred Resource -- Contributions		2,446	
Net Position		71,037	

** 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	Debit	Credit
OPEB Expense	-	
Premium Expense		-
OPEB Expense	-	
Cash		-

** 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	1,763	
Premium Expense		1,763

** 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		3,203
Deferred Resource -- Assumption Changes	1,521	
Deferred Resource -- Plan experience	1,160	
Deferred Resource -- Investment Experience	-	
Deferred Resource -- Contributions		683
OPEB Expense	1,205	

± Changes may be needed to these prior period ending balances to support the remaining recognition.

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". 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.

<table>
<tr><td colspan="3">Expected retiree claims</td></tr>
<tr><td colspan="2">Premium charged for retiree coverage</td><td>Covered by higher active premiums</td></tr>
<tr><td>Retiree portion of premium</td><td>Agency portion of premium
Explicit subsidy</td><td>Implicit subsidy</td></tr>
</table>

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 County. A summary of the employee data is provided in Table 1 and a summary of the benefits provided under the Plan is provided in Section 2. While individual employee records were reviewed to verify that they are reasonable in various respects, the data has not been audited and we have otherwise relied on the County as to its accuracy. The valuation was 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.
- 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.

Important Background Information
(Continued)

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
Prior to Implicit Subsidy Adjustment		
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
After Implicit Subsidy Adjustment		
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.

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.

Important Background Information
(Continued)

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 2020** was developed from a blending of data and methodologies found in two published sources: (1) the Society of Actuaries Mortality Improvement Scale MP-2019 Report, published in October 2019 and (2) the demographic assumptions used in the 2019 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, published April 2019.

MacLeod Watts Scale 2020 is a two-dimensional mortality improvement scale reflecting both age and year of mortality improvement. The underlying base scale is Scale MP-2019 which has two segments – (1) historical improvement rates for the period 1951-2015 and (2) an estimate of future mortality improvement for years 2016-2018 using the Scale MP-2019 methodology but utilizing the assumptions obtained from Scale MP-2015. The MacLeod Watts scale then transitions from the 2018 improvement rate to the Social Security Administration (SSA) Intermediate Scale linearly over the 10-year period 2019-2028. After this transition period, the MacLeod Watts Scale uses the constant mortality improvement rate from the SSA Intermediate Scale from 2028-2042. The SSA's Intermediate Scale has a final step down in 2043 which is reflected in the MacLeod Watts scale for years 2043 and thereafter. Over the ages 95 to 115, the SSA improvement rate is graded to zero.

Scale MP-2019 can be found at the SOA website and the projection scales used in the 2019 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

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

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

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.

Glossary
(Continued)

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