MacLeod Watts

November 9, 2020

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

Re: June 30, 2019 Actuarial Valuation and GASB 75 Report for Fiscal Year Ending June 30, 2020

Dear Mr. Smith,

We are pleased to enclose our actuarial report providing financial information about the other post-employment benefit (OPEB) liabilities of the Sutter County. The report's text describes our analysis and assumptions in detail.

The primary purposes of this report are to:

1. Recalculate plan liabilities as of June 30, 2019 in accordance with GASB 75's biennial valuation requirement.
2. 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, 2020.

The exhibits presented in this report reflect the assumption that the County will continue financing its OPEB liability on a pay-as-you-go basis. Please let us know if we can be of assistance in preparing illustrations of how prefunding impacts the OPEB liability required to be reported under GASB 75.

The results are based on the employee data and details on plan benefits provided to us by the County. 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

Actuarial Valuation of Other Post-Employment Benefit Programs As of June 30, 2019

& GASB 75 Report for the Fiscal Year Ending June 30, 2020

Submitted November 2020

MacLeod Watts

Table of Contents

A. Executive Summary

This report presents the results of the June 30, 2019 actuarial valuation and accounting information regarding the other post-employment benefit (OPEB) program of the Sutter County (the County). The purpose of this valuation is to assess the OPEB liabilities and provide disclosure information as required by Statement No. 75 of the Governmental Accounting Standards Board (GASB 75) for the fiscal year ending June 30, 2020.

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.

Absent material changes to this program, the results of the June 30, 2019 valuation may also be applied to prepare the County's GASB 75 report for the fiscal year ending June 30, 2021. If there are any significant changes in the employee population, plan benefits or eligibility, or to the County's funding policy, an earlier valuation might be required or appropriate.

OPEB Obligations of the County

The County allows its qualifying retired employees to continue the medical coverage. 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[1]. In this program, the County pays a portion of medical premiums for qualifying retirees. Details are provided in Supporting Information Section 2A.

- **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 is likely to be true.

  We determine the implicit rate subsidy for pre-Medicare retirees as the projected difference between (a) retiree medical claim costs by age and (b) premiums 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 self-funded 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. We expect any potential implicit subsidy between Medicare-covered retirees within the pool to be paid fully by retirees and not by the County.

[1] A liability for potential future excise tax liability for "high cost" retiree coverage was included in the prior valuation. However, this provision of the Affordable Care Act was repealed in December 2019, so this liability was eliminated.

Executive Summary
(Continued)

OPEB Funding Policy

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

Our understanding is that the County is currently financing its OPEB liability on a pay-as-you-go basis. With the County's approval, the discount rate used in this valuation is based on the S&P Municipal Bond 20 Year High Grade Index. As of the beginning and end of the Measurement Period, use of this index results in discount rates of 2.98% on June 30, 2018 and 2.79% on June 30, 2019.

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 for GASB 75 in this Report

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, 2020
Measurement Date	June 30, 2019
Measurement Period	June 30, 2018 to June 30, 2019
Valuation Date	June 30, 2019

Executive Summary
(Concluded)

Significant Results and Differences from the Prior Valuation

No benefit changes were reported to MacLeod Watts relative to the benefits reflected at the time the June 2017 valuation was prepared. Differences between actual and expected results based on updated census and premium data since June 2017 were reflected (referred to as "plan experience"). We also reviewed and updated certain assumptions used to project the OPEB liability. Overall, the Total OPEB Liability on the current measurement date is lower than that reported one year ago.

Section C. provides additional information on the impact of the new assumptions and plan experience. Assumption changes are described at the end of Supporting Information Section 3. See *Recognition Period for Deferred Resources* on page 10 for details on accounting recognition of these changes.

Impact on Statement of Net Position and OPEB Expense for Fiscal 2020

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, 2020
Total OPEB Liability	$ 11,498,781
Fiduciary Net Position	-
Net OPEB Liability (Asset)	11,498,781
Deferred (Outflows) of Resources	(689,039)
Deferred Inflows of Resources	4,250,153
Impact on Statement of Net Position	$ 15,059,895
OPEB Expense, FYE 6/30/2020	$ 938,483

Important Notices

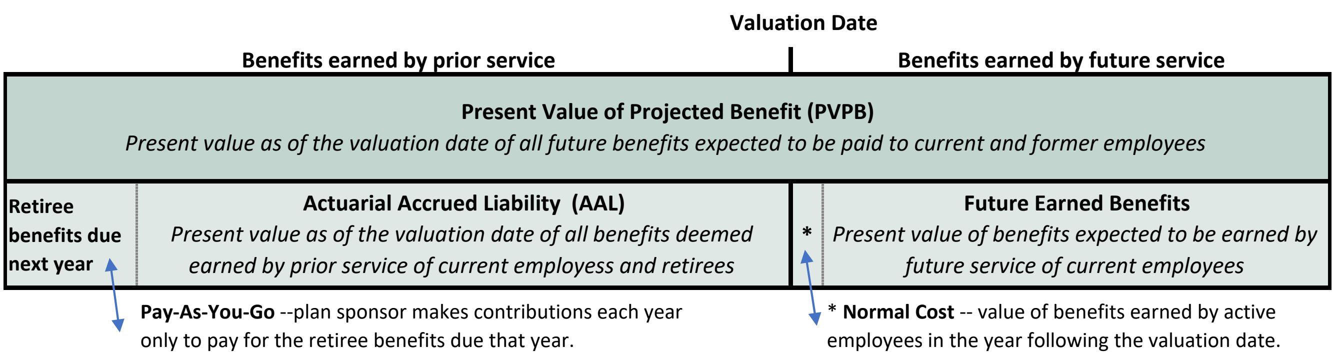
This report is intended to be used only to present the actuarial information relating to other postemployment benefits for the County's financial statements. The results of this report may not be appropriate for other purposes, where other assumptions, methodology and/or actuarial standards of practice 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. Valuation Process

This valuation is based on employee census data and benefits initially submitted to us by the County and clarified in various related communications. A summary of the employee data is provided in Section 1 and a summary of the benefits provided under the Plan is provided in Section 2A. While individual employee records have been 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 has been performed in accordance with the process described below using the actuarial methods and assumptions described in Section 3 and is consistent with our understanding of Actuarial Standards of Practice.

In projecting benefit values and liabilities, we first determine an expected premium or benefit stream over each current retiree's or active employee's future retirement. Benefits may include both direct employer payments (explicit subsidies) and any implicit subsidies arising when retiree premiums are expected to be partially subsidized by premiums paid for active employees. The projected benefit streams reflect assumed trends in the cost of those benefits and assumptions as to the expected dates when benefits will end. Assumptions regarding the probability that each employee will remain in service to receive benefits and the likelihood the employee will elect coverage for themselves and their dependents are also applied.

We then calculate a present value of these future benefit streams by discounting the value of each future expected employer payment back to the valuation date using the valuation discount rate. This present value is called the **Present Value of Projected Benefits (PVPB)** and represents the current value of all expected future plan payments to current retirees and current active employees. Note that this long-term projection does not anticipate entry of future employees.



The next step in the valuation process splits the Present Value of Projected Benefits into 1) the value of benefits already earned by prior service of current employees and retirees and 2) the value of benefits expected to be earned by future service of current employees. Actuaries employ an "attribution method" to divide the PVPB into prior service liabilities and future service liabilities. For this valuation we used the **Entry Age Normal** attribution method. This method is the most common used for government funding purposes and the only attribution method allowed for financial reporting under GASB 75.

We call the value of benefits deemed earned by prior service the **Actuarial Accrued Liability (AAL)**. Benefits deemed earned by service of active employees in a single year is called the **Normal Cost** of benefits. The present value of all future normal costs (PVFNC) plus the Actuarial Accrued Liability will equal the Present Value of Projected Benefits (i.e. PVPB = AAL + PVFNC).

Valuation Process

(Concluded)

The County is financing the plan on a pay-as-you-go basis. This policy does not establish a trust to prefund benefits and pays retirees benefits each year as required. Therefore, the **Unfunded Actuarial Accrued Liability (UAAL)** is equal to the Actuarial Accrued Liability. The UAAL represents, as of the valuation date, the present value of benefits already earned by past service that remain unfunded. Future contributions by the County will equal each year's retiree benefit payments.

Please note that projections of future benefits over such long periods (frequently 70 or more years) which are dependent on numerous assumptions regarding future economic and demographic variables are subject to substantial revision as future events unfold. While we believe that the assumptions and methods used in this valuation are reasonable for the purposes of this report, the costs to the County reflected in this report are subject to future revision, perhaps materially. Demonstrating the range of potential future plan costs was beyond the scope of our assignment except to the limited extent of providing liability information at various discount rates.

Finally, certain actuarial terms and GASB 75 terms may be used interchangeably. We note a few in the table below.

Actuarial Terminology	GASB 75 Terminology
Present Value of Projected Benefits (PVPB)	*No equivalent term*
Actuarial Accrued Liability (AAL)	Total OPEB Liability (TOL)
Market Value of Assets (MVA)	Fiduciary Net Position
Actuarial Value of Assets (AVA)	*No equivalent term*
Unfunded Actuarial Accrued Liability (UAAL)	Net OPEB Liability
Normal Cost	Service Cost

C. June 30, 2019 Valuation Results

This chart compares the results measured as of June 30, 2018, based on the June 30, 2017 valuation, with the results measured as of June 30, 2019, based on the June 30, 2019 actuarial valuation.

Valuation date	**6/30/2017**			**6/30/2019**		
Measurement date	**6/30/2018**			**6/30/2019**		
Fiscal Year End	**6/30/2019**			**6/30/2020**		
Subsidy	Explicit	Implicit	Total	Explicit	Implicit	Total
Discount rate	2.98%	2.98%	2.98%	2.79%	2.79%	2.79%
Number of Covered Employees						
Actives	865	865	865	844	833	844
Retirees	126	67	126	138	68	138
Total Participants	991	932	991	982	901	982
Actuarial Present Value of Projected Benefits						
Actives	$ 5,654,512	$ 16,516,646	$ 22,171,158	$ 2,698,802	$ 14,574,432	$ 17,273,234
Retirees	1,259,457	1,474,188	2,733,646	1,456,634	2,095,485	3,552,119
Total APVPB	6,913,970	17,990,834	24,904,804	4,155,436	16,669,917	20,825,353
Total OPEB Liability (TOL)						
Actives	2,973,184	9,147,724	12,120,908	1,458,579	6,488,083	7,946,662
Retirees	1,259,457	1,474,188	2,733,646	1,456,634	2,095,485	3,552,119
TOL	4,232,641	10,621,913	14,854,554	2,915,213	8,583,568	11,498,781
Fiduciary Net Position			-			-
Net OPEB Liability	4,232,641	10,621,913	14,854,554	2,915,213	8,583,568	11,498,781
Service Cost For the period following the measurement date	255,492	693,006	948,498	110,849	595,076	705,925

From the above, we see that the Total OPEB Liability (TOL) has decreased by $3,355,773 than that reported one year ago. On the following page, we review the reasons for the change in the TOL.

June 30, 2019 Valuation Results
(Concluded)

Part of the change in the TOL was expected and some of this change was unexpected.

- **Expected changes**: Through normal plan operation, the TOL is expected to increase by additional service and interest costs accruing for the period and decrease by benefits paid to retirees. The expected increase in the TOL since the prior measurement date was $886,563.
- **Unexpected changes** in the TOL generally fall into one of the three following categories:
  - *Plan experience* recognizes results which are *different than expected* based on the prior valuation data and assumptions. Plan experience was quite favorable over the past two years, decreasing the TOL by $2,423,066 from what was previously projected. The most significant factors of this gain were (a) higher than expected employee turnover before retirement or new retirees waiving coverage and (b) lower than expected medical premiums.
  - *Assumption changes*: Collectively, these changes decreased the TOL by $1,819,270. Further details of these changes are provided on the last page in Supporting Information, Section 3.
  - *Benefit changes* There were no changes reported since the prior valuation was completed.

This chart reconciles the TOL reported for fiscal year end June 30, 2019 to the TOL to be reported as of June 30, 2020.

Reported Total OPEB Liability at June 30, 2019 Measurement Date June 30, 2018	**$ 14,854,554**
Expected Changes:	
Service Cost	948,498
Benefit Payments	(525,043)
Interest Cost	463,108
Total Expected Change	886,563
Expected Total OPEB Liability at June 30, 2020 Measurement Date June 30, 2019	**$ 15,741,117**
Unexpected Changes:	
Plan experience different than assumed	
Higher than expected employee turnover and retirees waiving coverage	(2,300,000)
Premiums and claims lower than expected	(719,732)
Other plan experience different than assumed	596,666
Assumption Changes	
Elimination of excise tax liability	(1,426,191)
Change in healthcare trend model	(383,287)
Change in demographic and economic assumptions and mortality improvement scale	(324,856)
Changed discount rate	202,827
Changed salary scale increase from 3.25% to 3.0%	112,237
Total Unexpected Change	(4,242,336)
Actual Total OPEB Liability at June 30, 2020 Measurement Date June 30, 2019	**$ 11,498,781**

D. 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, 2020. 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, 2020 *Measurement Date is June 30, 2019*	**Sutter County**
Items Impacting Net Position:	
Total OPEB Liability	$ 11,498,781
Fiduciary Net Position	-
Net OPEB Liability (Asset)	11,498,781
Deferred (Outflows) Inflows of Resources Due to:	
Assumption Changes	1,893,282
Plan Experience	2,181,484
Investment Experience	-
Deferred Contributions	(513,652)
Net Deferred (Outflows) Inflows of Resources	3,561,114
Impact on Statement of Net Position, FYE 6/30/2020	**$ 15,059,895**
Items Impacting OPEB Expense:	
Service Cost	$ 948,498
Cost of Plan Changes	-
Interest Cost	463,108
Expected Earnings on Assets	-
Recognized Deferred Resource items:	
Assumption Changes	(231,541)
Plan Experience	(241,582)
Investment Experience	-
OPEB Expense, FYE 6/30/2020	**$ 938,483**

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.

For Reporting at Fiscal Year End *Measurement Date*	**6/30/2019** *6/30/2018*	**6/30/2020** *6/30/2019*	**Change During Period**
Total OPEB Liability	$ 14,854,554	$ 11,498,781	$ (3,355,773)
Fiduciary Net Position	-	-	-
Net OPEB Liability (Asset)	14,854,554	11,498,781	(3,355,773)
Deferred Resource (Outflows) Inflows Due to:			
Assumption Changes	305,553	1,893,282	1,587,729
Plan Experience	-	2,181,484	2,181,484
Investment Experience	-	-	-
Deferred Contributions	(525,043)	(513,652)	11,391
Net Deferred (Outflows) Inflows	(219,490)	3,561,114	3,780,604
Impact on Statement of Net Position	$ 14,635,064	$ 15,059,895	$ 424,831

Change in Net Position During the Fiscal Year	
Impact on Statement of Net Position, FYE 6/30/2019	$ 14,635,064
OPEB Expense (Income)	938,483
Employer Contributions During Fiscal Year	(513,652)
Impact on Statement of Net Position, FYE 6/30/2020	$ 15,059,895

OPEB Expense	
Employer Contributions During Fiscal Year	$ 513,652
Deterioration (Improvement) in Net Position	424,831
OPEB Expense (Income), FYE 6/30/2020	$ 938,483

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 EARSL of 10.03 years is the period used to recognize such changes in the OPEB Liability 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, 2020.

Sutter County	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Changes of Assumptions	$ 175,387	$ 2,068,669
Differences Between Expected and Actual Experience	-	2,181,484
Net Difference Between Projected and Actual Earnings on Investments	-	-
Deferred Contributions	513,652	-
Total	$ 689,039	$ 4,250,153

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**
2021	$ (473,123)
2022	(473,123)
2023	(473,123)
2024	(473,123)
2025	(473,123)
Thereafter	(1,709,151)

Accounting Information
(Continued)

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

The discount rate used for accounting purposes for the fiscal year end 2020 is 2.79%. Healthcare Cost Trend Rate was assumed to start at 5.4% (increase effective January 1, 2021) and grade down to 4% for years 2076 and later. 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% 1.79%**	**Current 2.79%**	**Current + 1% 3.79%**
Net OPEB Liability (Asset)	12,581,872	11,498,781	10,524,545
Increase (Decrease)	1,083,091		(974,236)
% Increase (Decrease)	9.4%		-8.5%
Change in Heathcare Cost Trend Rate	**Current Trend - 1%**	**Current Trend**	**Current Trend + 1%**
Net OPEB Liability (Asset)	10,540,417	11,498,781	12,628,823
Increase (Decrease)	(958,364)		1,130,042
% Increase (Decrease)	-8.3%		9.8%

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 for years since GASB 75 was implemented (fiscal years 2018, 2019 and 2020) are shown in the table.

Fiscal Year End Measurement Date	FYE 2020 6/30/2019	FYE 2019 6/30/2018	FYE 2018 6/30/2017
Total OPEB liability			
Service Cost	$ 948,498	$ 891,160	$ 945,753
Interest	463,108	451,482	382,921
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(2,423,066)	-	-
Changes of assumptions	(1,819,270)	228,375	(660,738)
Benefit payments	(525,043)	(499,306)	(454,860)
Net change in total OPEB liability	(3,355,773)	1,071,711	213,076
Total OPEB liability - beginning	14,854,554	13,782,843	13,569,767
Total OPEB liability - ending (a)	$ 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)	$ 11,498,781	$ 14,854,554	$ 13,782,843
Covered-employee payroll	$ 57,884,672	$ 56,781,386	$ 53,626,420
Net OPEB liability as a % ofcovered-employee payroll	19.86%	26.16%	25.70%

Summary of key assumptions

Valuation Date:	6/30/2019	6/30/2017	6/30/2017
Actuarial cost method	Entry Age Normal Level % of Pay	Entry Age Normal Level % of Pay	Entry Age Normal Level % of Pay
Inflation	2.50%	2.75%	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	8.0% in 2018, step down 0.5% per year to 5.0% by 2024
Salary increases	3.00%	3.25%	3.25%
Discount rate	2.79%	2.98%	3.13%
Retirement age	50 to 75	50 to 75	50 to 75
Mortality	CalPERS 2017 Experience Study	CalPERS 2014 Experience Study	CalPERS 2014 Experience Study
Mortality Improvement	MW Scale 2020	MW Scale 2017	MW Scale 2017

Accounting Information
(Continued)

Schedule of Contributions

This schedule is not required to be provided for an unfunded OPEB plan when no Actuarially Determined Contribution has been developed.

Accounting Information
(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:				Impact on Statement of Net Position (e) = (c) - (d)
				Assumption Changes	Plan Experience	Investment Experience	Deferred Contributions	
Balance at Fiscal Year Ending 6/30/2019 *Measurement Date 6/30/2018*	$ 14,854,554	$ -	$ 14,854,554	$ (305,553)	$ -	$ -	$ 525,043	$ 14,635,064
Changes During the Period:								
Service Cost	948,498		948,498					948,498
Interest Cost	463,108		463,108					463,108
Expected Investment Income		-	-					-
Employer Contributions		525,043	(525,043)					(525,043)
Changes of Benefit Terms	-		-					-
Benefit Payments	(525,043)	(525,043)	-					-
Assumption Changes	(1,819,270)		(1,819,270)	(1,819,270)				-
Plan Experience	(2,423,066)		(2,423,066)		(2,423,066)			-
Investment Experience		-	-			-		-
Recognized Deferred Resources				231,541	241,582	-	(525,043)	51,920
Employer Contributions in Fiscal Year							513,652	(513,652)
Net Changes in Fiscal Year 2019-2020	(3,355,773)	-	(3,355,773)	(1,587,729)	(2,181,484)	-	(11,391)	424,831
Balance at Fiscal Year Ending 6/30/2020 *Measurement Date 6/30/2019*	$ 11,498,781	$ -	$ 11,498,781	$ (1,893,282)	$ (2,181,484)	$ -	$ 513,652	$ 15,059,895

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

Measurement Date: June 30, 2019

Deferred Resource					Balance	Recognition of Deferred Outflow or Deferred (Inflow) in Measurement Period:						
Date Created	Cause	Initial Amount	Period (Yrs)	Annual Recognition	as of Jun 30, 2019	2018-19 (FYE 2020)	2019-20 (FYE 2021)	2020-21 (FYE 2022)	2021-22 (FYE 2023)	2022-23 (FYE 2024)	2023-24 (FYE 2025)	Thereafter
6/30/2017	Gain Due To Assumption Changes	$ (660,738)	8.62	$ (76,652)	$ (430,782)	$ (76,652)	$ (76,652)	$ (76,652)	$ (76,652)	$ (76,652)	$ (76,652)	$ (47,522)
6/30/2018	Loss Due To Assumption Changes	228,375	8.62	26,494	175,387	26,494	26,494	26,494	26,494	26,494	26,494	42,917
6/30/2019	Gain Due To Plan Experience	(2,423,066)	10.03	(241,582)	(2,181,484)	(241,582)	(241,582)	(241,582)	(241,582)	(241,582)	(241,582)	(973,574)
6/30/2019	Gain Due To Assumption Changes	(1,819,270)	10.03	(181,383)	(1,637,887)	(181,383)	(181,383)	(181,383)	(181,383)	(181,383)	(181,383)	(730,972)

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 and taxes ("explicit subsidies") and/or indirect payments to retirees in the form of higher premiums for active employees ("implicit subsidies"). Note that the implicit subsidy contribution does not represent cash payments to retirees, but rather the reclassification of a portion of active healthcare expense to be recognized as a retiree healthcare cost. For details, see Addendum 1 – Important Background Information.

Benefits paid by the County during the measurement period are shown below.

Employer Contributions During the Measurement Period, Jul 1, 2018 thru Jun 30, 2019	Sutter County
Employer Contributions to the Trust	$ -
Employer Contributions in the Form of Direct Benefit Payments (not reimbursed by trust)	144,253
Implicit contributions	380,790
Total Employer Contributions During the Measurement Period	$ 525,043

Benefits payments made in the year following the measurement period but prior to the end of the fiscal year are shown below.

Employer Contributions During the Fiscal Year, 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	376,238
Total Employer Contributions During the Fiscal Year	$ 513,652

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).

Projected Annual Benefit Payments							
Fiscal Year Ending June 30	Explicit Subsidy			Implicit Subsidy			Total
	Current Retirees	Future Retirees	Total	Current Retirees	Future Retirees	Total	
2020	$ 137,414	$ -	$ 137,414	$ 376,238	$ -	$ 376,238	$ 513,652
2021	118,618	30,057	148,675	277,064	90,202	367,266	515,941
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

The amounts shown in the Explicit Subsidy table 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 table 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

Beginning Account Balances **As of the fiscal year beginning 7/1/2019**	**Debit**	**Credit**
Net OPEB Liability		14,854,554
Deferred Resource -- Assumption Changes		305,553
Deferred Resource -- Plan experience	-	
Deferred Resource -- Investment Experience	-	
Deferred Resource -- Contributions	525,043	
Net Position	14,635,064	

** 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	137,414	
Premium Expense		137,414
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	376,238	
Premium Expense		376,238

** 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	3,355,773	
Deferred Resource -- Assumption Changes		1,587,729
Deferred Resource -- Plan experience		2,181,484
Deferred Resource -- Investment Experience	-	
Deferred Resource -- Contributions		11,391
OPEB Expense	424,831	

E. Funding Information

Our understanding is that the County is currently financing its OPEB liability on a pay-as-you-go basis. Prefunding (setting aside funds to accumulate in an irrevocable OPEB trust) has certain advantages, one of which is the ability to (potentially) use a higher discount rate in the determination of liabilities for GASB 75 reporting purposes.

Should the County wish to explore potential future prefunding for this plan we can prepare illustrations of various funding levels and, if appropriate, perform a formal funding valuation at that time. Results under a funding scenario may be materially different from the results presented in this report.

F. Certification

The purpose of this report is to provide actuarial information of the other postemployment benefits (OPEB) provided by the Sutter County (the County) in compliance with Statement 75 of the Governmental Accounting Standards Board (GASB 75). 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 and in accordance with the County's stated OPEB funding policy. 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: November 9, 2020

Catherine L. MacLeod

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

Yunyi (Susan) Qu

Yunyi (Susan) Qu, ASA, ACA, MAAA

G. 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

Current Age	Years of Service						Total	Percent
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 & Up		
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)

Section 1 - Summary of Employee Data
(continued)

The chart below reconciles the number of employees and retirees included in this June 30, 2019 valuation with those included in the 2017 valuation.

Reconciliation of County Plan Members Between Valuation Dates						
Status	Covered Actives	Waiving Actives	Covered Retirees	Covered Spouses Only	Covered Surviving Spouses	Total
Number reported as of June 30, 2017	824	41	118	3	5	991
New employees	172	22				194
Separated employees	(108)	(8)				(116)
New retiree, elected coverage	(31)		31			0
New retiree, waiving coverage	(72)	(5)				(77)
Previously covered, now waiving	(6)	6	(20)			(20)
Previously waiving, now covered	8	(8)				0
Deceased			(2)		1	(1)
Data corrections	7	2	1	1		11
Number reported as of June 30, 2019	**794**	**50**	**128**	**4**	**6**	**982**

Overall, the number of active plan members decreased by 21, from 865 to 844, representing a 2.4% decrease in active employees included in the valuation. Employee terminations prior to retirement were higher than we projected. There were also more new retirements than projected, though many of these retirees waived coverage in the County's plans. The number of covered retirees and spouses only[2] increase by 12, from 126 to 138 covered members.

Of the 108 new retirements reported as occurring between June 30, 2017 and June 30, 2019, 31 elected to continue medical coverage through the County, while 77 declined to do so. We reviewed the percentages of retirees at various age and service combinations for consideration in our assumptions regarding possible participation rates of future retirees.

Summary of Plan Member Counts: The number of members currently or potentially eligible to receive benefits under the OPEB plan are required to be reported in the notes to the financial statements.

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

[2] i.e., spouses covered where the retiree is deceased or over age 65 and not also covered.

Supporting Information
(Continued)

Section 2A - 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[3], 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

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

Supporting Information
(Continued)

Section 2B - Excise Taxes for High Cost Retiree Coverage (Repealed)

The Patient Protection and Affordable Care Act (ACA) included a 40% excise tax on high-cost employer-sponsored health coverage. The tax applied to the aggregate annual cost of an employee's applicable coverage that exceeds a dollar limit. Implementation of this tax had been delayed by subsequent legislation to 2022.

As noted earlier in this report, this excise tax on high cost retiree coverage was repealed by Senate Amendment to H.R. 1865, *Further Consolidated Appropriations Act, 2020*, and signed by the President on December 20, 2019. While the repeal occurred after the valuation date, we no longer assume any portion of such a tax will be paid by the County and, accordingly, excluded the previously developed liability from the results of this valuation.

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.

Valuation Date	June 30, 2019
Measurement Date	Last day of the prior fiscal year (June 30, 2019)
Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Not applicable ($0; plan is not yet funded)
Municipal Bond Index	S&P General Obligation 20-Year Municipal Bond Index
Discount Rate	2.98% as of June 30, 2018 2.79% as of June 30, 2019
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.0% per year, since benefits do not depend on salary, this is used only to allocate the cost of benefits between service years
General Inflation Rate	2.5% per year

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. Rates for selected age and service are shown below and on the following pages. The representative mortality rates were the published CalPERS rates, adjusted to back out 15 years of Scale MP 2016 to central year 2015, then projected as described below.

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

Supporting Information
(Continued)

Section 3 - Actuarial Methods and Assumptions

Mortality Before Retirement
(before improvement applied)

CalPERS Public Agency Miscellaneous Non-Industrial Deaths		
Age	Male	Female
15	0.00019	0.00004
20	0.00027	0.00008
30	0.00044	0.00018
40	0.00070	0.00040
50	0.00135	0.00090
60	0.00288	0.00182
70	0.00693	0.00438
80	0.01909	0.01080

CalPERS Public Agency Police & Fire Combined Industrial & Non-Industrial		
Age	Male	Female
15	0.00023	0.00008
20	0.00032	0.00013
30	0.00053	0.00025
40	0.00081	0.00050
50	0.00150	0.00104
60	0.00306	0.00200
70	0.00714	0.00459
80	0.01934	0.01105

Mortality After Retirement
(before improvement applied)

Healthy Lives

CalPERS Public Agency Miscellaneous, Police & Fire Post Retirement Mortality		
Age	Male	Female
40	0.00070	0.00040
50	0.00431	0.00390
60	0.00758	0.00524
70	0.01490	0.01044
80	0.04577	0.03459
90	0.14801	0.11315
100	0.35053	0.30412
110	1.00000	1.00000

Disabled Miscellaneous

CalPERS Public Agency Disabled Miscellaneous Post-Retirement Mortality		
Age	Male	Female
20	0.00027	0.00008
30	0.00044	0.00018
40	0.00070	0.00040
50	0.01371	0.01221
60	0.02447	0.01545
70	0.03737	0.02462
80	0.07218	0.05338
90	0.16585	0.14826

Disabled Fire Safety

CalPERS Public Agency Disabled Fire Post-Retirement Mortality		
Age	Male	Female
20	0.00027	0.00009
30	0.00031	0.00014
40	0.00034	0.00022
50	0.00780	0.00681
60	0.01250	0.00809
70	0.02361	0.01647
80	0.06612	0.04975
90	0.18524	0.14349

Disabled Police Safety

CalPERS Public Agency Disabled Police Post-Retirement Mortality		
Age	Male	Female
20	0.00034	0.00010
30	0.00023	0.00012
40	0.00023	0.00017
50	0.00642	0.00563
60	0.01059	0.00696
70	0.02185	0.01537
80	0.06477	0.04883
90	0.18501	0.14169

Supporting Information
(Continued)

Section 3 - Actuarial Methods and Assumptions

Termination Rates

Miscellaneous Employees: Sum of Vested Terminated & Refund Rates From CalPERS Experience Study Report Issued December 2017						
Attained	Years of Service					
Age	0	3	5	10	15	20
15	0.1812	0.0000	0.0000	0.0000	0.0000	0.0000
20	0.1742	0.1193	0.0654	0.0000	0.0000	0.0000
25	0.1674	0.1125	0.0634	0.0433	0.0000	0.0000
30	0.1606	0.1055	0.0615	0.0416	0.0262	0.0000
35	0.1537	0.0987	0.0567	0.0399	0.0252	0.0184
40	0.1468	0.0919	0.0519	0.0375	0.0243	0.0176
45	0.1400	0.0849	0.0480	0.0351	0.0216	0.0168

Police Safety Employees: Sum of Vested Terminated & Refund Rates From CalPERS Experience Study Report Issued December 2017						
Attained	Years of Service					
Age	0	3	5	10	15	20
15	0.1013	0.0000	0.0000	0.0000	0.0000	0.0000
20	0.1013	0.0258	0.0249	0.0000	0.0000	0.0000
25	0.1013	0.0258	0.0249	0.0179	0.0000	0.0000
30	0.1013	0.0258	0.0249	0.0179	0.0109	0.0000
35	0.1013	0.0258	0.0249	0.0179	0.0109	0.0082
40	0.1013	0.0258	0.0249	0.0179	0.0109	0.0082
45	0.1013	0.0258	0.0249	0.0179	0.0109	0.0082

Fire Safety Employees: Sum of Vested Terminated & Refund Rates From CalPERS Experience Study Report Issued December 2017						
Attained	Years of Service					
Age	0	3	5	10	15	20
15	0.1298	0.0000	0.0000	0.0000	0.0000	0.0000
20	0.1298	0.0237	0.0146	0.0000	0.0000	0.0000
25	0.1298	0.0237	0.0146	0.0069	0.0000	0.0000
30	0.1298	0.0237	0.0146	0.0069	0.0052	0.0000
35	0.1298	0.0237	0.0146	0.0069	0.0052	0.0041
40	0.1298	0.0237	0.0146	0.0069	0.0052	0.0041
45	0.1298	0.0237	0.0146	0.0069	0.0052	0.0041

Supporting Information
(Continued)

Section 3 - Actuarial Methods and Assumptions

Service Retirement Rates

The following **miscellaneous** retirement formulas apply:

For Classic employees hired before 11/16/2011:	2.7% @ 55
For Classic employees hired on/after 11/16/2011:	2.0% @ 60
For PEPRA employees:	2.0% @ 62

The following **police and fire** retirement formulas apply:

For Classic employees hired before 11/16/2011:	3.0% @ 50
For Classic employees hired on/after 11/16/2011:	2.0% @ 50
For PEPRA employees:	2.7% @ 57

Sample rates of assumed future retirements applicable to each of these retirement benefit formulas are shown in tables on the following pages.

Miscellaneous Employees: 2.7% at 55 formula
From CalPERS Experience Study Report Issued December 2017

Current	Years of Service					
Age	5	10	15	20	25	30
50	0.0030	0.0100	0.0160	0.0340	0.0330	0.0450
55	0.0330	0.0550	0.0780	0.1130	0.1560	0.2340
60	0.0600	0.0860	0.1120	0.1500	0.1820	0.2380
65	0.1400	0.1740	0.2080	0.2540	0.3060	0.3890
70	0.1500	0.1810	0.2120	0.2430	0.2910	0.3500
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Miscellaneous Employees: 2% at 60 formula
From CalPERS Experience Study Report Issued December 2017

Current	Years of Service					
Age	5	10	15	20	25	30
50	0.0200	0.0200	0.0200	0.0200	0.0200	0.1500
55	0.0190	0.0260	0.0330	0.0920	0.1360	0.1460
60	0.0700	0.0740	0.0890	0.1130	0.1370	0.1610
65	0.1400	0.1780	0.2150	0.2640	0.3210	0.3770
70	0.1400	0.1780	0.2150	0.2640	0.3210	0.3770
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Miscellaneous "PEPRA" Employees: 2% at 62 formula
From CalPERS Experience Study Report Issued December 2017

Current	Years of Service					
Age	5	10	15	20	25	30
50	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
55	0.0100	0.0190	0.0280	0.0360	0.0610	0.0960
60	0.0310	0.0510	0.0710	0.0910	0.1110	0.1380
65	0.1080	0.1410	0.1730	0.2060	0.2390	0.3000
70	0.1200	0.1560	0.1930	0.2290	0.2650	0.3330
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Supporting Information
(Continued)

Section 3 - Actuarial Methods and Assumptions

Service Retirement Rates
(continued)

Fire Safety Employees: 3.0% at 50 formula From CalPERS Experience Study Report Issued December 2017						
Current	Years of Service					
Age	5	10	15	20	25	30
50	0.0200	0.0200	0.0200	0.0400	0.1300	0.1920
53	0.0230	0.0230	0.0230	0.0430	0.1350	0.1980
56	0.0530	0.0530	0.0530	0.0850	0.1960	0.2690
59	0.0750	0.0750	0.0750	0.1160	0.2390	0.3210
62	0.0680	0.0680	0.0680	0.1060	0.2240	0.3040
65 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Fire Safety Employees: 2% at 50 formula From CalPERS Experience Study Report Issued December 2017						
Current	Years of Service					
Age	5	10	15	20	25	30
50	0.0090	0.0090	0.0090	0.0090	0.0130	0.0200
53	0.0520	0.0520	0.0520	0.0520	0.0790	0.1190
56	0.0830	0.0830	0.0830	0.0830	0.1270	0.1900
59	0.0740	0.0740	0.0740	0.0740	0.1130	0.1700
62	0.0990	0.0990	0.0990	0.0990	0.1520	0.2280
65 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Fire Safety Employees: 2.7% at 57 formula From CalPERS Experience Study Report Issued December 2017						
Current	Years of Service					
Age	5	10	15	20	25	30
50	0.0065	0.0065	0.0065	0.0065	0.0101	0.0151
53	0.0442	0.0442	0.0442	0.0442	0.0680	0.1018
56	0.0740	0.0740	0.0740	0.0740	0.1140	0.1706
59	0.0729	0.0729	0.0729	0.0729	0.1123	0.1681
62	0.1136	0.1136	0.1136	0.1136	0.1749	0.2618
65 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Police Safety Employees: 3.0% at 50 formula From CalPERS Experience Study Report Issued December 2017						
Current	Years of Service					
Age	5	10	15	20	25	30
50	0.0500	0.0500	0.0500	0.1000	0.1550	0.4000
53	0.0400	0.0400	0.0400	0.0800	0.1350	0.3500
56	0.0600	0.0600	0.0600	0.1100	0.1650	0.3300
59	0.0900	0.0900	0.0950	0.1300	0.1850	0.3500
62	0.1500	0.1500	0.1500	0.1500	0.2000	0.3500
65 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Supporting Information
(Continued)

Section 3 - Actuarial Methods and Assumptions

Service Retirement Rates
(continued)

Police Safety Employees: 2% at 50 formula From CalPERS Experience Study Report Issued December 2017						
Current Age	Years of Service					
	5	10	15	20	25	30
50	0.0500	0.0500	0.0500	0.0500	0.0500	0.1000
53	0.0400	0.0400	0.0400	0.0400	0.0820	0.1230
56	0.0660	0.0660	0.0660	0.0880	0.1290	0.2280
59	0.0800	0.0800	0.0800	0.0920	0.1400	0.2280
62	0.1500	0.1500	0.1500	0.1500	0.1500	0.2130
65 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Police Safety Employees: 2.7% at 57 formula From CalPERS Experience Study Report Issued December 2017						
Current Age	Years of Service					
	5	10	15	20	25	30
50	0.0500	0.0500	0.0500	0.0500	0.0500	0.1000
53	0.0380	0.0380	0.0380	0.0380	0.0774	0.1169
56	0.0627	0.0627	0.0627	0.0836	0.1228	0.2168
59	0.0800	0.0800	0.0800	0.0920	0.1400	0.2275
62	0.1500	0.1500	0.1500	0.1500	0.1500	0.2125
65 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Disability Retirement Rates

CalPERS Public Agency Miscellaneous Disability From Dec 2017 Experience Study Report		
Age	Male	Female
20	0.00017	0.00010
25	0.00017	0.00010
30	0.00019	0.00024
35	0.00039	0.00071
40	0.00102	0.00135
45	0.00151	0.00188
50	0.00158	0.00199
55	0.00158	0.00149
60	0.00153	0.00105

CalPERS Public Agency Police Combined Disability From Dec 2017 Experience Study Report	
Age	Unisex
20	0.00010
25	0.00175
30	0.00496
35	0.00818
40	0.01140
45	0.01461
50	0.01925
55	0.04909
60	0.06212

CalPERS Public Agency Fire Combined Disability From Dec 2017 Experience Study Report	
Age	Unisex
20	0.00015
25	0.00029
30	0.00066
35	0.00129
40	0.00235
45	0.00418
50	0.02128
55	0.03134
60	0.04442

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

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 in this table.

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 on the prior page was developed using the Getzen Model 2019_b published by the Society of Actuaries using the following settings: short term rates from 2020-2022 6.5%, 6%, 5.5%; 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 2075.

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.

Supporting Information
(Continued)

Section 3 - Actuarial Methods and Assumptions

Participation Rate (continued)

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.

Development of Age-related Medical Premiums

Actual premium rates for retirees and their spouses were adjusted to an age-related basis by applying medical claim cost factors developed from the data presented in the report, "Health Care Costs – From Birth to Death", sponsored by the Society of Actuaries. A description of the use of claims cost curves can be found in MacLeod Watts's Age Rating Methodology provided in Addendum 2 to this report.

Monthly baseline premium costs were set to the active single premiums shown in the chart at the bottom of Section 2. Sample age-based premiums for non-Medicare retirees are shown 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

All current and future Medicare-eligible retirees are covered by plans that are rated based solely on the experience of Medicare retirees and these retirees (not the County) are expected to pay any age-based subsidy. Therefore, no implicit subsidy is calculated for Medicare-eligible retirees.

Supporting Information

(Concluded)

Section 3 - Actuarial Methods and Assumptions

Changes recognized during the current measurement period:

Discount Rate	Changed from 2.98% as of June 30, 2018 to 2.79% as of June 30, 2019, based on the published change in return for the applicable municipal bond index.
Demographic Assumptions	Assumed mortality, termination, and service retirement rates were updated from those provided in the 2014 experience study report to those provided in the 2017 experience study report of CalPERS. We believe rates from the CalPERS experience study provide a reasonable estimate of the County's future demographic experience.
Mortality Improvement	The mortality improvement scale was updated from MacLeod Watts Scale 2017 to MacLeod Watts Scale 2020 (see Addendum 3), reflecting continued updates in available information.
Salary Scale	Decreased from 3.25% per year to 3.0% per year
General Inflation Rate	Decreased from 2.75% to 2.5% per year
Medical Trend	Updated to use the Getzen healthcare trend model sponsored by the Society of Actuaries
Excise Tax Repeal:	As noted in Section 2B, we excluded the excise tax from the valuation results due to the December 2019 repeal.

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 Section 1 and a summary of the benefits provided under the Plan is provided in Section 2. While individual employee records have been 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 also 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.

Important Background Information
(Continued)

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.

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

Deferred Contributions – When an employer makes contributions after the measurement date and prior to the fiscal year end, recognition of these contributions is deferred to a subsequent accounting period by creating a deferred resource. We refer to these contributions as Deferred Contributions.

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

Excise Tax – The Affordable Care Act created an excise tax on the value of employer sponsored coverage which exceeds certain thresholds ("Cadillac Plans"). This tax was repealed in December 2019.

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

Glossary
(Continued)

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.

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