Bickmore

May 21, 2018

Ms. Sandy Wong
Executive Director
City/County Association of Governments of San Mateo County
555 County Center, 5th Floor
Redwood City, CA 94063

Re: GASB 75 Actuarial Report for the Fiscal Year Ending June 30, 2018

Dear Ms. Wong:

We are pleased to enclose our actuarial report providing the June 30, 2018 accounting information for reporting the other post-employment benefit (OPEB) liabilities for City/County Association of Governments of San Mateo County (C/CAG). The report's text describes our analysis and assumptions in detail.

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 C/CAG's financial statements for the fiscal year ending June 30, 2018. The information included in this report reflects the assumption that C/CAG will continue contributing 100% or more of the Actuarially Determined Contributions each year, as developed in the June 2017 OPEB funding valuation report.

Contributions and covered-employee payroll we estimated for FYE 2018 may need to be updated because your fiscal year has not yet closed. If so, a number of exhibits will need to be revised at that time before the results are ready for reporting in C/CAG's financial statements. Please let us know if you would like us to assist in preparing updated exhibits following the close of the fiscal year.

We appreciate the opportunity to work on this analysis. Thank you for your help in providing information and assistance to enable us to prepare this report. Please let us know if we can be of further assistance.

Sincerely,

Catherine L. MacLeod, FSA, FCA, MAAA, EA
Director, Postemployment Benefit Actuarial Services

Enclosure

Table of Contents

A. Executive Summary

This report presents the actuarial information for financial reporting of the other post-employment benefit (OPEB) liabilities of the City/County Association of Governments of San Mateo County (C/CAG). This information is required by Statement No. 75 of the Governmental Accounting Standards Board (GASB 75) for the fiscal year ending June 30, 2018.

OPEB Obligations of C/CAG

C/CAG provides continuation of medical coverage to its retiring employees. These benefits create 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, C/CAG contributes pays a portion of retiree medical premiums for qualifying retirees. These benefits are described in Table 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 C/CAG's program, the claims experience of active employees and retirees not covered by Medicare is co-mingled in setting premium rates which gives rise to an implicit subsidy. Where applicable, we determine the implicit rate subsidy 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 Table 3 and Addendum 2: Bickmore Age Rating Methodology.
- **Excise tax liability for "high cost" plans:** The Patient Protection and Affordable Care Act (ACA) includes a 40% excise tax on high-cost employer-sponsored health coverage. The tax applies to the aggregate annual cost of an employee's applicable coverage that exceeds a dollar limit. Implementation of this tax has been delayed by subsequent legislation to 2022; while there are discussions in Congress of eliminating or again delaying the tax, this report assumes that it will take effect as current law provides. The excise tax burden will ultimately fall on either C/CAG or a combination of C/CAG and plan participants. Any excise tax assumed to be paid by C/CAG is a form of explicit subsidy. See Table 3 for assumptions about excise taxes.

C/CAG Funding Policy

C/CAG's 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.

C/CAG has been and continues to prefund its OPEB liability, contributing 100% or more of the Actuarially Determined Contributions each year. Therefore, with C/CAG's approval, the discount rate used in this valuation is 6.5% as of June 30, 2016 and June 30, 2017, the long term expected return on trust assets.

Executive Summary
(Continued)

Actuarial Assumptions

The actuarial "demographic" assumptions[1] 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 C/CAG 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 Table 3 for a description of assumptions used in this valuation.

Important Dates Used in the Valuation

GASB75 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:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	June 30, 2016 to June 30, 2017
Fiscal year end	June 30, 2018

We understand that C/CAG intends to implement GASB 75 for the fiscal year ending June 30, 2018.

Significant Results and Differences from the Prior Valuation

This is the first report for C/CAG reflecting the requirements of GASB 75. No benefit changes were reported to Bickmore relative to those in place at the time the July 2015 valuation was prepared. However, some assumptions were changed in the June 2017 valuation from those used in the July 2015 valuation (which was used to develop the liability at the beginning of the Measurement Period). For discussion of those changes and the impact on the plan liability, please refer to the June 2017 Actuarial Funding Valuation Report.

The Executive Summary continues on the following page

[1] i.e., rates of assumed future retirement, disability, death or other separation (termination) of service from C/CAG

Executive Summary
(Concluded)

Impact on Statement of Net Position and OPEB Expense for Fiscal 2018

The accounting impact of the plan as of C/CAG's fiscal year end June 30, 2018 is shown below.

Items	For Reporting At Fiscal Year Ending June 30, 2018
Total OPEB Liability	$ 251,553
Fiduciary Net Position	86,944
Net OPEB Liability (Asset)	164,609
Deferred (Outflows) of Resources	(61,181)
Deferred Inflows of Resources	7,391
Impact on Statement of Net Position	$ 110,819
OPEB Expense, FYE 2018	$ 31,670

The Expected Average Remaining Service Life ("EARSL") was 4.41 years.

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 succeeding pages discuss in detail the valuation results and present various exhibits appropriate for disclosures under GASB 75. The date of the next actuarial valuation should be no later than June 30, 2019. If there are any significant changes in the employee population, benefits provided under the plan, or C/CAG's funding policy, please contact us to discuss whether an earlier valuation might be required.

Important Notices

This report is intended to be used only to present the actuarial information relating to other postemployment benefits for C/CAG'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. C/CAG should consult counsel on these matters; Bickmore does not practice law and does not intend anything in this report to constitute legal advice. In addition, we recommend C/CAG 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, 2018. C/CAG 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 *Measurement Date is June 30, 2017*	**C/CAG**
Items Impacting Net Position:	
Total OPEB Liability	$ 251,553
Fiduciary Net Position	86,944
Net OPEB Liability (Asset)	164,609
Deferred (Outflows) Inflows of Resources Due to:	
Assumption Changes	(6,634)
Plan Experience	7,391
Investment Experience	(385)
Contributions Subsequent to Measurement Date	(54,162)
Net Deferred (Outflows) Inflows of Resources	(53,790)
Impact on Statement of Net Position, FYE 6/30/2018	**$ 110,819**
Items Impacting OPEB Expense:	
Service Cost	$ 20,211
Cost of Plan Changes	-
Interest Cost	16,127
Expected Earnings on Assets	(4,574)
Administrative Expenses	31
Recognized Deferred Resource items:	
Assumption Changes	1,946
Plan Experience	(2,167)
Investment Experience	96
OPEB Expense, FYE 6/30/2018	**$ 31,670**

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.

C/CAG			
For Reporting at Fiscal Year End *Measurement Date*	**6/30/2017** *6/30/2016*	**6/30/2018** *6/30/2017*	**Change During Period**
Total OPEB Liability	$ 239,601	$ 251,553	$ 11,952
Fiduciary Net Position	57,882	86,944	29,062
Net OPEB Liability (Asset)	181,719	164,609	(17,110)
Deferred Resource (Outflows) Inflows Due to:			
Assumption Changes	-	(6,634)	(6,634)
Plan Experience	-	7,391	7,391
Investment Experience	-	(385)	(385)
Contributions Made Subsequent to the Measurement Date	(48,408)	(54,162)	(5,754)
Net Deferred (Outflows) Inflows	(48,408)	(53,790)	(5,382)
Impact on Statement of Net Position	$ 133,311	$ 110,819	$ (22,492)

Change in Net Position During the Fiscal Year	
Impact on Statement of Net Position, FYE 2017	$ 133,311
OPEB Expense (Income)	31,670
Employer Contributions During Fiscal Year	(54,162)
Impact on Statement of Net Position, FYE 2018	$ 110,819

OPEB Expense	
Employer Contributions During Fiscal Year	$ 54,162
Deterioration (Improvement) in Net Position	(22,492)
OPEB Expense (Income), FYE 2018	$ 31,670

Accounting Information
(Continued)

Change in Fiduciary Net Position During the Measurement Period

		C/CAG
Assets at Fiscal Year Ending 6/30/2017 *Measurement Date 6/30/2016*	**$**	**57,882**
Changes During the Period:		
Investment Income		4,093
Employer Contributions		48,408
Administrative Expenses		(31)
Benefit Payments		(23,408)
Net Changes in Fiscal Year 2017-2018		29,062
Assets at Fiscal Year Ending 6/30/2018 *Measurement Date 6/30/2017*	**$**	**86,944**
*Estimated Asset Return**		5.8%

** Assumes all asset inflows and outflows occur on average mid-year.*

Accounting Information
(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, 2018.

C/CAG	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 6,634	$ -
Differences Between Expected and Actual Experience	-	7,391
Net Difference Between Projected and Actual Earnings on Investments	385	-
Contributions Made Subsequent to the Measurement Date	54,162	-
Total	$ 61,181	$ 7,391

C/CAG 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	Recognized Net Deferred Outflows (Inflows) of Resources
2019	$ (125)
2020	(125)
2021	(125)
2022	3
2023	-
Thereafter	-

The Expected Average Remaining Service Life ("EARSL") was 4.41 years. This is the period used to recognize changes in the OPEB Liability *other than* those arising from investment gains and losses or relating to improvements in plan benefits.

Accounting Information
(Continued)

Journal Entries

Beginning Account Balances As of the fiscal year beginning 7/1/2017	C/CAG Debit	 Credit
Net OPEB Liability		181,719
Deferred Resource -- Assumption Changes	-	
Deferred Resource -- Plan experience	-	
Deferred Resource -- Investment Experience	-	
Deferred Resource -- Contributions	48,408	
Net Position	133,311	

** 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 entries to record retiree premium (or other benefit) payments that were not reimbursed by a trust, and contributions to the trust during the fiscal year	C/CAG Debit	 Credit
OPEB Expense	53,558	
Employer Contributions for Retiree Benefits During Fiscal Year		53,558

** This entry assumes that when cash is used to pay retiree premiums directly (and not reimbursed by a trust), or when cash is used to contribute to an OPEB trust, then an account called "Employer Contributions for Retiree Benefits During Fiscal Year" was debited (increased). This entry reassigns these premium payments to OPEB Expense. If OPEB Expense was orignally debited, then this entry is unnecessary.*

Journal entries to record implicit subsidies during the fiscal year	C/CAG Debit	 Credit
OPEB Expense	604	
Premium Expense During Fiscal Year		604

** This entry assumes that when premiums for active employees are paid, then an account called "Premium Expense During Fiscal Year" is debited (increased). 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	C/CAG Debit	 Credit
Net OPEB Liability	17,110	
Deferred Resource -- Assumption Changes	6,634	
Deferred Resource -- Plan experience		7,391
Deferred Resource -- Investment Experience	385	
Deferred Resource -- Contributions	5,754	
OPEB Expense		22,492

Accounting Information
(Continued)

Sensitivity of Liabilities to Changes in the Discount Rate and Medical Cost Inflation

The discount rate used for the fiscal year end 2018 is 6.73%. Medical Cost Inflation was assumed to start at 8.0% and grade down to 5.0% for years 2024 and thereafter. The impact of a 1% increase or decrease in these assumptions is shown in the chart below.

C/CAG	Sensitivity of Liabilities to Change in:					
	Discount Rate			Medical Cost Inflation		
	Discount Rate - 1%	Discount Rate	Discount Rate + 1%	Medical Trend - 1%	Current Medical Trend	Medical Trend + 1%
Total OPEB Liability	$ 282,648	$ 251,553	$ 225,639	$ 222,729	$ 251,553	$ 288,074
Increase (Decrease)	31,095		(25,914)	(28,824)		36,521
% Increase (Decrease)	12.4%		-10.3%	-11.5%		14.5%
Net OPEB Liability (Asset)	$ 195,704	$ 164,609	$ 138,695	$ 135,785	$ 164,609	$ 201,130
Increase (Decrease)	31,095		(25,914)	(28,824)		36,521
% Increase (Decrease)	18.9%		-15.7%	-17.5%		22.2%

Accounting Information
(Continued)

Schedule of Changes in C/CAG's Net OPEB Liability and Related Ratios

GASB75 requires presentation of the 10-year history of changes in the Net OPEB Liability. However, since this is the initial year of implementation, only one year is currently available.

Fiscal Year Ending 2018	C/CAG
Total OPEB liability	
Service Cost	$ 20,211
Interest	16,127
Changes of benefit terms	-
Differences between expected and actual experience	(9,558)
Changes of assumptions	8,580
Benefit payments	(23,408)
Total OPEB liability - beginning	239,601
Total OPEB liability - ending (a)	$ 251,553
Plan fiduciary net position	
Contributions - employer	$ 48,408
Net investment income	4,093
Benefit payments	(23,408)
Administrative Expenses	(31)
Net change in plan fiduciary net position	29,062
Plan fiduciary net position - beginning	57,882
Plan fiduciary net position - ending (b)	$ 86,944
Net OPEB liability - ending (a) - (b)	$ 164,609
Covered-employee payroll	$ 311,785
Net OPEB liability as a percentage of covered-employee payroll	52.80%

Accounting Information
(Continued)

Detail of Changes to Net Position

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

C/CAG	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	Contributions Subsequent to Measurement Date	Impact on Statement of Net Position (e) = (c) - (d)
Balance at Fiscal Year Ending 6/30/2017 *Measurement Date 6/30/2016*	$ 239,601	$ 57,882	$ 181,719	$ -	$ -	$ -	$ 48,408	$ 133,311
Changes During the Period:								
Service Cost	20,211		20,211					20,211
Interest Cost	16,127		16,127					16,127
Expected Investment Income		4,574	(4,574)					(4,574)
Employer Contributions		48,408	(48,408)					(48,408)
Changes of Benefit Terms	-		-					-
Administrative Expenses		(31)	31					31
Benefit Payments	(23,408)	(23,408)	-					-
Assumption Changes	8,580		8,580	8,580				-
Plan Experience	(9,558)		(9,558)		(9,558)			-
Investment Experience		(481)	481			481		-
Recognized Deferred Resources				(1,946)	2,167	(96)	(48,408)	48,283
Employer Contributions Subsequent to Measurement date							54,162	(54,162)
Net Changes in Fiscal Year 2017-2018	11,952	29,062	(17,110)	6,634	(7,391)	385	5,754	(22,492)
Balance at Fiscal Year Ending 6/30/2018 *Measurement Date 6/30/2017*	$ 251,553	$ 86,944	$ 164,609	$ 6,634	$ (7,391)	$ 385	$ 54,162	$ 110,819

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. Contributions subsequent to the measurement date are not shown.

Measurement Date: June 30, 2017

Date Created	Plan	Cause of Deferred Resource	Initial Amount	Annual Recognition	Balance as of Jun 30, 2017	Recognition of Deferred Outflow or Deferred (Inflow) in Measurement Period: 2016-17 (FYE 2018)	2017-18 (FYE 2019)	2018-19 (FYE 2020)	2019-20 (FYE 2021)	2020-21 (FYE 2022)	2021-22 (FYE 2023)	Thereafter
6/30/2017	C/CAG	Loss Due To Assumption Changes	$ 8,580	$ 1,946	$ 6,634	$ 1,946	$ 1,946	$ 1,946	$ 1,946	$ 796	$ -	$ -
6/30/2017	C/CAG	Investment Earnings Less than Expected	481	96	385	96	96	96	96	97	-	-
6/30/2017	C/CAG	Gain Due To Plan Experience	(9,558)	(2,167)	(7,391)	(2,167)	(2,167)	(2,167)	(2,167)	(890)	-	-

Accounting Information
(Continued)

C/CAG Contributions to the Plan

C/CAG contributions to the Plan occur as benefits are paid to retirees and/or to the OPEB trust. 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"). For details, see Addendum 1 – Important Background Information.

Benefits and other contributions paid by C/CAG during the measurement period and those expected to be made in the year following the measurement period but prior to the end of the fiscal year are shown below. Estimates should be replaced with total actual employer payments toward retiree medical benefits and total trust contributions once known at the close of fiscal year end 2018.

Employer Contributions During the Measurement Period, Jul 1, 2016 thru Jun 30, 2017	**C/CAG**
Employer Contributions to the Trust	$ 25,000
Employer Contributions in the Form of Direct Benefit Payments (not reimbursed by trust)	14,026
Implicit contributions	9,382
Total Employer Contributions During the Measurement Period	$ 48,408

Employer Contributions Subsequent to the Measurement Date, Jul 1, 2017 thru Jun 30, 2018	**C/CAG**
Employer Contributions to the Trust	$ 44,631
Employer Contributions in the Form of Direct Benefit Payments (not reimbursed by trust)	8,927
Implicit contributions	604
Total Employer Contributions Subsequent to the Measurement Date	$ 54,162

Accounting Information
(Concluded)

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 C/CAG. Expected annual benefits have been projected on the basis of the actuarial assumptions outlined in Table 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	
2018	$ 8,927	$ -	$ 8,927	$ -	$ 604	$ 604	$ 9,531
2019	9,268	1,400	10,668	-	1,429	1,429	12,097
2020	9,855	2,595	12,450	-	2,403	2,403	14,853
2021	10,421	3,897	14,318	-	3,612	3,612	17,930
2022	10,957	5,281	16,238	-	5,091	5,091	21,329
2023	11,454	6,749	18,203	-	6,884	6,884	25,087
2024	11,903	8,422	20,325	-	9,153	9,153	29,478
2025	12,327	10,129	22,456	-	7,589	7,589	30,045
2026	12,746	11,824	24,570	-	9,356	9,356	33,926
2027	13,158	13,481	26,639	-	11,272	11,272	37,911
2028	13,555	6,572	20,127	-	5	5	20,132
2029	13,932	8,238	22,170	-	118	118	22,288
2030	14,283	9,523	23,806	-	311	311	24,117
2031	14,600	11,014	25,614	-	620	620	26,234
2032	14,876	12,855	27,731	-	1,115	1,115	28,846

The amounts shown in the Explicit Subsidy section reflect the expected payment by C/CAG 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.

** The implicit subsidy amounts shown in each year are based upon projections of the existence of future retirees under age 65. If there are no covered retirees (or spouse) under age 65 in a year, then no implicit subsidy benefit will occur in that year (i.e., this subsidy would be $0).*

C. Funding Information

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. C/CAG has been prefunding its OPEB liability by contributing 100% or more of the Actuarially Determined Contribution (ADC) each year. The ADC consists of two basic components, which have been adjusted with interest to C/CAG's fiscal year end:

- The amounts attributed to service performed in the current fiscal year (the normal cost) and
- Amortization of the unfunded actuarial accrued liability (UAAL).

The ADC (formerly referred to as the Annual Required Contribution) developed for C/CAG's fiscal year ending June 30, 2018 was determined and presented in the July 2017 Actuarial Valuation report. Expected contributions, relative to the ADC, for the fiscal year ending June 30, 2018 are shown below.

Schedule of Contributions	**C/CAG**
Actuarially Determined Contribution	$ 54,162
Contributions in relation to the actuarially determined contribution	54,162
Contribution deficiency (excess)	$ -
Covered employee payroll	$ 311,785
Contributions as a percentage of covered employee payroll	17.37%

D. Certification

This report presents the results of our actuarial valuation of the other postemployment benefits provided by Delta Vector Control C/CAG. The purpose of this valuation was to provide the actuarial information required for C/CAG's reporting under Statement 75 of the Governmental Accounting Standards Board. The calculations were focused on determining the Total OPEB Liability and Service Cost in accordance with the requirements of GASB 75, as well as deferred recognition items and other required schedules.

We certify that this report has been prepared in accordance with our understanding of GASB 75. To the best of our knowledge, the report is complete and accurate, based upon the data and plan provisions provided to us by C/CAG. We believe the assumptions and method used are reasonable and appropriate for purposes of the financial reporting required by GASB 75. The results may not be appropriate for other purposes.

Each of the undersigned individuals is a Fellow in the Society of Actuaries and Member of the American Academy of Actuaries who satisfies the Academy Qualification Standards for rendering this opinion.

Signed: May 21, 2018

Catherine L. MacLeod, FSA, FCA, EA, MAAA	J. Kevin Watts, FSA, FCA, MAAA

E. Supporting Information

Table 1 - Summary of Employee Data

C/CAG reported 2 active employees in the data provided to us for the June 2017 valuation. There are also 2 retirees currently receiving benefits under this program:

The chart below summarizes census data used for valuation:

2017 Valuation Census	Active	Retired	Total
Number	2	2	4
Average Age	49.4	66.8	58.1
Average Service	3.4	15.4	9.4
Average Age at Retirement	n/a	63.3	n/a
Total Covered Payroll	$ 275,124	$ -	$ 275,124

Changes in covered members:
C/CAG reported no new hires, termination, retirements or deaths since the prior valuation.

Supporting Information
(Continued)

Table 2 - Summary of Retiree Benefit Provisions

OPEB provided: C/CAG reported the following OPEB are provided: retiree medical coverage.

Access to coverage: Medical coverage is currently provided through CalPERS as permitted under the Public Employees' Medical and Hospital Care Act (PEMHCA). This coverage requires the employee to satisfy the requirements for retirement under CalPERS: either (a) attainment of age 50 (age 52, if a miscellaneous employee new to PERS on or after January 1, 2013) with 5 years of State or public agency service or (b) an approved disability retirement.

The employee must begin his or her retirement benefit within 120 days of terminating employment with C/CAG to be eligible to continue medical coverage through C/CAG and be entitled to the benefits described below. If an eligible employee is not already enrolled in the medical plan, he or she may enroll within 60 days of retirement, during any future open enrollment period or with a qualifying life event. *In other words, it is the timing of initiating retirement benefits and not timing of enrollment in the medical program which determines whether or not the retiree qualifies for lifetime medical coverage and any benefits defined in the PEMHCA resolution*. Once eligible, coverage may be continued at the retiree's option for his or her lifetime. A surviving spouse and other eligible dependents may also continue coverage

Benefits provided: As a PEMHCA employer, C/CAG is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. It is our understanding that C/CAG has executed (or will execute) a resolution with CalPERS defining the level of its contribution toward the cost of medical plan premiums for *active and retired* employees to be the PEMHCA minimum employer contribution (MEC)[2]. The MEC was $128 per month in 2017 and increased to $133 per month in 2018.

C/CAG provides a higher benefit for retirees who satisfy the following additional requirements:

- Executive management group: 5 or more years of service with C/CAG
- All other employees: 10 or more years of C/CAG service

C/CAG will pay 100% of the premium for the retiree only, so long as the premium is not more than 90% of the Kaiser Bay family premium ($1,824.88 in 2018). Upon the retiree's death, surviving annuitants may continue coverage, but the only subsidy they will receive is the PEMHCA MEC. Monthly premiums for selected plans in 2018 are shown below.

Bay Area 2018 Health Plan Rates						
	Actives and Pre-Med Retirees			Medicare Eligible Retirees		
Plan	Ee Only	Ee & 1	Ee & 2+	Ee Only	Ee & 1	Ee & 2+
Blue Shield Access+ HMO	$ 889.02	$ 1,778.04	$ 2,311.45	*Not Available*		
PERS Choice PPO	800.27	1,600.54	2,080.70	$ 345.97	$ 691.94	$ 1,172.10
PERSCare PPO	882.45	1,764.90	2,294.37	382.30	764.60	1,294.07
UnitedHealthcare HMO	1,371.84	2,743.68	3,566.78	330.76	661.52	1,484.62

[2] It is our understanding that C/CAG has established a pre-tax flexible benefit plan to provide premiums in excess of the MEC for active employees and that PEMHCA does not require these additional payments to be paid to retirees..

Supporting Information
(Continued)

Table 3 - Actuarial Methods and Assumptions

Valuation Date	June 30, 2017
Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets
Long Term Return on Assets	6.5% as of June 30, 2016 and June 30, 2017
Discount Rates	6.5% as of June 30, 2016 and June 30, 2017
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.25% per year, used only to allocate the cost of benefits between service years
Assumed Wage inflation	3.0% per year; used to determine amortization payments if developed on a level percent of pay basis
General Inflation Rate	2.75% per year

Demographic actuarial assumptions used in this valuation are based on the 2014 experience study of the California Public Employees Retirement System using data from 1997 to 2011, 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. Mortality rates used were those published by CalPERS, adjusted to back out 20 years of Scale BB to central year 2008, then projected as described below.

Mortality Improvement — Bickmore Scale 2017 applied generationally.

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
2018	Actual	2022	6.00%
2019	7.50%	2023	5.50%
2020	7.00%	2024	5.00%
2021	6.50%	2025 & later	5.00%

The required PEMHCA minimum employer contribution (MEC) is assumed to increase by 4.5% annually.

Supporting Information
(Continued)

Table 3 - Actuarial Methods and Assumptions

Participation Rate

Active employees: 70% of those expected to qualify for only the PEMHCA MEC and 100% of those assumed to qualify for the higher C/CAG subsidy are assumed to continue their current plan election in retirement.

Retired participants: Existing medical plan elections are assumed to be maintained until the retiree's death.

Spouse Coverage

Active employees: 40% are assumed to be married and 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.

Medicare Eligibility

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

Excise tax on high-cost plans

The expected value of excise taxes for high cost plan coverage for retirees, assumed to be effective in the year 2022, was included in this valuation. Annual threshold amounts for 2018 under the Affordable Care Act (ACA) were assumed to increase at the General Inflation Rate. A 40% excise tax rate was applied to the portion of premiums projected to exceed the threshold.

2018 Thresholds	Ages 55-64	All Other Ages
Single	11,850	10,200
Other than Single	30,950	27,500

Note: Thresholds for disability retirements are assumed to be set at a level high enough to prevent taxation on disabled retiree benefits.

Actual limits may be higher, depending on cost increases prior to the effective date. These thresholds are scheduled to increase by CPI plus 1% in 2019 and by CPI annually thereafter.

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

Supporting Information

(Continued)

Table 3 - Actuarial Methods and Assumptions

Development of Age-related Medical Premiums (continued)

curves can be found in Bickmore's Age Rating Methodology provided in Addendum 1 to this report.

Representative claims costs derived from the dataset provided by CalPERS for retirees not currently covered or not expected to be eligible for Medicare appear below:

Expected Monthly Claims by Medical Plan for Selected Ages					
	Male				
Medical Plan	50	53	56	59	62
Blue Shield Access+: Bay Area	$ 854	$ 1,007	$ 1,170	$ 1,341	$ 1,524
HMO: Bay Area	977	1,152	1,338	1,533	1,743
PERS Choice: Bay Area	718	846	983	1,127	1,281
PERSCare: Bay Area	639	753	875	1,003	1,140
	Female				
Medical Plan	50	53	56	59	62
Blue Shield Access+: Bay Area	$ 1,059	$ 1,163	$ 1,251	$ 1,352	$ 1,490
HMO: Bay Area	1,211	1,330	1,431	1,546	1,704
PERS Choice: Bay Area	889	977	1,051	1,136	1,252
PERSCare: Bay Area	792	870	936	1,011	1,115

All current and future Medicare-eligible retirees are assumed to be covered by plans that are rated based solely on the experience of Medicare retirees. Therefore, no implicit subsidy is calculated for Medicare-eligible retirees.

Changes Since the Prior Valuation:

Mortality improvement: Future rates of mortality were projected to improve on a generational basis using Bickmore Scale 2017, rather than Bickmore Scale 2014; this new scale generally results in lower mortality improvement (i.e. shorter retiree life expectancy).

Healthcare trend: Medical plan premiums are assumed to increase at somewhat higher rates than assumed in the prior valuation, with the ultimate trend of 5.0% per year, rather than 4.5% per year assumed in the prior valuation.

Spouse coverage: The percentage of future retirees assumed to cover a spouse in retirement was decreased from 85% to 40%, based on a review of current and recent plan data.

Excise tax effective date: We reflected the two-year delay in the effective date of the excise tax attributable to retirees for high cost healthcare plans under the Affordable Care Act.

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[3] or other direct retiree payments which fall under other GASB accounting statements.

A direct employer payment toward the cost of OPEB benefits is referred to as an "explicit subsidy". Upcoming excise taxes under the Affordable Care Act for retirees covered by high cost plans is another potential source of explicit subsidies.

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.

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.

<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>

Under GASB 45, for actuarial valuations dated prior to March 31, 2015, an exception allowed plan employers with a very small membership in a large "community-rated" healthcare program to avoid reporting of implicit subsidy liability. Following a change in Actuarial Standards of Practice and in accordance with GASB 75 requirements, this exception is no longer available.

Valuation Process

The valuation was based on employee census data and benefits provided by C/CAG. A summary of the employee data is provided in Table 1 and a summary of the benefits provided under the Plan is provided in Table 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 C/CAG as to its accuracy. The valuation was also based on the actuarial methods and assumptions described in Table 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

[3] Unless unused sick leave credits are converted to provide or enhance a defined benefit OPEB.

Important Background Information

(Continued)

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.

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 liability is created when expected retiree claims exceed the premiums charged for retiree coverage. In practical terms, when premiums for active employees each year exceed active employee claims, their premiums include an amount expected to be transferred to cover a portion of the retirees' claims not covered by the premiums charged for retiree coverage. This transfer represents the current year's implicit subsidy. GASB 75 allows for recognition of payments to an irrevocable trust *or directly to the insurer* as an employer's contribution. Therefore, each year's implicit subsidy is 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

In this example, while total contributions paid toward active and retired employee healthcare premiums is the same, by shifting the recognition of the current year's implicit subsidy from actives to retirees, this amount is recognized as an OPEB contribution and at the same time reduces 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: Bickmore 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. Table 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 Table 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: Bickmore 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 **Bickmore Scale 2017** was developed from a blending of data and methodologies found in two published sources: (1) the Society of Actuaries Mortality Improvement Scale MP-2016 Report, published in October 2016 and (2) the demographic assumptions used in the 2016 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, published June 2016.

Bickmore Scale 2017 is a two-dimensional mortality improvement scale reflecting both age and year of mortality improvement. The underlying base scale is Scale MP-2016 which has two segments – (1) historical improvement rates for the period 1951-2012 and (2) an estimate of future mortality improvement for years 2013-2015 using the Scale MP-2016 methodology but utilizing the assumptions obtained from Scale MP-2015. The Bickmore scale then transitions from the 2015 improvement rate to the Social Security Administration (SSA) Intermediate Scale linearly over the 10 year period 2016-2025. After this transition period, the Bickmore Scale uses the constant mortality improvement rate from the SSA Intermediate Scale from 2025-2039. The SSA's Intermediate Scale has a final step down in 2040 which is reflected in the Bickmore scale for years 2040 and thereafter. Over the ages 100 to 115, the SSA improvement rate is graded to zero.

Scale MP-2016 can be found at the SOA website and the projection scales used in the 2016 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

Excise Tax – The Affordable Care Act created an excise tax on the value of employer sponsored coverage which exceeds certain thresholds ("Cadillac Plans"). The tax is first effective is 2020.

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.

Glossary
(Continued)

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.

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.

Glossary
(Concluded)

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