

C/CAG AGENDA REPORT

Date: August 26, 2020

TO: C/CAG Finance Committee

From: Sandy Wong, Executive Director

Subject: Receive a copy of the Actuarial Valuation of Other Post-Employment Benefit (OPEB) Programs as of July 1, 2019 and GASB 75 Report for the fiscal year ending June 30, 2020

(For further information or response to questions, contact Sandy Wong at slwong@smcgov.org)

RECOMMENDATION:

That the Finance Committee receive a copy of the Actuarial Valuation of Other Post-Employment Benefit (OPEB) Programs as of July 1, 2019 and GASB 75 Report for the fiscal year ending June 30, 2020.

FISCAL IMPACT:

Cost to prepare the updated actuarial valuation report for OPEB liabilities is \$4,200.

REVENUE SOURCES:

Funding for the report preparation is from C/CAG General Fund.

BACKGROUND/DISCUSSION:

The Government Accounting Standards Board (GASB) adopted accounting and financial reporting standards provide requirements for the accounting and financial reporting by employers for post-employment benefits other than pensions (OPEB). C/CAG provides post-employment benefit in the form of health insurance for retirees. C/CAG has elected to prefund OPEB through CalPERS Trust. See additional background information in the section below.

The California Employers' Retiree Benefit Trust (CERBT) Fund is an Internal Revenue Code Section 115, multiple-employer OPEB trust fund and has a fiduciary responsibility for financial reporting in accordance to the Governmental Accounting Standards Statement No. 74. C/CAG is required to submit a renewal OPEB Valuation at least every two years, including the Certificate of Funding Policy.

C/CAG engaged MacLeod Watts, Inc., an actuarial services firm, to prepare the updated actuarial valuation of other postemployment benefits (OPEB) liabilities to comply with GASB 75. The Principal Actuary of MacLeod Watts, prior to founding the firm, was the Director of Post-Employment Benefits at Bickmore & Associates which provided services to C/CAG since 2012.

Although GASB 75 requires that updated calculations be prepared after the close of every fiscal year end, each valuation may typically be used for two years (fiscal year ending June 30, 2020 and fiscal year ending June 30, 2021) in the development of the plan accounting under GASB 75.

This report presents the results of the June 30, 2019 actuarial valuation (Measurement date of June 30, 2019) of the other post-employment benefit (OPEB) program of C/CAG. The purposes of this valuation are to:

1. Develop Actuarially Determined Contribution (ADC) levels for prefunding plan benefits.
2. Provide information required by the California Employers' Retiree Benefit Trust (CERBT).
3. Assess the OPEB liabilities and provide disclosure information as required by Statement No. 75 of the Government Accounting Standards Board (GASB 75) for the fiscal year ending June 30, 2020.

Below is a brief summary of Actuarially Determined Contribution (ADC) and other related data excerpt from the report:

	FY ending 6/30/2020	FY ending 6/30/2021	FY ending 6/30/2022
Actuarial Accrued Liability (AAL)	\$313,472	\$385,093	\$430,166
Actuarial Value of Assets	\$188,948	\$250,817	\$307,522
Unfunded AAL	\$124,524	\$134,276	\$122,644
Actuarially Determined Contribution (ADC)	\$55,709	\$49,312	\$50,016
Projected premiums paid	\$9,217	\$9,264	\$9,667
Expected contribution to Trust	\$48,452	\$40,048	\$40,349

Additional background information:

In response to Government Accounting Standards Board (GASB) Statement Number 45, in 2012, for the first time, C/CAG retained Bickmore & Associates, an actuarial firm to prepare the Actuarial Valuation of the Other Post-Employment Benefit Programs as of July 1, 2012 for fiscal years ending June 30, 2014 and June 30, 2015. That actuarial valuation was updated in June 2016 for fiscal years ending June 30, 2016 and June 30, 2017.

On June 11, 2015, the C/CAG Board approved Resolution 15-33 authorizing an agreement and election of C/CAG to prefund OPEB through CalPERS – California Employers' Retiree Benefit Trust Program (CERBT). On June 11, 2015, the C/CAG Board also approved a funding policy in an amount of \$30,000 to cover the Annual Required Contribution (ARC) as initial investment into the CERBT trust and selected Asset Allocation Strategy 2 for FY 2014-15. Subsequently, C/CAG adopted the below Resolutions authorizing the prefunding of OPEB through CalPERS Trust as follows:

- Resolution 15-xx prefunding of \$30,000 for FY 2014-15.
- Resolution 16-21 prefunding of \$27,000 for FY 2015-16.
- Resolution 17-26 prefunding of \$25,000 for FY 2016-17.
- Resolution 18-37 prefunding of \$44,631 for FY 2017-18.
- Resolution 19-34 prefunding of \$42,802 for FY 2018-19.
- Resolution 20-39 prefunding of \$48,452 for FY 2019-20.

In total, C/CAG invested \$217,885 in the CERBT Trust, with the account ending balance of \$247,864 on June 30, 2020.

Funds deposited into an irrevocable trust may only be used to pay retiree medical benefits. However, should C/CAG stop prefunding retiree medical benefits, it may withdraw funds from the trust, as needed, to pay retiree medical benefits. Also, if C/CAG were ever able to completely extinguish its retiree medical liability, any funds remaining in the trust would be returned to C/CAG.

ATTACHMENT

1. Actuarial Valuation of Other Post-Employment Benefit (OPEB) Programs as of July 1, 2019 and GASB 75 Report for the fiscal year ending June 30, 2020 (Available online at <https://ccag.ca.gov/committees/finance-committee/>)