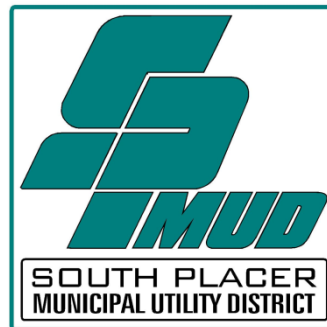


ACTUARIAL VALUATION OF OTHER POST-EMPLOYMENT BENEFIT PROGRAMS (OPEB)



OVERVIEW

- The California Employers' Benefit Trust (CERBT) Fund is a Section 115 trust fund dedicated to prefunding Other Post Employment Benefits (OPEB) for all eligible California public agencies. This fund is used to prefund future retiree benefits such as health, vision, dental, and life insurance.
- Contributions to the fund generate investment income which reduces future cash flow requirements and budget dependency.
- The District joined the Trust in 2008 with a beginning balance of \$2.3M. Soon after investing in the Trust the stock market crashed, and the trust experienced a large loss. Over the last few years the Trust has experienced annual investment earnings. The District has also contributed directly to the fund based upon recommended actuarial information.
- The District currently has \$4,6M in the trust.

CERBT INVESTMENT STRATEGY

The CERBT Fund program yields higher long-term net investment returns. There are three diversified asset allocation strategies.

These strategies invest in five common asset classes:

- Commodities
- Fixed Income
- Global Equity
- Global Public Real Estate Investment Trusts (REITs)
- Treasury Inflation Protected Securities (TIPS)

**SPMUD
Strategy**



Return/Return Volatility	Strategy 1	Strategy 2	Strategy 3
Expected Return Rate	7.28%	6.73%	6.12%
Standard Deviation of Expected Return	11.74%	9.32%	7.14%

OPEB ACTUARIAL REPORT

The Districts Actuary, MacLeod Watts (formerly Bickmore) has completed the report for the July 1, 2018 actuarial valuation of OPEB liabilities for the District. This report is being submitted to the CERBT to satisfy the filing requirements for the trust.

The Board adopted Policy #2575 establishing funding for OPEB. The strategy is to fund, in full, the Unfunded Actuarial accrued OPEB liabilities.

Redistribution of funds in the Trust have been made, based upon the Boards investment objectives to invest in moderate allocations in equities, bonds and other asset investments complimentary to the Districts moderate approach to investments specified in Policy #3120.

OPEB ACTUARIAL REPORT

The Actuary recommends the following contributions for fiscal years ending June 30, 2018, 2019 & 2020.

Subsidy	6/30/2018	6/30/2019	6/30/2020
Actuarially Determined Contribution (ADC)	\$ 292,275	\$ 301,216	\$ 312,164
Expected employer paid benefits for retirees	206,000	235,115	246,357
Current year's implicit subsidy credit	68,870	73,873	78,430
Expected contribution to OPEB trust	17,405	(7,772)	(12,623)
Total Expected District Contribution	292,275	301,216	312,164

The District funds retiree medical reimbursements from this fund. The Actuarial valuation is a complex, long term projection which uses current information for employees and retirees to project actual experience to the extent possible.

OPEB OBLIGATIONS OF THE DISTRICT

The District provides continuation of medical coverage to its retiring employees, which create one or more of the following types of OPEB liabilities:

1. **Explicit subsidy liabilities:** Contributing directly to the retiree medical premiums.
2. **Implicit subsidy liabilities:** A subsidy created when retiree premiums exceed the amount included within active employee premiums.

PAYING DOWN THE UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)

CalPERS has calculated the Unfunded Actuarial Accrued Liability (UAAL) at \$4.8M which can be paid over a period of time similar to an amortization payment. The CalPERS amortization periods of 30, 20 or 15 years project required payments with included interest. Should the District follow one of these amortization schedules approximately \$5.5M in interest could be anticipated.

Staff recommend prefunding the benefits by first satisfying Tier II & III balances in the amount of \$35,780 and then accelerating payments for the Tier I balance of \$4.79M. Staff anticipates bringing this recommendation to the Board at the end of the calendar year.

COMMENTS/QUESTIONS