McKINLEYVILLE COMMUNITY SERVICES DISTRICT

Mission statement of McKinleyville Community Services District:
"Provide McKinleyville with safe and reliable water, wastewater, lighting, open space, parks and recreation, library services, and other appropriate services for an urban community in an environmentally and fiscally responsible manner."

NOTICE IS HEREBY GIVEN THAT A *Special* MEETING OF THE
MCKINLEYVILLE COMMUNITY SERVICES DISTRICT BOARD OF DIRECTORS
AUDIT AND FINANCE COMMITTEE MEETING
WILL BE HELD
WEDNESDAY, JANUARY 17, 2023 at 4:00 p.m.

LOCATION: MCSD District Office Conference Room
1656 Sutter Road
McKinleyville, CA 95519

MEETING AGENDA

1. Call to Order

2. Public Comment

3. Establish Section 115 Trust for Other Post-Employment Benefits (OPEB)

Posted 10:00 am on January 12, 2023

Pursuant to California Government Code Section 54957.5. this agenda and complete packet are available for public inspection on the web at McKinleyvillecsd.com or upon request at the MCSD office, 1656 Sutter Road, McKinleyville.

McKinleyville Community Services District will, on request, make agendas available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof. Individuals who need this agenda in an alternative format or who need a disability-related modification or accommodation in order to participate in the meeting should contact the Board Secretary at (707) 839-3251. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements for accommodations.

McKinleyville Community Services District

AUDIT & FINANCE COMMITTEE

January 17, 2023 TYPE OF ITEM: **ACTION**

ITEM: 3	**Establish Section 115 Trust for Other Post-Employment Benefits (OPEB)**
PRESENTED BY:	**Nicole Alvarado, Finance Director**
TYPE OF ACTION:	**None**

Recommendation:

Staff recommends the Committee review the information provided, consider a funding policy, and select an investment risk level, and recommend the agreements be presented to the Board of Directors for adoption.

Discussion:

The District currently offers a health insurance plan for retirees which is commonly referred to as other-post employment benefits or (OPEB). Each year, the District's actuary, GovInvest calculates the cost of these benefits over a 30 year horizon. This cost is then recorded as a liability on the District's books. Over the next decade, approximately 25% of the District's current workforce will be eligible for this plan.

Public agencies have two options for covering OPEB costs. The first option is to "pay-as-you-go" where the District pays the monthly premium for retirees out of its current year operating budget. This is the District's current method. The second option is "pre-funding" where funds are set aside in a Section 115 Trust account dedicated to the payment of these liabilities. If this method is chosen, the District can fund the trust based on the actuarially determined annual contribution or elect an annual contribution up to a percentage of the total actuarially determined liability.

The California Public Employees Retirement System (CalPERS) has established a program called the California Retirement Benefit Trust (CERPT), which is a Section 115 Trust set up for the sole purpose of receiving employer contributions for OPEB costs. If the District chooses to participate in CERPT, future costs can be financed through investment earnings from the Section 115 Trust, as well as, annual contributions. The District maintains a reserve designated for the funding of OPEB liabilities, these funds are currently held at Humboldt County and CalTrust.

To establish a Section 115 Trust with CERPT, the Board of Directors must authorize the following:

- Agreement and Election to Prefund Other Post Employment Benefits through CalPERS
- Delegation of Authority to Request Disbursements
- Certification of the Program Funding Policy
- Approval of an initial transfer of $2.5 million from CalTrust

Alternatives:

Take no action, fund at current levels and pay-as-you-go and allow funds to remain at Humboldt County and CalTrust.

Fiscal Analysis:

Benefits of a Section 115 Trust:

- Broader array of investment options – Per state statutes, the District is restricted in the types of investments it can hold. By placing funds in the Section 115 Trust, the District would be allowed to invest in a broader array of investments options which can potentially yield higher returns over the long term. The CERPT has averaged 4.57% yield over the past 10 years, this includes recent market activity.
- Reduce unfunded liabilities and future contributions – The CERPT provides the District the ability to utilize interest earned to pay the annual contribution and unfunded OPEB liability.
- Improve financial reporting outcomes – If the District establishes a Section 115 Trust with CERPT, GovInvest will utilize the CERPT's discount rate instead of the Treasury Bond Buyer Rate, which lowers the District's overall OPEB liability.
- CalPERs low administrative fee of 10 basis points (.1%) – CalPERS CERPT program is the largest provider of Section 115 Trusts with the lowest administrative fee at 10 basis points. CalPERs will not invoice the District for their services, the cost would debit out of the interest earned.

As with all investments, CERPT comes with risk in that the funds would be more prone to market and economic volatility compared to the District's current investments at Humboldt County and CalTrust. Also, an IRS Section 115 Trust is irrevocable, meaning the investment can only be utilized for OPEB costs and not to pay for operations or catastrophic events.

CERBT offers 3 investment strategies:

Strategy 1 – Less Conservative, Expected Return 6%, Risk 12.1%

Strategy 2 – Conservative, Expected Return 5.5%, Risk 9.9%

Strategy 3 – More Conservative, Expected Return 5%, Risk 8.4%

To initiate the creation of the Section 115 Trust, the Committee must recommend a funding policy, select an investment strategy, and approve the agreements to be presented to the Board of Directors.

Exhibits/Attachments:

- Attachment 1 - Agreement and Election to Prefund Other Post Employment Benefits Through CalPERS
- Attachment 2 - Delegation of Authority to Request Disbursements
- Attachment 3 - Certification of the Program Funding Policy
- Attachment 4 – MCSD 2022 GASB 75 Report
- Attachment 5 – FY21-22 Reserve Calculations
- Attachment 6 – Notes from 12/12/22 and 12/21/22

CALIFORNIA EMPLOYERS' RETIREE BENEFIT TRUST PROGRAM ("CERBT")

AGREEMENT AND ELECTION OF

McKinleyville Community Services District

(NAME OF EMPLOYER)

TO PREFUND OTHER POST-EMPLOYMENT BENEFITS THROUGH CalPERS

WHEREAS (1) Government Code Section 22940 establishes in the State Treasury the Annuitants' Health Care Coverage Fund for the prefunding of health care coverage for annuitants (Prefunding Plan); and

WHEREAS (2) The California Public Employees' Retirement System (CalPERS) Board of Administration (Board) has sole and exclusive control and power over the administration and investment of the Prefunding Plan (sometimes also referred to as CERBT), the purposes of which include, but are not limited to (i) receiving contributions from participating employers and establishing separate Employer Prefunding Accounts in the Prefunding Plan for the performance of an essential governmental function (ii) investing contributed amounts and income thereon, if any, in order to receive yield on the funds and (iii) disbursing contributed amounts and income thereon, if any, to pay for costs of administration of the Prefunding Plan and to pay for health care costs or other post-employment benefits in accordance with the terms of participating employers' plans; and

WHEREAS (3) McKinleyville Community Services District
(NAME OF EMPLOYER)

(Employer) desires to participate in the Prefunding Plan upon the terms and conditions set by the Board and as set forth herein; and

WHEREAS (4) Employer may participate in the Prefunding Plan upon (i) approval by the Board and (ii) filing a duly adopted and executed Agreement and Election to Prefund Other Post-Employment Benefits (Agreement) as provided in the terms and conditions of the Agreement; and

WHEREAS (5) The Prefunding Plan is a trust fund that is intended to perform an essential governmental function within the meaning of Section 115 of the Internal Revenue Code as an agent multiple-employer defined benefit plan as defined in Governmental Accounting Standards Board (GASB) Statements for Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB Standards) consisting of an aggregation of single-employer plans, with pooled administrative and investment functions;

NOW, THEREFORE, BE IT RESOLVED THAT EMPLOYER HEREBY MAKES THE FOLLOWING REPRESENTATION AND WARRANTY AND THAT THE BOARD AND EMPLOYER AGREE TO THE FOLLOWING TERMS AND CONDITIONS:

A. Representation and Warranty

Employer represents and warrants that it is a political subdivision of the State of California or an entity whose income is excluded from gross income under Section 115 (1) of the Internal Revenue Code.

B. Adoption and Approval of the Agreement; Effective Date; Amendment

(1) Employer's governing body shall elect to participate in the Prefunding Plan by adopting this Agreement and filing with the CalPERS Board a true and correct original or certified copy of this Agreement as follows:

Filing by mail, send to: CalPERS
CERBT (OPEB)
P.O. Box 1494
Sacramento, CA 95812-1494

Filing in person, deliver to:
CalPERS Mailroom
CERBT (OPEB)
400 Q Street
Sacramento, CA 95811

(2) Upon receipt of the executed Agreement, and after approval by the Board, the Board shall fix an effective date and shall promptly notify Employer of the effective date of the Agreement.

(3) The terms of this Agreement may be amended only in writing upon the agreement of both CalPERS and Employer, except as otherwise provided herein. Any such amendment or modification to this Agreement shall be adopted and executed in the same manner as required for the Agreement. Upon receipt of the executed amendment or modification, the Board shall fix the effective date of the amendment or modification.

(4) The Board shall institute such procedures and processes as it deems necessary to administer the Prefunding Plan, to carry out the purposes of this Agreement, and to maintain the tax exempt status of the Prefunding Plan. Employer agrees to follow such procedures and processes.

C. Other Post-Employment Benefits (OPEB) Cost Reports and Employer Contributions

(1) Employer shall provide to the Board an OPEB cost report on the basis of the actuarial assumptions and methods prescribed by the Board. Such report shall be for the Board's use in financial reporting, and shall be prepared at least as often as the minimum frequency required by applicable GASB OPEB Standards. This OPEB cost report may be prepared as an actuarial valuation report or, if the employer is qualified under GASB OPEB Standards, may be prepared as an Alternative Measurement Method (AMM) report.

(a) Unless qualified under GASB OPEB Standards, to provide an AMM report, Employer shall provide to the Board an actuarial valuation report. Such report shall be for the Board's use in financial reporting, and shall be prepared at least as often as the minimum frequency required by GASB OPEB Standards, and shall be:

1) prepared and signed by a Fellow or Associate of the Society of Actuaries who is also a Member of the American Academy of Actuaries or a person with equivalent qualifications acceptable to the Board;

2) prepared in accordance with generally accepted actuarial practice and GASB OPEB Standards; and,

3) provided to the Board prior to the Board's acceptance of contributions for the valuation period or as otherwise required by the Board.

(b) If qualified under GASB OPEB Standards, Employer may provide to the Board an AMM report. Such report shall be for the Board's use in financial reporting, shall be prepared at least as often as the minimum frequency required by GASB OPEB Standards, and shall be:

1) affirmed by Employer's external auditor, or by a Fellow or Associate of the Society of Actuaries who is also a Member of the American Academy of Actuaries or a person with equivalent qualifications acceptable to the Board, to be consistent with the AMM process described in GASB OPEB Standards;

2) prepared in accordance with GASB OPEB Standards; and,

3) provided to the Board prior to the Board's acceptance of contributions for the valuation period or as otherwise required by the Board.

(2) The Board may reject any OPEB cost report for financial reporting purposes submitted to it, but shall not unreasonably do so. In the event that the Board

determines, in its sole discretion, that the OPEB cost report is not suitable for use in the Board's financial statements or if Employer fails to provide a required OPEB cost report, the Board may obtain, at Employer's expense, an OPEB cost report that meets the Board's financial reporting needs. The Board may recover from Employer the cost of obtaining such OPEB cost report by billing and collecting from Employer or by deducting the amount from Employer's account in the Prefunding Plan.

(3) Employer shall notify the Board of the amount and time of contributions which contributions shall be made in the manner established by the Board.

(4) Employer contributions to the Prefunding Plan may be limited to the amount necessary to fully fund Employer's actuarial present value of total projected benefits, as supported by the OPEB cost report for financial reporting purposes acceptable to the Board. As used throughout this document, the meaning of the term "actuarial present value of total projected benefits" is as defined in GASB OPEB Standards. If Employer's contribution causes its assets in the Prefunding Plan to exceed the amount required to fully fund the actuarial present value of total projected benefits, the Board may refuse to accept the contribution.

(5) No contributions are required. Contributions can be made at any time following the effective date of the Agreement provided that Employer has first complied with the requirements of Paragraph C.

D. Administration of Accounts, Investments, Allocation of Income

(1) The Board has established the Prefunding Plan as an agent plan consisting of an aggregation of single-employer plans, with pooled administrative and investment functions, under the terms of which separate accounts are maintained for each employer so that the Employer's assets will provide benefits only under the Employer's post-employment benefit plan(s).

(2) All Employer contributions and assets attributable to Employer contributions shall be separately accounted for in the Prefunding Plan (Employer's Prefunding Account).

(3) Employer's Prefunding Account assets may be aggregated with prefunding account assets of other employers and may be co-invested by the Board in any asset classes appropriate for a Section 115 Trust.

(4) The Board may deduct the costs of administration of the Prefunding Plan from the investment income or Employer's Prefunding Account in a manner determined by the Board.

(5) Investment income shall be allocated among participating employers and posted to Employer's Prefunding Account as determined by the Board but no less frequently than annually.

(6) If Employer's assets in the Prefunding Plan exceed the amount required to fully fund the actuarial present value of total projected benefits, the Board, in compliance with applicable accounting and legal requirements, may return such excess to Employer.

E. Reports and Statements

(1) Employer shall submit with each contribution a contribution report in the form and containing the information prescribed by the Board.

(2) The Board shall prepare and provide a statement of Employer's Prefunding Account at least annually reflecting the balance in Employer's Prefunding Account, contributions made during the period and income allocated during the period, and such other information as the Board determines.

F. Disbursements

(1) Employer may receive disbursements not to exceed the annual premium and other costs of post-employment healthcare benefits and other post-employment benefits as defined in GASB OPEB Standards.

(2) Employer shall notify CalPERS in writing in the manner specified by CalPERS of the persons authorized to request disbursements from the Prefunding Plan on behalf of Employer.

(3) Employer's request for disbursement shall be in writing signed by Employer's authorized representative, in accordance with procedures established by the Board. The Board may require that Employer certify or otherwise establish that the monies will be used for the purposes of the Prefunding Plan.

(4) Requests for disbursements that satisfy the requirements of paragraphs (2) and (3) will be processed monthly.

(5) CalPERS shall not be liable for amounts disbursed in error if it has acted upon the written instruction of an individual authorized by Employer to request disbursements. In the event of any other erroneous disbursement, the extent of CalPERS' liability shall be the actual dollar amount of the disbursement, plus interest at the actual earnings rate but not less than zero.

(6) No disbursement shall be made from the Prefunding Plan which exceeds the balance in Employer's Prefunding Account.

G. Costs of Administration

Employer shall pay its share of the costs of administration of the Prefunding Plan, as determined by the Board.

H. Termination of Employer Participation in Prefunding Plan

(1) The Board may terminate Employer's participation in the Prefunding Plan if:

(a) Employer gives written notice to the Board of its election to terminate;

(b) The Board finds that Employer fails to satisfy the terms and conditions of this Agreement or of the Board's rules or regulations.

(2) If Employer's participation in the Prefunding Plan terminates for any of the foregoing reasons, all assets in Employer's Prefunding Account shall remain in the Prefunding Plan, except as otherwise provided below, and shall continue to be invested and accrue income as provided in Paragraph D.

(3) After Employer's participation in the Prefunding Plan terminates, Employer may not make contributions to the Prefunding Plan.

(4) After Employer's participation in the Prefunding Plan terminates, disbursements from Employer's Prefunding Account may continue upon Employer's instruction or otherwise in accordance with the terms of this Agreement.

(5) After the Employer's participation in the Prefunding Plan terminates, the governing body of the Employer may request either:

(a) A trustee to trustee transfer of the assets in Employer's Prefunding Account; provided that the Board shall have no obligation to make such transfer unless the Board determines that the transfer will satisfy applicable requirements of the Internal Revenue Code, other law and accounting standards, and the Board's fiduciary duties. If the Board determines that the transfer will satisfy these requirements, the Board shall then have one hundred fifty (150) days from the date of such determination to effect the transfer. The amount to be transferred shall be the amount in the Employer's Prefunding Account as of the date of the transfer (the "transfer date") and shall include investment earnings up to an investment earnings allocation date preceding the transfer date. In no event shall the investment earnings allocation date precede the transfer date by more than 150 days.

(b) A disbursement of the assets in Employer's Prefunding Account; provided that the Board shall have no obligation to make such disbursement unless the Board determines that, in compliance with the Internal Revenue Code, other law and accounting standards, and the Board's fiduciary duties, all of Employer's obligations for payment of post-employment health care benefits and other post-employment benefits and reasonable administrative costs of the Board have been satisfied. If the Board determines that the disbursement will satisfy these requirements, the

Board shall then have one hundred fifty (150) days from the date of such determination to effect the disbursement. The amount to be disbursed shall be the amount in the Employer's Prefunding Account as of the date of the disbursement (the "disbursement date") and shall include investment earnings up to an investment earnings allocation date preceding the disbursement date. In no event shall the investment earnings allocation date precede the disbursement date by more than 150 days.

(6) After Employer's participation in the Prefunding Plan terminates and at such time that no assets remain in Employer's Prefunding Account, this Agreement shall terminate.

(7) If, for any reason, the Board terminates the Prefunding Plan, the assets in Employer's Prefunding Account shall be paid to Employer after retention of (i) amounts sufficient to pay post-employment health care benefits and other post-employment benefits to annuitants for current and future annuitants described by the employer's current substantive plan (as that term is used in GASB OPEB Standards), and (ii) amounts sufficient to pay reasonable administrative costs of the Board.

(8) If Employer ceases to exist but Employer's Prefunding Plan continues to exist and if no provision has been made by Employer for ongoing payments to pay post-employment health care benefits and other post-employment benefits to annuitants for current and future annuitants, the Board is authorized to and shall appoint a third party administrator to carry out Employer's Prefunding Plan. Any and all costs associated with such appointment shall be paid from the assets attributable to contributions by Employer.

(9) If Employer should breach the representation and warranty set forth in Paragraph A., the Board shall take whatever action it deems necessary to preserve the tax-exempt status of the Prefunding Plan.

I. General Provisions

(1) Books and Records.

Employer shall keep accurate books and records connected with the performance of this Agreement. Employer shall ensure that books and records of subcontractors, suppliers, and other providers shall also be accurately maintained. Such books and records shall be kept in a secure location at the Employer's office(s) and shall be available for inspection and copying by CalPERS and its representatives.

(2) Audit.

(a) During and for three years after the term of this Agreement, Employer shall permit the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, at all reasonable times during normal business hours to inspect and copy, at the expense of CalPERS, books and records of Employer relating to its performance of this Agreement.

(b) Employer shall be subject to examination and audit by the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, during the term of this Agreement and for three years after final payment under this Agreement. Any examination or audit shall be confined to those matters connected with the performance of this Agreement, including, but not limited to, the costs of administering this Agreement. Employer shall cooperate fully with the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, in connection with any examination or audit. All adjustments, payments, and/or reimbursements determined to be necessary by any examination or audit shall be made promptly by the appropriate party.

(3) Notice.

(a) Any notice, approval, or other communication required or permitted under this Agreement will be given in the English language and will be deemed received as follows:

1. Personal delivery. When personally delivered to the recipient. Notice is effective on delivery.

2. First Class Mail. When mailed first class to the last address of the recipient known to the party giving notice. Notice is effective three delivery days after deposit in a United States Postal Service office or mailbox.

3. Certified mail. When mailed certified mail, return receipt requested. Notice is effective on receipt, if delivery is confirmed by a return receipt.

4. Overnight Delivery. When delivered by an overnight delivery service, charges prepaid or charged to the sender's account, Notice is effective on delivery, if delivery is confirmed by the delivery service.

5. Telex or Facsimile Transmission. When sent by telex or fax to the last telex or fax number of the recipient known to the party giving notice. Notice is effective on receipt, provided that (i) a duplicate copy of the notice is promptly given by first-class or certified mail or by overnight delivery, or (ii) the receiving party delivers a written

confirmation of receipt. Any notice given by telex or fax shall be deemed received on the next business day if it is received after 5:00 p.m. (recipient's time) or on a nonbusiness day.

6. E-mail transmission. When sent by e-mail using software that provides unmodifiable proof (i) that the message was sent, (ii) that the message was delivered to the recipient's information processing system, and (iii) of the time and date the message was delivered to the recipient along with a verifiable electronic record of the exact content of the message sent.

Addresses for the purpose of giving notice are as shown in Paragraph B.(1) of this Agreement.

(b) Any correctly addressed notice that is refused, unclaimed, or undeliverable because of an act or omission of the party to be notified shall be deemed effective as of the first date that said notice was refused, unclaimed, or deemed undeliverable by the postal authorities, messenger or overnight delivery service.

(c) Any party may change its address, telex, fax number, or e-mail address by giving the other party notice of the change in any manner permitted by this Agreement.

(d) All notices, requests, demands, amendments, modifications or other communications under this Agreement shall be in writing. Notice shall be sufficient for all such purposes if personally delivered, sent by first class, registered or certified mail, return receipt requested, delivery by courier with receipt of delivery, facsimile transmission with written confirmation of receipt by recipient, or e-mail delivery with verifiable and unmodifiable proof of content and time and date of sending by sender and delivery to recipient. Notice is effective on confirmed receipt by recipient or 3 business days after sending, whichever is sooner.

(4) Survival

All representations, warranties, and covenants contained in this Agreement, or in any instrument, certificate, exhibit, or other writing intended by the parties to be a part of their Agreement shall survive the termination of this Agreement until such time as all amounts in Employer's Prefunding Account have been disbursed.

(5) Waiver

No waiver of a breach, failure of any condition, or any right or remedy contained in or granted by the provisions of this Agreement shall be effective unless it is in writing and signed by the party waiving the breach, failure, right, or remedy. No waiver of any breach, failure, right, or remedy shall be deemed a waiver of any other breach, failure, right, or remedy, whether or not similar, nor shall any waiver constitute a continuing waiver unless the writing so specifies.

(6) Necessary Acts, Further Assurances

The parties shall at their own cost and expense execute and deliver such further documents and instruments and shall take such other actions as may be reasonably required or appropriate to evidence or carry out the intent and purposes of this Agreement.

A majority vote of Employer's Governing Body at a public meeting held on the ______ day of the month of ___________________ in the year _________, authorized entering into this Agreement.

Signature of the Presiding Officer: ____

Printed Name of the Presiding Officer: _____________________________________

Name of Governing Body: ____

Name of Employer: ____

Date: ______________________________

BOARD OF ADMINISTRATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY____________________________________
MELODY BENAVIDES
DIVISION CHIEF, PENSION CONTRACTS AND PREFUNDING PROGRAMS
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

To be completed by CalPERS The effective date of this Agreement is: _________________________

California Public Employees' Retirement System California Employers' Retiree Benefit Trust (CERBT)
400 Q Street, Sacramento, CA 95811
www.calpers.ca.gov

Delegation of Authority to Request Disbursements California Employers' Retiree Benefit Trust (CERBT)

RESOLUTION

OF THE

Board of Directors

(GOVERNING BODY)

OF THE

____

(NAME OF EMPLOYER)

The Board of Directors delegates to the incumbents

(GOVERNING BODY)

in the positions of General Manager and

(TITLE)

Finance Director and/or

(TITLE)

Human Resources Manager authority to request on

(TITLE)

behalf of the Employer disbursements from the Other Post Employment Prefunding Plan and to certify as to the purpose for which the disbursed funds will be used.

By ______________________________

Title Board President

Witness ______________________________

Date ______________________________

CERBT Valuation Packet

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. As such, we request all participating employers to submit a renewal OPEB Valuation or AMM Report at least every two years, along with this valuation packet consisting of the Certification of Funding Policy, the Summary of Actuarial Information, and the Certification of Actuarial Information. The information provided in the OPEB valuation or AMM report is essential to the accuracy of the administration and reporting of the CERBT Fund.

McKinleyville Community Services District

Employer Name

06/30/2021

Valuation Date

Renewal Valuation Checklist

Please email a copy of your agency's final OPEB valuation or AMM report, along with this completed packet to CERBT4U@calpers.ca.gov. If you have any questions, contact us at CERBT4U@calpers.ca.gov.

- [ ] OPEB Valuation or AMM Report (Final version)
- [ ] Certification of Funding Policy (pages 2-3, completed and signed)
- [ ] Summary of Actuarial Information (pages 4-5, completed)
- [ ] Certification of Actuarial Information (page 6, completed and signed)

CERBT Valuation Packet
Certification of Funding Policy (1 of 2)

McKinleyville Community Services District

Employer Name

06/30/2021

Valuation Date

CERBT Asset Allocation Strategy Selection

As the employer, I certify that my agency chooses the following CERBT asset allocation strategy:

CERBT Asset Allocation Strategy	Long-Term Expected Rate of Return	Expected Volatility (Standard Deviation)
☐ **Strategy 1**	6.0%	12.1%
☐ **Strategy 2**	5.5%	9.9%
☐ **Strategy 3**	5.0%	8.4%

Funding Method

As the employer, I certify that our OPEB funding method and intent for the period covered by our current OPEB valuation or AMM report is to contribute consistently an amount that is equal to:

☒ ADC funding method: __________% of the Actuarially Determined Contribution (ADC) as determined in our OPEB valuation or AMM report.

☐ Other funding method: We will contribute to the trust using an approach not directly related to the ADC. Please describe in the comment section below.

If applicable, please provide ADC amounts and periods covered as determined in the report:

	MM/DD/YYYY	ADC Amount
First Fiscal Year-End :	06/30/2022	$ 804,012
Second Fiscal Year-End:	06/30/2021	$ 741,540

Comments

CERBT Valuation Packet
Certification of Funding Policy (2 of 2)

Contribution and Reimbursement Method

As the employer, I certify that we intend to make CERBT contributions and request eligible reimbursements in the following manner:

- [x] Contribute full ADC payments to the trust and seek reimbursements for pay-go costs.
- [ ] Contribute ADC payments to the CERBT net of pay-go costs and not seek reimbursement (ADC minus pay-go = Trust Contribution).
- [ ] Other contribution and/or reimbursement method, e.g. initial/ ad hoc lump sum contribution. Please describe in the comment section below.

Comments

Employer Certification

As the employer, we understand that we must obtain an OPEB valuation or AMM report on at least a biennial basis.

We understand that we will be asked to provide accounting information to CalPERS as required to facilitate CalPERS compliance with Governmental Accounting Standards Board (GASB) Statements for Accounting and Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans (OPEB Standards) reporting requirements and we agree to make any information requested available to CalPERS on a timely basis.

We understand that CalPERS will provide us the Schedule of Changes in Fiduciary Net Position by Employer, which can be used to prepare our GASB OPEB Standards reporting. CalPERS will report information pertaining to GASB OPEB Standards for Agent OPEB Plans.

McKinleyville Community Services District

Employer Name

06/30/2021

Valuation Date

	Board President
Name	Title
Signature	Date

CERBT Valuation Packet
Summary of Actuarial Information (1 of 2)

McKinleyville Community Services District

Employer Name

06/30/2021

Valuation Date

Actuarial Firm Contact Information

Evi Laksana	GovInvest
Actuary/Contact Name	Actuarial Firm
evi@govinvest.com	(424) 877-2393
Email	Phone Number

Person Completing this Form

Nicole Alvarado	McKinleyville CSD
Contact Name	Organization
nalvarado@mckinleyvillecsd.com	(707) 839-3251
Email	Phone Number

If using a GASB 75 accounting valuation or AMM report, complete sections I, II, IV, and V. If using a funding valuation, complete sections I, III, IV, and V. If using a blended valuation, complete all sections, as applicable.

Section I: Actuarial Data

1. Valuation type (Accounting, Funding, or both) — Accounting
2. Valuation frequency (Annual or Biennial) — Annual
3. Total Present Value of Future Benefits (PVFB) — $ 12,408,602.00
   i. Date PVFB was calculated as of — 06/30/2022

Section II: GASB 75 Accounting Valuation or AMM (complete if using a GASB 75 accounting valuation or AMM)

4. Measurement Date — 06/30/2023
5. Total OPEB Liability (TOL) — $ 6,942,623.00
6. Fiduciary Net Position (FNP) at Measurement Date — $ 0.00
7. Net OPEB Liability (TOL-FNP) — $ 6,942,623.00
8. This report provides financial reporting data for the following period:

   Fiscal Year-End for your GASB 75 reporting — 06/30/2022 (MM/DD/YYYY)

CERBT Valuation Packet
Summary of Actuarial Information (2 of 2)

Section III: Funding Valuation (complete if using a funding valuation)

9. Actuarial Accrued Liability (AAL) ______________________________

10. Actuarial Value of Assets (AVA) ______________________________

11. Unfunded Actuarial Accrued Liability (AAL-AVA) ______________________________

Section IV: Demographic Data (as of valuation date)

12. Number of active plan members 24

13. Number of inactive plan members currently receiving benefit payments 8

14. Number of inactive plan members entitled to but not yet receiving benefit payments 0

Section V: Benefit Payment Data

	Year ending date of projected benefit payments (MM/DD/YYYY)	Projected employer paid retiree premium payments (Do not include implicit rate subsidy)	Projected implicit rate subsidy payments
Year 1	06/30/2023	$ 159,049.00	$ 26,674.00
Year 2	06/30/2024	$ 149,334.00	$ 44,652.00
Year 3	06/30/2025	$ 140,606.00	$ 65,108.00
Year 4	06/30/2026	$ 126,478.00	$ 89,615.00

Comments

CERBT Valuation Packet
Certification of Actuarial Information (1 of 1)

As Actuary of the plan, I certify that the Other Post-Employment Benefits (OPEB) actuarial valuation upon which the enclosed summary of actuarial information is based meets the following criteria:

- The valuation has been prepared and signed by a Fellow or Associate of the Society of Actuaries, or an Enrolled Actuary of the Joint Board for the Enrollment of Actuaries, and a Member of the American Academy of Actuaries.[1]
- The valuation has been prepared in accordance with the Actuarial Standards of Practice.
- If the valuation is an accounting valuation, then it has been prepared in accordance with the requirements set forth in Governmental Accounting Standards Board (GASB) Statements related to OPEB reporting.
- If employer assets to pre-fund other post-employment benefits are invested in an irrevocable OPEB trust other than the CERBT, the liabilities associated with those assets are not included in the summary of actuarial information.

I further certify that the discount rate is consistent with the anticipated level of funding pursuant to the relevant sections in GASB and ASOP, and the employer's certification.

McKinleyville Community Services District

Employer Name

06/30/2022

Valuation Date

Printed Name of Actuary and Designation

Signature Date

[1] In cases where the actuary performing the work does not meet these criteria, the valuation may be acceptable if the person has equivalent qualifications that are acceptable to the CalPERS Board. Please provide the qualifications of the actuary performing the valuation.

CERBT Valuation Packet
Instructions and Considerations

Certification of Funding Policy

Your agency may want to consider the following points when preparing a Funding Policy:

- Will OPEB liabilities increase or decrease over time?
- When will the OPEB costs reach their peak?
- Funding status goals.
- How much do unfunded liabilities matter?
- How is your agency measuring performance?

CERBT Asset Allocation Strategy Selection
Your CERBT assets will be invested using the asset allocation strategy checked upon your selection. Each strategy has a different assumed long-term expected rate of return and risk profile.

The following table shows the expected time-weighted compound return for the 1-5 year period, 6-20 year period, the long-term expected rate of return, and the expected volatility (standard deviation) for each strategy. Please note the CERBT fund is intended to be a long-term investment vehicle.

CERBT Asset Allocation Strategy	Expected Compound Return (1-5 Years)	Expected Compound Return (6-20 Years)	Long-Term Expected Rate of Return (1-20 Years)	Expected Volatility (Standard Deviation)
Strategy 1	5.1%	6.3%	6.0%	12.1%
Strategy 2	4.2%	5.9%	5.5%	9.9%
Strategy 3	3.5%	5.5%	5.0%	8.4%

Funding Method

- If your agency's intent is to fund based on an ADC, indicate the ADC percentage funding as well as the ADC amount(s).
- If your contributions are not tied specifically to the ADC, then indicate how you expect to contribute. For example, if you intend to make unreimbursed pay-go payments plus a fixed dollar amount to the trust, then describe this in the comments space provided.
- *Optional*: If using a funding valuation, please identify the periods to which your entity will use the renewal valuation report for funding purposes.

Contribution and Reimbursement Method
Here we ask you to indicate how you expect to make contributions to, and seek reimbursement from, the trust. All contributions are voluntary and never required.

Employer Certification
Please certify as the employer you understand you must obtain a renewal valuation on at least a biennial basis.

Summary of Actuarial Information

This form may be completed by your actuary or you and is a summary of data from your actuarial valuation. If using a GASB 75 accounting valuation or AMM report, complete sections I, II, IV, and V. If using a funding valuation, complete sections I, III, IV, and V. If using a blended valuation, complete all sections, as applicable.

If certain elements in this form are not found in the actuarial valuation report itself (such as PVFB in section I or projected benefit payment data in section V), please work with your consulting actuary to obtain this data. CERBT staff are available to assist if needed.

Certification of Actuarial Information

This form needs to be signed by your consulting actuary.

McKinleyville Community Services District

GASB 75 Disclosures for Fiscal Year Ending June 30, 2022
Based on OPEB Valuation as of June 30, 2021

CONTACT
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evi@govinvest.com
(424) 877-2393

Version 1.0

The Financial Forecasting Authority

Table of Contents

Actuarial Certification

Ms. Nicole Alvarado
McKinleyville Community Services District
1656 Sutter Road
McKinleyville, CA 95519

GovInvest has been engaged by McKinleyville Community Services District to complete an actuarial valuation of the McKinleyville Community Services District OPEB Plan as of June 30, 2021 which will be used as the basis of the financial accounting disclosure for fiscal year ending 6/30/2022 in accordance with GASB Statement No. 75 (Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions).

The purpose of this report is to provide the District with the required information needed for financial statement disclosure purposes. The use of this report for any other purpose may not be appropriate. The content of this report may not be modified, reproduced, or provided to third parties, either in whole or in part, without our permission. GovInvest is not responsible for usage, inference, or misinterpretation of this report by third parties.

Results presented in this report are based on the census data, substantive plan provisions, and healthcare cost information provided by the District and/or their benefit consultants. All information provided has been reviewed for reasonableness and clarifications or corrections have been requested where appropriate. We have not audited the information at the source, and therefore, do not accept responsibility for the accuracy or completeness of the data on which the information is based. Assumptions made related to missing data have been identified in this report. We are satisfied that the information provided is suitable and sufficient for the purpose of the measurement.

The valuation results were prepared using leased actuarial modeling software that produces results consistent with the purpose of this valuation and meet applicable regulatory requirements. The vendor is responsible for the development, maintenance, and improvement of these models. The models include comprehensive technical documentations that outline how the calculations are performed along with sample life outputs that allow the users to confirm with high degree of accuracy how the programmed benefit is applied to an individual with the proposed decrements and other assumptions. The actuarial team loads the participant data, programs the benefit provisions and proposed assumptions into the model and review sample life outputs and results under the supervision of credentialed actuaries who are proficient users of the software. We are not aware of any material limitations in the model nor any material inconsistencies in the assumptions used within the model.

The discount rate, other economic, and demographic assumptions have been selected by the District with our recommendations and concurrence. We believe each assumption is reasonable based on its own merits and in combination represent reasonable expected experience of the Plan. All calculations have been completed in accordance with generally accepted actuarial principles and practices.

Future actuarial measurements may differ significantly from current measurements due to factors such as actual plan experience that differs from that anticipated by the economic and demographic assumptions as well as changes in future assumptions, substantive plan provisions, and/or applicable law. We have not analyzed the potential range of such differences due to the limited scope of our engagement. To our knowledge, there are no significant events prior to the current year's Measurement Date or as of the date of this report that may materially affect the results presented herein.

The undersigned meets the General Qualification Standards of the American Academy of Actuaries for the purpose of issuing Statement of Actuarial Opinion in the United States. Neither GovInvest nor any of its employees have any relationship with the Plan Sponsor that could impair or appear to impair the objectivity of this report.

Evi Laksana, ASA, MAAA
August 3, 2022

Section 1: Executive Summary

McKinleyville Community Services District (the "District") sponsors a single-employer defined benefit OPEB plan that provides medical and prescription drug coverage at retirement. Employees may continue health coverage with the District at retirement for themselves, their spouses, and dependents for life once they meet certain eligibility requirements and as long as required contributions are made.

The results presented in this report are based on the June 30, 2021 valuation with liabilities and assets measured as of June 30, 2022, for use in the District's accrual-based financial statement for the fiscal year ending June 30, 2022. The June 30, 2021 valuation uses census data of (a) active employees who will be eligible to receive benefits in the future and (b) existing retirees who are currently receiving these benefits as of June 30, 2021, as well as healthcare cost information effective on January 1, 2021 provided by the Plan Sponsor and/or their healthcare consultant.

The actuarial valuation is based on substantive plan provisions outlined in Section 4. The valuation requires assumptions which are listed in Section 5. Results from the June 30, 2021 valuation may be rolled-forward for use in the Plan Sponsor's accrual-based financial statement disclosure for the fiscal year ending June 30, 2023 assuming that there are no material changes to the substantive plan provisions and/or the covered population.

The Plan Sponsor's next full valuation is as of June 30, 2023 with liabilities and assets measured as of June 30, 2024 for reporting in the Plan Sponsor's accrual-based financial statements for the fiscal year ending June 30, 2024.

Changes Since Prior Valuation

The District's Net OPEB Liability has decreased from $10,010,085 as of June 30, 2021 to $6,942,623 as of June 30, 2022, which is attributable to a combination of the following factors:

1. Slightly less favorable actual demographic experience that is offset by much lower healthcare cost increase than expected for a net liability decrease.
2. Assumption changes as outlined in Section 5 that produces a net liability increase.

Summary of Results

Presented below is the summary of results for the current fiscal year compared to the prior fiscal year.

Fiscal Years	2021/22	2020/21
Valuation Date (VD)	June 30, 2021	June 30, 2019
Measurement Date (MD)	June 30, 2022	June 30, 2021
Membership Data as of Valuation Date		
Inactive employees or beneficiaries currently receiving benefits[1]	8	11
Inactive employees entitled to but not yet receiving benefits	0	0
Active employees	24	24
Total membership	32	35
Discount Rate at Measurement Date		
Municipal Bond Index Rate	3.69%	1.92%
Long-term Expected Asset Return	N/A	N/A
Year in which Fiduciary Net Position is projected to be depleted	N/A	N/A
Single Equivalent Discount Rate (SEDR)	3.69%	1.92%
Net OPEB Liability as of Measurement Date		
Total OPEB Liability (TOL)	$ 6,942,623	$ 10,010,085
Fiduciary Net Position (FNP)	(0)	(0)
Net OPEB Liability (NOL = TOL – FNP)	$ 6,942,623	$ 10,010,085
Funded Status (FNP / TOL)	0.0%	0.0%
OPEB Expense / (Income) by Fiscal Year	$ 467,572	$ 766,980
Balance of unamortized Deferred Inflows at MD	$ (5,972,970)	$ (2,115,327)
Balance of unamortized Deferred Outflows at MD	$ 2,872,637	$ 2,375,914

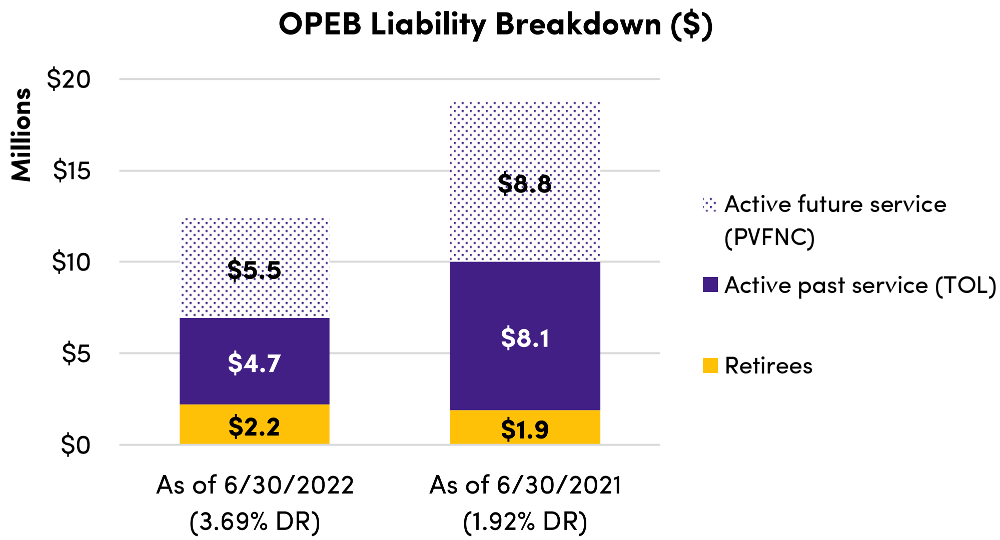
[1] Prior year inactive employees or beneficiaries currently receiving benefits enrollment include six retirees/beneficiaries and five spouses. Current years inactive employees or beneficiaries currently receiving benefits enrollment includes eight retirees/beneficiaries only and exclude spouses covered under the plan to comply with GASB requirements on enrollment reporting.

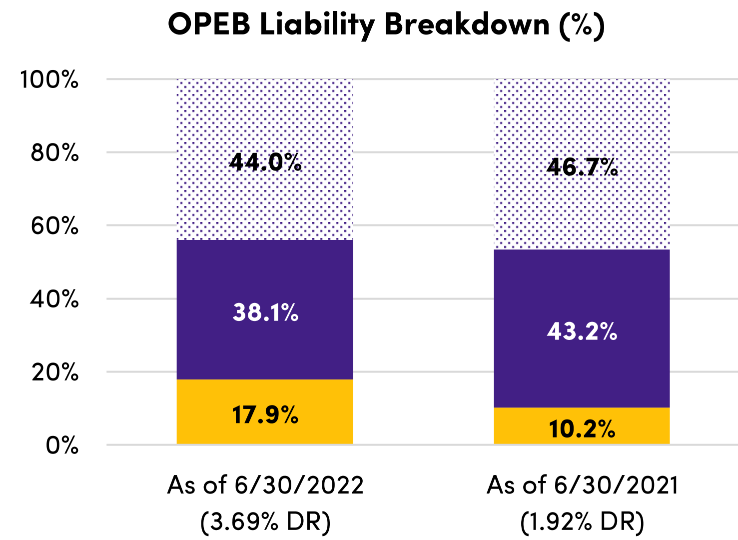
Below is a breakdown of the OPEB liability allocated to past and current service as of the Measurement Date compared to the prior Measurement Date. The liability below includes explicit subsidy (if any) and implicit subsidy. Refer to the Substantive Plan Provisions section for complete information on the District benefit provisions.

Present Value of Future Benefits (PVFB)	As of June 30, 2022	As of June 30, 2021
Active employees	$ 10,191,060	$ 16,866,289
Retired employees	2,217,542	1,908,371
Total PVFB	**$ 12,408,602**	**$ 18,774,660**

Total OPEB Liability (TOL)	As of June 30, 2022	As of June 30, 2021
Active employees	$ 4,725,081	$ 8,101,714
Retired employees	2,217,542	1,908,371
Total TOL	**$ 6,942,623**	**$ 10,010,085**

	As of June 30, 2022	As of June 30, 2021
Discount Rate	3.69%	1.92%





Section 2: Financial Disclosures

This section provides the necessary accounting disclosures for the District's financial reports as shown in the following tables:

Summary of Membership and Assumptions

The table below shows the number of employees covered by the benefit terms as of June 30, 2021.

Table 1 - Plan Demographics

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	0
Active employees	24
Total membership	32

The Total OPEB Liability (TOL) as of June 30, 2022 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. For a complete list of assumptions, refer to Section 5.

Table 2 - Brief Summary of Assumptions

Inflation	2.50%
Payroll growth	2.80% wage inflation plus seniority, merit, and promotion salary increases based on CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021
Discount rate	3.69%
Healthcare trend rates	Based on 2021 Getzen model that reflects actual premium increases from 2021 to 2022[2], followed by 5.75% (non-Medicare) / 5.40% (Medicare), gradually decreasing to an ultimate rate of 4.04% in 2075

[2] Actual premium increases from 2021 to 2022 vary by plan as shown in the table below.

Non-Medicare			Medicare		
Advantage PPO	CalCare HMO	CDHP	Advantage PPO	CalCare HMO	CDHP
-5.00%	2.20%	-5.00%	-18.50%	-37.10%	-10.40%

OPEB Expense

The table below shows a comparison of the OPEB Expense recognized by the District for the current and prior fiscal years.

Table 3 - OPEB Expense

Fiscal Years	2021/22	2020/21
SEDR as of beginning of year	1.92%	2.45%
SEDR as of end of year	3.69%	1.92%
Service Cost	$ 618,445	$ 526,898
Interest on TOL and Service Cost	202,404	221,939
Changes of benefit terms	0	0
Projected earnings on OPEB Plan investments	0	0
OPEB Plan administrative expenses net of all revenues	0	0
Current period recognition of Deferred Inflows / Outflows of Resources		
Difference between expected and actual experience in the TOL	$ (713,661)	$ (255,170)
Changes of assumptions or other inputs	360,384	273,313
Net difference between the projected and actual earnings on OPEB Plan investments	0	0
Other	0	0
Total current period recognition	$ (353,277)	$ 18,143
OPEB Expense	$ 467,572	$ 766,980

Schedule of Changes in Net OPEB Liability

Fiscal Year Ending June 30	2022	2021	2020	2019	2018
Measurement Period Ending June 30	**2022**	**2021**	**2020**	**2019**	**2018**
Total OPEB Liability (TOL)					
Service Cost	$ 618,445	$ 526,898	$ 482,408	$ 493,346	$ 478,977
Interest on TOL and Service Cost	202,404	221,939	320,814	288,256	253,523
Changes of benefit terms	0	0	0	0	0
Difference between expected & actual experience	(4,584,910)	11,520	(2,563,217)	0	0
Changes of assumptions or other inputs	870,713	794,185	2,063,476	(102,116)	0
Benefit payments	(174,114)[3]	(152,581)	(150,475)	(138,067)	(124,622)
Net change in TOL	**$ (3,067,462)**	**$ 1,401,961**	**$ 153,006**	**$ 541,419**	**$ 607,878**
TOL – beginning	**$ 10,010,085**	**$ 8,608,124**	**$ 8,455,118**	**$ 7,913,699**	**$ 7,305,821**
TOL – ending	**$ 6,942,623**	**$ 10,010,085**	**$ 8,608,124**	**$ 8,455,118**	**$ 7,913,699**
Plan Fiduciary Net Position (FNP)					
Contributions – employer	$ 174,114	$ 152,581	$ 150,476	$ 138,067	$ 124,622
Contributions – employees	0	0	0	0	0
Benefit payments	(174,114)	(152,581)	(150,476)	(138,067)	(124,622)
Net investment income	0	0	0	0	0
Trust administrative expenses	0	0	0	0	0
Net change in Plan FNP	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**
FNP – beginning	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**
FNP – ending	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**
Net OPEB Liability – ending	**$ 6,942,623**	**$ 10,010,085**	**$ 8,608,124**	**$ 8,455,118**	**$ 7,913,699**
FNP as % of TOL	0.0%	0.0%	0.0%	0.0%	0.0%
Covered employee payroll – measurement period	$ 1,548,839	$ 1,389,995	$ 1,362,167	$ 1,511,378	$ 1,470,927
NOL as % of covered payroll	448.2%	720.2%	631.9%	559.4%	538.0%

[3] Based on explicit benefit payment of $140,756 and estimated implicit subsidy payment of $33,358.

Net OPEB Liability Sensitivity

The following presents the Net OPEB Liability of the District, as well as what the District's Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate as of June 30, 2022.

Table 4 – Net OPEB Liability Sensitivity (Discount Rate)

	1% Decrease (2.69%)	Discount Rate (3.69%)	1% Increase (4.69%)
Net OPEB Liability / (Asset)	$ 8,172,639	$ 6,942,623	$ 5,960,444

The following presents the Net OPEB Liability of the District, as well as what the District's Net OPEB Liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates as of June 30, 2022.

Table 5 – Net OPEB Liability Sensitivity (Healthcare Trend Rates)

	1% Decrease	Healthcare Trend Rates[4]	1% Increase
Net OPEB Liability / (Asset)	$ 5,686,642	$ 6,942,623	$ 8,606,554

[4] Comparison of Baseline, 1% Decease, and 1% Increase in healthcare trend rates assumptions are as shown below:

Periods	1% Decrease	Baseline	1% Increase
Non-Medicare	The following initial year increases followed by 4.75% decreasing to 3.04% ultimate rate: • Advantage PPO/CDHP: -6.0% • CalCare HMO: 1.2%	The following initial year increases followed by 5.75% decreasing to 4.04% ultimate rate: • Advantage PPO/CDHP: -5.0% • CalCare HMO: 2.2%	The following initial year increases followed by 6.75% decreasing to 5.04% ultimate rate: • Advantage PPO/CDHP: -4.0% • CalCare HMO: 3.2%
Medicare	The following initial year increases followed by 4.40% decreasing to 3.04% ultimate rate: • Advantage PPO: -19.5% • CalCare HMO: -38.1% • CDHP: -11.4%	The following initial year increases followed by 5.40% decreasing to 4.04% ultimate rate: • Advantage PPO: -18.5% • CalCare HMO: -37.1% • CDHP: -10.4%	The following initial year increases followed by 6.40% decreasing to 5.04% ultimate rate: • Advantage PPO: -17.5% • CalCare HMO: -36.1% • CDHP: -9.4%

GovInvest The Financial Forecasting Authority

Deferred Inflows and Deferred Outflows of Resources Related to OPEB

The tables below show changes in the Net OPEB Liability that have not been included in the OPEB expense for the following items:

1. Differences between expected and actual experience of the OPEB plan
2. Changes in assumptions
3. Differences between projected and actual earnings on the OPEB plan investments

The initial amortization base for the first two items above are amortized linearly over the average expected remaining service lives of active and inactive employees. The difference between projected and actual earnings on the OPEB plan investments is amortized linearly over five years.

Table 6 - Historical Deferred Inflows and Outflows

Differences between expected and actual experience

Measurement Period Ending	Fiscal Year Ending	Initial Balance	Initial Amortization Period	Annual Recognition	Recognized in OPEB Expense through June 30, 2022	Unamortized Balance as of June 30, 2022
6/30/2018	6/30/2018	$ 0	N/A	$ 0	$ 0	$ 0
6/30/2019	6/30/2019	$ 0	N/A	$ 0	$ 0	$ 0
6/30/2020	6/30/2020	$ (2,563,217)	10.00	$ (256,322)	$ (768,966)	$ (1,794,251)
6/30/2021	6/30/2021	$ 11,520	10.00	$ 1,152	$ 2,304	$ 9,216
6/30/2022	6/30/2022	$ (4,584,910)	10.00	$ (458,491)	$ (458,491)	$ (4,126,419)

Changes in assumptions or other inputs

Measurement Period Ending	Fiscal Year Ending	Initial Balance	Initial Amortization Period	Annual Recognition	Recognized in OPEB Expense through June 30, 2022	Unamortized Balance as of June 30, 2022
6/30/2018	6/30/2018	$ 0	N/A	$ 0	$ 0	$ 0
6/30/2019	6/30/2019	$ (102,116)	8.20	$ (12,454)	$ (49,816)	$ (52,300)
6/30/2020	6/30/2020	$ 2,063,476	10.00	$ 206,348	$ 619,044	$ 1,444,432
6/30/2021	6/30/2021	$ 794,185	10.00	$ 79,419	$ 158,838	$ 635,347
6/30/2022	6/30/2022	$ 870,713	10.00	$ 87,071	$ 87,071	$ 783,642

Differences between projected and actual earnings on OPEB plan investments

Measurement Period Ending	Fiscal Year Ending	Initial Balance	Initial Amortization Period	Annual Recognition	Recognized in OPEB Expense through June 30, 2022	Unamortized Balance as of June 30, 2022
6/30/2018	6/30/2018	$ 0	5.00	$ 0	$ 0	$ 0
6/30/2019	6/30/2019	$ 0	5.00	$ 0	$ 0	$ 0
6/30/2020	6/30/2020	$ 0	5.00	$ 0	$ 0	$ 0
6/30/2021	6/30/2021	$ 0	5.00	$ 0	$ 0	0
6/30/2022	6/30/2022	$ 0	5.00	$ 0	$ 0	$ 0

The table below shows the unamortized balance of Deferred Inflows and Outflows of Resources as of June 30, 2022 for financial statement disclosure for the fiscal year ending June 30, 2022.

Table 7 – Unamortized Balance of Deferred Inflows and Outflows

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 9,216	$ (5,920,670)
Changes in assumptions or other inputs	2,863,421	(52,300)
Net difference between projected and actual earnings on OPEB plan investments	0	0
Employer contribution subsequent to the Measurement Date	0	0
Total	**$ 2,872,637**	**$ (5,972,970)**

Schedule of future annual amortizations of Deferred Inflows and Outflows that will be recognized in future OPEB expense is as shown below.

Table 8 – Schedule of Future Deferred Inflows and Outflows Amortization

Measurement Period Ending	Amounts
2023	$ (353,277)
2024	$ (353,277)
2025	$ (353,277)
2026	$ (353,277)
2027	$ (343,307)
Thereafter	$ (1,343,918)

Section 3: Projected Benefit Payments

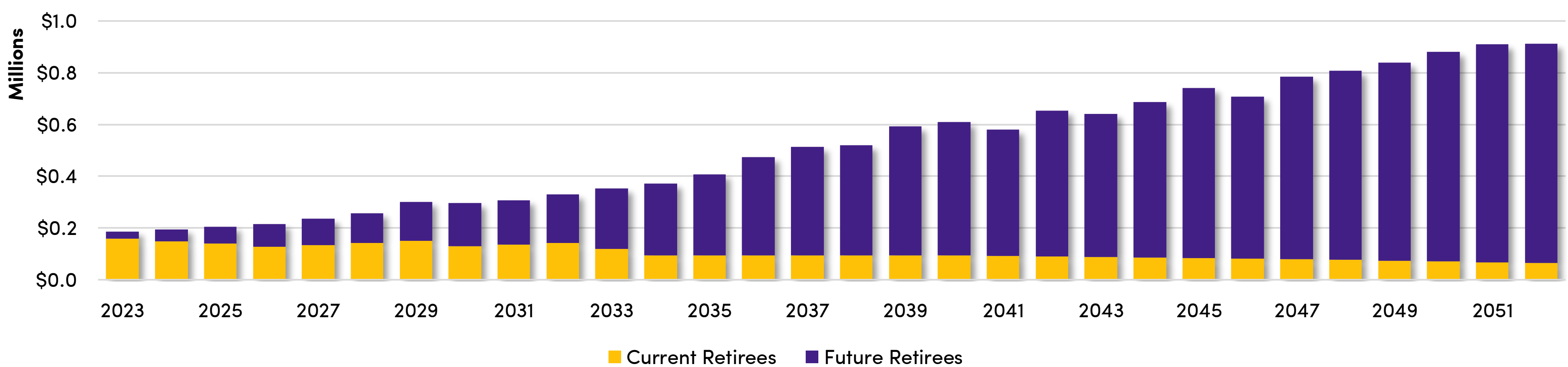
The below table shows the projected benefit payments for the next 30 years for a closed group of participants (both active employees and existing retirees) who are included in the census data as of the June 30, 2021. This exhibit is provided for informational purposes only and is not a required disclosure under GASB 75. Projected benefit payments below include both explicit (if any) and implicit subsidies (as applicable).

FYE	Future Retirees	Current Retirees	Total
2023	$ 26,674	$ 159,049	$ 185,723
2024	$ 44,652	$ 149,334	$ 193,986
2025	$ 65,108	$ 140,606	$ 205,714
2026	$ 89,615	$ 126,478	$ 216,093
2027	$ 101,113	$ 134,249	$ 235,362
2028	$ 115,282	$ 142,035	$ 257,317
2029	$ 150,727	$ 150,133	$ 300,860
2030	$ 165,783	$ 130,402	$ 296,185
2031	$ 171,574	$ 136,081	$ 307,655
2032	$ 187,703	$ 141,283	$ 328,986

FYE	Future Retirees	Current Retirees	Total
2033	$ 234,141	$ 119,085	$ 353,226
2034	$ 279,103	$ 93,491	$ 372,594
2035	$ 311,986	$ 94,355	$ 406,341
2036	$ 378,680	$ 94,887	$ 473,567
2037	$ 419,301	$ 95,075	$ 514,376
2038	$ 424,356	$ 94,892	$ 519,248
2039	$ 499,535	$ 94,316	$ 593,851
2040	$ 516,140	$ 93,358	$ 609,498
2041	$ 488,215	$ 92,055	$ 580,270
2042	$ 562,450	$ 90,438	$ 652,888

FYE	Future Retirees	Current Retirees	Total
2043	$ 551,386	$ 88,545	$ 639,931
2044	$ 601,280	$ 86,441	$ 687,721
2045	$ 657,361	$ 84,182	$ 741,543
2046	$ 626,036	$ 81,804	$ 707,840
2047	$ 706,348	$ 79,304	$ 785,652
2048	$ 730,111	$ 76,687	$ 806,798
2049	$ 764,681	$ 73,937	$ 838,618
2050	$ 809,118	$ 71,019	$ 880,137
2051	$ 842,854	$ 67,900	$ 910,754
2052	$ 847,391	$ 64,598	$ 911,989

Projected Benefit Payments

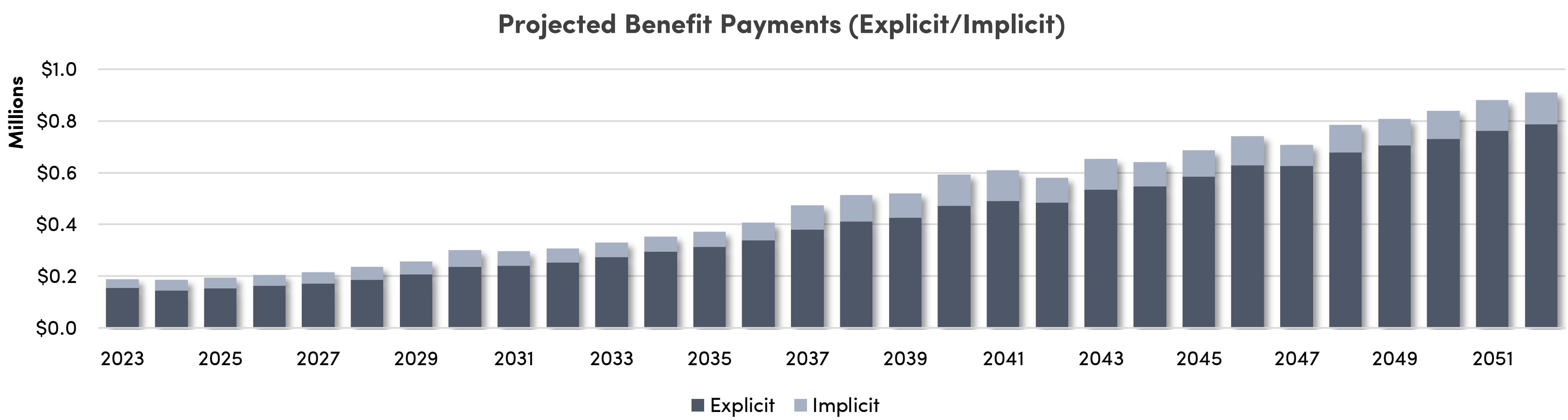


The following table splits the projected benefit payments for the next 30 years between the explicit and implicit subsidies for a closed group of participants (both active employees and existing retirees) who are included in the census data as of June 30, 2021.

FYE	Explicit	Implicit	Total
2023	$ 144,621	$ 41,102	$ 185,723
2024	$ 153,405	$ 40,581	$ 193,986
2025	$ 162,072	$ 43,642	$ 205,714
2026	$ 172,059	$ 44,034	$ 216,093
2027	$ 186,860	$ 48,502	$ 235,362
2028	$ 206,307	$ 51,010	$ 257,317
2029	$ 235,076	$ 65,784	$ 300,860
2030	$ 239,251	$ 56,934	$ 296,185
2031	$ 252,678	$ 54,977	$ 307,655
2032	$ 273,092	$ 55,894	$ 328,986

FYE	Explicit	Implicit	Total
2033	$ 294,072	$ 59,154	$ 353,226
2034	$ 312,217	$ 60,377	$ 372,594
2035	$ 337,356	$ 68,985	$ 406,341
2036	$ 380,420	$ 93,147	$ 473,567
2037	$ 410,447	$ 103,929	$ 514,376
2038	$ 425,050	$ 94,198	$ 519,248
2039	$ 471,808	$ 122,043	$ 593,851
2040	$ 490,372	$ 119,126	$ 609,498
2041	$ 484,827	$ 95,443	$ 580,270
2042	$ 534,327	$ 118,561	$ 652,888

FYE	Explicit	Implicit	Total
2043	$ 547,061	$ 92,870	$ 639,931
2044	$ 585,425	$ 102,296	$ 687,721
2045	$ 628,894	$ 112,649	$ 741,543
2046	$ 627,159	$ 80,681	$ 707,840
2047	$ 679,348	$ 106,304	$ 785,652
2048	$ 705,335	$ 101,463	$ 806,798
2049	$ 730,142	$ 108,476	$ 838,618
2050	$ 761,564	$ 118,573	$ 880,137
2051	$ 786,288	$ 124,466	$ 910,754
2052	$ 795,615	$ 116,374	$ 911,989



Section 4: Substantive Plan Provisions

Changes Since Prior Valuation

There are no plan provision changes since the last full valuation.

Eligibility

Employees are eligible for lifetime retiree health benefits once they retire within 120 days from date of separation and the retiree must be receiving benefits from California Public Employees Retirement System (CalPERS). The earliest service retirement eligibility requirements under CalPERS are as follows:

Membership Date	Requirements
Before 1/1/2013	Age 50 with 5 years of CalPERS service[5]
On/after 1/1/2013	Age 52 with 5 years of CalPERS service[5]

CalPERS eligibility requirements for disability benefits are as follows:

- Ordinary Disability: five years of service
- Line of Duty Disability: no age or service requirement

Spouse Benefits

Employees are allowed to elect spousal coverage at retirement. Retiree medical coverage continues to surviving spouses upon death of retirees as long as the required contributions are made and the retiree elects continuation of retirement benefit option to surviving spouse. Upon death of active employees who are eligible to retire, medical benefits also continue to surviving spouse.

Ancillary Benefits

There is no District-subsidized dental, vision, or life insurance benefit at retirement.

Employer Subsidy

Employees hired before January 1, 2017 receive 100% district-paid coverage. Employees hired on or after January 1, 2017 receive 100% of the PPO rate and the District's share of family coverage is subject to a cap. The District's contribution toward family coverage will not increase by more than 5%, or the actual percentage increase in the cost of dependent coverage. As of January 1, 2021 and 2022, District subsidy for family coverage equals the premium rates for Family coverage.

[5] Note that service includes service across all CalPERS employers and with other retirement systems with which CalPERS has reciprocity agreements.

Retiree Contributions Retirees are required to contribute the portion of premium rates not covered by the Employer Subsidy.

Premium Rates The monthly premium rates for ACWA/JPIA Other Northern California region used in the valuation effective on January 1, 2021 and 2022 are as shown below.

Non-Medicare Plans	Eff. 1/1/2021			Eff. 1/1/2022		
	Single	2-Party	Family	Single	2-Party	Family
Advantage PPO	$ 832.48	$ 1,664.96	$ 2,206.07	$ 790.85	$ 1,581.71	$ 2,095.76
CalCare HMO	$ 1,123.33	$ 2,246.67	$ 2,976.84	$ 1,147.86	$ 2,295.72	$ 3,041.83
CDHP	$ 756.80	$ 1,513.60	$ 2,005.52	$ 718.96	$ 1,437.92	$ 1,905.24

Medicare Plans	Eff. 1/1/2021		
	Single	2-Party	Family
Advantage PPO	$ 481.73	$ 963.46	$ 1,482.88
CalCare HMO	$ 623.54	$ 1,247.08	$ 1,913.48
CDHP	$ 437.94	$ 875.88	$ 1,348.08

Medicare Plan	Eff. 1/1/2022		
	Single	2-Party	Family
Medicare Advantage PPO	$ 392.49	$ 784.98	$ 1,160.47

Section 5: Actuarial Methods and Assumptions

Changes Since Prior Valuation

The following assumptions have been updated since the prior valuation:

1. Single Equivalent Discount Rate has been updated from 1.92% as of June 30, 2021 to 3.69% as of June 30, 2022 based on changes in the municipal bond index, which caused a decrease in the liability.
2. Payroll growth, mortality, disability, termination, and retirement rates have been updated from CalPERS Experience Study and Review of Actuarial Assumptions published in December 2017 to the most recent study published in November 2021. The net impact of these changes is a decrease in the liability.
3. Health care trend rates have been updated from an initial rate of 7.00% (non-Medicare) / 4.00% (Medicare) that decreases gradually to an ultimate rate of 3.84% in 2075 to Getzen 2021 table that reflects actual premium increases from 2021 to 2022 shown below followed by 5.75% (non-Medicare) / 5.40% (Medicare) that decrease gradually to an ultimate rate of 4.04% in 2075. This change caused a decrease in the liability.
   a. Actual premium increases from 2021 to 2022 vary by plan as shown below:

	Advantage PPO	CalCare HMO	CDHP
Pre-Medicare	-5.00%	2.20%	-5.00%
Medicare	-18.50%	-37.10%	-10.40%

   b. As the District subsidy is based on premium rates, the same trend assumption is used for retirees' District subsidy. For spouses' District subsidy, the trend has been adjusted so that the District subsidy for family coverage does not increase by more than 5% annually.
4. Percentage of active employees assumed to elect spousal coverage has been increased from 85% to 100%, which caused an increase in the liability.

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Reporting Period	Fiscal year ending June 30, 2022
Discount Rate	For accounting disclosure: 3.69% as of June 30, 2022 and 1.92% as of June 30, 2021 Refer to the Discussion of Discount Rate section for additional information on the discount rate setting.
Actuarial Cost Method	Entry Age Normal Level Percentage of Pay; a method that allocates the actuarial present value of the projected benefits of each individual on a level basis over the earnings of the individual between entry age and assumed exit age(s). • The portion allocated to a valuation year is called the Normal Cost. • The portion allocated to past periods is called the Actuarial Accrued Liability (AAL) or Total OPEB Liability (TOL).
Payroll Growth	2.80% wage inflation plus seniority, merit, and promotion salary increases based on CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021 for Public Agency Miscellaneous members. Refer to the Appendix for sample rates.
Mortality	Based on CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021 for Public Agency Miscellaneous members.
Termination	Based on CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021 for Public Agency Miscellaneous members. Refer to the Appendix for sample rates.
Disability	Based on CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021 for Public Agency Miscellaneous members. Refer to the Appendix for sample rates.
Retirement	Based on CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021 for Public Agency Miscellaneous members. Refer to the Appendix for sample rates.
Health Plan Election	Employees are assumed to elect the same health plan option they are currently enrolled in at retirement. Existing retirees are assumed to remain in the same health plan option they are currently enrolled in for life.

Medicare Eligibility	All future and existing retirees (including disabled retirees) are assumed to be eligible for Medicare at age 65.
Participation Rate	100% of active employees are assumed to elect health coverage with the District at retirement.
	Existing retirees who are currently enrolled in the District's health plans are assumed to continue coverage until death. Upon retiree's death, surviving spouses are assumed to continue coverage in the District's health plans (all of them are assumed to receive contingent pension benefit).
Spousal Election	For future retirees, 100% of active employees are assumed to elect spousal coverage at retirement. Husbands are assumed to be three years older than wives.
	For existing retirees, spousal coverage and age are based on actual data.
Dependent Election	None assumed.
Per Capita Costs	The valuation projects health care costs for employees who remain enrolled in the District's benefit plans after retirement. In accordance with Actuarial Standards of Practice No. 6 (ASOP 6), the actuarial development of health care costs should preferably use the health plan experience that is considered the best predictor of future claims experience assuming it is sufficiently credible. In the absence of credible health plan experience data, the actuary may use other methods such as premiums and normative databases to develop the per capita costs.
	As medical/prescription drug costs generally vary by age, age-specific costs should be used in the development of initial per capita costs and projection of future benefit costs, except in very limited circumstances defined in ASOP 6 Section 3.7.7(c). The development of the age-specific costs should be based on the demographics of the group being valued and the group's total expected claims or premiums.
	Retiree healthcare costs are, on average, significantly higher than active employees and if the District charges blended premium rates (determined using active employees and retiree claims experience) to the retirees, the District is providing an implicit subsidy for these retirees. Under GASB 75, the implicit subsidy must be included in the post-employment medical benefit obligation. Separate costs should be developed for Medicare-eligible participants due to Medicare being the primary payer for these retirees, which leads to a reduction to the Plan Sponsor's health plan costs.

Per Capita Costs (Cont'd) In developing the per capita costs, we have used ACWA/JPIA health plan premium rates effective on January 1, 2021 and aging factors and subscriber enrollments for HMO and PPO plans combined as published in the CalPERS Health Plan (PEMHCA) Implicit Subsidy Data for Calendar 2019.

The following table shows the sample per capita costs at select ages for calendar year 2021 used in the valuation. These costs are assumed to increase with health care trend rates.

	Advantage PPO		CalCare HMO		CDHP	
Age	Male	Female	Male	Female	Male	Female
40	$5,113	$7,832	$6,899	$10,569	$4,648	$7,120
45	$6,639	$8,998	$8,958	$12,142	$6,035	$8,180
50	$8,790	$10,369	$11,861	$13,991	$7,991	$9,426
55	$11,448	$11,771	$15,448	$15,883	$10,407	$10,700
60	$14,781	$13,778	$19,945	$18,591	$13,437	$12,525
64	$17,530	$15,400	$23,654	$20,780	$15,936	$14,000

We have assumed that ACWA/JPIA health premiums for Medicare eligible retirees are based on Medicare eligible retiree claims experience and represent the expected true cost of retiree coverage. As such, we have assumed there is no implicit subsidy for Medicare retirees. The annual costs used on/after age 65 are as shown in the table below. These costs are assumed to increase with health care trend rates.

	Advantage PPO		CalCare HMO		CDHP	
Age	Male	Female	Male	Female	Male	Female
65+	$5,781	$5,781	$7,482	$7,482	$5,255	$5,255

Trend Rates

Historically, health care costs have increased more rapidly than the rate of inflation. In estimating the value of retiree health benefits, assumptions must be made on future increases in healthcare costs. The health care trend rates assumption used in this valuation is based on the Getzen Model of Long-Run Medical Cost Trends, which was first designed by T.E. Getzen for the Society of Actuaries (SOA) in 2007. The model is designed to make long-run forecasts and typically used to select medical trend assumptions for retiree medical valuations to present liabilities disclosed under the appropriate accounting standards, or to determine contributions under a funding policy. The long-run baseline projection and input variables were developed under the guidance of the SOA Project Oversight Group. The model is updated annually along with updated documentation and recommended input variables by the author of the model. The baseline assumptions used in the Getzen model is as shown in the table below.

Inflation Rate	2.5%
Real GDP Per Capita Growth	1.5%
Excess Medical Cost Growth	1.1%
Health Share of GDP Resistance Point	25.0%
Year for Limiting Cost Growth to GDP Growth	2075

The output of the Getzen Model of Long-Run Medical Cost Trend Model used in the valuation is as shown below.

	Per Capita Costs & Premiums		District Subsidy for Spouse	
Year	Non-Medicare	Medicare	Non-Medicare	Medicare
2021	Actual*	Actual*	Actual*	Actual*
2022	5.75%	5.40%	4.25%	4.60%
2023	5.50%	5.30%	4.49%	4.70%
2024	5.40%	5.20%	4.59%	4.80%
2025	5.36%	5.20%	4.62%	4.80%
2030	5.18%	5.18%	4.81%	4.81%
2040	5.18%	5.18%	4.80%	4.80%
2050	5.18%	5.18%	4.79%	4.80%
2060	4.83%	4.83%	4.83%	4.83%
2070	4.38%	4.38%	4.38%	4.38%
2075+	4.04%	4.04%	4.04%	4.04%

Trend Rates (Cont'd) * Actual premium increases from 2021 to 2022 used in the valuation are as follows:

	Advantage PPO	CalCare HMO	CDHP
Pre-Medicare	-5.00%	2.20%	-5.00%
Medicare	-18.50%	-37.10%	-10.40%

Discussion of Discount Rates

Under GASB 75, the discount rate used in valuing OPEB liabilities as of the Measurement Date is a single rate that reflects a 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) for an unfunded plan.

For the current year's valuation, the municipal bond index as of the prior and current Measurement Dates are as shown below:

Index	June 30, 2022	June 30, 2021
Fidelity GO AA 20 Years Municipal Index	3.69%	1.92%

Section 6: Participant Summary

Active Employees

Actives with Health Coverage	Single	2-Party	Family	Total	Avg. Age	Avg. Svc	Total Salary
Advantage PPO	1	2	7	10	41.8	2.3	$ 573,409
CalCare HMO	1	2	9	12	45.8	15.5	$ 793,545
Consumer Driven Health Plan (CDHP)		1	1	2	50.0	13.3	$ 181,885
Total actives with health coverage	**2**	**5**	**17**	**24**	**44.5**	**9.8**	**$ 1,548,839**

There are no active employees who currently waive coverage with the District reported to us.

	Years of Service with the District										
Age	<1	1 – 4	5 – 9	10 – 14	15 – 19	20 – 24	25 – 29	30 – 34	35 – 39	40+	Total
<25											0
25 – 29											0
30 – 34		1	3	1							5
35 – 39	1	1									2
40 – 44	1	2	1	1	2						7
45 – 49		1	1		1	1					4
50 – 54				1	1						2
55 – 59		1	1			1	1				4
60 – 64											0
65+											0
Total	**2**	**6**	**6**	**3**	**4**	**2**	**1**	**0**	**0**	**0**	**24**

Retired Employees

Retirees with Health Coverage	Single	2-Party	Family	Total	Avg. Age
Advantage PPO		1		1	75.3
CalCare HMO	1	6		7	67.0
Total retirees with health coverage	**1**	**7**		**8**	**68.0**

Age	Retirees
<50	
50 – 54	
55 – 59	1
60 – 64	2
65 – 69	2
70 – 74	1
75 – 79	2
80 – 84	
85 – 89	
90+	
Total	**8**

Enrollments above include retirees enrolled in the corresponding Medicare plans or those with split enrollment in pre-Medicare and Medicare plans.

Comparison of Participant Summary

Below is a comparison of participant summary included in the current valuation and the prior full valuation.

	As of June 30, 2021	As of June 30, 2019
Number of Participants		
Active employees	24	24
Retired employees[6]	8	6
Total	32	30
Averages		
Active average age	44.5	42.5
Active average service	9.8	11.2
Inactive average age	68.0	68.7

[6] The enrollments above include retirees and beneficiaries only and exclude spouses and/or dependents who are covered under the District's health plans.

Appendix – Sample Decrement Rates

Mortality Rates

Mortality rates used in the valuation are based on the CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021 for Public Agency Miscellaneous members. Sample pre-retirement, post-retirement non-disabled, and post-retirement disabled base mortality rates are as shown below. These rates are projected fully generationally using 80% of MP-2020 mortality improvement scale.

Attained Ages	Pre-Retirement[7]		Post-Retirement Non-Disabled		Post-Retirement Disabled[8]	
	Male	Female	Male	Female	Male	Female
20	0.00039	0.00014	0.00039	0.00014	0.00411	0.00233
25	0.00033	0.00013	0.00033	0.00013	0.00336	0.00187
30	0.00044	0.00019	0.00044	0.00019	0.00452	0.00301
35	0.00058	0.00029	0.00058	0.00029	0.00603	0.00504
40	0.00075	0.00039	0.00075	0.00039	0.00779	0.00730
45	0.00093	0.00054	0.00093	0.00054	0.01120	0.01019
50	0.00134	0.00081	0.00271	0.00199	0.01727	0.01439
55	0.00198	0.00123	0.00391	0.00325	0.02217	0.01734
60	0.00287	0.00179	0.00575	0.00455	0.02681	0.01962
65	0.00403	0.00250	0.00856	0.00612	0.03332	0.02276
70	0.00594	0.00404	0.01340	0.00996	0.04056	0.02910
75	0.00933	0.00688	0.02400	0.01783	0.05465	0.04160
80	0.01515	0.01149	0.04380	0.03403	0.08044	0.06112
85	0.00000	0.00000	0.08274	0.06166	0.11695	0.09385
90	0.00000	0.00000	0.14539	0.11086	0.16770	0.14396

[7] Pre-Retirement rates for all groups are based on the sum of non-industrial death and industrial death rates.
[8] Post-Retirement Disabled rates are based on non-industrially disabled rates for Miscellaneous participants.

Salary Increases

The seniority, merit and promotional salary increases used in the valuation are based on the CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021 for Public Agency Miscellaneous members. Sample rates are as shown below.

	Miscellaneous						
	Entry Ages						
Service	20	25	30	35	40	45	50
0	0.0764	0.0764	0.0621	0.0621	0.0521	0.0521	0.0521
2	0.0576	0.0576	0.0449	0.0449	0.0346	0.0346	0.0346
4	0.0435	0.0435	0.0324	0.0324	0.0229	0.0229	0.0229
6	0.0328	0.0328	0.0234	0.0234	0.0152	0.0152	0.0152
8	0.0248	0.0248	0.0170	0.0170	0.0101	0.0101	0.0101
10	0.0201	0.0201	0.0126	0.0126	0.0108	0.0108	0.0108
12	0.0181	0.0181	0.0116	0.0116	0.0092	0.0092	0.0092
14	0.0163	0.0163	0.0106	0.0106	0.0078	0.0078	0.0078
16	0.0147	0.0147	0.0098	0.0098	0.0066	0.0066	0.0066
18	0.0132	0.0132	0.0090	0.0090	0.0055	0.0055	0.0055
20	0.0119	0.0119	0.0083	0.0083	0.0047	0.0047	0.0047

Disability Rates

The disability rates used in the valuation are based on the CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021 for Public Agency Miscellaneous members. Sample rates are as shown below.

Attained Ages	Miscellaneous	
	Male	Female
20	0.000070	0.000040
25	0.000070	0.000090
30	0.000170	0.000330
35	0.000350	0.000650
40	0.000910	0.001190
45	0.001490	0.001850
50	0.001540	0.001930
55	0.001390	0.001290
60	0.001240	0.000940

Termination Rates

This assumption is used to project terminations (voluntary and involuntary) prior to meeting the minimum eligibility requirements to retire. The rates are based on the CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021 for Public Agency Miscellaneous members. Sample rates are as shown below.

	Miscellaneous (Male)							Miscellaneous (Female)						
	Entry Ages													
Service	20	25	30	35	40	45	50	20	25	30	35	40	45	50
0	0.1851	0.1769	0.1631	0.1493	0.1490	0.1487	0.1509	0.1944	0.1899	0.1824	0.1749	0.1731	0.1713	0.1741
2	0.1218	0.1125	0.0970	0.0815	0.0771	0.0726	0.0750	0.1381	0.1307	0.1183	0.1058	0.0998	0.0938	0.0941
4	0.0672	0.0616	0.0524	0.0431	0.0392	0.0352	0.0366	0.0801	0.0752	0.0670	0.0587	0.0523	0.0459	0.0457
6	0.0669	0.0641	0.0575	0.0509	0.0453	0.0397	0.0383	0.0869	0.0847	0.0757	0.0666	0.0580	0.0494	0.0464
8	0.0470	0.0453	0.0410	0.0366	0.0311	0.0255	0.0218	0.0613	0.0601	0.0545	0.0488	0.0394	0.0299	0.0294
10	0.0377	0.0366	0.0337	0.0309	0.0245	0.0181	0.0032	0.0502	0.0491	0.0446	0.0401	0.0308	0.0215	0.0046
12	0.0307	0.0300	0.0282	0.0263	0.0200	0.0137	0.0027	0.0423	0.0413	0.0368	0.0322	0.0244	0.0165	0.0037
14	0.0251	0.0246	0.0226	0.0207	0.0156	0.0014	0.0017	0.0352	0.0343	0.0292	0.0241	0.0181	0.0019	0.0023
16	0.0173	0.0173	0.0152	0.0132	0.0101	0.0000	0.0000	0.0235	0.0235	0.0193	0.0151	0.0112	0.0000	0.0000
18	0.0159	0.0159	0.0129	0.0100	0.0067	0.0000	0.0000	0.0202	0.0202	0.0158	0.0113	0.0075	0.0000	0.0000
20	0.0141	0.0141	0.0110	0.0079	0.0000	0.0000	0.0000	0.0175	0.0175	0.0131	0.0087	0.0000	0.0000	0.0000

Retirement Rates

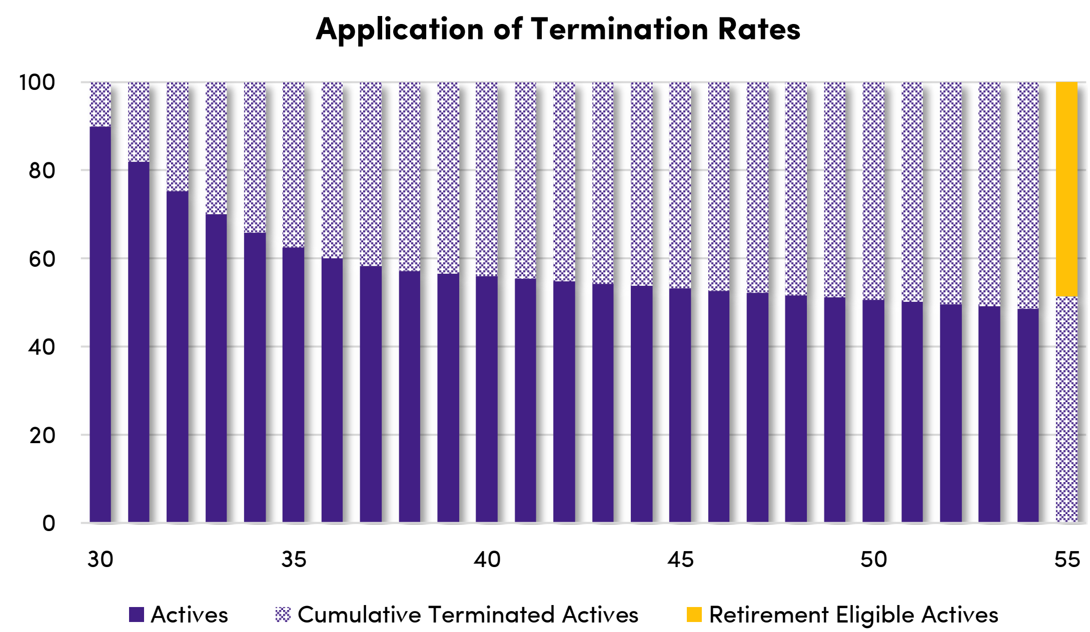
Retirement rates used in the valuation are based on the CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021 for Public Agency Miscellaneous members. Sample rates are as shown below.

	Miscellaneous 2% at 55						Miscellaneous 2% at 62					
	Attained Ages											
Service	50	55	60	65	70	75	50	55	60	65	70	75
5	0.0140	0.0450	0.0590	0.1670	0.2290	1.0000	0.0000	0.0100	0.0310	0.1080	0.1200	1.0000
10	0.0140	0.0420	0.0640	0.1870	0.2290	1.0000	0.0000	0.0190	0.0510	0.1410	0.1560	1.0000
15	0.0170	0.0530	0.0830	0.2100	0.2290	1.0000	0.0000	0.0280	0.0710	0.1730	0.1930	1.0000
20	0.0210	0.0860	0.1150	0.2620	0.2290	1.0000	0.0000	0.0360	0.0910	0.2060	0.2290	1.0000
25	0.0230	0.0980	0.1540	0.2880	0.2290	1.0000	0.0000	0.0610	0.1110	0.2390	0.2650	1.0000
30	0.0240	0.1230	0.1700	0.2910	0.2290	1.0000	0.0000	0.0960	0.1380	0.3000	0.3330	1.0000
35	0.0240	0.1640	0.1860	0.2910	0.2290	1.0000	0.0000	0.1520	0.1830	0.3480	0.3870	1.0000
40	0.0000	0.1840	0.1880	0.2910	0.2290	1.0000	0.0000	0.1800	0.2040	0.3600	0.4000	1.0000

Decrements Illustration

The table below illustrates how decrements are applied in the valuation and how the decrements affect the liabilities valued. Assuming the Plan Sponsor has 100 employees aged 30 as of the valuation date, only 48.6 employees will be projected to be employed at age 55 (assumed retirement eligibility age) using the assumed illustrative termination rates.

Age	# Actives BOY	Annual Termination %	# Terminated Actives / Year
30	100.0	10%	10.0
31	90.0	9%	8.1
32	81.9	8%	6.6
33	75.3	7%	5.3
34	70.1	6%	4.2
35	65.9	5%	3.3
36	62.6	4%	2.5
37	60.1	3%	1.8
38	58.3	2%	1.2
39	57.1	1%	0.6
40	56.5	1%	0.6
41	56.0	1%	0.6
42	55.4	1%	0.6
43	54.9	1%	0.5
44	54.3	1%	0.5
45	53.8	1%	0.5
46	53.2	1%	0.5
47	52.7	1%	0.5
48	52.2	1%	0.5
49	51.6	1%	0.5
50	51.1	1%	0.5
51	50.6	1%	0.5
52	50.1	1%	0.5
53	49.6	1%	0.5
54	49.1	1%	0.5
55	**48.6**	0%	0.0



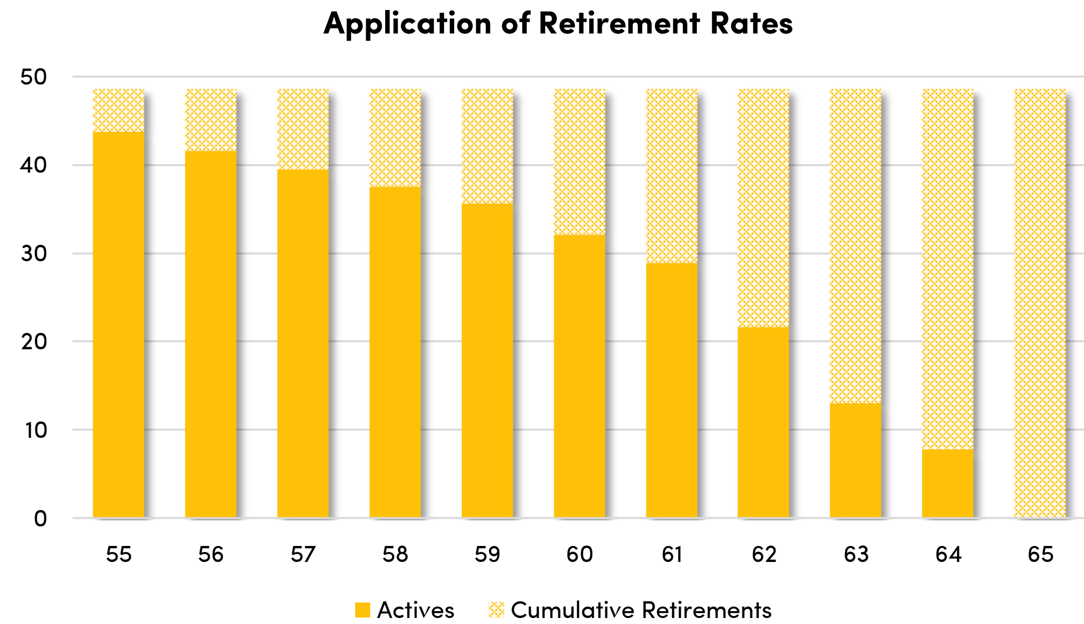
Notes:

1. The annual termination percentages shown in the table are for illustrative purposes only, not the actual termination rates used in the valuation.
2. For simplification, only termination decrement is assumed to be applicable while actively employed. Actuarial valuation typically applies pre-retirement death decrement during employment as well.

Decrements Illustration (Continued)

The table below illustrates the number of active employees assumed to retire at each age based on the illustrative retirement rates.

Age	# Actives BOY	Annual Retirement %	# Retirements / Year
55	48.6	10%	4.9
56	43.8	5%	2.2
57	41.6	5%	2.1
58	39.5	5%	2.0
59	37.5	5%	1.9
60	35.6	10%	3.6
61	32.1	10%	3.2
62	28.9	25%	7.2
63	21.7	40%	8.7
64	13.0	40%	5.2
65	7.8	100%	7.8



Notes:

1. The annual retirement percentages shown in the table are for illustrative purposes only, not the actual retirement rates used in the valuation.
2. For simplification, only retirement decrement is assumed to be applicable once the employee is retirement eligible. Actuarial valuation typically applies pre-retirement death decrement once an employee is eligible to retire.
3. The illustration above assumes that all active employees who are projected to be employed at age 55 elect health coverage with the Plan Sponsor at retirement.

Appendix – Glossary

1. **Active Employees** – Individuals employed at the end of the reporting or measurement period, as applicable.
2. **Actuarial Cost Method** – A method to allocate the Actuarial Present Value of Future Benefits into portions attributed to past service (Total OPEB Liability) and future service (Normal Cost).
3. **Actuarial Present Value of Future Benefits –** Projected benefit payments estimated to be payable through the OPEB plan to current active and inactive employees as a result of their past service and their expected future service, discounted to reflect the expected effects of time value (present value) of money and the probabilities of payment (which is contingent on events such as death, termination, retirement, etc). In other words, this is the amount that would have been invested as of the Valuation Date so that it is sufficient to pay for benefit payments when due.
4. **Deferred Inflows** – Gains in the Total OPEB Liability and Fiduciary Net Position (for funded plan only) due to be recognized in the future.
5. **Deferred Outflows** – Losses in the Total OPEB Liability and Fiduciary Net Position (for funded plan only) due to be recognized in the future.
6. **Defined Benefit OPEB –** OPEB for which the benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The OPEB may be stated as (a) a specified dollar amount; (b) an amount that is calculated
7. **Entry Age Actuarial Cost Method –** A method that allocates the actuarial present value of the projected benefits of each individual on a level basis over the earnings or service of the individual between entry age and assumed exit age(s).
    - The portion allocated to a valuation year is called the Normal Cost.
    - The portion allocated to past periods is called the Total OPEB Liability.
    - The portion allocated to future periods after the valuation year is called the present value of future normal costs.
8. **Fiduciary Net Position –** OPEB plan assets in a secure Trust that meet the following criteria:
    - Contributions from employers to the OPEB plan and earnings on those contributions are irrevocable.
    - OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
    - OPEB Plan assets are legally protected from the creditors of employers, OPEB plan administrator, and creditors of the plan members.
9. **Funded Ratio –** The value of the asset expressed as a percentage of the Total OPEB Liability.

10. **Healthcare Cost Trend Rates –** The rates of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.
11. **Inactive Employees –** Individuals no longer employed by an employer in the OEPB plan or the beneficiaries of those individuals. Inactive employees also include individuals who have accumulated benefits under the terms of an OPEB plan but are not yet receiving benefit payments and individuals currently receiving benefits.
12. **Net OPEB Liability –** The difference between the Total OPEB Liability and the Fiduciary Net Position.
13. **Payroll Growth –** An actuarial assumption on the rate of future increase in the total coverage payroll attributable to wage inflation and productivity increase; used in the Actuarial Cost Method to determine the Total OPEB Liability.
14. **Plan Members –** Individuals covered by the terms of the OPEB plan, which would typically include employees in active service, terminated employees who have terminated service but are not yet receiving benefit payments, and retired employees who are currently receiving benefits.
15. **Other Postemployment Benefits (OPEB) –** Benefits such as death benefits, life insurance, disability, and long-term care, as well as healthcare benefits (medical, prescription drug, dental, vision, and other health-related benefits), that are paid in the period after employment and that are provided separately from a pension plan regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.
16. **Service Cost (Normal Cost) –** The portion of actuarial present value of projected benefit payments that are attributed to a 12-month period after a valuation date as determined by the Actuarial Cost Method.
17. **Total OPEB Liability –** The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service as of the valuation date as determined by the Actuarial Cost Method.

GovInvest

The Financial Forecasting Authority

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McKinleyville Community Services District Reserves Calculations

	Beginning Balance	Calculation/ NetActiv/Adj	Ending Balance	Bank	Criteria/ Notes
Working Capital Reserves					
Customer Deposits	113,184	(12,485)	100,700	Umpqua	Amount sufficient to repay Customer Deposits
Pay-Go Capital Proj (cumulative)	-	1,000,000	1,000,000	Umpqua	Cumulative Pay-Go CIP Total per Board
CompensatedAbsences	284,157		338,553	Umpqua	Amount sufficient to pay Vacation/Sick Leave
Open Subdivision Deposits	7,017	18,095	25,112	Umpqua	Amount sufficient to repay Developer Deposits
Operating Reserve FY20-21Budget*	-	665,125	665,125	Umpqua	30 days District Expense per current budget
		Total:	**2,129,490**		**100% Funded**
MoneyMkt Cash Balance Available:			5,906,586		as of 30 June 2022
Restricted Reserves, Externally Held					**100% Funded**
USDA 1982 SewerBond	84,004	(0)	84,004	Humboldt County	adjusted to US bank stmt @ month-end close
SRF WWMF Loan Reserve	619,234	(7,822)	611,412	Humboldt County	set by lender, zero interest, no adjustment
Quimby Coastal Funds: Parks CIP-Hiller	52,420	807	53,227	Humboldt County	reconciled annually w/County at year-end close
Quimby Inland Funds: Parks CIP-All Other	157,948	5,102	163,050	Humboldt County	reconciled annually w/County at year-end close
Restricted Reserves: Actuarial Liabilities					Currently held in CalTRUST, LAIF, County Accts
2,299,309	2,048,599	(672,840)	1,375,759	CalTrust	**PERS 100% Funded, FY19-21 Liability Balance**
6,942,623	2,961,310	-	2,961,310	CalTrust, LAIF, Humboldt County	**OPEB 43% Funded; will increase w/ 115 Trust**
			43%		
Designated Reserves					**100% Funded**
Capacity Fees (see schedule)	4,134,118	730,912	4,865,030	CalTrust	73% of $4,838,374: CapFees placed in Wkg Capital
Repair/ Replacement (see schedule)	1,360,499	240,000	1,600,499	CalTrust	CIP Sinking Fund - Biosolids Project
Mainline Replacement Project	3,470,000	1,760,000	5,230,000	CalTrust	From Board Approved 2018 Rate Study
Catastrophe Reserves (curr.assessment)	1,382,777	(39,445)	1,343,332	CalTrust	16.6% of FY21-22 Total Expenditures

*Staff Note: moved to Working Capital from Investment acct

Monday, December 12, 2022
3:30 p.m.
Audit and Finance Meeting
NOTES

Members Present: David Couch, Greg Orsini
Staff Present: Nicole Alvarado, Pat Kaspari, April Sousa

Meeting Called to Order at 3:35 p.m..

Public Comment

- None

Establish Section 115 Trust for Other Post-Employment Benefits (OPEB)

Finance Director Nicole Alvarado reviewed the agendized item and the calculations found within the packet.

- She noted that the District is currently 100% funded in all reserve categories except OPEB, which is at 43%.
- Options and investment strategies were reviewed and discussed.
- It was noted that funding at 100% was not an efficient use of funds.
- Staff suggests a funding target of 60%
- The difference between “Pay Go” and a 115 Section trust was discussed
- Finance committee agreed to the following to be recommended to the Board
    - 60% funding level target
    - Initial Transfer of $2.5 M
    - Initial contribution of $200,000 “Pay Go” and $200,000 of reserves
    - To be reviewed annually
    - Investment Strategy to us – Strategy 3 – more conservative, expected return of 5%, risk 8.4%
- The committee asked to review the staff note prior to the February Board meeting, when this item will go to the Board for approval.
- Upcoming meeting items were discussed – next meeting on December 21 for Audit review. Other upcoming meetings needed to discuss a Single Audit review and information regarding California CLASS.
- Director Orsini asked for information on the Fixed Costs during the Budget process.

Adjourn – 4:53 p.m.

Monday, December 21, 2022
1:00 p.m.
Audit and Finance Meeting
NOTES

Members Present: David Couch (via zoom), Greg Orsini
Staff Present: Nicole Alvarado, Pat Kaspari, April Sousa (via zoom)
Guests Present: Chris Brown, Auditor

Meeting Called to Order at 1:06p.m..

Public Comment

- None

Review and Discuss Audited Financials for FY 2021-22

Chris Brown gave a review of the Audit.

- It was mentioned that this was an unmodified opinion.
- The format of the Audit was different from previous years, but the information same.
- Some changes from previous years were discussed; many changes were because of market returns.
- OPEB (Other Post-Employment Benefits) numbers and liabilities were discussed
- At the end of the presentation, it was noted that there were no material weaknesses in the Financial Statements.
- General Manager Kaspari asked clarifying questions regarding GASB96 on page 56 of the report and how it would affect the District. Chris will gather some information and get back to MCSD.
- Director Orsini expressed concerns on how Capacity Fees and general Revenues were reported. It was discussed that the audit would not necessarily reflect these numbers but internally, a report could reflect a separation of these revenues and how they are used.

After the Audit review, Director Orsini brought up the findings from the last Committee meeting on the 115 trust and wanted to retract the recommendation to the board.

- It was noted that because the funds were not in the budget to hold off on the additional 115 trust funding on top of the "Pay Go" funding until that can be put into the budget.
- The percent for each department was discussed as the budgeting would not be an exact "I" split.

- Director Alvarado stated that she would get the information regarding the percent each department pays for OPEB for the committee to review at a meeting in January.
- A meeting will be scheduled for January to approve a new recommendation to the Board at the February meeting. Staff will come with a recommendation for the committee to review.
- It was also discussed that the budgeting process is beginning and the extra $200,000 over the “Pay Go” amount could be worked into the budget during this time.

Adjourn – 2:16 p.m.