

June 30, 2022 OPEB Valuation Review

**Town of Atherton
September 2022**



GovInvest

The Financial Forecasting Authority

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OPEB Valuation Basics

OPEB

- OPEB stands for Other Post-Employment Benefits, which really means all benefits provided to employees at **retirement** other than pensions
- Includes the following for the Town:
 - Retiree health benefits
- Excludes: pensions or severance pay

OPEB Valuation Components

Benefit Provisions

- Eligibility to qualify for benefits at retirement (service or disability)
- Benefits offered (medical/rx, dental, vision, etc.)
- Employer subsidy provided

Healthcare Assumptions

- Employer healthcare plan election at retirement
- Health plan and health coverage election at retirement
- Rate of increase in future healthcare costs

Economic Assumptions

- Discount rate for present value calculations

Demographic Assumptions

- Terminations prior to retirement
- Rate of disablement
- Retirement rate once eligible
- Mortality assumption

Benefit Provisions

Healthcare Assumptions

Economic Assumptions

Demographic Assumptions

Valuation Results

Summary of Valuation Results

Measurement Date (MD)	6/30/2022	6/30/2021	6/30/2020
Fiscal Year Ending Financial Disclosure	6/30/2022	6/30/2021	6/30/2020
Valuation Date	6/30/2022	6/30/2020	6/30/2020
Discount Rate	6.00%	5.39%	6.00%
Total OPEB Liability (TOL)	\$ 7,736,578	\$ 8,999,682	\$ 10,436,940
Fiduciary Net Position (FNP)	(7,829,922)	(8,866,492)	(7,331,640)
Net OPEB Liability (NOL)	\$ (93,344)	\$ 133,190	\$ 3,105,300
Funded Ratio	101.2%	98.5%	70.2%

Actuarially Determined Contribution (ADC) ¹	FY 2021/22	FY 2020/21	FY 2019/20
\$ amount	\$ 519,144	\$ 465,571	\$ 435,103
As % of covered-employee payroll	11.6%	16.0%	15.3%

¹ FY 2021/22 ADC is as shown in the FYE 6/30/2021 GASB 75 Report prepared by Precision Actuarial, Inc. dated 10/6/2021 but with revised amortization of Net OPEB Liability based on level % of pay amortization method using 5.39% discount rate, 2.75% payroll growth, and 16 years amortization period. FY 2020/21 and 2019/20 ADCs are as shown in the Town's Annual Comprehensive Financial Report.

Changes Since Prior Valuation

	Description of Changes	Impact
Economic Assumptions	Single Equivalent Discount Rate (SEDR) has been updated from 5.39% as of June 30, 2021 to 6.00% as of June 30, 2022 based on updated expected long-term rate of return of the Trust.	Decrease in liability
Demographic Assumptions	Mortality, disability, termination, and retirement rates assumptions 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.	Slight increase in liability
Healthcare Assumptions	<ul style="list-style-type: none">Health care trend rates have been updated from Getzen 2019 with initial rate of 6.50% that decreases gradually to an ultimate rate of 4.04% in 2075 for non-Medicare and 4.00% for all years for Medicare to Getzen 2021 table that reflects actual premium increases from 2022 to 2023 followed by 5.75% (non-Medicare) / 5.40% (Medicare) in 2023 that decrease gradually to an ultimate rate of 3.94% in 2075.PEMHCA minimum trend has been updated from 3.00% to 1.34% from 2022 to 2023 followed by 3.75% for all subsequent years.	Net increase in liability

Changes Since Prior Valuation

	Description of Changes	Impact
Other Assumptions	<ul style="list-style-type: none">▪ Payroll growth assumption was updated from CalPERS Experience Study and Review of Actuarial Assumptions published in December 2017 to the most recent study published in November 2021.▪ Percentage of active employees electing health coverage with the Town at retirement for those who are eligible for PEMHCA minimum benefit only was reduced from 100% to 50%.▪ Percentage of active employees electing spousal coverage with the Town at retirement has been reduced from 75% for both genders to 65% for male and 45% for female employees.▪ In the prior valuation, husbands were assumed to be three years older than wives. In this year's valuation, husbands were assumed to be one year older than wives.	Reduction in liability

Gain/Loss Reconciliation

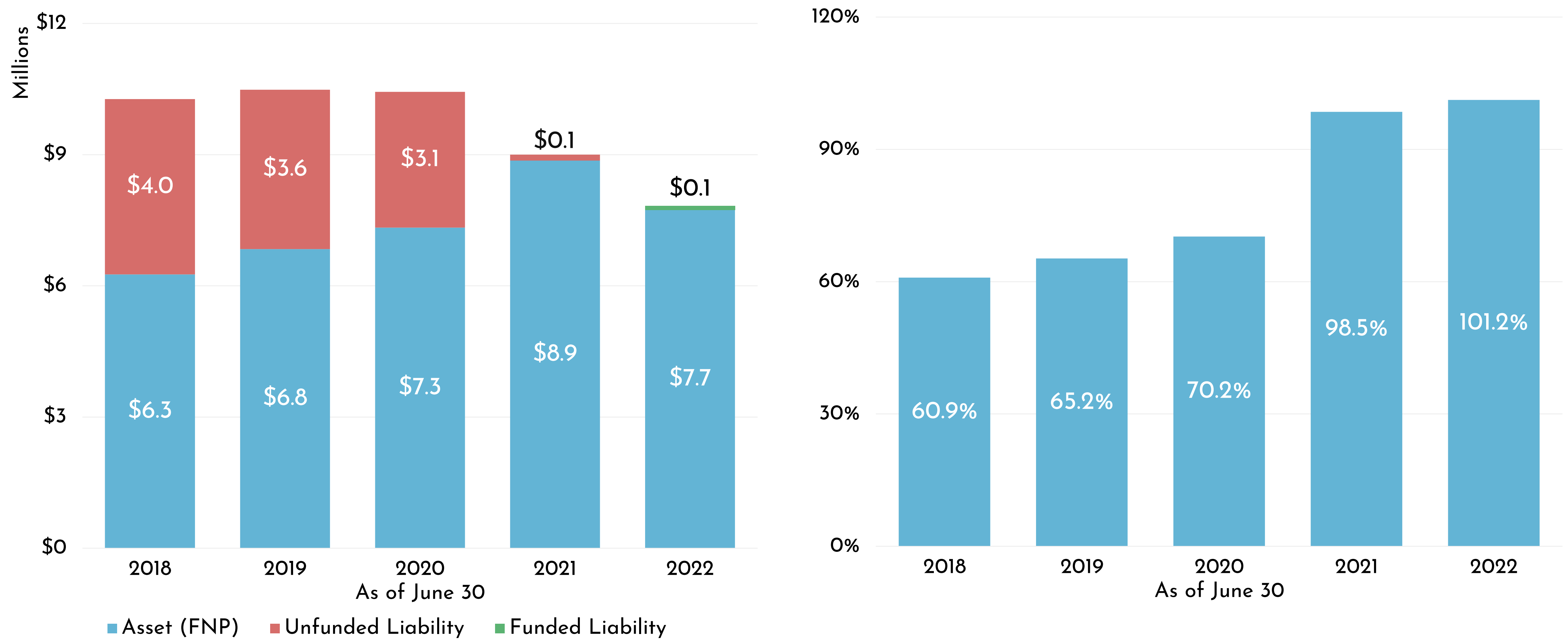
Liability

Total OPEB Liability (TOL) as of 6/30/2021	\$ 9,000,000
Expected TOL as of 6/30/2022 due to passage of time	\$ 9,149,000
Actuarial (gain) / loss attributable to:	
Demographic experience	\$ (887,000)
Healthcare cost	(518,000)
Discount rate update	(518,000)
Demographic assumption changes	0
All other assumption changes	511,000
Total actuarial (gain) / loss	\$ (1,412,000)
TOL as of 6/30/2022	\$ 7,737,000

Asset

Asset as of 6/30/2021	\$ 8,866,000
Expected contributions ¹	519,000
Expected investment income (5.39%)	492,000
Expected asset as of 6/30/2022	\$ 9,877,000
¹ Set equal to the ADC cost.	
Asset as of 6/30/2021	\$ 8,866,000
Total contributions	594,000
Benefit payments and administrative expenses	(644,000)
Actual investment income	(986,000)
Actual asset as of 6/30/2022	\$ 7,830,000

Historical Unfunded Liability and Funded Ratio

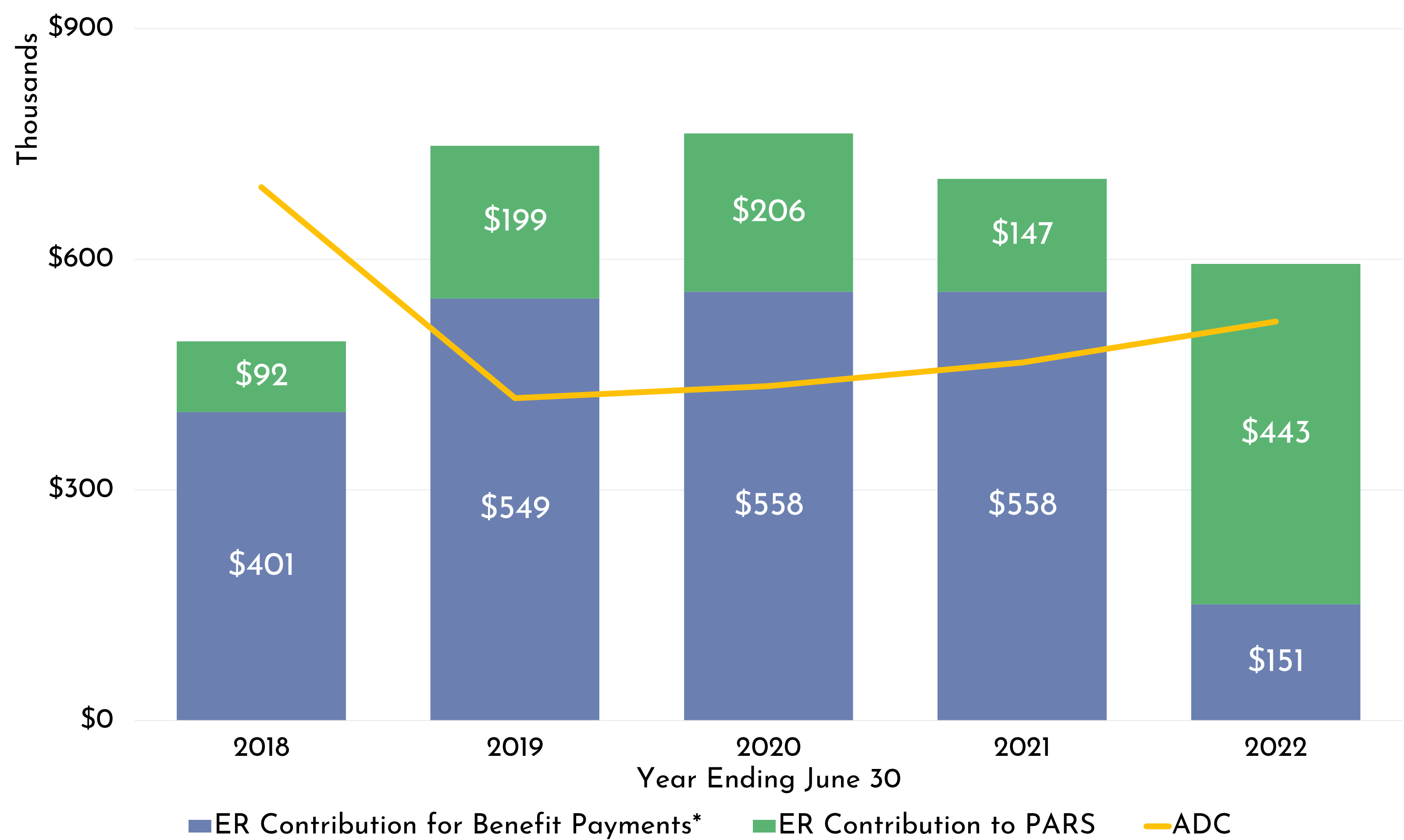


Actuarially Determined Contribution



Actuarially Determined Contribution (ADC) is the recommended contribution that, if paid on an ongoing basis, is expected to provide sufficient resources to fund (a) future normal cost (cost for new service) and (b) the amortized unfunded liabilities (cost for past service).

Employer Contribution and ADC



* Includes implicit subsidy credit.

FYE	ADC
2018 ¹	\$ 693,890
2019 ¹	\$ 419,511
2020 ¹	\$ 435,103
2021 ¹	\$ 465,571
2022 ²	\$ 519,144

¹ ADCs prior to FYE 2022 are as shown in the Town's Annual Comprehensive Financial Reports.

² ADC for FYE 2021 is as shown in the FYE 6/30/2021 GASB 75 Report prepared by Precision Actuarial, Inc. Dated 10/6/2021 but with revised amortization of Net OPEB Liability based on level % of pay amortization method using 5.39% discount rate, 2.75% payroll growth, and 16 years amortization period.

Q&A



THANK YOU

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Results presented in this report are based on the June 30, 2022 OPEB valuation. Refer to the preliminary Town of Atherton GASB 75 Disclosures for Fiscal Year Ending June 30, 2022 for complete information on substantive plan provisions and actuarial methods and assumptions.

For questions on the content of this information, please contact our Support Team (support@govinvest.com).