

Staff Report

TO: Board of Directors

FROM: Sandra Dunlap, Director of Finance

DATE: December 13, 2023

SUBJECT: OPEB Other Post Employment Benefits Overview (Presentation)

FINANCE

RECOMMENDATION:

Receive and file.

BACKGROUND:

Other post-employment benefits are the benefits, other than Pension distributions, that employees may begin to receive from their employer once they retire. These benefits typically include life insurance and health insurance.

In 2015, the Government Accounting Standards Board (GASB) issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pension. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. This Statement details the recognition and disclosure requirements for employers and established liabilities for future obligations. In many cases, this was a real eye-opener as large liabilities were placed on the financials.

Every two years, agencies are required to have a full valuation completed. The District has contracted with Foster & Foster (formally Bartle & Wells) actuarial firm since the inception of the trust in 2009. It is important to note there is a timing difference between the report and the financials presented in the audit. For the 2023 audit, the District will record results from the 2021 actuarial study, so it cannot tie back to the current year actuarial report. In addition, there is an

additional estimate recorded since the District is on a calendar year-end of 12/31 versus the CalPERS fiscal year-end of 6/30.

The District is currently about 80% funded and has not taken any distributions from the trust. This is considered to be a healthy level of funding. The percentage funded fluctuates from year to year depending on many factors. In 2022, there was a large increase to the overall liability of about \$6 million, primarily due to investment performances not doing as well as expected. In addition, health care costs continue to increase, and so does life expectancy, which result in increases to the liability. The District will assess making the annual recommended contribution or to start taking contributions to pay for these benefits during the annual budget process.

RESULTS

Funded Status
(Amounts in 000's)

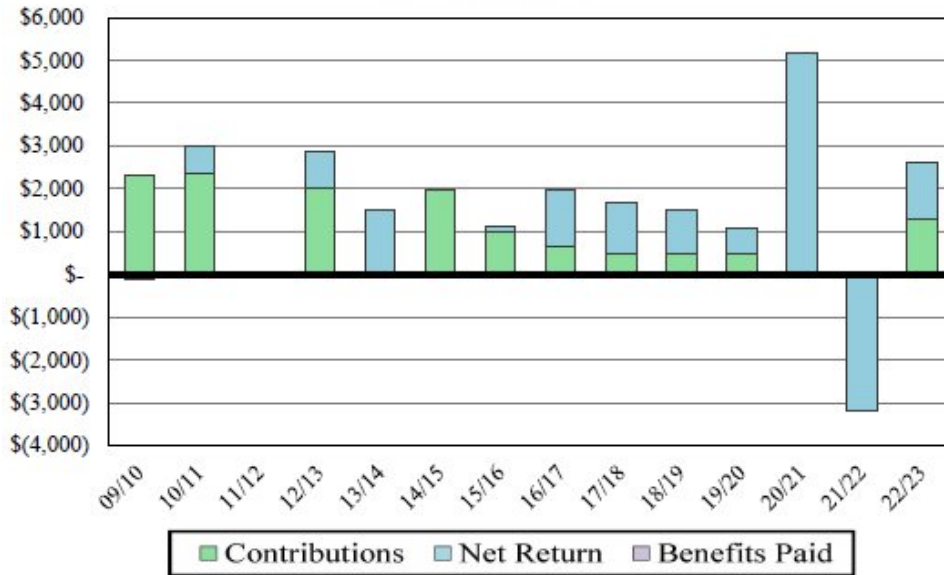
	6/30/21 Valuation		6/30/23 Valuation	
	6/30/21	Projected 12/31/21	6/30/23	Projected 12/31/23 ⁶
■ Present Value of Benefits				
• Actives	\$16,186		\$17,099	
• Retirees	<u>17,131</u>		<u>18,773</u>	
• Total	33,317		35,872	
■ Actuarial Accrued Liability				
• Actives	9,392		10,286	
• Retirees	<u>17,131</u>		<u>18,773</u>	
• Total	26,523	\$26,891	29,059	\$29,516
■ Assets	<u>21,246</u>	<u>22,524</u>	<u>23,334</u>	<u>24,047</u>
■ Unfunded Liability	5,277	4,367	5,725	5,469
■ Funded Ratio ⁷	80.1%	83.8%	80.3%	81.5%

⁶ Assumes no contributions to nor benefits paid from trust 7/1/23 to 12/31/23.

⁷ Funded ratio based on Actuarial Value of assets for 6/30/21 valuation and Market Value of Assets for 6/30/23 valuation.



Historical Plan Asset Changes
(Amounts in 000's)



In 2009, the District formed a trust with CalPERS to try to leverage the long-term liability for OPEB and made an initial contribution of \$2.3 million. Please see the chart below that summarizes the history of the trust. Foster & Foster will review the most recent results from the 6/30/2023 full valuation just completed.

[CalPERS Prefunding Programs](#)

Cash Flow Summary by Fiscal Year

Fiscal Year	Contributions	Disbursements	Cumulative Net Contributions	Cumulative Investment Gains (Losses)	Cumulative Fees	Cumulative Ending Assets	Fiscal Year Net Rate of Return	Cumulative Net Rate of Return
2009-10	\$2,311,000	\$0	\$2,311,000	(\$100,206)	(\$1,076)	\$2,209,718	-	-
2010-11	\$2,375,000	\$0	\$4,686,000	\$523,542	(\$4,907)	\$5,204,635	23.07%	12.87%
2011-12	\$1,287,772	\$0	\$5,973,772	\$531,260	(\$10,943)	\$6,494,089	0.15%	5.94%
2012-13	\$710,000	\$0	\$6,683,772	\$1,391,589	(\$22,650)	\$8,052,711	12.04%	8.46%
2013-14	\$0	\$0	\$6,683,772	\$2,881,708	(\$34,849)	\$9,530,631	18.52%	11.33%
2014-15	\$2,955,463	\$0	\$9,639,235	\$2,907,252	(\$45,486)	\$12,501,001	0.24%	8.47%
2015-16	\$0	\$0	\$9,639,235	\$3,034,840	(\$55,790)	\$12,618,284	1.02%	6.72%
2016-17	\$646,000	\$0	\$10,285,235	\$4,376,312	(\$67,067)	\$14,594,480	10.58%	7.43%
2017-18	\$490,000	\$0	\$10,775,235	\$5,539,964	(\$80,228)	\$16,234,971	7.97%	7.52%
2018-19	\$467,000	\$0	\$11,242,235	\$6,565,824	(\$94,091)	\$17,713,968	6.31%	7.35%
2019-20	\$460,000	\$0	\$11,702,235	\$7,202,114	(\$109,337)	\$18,795,012	3.58%	6.85%
2020-21	\$0	\$0	\$11,702,235	\$12,375,521	(\$127,650)	\$23,950,106	27.54%	9.06%
2021-22	\$0	\$0	\$11,702,235	\$9,179,739	(\$147,797)	\$20,734,176	-13.35%	6.49%



DRAFT

**NEVADA IRRIGATION DISTRICT
RETIREE HEALTHCARE PLAN**



June 30, 2023 Actuarial Valuation

Plan Funding for Fiscal Years 2024 and 2025

Doug Pryor, Senior Consulting Actuary
Foster & Foster, Inc.

December 13, 2023

WHAT IS OPEB?

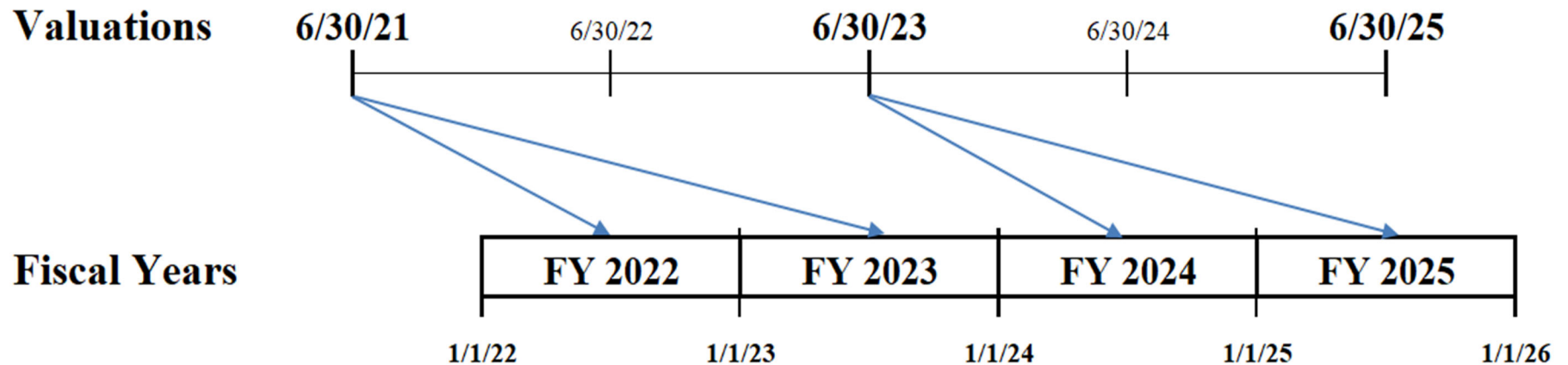
Other (than Pensions) Post Employment Benefits

- Medical
- Life Insurance
- Dental
- Vision
- Other



ACTUARIAL VALUATIONS & GASB

- GASB Statement No. 75 covers OPEB accounting
- Full actuarial valuation required every 2 years:
 - Each valuation then provides results for 2 fiscal years for GASB reporting
 - Also provides funding recommendations for 2 fiscal years
 - June 30 valuation date was mandated by CalPERS OPEB trust
- Timing:



BENEFITS

<p>■ Eligibility</p>	<ul style="list-style-type: none"> Retire directly from District under CalPERS (age 50 & 10 years District service) 												
<p>■ Medical</p>	<ul style="list-style-type: none"> District pays premium up to single PERS Platinum Region 1 <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>Cap</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Pre-Medicare/ Post-Medicare</td> <td>\$ 1,200.12 420.02</td> </tr> </tbody> </table> <p style="margin-left: 20px;">Vesting schedule on cap if hired on after 5/10/12:</p> <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>Service</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>10</td> <td>25%</td> </tr> <tr> <td>11-19</td> <td>25%+2.5%/year</td> </tr> <tr> <td>20+</td> <td>50%</td> </tr> </tbody> </table> Smaller benefit (minimum of \$151/month) for employees retiring directly under CalPERS 	Cap	2023	Pre-Medicare/ Post-Medicare	\$ 1,200.12 420.02	Service	Percentage	10	25%	11-19	25%+2.5%/year	20+	50%
Cap	2023												
Pre-Medicare/ Post-Medicare	\$ 1,200.12 420.02												
Service	Percentage												
10	25%												
11-19	25%+2.5%/year												
20+	50%												
<p>■ Other</p>	<ul style="list-style-type: none"> Life insurance (amounts varying by retirement year and age) Individual accounts for retirees before 1/1/09 												



BENEFITS

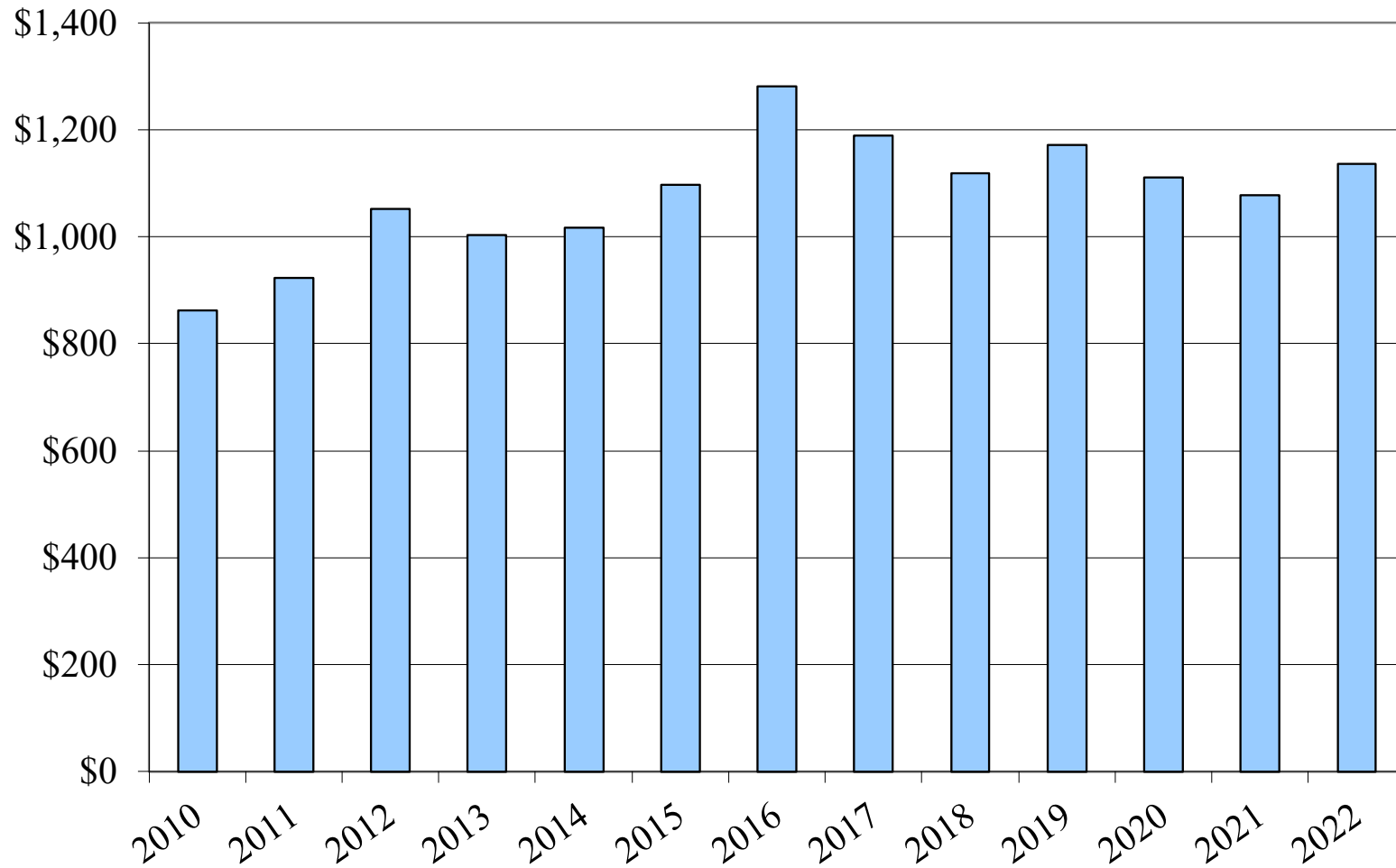
2023 Monthly Medical Premiums Region 1

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Anthem Select	\$1,128.83	\$2,257.66	\$2,934.96	\$413.59	\$827.18	\$1,240.77
Anthem Traditional	1,210.71	2,421.42	3,147.85	413.59	827.18	1,240.77
Blue Shield Access+	1,035.21	2,070.42	2,691.55	361.90	723.80	1,085.70
Blue Shield Trio	888.94	1,777.88	2,311.24	361.90	723.80	1,085.70
Health Net SmartCare	1,174.50	2,349.00	3,053.70	n/a	n/a	n/a
Kaiser	913.74	1,827.48	2,375.72	283.25	566.50	849.75
UnitedHealthcare Alliance	1,044.07	2,088.14	2,714.58	n/a	n/a	n/a
United Healthcare Group	n/a	n/a	n/a	299.68	599.36	899.04
Western Health Adv.	760.17	1,520.34	1,976.44	331.11	662.22	993.33
PERS Platinum	1,200.12	2,400.24	3,120.31	420.02	840.04	1,260.06
PERS Gold	825.61	1,651.22	2,146.59	392.71	785.42	1,178.13

BENEFITS

Pay-As-You-Go Costs (cash benefits only)

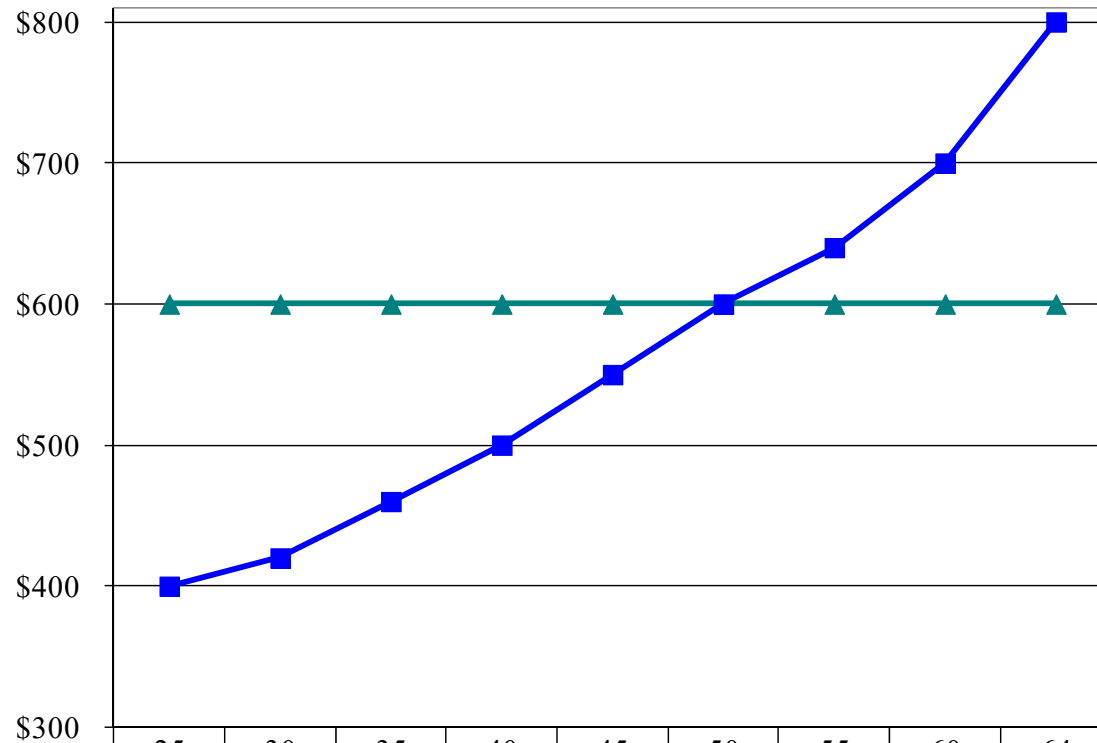
(amounts in \$000's)



BENEFITS

Implied Subsidy

- Employer cost for allowing retirees to participate at active rates.
- Approximately 15%-20% of overall OPEB cost for District
- General trend:



▲ Blended Premium	600	600	600	600	600	600	600	600	600
■ Cost by Age	400	420	460	500	550	600	640	700	800



PARTICIPANTS

	6/30/13	6/30/15	6/30/17	6/30/19	6/30/21	6/30/23
■ Actives						
• Water	138	159	162	167	168	126
• Hydro	17	19	24	30	28	30
• Recreation	4	6	7	10	8	6
• Internal Services	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>31</u>
• Total	159	184	193	207	204	193
■ Retirees ³						
• Water	134	144	151	147	150	137
• Hydro	16	21	20	18	19	20
• Recreation	-	-	1	2	3	3
• Internal Services	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>12</u>
• Total	150	165	172	167	172	172

³ Excludes waived participants.



ASSETS

CERBT Investment Options

	Strategy 1
■ Target Allocation	
• Global Equity	49%
• Fixed Income	23%
• TIPS	5%
• Commodities	3%
• REITs	<u>20%</u>
• Total	100%
■ Expected Return/ Discount Rate	6.25%



ASSETS

Market Value of Plan Assets

(Amounts in 000's)

	2019/20	2020/21	2021/22	2022/23
■ Market Value (beginning of year)	\$17,714	\$18,795	\$23,950	\$20,734
• Contributions ⁴	460	-	-	1,278
• Benefit Payments	-	-	-	-
• Admin Expenses	(9)	(11)	(12)	(10)
• Investment Expenses	(6)	(8)	(9)	(8)
• Investment Earnings	<u>636</u>	<u>5,173</u>	<u>(3,196)</u>	<u>1,339</u>
■ Market Value (end of year)	18,795	23,950	20,734	23,334
■ Approx. Return	3.6%	27.5%	(13.4)%	6.4%

⁴ \$0.646 million May 2017, \$0.490 million June 2018, \$0.467 million June 2019, \$0.460 million June 2020, and \$1.278 million June 2023.



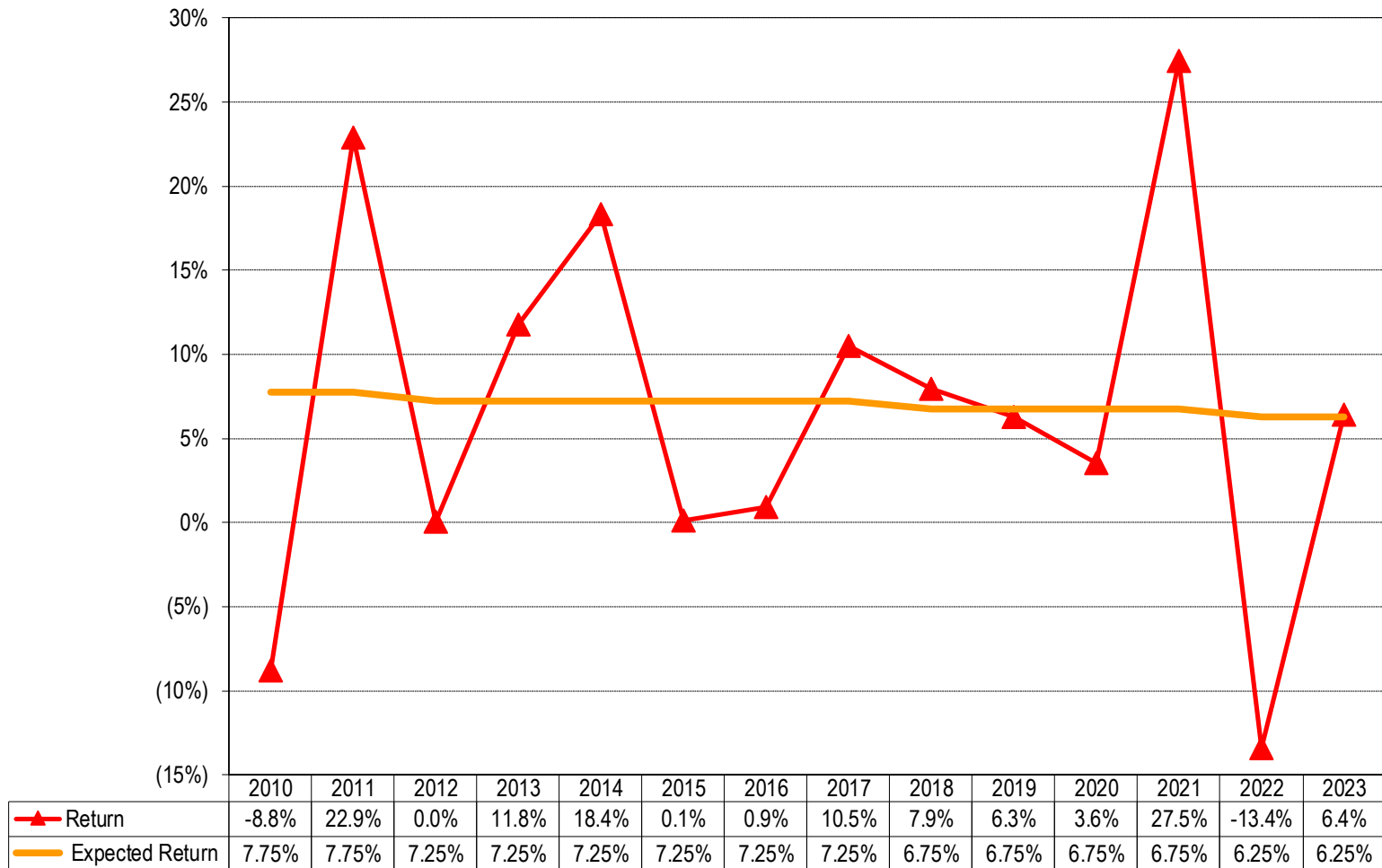
Actuarial Value of Assets

- Historical recommended contributions based on smoothed Actuarial Value of Assets
 - Targeted 100% funding on a smooth path
- 6/30/23 valuation
 - Approaching goal of 100% funded on Market Value asset basis
 - Recommend change to market value
 - Future investment gains/losses will be amortized with 5 year ramp-up
 - Unfunded increase by approximately \$1.2M for change



ASSETS

Historical Asset Returns⁵



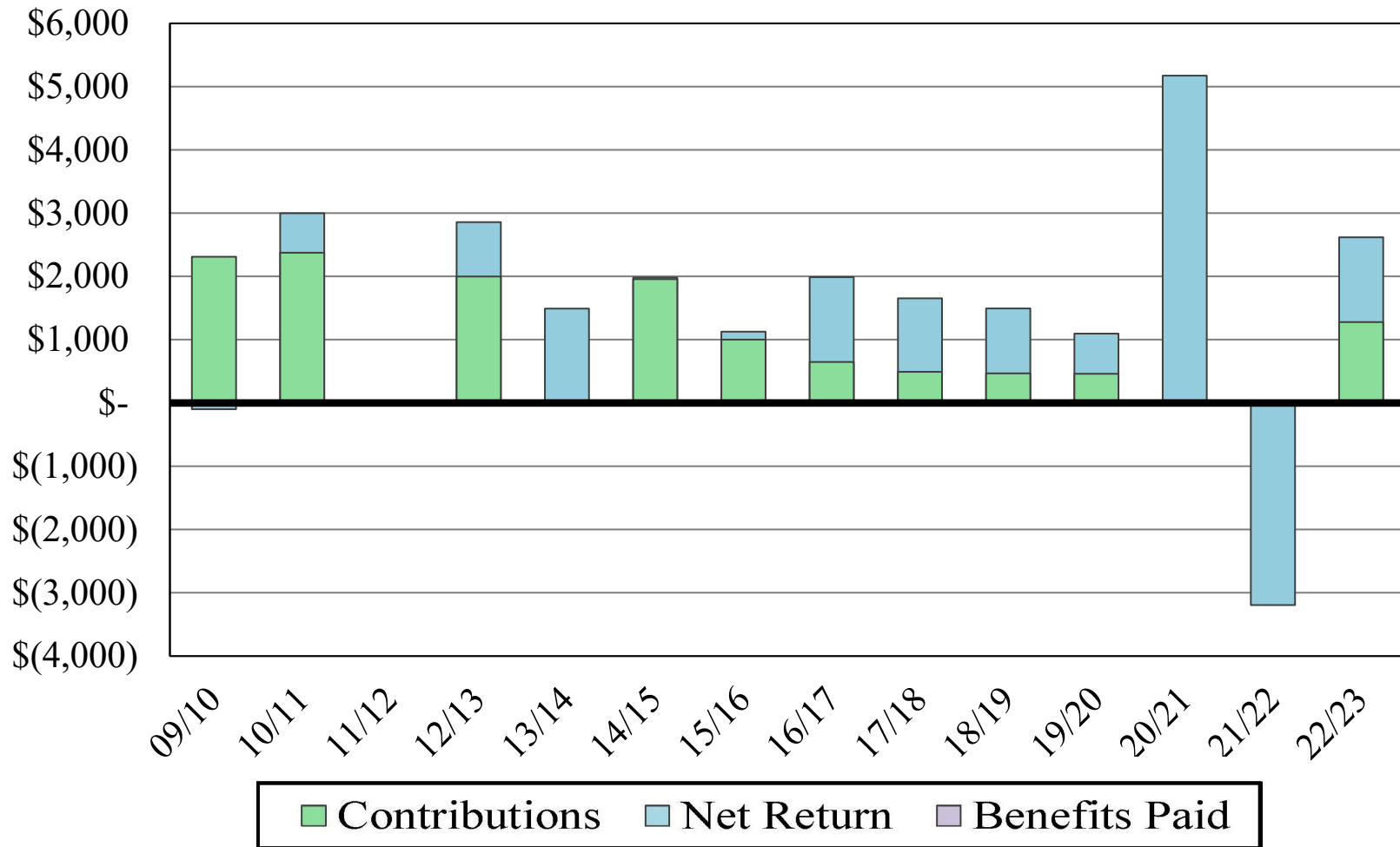
⁵ Average 6.7% return.



ASSETS

Historical Plan Asset Changes

(Amounts in 000's)



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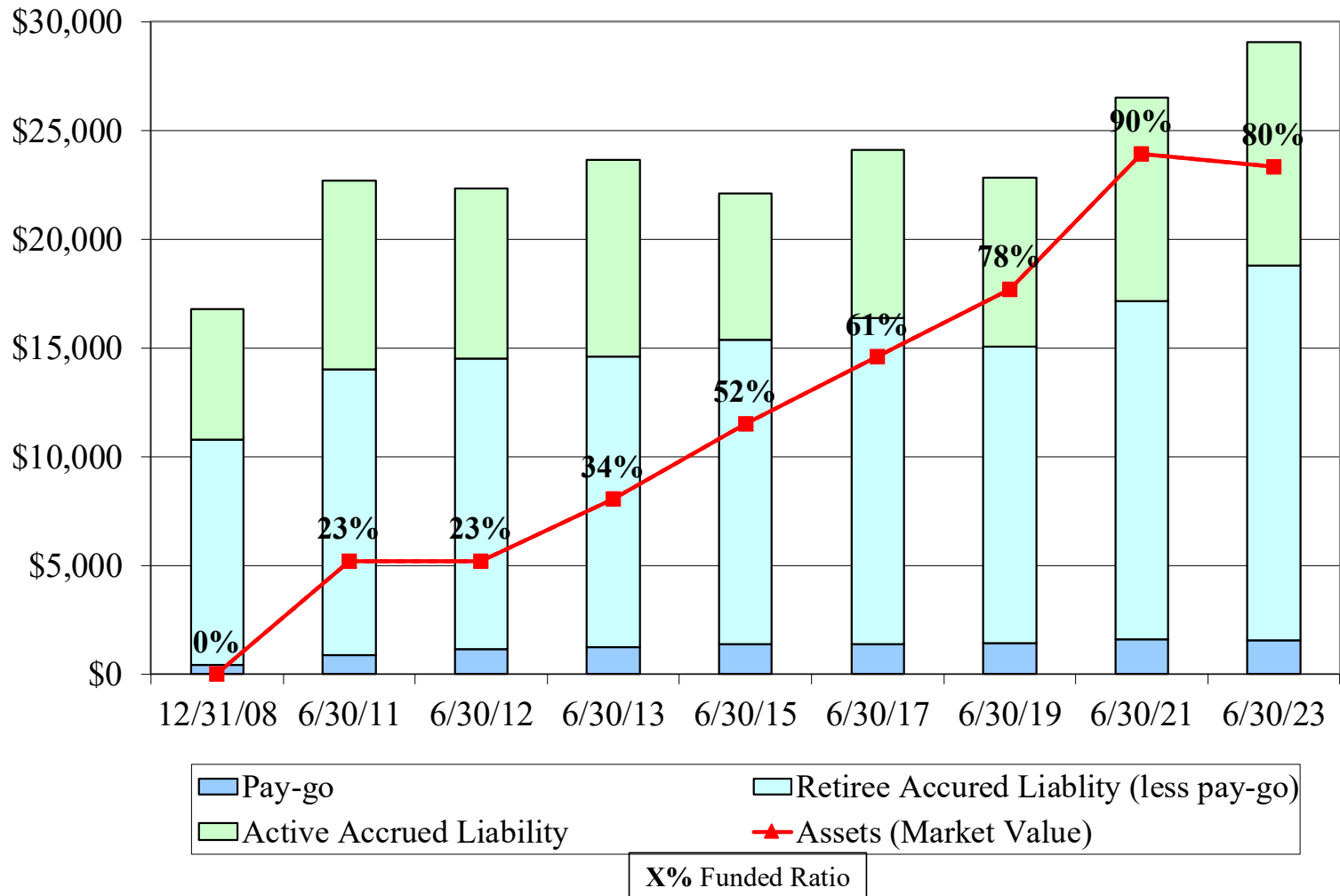
⁶ 6/30/23 approximately \$1M higher than expected, primarily due to anticipated higher future premium increases.

⁷ Funded ratio based on Actuarial Value of assets for 6/30/21 valuation and Market Value of Assets for 6/30/23 valuation.



RESULTS

Funded Status (Amounts in 000's)



Actuarially Determined Contribution (ADC) Components

- Service Cost
(value/cost of benefits accruing for active employees)
- Payment on Unfunded Actuarial Accrued Liability (UAAL)
(Move plan to 100% funded over approximately 9 years)



RESULTS

Actuarially Determined Contribution (ADC)

(Amounts in 000's)

	6/30/2021 Val		6/30/2023 Val	
	2022	2023	2024	2025
■ ADC- \$				
• Service Cost ⁸	\$ 713	\$ 726	\$ 733	\$ 748
• Unfunded Amortization	<u>537</u>	<u>552</u>	<u>714</u>	<u>734</u>
• Total Cost	1,250	1,278	1,447	1,482
■ Projected Payroll	16,033	16,474	17,615	18,100
■ ADC- %				
• Service Cost	4.4%	4.4%	4.2%	4.1%
• Unfunded Amortization	<u>3.3%</u>	<u>3.3%</u>	<u>4.1%</u>	<u>4.1%</u>
• Total ADC	7.8%	7.8%	8.2%	8.2%

⁸ Includes estimated expenses of \$17,000 and \$16,000, respectively for 2022 & 2023 and \$17,000 and \$18,000 for 2024 & 2025, respectively.



RESULTS

Projection

(Amounts in 000's)

Fiscal Year	Contribution			Total	Payroll	Contribution % of Payroll
	Cash Benefit Payments ⁹	Implied Subsidy Benefit Payments	Pre-Funding Greater/(Less) than Benefit Payments			
2024	\$1,323	\$232	\$(108)	\$1,447	\$17,615	8.2%
2025	1,355	224	(97)	1,482	18,100	8.2%
2026	1,396	219	(99)	1,516	18,598	8.2%
2027	1,453	229	(131)	1,551	19,109	8.1%
2028	1,495	229	(139)	1,585	19,635	8.1%
2029	1,541	238	(158)	1,621	20,174	8.0%
2030	1,629	274	(245)	1,658	20,729	8.0%
2031	1,697	287	(289)	1,695	21,299	8.0%
2032	1,756	301	(1,027)	1,030	21,885	4.7%
2033	1,831	338	(1,119)	1,050	22,487	4.7%

⁹ Includes administrative expenses

