Peralta Community College District (Pre-2004)

Actuarial Study of
Retiree Health Liabilities
As of July 1, 2020 with Expected Liability as of July 1, 2021

Prepared by:
Total Compensation Systems, Inc.

Date: September 21, 2021

This report is not intended to satisfy requirements under GASB for which a separate report is issued. Please refer to Page 1 of this report for description of its intended use.

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PART I: EXECUTIVE SUMMARY

A. Introduction

Peralta Community College District engaged Total Compensation Systems, Inc. (TCS) to conduct a funding valuation for its current retiree health program as of July 1, 2020 (the valuation date). TCS separately conducted a valuation for accounting compliance under GASB accounting standards.

Specifically, this report measures the plan's liability using a 6.3% valuation interest rate instead of the 2.2% that was required to be used for GASB 75 reporting purposes. For plans that pre-fund their retiree health benefits through a qualifying trust, GASB 75 allows the use of the expected rate of return on assets to be used as the valuation interest rate instead of the municipal bond rate that must be used for unfunded plans. Our understanding si that Peralta's Trust I does not meet GASB requirements as a qualifying trust, so even though assets have been set aside for the intended use to pay future retiree health benefits, the GASB 75 liability must be calculated using a 2.2% interest rate, which produces a much higher measured liability than what is shown in this report on Page 7.

Because the actuarial assumptions and methods used for this funding valuation may be different from those used for the accounting valuation; and to avoid confusion; we use different terminology in this valuation from that used in the accounting valuation. Because the methodology is similar to what was used under GASB 45, in this report we use the GASB 45 terminology. This carries the additional benefit of providing continuity if the GASB 45 Annual Required Contribution (ARC) was used for funding purposes prior to adoption of GASB 75.

It is up to Peralta CCD to determine whether or how much to contribute to any GASB 74 qualifying trust. If Peralta CCD makes a contribution based on this report, those contributions may qualify under GASB 75 as Actuarially Determined Contributions (ADC). If so, additional Required Supplementary Information (RSI) schedules would be required. In that case, Appendix C contains information related to this valuation that would be needed for the Notes to the RSI.

Because this report was prepared only to provide funding guidance, Peralta CCD should not use this report for any other purpose without discussion with TCS. This means that any discussions with employee groups, governing Boards, etc. should be restricted to the use of this report for funding its OPEB obligations.

We calculated the following estimates separately for active employees and retirees. As requested, we also separated results by the following employee classifications: Certificated, Classified, Management, Other and SEIU. We estimated the following:

- the total liability created. (The actuarial present value of total projected benefits or APVTPB)
- the twenty five year "pay-as-you-go" cost to provide these benefits.
- the "actuarial accrued liability (AAL)." (The AAL is the portion of the APVTPB attributable to employees' service prior to the valuation date.)
- the annual contribution required to fund retiree benefits over the working lifetime of eligible employees (the "normal cost").

We summarized the data used to perform this study in Appendix A. No effort was made to verify this information beyond brief tests for reasonableness and consistency.

All cost and liability figures contained in this study are estimates of future results. Future results can vary dramatically and the accuracy of estimates contained in this report depends on the actuarial assumptions used. Normal costs and liabilities could easily vary by 10 - 20% or more from estimates contained in this report.

B. General Findings

We estimate the "pay-as-you-go" cost of providing retiree health benefits in the year beginning July 1, 2020 to be $10,592,869 (see Section IV.A.). The “pay-as-you-go” cost is the cost of benefits for current retirees.

For current employees, the value of benefits "accrued" in the year beginning July 1, 2020 (the normal cost) is $2,022,446. This normal cost would increase each year based on covered payroll. Had Peralta CCD begun accruing retiree health benefits when each current employee and retiree was hired, a liability would have accumulated. We estimate the amount that would have accumulated to be $151,571,393. This amount is called the "actuarial accrued liability” (AAL).

We based all of the above estimates on employees as of August, 2020. Over time, liabilities and cash flow will vary based on the number and demographic characteristics of employees and retirees.

C. Description of Retiree Benefits

Following is a description of the current retiree benefit plan:

	Certificated	*Local 39*	*Management*	*SEIU Local 1021*
Benefit types provided	Medical only	Medical only	Medical only	Medical only
Duration of Benefits	Lifetime	Lifetime	Lifetime	Lifetime
Required Service	Retirement	Retirement	Retirement	Retirement
Minimum Age	Retirement	Retirement	Retirement	Retirement
Dependent Coverage	Yes	Yes	Yes	Yes
District Contribution %	100%	100%	100%	100%
District Cap	None	None	None	None

Respectfully submitted,

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PART II: BACKGROUND

A. Summary

Accounting principles provide that the cost of retiree benefits should be "accrued" over employees' working lifetime. For this reason, the Governmental Accounting Standards Board (GASB) issued 74 and 75 for other postemployment benefits (OPEB). For most public agencies, the costs and liabilities generated fro accounting purposes are not suitable to use for funding purposes. For agencies that fund on an actuarial basis, this means that it may be necessary to obtain a separate funding valuation. If the funding valuation conforms with Actuarial Standards of Practice (ASOPs), the agency may have Actuarially Determined Contributions (ADC). The existence of ADC triggers additional Required Supplementary Information (RSI) schedule requirements as well as additional RSI Note Disclosures.

B. Actuarial Accrual

To actuarially accrue retiree health benefits requires determining the amount to expense each year so that the liability accumulated at retirement is, on average, sufficient (with interest) to cover all retiree health expenditures without the need for additional expenses. There are many different ways to determine the annual accrual amount. The calculation method used is called an "actuarial cost method."

Under most actuarial cost methods, there are two components of actuarial cost - a "normal cost" and amortization of something called the "unfunded actuarial accrued liability." Both accounting standards and actuarial standards usually address these two components separately (though alternative terminology is sometimes used).

The normal cost can be thought of as the value of the benefit earned each year if benefits are accrued during the working lifetime of employees. This report will not discuss differences between actuarial cost methods or their application. The report is based on the "entry age normal" cost method.

Under the entry age normal cost method, the actuary determines the annual amount needing to be expensed from hire until retirement to fully accrue the cost of retiree health benefits. This amount is the normal cost. Normal cost can be expressed either as a level dollar amount or a level percentage of payroll.

The normal cost is determined using several key assumptions:

- The current ***cost of retiree health benefits*** (often varying by age, Medicare status and/or dependent coverage). The higher the current cost of retiree benefits, the higher the normal cost.

- The ***"trend" rate*** at which retiree health benefits are expected to increase over time. A higher trend rate increases the normal cost. A "cap" on District contributions can reduce trend to zero once the cap is reached thereby dramatically reducing normal costs.

- ***Mortality rates*** varying by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce normal costs, the mortality assumption is not likely to vary from employer to employer.

- ***Employment termination rates*** have the same effect as mortality inasmuch as higher termination rates reduce normal costs. Employment termination can vary considerably between public agencies.

- The ***service requirement*** reflects years of service required to earn full or partial retiree benefits. While a longer service requirement reduces costs, cost reductions are not usually substantial unless the service period exceeds 20 years of service.

- ***Retirement rates*** determine what proportion of employees retire at each age (assuming employees reach the requisite length of service). Retirement rates often vary by employee classification and implicitly reflect the minimum retirement age required for eligibility. Retirement rates also depend on the amount of pension benefits available. Higher retirement rates increase normal costs but, except for differences in minimum retirement age, retirement rates tend to be consistent between public agencies for each employee type.

- ***Participation rates*** indicate what proportion of retirees are expected to elect retiree health benefits if a significant retiree contribution is required. Higher participation rates increase costs.

- The ***discount rate*** estimates investment earnings for assets earmarked to cover retiree health benefit liabilities. The discount rate depends on the nature of underlying assets. For example, employer funds earning money market rates in the county treasury are likely to earn far less than an irrevocable trust containing a diversified asset portfolio including stocks, bonds, etc. A higher discount rate can dramatically lower normal costs. GASB 43 and 45 require the interest assumption to reflect likely *long term* investment return.

The assumptions listed above are not exhaustive, but are the most common assumptions used in actuarial cost calculations. The actuary selects the assumptions which - taken together - will yield reasonable results. It's not necessary (or even possible) to predict individual assumptions with complete accuracy.

If all actuarial assumptions are exactly met and an employer expensed the normal cost every year for all past and current employees and retirees, a sizeable liability would have accumulated (after adding interest and subtracting retiree benefit costs). The liability that would have accumulated is called the actuarial accrued liability or AAL. The excess of AAL over the ***actuarial value of plan assets*** is called the *unfunded* actuarial accrued liability (or UAAL).

The actuarial accrued liability (AAL) can arise in several ways. At inception of funding, there is usually a substantial UAAL. Some portion of this amount can be established as the "transition obligation" subject to certain constraints. UAAL can also increase as the result of operation of a retiree health plan - e.g., as a result of plan changes or changes in actuarial assumptions. Finally, AAL can arise from actuarial gains and losses. Actuarial gains and losses result from differences between actuarial assumptions and actual plan experience.

Employers have several options on how the UAAL can be amortized. For example,

- The employer can select an amortization period of 1 to 30 years. (For certain situations that result in a reduction of the AAL, the amortization period should be at least 10 years.)

- The employer may apply the same amortization period to the total combined UAAL or can apply different periods to different components of the UAAL.

- The employer may elect a “closed” or “open” amortization period.

- The employer may choose to amortize on a level dollar or level percentage of payroll method.

PART III: LIABILITIES AND COSTS FOR RETIREE BENEFITS

A. Introduction.

We calculated the actuarial present value of projected benefits (APVPB) separately for each employee. We determined eligibility for retiree benefits based on information supplied by Peralta CCD. We then selected assumptions for the factors discussed in the above Section that, based on plan experience and our training and experience, represent our best prediction of future plan experience. For each employee, we applied the appropriate factors based on the employee's age, sex and length of service.

We summarized actuarial assumptions used for this study in Appendix C.

B. Medicare

The extent of Medicare coverage can affect projections of retiree health costs. The method of coordinating Medicare benefits with the retiree health plan's benefits can have a substantial impact on retiree health costs. We will be happy to provide more information about Medicare integration methods if requested.

C. Liability for Retiree Benefits.

For each employee, we projected future premium costs using an assumed trend rate (see Appendix C).

We multiplied each year's projected cost by the probability that premium will be paid; i.e. based on the probability that the employee is living, has not terminated employment and has retired. The probability that premium will be paid is zero if the employee is not eligible. The employee is not eligible if s/he has not met minimum service, minimum age or, if applicable, maximum age requirements.

The product of each year's premium cost and the probability that premium will be paid equals the expected cost for that year. We discounted the expected cost for each year to the valuation date July 1, 2020 at 6.3% interest.

Finally, we multiplied the above discounted expected cost figures by the probability that the retiree would elect coverage. A retiree may not elect to be covered if retiree health coverage is available less expensively from another source (e.g. Medicare risk contract) or the retiree is covered under a spouse's plan.

For any current retirees, the approach used was similar. The major difference is that the probability of payment for current retirees depends only on mortality and age restrictions (i.e. for retired employees the probability of being retired and of not being terminated are always both 1.0000).

We added the APVPB for all employees to get the actuarial present value of total projected benefits (APVTPB). The APVTPB is the estimated present value of all future retiree health benefits for all **current** employees and retirees. The APVTPB is the amount on July 1, 2020 that, if all actuarial assumptions are exactly right, would be sufficient to expense all promised benefits until the last current employee or retiree dies or reaches the maximum eligibility age.

Actuarial Present Value of Total Projected Benefits at July 1, 2020

	Total	*Certificated*	*Classified*	*Management*	*Other*	*SEIU*
Active: Pre-65	$8,661,588	$3,704,549	$1,181,958	$207,445	$0	$3,567,636
Post-65	$37,086,014	$22,078,914	$2,098,214	$605,234	$0	$12,303,652
Subtotal	$45,747,602	$25,783,463	$3,280,172	$812,679	$0	$15,871,288
Retiree: Pre-65	$5,398,182	$1,340,735	$2,258,698	$517,833	$0	$1,280,916
Post-65	$105,677,200	$54,362,257	$13,672,620	$11,193,444	$2,409,038	$24,039,841
Subtotal	$111,075,382	$55,702,992	$15,931,318	$11,711,277	$2,409,038	$25,320,757
Grand Total	$156,822,984	$81,486,455	$19,211,490	$12,523,956	$2,409,038	$41,192,045
Subtotal Pre-65	$14,059,770	$5,045,284	$3,440,656	$725,278	$0	$4,848,552
Subtotal Post-65	$142,763,214	$76,441,171	$15,770,834	$11,798,678	$2,409,038	$36,343,493

The APVTPB should be accrued over the working lifetime of employees. At any time much of it has not been "earned" by employees. The APVTPB is used to develop expense and liability figures. To do so, the APVTFB is divided into two parts: the portions attributable to service rendered prior to the valuation date (actuarial accrued liability) and to service after the valuation date but prior to retirement (the future service liability).

The past service and future service liabilities are each funded in a different way. We will start with the future service liability which is funded by the normal cost.

D. Cost to Prefund Retiree Benefits

1. Normal Cost

The average hire age for eligible employees is 38. To accrue the liability by retirement, the District would accrue the retiree liability over a period of about 22 years (assuming an average retirement age of 60). We applied an "entry age normal" actuarial cost method to determine funding rates for active employees. The table below summarizes the calculated normal cost.

Normal Cost Year Beginning July 1, 2020

	Total	*Certificated*	*Classified*	*Management*	*Other*	*SEIU*
# of Employees	207	113	13	4	0	77
Per Capita Normal Cost						
Pre-65 Benefit	N/A	$2,878	$3,245	$3,557	$0	$2,272
Post-65 Benefit	N/A	$9,589	$3,574	$5,963	$0	$4,052
First Year Normal Cost						
Pre-65 Benefit	$556,571	$325,214	$42,185	$14,228	$0	$174,944
Post-65 Benefit	$1,465,875	$1,083,557	$46,462	$23,852	$0	$312,004
Total	$2,022,446	$1,408,771	$88,647	$38,080	$0	$486,948

Accruing retiree health benefit costs using normal costs levels out the cost of retiree health benefits over time and more fairly reflects the value of benefits "earned" each year by employees. This normal cost would increase each year based on covered payroll.

2. Actuarial Accrued Liability (AAL)

If actuarial assumptions are borne out by experience, the District will fully accrue retiree benefits by expensing an amount each year that equals the normal cost. If no accruals had taken place in the past, there would be

a shortfall of many years' accruals, accumulated interest and forfeitures for terminated or deceased employees. This shortfall is called the actuarial accrued liability (AAL). We calculated the AAL as the APVTPB minus the present value of future normal costs.

Actuarial Accrued Liability as of July 1, 2020

	Total	*Certificated*	*Classified*	*Management*	*Other*	*SEIU*
Active: Pre-65	$7,086,971	$3,054,999	$991,737	$139,404	$0	$2,900,831
Post-65	$33,409,040	$19,914,724	$1,888,707	$491,170	$0	$11,114,439
Subtotal	$40,496,011	$22,969,723	$2,880,444	$630,574	$0	$14,015,270
Retiree: Pre-65	$5,398,182	$1,340,735	$2,258,698	$517,833	$0	$1,280,916
Post-65	$105,677,200	$54,362,257	$13,672,620	$11,193,444	$2,409,038	$24,039,841
Subtotal	$111,075,382	$55,702,992	$15,931,318	$11,711,277	$2,409,038	$25,320,757
Subtotal Pre-65	$12,485,153	$4,395,734	$3,250,435	$657,237	$0	$4,181,747
Subtotal Post-65	$139,086,240	$74,276,981	$15,561,327	$11,684,614	$2,409,038	$35,154,280
Grand Total	$151,571,393	$78,672,715	$18,811,762	$12,341,851	$2,409,038	$39,336,027

Expected Changes in Net OPEB Liability as of June 30, 2021

	TOL
Balance at June 30, 2020	$151,571,393
Service Cost	$2,022,446
Interest on TOL	$9,279,029
Expected Benefit Payments	($10,592,869)
Net Change during 2020-21	$708,606
Expected Balance at June 30, 2021	$152,279,999

PART IV: "PAY AS YOU GO" FUNDING OF RETIREE BENEFITS

We used the actuarial assumptions shown in Appendix C to project twenty five year cash flow under the retiree health program. Because these cash flow estimates reflect average assumptions applied to a relatively small number of employees, estimates for individual years are **certain** to be ***in***accurate. However, these estimates show the size of cash outflow.

The following table shows a projection of annual amounts needed to pay the District share of retiree health premiums.

Year Beginning July 1	*Total*	*Certificated*	*Classified*	*Management*	*Other*	*SEIU*
2020	$10,592,869	$5,661,937	$1,518,752	$1,057,343	$250,838	$2,103,999
2021	$10,711,357	$5,726,900	$1,504,533	$1,059,394	$243,832	$2,176,698
2022	$11,015,561	$5,923,116	$1,462,346	$1,061,762	$236,215	$2,332,122
2023	$11,218,144	$6,045,510	$1,463,588	$1,000,710	$228,165	$2,480,171
2024	$11,455,986	$6,151,438	$1,466,285	$996,780	$219,840	$2,621,643
2025	$11,538,936	$6,154,831	$1,480,160	$990,633	$211,382	$2,701,930
2026	$11,647,208	$6,233,460	$1,440,321	$983,730	$202,913	$2,786,784
2027	$11,818,027	$6,317,973	$1,421,122	$975,933	$194,526	$2,908,473
2028	$11,748,577	$6,230,423	$1,404,841	$965,792	$186,279	$2,961,242
2029	$11,716,520	$6,174,552	$1,391,147	$935,543	$178,197	$3,037,081
2030	$11,675,775	$6,086,814	$1,371,775	$922,791	$170,252	$3,124,143
2031	$11,612,690	$6,006,160	$1,381,835	$907,533	$162,446	$3,154,716
2032	$11,551,298	$5,970,220	$1,354,342	$891,194	$154,747	$3,180,795
2033	$11,489,836	$5,932,113	$1,361,340	$875,108	$147,084	$3,174,191
2034	$11,299,005	$5,828,420	$1,294,316	$857,698	$139,372	$3,179,199
2035	$11,089,802	$5,653,608	$1,286,726	$835,239	$131,566	$3,182,663
2036	$10,745,089	$5,444,953	$1,201,842	$786,076	$123,593	$3,188,625
2037	$10,403,793	$5,206,493	$1,187,753	$732,735	$115,437	$3,161,375
2038	$10,077,086	$4,974,024	$1,165,912	$697,633	$107,086	$3,132,431
2039	$9,736,473	$4,785,533	$1,138,085	$660,039	$98,551	$3,054,265
2040	$9,289,558	$4,559,045	$1,028,206	$620,487	$89,863	$2,991,957
2041	$8,921,250	$4,356,191	$988,615	$579,468	$81,079	$2,915,897
2042	$8,535,050	$4,150,225	$946,650	$537,462	$72,259	$2,828,454
2043	$8,153,008	$3,943,188	$903,077	$495,037	$63,518	$2,748,188
2044	$7,762,314	$3,737,106	$858,322	$452,768	$54,981	$2,659,137

PART V: RECOMMENDATIONS FOR FUTURE VALUATIONS

For the numbers contained in this report to be appropriate, it's important for them to be recalculated if changes take place that have a significant impact. Following are examples of actions that could trigger a new valuation.

- An employer should perform a valuation whenever the employer modifies its investment policy or moves to a new trust that has a different investment policy.
- An employer should perform a valuation whenever the employer adopts a retiree benefit plan for some or all employees.
- An employer should perform a valuation whenever the employer considers or implements changes to retiree benefit provisions or eligibility requirements.
- An employer should perform a valuation whenever the employer introduces or changes retiree contributions.

PART VI: APPENDICES

APPENDIX A: MATERIALS USED FOR THIS STUDY

We relied on the following materials to complete this study.

- We used paper reports and digital files containing employee demographic data from the District personnel records.
- We used relevant sections of collective bargaining agreements provided by the District.

APPENDIX B: EFFECT OF ASSUMPTIONS USED IN CALCULATIONS

While we believe the estimates in this study are reasonable overall, it was necessary for us to use assumptions which inevitably introduce errors. We believe that the errors caused by our assumptions will not materially affect study results. If the District wants more refined estimates for decision-making, we recommend additional investigation. Following is a brief summary of the impact of some of the more critical assumptions.

1. Where actuarial assumptions differ from expected experience, our estimates could be overstated or understated. One of the most critical assumptions is the medical trend rate. The District may want to commission further study to assess the sensitivity of liability estimates to our medical trend assumptions. For example, it may be helpful to know how liabilities would be affected by using a trend factor 1% higher than what was used in this study. There is an additional fee required to calculate the impact of alternative trend assumptions.

APPENDIX C: ACTUARIAL ASSUMPTIONS AND METHODS

Following is a summary of actuarial assumptions and methods used in this study. The District should carefully review these assumptions and methods to make sure they reflect the District's assessment of its underlying experience. It is important for Peralta CCD to understand that the appropriateness of all selected actuarial assumptions and methods are Peralta CCD's responsibility. Unless otherwise disclosed in this report, TCS believes that all methods and assumptions are within a reasonable range applicable actuarial standards of practice, Peralta CCD's actual historical experience, and TCS's judgment based on experience and training.

ACTUARIAL METHODS AND ASSUMPTIONS:

ACTUARIAL COST METHOD: Entry age normal. The allocation of OPEB cost is based on years of service. We used the level percentage of payroll method to allocate OPEB cost over years of service.

Entry age is based on the age at hire for eligible employees. The attribution period is determined as the difference between the expected retirement age and the age at hire. The present value of future benefits and present value of future normal costs are determined on an employee by employee basis and then aggregated.

To the extent that different benefit formulas apply to different employees of the same class, the normal cost is based on the benefit plan applicable to the most recently hired employees (including future hires if a new benefit formula has been agreed to and communicated to employees).

SUBSTANTIVE PLAN: As required under ASOP 6, we based the valuation on the substantive plan. The formulation of the substantive plan was based on a review of written plan documents as well as historical information provided by Peralta CCD regarding practices with respect to employer and employee contributions and other relevant factors.

ECONOMIC ASSUMPTIONS:

Economic assumptions are set under the guidance of Actuarial Standard of Practice 27 (ASOP 27). Among other things, ASOP 27 provides that economic assumptions should reflect a consistent underlying rate of general inflation. For that reason, we show our assumed long-term inflation rate below.

INFLATION: We assumed 2.75% per year.

INVESTMENT RETURN / DISCOUNT RATE: We assumed 6.3% per year. This is based on assumed long-term return on plan assets assuming 100% funding through Peralta Community College District. We used the "Building Block Method" as described in ASOP 27 Paragraph 3.6.2.

TREND: We assumed 4% per year. Our long-term trend assumption is based on the conclusion that, while medical trend will continue to be cyclical, the average increase over time cannot continue to outstrip general inflation by a wide margin. Trend increases in excess of general inflation result in dramatic increases in unemployment, the number of uninsured and the number of underinsured. These effects are nearing a tipping point which will inevitably result in fundamental changes in health care finance and/or delivery which will bring increases in health care costs more closely in line with general inflation. We do not believe it is reasonable to project historical trend vs. inflation differences several decades into the future.

PAYROLL INCREASE: We assumed 2.75% per year. This assumption applies only to the extent that either or both of the normal cost and/or UAAL amortization use the level percentage of payroll method. For purposes of applying the level percentage of payroll method, payroll increase must not assume any increases in staff or merit increases.

ACTUARIAL VALUE OF PLAN ASSETS (AVA): Trust assets do not qualify as plan assets on the valuation date under accounting rules.

NON-ECONOMIC ASSUMPTIONS:

Economic assumptions are set under the guidance of Actuarial Standard of Practice 35 (ASOP 35).

MORTALITY

Participant Type	*Mortality Tables*
Certificated	2020 CalSTRS Mortality
Classified	2017 CalPERS Mortality for Miscellaneous and Schools Employees

RETIREMENT RATES

Employee Type	*Retirement Rate Tables*
Certificated	2020 CalSTRS 2.0%@60 Rates
Classified	2017 CalPERS 2.0%@55 Rates for Schools Employees

COSTS FOR RETIREE COVERAGE

Retiree liabilities are based on actual retiree premium plus an implicit rate subsidy of 24.3% of non-Medicare medical premium. Liabilities for active participants are based on the first year costs shown below, which include the implicit rate subsidy. Subsequent years' costs are based on first year costs adjusted for trend and limited by any District contribution caps.

Participant Type	*Future Retirees Pre-65*	*Future Retirees Post-65*
Certificated	Employer-paid portion of premium: $24,395 Implied rate subsidy: $5,928	$14,327
Classified	Employer-paid portion of premium: $28,604 Implied rate subsidy: $6,951	$13,159
Management	Employer-paid portion of premium: $21,108 Implied rate subsidy: $5,129	$12,310
SEIU	Employer-paid portion of premium: $17,702 Implied rate subsidy: $4,302	$12,151

PARTICIPATION RATES

Employee Type	*<65 Non-Medicare Participation %*	*65+ Medicare Participation %*
Certificated	100%	100%
Classified	100%	100%

TURNOVER

Employee Type	*Turnover Rate Tables*
Certificated	2020 CalSTRS Termination Rates
Classified	2017 CalPERS Termination Rates for School Employees

SPOUSE PREVALENCE

To the extent not provided and when needed to calculate benefit liabilities, 80% of retirees assumed to be married at retirement. After retirement, the percentage married is adjusted to reflect mortality.

SPOUSE AGES

To the extent spouse dates of birth are not provided and when needed to calculate benefit liabilities, female spouse assumed to be three years younger than male.

AGING FACTORS

We used aging factors from "Health Care Costs - From Birth to Death" prepared by Dale Yamamoto and published in 2013 by the Society of Actuaries as part of the Health Care Cost Institute's Independent Report Series - Report 2013-1.

APPENDIX D: DISTRIBUTION OF ELIGIBLE PARTICIPANTS BY AGE

ELIGIBLE ACTIVE EMPLOYEES

Age	*Total*	*Certificated*	*Classified*	*Management*	*Other*	*SEIU*
Under 25	0	0	0	0	0	0
25-29	0	0	0	0	0	0
30-34	0	0	0	0	0	0
35-39	0	0	0	0	0	0
40-44	5	0	2	0	0	3
45-49	24	10	2	2	0	10
50-54	30	13	1	0	0	16
55-59	46	18	6	0	0	22
60-64	39	24	1	0	0	14
65 and older	63	48	1	2	0	12
Total	207	113	13	4	0	77

ELIGIBLE ACTIVE EMPLOYEES BY AGE AND SERVICE

	Total	*Under 5 Years of Service*	*5 – 9 Years of Service*	*10 – 14 Years of Service*	*15 –19 Years of Service*	*20 – 24 Years of Service*	*25 – 29 Years of Service*	*30 – 34 Years of Service*	*Over 34 Years of Service*
Under 25	0								
25 – 29	0								
30 – 34	0								
35 – 39	0								
40 – 44	5				3	2			
45 – 49	24				17	6	1		
50 – 54	30				14	12	3	1	
55 – 59	46				17	20	2	6	1
60 – 64	39				8	15	11	4	1
65 and older	63				21	15	10	8	9
Total	207	0	0	0	80	70	27	19	11

ELIGIBLE RETIREES

Age	*Total*	*Certificated*	*Classified*	*Management*	*Other*	*SEIU*
Under 50	0	0	0	0	0	0
50-54	4	0	3	0	0	1
55-59	12	5	2	1	0	4
60-64	38	9	10	5	0	14
65-69	92	31	14	10	2	35
70-74	148	61	18	23	3	43
75-79	139	83	17	11	4	24
80-84	103	62	11	12	3	15
85-89	85	60	8	9	2	6
90 and older	75	44	7	9	5	10
Total	696	355	90	80	19	152

APPENDIX E: GASB 74/75 ACCOUNTING ENTRIES AND DISCLOSURES

GASB 74/75 include a large number of items that should be included in the Required Supplementary Information (RSI) Schedules and the associated notes when there are Actuarially Determined Contributions (ADC). The determination of whether there are, in fact, ADC is up to Peralta CCD and its auditor. Following is information to assist the District in complying with GASB 74/75 disclosure requirements:

Paragraph 57.c: A 10 year schedule is required showing the amount of actuarially determined contributions, recognized contributions, covered payroll, and related figures. Actuarially determined contributions are shown in Section III.D.3.

Paragraph 58: **Significant Assumptions and Other Inputs**

shown in Appendix C.

The following information is intended to assist Peralta CCD in complying with the requirements of Paragraph 52.

52.b: Mortality Assumptions Following are the tables the mortality assumptions are based upon. Inasmuch as these tables are based on appropriate populations, and that these tables are used for pension purposes, we believe these tables to be the most appropriate for the valuation.

Mortality Table	2017 CalPERS Mortality for Miscellaneous and Schools Employees
Disclosure	The mortality assumptions are based on the 2017 CalPERS Mortality for Miscellaneous and Schools Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

Mortality Table	2017 CalPERS Retiree Mortality for All Employees
Disclosure	The mortality assumptions are based on the 2017 CalPERS Retiree Mortality for All Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

Mortality Table	2020 CalSTRS Mortality
Disclosure	The mortality assumptions are based on the 2020 CalSTRS Mortality table created by CalSTRS. CalSTRS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalSTRS analysis.

52.c: Experience Studies Following are the tables the retirement and turnover assumptions are based upon. Inasmuch as these tables are based on appropriate populations, and that these tables are used for pension purposes, we believe these tables to be the most appropriate for the valuation.

Retirement Tables

Retirement Table	2017 CalPERS 2.0%@55 Rates for Schools Employees
Disclosure	The retirement assumptions are based on the 2017 CalPERS 2.0%@55 Rates for Schools Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

Retirement Table	2020 CalSTRS 2.0%@60 Rates
Disclosure	The retirement assumptions are based on the 2020 CalSTRS 2.0%@60 Rates table created by CalSTRS. CalSTRS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

Turnover Tables

Turnover Table	2017 CalPERS Termination Rates for School Employees
Disclosure	The turnover assumptions are based on the 2017 CalPERS Termination Rates for School Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

Turnover Table	2020 CalSTRS Termination Rates
Disclosure	The turnover assumptions are based on the 2020 CalSTRS Termination Rates table created by CalSTRS. CalSTRS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

For other assumptions, we use actual plan provisions and plan data.

Paragraph 53: **Discount Rate**

The following information is intended to assist Peralta CCD to comply with Paragraph 53 requirements.

53.a: A discount rate of 6.3% was used in the valuation.

53.b: We assumed that all contributions are from the employer.

53.c: We used historic 18 year real rates of return for each asset class along with our assumed long-term inflation assumption to set the discount rate. We offset the expected investment return by investment expenses of 25 basis points.

53.d: The interest assumption reflects the expected return on assets.

53.e: We used the expected return on assets for all years.

Sensitivity:

The following table shows the AAL with a health care cost trend rate 1% higher and 1% lower than assumed in the valuation.

	Trend 1% Lower	Valuation Trend	Trend 1% Higher
Net OPEB Liability	$138,569,466	$151,571,393	$166,498,377

The following table shows the AAL with a discount rate 1% higher and 1% lower than assumed in the valuation.

	Discount Rate 1% Lower	Valuation Discount Rate	Discount Rate 1% Higher
Net OPEB Liability	$166,578,389	$151,571,393	$138,804,381

APPENDIX F: GLOSSARY OF RETIREE HEALTH VALUATION TERMS

Note: The following definitions are intended to help a *non*-actuary understand concepts related to retiree health valuations. Therefore, the definitions may not be actuarially accurate.

Actuarial Accrued Liability: The amount of the actuarial present value of total projected benefits attributable to employees' past service based on the actuarial cost method used.

Actuarial Cost Method: A mathematical model for allocating OPEB costs by year of service.

Actuarial Present Value of Total Projected Benefits: The projected amount of all OPEB benefits to be paid to current and future retirees discounted back to the valuation date.

Actuarial Value of Assets: Market-related value of assets which may include an unbiased formula for smoothing cyclical fluctuations in asset values.

Annual OPEB Cost: This is the amount employers must recognize as an expense each year. The annual OPEB expense is equal to the Annual Required Contribution plus interest on the Net OPEB obligation minus an adjustment to reflect the amortization of the net OPEB obligation.

Annual Required Contribution: The sum of the normal cost and an amount to amortize the unfunded actuarial accrued liability. This is the basis of the annual OPEB cost and net OPEB obligation.

Closed Amortization Period: An amortization approach where the original ending date for the amortization period remains the same. This would be similar to a conventional, 30-year mortgage, for example.

Discount Rate: Assumed investment return net of all investment expenses. Generally, a higher assumed interest rate leads to lower normal costs and actuarial accrued liability.

Implicit Rate Subsidy: The estimated amount by which retiree rates are understated in situations where, for rating purposes, retirees are combined with active employees.

Mortality Rate: Assumed proportion of people who die each year. Mortality rates always vary by age and often by sex. A mortality table should always be selected that is based on a similar "population" to the one being studied.

Net OPEB Obligation: The accumulated difference between the annual OPEB cost and amounts contributed to an irrevocable trust exclusively providing retiree OPEB benefits and protected from creditors.

Normal Cost: The dollar value of the "earned" portion of retiree health benefits if retiree health benefits are to be fully accrued at retirement.

OPEB Benefits: Other PostEmployment Benefits. Generally medical, dental,

prescription drug, life, long-term care or other postemployment benefits that are not pension benefits.

Open Amortization Period: Under an open amortization period, the remaining unamortized balance is subject to a new amortization schedule each valuation. This would be similar, for example, to a homeowner refinancing a mortgage with a new 30-year conventional mortgage every two or three years.

Participation Rate: The proportion of retirees who elect to receive retiree benefits. A lower participation rate results in lower normal cost and actuarial accrued liability. The participation rate often is related to retiree contributions.

Retirement Rate: The proportion of active employees who retire each year. Retirement rates are usually based on age and/or length of service. (Retirement rates can be used in conjunction with vesting rates to reflect both age and length of service). The more likely employees are to retire early, the higher normal costs and actuarial accrued liability will be.

Transition Obligation: The amount of the unfunded actuarial accrued liability at the time actuarial accrual begins in accordance with an applicable accounting standard.

Trend Rate: The rate at which the cost of retiree benefits is expected to increase over time. The trend rate usually varies by type of benefit (e.g. medical, dental, vision, etc.) and may vary over time. A higher trend rate results in higher normal costs and actuarial accrued liability.

Turnover Rate: The rate at which employees cease employment due to reasons other than death, disability or retirement. Turnover rates usually vary based on length of service and may vary by other factors. Higher turnover rates reduce normal costs and actuarial accrued liability.

Unfunded Actuarial Accrued Liability: This is the excess of the actuarial accrued liability over assets irrevocably committed to provide retiree health benefits.

Valuation Date: The date as of which the OPEB obligation is determined. Under GASB 43 and 45, the valuation date does not have to coincide with the statement date.

Vesting Rate: The proportion of retiree benefits earned, based on length of service and, sometimes, age. (Vesting rates are often set in conjunction with retirement rates.) More rapid vesting increases normal costs and actuarial accrued liability.