



nyhart

# **GASB Nos. 74 & 75 ACTUARIAL VALUATION**

**Fiscal Year Ending June 30, 2019  
(Measured at June 30, 2019)**

## **Oxnard Union High School District**

**Nyhart Actuary & Employee Benefits**  
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**Mr. Jeffrey Weinstein**  
**Oxnard Union High School District**  
**309 South K Street**  
**Oxnard, CA 93030**

10/25/2019

This report summarizes the GASB actuarial valuation for the Oxnard Union High School District's Other Post Employment Benefit (OPEB) for the fiscal year ending June 30, 2019 (measured at June 30, 2019). Nyhart prepared this report to meet employer financial accounting requirements under Governmental Accounting Standards Board (GASB) Statement No. 75 (Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions). To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statement No. 75.

The information presented herein is based on the actuarial assumptions and substantive plan provisions summarized in this report and participant information furnished to us by the Plan Sponsor. We have reviewed the employee census provided by the Plan Sponsor for reasonableness when compared to the prior information provided but have not audited the information at the source, and therefore do not accept responsibility for the accuracy or the completeness of the data on which the information is based. When relevant data may be missing, we may have made assumptions we feel are neutral or conservative to the purpose of the measurement. We are not aware of any significant issues with and have relied on the data provided.

The discount rate, other economic assumptions, and demographic assumptions have been selected by the Plan Sponsor with the concurrence of Nyhart. In our opinion, the actuarial assumptions are individually reasonable and in combination represent our estimate of anticipated experience of the Plan. All calculations have been made in accordance with generally accepted actuarial principles and practice.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period and roll-forward techniques); and changes in plan provisions or applicable law.

We did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement.

To our knowledge, there have been no significant events prior to the current year's measurement date or as of the date of this report that could materially affect the results contained herein.

Neither Nyhart nor any of its employees has any relationship with the plan or its sponsor that could impair or appear to impair the objectivity of this report. Our professional work is in full compliance with the American Academy of Actuaries "Code of Professional Conduct" Precept 7 regarding conflict of interest. The undersigned meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Should you have any questions please do not hesitate to contact us.

Luis Murillo, ASA, MAAA  
Consulting Actuary

Randy Gomez, FSA, MAAA  
Consulting Actuary

**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2019 (Measured at June 30, 2019)**  
**Valuation Results Summary**

As of Valuation Date: June 30, 2018

	<b>Certificated</b>	<b>Classified</b>	<b>Total</b>
<b>Present Value of Employer Contributions</b>			
Actives	\$ 94,831,321	\$ 48,657,892	\$ 143,489,213
Retirees	80,327,055	31,440,885	111,767,940
Total	\$ 175,158,376	\$ 80,098,777	\$ 255,257,153

<b>Total (Accrued) OPEB Liability</b>			
Actives	\$ 73,539,930	\$ 42,383,707	\$ 115,923,637
Retirees	80,327,055	31,440,885	111,767,940
Total	\$ 153,866,985	\$ 73,824,592	\$ 227,691,577

<b>Projected Employer Contributions</b>	<b>Total</b>
2018	\$ 9,409,273
2019	9,973,461
2020	10,713,528
2021	11,399,947
2022	12,049,548
2023	12,449,985
2024	13,083,505
2025	13,725,733
2026	14,479,184
2027	15,164,468

**Actuarial Assumptions as of Valuation Date**

Inflation	2.75%
Salary increases	3.00%
Discount rate	6.00%

**Plan Membership**

Inactive plan members or beneficiaries currently receiving benefits	601
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	531
	1,132

**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2019 (Measured at June 30, 2019)**  
**GASB 75 Summary**

**Net OPEB Liability**

The components of the Net OPEB Liability at June 30,

	<b>2019</b>	<b>2018</b>
Total OPEB Liability	\$ 235,074,929	\$ 227,691,577
Plan fiduciary net position	(64,901,053)	(61,245,401)
Net OPEB Liability	\$ 170,173,876	\$ 166,446,176
Plan fiduciary net position as a % of the Total OPEB Liability	27.61%	26.90%
OPEB Expense for the Fiscal Year Ended June 30,	\$ 12,739,863	\$ 12,422,999

**Actuarial Assumptions**

The Total OPEB Liability was determined using the following actuarial assumptions.

Inflation	2.75%	2.75%
Salary increases	3.00%	3.00%
Investment rate of return	6.00%	6.00%
Discount rate	6.00%	6.00%

**Plan Membership**

The Total OPEB Liability was determined based on the plan membership as of June 30,

	<b>2018</b>	<b>2018</b>
Inactive plan members or beneficiaries currently receiving benefits	601	601
Inactive plan members entitled to but not yet receiving benefits	0	0
Active plan members	531	531
	1,132	1,132

**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2019 (Measured at June 30, 2019)**  
**Statement of Fiduciary Net Position**

	<b>June 30, 2019</b>
<b>Assets</b>	
Cash and deposits	N/A
Securities lending cash collateral	N/A
Total cash	N/A
Receivables:	
Contributions	N/A
Due from broker for investments sold	N/A
Investment income	N/A
Accrued Income	N/A
Total receivables	N/A
Investments:	
Fixed income obligations and mutual funds	N/A
Domestic equities	N/A
International equities	N/A
Alternative assets/private equity	N/A
Total investments	N/A
Total assets	N/A
<b>Liabilities</b>	
Payables:	
Investment management fees	N/A
Due to broker for investments purchased	N/A
Collateral payable for securities lending	N/A
Other	N/A
Total liabilities	N/A
<b>Net position restricted for OPEB</b>	<b>\$ 64,901,053</b>

Note: This information will be provided separately from the Trust

**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2019 (Measured at June 30, 2019)**  
**Statement of Changes in Fiduciary Net Position**

<b>Additions</b>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Contributions:		
Employer	\$ 9,409,273	\$ 8,876,673
Member	0	0
Nonemployer Contributing Entity	0	0
Total contributions	<u>\$ 9,409,273</u>	<u>\$ 8,876,673</u>
Investment income:		
Net increase in fair value of investments	\$ 3,713,087	\$ 5,411,667
Interest and dividends	0	0
Less investment expense, other than from securities lending	0	0
Net income other than from securities lending	<u>\$ 3,713,087</u>	<u>\$ 5,411,667</u>
Securities lending income	0	0
Less securities lending expense	0	0
Net income from securities lending	<u>\$ 0</u>	<u>\$ 0</u>
Net investment income	<u>\$ 3,713,087</u>	<u>\$ 5,411,667</u>
Other	0	0
Total additions	<u>\$ 13,122,360</u>	<u>\$ 14,288,340</u>
<b>Deductions</b>		
Benefit payments	\$ 9,409,273	\$ 8,876,673
Administrative expense	40,120	8,197
Other expense	0	0
Total deductions	<u>\$ 9,449,393</u>	<u>\$ 8,884,870</u>
<b>Net increase in net position</b>	<u><b>\$ 3,672,967</b></u>	<u><b>\$ 5,403,470</b></u>
<b>Net position restricted for OPEB</b>		
Beginning of year	<u>\$ 61,228,086</u> *	<u>\$ 55,841,931</u>
End of year	<u>\$ 64,901,053</u>	<u>\$ 61,245,401</u>

Note: The employer contributions include retiree benefit payments inclusive of subsidy not reimbursed from the trust.

\*Beginning of year net position is based on the June 30, 2019 audited financial statement



**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2019 (Measured at June 30, 2019)**  
**Schedule of Changes in Net OPEB Liability and Related Ratios**

	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 3,220,197	\$ 3,037,922
Interest	13,572,428	13,139,429
Changes of benefit terms	0	0
Differences between expected and actual experience	0	0
Changes of assumptions	0	0
Benefit payments, including refunds of member contributions	<u>(9,409,273)</u>	<u>(8,876,673)</u>
<b>Net change in Total OPEB Liability</b>	<u>7,383,352</u>	<u>7,300,678</u>
<b>Total OPEB Liability - beginning</b>	<u>227,691,577</u>	<u>220,390,899</u>
<b>Total OPEB Liability - ending (a)</b>	<u>\$ 235,074,929</u>	<u>\$ 227,691,577</u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 9,409,273	\$ 8,876,673
Contributions - member	0	0
Contributions - nonemployer contributing member	0	0
Net investment income	3,713,087	5,411,667
Benefit payments, including refunds of member contributions	<u>(9,409,273)</u>	<u>(8,876,673)</u>
Administrative expenses	<u>(40,120)</u>	<u>(8,197)</u>
Other expense	0	0
<b>Net change in plan fiduciary net position</b>	<u>\$ 3,672,967</u>	<u>\$ 5,403,470</u>
<b>Plan fiduciary net position - beginning</b>	<u>61,228,086</u>	<u>55,841,931</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 64,901,053</u>	<u>\$ 61,245,401</u>
<b>Net OPEB Liability - ending (a) - (b)</b>	<u>\$ 170,173,876</u>	<u>\$ 166,446,176</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	27.6%	26.9%
<b>Covered - employee payroll</b>	\$ 42,005,000	\$ 42,005,000
<b>Net OPEB Liability as percentage of covered-employee payroll</b>	405.1%	396.3%

**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2019 (Measured at June 30, 2019)**  
**OPEB Expense**

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	<u>2019</u>	<u>2018</u>
Service cost	\$ 3,220,197	\$ 3,037,922
Interest on Total OPEB Liability	13,572,428	13,139,429
Projected earnings on OPEB plan investments	(3,672,482)	(3,350,270)
Reduction for contributions from active employees	0	0
OPEB plan administrative expense	40,120	8,197
Changes of benefit terms	0	0
Other changes	0	0
Current period recognition of deferred outflows/(inflows) of resources		
Differences between Expected & Actual Experience in measurement of the Total OPEB Liability	0	0
Changes of assumptions	0	0
Differences between Projected & Actual Earnings on OPEB Plan Investments	(420,400)	(412,279)
<b>Annual OPEB Expense</b>	<u>\$ 12,739,863</u>	<u>\$ 12,422,999</u>

**Retiree Health Plan**

**GASB 75 Report Fiscal Year Ending June 30, 2019 (Measured at June 30, 2019)**  
**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

Differences between expected and actuarial experience in measurement of the Total OPEB Liability for the period ending:	Initial Balance	Initial Amortization Period	Annual Recognition	06/30/2019 Balance
June 30, 2019	\$ 0	N/A	\$ 0	\$ 0
June 30, 2018	0	N/A	0	0
Total			<u>\$ 0</u>	<u>\$ 0</u>

Changes of assumptions for the period ending:	Initial Balance	Initial Amortization Period	Annual Recognition	06/30/2019 Balance
June 30, 2019	\$ 0	N/A	\$ 0	\$ 0
June 30, 2018	0	N/A	0	0
Total			<u>\$ 0</u>	<u>\$ 0</u>

Differences between projected and actual earnings on OPEB plan investments for the period ending:	Initial Balance	Initial Amortization Period	Annual Recognition	06/30/2019 Balance
June 30, 2019	\$ (40,605)	5	\$ (8,121)	\$ (32,484)
June 30, 2018	(2,061,397)	5	(412,279)	(1,236,839)
Total			<u>\$ (420,400)</u>	<u>\$ (1,269,323)</u>

The balances as of June 30, 2019 of the deferred outflows/(inflows) of resources will be recognized in OPEB expense for the period ending June 30,

2020	\$ (420,400)
2021	\$ (420,400)
2022	\$ (420,402)
2023	\$ (8,121)
2024	\$ 0
Thereafter	\$ 0

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2019 are summarized in the following table:

<b>Asset class</b>	Target allocation	Long-term expected real rate of return
Fixed Income	30.0%	<i>2.40%</i>
Equities	65.0%	<i>5.50%</i>
REITs	5.0%	<i>3.70%</i>
<b>Total</b>	100.0%	

Long-term expected rate of return is 6.00%.

**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2019 (Measured at June 30, 2019)**  
**Net OPEB Liability Sensitivity**

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**Discount rate**

The discount rate used to measure the Total OPEB Liability is 6.00%.

**Sensitivity of the Net OPEB Liability to changes in the discount rate**

The following presents the Net OPEB Liability, calculated using the discount rate of 6.00%, as well as what the Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%) or 1-percentage-point higher (7.00%) than the current rate:

	<b>1% Decrease (5.00%)</b>	<b>Current Discount Rate (6.00%)</b>	<b>1% Increase (7.00%)</b>
Net OPEB Liability	\$ 203,503,998	\$ 170,173,876	\$ 142,748,587

**Sensitivity of the Net OPEB Liability to changes in healthcare cost trend rates**

	<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
	(5.00%HMO/5.00%PPO decreasing to 4.00%HMO/4.00%PPO)	(6.00%HMO/6.00%PPO decreasing to 5.00%HMO/5.00%PPO)	(7.00%HMO/7.00%PPO decreasing to 6.00%HMO/6.00%PPO)
Net OPEB Liability	\$ 138,263,730	\$ 170,173,876	\$ 209,621,098

**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2019 (Measured at June 30, 2019)**  
**Schedule of Contributions**

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This schedule is not required for plans not funding actuarially determined contributions.

**Retiree Health Benefits**  
**GASB 75 Report Fiscal Year Ending June 30, 2019 (Measured at June 30, 2019)**  
**Valuation Data**

The valuation was based on the census furnished to us by the District. The following tables display the age distribution for retirees and the age/service distribution for active employees as of the Valuation Date.

Age Distribution of Eligible Retired Participants & Beneficiaries

Age	Certificated	Classified	All Retirees
<55	0	0	0
55-59	4	7	11
60-64	36	22	58
65-69	93	42	135
70-74	117	36	153
75-79	71	26	97
80-84	39	24	63
85+	<u>51</u>	<u>33</u>	<u>84</u>
Total:	411	190	601
Average Age:	74.2	74.7	74.4
Average Retirement Age:	60.8	61.7	61.1

Age/Service Distribution of All Benefit Eligible Employees

Age	Service							Total
	<10	10-14	15-19	20-24	25-29	30-34	35+	
20-24	0							0
25-29	0							0
30-34	0	1						1
35-39	0	6	21	1				28
40-44	0	19	59	8				86
45-49	0	10	53	29	6			98
50-54	0	4	36	31	22	3	1	97
55-59	0	2	30	31	22	15	3	103
60-64	0	1	30	22	16	9	4	82
65-69	0	1	16	5	3	3	0	28
70+	<u>0</u>	<u>0</u>	<u>2</u>	<u>2</u>	<u>3</u>	<u>0</u>	<u>1</u>	<u>8</u>
Total:	0	44	247	129	72	30	9	531
Average Age:			52.8					
Average Service:			21.0					
Payroll:		42,005,000						

**Retiree Health Benefits**  
**GASB 75 Report Fiscal Year Ending June 30, 2019 (Measured at June 30, 2019)**  
**Benefit Plan Provisions**

This study analyzes the postretirement health benefit plans provided by the District. The postretirement health benefits provided to retirees are basically a continuation of the plans for active employees. All employees hired prior to July 1, 2004 (May 15, 1990 for Para-educators) are eligible for the retiree health benefits program. Eligibility requires retirement on or after age 55 with at least 15 years of service.

The District provides medical and prescription drug benefit for the life of the eligible retiree. Effective October 1, 2013, the District requires its Medicare eligible retirees to participate in a Medicare Advantage Plan with a group Part D prescription drug benefit. The retiree is required to pay a monthly contribution currently equal to \$150 for the PPO plan and \$52 for the HMO plan. Employees retiring prior to 1991 have no retiree contribution for coverage. Spouse and dependent coverage ceases upon the death of the retiree. No Dental and Vision coverage is provided except as available through COBRA.

<b>Medical Plan</b>	Anthem Blue Cross (PPO)	Anthem Medicare Preferred (MA-PD PPO)	Anthem Blue Cross (HMO)	Anthem Blue Cross Senior Secure (MA-PD HMO)	Kaiser HMO
<b>Benefit Provisions</b>	Post '91: \$500 per person/\$1,500 per family Pre '91: \$150 per person/\$450 per family  Coinsurance/Copayments: 10% In-Network/ 30% Out-of-Network Office Visit: \$10	Deductible: Post '91: \$500 per person Pre '91: \$150 per person  Copayments: Inpatient: \$100 Post '91/\$0 Pre '91 Office Visit: \$10 Post '91/\$5 Pre '91 Rx Drugs: \$10 Generic/\$20 Brand (\$5 Post '91)	Deductible: None  Copayments: Inpatient: \$0 Office Visit: \$10 Rx Drugs: \$10 Generic/\$20 Brand	Deductible: None  Copayments: Inpatient: \$0 Office Visit: \$10 Rx Drugs: \$10 Generic/\$20 Brand	Deductible: None  Copayments: Inpatient: \$0 Office Visit: \$10 Prescription Drugs: \$10 Generic/\$20 Brand
<b>Retiree Monthly Contribution</b>	\$150 contribution for future retirees and current retirees who retired after 1991  \$0 contribution for retirees who retired prior to 1991	\$150 contribution for future retirees and current retirees who retired after 1991  \$0 contribution for retirees who retired prior to 1991	\$52 contribution for future retirees and current retirees who retired after 1991  \$0 contribution for retirees who retired prior to 1991	\$52 contribution for future retirees and current retirees who retired after 1991  \$0 contribution for retirees who retired prior to 1991	\$52 contribution for future retirees and current retirees who retired after 1991  \$0 contribution for retirees who retired prior to 1991



**Retiree Health Benefits  
GASB 75 Report Fiscal Year Ending June 30, 2019 (Measured at June 30, 2019)  
Benefit Plan Provisions**

Premium Rates

The table below summarizes the current monthly medical/Rx rates reported by the District's provider for the primary medical plans in which the retirees are enrolled. All rates are effective October 1<sup>st</sup> for a 12-month period.

<b>2018/19</b>	<b>Kaiser HMO</b>	<b>Anthem HMO</b>	<b>Anthem PPO</b>	<b>Anthem LPPO 5/5/5</b>	<b>Anthem LPPO 5/10/10</b>
Retiree Only	\$ 766.28	\$1,740.74	\$2,596.86	NA	NA
Retiree Plus Spouse	\$1,532.58	\$1,740.74	\$2,596.86	NA	NA
Retiree Plus Family	\$2,168.60	\$1,740.74	\$2,596.86	NA	NA
Retiree Only- Medicare	\$ 232.23	\$ 441.21	NA	\$900.70	\$898.15
Spouse - Medicare	\$ 232.23	\$ 441.21	NA	\$900.70	\$898.15

**Retiree Health Benefits**  
**GASB 75 Report Fiscal Year Ending June 30, 2019 (Measured at June 30, 2019)**  
**Actuarial Assumptions and Methods**

The liabilities set forth in this report are based on the actuarial assumptions described in this section.

- Fiscal Year: July 1<sup>st</sup> to June 30<sup>th</sup>
- Valuation Date: June 30, 2018
- Measurement Date: June 30, 2019 for FYE2019
- Funding Practice: The District has a policy of paying the current year's benefit payments from its general fund. Additional discretionary Trust contributions are made depending on the financial status at year-end. For FYE2019 no Trust contributions were made.
- Asset Return: 6.0% per annum.
- Discount Rate: 6.0% per annum. Based on the current funding practice and the actuarial assumptions used, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.
- Inflation: 2.75% per annum
- Payroll Increases: 3.0% per annum
- Pre-retirement Turnover: Termination rates for Classified, Management and other employees are based on the recent rates used by the most recent CalPERS pension valuation. Sample rates are in the following tables:

CalPERS Service	Entry Age			
	20	30	40	50
0	17.30%	15.25%	13.19%	11.14%
5	10.94%	8.70%	6.46%	1.07%
10	8.01%	5.72%	0.74%	0.25%
15	6.52%	4.18%	0.32%	0.02%
20	4.93%	0.38%	0.02%	0.02%
25	3.28%	0.10%	0.02%	0.02%
30	0.15%	0.02%	0.02%	0.02%

**Retiree Health Benefits**  
**GASB 75 Report Fiscal Year Ending June 30, 2019 (Measured at June 30, 2019)**  
**Actuarial Assumptions and Methods**

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Termination rates for employees in STRS are based on the most recent rates used by the California State Teachers Retirement System (STRS) pension valuation. Sample rates for male and females are as follows:

<b>Service</b>	<b>Male</b>	<b>Female</b>
0	16.0%	15.0%
5	3.5%	3.0%
10	1.8%	1.8%
15	1.2%	1.2%
20	0.9%	0.9%
25	0.7%	0.7%
30	0.6%	0.6%

Mortality Rates:

RPH 2014 mortality table with generational improvements using scale MP2017

**Retiree Health Benefits**  
**GASB 75 Report Fiscal Year Ending June 30, 2019 (Measured at June 30, 2019)**  
**Actuarial Assumptions and Methods**

Retirement Rates:

Sample PERS employee retirement rates are as follows:

Age	Years of Service			
	5	15	25	35
50	0.5%	1.3%	1.6%	2.2%
51	0.5%	1.4%	1.9%	2.5%
52	0.6%	1.7%	2.2%	2.9%
53	0.7%	1.9%	2.6%	3.3%
54	1.2%	3.3%	4.4%	5.7%
55	2.4%	6.7%	8.8%	11.6%
56	2.0%	5.5%	7.2%	9.5%
57	2.1%	5.9%	7.8%	10.2%
58	2.5%	7.0%	9.2%	12.1%
59	2.9%	8.0%	10.5%	13.8%
60	3.7%	10.2%	13.4%	17.6%
61	4.6%	12.6%	16.6%	21.8%
62	7.6%	21.2%	27.8%	36.6%
63	6.9%	19.1%	25.1%	33.0%
64	6.7%	18.5%	24.4%	32.0%
65	9.1%	25.1%	33.1%	43.5%
66	7.2%	20.0%	26.4%	34.7%
67	6.7%	18.5%	24.3%	31.9%
68	6.0%	16.5%	21.7%	28.6%
69	6.7%	18.7%	24.6%	32.3%
70	6.6%	18.3%	24.1%	31.6%
71	5.1%	14.3%	18.8%	24.6%
72	4.5%	12.6%	16.6%	21.8%
73	4.4%	12.2%	16.1%	21.2%
74	5.5%	15.3%	20.1%	26.4%
75	5.5%	15.1%	19.9%	26.2%
76	4.4%	12.1%	15.9%	20.9%
77	5.0%	13.7%	18.1%	23.8%
78	5.0%	14.0%	18.4%	24.2%
79	9.3%	25.8%	34.0%	44.7%
80	100.0%	100.0%	100.0%	100.0%

**Retiree Health Benefits**  
**GASB 75 Report Fiscal Year Ending June 30, 2019 (Measured at June 30, 2019)**  
**Actuarial Assumptions and Methods**

Sample STRS employee retirement rates are as follows:

Age	Under 30 Years		30 or More Years	
	Male	Female	Male	Female
55	2.7%	3.5%	6.0%	8.0%
56	1.8%	2.5%	6.0%	8.0%
57	1.8%	2.5%	8.0%	10.0%
58	2.7%	3.5%	12.0%	15.0%
59	4.5%	5.0%	16.0%	18.0%
60	6.3%	7.0%	25.0%	29.0%
61	7.0%	9.0%	50.0%	50.0%
62	11.0%	12.5%	45.0%	45.0%
63	12.0%	16.0%	35.0%	40.0%
64	13.0%	14.0%	30.0%	35.0%
65	14.0%	17.0%	32.5%	37.5%
70	12.0%	14.0%	25.0%	30.0%
75	100.0%	100.0%	100.0%	100.0%

- Participation Rates: 100% of eligible active employees are assumed to elect medical coverage at retirement. Future retirees are assumed to elect coverage similar to current retirees. Actual plan coverage is used for current retirees.
- Spouse Coverage: 60% of future retirees are assumed to elect spouse coverage at retirement. Male spouses are assumed to be 3 years older than female spouses. Actual spouse coverage is used for current retirees.
- Medicare Eligibility: 100%
- Claim Cost Development: The valuation expected claim costs are based on the underlying rates determined by the plan provider for the retirees. The single rates are assumed to be sufficient to cover the expected cost of the retiree.

**Retiree Health Benefits**  
**GASB 75 Report Fiscal Year Ending June 30, 2019 (Measured at June 30, 2019)**  
**Actuarial Assumptions and Methods**

Medical Trend Rates:

Medical costs are adjusted in future years by the following trends:

<b>Year Ending</b>	<b>Trend</b>
2019	6.0%
2020	6.0%
2021	5.9%
2022	5.9%
2023	5.9%
2024	5.9%
2025	5.8%
2026	5.8%
2027	5.6%
2028	5.5%
2029	5.5%
2030	5.5%
2031	5.5%
2032	5.5%
2033	5.4%
2034	5.4%
2035	5.4%
2036	5.3%
2037	5.3%
2038	5.2%
2039	5.1%
2040+	5.0%

Retiree Contributions:

Current required monthly required contributions are assumed to remain the same in all future years.

**Retiree Health Benefits**  
**GASB 75 Report Fiscal Year Ending June 30, 2019 (Measured at June 30, 2019)**  
**Actuarial Assumptions and Methods**

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Actuarial Cost Method: The actuarial cost method used to determine the allocation of the retiree health actuarial liability to the past (accrued), current and future periods is the Entry Age Normal (EAN) cost method. The EAN cost method is a projected benefit cost method which means the “cost” is based on the projected benefit expected to be paid at retirement.

The EAN normal cost equals the level annual amount of contribution from the employee’s date of hire (entry date) to their retirement date that is sufficient to fund the projected benefit. As required by GASB 75, the normal cost is calculated to remain level as a percentage of pay. The EAN actuarial accrued liability equals the present value of all future benefits for retired and current employees and their beneficiaries less the portion expected to be funded by future normal costs.

All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the District were included in the valuation.

Actuarial Value of Assets: Any assets of the plan will be valued on a market value basis.

GASB 75 defines several unique terms not commonly employed in the funding of pension and retiree health plans. The definitions of the terms used in the GASB actuarial valuations are noted below.

1. **Actuarial Assumptions** – Assumptions as to the occurrence of future events affecting health care costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided health care benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.
2. **Actuarial Cost Method** – A procedure for determining the Actuarial Present Value of Future Benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Service Cost and a Total OPEB Liability.
3. **Actuarially Determined Contribution** - A target or recommended contribution to a defined benefit OPEB plan for the reporting period, determined in accordance with the parameters and in conformity with Actuarial Standards of Practice.
4. **Actuarial Present Value** – The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:
  - a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, Social Security, marital status, etc.);
  - b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned; and
  - c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.
5. **Deferred Outflow / (Inflow) of Resources** – represents the following items that have not been recognized in the OPEB Expense:
  - a. Differences between expected and actual experience of the OPEB plan
  - b. Changes in assumptions
  - c. Differences between projected and actual earnings in OPEB plan investments (for funded plans only)
6. **Explicit Subsidy** – The difference between (a) the amounts required to be contributed by the retirees based on the premium rates and (b) actual cash contribution made by the employer.
7. **Funded Ratio** – The actuarial value of assets expressed as a percentage of the Total OPEB Liability.



8. **Healthcare Cost Trend Rate** – The rate of change in the 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.
9. **Implicit Subsidy** – In an experience-rated healthcare plan that includes both active employees and retirees with blended premium rates for all plan members, the difference between (a) the age-adjusted premiums approximating claim costs for retirees in the group (which, because of the effect of age on claim costs, generally will be higher than the blended premium rates for all group members) and (b) the amounts required to be contributed by the retirees.
10. **OPEB** – Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.
11. **OPEB Expense** – Changes in the Net OPEB Liability in the current reporting period, which includes Service Cost, interest cost, changes of benefit terms, expected earnings on OPEB Plan investments, reduction of active employees' contributions, OPEB plan administrative expenses, and current period recognition of Deferred Outflows / (Inflows) of Resources.
12. **Pay-as-you-go** – A method of financing a benefit plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.
13. **Per Capita Costs** – The current cost of providing postretirement health care benefits for one year at each age from the youngest age to the oldest age at which plan participants are expected to receive benefits under the plan.
14. **Present Value of Future Benefits** – Total projected benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of total projected benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.
15. **Real Rate of Return** – the rate of return on an investment after adjustment to eliminate inflation.

16. **Select and Ultimate Rates** – Actuarial assumptions that contemplate different rates for successive years. Instead of a single assumed rate with respect to, for example, the investment return assumption, the actuary may apply different rates for the early years of a projection and a single rate for all subsequent years. For example, if an actuary applies an assumed investment return of 8% for year 20W0, then 7.5% for 20W1, and 7% for 20W2 and thereafter, then 8% and 7.5% are the select rates, and 7% is the ultimate rate.
17. **Service Cost** – The portion of the Actuarial Present Value of projected benefit payments that is attributed to a valuation year by the Actuarial Cost Method.
18. **Substantive Plan** – The terms of an OPEB plan as understood by the employer(s) and plan members.
19. **Total OPEB Liability** – That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Benefits, which is attributed to past periods of employee service (or not provided for by the future Service Costs).