Mt. Diablo
Unified School District

March 23, 2022

Retiree Health Benefits under GASB 75

June 30, 2021 Actuarial Valuation

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Presentation Outline - Retiree Health Benefits

- Current Benefit Structure
- Purpose of Valuation
- Valuation Results Per Capita
- Pre-Funding OPEB
- Potential Benefit Changes

Current Benefits

Employees can receive retiree benefits under two programs

1) Statutory minimum benefits under PEMHCA
   - Agencies that participate in the CalPERS Medical Pool are required to offer a minimum level of benefit to all retirees
   - Lifetime benefit to anyone who retires from the District
   - $143/month District contribution in 2021 ($149/month for 2022)
2) District-paid supplemental benefit
   - Medical & Dental provided until Age 65
   - Employees must retiree after Age 55 with 5 years of service
   - District contribution varies by employee class and retirement age
     - MDEA, Management, & Confidential Employees
       - » Kaiser Rate for Retiree & Spouse if retire on or before age 63
       - » Kaiser Rate for Retiree Only if retiring after age 63
     - Classified and M&O Employees
       - » Kaiser Rate for Retiree Only

Purpose of Valuation

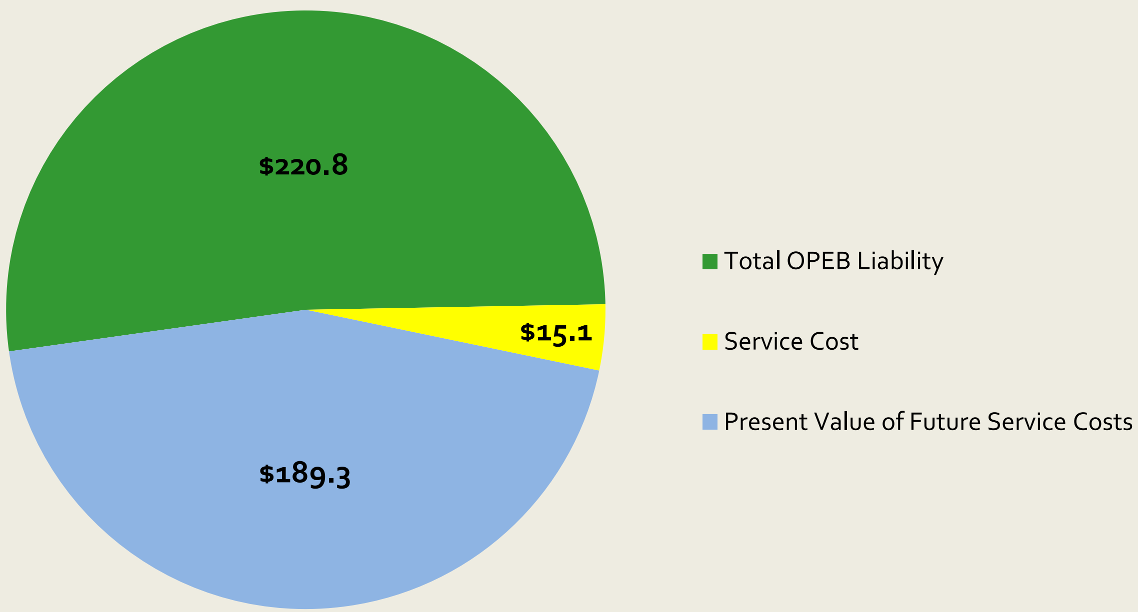
- The actuarial valuation produces accounting results required to be disclosed under GASB 75 as well as other figures that are useful for budgeting and oversight of the OPEB plan
- The lifetime of each active employee and retiree is individually projected as part of a multi-step process

1. Estimate the expected benefit payments (i.e. Pay-As-You-Go amount) in each future year

Fiscal Year	Expected Payments	Direct Pay-Go	Implicit Subsidy
2021/22	$ 6,011,879	$ 4,169,915	$ 1,841,964
2022/23	$ 6,618,028	$ 4,647,893	$ 1,970,135
2023/24	$ 7,579,198	$ 5,346,150	$ 2,233,048
2024/25	$ 8,318,417	$ 5,895,124	$ 2,423,293
2025/26	$ 9,307,462	$ 6,594,260	$ 2,713,202
2026/27	$ 9,981,192	$ 7,112,889	$ 2,868,303
2027/28	$ 10,341,068	$ 7,419,097	$ 2,921,971
2028/29	$ 10,812,529	$ 7,821,895	$ 2,990,634
2029/30	$ 12,005,621	$ 8,661,325	$ 3,344,296
2030/31	$ 13,025,661	$ 9,390,486	$ 3,635,175

Purpose of Valuation (cont.)

2. Calculate the present value, in today's dollars, of those expected payments
3. Attribute the present value of the future benefits to:
   a. Past service (Total OPEB Liability): $220.8M
   b. The following year of service (Service Cost): $15.1M
   c. Future years of service (Present Value of Future Service Costs): $189.3M



Valuation Results Per Capita

	Actives	Retirees
Counts	3,191	1,447
Average Age	49.5	72.7
Average Service	12.2	
Total OPEB Liability	$165,600,000	$55,200,000
Total OPEB Liability Per Capita	$52,000	$38,000
Service Cost	$15,100,000	N/A
Service Cost Per Capita	$5,000	N/A

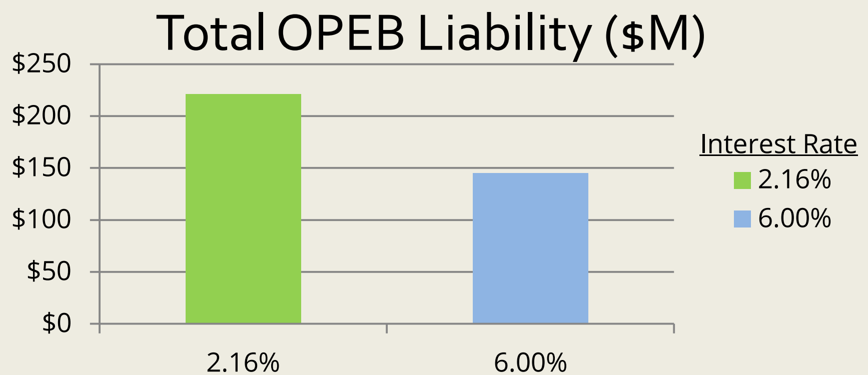
- The Total OPEB Liability represents what the District owes due to benefits that have already been earned but not yet paid
  - Can be viewed as District debt
- The Service Cost represents the estimated annual cost of promising this benefit
  - Can be viewed as part of employees' annual total compensation

Pre-funding OPEB

- No statutory or accounting requirement to pre-fund obligations
- Wide variety of approaches are actually used by California school districts
  - Many school districts do not prefund their OPEB liabilities and are on a "pay-as-you-go" basis
  - Those partially prefunding often do so on a discretionary basis
  - Below is a snapshot of TCS clients:

As of June 30, 2019	Total	Total Pre-Funding	% Pre-Funding	Average Funded %
TCS Clients - School Districts and CCD's	358	103	29%	57%

- Benefits of Pre-funding
  - Lower long-term costs of providing OPEB benefits
  - Sustainable funding strategy that pays for benefits when they are earned instead of when they are paid
  - Reduction in GASB 75 liability due to increase in valuation interest rate



Potential Benefit Changes

- Benefits are negotiated and, to a large extent, have already been earned by employees and retirees.
- Possible Options:
  - Establish a new tier of OPEB benefit for new employees – collectively bargained
  - Withdraw from CalPERS Health and move to another program/pool
    - Does not necessarily reduce OPEB liability – will depend on:
      - OPEB benefits offered under new program/pool
      - Premium rate structure
    - District will need to weigh pros & cons of leaving CalPERS Health Program for Employees and Retirees
  - Apply service requirement for PEMHCA minimum benefit
    - CalPERS Health is governed by laws known as PEMHCA and District must comply with those laws
    - For School Districts, there is an option to apply a service-based vesting requirement for a retiree to be eligible for the PEMHCA minimum benefit
      - Change must be collectively bargained
      - Invalid if it imposes separate postretirement health coverage vesting requirements on employees in the same category and doing similar job duties
      - Current retirees unaffected by changes

Thank you!

Questions???