



Lou Ann Teixeira
Executive Officer

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October 12, 2016
 Agenda Item 12

October 12, 2016 (Agenda)

Contra Costa Local Agency Formation Commission
 651 Pine Street, Sixth Floor
 Martinez, CA 94553

Actuarial Valuation – Post-Employment Healthcare Benefits

Dear Members of the Commission:

Contra Costa LAFCO provides post-employment healthcare benefits for its retired employees and their spouses and dependents. LAFCO currently funds the employer’s share of these benefits for the three retirees. In order to fund this benefit and minimize future fiscal impacts to LAFCO, the Commission initiated a plan which includes: 1) funding future costs, 2) participating in a trust to hold the funds, and 3) conducting an actuarial valuation (every three years) to calculate the future liability for retiree healthcare and other post-employment benefits and the employer’s annual contribution rate.

In FY 2011-12, LAFCO began funding its post-employment healthcare liability at \$10,000 per year. In 2014, LAFCO entered into an agreement with Contra Costa County and the Public Agencies Post-Retirement Health Care Plan Trust (“Trust”) administered by Public Agency Retirement Services (PARS).

In order to participate in the PARS trust, and to comply with federal accounting rules Government Accounting Standard Board Statement 45 (GASB 45) which require LAFCO to disclose any unfunded post-employment benefits in its annual audits, LAFCO entered into an agreement with the California School Boards Association and the actuarial firm of Demsey, Filliger & Associates, LLC to prepare an actuarial report. If an employer has less than 100 “plan members” it is eligible to prepare an alternative measurement method (AMM) report in lieu of an actuarial valuation. The information contained in the AMM is also used in preparing LAFCO’s annual audits and budgets.

In March 2014, Contra Costa LAFCO completed its first AMM report. For financial reporting purposes, an actuarial valuation (or AMM) is required at least biennially for OPEB plans with a total membership of 200 or more, or at least triennially for plans with a total membership of fewer than 200.

In September 2016, LAFCO completed its second AMM report. The report shows an Employer-Paid Accrued Liability of \$546,116, an unfunded accrued liability of \$463,815, and an annual

required contribution of \$52,505, as reflected in the *Summary of Results for GASB45 AMM as of 7/1/2016* (see attached). In FY 2015-16, following completion of its first AMM, the Commission increased its annual funding from \$10,000 to \$40,000 per year. To date, LAFCO has accrued \$82,301 (including interest earned), which is held in the PARS trust account and reflected in the 2016 AMM report.

RECOMMENDATION: Receive report.

Sincerely,

LOU ANN TEXEIRA
EXECUTIVE OFFICER

Attachment – Contra Costa LAFCO - Summary of Results for GASB45 AMM as of 7/1/2016

GASB45 AMM

GASB 45 Alternative Measurement Method

Summary of Results for GASB 45 Alternative Measurement Method as of 7/1/2016

According to the results listed in the table below, Contra Costa LAFCO has an Accrued Liability (AL) of \$546,116 and an **Unfunded** Accrued Liability (UAL) of \$463,815. This report also determines that the Annual Required Contributions (ARC) under GASB 45 is \$52,505. This is comprised of the present value of benefits accruing in the current year (called the "service cost") and a 30-year amortization of the UAL.

	<u>Actives</u>	<u>Retirees</u>	<u>Total as of Valuation Date</u>
Total PVB	\$589,308	\$159,139	\$748,447
Total PUC AL	470,630	159,139	629,769
Total PUC SC	29,670	0	29,670
Retiree-Paid PVB	73,130	30,423	103,553
Retiree-Paid PUC AL	53,230	30,423	83,653
Retiree-Paid PUC SC	4,975	0	4,975
Employer PVB	516,178	128,716	644,894
Employer PUC AL	417,400	128,716	546,116
Employer PUC SC	24,695	0	24,695
Accrued Liability			546,116
Assets (from client input)			<u>(82,301)</u>
Unfunded Accrued Liability			\$463,815
Annual Required Contributions (ARC) for year ending			<u>6/30/2017</u>
Service Cost at end of year			\$25,683
30-year Amortization of UAL			<u>26,822</u>
Total ARC			\$52,505

Key Definitions:

PVB = Present Value of Benefits: this is the present value of all projected benefits

AL= Accrued Liability: this is the present value of benefits that are attributed to past service only

UAL = Unfunded Accrued Liability: this is equal to the AL minus assets

ARC = Annual Required Contribution: this is the amount Contra Costa LAFCO would be required to report as an expense for the upcoming fiscal year under GASB 45 which Present Value of Benefits is apportioned into Accrued Liability and Service Cost

SC = Service Cost: this is the proportion of the actuarial present value of plan benefits and expenses which is allocated to a valuation year by the actuarial cost method used in the valuation

PUC = Projected Unit Credit: this is an actuarial cost method (one of 6 permitted by GASB 45) under which Present Value of Benefits is apportioned into Accrued Liability and Service Cost