



CONTRA COSTA LOCAL AGENCY FORMATION COMMISSION

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Lou Ann Teixeira
Executive Officer

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September 14, 2022
Agenda Item 10

September 14, 2022 (Agenda)

Contra Costa Local Agency Formation Commission
40 Muir Road, 1st Floor
Martinez, CA 94553

**Actuarial Evaluation – Post-Employment Medical Benefits Plan
GASB 75 Supplemental Schedules – Measurement Period July 1, 2020 to June 30, 2021**

Dear Members of the Commission:

Contra Costa LAFCO provides post-employment healthcare benefits for its retired employees and their dependents. LAFCO currently funds the employer's share of these benefits for its retirees.

In FY 2011-12, the Commission initiated a plan to fund future benefit costs and minimize future liabilities to LAFCO. The plan includes prefunding the post-employment healthcare liability. In FY 2011-12, the Commission began funding this liability initially at \$10,000 per year as part of the LAFCO budget.

LAFCO's plan also includes participation in a trust to hold these funds. 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).

To participate in the PARS trust and 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 must conduct actuarial evaluations. These evaluations calculate the future liability for retiree healthcare and other post-employment benefits and the employer's annual contribution rate.

In 2014, LAFCO entered into an agreement with the California School Boards Association (CSBA) and the actuarial firm of Demsey, Filliger & Associates LLC to prepare actuarial evaluations. If an employer has less than 100 "plan members" it is eligible to prepare an alternative measurement method (AMM) report in lieu of a full actuarial evaluation. In response to recent statutory changes, LAFCO is required to prepare these evaluations at least every other year. The information contained in the AMM is also used in preparing LAFCO's annual audits and budgets.

Since March 2014, LAFCO has completed eight actuarial evaluations/supplemental schedules. In FY 2015-16, following completion of its first actuarial evaluation, the Commission increased its annual pre-funding for Other Post-Employment Benefits (OPEB) from \$10,000 to \$40,000 per year. Since FY 2015-16, LAFCO's annual OPEB pre-funding has fluctuated between \$25,000 and \$40,000 per year.

Each GASB report has a different purpose. The actuarial valuation report provides details of the biennial study; it summarizes the updated census and premium information used in the study. The supplemental schedules pertain specifically to the information for the LAFCO's June 30, 2022 financial statements. For reporting purposes, LAFCO reports amounts one year in arrears. For June 30, 2022, the plan's funded position on June 30, 2021 is reported.

The most recent actuarial evaluation, ***GASB 75 Supplemental Schedule - Measurement Period July 1, 2020 to June 30, 2021*** (attached), provides information applicable to the measurement period. The report reflects benefit payments made within the measurement period as well as the applicable discount rate, assets, and projected liabilities as of June 30, 2021. The report also shows that as of June 30, 2021, LAFCO has accrued \$367,356 which is held in the PARS trust account. The recent GASB reports indicates that LAFCO's prefunding amount is sufficient. Overall, LAFCO's long-term rate of return is approximately 5.75% and LAFCO is slightly overfunded approximately - both affirmative indicators.

RECOMMENDATION: Informational report – no action needed.

Sincerely,

LOU ANN TEXEIRA
EXECUTIVE OFFICER

Attachments

1. GASB Statement No. 75 – Actuarial Valuation as of July 1, 2021
2. Supplemental Schedules – 7/1/20 - 6/30/21 – Measurement Period

cc: Bob Campbell, Contra Costa County Auditor
Adam Nguyen, Contra Costa County Finance Director
Michael O'Connor, CPA, RIA, R. J. Ricciardi, Inc. - Certified Public Accountants



September 6, 2022

Lou Ann Texeira
Executive Officer
Contra Costa Local Agency Formation Commission
40 Muir Rd 1st Fl
Martinez, CA 94553

Re: Contra Costa Local Agency Formation Commission ("Agency") GASB 75 Valuation

Dear Lou Ann:

This report sets forth the results of our GASB 75 actuarial valuation of the Agency's retiree health insurance program as of July 1, 2021.

In June 2004, the Governmental Accounting Standards Board (GASB) issued its accrual accounting standards for retiree healthcare benefits, GASB 43 and GASB 45. GASB 43/45 require public employers such as the Agency to perform periodic actuarial valuations to measure and disclose their retiree healthcare liabilities for the financial statements of both the employer and the trust, if any, set aside to pre-fund these liabilities. In June 2015, GASB released new accounting standards for postretirement benefit programs, GASB 74 and GASB 75, which replace GASB 43 and GASB 45, respectively.

Basis for Actuarial Valuation

To perform the valuation, we relied on the following information provided by the Agency:

- Census data for active employees and retirees
- Claims, premium, expense, and enrollment data
- Copies of relevant sections of healthcare documents, and
- (If applicable) trust statements prepared by the trustee

We also made certain assumptions regarding rates of employee turnover, retirement, and mortality, as well as economic assumptions regarding healthcare inflation and interest rates. Our assumptions are based on a standard set of assumptions used for similar valuations, modified as appropriate for the Agency.

A complete description of the actuarial assumptions used in the valuation is set forth in the Actuarial Assumptions section.

Certification

The actuarial certification, including a caveat regarding limitations of scope, if any, is contained in the Actuarial Certification section.

We have enjoyed working with the Agency on this project and are available to answer any questions you may have concerning any information contained herein.

Disclosure of Risk

Considering recent events, it is important to call attention to the external risk factors associated with actuarial projections. An event like the COVID-19 pandemic has the potential to affect future measurements that would deviate from current long-term expectations. The following is a list of specific factors that impact OPEB liabilities:

- Census – retirement, turnover, and mortality experience different than expected.
- Medical coverage – premiums, participation, and level of coverage different than expected.
- Municipal bond rates – changes in applicable rates (rates are currently declining and may result in increased liabilities). Under GASB 75, the municipal rate may affect the discount rate. The quantitative effect of changes in the discount rate can be seen in the sensitivity results.
- Investment performance – (for funded plans) investment performance different than the long-term expected return. Investment performance may also affect the discount rate.

The current environment's impact on these factors will continue to unfold. We are available to discuss both short-term and long-term impact upon request.

Sincerely,
DFA, LLC

A handwritten signature in blue ink, appearing to read 'Carlos Diaz', is positioned above the printed name.

Carlos Diaz, ASA, EA, MAAA
Actuary

Financial Results

In this section, we present financial results based on a long-term expected return on plan investments of 5.75%. This rate is based on our best estimate of expected long-term plan experience for funded plans such as the Agency's. The results are intended to help (1) in comparing financial results from the previous valuation and (2) in long-term budget and strategic planning (without regard to short-term volatility in municipal bond indices). Results specific to GASB 75 reporting are presented in the next section.

We have determined that the present value of all benefits expected to be paid by the Agency for its current and future retirees is \$479,384 as of July 1, 2021. If the Agency were to place this amount in a fund earning interest at the rate of 5.75% per year, and all other actuarial assumptions were exactly met, the fund would have exactly enough to pay all expected benefits.

When we apportion the \$479,384 into past service and future service components under the Entry Age, Level Percent of Pay Cost Method, the Total OPEB Liability is \$387,795 as of July 1, 2021. This represents the present value of all benefits accrued through the valuation date if each employee's liability is expensed from hire date until retirement date as a level percentage of pay. The \$387,795 is comprised of liabilities of \$299,806 for active employees and \$87,989 for retirees.

The Agency has adopted an irrevocable trust for the pre-funding of retiree healthcare benefits. As of July 1, 2021, the trust balance, or Plan Fiduciary's Net Position (GASB 75) is \$399,443.

The Net OPEB Liability, equal to the Total OPEB Liability over the Plan Fiduciary's Net Position, is \$(11,648).

This valuation includes benefits for four retirees and two active employees who may become eligible to retire and receive benefits in the future. It excludes employees hired after the valuation date.

ASOP 6 – Age-Specific Costs and Implicit Cost

We have projected average premiums to be sufficient to cover projected age-specific costs. Therefore, no implicit cost is included in the Total OPEB Liability.

Actuarial Standard of Practice No. 6 (ASOP 6) provides guidance in measuring OPEB obligations and determining periodic costs or actuarially determined contributions. The standard specifies that in (almost all instances), the actuary should use age-specific costs in the development of the initial per capita costs and in the projection of future benefit plan costs.

The implicit cost represents the value of age-specific claims over average premiums. To determine age-specific claims, we used an age-specific claim cost matrix fitted to the average premium charged by the Agency.

GASB 75 Results

For financial reporting purposes, GASB 75 requires a discount rate that reflects the following:

- a. The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position is projected to be enough to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return.
- b. A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

The amount of the plan's projected fiduciary net position and the amount of projected benefit payments should be compared in each period of projected benefit payments.

Based on these requirements and the following information, we have determined a discount rate of 5.75% for GASB 75 reporting purposes:

Long-Term Expected Return on Assets	5.75%
Fidelity General Obligations AA - 20 Years Index on June 30, 2021	1.92%
GASB 75 Discount Rate	5.75%

GASB 75 Results (continued)

Contra Costa Local Agency Formation Commission Net OPEB Liabilities and Expense Under GASB 75 Accrual Accounting Standard

	July 1, 2021 ¹		
	Long-Term Return	Municipal Bond Index	GASB 75 Rate
Discount Rate	5.75%	1.92%	5.75%
Present Value of Future Benefits			
Active	\$391,395	\$627,840	\$391,395
Retired	87,989	109,963	87,989
Total	\$479,384	\$737,803	\$479,384
Total OPEB Liability (Actuarial Liability)			
Active	\$299,806	\$454,567	\$299,806
Retired	87,989	109,963	87,989
Total	\$387,795	\$564,530	\$387,795
Plan Fiduciary Net Position (Plan Assets)	\$399,443	\$399,443	\$399,443
Net OPEB Liability (Unfunded Actuarial Liability)	\$(11,648)	\$165,087	\$(11,648)
Sensitivity Analysis			
1% Decrease in Discount Rate	4.75%	0.92%	4.75%
Total OPEB Liability	\$423,770	\$633,882	\$423,770
Net OPEB Liability	\$24,327	\$234,439	\$24,327
1% Increase in Discount Rate	6.75%	2.92%	6.75%
Total OPEB Liability	\$356,901	\$506,793	\$356,901
Net OPEB Liability	\$(42,542)	\$107,350	\$(42,542)
1% Decrease in Trend Rate ^a			
Total OPEB Liability	\$387,795	\$564,531	\$387,795
Net OPEB Liability	\$(11,648)	\$165,088	\$(11,648)
1% Increase in Trend Rate ^b			
Total OPEB Liability	\$387,795	\$564,531	\$387,795
Net OPEB Liability	\$(11,648)	\$165,088	\$(11,648)

¹ For the Agency's financial statements, DFA will provide separate schedules with supplemental GASB 75 information.

^a 5.00% for 2021 decreasing to 4.50% for 2023, 4.20% for 2024-2069, and 3.00% for 2070 and later years; Medicare ages: 3.00% for all years.

^b 7.00% for 2021 decreasing to 6.50% for 2023, 6.20% for 2024-2069, and 5.00% for 2070 and later years; Medicare ages: 5.00% for all years.

GASB 75 Results (continued)

Net OPEB Expense

We have determined the following components of the Agency's Net OPEB Expense for the measurement year ending June 30, 2022: Service Cost, Interest Cost, and Expected Return on Assets. The Service Cost represents the present value of benefits accruing in the current year. Interest Cost represents the interest on the Total OPEB Obligation and interest on the Service Cost. Expected Return on Assets is the expected return based on a 5.75% investment rate of return. Other components (Deferred Outflows and Inflows) will be determined based on the Net OPEB Obligation as of June 30, 2022.

We summarize the valuation results in the table on the next page. We provide results at three discount rates (the expected return on assets, the municipal bond index, and the GASB 75 rate, discussed above). All amounts are net of expected future retiree contributions, if any.

DFA will be available to assist the Agency and its auditors in preparing the footnotes and required supplemental information for compliance with GASB 75 (and GASB 74, if applicable). In the meantime, we are available to answer any questions the Agency may have concerning the report.

Actuarially Determined Contribution and Pay-As-You-Go with Implied Subsidy

We have calculated an actuarially determined contribution representing the Service Cost and a 30-year amortization (as a level percent of pay) of the Net OPEB Liability. We include the results in the table on the next page. We provide results at three discount rates (the expected long-term expected return on assets, the municipal bond index, and the GASB 75 rate).

An actuarially determined contribution is a potential payment to the plan determined using a contribution allocation procedure. It is not a required contribution, but a measurement commonly used to prefund OPEB benefits. We provide the amounts for illustrative purposes.

The actuarially determined contribution may be compared to the pay-as-you-go payment. The table shows the pay-as-you-go payment along with the projected implied subsidy payment.

GASB 75 Results (continued)

Contra Costa Local Agency Formation Commission Net OPEB Liabilities and Expense Under GASB 75 Accrual Accounting Standard

	July 1, 2021		
	Long-Term Return	Municipal Bond Index	GASB 75 Rate
Discount Rate	5.75%	1.92%	5.75%
Components of Net OPEB Expense for 2021-22			
Service Cost	\$11,459	\$18,761	\$11,459
Interest Cost	21,980	10,870	21,980
Expected Return on Assets	(22,968)	(22,968)	(22,968)
Total ²	\$10,471	\$6,663	\$10,471
Actuarially Determined Contribution (2021-22)			
Service Cost with Interest	\$11,784	\$18,940	\$11,784
Amortization of Net OPEB Liability ³	(570)	4,748	(570)
Total ⁴	\$11,214	\$23,688	\$11,214
Pay-As-You-Go Payment with Implied Subsidy (2021-22)			
Projected Pay-As-You-Go	\$34,476	\$34,476	\$34,476
Projected Implied Subsidy	0	0	0
Total	\$34,476	\$34,476	\$34,476

² Additional components are shown on the following pages. Deferred Outflows/Inflows of Resources will also include changes determined based on the Total OPEB Obligation and Plan Fiduciary Net Position as June 30, 2022.

³ 30-year amortization (as a level percent of pay).

⁴ Estimated Actuarially Determined Contribution for subsequent year.

	Long-Term Return	Municipal Bond Index	GASB 75 Rate
Actuarially Determined Contribution for 2022-23	\$11,551	\$24,398	\$11,551

GASB 75 Results (continued)

Schedule of Changes in Net OPEB Liability (July 1, 2020 to June 30, 2021)

1. Total OPEB Liability	
a. Total OPEB Liability on July 1, 2020 ⁸	\$351,331
b. Service Cost ⁹	13,418
c. Interest Cost	13,972
d. Benefit Payments ¹⁰	(31,217)
e. Changes in plan provisions ¹¹	0
f. Difference between expected and actual experience ¹²	100,655
g. Changes in assumptions and other inputs ¹²	(60,364)
h. Total OPEB Liability on July 1, 2021	\$387,795
2. Plan Fiduciary Net Position	
a. Plan Fiduciary Net Position on July 1, 2020 ⁸	\$283,868
b. Contributions ¹⁰	71,217
c. Expected Investment Income	12,484
d. Benefit Payments ¹⁰	(31,217)
e. Net Transfers	0
f. Difference between actual and expected return on assets ¹²	63,091
g. Plan Fiduciary Net Position on July 1, 2021	\$399,443
3. Net OPEB Liability: (1h) - (2f)	(\$11,648)
4. Discount Rate	
a. July 1, 2020	4.00%
b. July 1, 2021	5.75%

⁸ From June 30, 2021 disclosure report, based on the July 1, 2019 actuarial valuation.

⁹ Discounted from July 1, 2021 valuation.

¹⁰ Includes credit toward implicit subsidy (if applicable).

¹¹ Included in OPEB Expense.

¹² Deferred (Outflow)/Inflow of Resources established as of June 30, 2021.

GASB 75 Results (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Type	Initial Amount	Date Established	Period (Years)	Annual Recognition ¹³
Difference between expected/actual experience	0	06/30/2017	0.0	0
Difference between expected/actual return on assets	4,693	06/30/2017	5.0	937
Changes in assumptions or other inputs	0	06/30/2017	0.0	0
Difference between expected/actual experience	0	06/30/2018	0.0	0
Difference between expected/actual return on assets	(1,934)	06/30/2018	5.0	(387)
Changes in assumptions or other inputs	0	06/30/2018	0.0	0
Difference between expected/actual experience	(194,009)	06/30/2019	1.0	0
Difference between expected/actual return on assets	(5,122)	06/30/2019	5.0	(1,024)
Changes in assumptions or other inputs	(27,855)	06/30/2019	1.0	0
Difference between expected/actual experience	0	06/30/2020	0.0	0
Difference between expected/actual return on assets	1,062	06/30/2020	5.0	212
Changes in assumptions or other inputs	0	06/30/2020	0.0	0
Difference between expected/actual experience	100,655	06/30/2021	1.5	67,103
Difference between expected/actual return on assets	(63,091)	06/30/2021	5.0	(12,618)
Changes in assumptions or other inputs	(60,364)	06/30/2021	1.5	(40,243)
			<i>Total</i>	<i>13,980</i>

¹³ Charge/(Credit) included in OPEB Expense.

Plan Provisions

Plan administration. The Agency administers a single employer defined benefit healthcare plan. The Agency currently provides retiree health benefits to retirees and their dependents through Contra Costa County. All retired employees are eligible to receive health and dental benefits for life, with costs shared by the Agency and the retirees.

Benefits provided. Employees who attain age 55 and complete 10 years of service are eligible to receive an Agency paid benefit. The Agency pays a portion of the retiree's medical and dental benefits for the lifetime of the retiree and their dependents. Agency premiums and amounts paid by the Agency, for single coverage in 2022, are listed below:

Healthcare Plan	Monthly Premium	Agency Paid Portion
Contra Costa Health Plan – Basic Plan A	\$1,031.76	\$509.92
Contra Costa Health Plan – Medicare Plan A	512.07	420.27
Kaiser Permanente – Basic Plan A	909.04	478.91
Kaiser Permanente – Senior Advantage Plan A	333.68	263.94
Health Net HMO Plan – Basic Plan A	1,392.39	627.79
Health Net Seniority Plus (HNSP) Plan A	702.90	409.69
Health Net CA & OOS PPO Plan – Basic Plan A	3,234.05	604.60
Health Net CA & OOS PPO Plan A with Medicare Parts A&B	1,246.35	563.17

Valuation Data

Retiree Census - Age distribution of retirees included in the valuation

Age	Total
Under 55	0
55-59	0
60-64	0
65-69	0
70-74	1
75-79	1
80-84	0
85+	2
All Ages	4
Average Age	81.5

Active Census - Age/service distribution of active employees included in the valuation

Age	Years of Service								Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35+	
<25	0	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0	0	0
35-39	0	0	0	0	0	0	0	0	0
40-44	0	0	0	0	0	0	0	0	0
45-49	0	0	0	0	0	0	0	0	0
50-54	0	0	0	0	0	0	0	0	0
55-59	0	0	0	0	0	0	0	0	0
60-64	1	0	0	1	0	0	0	0	2
65+	0	0	0	0	0	0	0	0	0
All Ages	1	0	0	1	0	0	0	0	2

Average Age: 64.1
Average Service: 8.5

Actuarial Assumptions

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

Valuation Date: July 1, 2021

Actuarial Cost Method: Entry Age, Level Percent of Pay

Discount Rate:

Long-term Expected Return	5.75%
Municipal Bond Index	1.92%
GASB 75	5.75%

Salary Increases: 3.00%

Withdrawal: Crocker-Sarason Table T5 less mortality, without adjustment. Sample Rates:

Age	Rate
25	7.7%
35	6.3
45	4.0
55	0.9

Pre-retirement Mortality: SOA Pub-2010 General Employee Headcount Weighted, fully generational.

Postretirement Mortality: SOA Pub-2010 General Healthy Retiree Headcount Weighted, fully generational.

Mortality Improvement: Society of Actuaries, 2021 mortality improvement scale (MP-2021)

Age	Rate
59	25.0%
60	50.0%
61	75.0%
62	100.0%

Medical Claim Cost: Annual Per Retiree or Spouse

Age	Medical	Dental and Vision
50	\$8,196	\$558
55	9,540	558
60	11,100	558
64	12,936	558
65	7,152	558
70	6,912	558
75	7,476	558

Implicit Cost Factor: 1.0000

Actuarial Assumptions (continued)

Percent Electing Coverage: 100%

Spouse Coverage: Future retirees: 100%
Current retirees: Actual dependent data used.
Female spouses are assumed to be three years younger than male spouses.

Medical Trend:

Year	Pre-Medicare	Medicare	Dental and Vision
2021	6.00%	4.00%	4.00%
2022	5.75%	4.00%	4.00%
2023	5.50%	4.00%	4.00%
2024-2069	5.20%	4.00%	4.00%
2070+	4.00%	4.00%	4.00%

Increase in Employer Cap: None assumed.

Actuarial Certification

The results set forth in this report are based on our actuarial valuation of the health and welfare benefit plans of the Contra Costa Local Agency Formation Commission ("Agency") as of July 1, 2021.

The valuation was performed in accordance with generally accepted actuarial principles and practices. We relied on census data for active employees and retirees provided to us by the Agency. We also made use of claims, premium, expense, and enrollment data, and copies of relevant sections of healthcare documents provided to us by the Agency, and (when applicable) trust statements prepared by the trustee and provided to us by the Agency.

The assumptions used in performing the valuation, as summarized in this report, and the results based thereupon, represent our best estimate of the actuarial costs of the program under GASB 74 and GASB 75, and the existing and proposed Actuarial Standards of Practice for measuring post-retirement healthcare benefits.

Throughout the report, we have used unrounded numbers, because rounding and the reconciliation of the rounded results would add an additional, and in our opinion unnecessary, layer of complexity to the valuation process. By our publishing of unrounded results, no implication is made as to the degree of precision inherent in those results. Clients and their auditors should use their own judgment as to the desirability of rounding when transferring the results of this valuation report to the clients' financial statements.

Each undersigned actuary meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

Certified by:

A handwritten signature in blue ink, appearing to read 'Carlos Diaz', with a stylized flourish at the end.

Carlos Diaz, ASA, EA, MAAA
Actuary



GASB Statement No. 75

Supplemental Schedules

for Contra Costa Local Agency Formation Commission

<i>Reporting Period:</i>	<i>July 1, 2021 to June 30, 2022</i>
<i>Measurement Period:</i>	<i>July 1, 2020 to June 30, 2021</i>
<i>Valuation Date:</i>	<i>July 1, 2021 (June 30, 2021)</i>

September 6, 2022

**Contra Costa Local Agency Formation Commission
Post-Employment Medical Benefits Plan**

GASB 75 Disclosure Information

Note to Auditors

DFA, LLC (DFA) has prepared the following supplemental schedules to accompany the Agency's actuarial valuation as of July 1, 2021 (June 30, 2021) to (1) facilitate preparation of GASB 75 reporting and (2) to provide information that (if applicable) was not determinable as of the valuation date. We have prepared this supplement based on the results of our actuarial valuation and (if applicable) subsequent projections. We are available to discuss and reconcile any differences between your records and our calculations.

Our actuarial valuation report is intended to comply with GASB 75's valuation requirements (at least one every two years); the following schedules are intended to provide the reporting information specific to the applicable reporting period (July 1, 2021 to June 30, 2022), with updates to the measurement date (June 30, 2021).

Notes to the Financial Statements for the Year Ended June 30, 2022

Plan Description

Plan administration. The Agency administers a single employer defined benefit healthcare plan. The Agency currently provides retiree health benefits to retirees and their dependents through Contra Costa County. All retired employees are eligible to receive health and dental benefits for life, with costs shared by the Agency and the retirees.

Benefits provided. Employees who attain age 55 and complete 10 years of service are eligible to receive an Agency paid benefit. The Agency pays a portion of the retiree's medical and dental benefits for the lifetime of the retiree and their dependents.

Plan membership. On July 1, 2021, the most recent valuation date, membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	4
Active plan members	2

Contributions. The contribution requirements of Plan members and the Agency are established and amended by the Agency. The Agency has an irrevocable trust account with Public Agency Retirement Services (PARS).



**Contra Costa Local Agency Formation Commission
Post-Employment Medical Benefits Plan**

GASB 75 Disclosure Information

Net OPEB Liability

The Agency's Net OPEB Liability was measured as of June 30, 2021 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of July 1, 2021 (June 30, 2021). Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Actuarial assumptions. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age, Level Percent of Pay
Valuation of fiduciary net position	Fair value of assets.
Recognition of deferred inflows and outflows of resources	Closed period equal to the average of the expected remaining service lives of all employees provided with OPEB
Salary increases	3.00 percent
Inflation rate	2.75 percent
Investment rate of return	5.75 percent, net of OPEB plan investment expense
Healthcare cost trend rate	6.00 percent for 2021 decreasing to 5.50 percent for 2023, 5.20 percent for 2024-2069, and 4.00 percent for 2070 and later years; Medicare ages: 4.00 percent for all years.
Preretirement Mortality	SOA Pub-2010 General Employee Headcount Weighted, fully generational.
Postretirement Mortality	SOA Pub-2010 General Healthy Retiree Headcount Weighted, fully generational.
Mortality Improvement:	Society of Actuaries, 2021 mortality improvement scale (MP-2021)

Actuarial assumptions used in the July 1, 2021 valuation were based on a review of plan experience during the period July 1, 2019 to June 30, 2021.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected ten-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate). The table below provides the long-term expected real rates of return by asset class (based on published capital market assumptions).

Asset Class	Assumed Asset Allocation	Real Rate of Return
Broad U.S. Equity	60%	4.4%
U.S. Fixed	40%	1.5%

**Contra Costa Local Agency Formation Commission
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GASB 75 Disclosure Information

Discount rate. GASB 75 requires a discount rate that reflects the following:

- a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be enough to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return.
- b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the Agency's Total OPEB liability is based on these requirements and the following information:

Reporting Date	Measurement Date	Long-Term Expected Return of Plan Investments	Fidelity GO AA 20 Years Municipal Index	Discount Rate
June 30, 2021	June 30, 2020	4.00%	2.45%	4.00%
June 30, 2022	June 30, 2021	5.75%	1.92%	5.75%

**Contra Costa Local Agency Formation Commission
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GASB 75 Disclosure Information

The components of the net OPEB liability were as follows:

Total OPEB liability	387,795
Plan fiduciary net position	399,443
Net OPEB liability	\$(11,648)
Measurement date	June 30, 2021
Reporting date	June 30, 2022
Covered employee payroll	\$280,000
Net OPEB liability (asset) as a percentage of covered payroll	-4.16%
Plan fiduciary net position as a percentage of the total OPEB liability	103.00%

Schedule of Changes in Net OPEB Liability (June 30, 2020 to June 30, 2021)

Total OPEB Liability	
Service Cost	13,418
Interest	13,972
Changes of benefit terms	0
Difference between expected and actual experience	100,655
Changes in assumptions or other inputs	(60,364)
Benefit payments ¹	(31,217)
Net change in total OPEB liability	36,464
Total OPEB liability – June 30, 2020 (a)	\$351,331
Total OPEB liability – June 30, 2021 (b)	\$387,795
Plan fiduciary net position	
Contributions – employer ¹	71,217
Other income – adjustment	0
Net investment income	75,754
Benefit payments ¹	(31,217)
Trustee fees	(179)
Administrative expenses	0
Other disbursements – reimbursement to employer	0
Net change in plan fiduciary net position	115,575
Plan fiduciary net position – June 30, 2020 (c)	\$283,868
Plan fiduciary net position – June 30, 2021 (d)	\$399,443
Net OPEB liability – June 30, 2020 (c) – (a)	\$67,463
Net OPEB liability – June 30, 2021 (d) – (b)	\$(11,648)

¹ Amount includes any implicit subsidy associated with benefits paid (see Footnote 2).

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Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (4.75%)	Discount Rate (5.75%)	1% Increase (6.75%)
Net OPEB liability (asset)	24,327	(11,648)	(42,542)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease ²	Trend Rate	1% Increase ³
Net OPEB liability (asset)	(11,648)	(11,648)	(11,648)

² 5.00 percent for 2021 decreasing to 4.50 percent for 2023, 4.20 percent for 2024-2069, and 3.00 percent for 2070 and later years; Medicare ages: 3.00 percent for all years.

³ 7.00 percent for 2021 decreasing to 6.50 percent for 2023, 6.20 percent for 2024-2069, and 5.00 percent for 2070 and later years; Medicare ages: 5.00 percent for all years.

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GASB 75 Disclosure Information

Statement of Fiduciary Net Position

Assets	
Cash, deposits, and cash equivalents	0
Receivables:	
Accrued Income	0
Total receivables	0
Investments:	
Managed account	399,443
Total Investments	399,443
Total Assets	399,443
Liabilities	
Payables	0
Total Liabilities	0
Net position restricted for postemployment benefits other than pensions	\$399,443
Measurement date	June 30, 2021
Reporting date	June 30, 2022

Statement of Changes in Fiduciary Net Position

Additions	
Employer contributions ⁴	71,217
Other income – adjustment	0
Net increase in fair value of investments	75,754
Total additions	146,971
Deductions	
Trustee fees	179
Administrative expenses	0
Benefit payments ⁴	31,217
Other disbursements – reimbursement to employer	0
Total deductions	31,396
Net increase in net position	115,575
Net position restricted for postemployment benefits other than pensions	
Beginning of year – June 30, 2020	\$283,868
End of year – June 30, 2021	\$399,443

⁴ Includes an implicit subsidy credit as follows:

	Trust	Non-Trust	Total
Employer contribution	\$40,000	\$30,444	\$70,444
Implicit subsidy credit	0	773	773
Total employer contributions	\$40,000	\$31,217	\$71,217
Benefit payments	\$0	\$30,444	\$30,444
Implicit subsidy credit	0	773	773
Total benefit payments	\$0	\$31,217	\$31,217



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Investments

Investment policy. The Agency's policy regarding the allocation of the plan's invested assets is established and may be amended by Agency management. The primary objective is to maximize total Plan return, subject to the risk and quality constraints set forth in the investment guidelines. The Agency's assets are invested through PARS. The asset allocation ranges for this balanced objective are listed below:

<i>Strategic Asset Allocation Ranges</i>			
	Cash	Fixed Income	Equity
Stated Range	0-15%	30%-50%	45%-65%

Market conditions may cause the account's asset allocation to vary from the stated range from time to time. The investment manager (assisting the Agency) will rebalance the portfolio no less than quarterly and/or when the actual weighting differs substantially from the strategic range, if appropriate and consistent with the objectives.

Rate of return. For the year ended on the measurement date, the annual money-weighted rate of return on investments, net of investment expense, was 24.27 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

Annual money-weighted rate of return, net of investment expense	24.27%
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GASB 75 Disclosure Information

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

On June 30, 2022, the Agency's deferred outflows of resources and deferred inflows of resources to OPEB from the following sources are:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience ^{5,6}	33,552	0
Changes in assumptions or other inputs ^{5,6}	0	20,121
Differences between projected and actual return investments ^{5,6}	638	52,909
Total	\$34,190	\$73,030
Contributions after the measurement date ⁷	0	
Total with contributions after measurement date	\$34,190	\$73,030

⁵ Measured on June 30, 2021.

⁶ See Schedule of Deferred Outflows and Inflows of Resources for additional information.

⁷ Agency contributions made after the measurement date, which will be recognized as a reduction of the Net OPEB Liability in the year ending June 30, 2022. To be completed by auditor.

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Fiscal Year ending June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2023	33,764	(34,149)
2024	212	(13,644)
2025	214	(12,618)
2026	0	(12,619)
2027	0	0
2028	0	0
2029	0	0
2030	0	0

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Schedule of Deferred Outflows of Resources

Year	Type	Category	Initial Base	Amortization Period	Current Recognition	Current Balance
2017	Deferred Outflow	Difference between expected and actual experience	0	0.0	0	0
2017	Deferred Outflow	Changes in assumptions or other inputs	0	0.0	0	0
2017	Deferred Outflow	Net difference between projected and actual earnings on plan investments	0	0.0	0	0
2018	Deferred Outflow	Difference between expected and actual experience	0	0.0	0	0
2018	Deferred Outflow	Changes in assumptions or other inputs	0	0.0	0	0
2018	Deferred Outflow	Net difference between projected and actual earnings on plan investments	4,693	5.0	937	0
2019	Deferred Outflow	Difference between expected and actual experience	0	0.0	0	0
2019	Deferred Outflow	Changes in assumptions or other inputs	0	0.0	0	0
2019	Deferred Outflow	Net difference between projected and actual earnings on plan investments	0	0.0	0	0
2020	Deferred Outflow	Difference between expected and actual experience	0	0.0	0	0
2020	Deferred Outflow	Changes in assumptions or other inputs	0	0.0	0	0
2020	Deferred Outflow	Net difference between projected and actual earnings on plan investments	0	0.0	0	0
2021	Deferred Outflow	Difference between expected and actual experience	0	0.0	0	0
2021	Deferred Outflow	Changes in assumptions or other inputs	0	0.0	0	0
2021	Deferred Outflow	Net difference between projected and actual earnings on plan investments	1,062	5.0	212	638
2022	Deferred Outflow	Difference between expected and actual experience	100,655	1.5	67,103	33,552
2022	Deferred Outflow	Changes in assumptions or other inputs	0	1.5	0	0
2022	Deferred Outflow	Net difference between projected and actual earnings on plan investments	0	5.0	0	0
Total					68,252	34,190



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Schedule of Deferred Inflows of Resources

Year	Type	Category	Initial Base	Amortization Period	Current Recognition	Current Balance
2017	Deferred Inflow	Difference between expected and actual experience	0	0.0	0	0
2017	Deferred Inflow	Changes in assumptions or other inputs	0	0.0	0	0
2017	Deferred Inflow	Net difference between projected and actual earnings on plan investments	0	0.0	0	0
2018	Deferred Inflow	Difference between expected and actual experience	0	0.0	0	0
2018	Deferred Inflow	Changes in assumptions or other inputs	0	0.0	0	0
2018	Deferred Inflow	Net difference between projected and actual earnings on plan investments	0	0.0	0	0
2019	Deferred Inflow	Difference between expected and actual experience	0	0.0	0	0
2019	Deferred Inflow	Changes in assumptions or other inputs	0	0.0	0	0
2019	Deferred Inflow	Net difference between projected and actual earnings on plan investments	1,934	5.0	387	386
2020	Deferred Inflow	Difference between expected and actual experience	194,009	1.0	0	0
2020	Deferred Inflow	Changes in assumptions or other inputs	27,855	1.0	0	0
2020	Deferred Inflow	Net difference between projected and actual earnings on plan investments	5,122	5.0	1,024	2,050
2021	Deferred Inflow	Difference between expected and actual experience	0	0.0	0	0
2021	Deferred Inflow	Changes in assumptions or other inputs	0	0.0	0	0
2021	Deferred Inflow	Net difference between projected and actual earnings on plan investments	0	0.0	0	0
2022	Deferred Inflow	Difference between expected and actual experience	0	1.5	0	0
2022	Deferred Inflow	Changes in assumptions or other inputs	60,364	1.5	40,243	20,121
2022	Deferred Inflow	Net difference between projected and actual earnings on plan investments	63,091	5.0	12,618	50,473
Total					54,272	73,030

**Contra Costa Local Agency Formation Commission
Post-Employment Medical Benefits Plan**

GASB 75 Disclosure Information

OPEB Expense

The Agency's OPEB expense was \$28,886.

Net OPEB Liability – beginning (a)	\$67,463
Net OPEB Liability – ending (b)	\$(11,648)
Change in Net OPEB Liability [(b)-(a)]	(79,111)
Change in Deferred Outflows	(32,403)
Change in Deferred Inflows	69,183
Employer Contributions	71,217
Adjustment – Transfer In (Employer Reimbursement)	0
Adjustment – OPEB Expense	0
OPEB Expense – June 30, 2020 to June 30, 2021	\$28,886

Service Cost	13,418
Interest Cost	13,972
Expected Return on Assets	(12,484)
Changes of benefit terms	0
Recognition of Deferred Outflows and Inflows	
Differences between expected and actual experience	67,103
Changes of assumptions	(40,243)
Differences between projected and actual investments	(12,880)
Total	13,980
Adjustment	0
OPEB Expense – June 30, 2020 to June 30, 2021	\$28,886

Actuarially Determined Contribution

The actuarially determined contributions from the most recent actuarial valuation are:

Actuarially Determined Contribution for year ending June 30, 2022	\$11,214
Actuarially Determined Contribution for year ending June 30, 2023	11,551

Valuation Date	July 1, 2021
Discount Rate (Expected Long-term Return on Assets)	5.75%
Salary Increases	3.00%

**Contra Costa Local Agency Formation Commission
Post-Employment Medical Benefits Plan**

GASB 75 Disclosure Information

Journal Entries⁸

OPEB Expense Journal Entries - June 30, 2022 Reporting Date

		Debit	Credit
Differences between Expected and Actual Experience	Deferred Outflows	\$33,552	\$0
	Deferred Inflows	0	0
Change in Assumptions and Other Inputs	Deferred Outflows	0	0
	Deferred Inflows	0	(20,121)
Differences between Projected and Actual Investment Earnings	Deferred Outflows	0	(1,149)
	Deferred Inflows	0	(49,062)
Net OPEB Liability/(Asset)		7,894	0
OPEB Expense/(Credit)		28,886	0
<i>Total</i>		<i>\$70,332</i>	<i>\$(70,332)</i>

Employer Contribution Journal Entries - June 30, 2022 Reporting Date

		Debit	Credit
Contributions paid July 1, 2020 to June 30, 2021	Net OPEB Liability/(Asset)	\$71,217	\$0
	Deferred Outflows	0	0
	Other Healthcare (Implicit Subsidy)	0	0
	Contributions Expense	0	(71,217)
Contributions paid July 1, 2021 to June 30, 2022 ⁹	Deferred Outflows ¹⁰	0	0
	Other Healthcare (Implicit Subsidy) ¹¹	0	0
	Contributions Expense ¹²	0	0
<i>Total</i>		<i>\$71,217</i>	<i>\$(71,217)</i>

⁸ Provided for illustrative purpose. Actual entries may differ. DFA is available to discuss any differences.

⁹ To be completed using audited actual contributions made after the measurement date.

¹⁰ Debit equal to total employer contributions plus adjustment for implicit subsidy.

¹¹ N/A.

¹² Credit equal to total employer contributions (before adjustment for implicit subsidy).

**Contra Costa Local Agency Formation Commission
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GASB 75 Disclosure Information

Actuarial Certification

The results set forth in this supplement are based on our actuarial valuation of the health and welfare benefit plans of the Contra Costa Local Agency Formation Commission as of July 1, 2021 (June 30, 2021).

The valuation was performed in accordance with generally accepted actuarial principles and practices. We relied on census data for active employees and retirees provided to us by the Agency. We also made use of claims, premium, expense, and enrollment data, and copies of relevant sections of healthcare documents provided to us by the Agency, and (when applicable) trust statements prepared by the trustee and provided to us by the Agency.

The assumptions used in performing the valuation, as summarized in this report, and the results based thereupon, represent our best estimate of the actuarial costs of the program under GASB 74 and GASB 75, and the existing and proposed Actuarial Standards of Practice for measuring post-retirement healthcare benefits.

Each undersigned actuary meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

Certified by:

A handwritten signature in blue ink, appearing to read 'Carlos Diaz', is written over a horizontal line.

Carlos Diaz, ASA, EA, MAAA
Actuary

Lou Ann Texeira
Executive Officer
Contra Costa Local Agency Formation Commission
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