

Western Municipal Water District

**Western Municipal Water District
Postretirement Medical Plan**

**GASB 75 Actuarial Valuation Report for the
Fiscal Year Beginning July 1, 2019
and Ending June 30, 2020**

**Includes the Calculation of the Recommended Contribution
For Funding as of July 1, 2020**

September 2020



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ACTUARIAL CERTIFICATION

We are pleased to present this report that contains the results of valuation of the Western Municipal Water District Postretirement Medical Plan as of July 1, 2020 to meet the requirements of the Governmental Accounting Standards Board Statement No. 75 (GASB 75). This valuation is based on census data provided by Western Municipal Water District, asset information provided by Western Municipal Water District, the plan as described in the official plan document as summarized in this report and the stated actuarial assumptions. This information is presented for the fiscal year ending June 30, 2020.

Western Municipal Water District has retained Sageview Consulting Group to perform an actuarial valuation of the plan for the purposes of:

- Determining the OPEB expense for the fiscal year ending June 30, 2020 under GASB 75,
- Provide the note disclosures and required supplementary information for the fiscal year ending June 30, 2020 under GASB 75.
- Determine the actuarially determined contribution for the fiscal year ending June 30, 2020.

This valuation has been conducted in accordance with generally accepted actuarial principles and practices including the Actuarial Standards of Practice (ASOPS) relating to Other Post Employment Benefit (OPEB) plans. The employee census data, provided by the Western Municipal Water District, has been reviewed for reasonableness but no attempt has been made to audit such information. The valuation was based on the provisions of the plan as amended through the beginning of the plan year. In our opinion, the actuarial assumptions used in this valuation are reasonably related to the past experience of the plan and represent reasonable expectations of future experience under the plan.

These results are for the purposes of financial reporting and may not be appropriate for funding purposes or other types of analysis. The use of this report for any other purpose other than those expressed here may not be appropriate.

The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report. We are not aware of any direct or material indirect financial interest or relationship, including investments or other services, that could create a conflict of interest or that would impair the objectivity or independence of our work.

We appreciate the opportunity to be of service to Western Municipal Water District and are available to answer questions regarding this report or to provide further details as may be requested.

Respectfully submitted,
SageView Consulting Group



Daniel L. Homan, EA, MAAA
Principal



Dmitriy Sherman, ASA, MAAA
Consulting Actuary

VALUATION SUMMARY

Presented in this report are the results of the actuarial valuation as of November 1, 2019 for the Western Municipal Water District Postretirement Medical Plan.

A. Net OPEB Liability

Under GASB 74 and GASB 75, the Net OPEB Liability is the excess, if any, of the Total OPEB Liability over the Fiduciary Net Position. The Total OPEB Liability is determined under the Entry Age Normal actuarial cost method. The Net OPEB Liability as of June 30, 2020 and June 30, 2019 is as follows:

| | June 30, 2020 | June 30, 2019 |
|--|----------------------|----------------------|
| 1. Total OPEB Liability (TOL) | \$18,021,353 | \$18,675,589 |
| 2. Fiduciary Net Position (FNP) | \$17,900,213 | \$17,670,842 |
| 3. Net OPEB Liability (NOL) | \$121,140 | \$1,004,747 |
| 4. FNP as a percentage of TOL (Funded Level) | 99.33% | 94.62% |
| 5. Present Value of Future Benefits (PVFB) | \$25,309,800 | \$26,300,682 |

B. OPEB Expense

Under the new accounting standards, the OPEB Expense for the fiscal year is determined at the end of the fiscal year to reflect any plan amendments, assumption changes and gain and losses during the fiscal year. The OPEB Expense for the fiscal years ending June 30, 2020 and June 30, 2019 is as follows:

| | June 30, 2020 | June 30, 2019 |
|-----------------|----------------------|----------------------|
| 1. OPEB Expense | \$848,992 | \$936,294 |

C. Benefit Payment Data

| | June 30, 2020 | June 30, 2019 |
|---|----------------------|----------------------|
| 1. Year ending date of projected benefit payments | 6/30/2110 | 6/30/2110 |
| 2. Projected employer premium payments (year 1) | \$517,757 | \$556,629 |
| 3. Projected employer premium payments (year 2) | \$561,755 | \$609,453 |
| 4. Projected total payments (year 1) | \$690,446 | \$730,827 |
| 5. Projected total payments (year 2) | \$747,347 | \$810,129 |

D. Estimated Implied Implicit Rate Subsidy

| | June 30, 2020 | June 30, 2019 |
|--|----------------------|----------------------|
| | \$167,156 | \$158,399 |

E. Actuarially Determined Contribution

The Actuarially Determined Contribution is based on the funding policy of the plan sponsor. The Actuarially Determined Contribution for the fiscal years ending as of June 30, 2021 and June 30, 2020 is as follows:

| | June 30, 2021 | June 30, 2020 |
|---|----------------------|----------------------|
| 1. Actuarially Determined Contribution | \$904,195 | \$729,432 |
| 2. Percentage of Estimated Covered-employee Payroll | 4.95% | 4.58% |

SECTION I - FINANCIAL STATEMENT

Summary of Results

| | | | |
|--|-------------|--------------|--|
| A. Report Dates | | | |
| 1. Valuation Date | 11/01/2019 | 11/01/2017 | |
| 2. Reporting Date for Employer Under GASB 74 and GASB 75 | 06/30/2020 | 06/30/2019 | |
| 3. Measurement Date for Employer Under GASB 74 and GASB 75 | 06/30/2020 | 06/30/2019 | |
| B. Participant Counts for the Plan Year Beginning November 1: | | | |
| | 2019 | 2017 | |
| 1. Actives | 149 | 142 | |
| 2. Retirees (including spouses) | 80 | 72 | |
| 3. Total participants: (1) + (2) | 229 | 214 | |
| C. Disclosure Elements for the Fiscal Year Ending June 30: | | | |
| | 2020 | 2019 | |
| 1. Service cost | \$803,311 | \$785,273 | |
| 2. Total OPEB liability (TOL) | 18,021,353 | 18,675,589 | |
| 3. Plan fiduciary net position (FNP) | 17,900,213 | 17,670,842 | |
| 4. Net OPEB liability (NOL): (2) - (3) | 121,140 | 1,004,747 | |
| 5. OPEB expense / (income) | \$848,992 | \$936,294 | |
| 6. FNP as a percentage of TOL (funded status): (3) ÷ (2) | 99.33% | 94.62% | |
| D. Recommend Contribution for the Fiscal Year Ending June 30: | | | |
| | 2021 | 2020 | |
| 1. Actuarially determined contribution | \$904,195 | \$729,432 | |
| 2. Estimated covered-employee payroll for current fiscal year | 18,274,778 | \$15,921,966 | |
| 3. Actuarially determined contribution as a percent of estimated covered-employee payroll: (1) ÷ (2) | 4.95% | 4.58% | |

SECTION I - FINANCIAL STATEMENT

Summary of Results (continued)

| | | |
|---|-------------|-------------|
| E. Single Equivalent Interest Rate Determined for the Fiscal Year | | |
| Ending June 30: | 2020 | 2019 |
| 1. Investment rate of return | 7.00% | 7.00% |
| 2. Municipal bond index interest rate at measurement date | 2.21% | 3.50% |
| 3. Fiscal year in which plan's fiduciary net position is projected to be depleted | N/A | N/A |
| 4. Single equivalent interest rate | 7.00% | 7.00% |
| F. Key Assumptions for the Valuation Beginning on November 1: | 2019 | 2017 |
| 1. Investment rate of return | 7.00% | 7.00% |
| 2. Rate of inflation | 2.50% | 2.50% |
| 3. Rate of salary inflation | 3.00% | 5.70% |

SECTION I - FINANCIAL STATEMENT

Table 1 - OPEB Expense

| | Fiscal Year Ending | |
|--|--------------------|-------------|
| | 06/30/2020 | 06/30/2019 |
| A. OPEB Expense / (Income) | | |
| 1. Service cost | \$803,311 | \$785,273 |
| 2. Interest on the total OPEB liability | 1,337,944 | 1,357,315 |
| 3. Current period benefit changes | 0 | 0 |
| 4. Projected earnings on plan assets (negative for credit against expense) | (1,257,177) | (1,185,978) |
| 5. Recognition of Outflow (Inflow) of resources due to differences between expected and actual experience in the measurement of the total OPEB liability | (301,762) | 147,173 |
| 6. Recognition of Outflow (Inflow) of resources due to assumption change | 58,683 | (132,169) |
| 7. Recognition of Outflow (Inflow) of resources due to differences between projected and actual earnings on plan investments | 179,690 | (65,396) |
| 8. OPEB administrative expense if not included in claims costs | 28,303 | 30,076 |
| 9. Other changes in plan fiduciary net position | 0 | 0 |
| 10. Total OPEB expense / (income): sum of (1) through (9) | \$848,992 | \$936,294 |

SECTION I - FINANCIAL STATEMENT

Table 2 - Increase (Decrease) in OPEB Expense From Recognizing the Effect of Differences Between Expected and Actual Experience

| Fiscal Year Ending | Differences Between Expected & Actual Experience | Recognition Period (Years) | Annual Recognition Amount for Fiscal Year Ending | | | | |
|--------------------|--|----------------------------|--|-------------|-------------|-------------|-------------|
| | | | 2020 | 2021 | 2022 | 2023 | 2024 |
| | | | 2017 | (88,561) | 10.07 | (\$8,795) | (\$8,795) |
| 2018 | 1,544,082 | 9.90 | \$155,968 | \$155,968 | \$155,968 | \$155,968 | \$155,968 |
| 2019 | | | | | | | |
| 2020 | (3,591,478) | 8.00 | (\$448,935) | (\$448,935) | (\$448,935) | (\$448,935) | (\$448,935) |
| 2021 | | | | | | | |
| 2022 | | | | | | | |
| 2023 | | | | | | | |
| 2024 | | | | | | | |
| Total | | | (\$301,762) | (\$301,762) | (\$301,762) | (\$301,762) | (\$301,762) |

Table 3 - Deferred Outflows of Resources and Deferred Inflows of Resources From The Differences Between Expected and Actual Experience

| Fiscal Year Ending | Experience Losses (a) | Experience Gains (b) | Amounts Recognized in OPEB Expense Through June 30, 2020 (c) | Balances as of June 30, 2020 | |
|-------------------------------------|-----------------------|----------------------|--|--|---|
| | | | | Deferred Outflows of Resources (a) - (c) | Deferred Inflows of Resources (b) - (c) |
| 2017 | | (\$88,561) | (\$35,180) | | (\$53,381) |
| 2018 | \$1,544,082 | | \$467,904 | \$1,076,178 | |
| 2019 | | | | | |
| 2020 | | (\$3,591,478) | (\$448,935) | | (\$3,142,543) |
| 2021 | | | | | |
| 2022 | | | | | |
| 2023 | | | | | |
| 2024 | | | | | |
| Total Deferred Outflows and Inflows | | | | \$1,076,178 | (\$3,195,924) |

SECTION I - FINANCIAL STATEMENT

Table 4 - Increase (Decrease) in OPEB Expense From Recognizing the Effect of Changes in Assumptions

| Fiscal Year Ending | Change in Assumptions | Recognition Period (Years) | Annual Recognition Amount for Fiscal Year Ending | | | | | |
|--------------------|-----------------------|----------------------------|--|-------------|-------------|-------------|-------------|-------------|
| | | | 2020 | 2021 | 2022 | 2023 | 2024 | |
| 2017 | | | | | | | | |
| 2018 | \$847,628 | 9.90 | \$85,619 | \$85,619 | \$85,619 | \$85,619 | \$85,619 | \$85,619 |
| 2019 | (\$1,742,305) | 8.00 | (\$217,788) | (\$217,788) | (\$217,788) | (\$217,788) | (\$217,788) | (\$217,788) |
| 2020 | \$1,526,814 | 8.00 | \$190,852 | \$190,852 | \$190,852 | \$190,852 | \$190,852 | \$190,852 |
| 2021 | | | | | | | | |
| 2022 | | | | | | | | |
| 2023 | | | | | | | | |
| 2024 | | | | | | | | |
| Total | | | \$58,683 | \$58,683 | \$58,683 | \$58,683 | \$58,683 | \$58,683 |

Table 5 - Deferred Outflows of Resources and Deferred Inflows of Resources From The Effect of Changes in Assumptions

| Fiscal Year Ending | Increase in The Total OPEB Liability (a) | Decrease in The Total OPEB Liability (b) | Amounts Recognized in OPEB Expense Through June 30, 2020 (c) | Balances as of June 30, 2020 | |
|--|--|--|--|--|---|
| | | | | Deferred Outflows of Resources (a) - (c) | Deferred Inflows of Resources (b) - (c) |
| 2017 | | | | | |
| 2018 | \$847,628 | | \$256,857 | \$590,771 | |
| 2019 | | (\$1,742,305) | (\$435,576) | | (\$1,306,729) |
| 2020 | \$1,526,814 | | \$190,852 | \$1,335,962 | |
| 2021 | | | | | |
| 2022 | | | | | |
| 2023 | | | | | |
| 2024 | | | | | |
| Total Deferred Outflows and Inflows | | | | \$1,926,733 | (\$1,306,729) |

SECTION I - FINANCIAL STATEMENT

Table 6 - Increase (Decrease) in OPEB Expense From Recognizing the Effect of Differences Between Projected and Actual Earnings on OPEB Plan Investments

| Fiscal Year Ending | Differences Between Expected & Actual Experience | Recognition Period (Years) | Annual Recognition Amount for Fiscal Year Ending | | | | |
|--------------------|--|----------------------------|--|-------------|------------|-------------|-------------|
| | | | 2020 | 2021 | 2022 | 2023 | 2024 |
| | | | 2017 | (\$523,920) | 5.00 | (\$104,784) | (\$104,784) |
| 2018 | (\$168,388) | 5.00 | (\$33,678) | (\$33,678) | (\$33,676) | \$0 | \$0 |
| 2019 | \$365,329 | 5.00 | \$73,066 | \$73,066 | \$73,066 | \$73,065 | \$0 |
| 2020 | \$1,225,430 | 5.00 | \$245,086 | \$245,086 | \$245,086 | \$245,086 | \$245,086 |
| 2021 | | | | | | | |
| 2022 | | | | | | | |
| 2023 | | | | | | | |
| 2024 | | | | | | | |
| Total | | | \$179,690 | \$179,690 | \$284,476 | \$318,151 | \$245,086 |

Table 7 - Deferred Outflows of Resources and Deferred Inflows of Resources From The Differences Between Projected and Actual Earnings on OPEB Plan Investments

| Fiscal Year Ending | Investment Earnings Less than Projected (a) | Investment Earnings Greater than Projected (b) | Amounts Recognized in OPEB Expense Through June 30, 2020 (c) | Balances as of June 30, 2020 | |
|--|---|--|--|--|---|
| | | | | Deferred Outflows of Resources (a) - (c) | Deferred Inflows of Resources (b) - (c) |
| | | | | 2017 | |
| 2018 | | (\$168,388) | (\$101,034) | | (\$67,354) |
| 2019 | \$365,329 | | \$146,132 | \$219,197 | |
| 2020 | \$1,225,430 | | \$245,086 | \$980,344 | |
| 2021 | | | | | |
| 2022 | | | | | |
| 2023 | | | | | |
| 2024 | | | | | |
| Total Deferred Outflows and Inflows | | | | \$1,199,541 | (\$172,138) |

SECTION I - FINANCIAL STATEMENT

Table 8 - Statement of Fiduciary Net Position

| A. Fiduciary Net Position | Fiscal Year Ending | |
|---|--------------------|--------------|
| | 06/30/2020 | 06/30/2019 |
| 1. Cash and short-term investments | \$125,253 | \$243,848 |
| 2. Fixed income funds | | |
| a. Corporate bonds | 0 | 0 |
| b. Governmental bonds | 0 | 0 |
| c. Bond mutual funds | 6,111,814 | 5,699,583 |
| d. International bonds | 0 | 0 |
| e. Total bonds: (a) + (b) + (c) + (d) | 6,111,814 | 5,699,583 |
| 3. Equity Funds | | |
| a. Corporate equities | 0 | 0 |
| b. International equities | 0 | 0 |
| c. Equity mutual funds | 11,631,736 | 11,674,048 |
| d. Real estate funds | 0 | 0 |
| e. Total equities: (a) + (b) + (c) + (d) | 11,631,736 | 11,674,048 |
| 4. Other asset classes | 0 | 0 |
| 5. Receivables | 43,576 | 62,270 |
| 6. Total Assets: (1) + (2e) + (3e) + (4) + (5) | 17,912,379 | 17,679,749 |
| 7. Total deferred outflows of resources | 0 | 0 |
| 8. Total liabilities | (9,512) | (6,527) |
| 9. Total deferred inflows of resources | (2,654) | (2,380) |
| 10. Net position restricted for OPEB: (6) + (7) + (8) + (9) | \$17,900,213 | \$17,670,842 |

SECTION II - NOTES TO FINANCIAL STATEMENT

Net OPEB Liability Assumptions

The Water District's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|----------------|
| Inflation | 2.50% per year |
| Salary increases | 3.00% per year |
| Investment rate of return | 7.00% per year |

The mortality tables are the same as used for the CalPERS Public Agency Misc. Rates.

The most recent retirement, withdrawal and disability experience study was effective December 20, 2017.

The long-term expected rate of return on OPEB plan investments was based on the plan sponsor's expectation that Plan assets will earn at least 7.00% on a long-term basis.

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--------------|----------------------|--|
| Fixed Income | 31.0% | 3.80% |
| Equity | 59.0% | 8.50% |
| Real estate | 8.0% | 6.70% |
| Other | 2.0% | 5.00% |
| Total | 100.0% | |

The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that future contributions made by the Water District will remain at the current contribution level based on the average 3-year contribution. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

SECTION II - NOTES TO FINANCIAL STATEMENT

Actuarial Standards of Practice

Actuarial Standards of Practice No. 6 (“ASOP 6”) provides guidance on measuring retiree group benefits obligations and determining retiree group benefits periodic costs or actuarially determined contributions.

Actuarial Standards of Practice No. 35 (“ASOP 35”) requires that each demographic and other noneconomic assumption should be reasonable individually and in conjunction with one another. At each measurement date, the actuary should consider whether the selected assumptions continue to be reasonable. If the actuary determines that one or more of the previously selected assumptions are no longer reasonable, the actuary will perform an experience study to determine the best estimate for the Plan’s population.

Actuarial Standards of Practice No. 27 Revised (“ASOP 27”) requires that each economic assumption be reasonable based on the following characteristics: (a) appropriate for the purpose of the measurement; (b) reflects the actuary's professional judgement; (c) takes into account historical and current economic data that is relevant as of the measurement date; (d) reflects the actuary's estimate of future experience, observation of the estimates inherent in market data, or a combination thereof; and (e) has no significant bias. Given the uncertain nature of the items for which assumptions are selected, different actuaries will apply different professional judgement and may choose different reasonable assumptions. As a result, a range of reasonable assumptions may develop both for an individual actuary and across actuarial practice.

SECTION II - NOTES TO FINANCIAL STATEMENT

Table 9 - Changes in the Net OPEB Liability

| | Increase (Decrease) | | |
|---|--------------------------------|---------------------------------------|------------------------------------|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| A. Balances at the Fiscal Year Ending June 30, 2019 | \$18,675,589 | \$17,670,842 | \$1,004,747 |
| B. Changes for the year | | | |
| 1. Service cost | 803,311 | | 803,311 |
| 2. Interest on the total OPEB liability | 1,337,944 | | 1,337,944 |
| 3. Difference between expected and actual experience | (3,591,478) | | (3,591,478) |
| 4. Changes in plan provisions | 0 | | 0 |
| 5. Employer and employee contributions | | 760,054 | (760,054) |
| 6. Changes in assumptions | 1,526,814 | | 1,526,814 |
| 7. Net investment income | | 31,747 | (31,747) |
| 8. Benefit payments | (730,827) | (534,127) | (196,700) |
| 9. Administrative expenses | | (28,303) | 28,303 |
| 10. Other changes | 0 | 0 | 0 |
| 11. Net changes: (1) + (2) + (3) + (4) + (5) + (6) + (7) + (8) + (9) + (10) | (654,236) | 229,371 | (883,607) |
| C. Balances at the Fiscal Year Ending June 30, 2020: A + B(11) | \$18,021,353 | \$17,900,213 | \$121,140 |

SECTION II - NOTES TO FINANCIAL STATEMENT

Sensitivity of the Net OPEB Liability

A. Impact of change in Discount Rate

The following presents the net OPEB liability of the Water District, calculated using the discount rate of 7.00%, as well as what the Water District's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% point higher (8.00%) than the current rate:

| | 1% Decrease in Discount Rate (6.00%) | Current Discount Rate (7.00%) | 1% Increase in Discount Rate (8.00%) |
|----------------------------------|--|-------------------------------------|--|
| 1. Total OPEB Liability | \$20,695,361 | \$18,021,353 | \$15,826,091 |
| 2. Plan Fiduciary Net Position | \$17,900,213 | \$17,900,213 | \$17,900,213 |
| 3. Net OPEB Liability: (1) - (2) | \$2,795,148 | \$121,140 | (\$2,074,122) |

B. Impact of change in Healthcare Trend Rates

The following presents the net OPEB liability of the Water District, calculated using a healthcare cost trend rates of 1% higher than the assumed healthcare cost trend rates for all years and a healthcare cost trend rates that is 1% lower than the assumed healthcare cost trend rates for all years:

| | 1% Decrease in Trend Rates (6.5% decreasing to 3.5% in 10 years) | Current Trend Rates (7.5% decreasing to 4.5% in 10 years) | 1% Increase in Trend Rates (8.5% decreasing to 5.5% in 10 years) |
|----------------------------------|---|--|---|
| 1. Total OPEB Liability | \$15,443,625 | \$18,021,353 | \$21,256,109 |
| 2. Plan Fiduciary Net Position | \$17,900,213 | \$17,900,213 | \$17,900,213 |
| 3. Net OPEB Liability: (1) - (2) | (\$2,456,588) | \$121,140 | \$3,355,896 |

SECTION II - NOTES TO FINANCIAL STATEMENT

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

Since certain OPEB expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts increase the OPEB expense, they are labeled as deferred outflows and amounts that decrease the OPEB expense are labeled as deferred inflows. These outflows and inflows are amortized on a level dollar basis with no interest added for the deferred amounts. Deferred experience gains/losses and changes in assumptions are amortized over the average remaining service lives of all employees that are provided with benefits through the OPEB plan at the beginning of the measurement period. Investment gains/losses are amortized over a five year period. The following shows the summary of the deferred outflows and inflows as of June 30, 2020.

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| A. Difference between expected and actual experience | \$1,076,178 | (\$3,195,924) |
| B. Changes in assumptions | \$1,926,733 | (\$1,306,729) |
| C. Net difference between projected and actual earnings on OPEB plan investments | \$1,199,541 | (\$172,138) |

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

| Year ended June 30: | Amounts |
|----------------------------|----------------|
| 2021 | (\$63,389) |
| 2022 | \$41,397 |
| 2023 | \$75,072 |
| 2024 | \$2,007 |
| 2025 | (\$243,079) |
| Thereafter | (\$284,347) |

SECTION III - REQUIRED SUPPLEMENTARY INFORMATION

Table 10 - Schedule of Changes in Net OPEB Liability

| A. Schedule of Changes in Net OPEB Liability | Fiscal Year Ending June 30: | | | |
|--|-----------------------------|-------------|------------|------------|
| | 2020 | 2019 | 2018 | 2017 |
| 1. Total OPEB Liability | | | | |
| a. Service cost | \$803,311 | \$785,273 | \$666,940 | \$623,308 |
| b. Interest | 1,337,944 | 1,357,315 | 1,096,161 | 1,013,738 |
| c. Change in benefit terms | 0 | 0 | 0 | 0 |
| d. Difference between expected and actual experience | (3,591,478) | 0 | 1,544,082 | (88,561) |
| e. Change in assumptions | 1,526,814 | (1,742,305) | 847,628 | 0 |
| f. Benefit payments | (730,827) | (659,277) | (461,986) | (419,334) |
| g. Net change in Total OPEB Liability: sum of (a) through (f) | (654,236) | (258,994) | 3,692,825 | 1,129,151 |
| h. Total OPEB Liability - beginning | 18,675,589 | 18,934,583 | 15,241,758 | 14,112,607 |
| i. Total OPEB Liability - ending | 18,021,353 | 18,675,589 | 18,934,583 | 15,241,758 |
| 2. Plan Fiduciary Net Position | | | | |
| a. Contributions - Employer | \$729,432 | \$729,432 | \$708,338 | \$717,100 |
| b. Contributions - Members | 30,622 | 33,327 | 36,511 | 0 |
| c. Net investment income | 31,747 | 820,649 | 1,265,227 | 1,489,318 |
| d. Benefit payments | (534,127) | (536,005) | (498,497) | (419,334) |
| e. Administrative expenses | (28,303) | (30,076) | (27,625) | (19,909) |
| f. Other | 0 | 0 | 0 | 0 |
| g. Net change in Plan Fiduciary Net Position: sum of (a) through (f) | 229,371 | 1,017,327 | 1,483,954 | 1,767,175 |
| h. Plan Fiduciary Net Position - beginning | 17,670,842 | 16,653,515 | 15,169,561 | 13,402,386 |
| i. Plan Fiduciary Net Position - ending | 17,900,213 | 17,670,842 | 16,653,515 | 15,169,561 |
| j. Net OPEB liability: (1i) - (i) | 121,140 | 1,004,747 | 2,281,068 | 72,197 |
| k. Plan fiduciary net position as a percentage of the total OPEB liability: (i) ÷ (1i) | 99.33% | 94.62% | 87.95% | 99.53% |
| l. Covered-employee payroll | 18,274,778 | 15,921,966 | 14,663,027 | 14,589,576 |
| m. Plan net OPEB liability as a percentage of the covered-employee payroll: (j) ÷ (l) | 0.66% | 6.31% | 15.56% | 0.49% |

SECTION III - REQUIRED SUPPLEMENTARY INFORMATION

Table 11 - Schedule of Contributions

| | Last 10 Fiscal Years | | | |
|--|-----------------------------|--------------|--------------|--------------|
| | Fiscal Year Ending June 30: | | | |
| | 2020 | 2019 | 2018 | 2017 |
| A. Actuarially Determined Contribution | \$729,432 | \$729,432 | \$530,291 | \$507,895 |
| B. Contribution in Relation to the Actuarially Determined Contribution | 729,432 | 729,432 | 708,338 | 717,100 |
| C. Contribution Deficiency (Excess): A - B | 0 | 0 | (178,047) | (209,205) |
| D. Covered-employee Payroll | \$18,274,778 | \$15,921,966 | \$14,663,027 | \$14,589,576 |
| E. Contributions as a Percentage of Covered-employee Payroll: B ÷ D | 3.99% | 4.58% | 4.83% | 4.92% |
| F. Annual Money-Weighted Rate of Return | 0.29% | 5.03% | 8.36% | 10.82% |
| | Fiscal Year Ending June 30: | | | |
| | 2016 | 2015 | 2014 | 2013 |
| A. Actuarially Determined Contribution | | | | |
| B. Contribution in Relation to the Actuarially Determined Contribution | | | | |
| C. Contribution Deficiency (Excess): A - B | | | | |
| D. Covered-employee Payroll | | | | |
| E. Contributions as a Percentage of Covered-employee Payroll: B ÷ D | | | | |
| F. Annual Money-Weighted Rate of Return | | | | |
| | Fiscal Year Ending June 30: | | | |
| | 2012 | 2011 | | |
| A. Actuarially Determined Contribution | | | | |
| B. Contribution in Relation to the Actuarially Determined Contribution | | | | |
| C. Contribution Deficiency (Excess): A - B | | | | |
| D. Covered-employee Payroll | | | | |
| E. Contributions as a Percentage of Covered-employee Payroll: B ÷ D | | | | |
| F. Annual Money-Weighted Rate of Return | | | | |

Since this is the third year of implementation, there are only three years available for the required 10-year schedule.

SECTION IV - ACTUARIALLY DETERMINED CONTRIBUTION

Table 12 - Recommended Contribution

| | Fiscal Year Ending: | |
|--|---------------------|---------------------|
| | June 30, 2021 | June 30, 2020 |
| A. Normal Cost | | |
| 1. Normal cost without expense load | \$810,090 | \$713,625 |
| 2. Expense load for administrative expenses | 28,303 | 0 |
| 3. Total normal cost: (1) + (2) | 838,393 | 713,625 |
| B. Amortization Amount | | |
| 1. Unfunded liability | | |
| a. Actuarial liability for recommended contribution | 18,021,353 | 16,473,456 |
| b. Value of plan assets for recommended contribution | 17,900,213 | 17,054,923 |
| c. Unfunded/(surplus) liability: (a) - (b) | 121,140 | (581,468) |
| 2. Amortization period in years | 30 | 30 |
| 3. Discount rate | 7.00% | 7.00% |
| 4. Amortization amount | 6,649 | (31,913) |
| C. Recommended Contribution at Beginning of Fiscal Year: A(3) + B(4) | 845,042 | 681,712 |
| D. Interest Adjustment for Timing of Contribution | | |
| 1. Estimated contribution date | 07/01/2021 | 07/01/2020 |
| 2. Fractional year from beginning of fiscal year | 1.00 | 1.00 |
| 3. Interest on contribution to end of the fiscal year | 59,153 | 47,720 |
| E. Recommended Contribution at the end of the Fiscal Year: C + D(3) | \$904,195 | \$729,432 |
| H. Actuarial Funding Method | Entry Age Normal | Entry Age Normal |

SECTION V - PLAN DEMOGRAPHICS

Table 13 - Plan Participant Demographics

| | Plan Year Beginning: | |
|---|----------------------|------------------|
| | November 1, 2019 | November 1, 2017 |
| A. Participant Count | | |
| 1. Active participants | 149 | 142 |
| 2. Retired participants (including spouses) | 80 | 72 |
| 3. Total participant count: (1) + (2) | 229 | 214 |
| B. Participant Averages | | |
| 1. Active participants | | |
| a. Average age | 45.5 | 45.1 |
| b. Average service | 8.7 | 8.4 |
| 2. Retirees average age | 69.3 | 68.6 |

SECTION V - PLAN DEMOGRAPHICS

Table 14 - Active Participant Scatter

A. Actives Attained Age/Service Scatter as of November 1, 2019

| <u>Attained Age</u> | <u>Years of Service</u> | | | | | | | | | Total |
|-------------------------|-------------------------|--------|----------|----------|----------|----------|----------|----------|-----|-------|
| | 0 to 4 | 5 to 9 | 10 to 14 | 15 to 19 | 20 to 24 | 25 to 29 | 30 to 34 | 35 to 39 | 40+ | |
| Under 25 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| 25 to 29 | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8 |
| 30 to 34 | 9 | 6 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 16 |
| 35 to 39 | 13 | 6 | 3 | 3 | 0 | 0 | 0 | 0 | 0 | 25 |
| 40 to 44 | 7 | 8 | 3 | 4 | 0 | 0 | 0 | 0 | 0 | 22 |
| 45 to 49 | 10 | 6 | 5 | 2 | 1 | 0 | 1 | 0 | 0 | 25 |
| 50 to 54 | 1 | 3 | 10 | 5 | 1 | 2 | 1 | 0 | 0 | 23 |
| 55 to 59 | 6 | 4 | 4 | 2 | 0 | 0 | 1 | 0 | 0 | 17 |
| 60 to 64 | 1 | 4 | 1 | 2 | 0 | 1 | 0 | 0 | 0 | 9 |
| 65 to 69 | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| 70+ | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Total | 56 | 38 | 29 | 18 | 2 | 3 | 3 | 0 | 0 | 149 |

SECTION V - PLAN DEMOGRAPHICS

Table 15 - Inactive Participant Scatter

A. Inactives Attained Age and Average Benefit Scatter as of November 1, 2019

| <u>Attained Age</u> | <u>Retired Participants</u> | | <u>Surviving Spouses</u> | <u>Total</u> |
|---------------------|-----------------------------|--------------------------------|--------------------------|--------------|
| | <u>With Spouse Coverage</u> | <u>Without Spouse Coverage</u> | | |
| Under 50 | 0 | 0 | 0 | 0 |
| 50 to 54 | 0 | 0 | 0 | 0 |
| 55 to 59 | 3 | 2 | 0 | 5 |
| 60 to 64 | 6 | 5 | 3 | 14 |
| 65 to 69 | 8 | 2 | 0 | 10 |
| 70 to 74 | 3 | 4 | 1 | 8 |
| 75 to 79 | 5 | 1 | 0 | 6 |
| 80 to 84 | 1 | 1 | 2 | 4 |
| 85 to 89 | 2 | 2 | 0 | 4 |
| 90+ | 0 | 0 | 1 | 1 |
| Total | 28 | 17 | 7 | 52 |

APPENDIX A - PLAN PROVISIONS

A summary of the postemployment health plan eligibility, plan benefits and contribution provisions are as follows:

A. Eligibility and Coverage

Western Municipal Water District is a Member of ACWA Health Benefits Authority. The Health Benefits Authority is a public agency and was formed in 1955 as a vehicle to provide health insurance coverage to ACWA members. The formation and operation of the ACWA HBA are subject to CA Government Code, including the Brown Act. With ACWA HBA's large group buying power and a long track record of claims experience over an extended period of time, ACWA HBA has the ability to negotiate comprehensive plans and economical coverage. ACWA HBA is responsible for the administration of the employee benefit plans currently available to public agency members; health, dental, vision, life, employee assistance and disability program.

Eligible participants in the Plan are divided into two groups:

Group 1 are classified and non-classified employees hired on or before December 18, 2002, who are at least fifty-five (55) years old at retirement and have completed at least ten (10) years of service. The District provides benefits for the employee and spouse.

Group 2 are classified and non-classified employees hired after December 18, 2002, who are at least fifty-five (55) years old at retirement and have completed at least ten (10) years of service. The District provides benefits for the employee only.

Directors are not eligible for postretirement benefits.

B. Benefit

Includes Medical and Prescription Drug Coverage. Retirees and spouses (if covered) are eligible to continue coverage for life. If the District does not provide coverage to a spouse, a retiree can elect to cover their spouse but at 100% of their own expense.

C. Reimbursement

With the exception of certain grandfathered retirees, the District will not reimburse more than the cost of the least expensive plan option (Kaiser for 2020). Murrietta retirees with employee only and employee + spouse coverage will only be reimbursed up to \$150 per month.

D. January 1, 2020 monthly premiums

| Coverage | Medical Plans | | | | | | | |
|------------------|---------------|---------|---------|---------|---------|---------|---------|---------|
| | PPO 200 | | Kaiser | | PPO 500 | | HMO | |
| | Pre-65 | Post-65 | Pre-65 | Post-65 | Pre-65 | Post-65 | Pre-65 | Post-65 |
| Retiree | \$896 | \$571 | \$641 | \$206 | \$771 | \$491 | \$860 | \$604 |
| Retiree + Spouse | \$1,793 | \$1,143 | \$1,264 | \$395 | \$1,542 | \$983 | \$1,719 | \$1,207 |
| Family | \$2,376 | \$1,759 | \$1,782 | \$913 | \$2,043 | \$1,513 | \$2,278 | \$1,852 |

APPENDIX B - ACTUARIAL METHODS AND ASSUMPTIONS

A. Actuarial Methods

- | | |
|--|---|
| 1. Actuarial Cost Method | The actuarial cost method used to determine the actuarial accrued liability and the normal cost for financial reporting purposes is the Entry Age Actuarial Cost Method. The accrued liability and the normal cost are used to determine the Water District's financial disclosure requirement. Under this method, the cost of each individual's benefit is allocated on a level percent of payroll basis between the time employment starts (entry age) and the assumed retirement date. The normal cost is the amount allocated for a given year and actuarial liability is the accumulation of prior normal costs as of the determination date. The total actuarial liability for retirement benefits is the sum of the actuarial liability for all members. |
| 2. Asset Cost Method | Market value of assets |
| 3. Actuarial Valuation Frequency | An actuarial valuation is prepared biennially with a 'roll-forward' valuation in the interim year, provided no significant events have occurred during the interim year warranting a new measurement. This year's fiscal 2020 valuation was based on a full valuation. |
| 4. Amortization Method | |
| a. GASB 75 recognition period | Level dollar amortization for differences between expected and actual experience with regard to economic or demographic factors and for changes in assumptions, the amounts will be amortized over a closed period equal to the average of the expected remaining service lives of all participants (including inactive) determined at the beginning of the measurement period. The differences between projected and actual earnings on OPEB plan investments will be recognized over a closed five-year period. |
| b. Actuarially determined contribution | The unfunded liability will be amortized on a level percentage of payroll method over a closed 30 year period. |

B. Actuarial Assumptions

- | | |
|-----------------------|-------------------------------|
| 1. Valuation date | November 1, 2019 |
| 2. Measurement date | June 30, 2020 |
| 3. Measurement period | July 1, 2019 to June 30, 2020 |
| 4. Reporting date | June 30, 2020 |

| | Fiscal 2020 | Fiscal 2019 |
|--------------------------------------|-------------|-------------|
| 5. Interest rate | Valuation | Valuation |
| a. Discount rate | 7.00% | 7.00% |
| b. Expected long term rate of return | 7.00% | 7.00% |
| c. Municipal bond rate | 2.21% | 3.50% |

- | | |
|--------------------|----------------|
| 6. Inflation | 2.50% per year |
| 7. Salary increase | 3.00% per year |

APPENDIX B - ACTUARIAL METHODS AND ASSUMPTIONS (continued)

8. Collection date of census data November 1, 2019

9. Pre-Retirement Mortality Table Same as used for the CalPERS Public Agency Misc. Rates. Sample rates are shown below:

| <u>Age</u> | <u>Male</u> | <u>Female</u> |
|------------|-------------|---------------|
| 20 | 0.031% | 0.020% |
| 25 | 0.040% | 0.023% |
| 30 | 0.049% | 0.025% |
| 35 | 0.057% | 0.035% |
| 40 | 0.075% | 0.050% |
| 45 | 0.106% | 0.071% |
| 50 | 0.155% | 0.100% |
| 55 | 0.228% | 0.138% |
| 60 | 0.308% | 0.182% |

10. Post-Retirement Mortality Table Same as used for the CalPERS Public Agency Misc. Rates. Sample rates are shown below:

| <u>Age</u> | <u>Male</u> | <u>Female</u> |
|------------|-------------|---------------|
| 55 | 0.599% | 0.416% |
| 60 | 0.710% | 0.436% |
| 65 | 0.829% | 0.588% |
| 70 | 1.305% | 0.993% |
| 75 | 2.205% | 1.722% |
| 80 | 3.899% | 2.902% |
| 85 | 6.969% | 5.243% |
| 90 | 12.974% | 9.887% |
| 95 | 22.444% | 18.489% |

11. Post-Retirement Disability Mortality Table Same as used for the CalPERS Public Agency Misc. Rates. Sample rates are shown below:

| <u>Age</u> | <u>Male</u> | <u>Female</u> |
|------------|-------------|---------------|
| 50 | 1.680% | 1.158% |
| 55 | 1.973% | 1.149% |
| 60 | 2.289% | 1.235% |
| 65 | 2.451% | 1.607% |
| 70 | 2.875% | 2.211% |
| 75 | 3.990% | 3.037% |
| 80 | 6.083% | 4.725% |
| 85 | 9.731% | 7.762% |
| 90 | 14.804% | 12.890% |

APPENDIX B - ACTUARIAL METHODS AND ASSUMPTIONS (continued)

12. Medicare Eligibility All participants are assumed to be eligible for Medicare upon attainment of age 65.

13. Full Attribution Age Age at which retirement rate is 100%.

| | | |
|--|--------------------|---------------------|
| 14. Health Care and Contribution Trend Rate | <u>Fiscal Year</u> | <u>Medical Rate</u> |
| | 2021 | 7.50% |
| | 2022 | 7.20% |
| | 2023 | 6.90% |
| | 2024 | 6.60% |
| | 2025 | 6.30% |
| | 2026 | 6.00% |
| | 2027 | 5.70% |
| | 2028 | 5.40% |
| | 2029 | 5.10% |
| | 2030 | 4.80% |
| | 2031+ | 4.50% |

15. Participation and plan election For current retirees, actual coverage and District-provided premium data is used. If a full-time employee has waived active medical coverage, they are assumed to participate in the Kaiser medical plan upon retirement. Participants on either PPO plan are assumed to elect the PPO 200 plan upon retirement. Part-time active employees are assumed to be not eligible.

16. Spousal coverage 60% of all future eligible retired employees are assumed to be married and expected to elect spousal coverage. Husbands are assumed to be 3 years older than their wives. Actual spouse data used for current retirees.

17. Lapse rate None assumed

18. Rates of disability Disability rates are taken from the CalPERS Public Agency Misc. Rates. Sample rates are as follows:

| <u>Age</u> | <u>Male</u> | <u>Female</u> |
|------------|-------------|---------------|
| 20 | 0.017% | 0.010% |
| 25 | 0.017% | 0.010% |
| 30 | 0.019% | 0.024% |
| 35 | 0.049% | 0.081% |
| 40 | 0.122% | 0.155% |
| 45 | 0.191% | 0.218% |
| 50 | 0.213% | 0.229% |
| 55 | 0.221% | 0.179% |
| 60 | 0.222% | 0.135% |
| 65 | 0.210% | 0.118% |
| 70 | 0.180% | 0.114% |

APPENDIX B - ACTUARIAL METHODS AND ASSUMPTIONS (continued)

20. Rates of withdrawal Withdrawal rates are taken from the CalPERS Public Agency Misc. Rates. Terminated Refund withdrawal rates are used for the first 5 years and Terminated Vested rates are used thereafter. Sample rates are as follows:

| <u>Age</u> | <u>Years of Service</u> | | |
|------------|-------------------------|-----------|-----------|
| | <u>5</u> | <u>10</u> | <u>15</u> |
| 20 | 6.56% | 5.30% | 4.43% |
| 25 | 5.97% | 4.66% | 3.73% |
| 30 | 5.37% | 4.03% | 3.05% |
| 35 | 4.77% | 3.39% | 0.00% |
| 40 | 4.18% | 0.00% | 0.00% |
| 45+ | 0.00% | 0.00% | 0.00% |

21. Rates of retirement Retirement rates are taken from the CalPERS Public Agency Misc. 2.5% @ 55 Rates. Sample rates are as follows:

| <u>Age</u> | <u>Years of Service</u> | | |
|------------|-------------------------|-----------|-----------|
| | <u>10</u> | <u>20</u> | <u>30</u> |
| 55 | 8.80% | 14.20% | 24.10% |
| 58 | 6.10% | 10.40% | 19.20% |
| 61 | 9.50% | 15.30% | 25.50% |
| 64 | 11.90% | 18.70% | 29.90% |

22. Annual Medical Per Capita Costs

| <u>Age</u> | <u>Cost</u> |
|------------|-------------|
| 55 | \$11,269 |
| 60 | \$13,807 |
| 64 | \$16,521 |
| 65 | \$4,710 |
| 70 | \$4,831 |
| 75 | \$5,156 |
| 80 | \$5,508 |
| 85 | \$5,877 |
| 90 | \$6,147 |

23. Expense load The prior year actual expenses. For this valuation, the expense load is \$28,303.

24. Expected payroll growth 3.00% per year

C. Changes from Prior Valuation

1. Trend rates The medical trend rate table was reset in fiscal 2021.

2. Salary increase The salary increase rate was changed from 5.70% to 3.00%.

APPENDIX C - HEALTH CARE DEVELOPMENT

- A. General Description Benefits provided are pre-65 and post-65 retiree medical and prescription drug to eligible retirees and their dependents.
- B. Plan Options Pre-65 and post-65 retirees and their eligible dependents have a choice among the Blue Cross PPO, Kaiser and Blue Cross HMO plan.
- C. Information Provided for Study Fully-insured premium rates for blended active/pre-65 and post-65 populations were provided.
- D. Analysis of Data Average ages and average costs were calculated for the groups. The average costs that were calculated reflect the expected cost for the average plan design within the group and also reflect the average age.
- E. Determination of Starting Per
Capita Medical Costs As represented to us, the same premium rates are charged to the active and pre-65 retiree groups for the medical plan. As such, the premium rates are viewed as composite rates for the combined groups. According to GASB 75, when an employer provides benefits to both active employees and retirees through the same plan, the benefits to retirees should be segregated and measured independently for actuarial measurement purposes. The projection of future retiree benefits should be based on claims costs, or age-adjusted premiums approximating claims costs, for retirees, in accordance with actuarial standards issued by the Actuarial Standards Board. The resulting “implicit rate subsidy”, as defined in GASB 75, is the difference between the calculated claims cost and the cost upon which retiree contributions are determined (in this case, the premium rates). Retiree premiums were estimated for the pre-65 retiree group as if they were rated on a stand-alone basis. The premium rates being charged were adjusted to reflect a premium for a pre-65 retiree group only. The results were then disaggregated into age-specific starting costs based on average ages and assumptions on the relationships of costs and increasing age.
- Medical premium rates for the post-65 retirees were provided and utilized for calculating the costs for this retiree population.