# Long Beach City College

**Actuarial Study of**
**Retiree Health Liabilities Under GASB 74/75**
**Roll-forward Valuation**
**Valuation Date: June 30, 2019**
**Measurement Date: June 30, 2020**

*Prepared by:*
*Total Compensation Systems, Inc.*

***Date: September 1, 2020***

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# Long Beach City College
## Actuarial Study of Retiree Health Liabilities

### PART I: EXECUTIVE SUMMARY

## A. Introduction

Long Beach City College engaged Total Compensation Systems, Inc. (TCS) to analyze liabilities associated with its current retiree health program as of June 30, 2020 (the measurement date). This valuation report is based on an earlier GASB 75 valuation as of June 30, 2019. We used standard actuarial "roll-forward" methodology to estimate the Total OPEB Liability (TOL) as of the measurement date. The Fiduciary Net Position (FNP) is based on the actual FNP at June 30, 2020. The numbers in this report are based on the assumption that they will first be used to determine accounting entries for the fiscal year ending June 30, 2020. If the report will first be used for a different fiscal year, the numbers may need to be adjusted accordingly.

This report does not reflect any cash benefits paid unless the retiree is required to provide proof that the cash benefits are used to reimburse the retiree's cost of health benefits. Costs and liabilities attributable to cash benefits paid to retirees are reportable under applicable Governmental Accounting Standards Board (GASB) Standards.

This actuarial study is intended to serve the following purposes:

- To provide information to enable Long Beach CCD to manage the costs and liabilities associated with its retiree health benefits.
- To provide information to enable Long Beach CCD to communicate the financial implications of retiree health benefits to internal financial staff, the Board, employee groups and other affected parties.
- To provide information needed to comply with Governmental Accounting Standards Board Accounting Standards 74 and 75 related to "other postemployment benefits" (OPEB's).

Because this report was prepared in compliance with GASB 74 and 75, Long Beach CCD should not use this report for any other purpose without discussion with TCS. This means that any discussions with employee groups, governing Boards, etc. should be restricted to the implications of GASB 74 and 75 compliance.

We calculated the following estimates separately for active employees and retirees. As requested, we also separated results by the following employee classifications: Certificated, Classified and Management. We estimated the following:

- the total liability created. (The actuarial present value of total projected benefit payments or APVPBP)
- ten years of projected benefit payments.
- the "total OPEB liability (TOL)." (The TOL is the portion of the APVPBP attributable to employees' service prior to the measurement date.)
- the "net OPEB liability" (NOL). For plans funded through a trust, this represents the unfunded portion of the liability.

- the service cost (SC). This is the value of OPEB benefits earned for one year of service.
- deferred inflows and outflows of resources attributable to the OPEB plan.
- "OPEB expense." This is the amount recognized in accrual basis financial statements as the current period expense. The OPEB expense includes service cost, interest and certain changes in the OPEB liability, adjusted to reflect deferred inflows and outflows. This amount may need to be adjusted to reflect any contributions received after the Measurement Date.
- Amounts to support financial statement Note Disclosures and Required Supplementary Information (RSI) schedules.

We summarized the data used to perform this study in Appendix A. No effort was made to verify this information beyond brief tests for reasonableness and consistency.

All cost and liability figures contained in this study are estimates of future results. Future results can vary dramatically and the accuracy of estimates contained in this report depends on the actuarial assumptions used. Service costs and liabilities could easily vary by 10 - 20% or more from estimates contained in this report.

**B. General Findings**

We estimate the "pay-as-you-go" cost of providing retiree health benefits in the year beginning July 1, 2020 to be $2,665,780 (see Section IV.A.). The "pay-as-you-go" cost is the cost of benefits for current retirees.

For current employees, the value of benefits "accrued" in the year beginning July 1, 2020 (the service cost) is $2,345,973. This service cost would increase each year based on covered payroll. Had Long Beach CCD begun accruing retiree health benefits when each current employee and retiree was hired, a substantial liability would have accumulated. We estimate the amount that would have accumulated at June 30, 2020 to be $44,730,953. This amount is called the "Total OPEB Liability" (TOL). Long Beach CCD has set aside funds to cover retiree health liabilities in a GASB 75 qualifying trust. The Fiduciary Net Position of this trust at June 30, 2020 was $9,100,378. This leaves a Net OPEB Liability (NOL) of $35,630,575.

Based on the information we were provided, the OPEB Expense for the fiscal year ending June 30, 2020 is $3,631,116.

We based all of the above estimates on employees as of June, 2019. Over time, liabilities and cash flow will vary based on the number and demographic characteristics of employees and retirees.

## C. Description of Retiree Benefits

Following is a description of the current retiree benefit plan:

| | Faculty | Classified | Management |
|---|---|---|---|
| Benefit types provided | Medical only | Medical only | Medical only |
| Duration of Benefits | 1 year for every 5 years of service*** | 1 year for every 3 years of service | 1 year for every 3 years of service |
| Required Service | 15 Years* | 12 Years* | 12 Years* |
| Minimum Age | 55 | 50 | 50 |
| Dependent Coverage | Yes | Yes | Yes |
| College Contribution % | 96% single, 94% Two-party 92% Family** | 96% single, 94% Two-party 92% Family** | 96% single, 94% Two-party 92% Family** |
| College Cap | Same as active**** | Same as active**** | Same as active**** |

*Those hired prior to 2/1/95 may elect the above benefits or coverage to age 67 if retiring before age 65, or 2 to 4 years of coverage (depending on years of service) if retiring at age 65 or older.
**100% for certain grandfathered participants
***A duration of 1 year for each 3 years of service was offered as part of an incentive retirement window for those retiring June, 2013
****The available Medicare Supplement policies will be limited for those certificated employees retiring after 6/30/14 and other employees retiring after 6/30/15

## D. Recommendations

It is outside the scope of this report to make specific recommendations of actions Long Beach CCD should take to manage the liability created by the current retiree health program. Total Compensation Systems, Inc. can assist in identifying and evaluating options once this report has been studied. The following recommendations are intended only to allow the District to get more information from this and future studies. Because we have not conducted a comprehensive administrative audit of Long Beach CCD's practices, it is possible that Long Beach CCD is already complying with some or all of our recommendations.

- We recommend that Long Beach CCD maintain an inventory of all benefits and services provided to retirees – whether contractually or not and whether retiree-paid or not. For each, Long Beach CCD should determine whether the benefit is material and subject to GASB 74 and/or 75.

- We recommend that Long Beach CCD conduct a study whenever events or contemplated actions significantly affect present or future liabilities, but no less frequently than every two years, as required under GASB 74/75.

- Under GASB 75, it is important to isolate the cost of retiree health benefits. Long Beach CCD should have all premiums, claims and expenses for retirees separated from active employee premiums, claims, expenses, etc. To the extent any retiree benefits are made available to retirees over the age of 65 – ***even on a retiree-pay-all basis*** – all premiums, claims and expenses for post-65 retiree coverage should be segregated from those for pre-65 coverage. Furthermore, Long Beach CCD should arrange for the rates or prices of all retiree benefits to be set on what is expected to be a self-sustaining basis.

- Long Beach CCD should establish a way of designating employees as eligible or ineligible for future OPEB benefits. Ineligible employees can include those in ineligible job classes; those hired after a designated date restricting eligibility; those who, due to their age at hire cannot qualify for District-paid OPEB benefits; employees who exceed the termination age for OPEB benefits, etc.

- Several assumptions were made in estimating costs and liabilities under Long Beach CCD's retiree health program. Further studies may be desired to validate any assumptions where there is any doubt that the assumption is appropriate. (See Appendices B and C for a list of assumptions and concerns.) For example, Long Beach CCD should maintain a retiree database that includes – in addition to date of birth, gender and employee classification – retirement date and (if applicable) dependent date of birth, relationship and gender. It will also be helpful for Long Beach CCD to maintain employment termination information – namely, the number of OPEB-eligible employees in each employee class that terminate employment each year for reasons other than death, disability or retirement.

## E. Certification

The actuarial information in this report is intended solely to assist Long Beach CCD in complying with Governmental Accounting Standards Board Accounting Statements 74 and 75 and, unless otherwise stated, fully and fairly discloses actuarial information required for compliance. Nothing in this report should be construed as an accounting opinion, accounting advice or legal advice. TCS recommends that third parties retain their own actuary or other qualified professionals when reviewing this report. TCS's work is prepared solely for the use and benefit of Long Beach CCD. Release of this report may be subject to provisions of the Agreement between Long Beach CCD and TCS. No third party recipient of this report product should rely on the report for any purpose other than accounting compliance. Any other use of this report is unauthorized without first consulting with TCS.

This report is for fiscal year July 1, 2019 to June 30, 2020, using a measurement date of June 30, 2020. The calculations in this report have been made based on our understanding of plan provisions and actual practice at the time we were provided the required information. We relied on information provided by Long Beach CCD. Much or all of this information was unaudited at the time of our evaluation. We reviewed the information provided for reasonableness, but this review should not be viewed as fulfilling any audit requirements. Information we relied on is listed in Appendix A.

All costs, liabilities, and other estimates are based on actuarial assumptions and methods that comply with all applicable Actuarial Standards of Practice (ASOPs). Each assumption is deemed to be reasonable by itself, taking into account plan experience and reasonable future expectations.

This report contains estimates of the Plan's financial condition only as of a single date. It cannot predict the Plan's future condition nor guarantee its future financial soundness. Actuarial valuations do not affect the ultimate cost of Plan benefits, only the timing of Plan contributions. While the valuation is based on individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. Determining results using alternative assumptions (except for the alternate discount and trend rates shown in this report) is outside the scope of our engagement.

Future actuarial measurements may differ significantly from those presented in this report due to factors such as, but not limited to, the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the measurement methodology (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. We were not asked to perform analyses to estimate the potential range of such future measurements.

The signing actuary is independent of Long Beach CCD and any plan sponsor. TCS does not intend to benefit from and assumes no duty or liability to other parties who receive this report. TCS is not aware of any relationship that would impair the objectivity of the opinion.

On the basis of the foregoing, I hereby certify that, to the best of my knowledge and belief, this report is complete and has been prepared in accordance with generally accepted actuarial principles and practices and all applicable Actuarial Standards of Practice. My experience and continuing education are consistent with the requirements described for actuaries under the Qualification Standards of the American Academy of Actuaries.

Respectfully submitted,

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## PART II: BACKGROUND

### A. Summary

Accounting principles provide that the cost of retiree benefits should be "accrued" over employees' working lifetime. For this reason, the Governmental Accounting Standards Board (GASB) issued in June of 2015 Accounting Standards 74 and 75 for retiree health benefits. These standards apply to all public employers that pay any part of the cost of retiree health benefits for current or future retirees (including early retirees), whether they pay directly or indirectly (via an "implicit rate subsidy").

### B. Actuarial Accrual

To actuarially accrue retiree health benefits requires determining the amount to expense each year so that the liability accumulated at retirement is, on average, sufficient (with interest) to cover all retiree health expenditures without the need for additional expenses. There are many different ways to determine the annual accrual amount. The calculation method used is called an "actuarial cost method."

The actuarial cost method mandated by GASB 75 is the "entry age actuarial cost method". Under this method, there are two components of actuarial cost – a "service cost" (SC) and the "Total OPEB Liability" (TOL). GASB 75 allows certain changes in the TOL to be deferred (i.e. deferred inflows and outflows of resources).

The service cost can be thought of as the value of the benefit earned each year if benefits are accrued during the working lifetime of employees. Under the entry age actuarial cost method, the actuary determines the annual amount needing to be expensed from hire until retirement to fully accrue the cost of retiree health benefits. This amount is the service cost. Under GASB 75, the service cost is calculated to be a level percentage of each employee's projected pay.

The service cost is determined using several key assumptions:

- The current ***cost of retiree health benefits*** (often varying by age, Medicare status and/or dependent coverage). The higher the current cost of retiree benefits, the higher the service cost.
- The ***"trend" rate*** at which retiree health benefits are expected to increase over time. A higher trend rate increases the service cost. A "cap" on District contributions can reduce trend to zero once the cap is reached thereby dramatically reducing service costs.
- ***Mortality rates*** varying by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.
- ***Employment termination rates*** have the same effect as mortality inasmuch as higher termination rates reduce service costs. Employment termination can vary considerably between public agencies.
- The ***service requirement*** reflects years of service required to earn full or partial retiree benefits. While a longer service requirement reduces costs, cost reductions are not usually substantial unless the service period exceeds 20 years of service.

- ***Retirement rates*** determine what proportion of employees retire at each age (assuming employees reach the requisite length of service). Retirement rates often vary by employee classification and implicitly reflect the minimum retirement age required for eligibility. Retirement rates also depend on the amount of pension benefits available. Higher retirement rates increase service costs but, except for differences in minimum retirement age, retirement rates tend to be consistent between public agencies for each employee type.

- ***Participation rates*** indicate what proportion of retirees are expected to elect retiree health benefits if a significant retiree contribution is required. Higher participation rates increase costs.

- The ***discount rate*** estimates investment earnings for assets earmarked to cover retiree health benefit liabilities. The discount rate depends on the nature of underlying assets for funded plans. The rate used for a funded plan is the real rate of return expected for plan assets plus the long term inflation assumption. For an unfunded plan, the discount rate is based on an index of 20 year General Obligation municipal bonds. For partially funded plans, the discount rate is a blend of the funded and unfunded rates.

The assumptions listed above are not exhaustive, but are the most common assumptions used in actuarial cost calculations. If all actuarial assumptions are exactly met and an employer expensed the service cost every year for all past and current employees and retirees, a sizeable liability would have accumulated (after adding interest and subtracting retiree benefit costs). The liability that would have accumulated is called the Total OPEB Liability (TOL). The excess of TOL over the value of plan assets is called the Net OPEB Liability (NOL). Under GASB 74 and 75, in order for assets to count toward offsetting the TOL, the assets have to be held in an irrevocable trust that is safe from creditors and can only be used to provide OPEB benefits to eligible participants.

The total OPEB liability (TOL) can arise in several ways - e.g., as a result of plan changes or changes in actuarial assumptions. TOL can also arise from actuarial gains and losses. Actuarial gains and losses result from differences between actuarial assumptions and actual plan experience.

Under GASB 74 and 75, a portion of actuarial gains and losses can be deferred as follows:

- Investment gains and losses can be deferred five years

- Experience gains and losses can be deferred over the expected average remaining service lives (EARSL) of plan participants. In calculating the EARSL, terminated employees (primarily retirees) are considered to have a working lifetime of zero. This often makes the EARSL quite short.

- Liability changes resulting from changes in economic and demographic assumptions are also deferred based on the EARSL.

- Liability changes resulting from plan changes, for example, cannot be deferred.

## PART III: LIABILITIES AND COSTS FOR RETIREE BENEFITS

### A. Introduction.

The liability for OPEB benefits was calculated in the valuation as of June 30, 2019 and the methodology used was described in our GASB 75 valuation report dated October 16, 2019. In Part III, we show the tables included in our October 16, 2019 valuation report and provide details of our roll-forward valuation.

We summarized actuarial assumptions used for this study in Appendix C.

### B. Liability for Retiree Benefits.

Below is the actuarial present value of projected benefit payments (APVPBP) table presented in our October 16, 2019 valuation report.

**Actuarial Present Value of Projected Benefit Payments at June 30, 2019**

| | *Total* | *Certificated* | *Classified* | *Management* |
|---|---|---|---|---|
| Active: Pre-65 | $17,325,570 | $3,861,961 | $9,244,183 | $4,219,426 |
| Post-65 | $26,416,178 | $16,214,149 | $6,847,982 | $3,354,047 |
| Subtotal | $43,741,748 | $20,076,110 | $16,092,165 | $7,573,473 |
| Retiree: Pre-65 | $2,783,425 | $0 | $2,110,480 | $672,945 |
| Post-65 | $7,222,334 | $3,073,889 | $3,044,220 | $1,104,225 |
| Subtotal | $10,005,759 | $3,073,889 | $5,154,700 | $1,777,170 |
| Grand Total | $53,747,507 | $23,149,999 | $21,246,865 | $9,350,643 |
| Subtotal Pre-65 | $20,108,995 | $3,861,961 | $11,354,663 | $4,892,371 |
| Subtotal Post-65 | $33,638,512 | $19,288,038 | $9,892,202 | $4,458,272 |

### C. Cost to Prefund Retiree Benefits

#### 1. Service Cost

Below is the service cost table included in our October 16, 2019 valuation report. This service cost is used in calculating the OPEB expense.

**Service Cost Year Beginning July 1, 2019**

| | *Total* | *Certificated* | *Classified* | *Management* |
|---|---|---|---|---|
| **# of Employees** | 803 | 324 | 354 | 125 |
| **Per Capita Service Cost** | | | | |
| Pre-65 Benefit | N/A | $672 | $1,344 | $2,248 |
| Post-65 Benefit | N/A | $2,630 | $906 | $1,589 |
| **First Year Service Cost** | | | | |
| Pre-65 Benefit | $974,504 | $217,728 | $475,776 | $281,000 |
| Post-65 Benefit | $1,371,469 | $852,120 | $320,724 | $198,625 |
| Total | $2,345,973 | $1,069,848 | $796,500 | $479,625 |

2. Total OPEB Liability (TOL) and Net OPEB Liability (NOL)

The table below shows the TOL included in the October 16, 2019 valuation report. This TOL is used as the beginning of year TOL to roll forward the TOL to June 30, 2020.

**Total OPEB Liability (TOL) and Net OPEB Liability (NOL) as of June 30, 2019**

| | *Total* | *Certificated* | *Classified* | *Management* |
|---|---|---|---|---|
| Active: Pre-65 | $9,944,073 | $2,313,150 | $5,580,458 | $2,050,465 |
| Active: Post-65 | $16,351,739 | $10,152,584 | $4,378,239 | $1,820,916 |
| Subtotal | $26,295,812 | $12,465,734 | $9,958,697 | $3,871,381 |
| | | | | |
| Retiree: Pre-65 | $2,783,425 | $0 | $2,110,480 | $672,945 |
| Retiree: Post-65 | $7,222,334 | $3,073,889 | $3,044,220 | $1,104,225 |
| Subtotal | $10,005,759 | $3,073,889 | $5,154,700 | $1,777,170 |
| | | | | |
| Subtotal: Pre-65 | $12,727,498 | $2,313,150 | $7,690,938 | $2,723,410 |
| Subtotal: Post-65 | $23,574,073 | $13,226,473 | $7,422,459 | $2,925,141 |
| | | | | |
| Total OPEB Liability (TOL) | $36,301,571 | $15,539,623 | $15,113,397 | $5,648,551 |
| Fiduciary Net Position as of June 30, 2019 | $8,623,949 | | | |
| Net OPEB Liability (NOL) | $27,677,622 | | | |

In order to determine the June 30, 2020 NOL, we used a "roll-forward" technique for the TOL. The FNP is based on the actual June 30, 2020 FNP. The following table shows the results of the roll-forward.

**Changes in Net OPEB Liability as of June 30, 2020**

| | *TOL* | *FNP* | *NOL* |
|---|---|---|---|
| **Balance at June 30, 2019** | **$36,301,571** | **$8,623,949** | **$27,677,622** |
| Service Cost | $2,345,973 | $0 | $2,345,973 |
| Interest on Total OPEB Liability | $1,333,611 | $0 | $1,333,611 |
| Expected Investment Income | $0 | $499,449 | ($499,449) |
| Administrative Expenses | $0 | ($77,222) | $77,222 |
| Employee Contributions | $0 | $0 | $0 |
| Employer Contributions to Trust | $0 | $51,706 | ($51,706) |
| Employer Contributions as Benefit Payments | $0 | $2,862,015 | ($2,862,015) |
| Benefit Payments from Trust | $0 | $0 | $0 |
| Expected Benefit Payments from Employer | ($2,862,015) | ($2,862,015) | $0 |
| **Expected Balance at June 30, 2020** | **$37,119,140** | **$9,097,882** | **$28,021,258** |
| Experience (Gains)/Losses | $0 | $0 | $0 |
| Changes in Assumptions | $7,611,813 | $0 | $7,611,813 |
| Changes in Benefit Terms | $0 | $0 | $0 |
| Investment Gains/(Losses) | $0 | $2,496 | ($2,496) |
| Other | $0 | $0 | $0 |
| Net Change during 2019-20 | $8,429,382 | $476,429 | $7,952,953 |
| **Balance at June 30, 2020 *** | **$44,730,953** | **$9,100,378** | **$35,630,575** |

***** May include a slight rounding error.

3. OPEB Expense

Changes in the NOL arising from certain sources are recognized on a deferred basis. The deferral history for Long Beach CCD is shown in Appendix F. The following table summarizes the beginning and ending balances for each deferral item. The current year expense reflects the change in deferral balances for the measurement year.

**Deferred Inflow/Outflow Balances Fiscal Year Ending June 30, 2020**

| | *Beginning Balance* | *Newly Created* | *Recognition* | *Ending Balance* |
|---|---|---|---|---|
| Experience (Gains)/Losses | ($7,392,316) | $0 | $859,572 | ($6,532,744) |
| Assumption Changes | $3,607,955 | $7,611,813 | ($1,267,629) | $9,952,139 |
| Investment (Gains)/Losses | ($116,793) | ($2,496) | $34,298 | ($84,991) |
| Deferred Balances | ($3,901,154) | $7,609,317 | ($373,759) | $3,334,404 |

The following table shows the reconciliation between the change in the NOL and the OPEB expense.

**OPEB Expense Fiscal Year Ending June 30, 2020**

| | *Beginning Net Position* | *Ending Net Position* | *Change* |
|---|---|---|---|
| Net OPEB Liability (NOL) | $27,677,622 | $35,630,575 | $7,952,953 |
| Deferred Balances | ($3,901,154) | $3,334,404 | $7,235,558 |
| Change in Net Position | $31,578,776 | $32,296,171 | $717,395 |
| Employer Contributions | | | $2,913,721 |
| Other | | | $0 |
| OPEB Expense | | | $3,631,116 |

Under GASB 74 and 75, OPEB expense includes service cost, interest cost, change in TOL due to plan changes; all adjusted for deferred inflows and outflows. Following is the OPEB expense for the fiscal year ending June 30, 2020.

**OPEB Expense Fiscal Year Ending June 30, 2020**

| | *Total* |
|---|---|
| Service Cost | $2,345,973 |
| Interest on Total OPEB Liability (TOL) | $1,333,611 |
| Employee Contributions | $0 |
| Recognized Experience (Gains)/Losses | ($859,572) |
| Recognized Assumption Changes | $1,267,629 |
| Expected Investment Income | ($499,449) |
| Recognized Investment (Gains)/Losses | ($34,298) |
| Contributions After Measurement Date* | $0 |
| Other | $0 |
| Administrative Expense | $77,222 |
| OPEB Expense** | $3,631,116 |

***** Should be added by Long Beach CCD if reporting date is after the measurement date.
****** May include a slight rounding error.

The above OPEB expense does not include an estimated $2,913,721 in employer contribution.

4. Adjustments

We are unaware of any adjustments that need to be made.

## PART IV: "PAY AS YOU GO" FUNDING OF RETIREE BENEFITS

We used the actuarial assumptions shown in Appendix C to project the District's ten year retiree benefit outlay, including any implicit rate subsidy. Because these cost estimates reflect average assumptions applied to a relatively small number of employees, estimates for individual years are **certain** to be ***in***accurate. However, these estimates show the size of cash outflow.

The following table shows a projection of annual amounts needed to pay the District's share of retiree health costs, including any implicit rate subsidy, that was included in the October 16, 2019 valuation report.

| *Year Beginning July 1* | *Total* | *Certificated* | *Classified* | *Management* |
|---|---|---|---|---|
| 2019 | $2,862,015 | $970,066 | $1,439,673 | $452,276 |
| 2020 | $2,665,780 | $913,637 | $1,341,438 | $410,705 |
| 2021 | $2,472,402 | $807,220 | $1,222,865 | $442,317 |
| 2022 | $2,434,044 | $811,880 | $1,207,228 | $414,936 |
| 2023 | $2,276,650 | $800,455 | $1,133,706 | $342,489 |
| 2024 | $2,167,730 | $734,355 | $1,118,927 | $314,448 |
| 2025 | $2,299,657 | $880,737 | $1,088,018 | $330,902 |
| 2026 | $2,483,086 | $1,021,232 | $1,125,527 | $336,327 |
| 2027 | $2,765,877 | $1,114,113 | $1,158,947 | $492,817 |
| 2028 | $3,002,497 | $1,271,188 | $1,181,440 | $549,869 |

## PART V: RECOMMENDATIONS FOR FUTURE VALUATIONS

To effectively manage benefit costs, an employer must periodically examine the existing liability for retiree benefits as well as future annual expected premium costs. GASB 74/75 require biennial valuations. In addition, a valuation should be conducted whenever plan changes, changes in actuarial assumptions or other employer actions are likely to cause a material change in accrual costs and/or liabilities.

Following are examples of actions that could trigger a new valuation.

- An employer should perform a valuation whenever the employer considers or puts in place an early retirement incentive program.
- An employer should perform a valuation whenever the employer adopts a retiree benefit plan for some or all employees.
- An employer should perform a valuation whenever the employer considers or implements changes to retiree benefit provisions or eligibility requirements.
- An employer should perform a valuation whenever the employer introduces or changes retiree contributions.
- An employer should perform a valuation whenever the employer forms a qualifying trust or changes its investment policy.
- An employer should perform a valuation whenever the employer adds or terminates a group of participants that constitutes a significant part of the covered group.

We recommend Long Beach CCD take the following actions to ease future valuations.

- We have used our training, experience and information available to us to establish the actuarial assumptions used in this valuation. We have no information to indicate that any of the assumptions do not reasonably reflect future plan experience. However, the District should review the actuarial assumptions in Appendix C carefully. If the District has any reason to believe that any of these assumptions do not reasonably represent the expected future experience of the retiree health plan, the District should engage in discussions or perform analyses to determine the best estimate of the assumption in question.

# PART VI: APPENDICES

## APPENDIX A: MATERIALS USED FOR THIS STUDY

We relied on the following materials to complete this study.

- We used paper reports and digital files containing employee demographic data from the District personnel records.
- We used relevant sections of collective bargaining agreements provided by the District.

## APPENDIX B: EFFECT OF ASSUMPTIONS USED IN CALCULATIONS

While we believe the estimates in this study are reasonable overall, it was necessary for us to use assumptions which inevitably introduce errors. We believe that the errors caused by our assumptions will not materially affect study results. If the District wants more refined estimates for decision-making, we recommend additional investigation.

## APPENDIX C: ACTUARIAL ASSUMPTIONS AND METHODS

Following is a summary of actuarial assumptions and methods used in this study. The District should carefully review these assumptions and methods to make sure they reflect the District's assessment of its underlying experience. It is important for Long Beach CCD to understand that the appropriateness of all selected actuarial assumptions and methods are Long Beach CCD's responsibility. Unless otherwise disclosed in this report, TCS believes that all methods and assumptions are within a reasonable range based on the provisions of GASB 74 and 75, applicable actuarial standards of practice, Long Beach CCD's actual historical experience, and TCS's judgment based on experience and training.

### ACTUARIAL METHODS AND ASSUMPTIONS:

*ACTUARIAL COST METHOD:* GASB 74/75 require use of the entry age actuarial cost method.

Entry age is based on the age at hire for eligible employees. The attribution period is determined as the difference between the expected retirement age and the age at hire. The APVPBP and present value of future service costs are determined on an employee by employee basis and then aggregated.

To the extent that different benefit formulas apply to different employees of the same class, the service cost is based on the benefit plan applicable to the most recently hired employees (including future hires if a new benefit formula has been agreed to and communicated to employees). This greatly simplifies administration and accounting; as well as resulting in the correct service cost for new hires.

*SUBSTANTIVE PLAN:* As required under GASB 74 and 75, we based the valuation on the substantive plan. The formulation of the substantive plan was based on a review of written plan documents as well as historical information provided by Long Beach CCD regarding practices with respect to employer and employee contributions and other relevant factors.

**ECONOMIC ASSUMPTIONS:**

Economic assumptions are set under the guidance of Actuarial Standard of Practice 27 (ASOP 27). Among other things, ASOP 27 provides that economic assumptions should reflect a consistent underlying rate of general inflation. For that reason, we show our assumed long-term inflation rate below.

*INFLATION*: We assumed 2.75% per year used for pension purposes. Actuarial standards require using the same rate for OPEB that is used for pension.

*INVESTMENT RETURN / DISCOUNT RATE*: We assumed 3.7% per year net of expenses. This is based on assumed long-term return on employer assets. We used the "Building Block Method". (See Appendix E, Paragraph 53 for more information). Our assessment of long-term returns for employer assets is based on long-term historical returns for surplus funds invested pursuant to California Government Code Sections 53601 et seq.

*TREND:* We assumed 4% per year. Our long-term trend assumption is based on the conclusion that, while medical trend will continue to be cyclical, the average increase over time cannot continue to outstrip general inflation by a wide margin. Trend increases in excess of general inflation result in dramatic increases in unemployment, the number of uninsured and the number of underinsured. These effects are nearing a tipping point which will inevitably result in fundamental changes in health care finance and/or delivery which will bring increases in health care costs more closely in line with general inflation. We do not believe it is reasonable to project historical trend vs. inflation differences several decades into the future.

*PAYROLL INCREASE*: We assumed 2.75% per year. Since benefits do not depend on salary (as they do for pensions), using an aggregate payroll assumption for the purpose of calculating the service cost results in a negligible error.

*FIDUCIARY NET POSITION (FNP):* The following table shows the beginning and ending FNP numbers that were provided by Long Beach CCD.

**Fiduciary Net Position as of June 30, 2020**

| | *06/30/2019* | *06/30/2020* |
|---|---|---|
| Cash and Equivalents | $0 | $0 |
| Contributions Receivable | $0 | $0 |
| Total Investments | $8,623,949 | $9,100,378 |
| Capital Assets | $0 | $0 |
| Total Assets | $8,623,949 | $9,100,378 |
| Benefits Payable | $0 | $0 |
| Fiduciary Net Position | $8,623,949 | $9,100,378 |

**NON-ECONOMIC ASSUMPTIONS:**

Economic assumptions are set under the guidance of Actuarial Standard of Practice 35 (ASOP 35). See Appendix E, Paragraph 52 for more information.

***MORTALITY***

| *Participant Type* | *Mortality Tables* |
|---|---|
| Certificated | 2009 CalSTRS Mortality |
| Classified | 2014 CalPERS Active Mortality for Miscellaneous Employees |

***RETIREMENT RATES***

| *Employee Type* | *Retirement Rate Tables* |
|---|---|
| Certificated | 2009 CalSTRS Retirement Rates |
| Classified | Hired prior to 2013: 2009 CalPERS Retirement Rates for School Employees<br>Hired after 2012: 2009 CalPERS 2% @ 60 Retirement Rates for Miscellaneous Employees adjusted to reflect minimum retirement age 52 |

***SERVICE REQUIREMENT***

| *Employee Type* | *Service Requirement Tables* |
|---|---|
| Certificated | 100% at 15 Years of Service |
| Classified | 100% at 12 Years of Service |

***COSTS FOR RETIREE COVERAGE***

Retiree liabilities are based on actual retiree premium plus an implicit rate subsidy of 42.3% of non-Medicare medical premium. Liabilities for active participants are based on the first year costs shown below, which include the implicit rate subsidy. Subsequent years' costs are based on first year costs adjusted for trend and limited by any District caps.

| *Participant Type* | *Future Retirees Pre-65* | *Future Retirees Post-65* |
|---|---|---|
| Certificated | $30,473 | $13,760 |
| Classified | $22,697 | $9,618 |
| Management | $30,473 | $13,760 |

***PARTICIPATION RATES***

| *Employee Type* | *<65 Non-Medicare Participation %* | *65+ Medicare Participation %* |
|---|---|---|
| Certificated | 95% | 95% |
| Classified | 95% | 95% |

***TURNOVER***

| *Employee Type* | *Turnover Rate Tables* |
|---|---|
| Certificated | 2009 CalSTRS Termination Rates |
| Classified | 2009 CalPERS Termination Rates for School Employees |

***SPOUSE PREVALENCE***

To the extent not provided and when needed to calculate benefit liabilities, 80% of retirees assumed to be married at retirement. After retirement, the percentage married is adjusted to reflect mortality.

***SPOUSE AGES***

To the extent spouse dates of birth are not provided and when needed to calculate benefit liabilities, female spouse assumed to be three years younger than male.

***AGING FACTORS***

We used aging factors from "Health Care Costs - From Birth to Death" prepared by Dale Yamamoto and published in 2013 by the Society of Actuaries as part of the Health Care Cost Institute's Independent Report Series - Report 2013-1.

## APPENDIX D: DISTRIBUTION OF ELIGIBLE PARTICIPANTS BY AGE

### ELIGIBLE ACTIVE EMPLOYEES

| *Age* | *Total* | *Certificated* | *Classified* | *Management* |
|---|---|---|---|---|
| Under 25 | 1 | 0 | 1 | 0 |
| 25-29 | 20 | 1 | 18 | 1 |
| 30-34 | 72 | 18 | 46 | 8 |
| 35-39 | 104 | 40 | 48 | 16 |
| 40-44 | 121 | 43 | 56 | 22 |
| 45-49 | 117 | 55 | 39 | 23 |
| 50-54 | 127 | 54 | 50 | 23 |
| 55-59 | 121 | 51 | 53 | 17 |
| 60-64 | 77 | 38 | 26 | 13 |
| 65 and older | 43 | 24 | 17 | 2 |
| Total | 803 | 324 | 354 | 125 |

### ELIGIBLE RETIREES

| *Age* | *Total* | *Certificated* | *Classified* | *Management* |
|---|---|---|---|---|
| Under 50 | 0 | 0 | 0 | 0 |
| 50-54 | 1 | 0 | 1 | 0 |
| 55-59 | 13 | 2 | 9 | 2 |
| 60-64 | 47 | 12 | 30 | 5 |
| 65-69 | 72 | 40 | 28 | 4 |
| 70-74 | 36 | 13 | 17 | 6 |
| 75-79 | 12 | 9 | 3 | 0 |
| 80-84 | 2 | 1 | 1 | 0 |
| 85-89 | 0 | 0 | 0 | 0 |
| 90 and older | 1 | 0 | 0 | 1 |
| Total | 184 | 77 | 89 | 18 |

## APPENDIX E: GASB 74/75 ACCOUNTING ENTRIES AND DISCLOSURES

This report does not necessarily include the entire accounting values. As mentioned earlier, there are certain deferred items that are employer-specific. The District should consult with its auditor if there are any questions about what, if any, adjustments may be appropriate.

GASB 74/75 include a large number of items that should be included in the Note Disclosures and Required Supplementary Information (RSI) Schedules. Many of these items are outside the scope of the actuarial valuation. However, following is information to assist the District in complying with GASB 74/75 disclosure requirements:

**Paragraph 50:** **Information about the OPEB Plan**

Most of the information about the OPEB plan should be supplied by Long Beach CCD. Following is information to help fulfill Paragraph 50 reporting requirements.

50.c: Following is a table of plan participants

| | Number of Participants |
|---|---|
| Inactive Employees Currently Receiving Benefit Payments | 184 |
| Inactive Employees Entitled to But Not Yet Receiving Benefit Payments* | 0 |
| Participating Active Employees | 803 |
| Total Number of participants | 987 |

*We were not provided with information about any terminated, vested employees

**Paragraph 51:** **Significant Assumptions and Other Inputs**

shown in Appendix C.

**Paragraph 52:** **Information Related to Assumptions and Other Inputs**

The following information is intended to assist Long Beach CCD in complying with the requirements of Paragraph 52.

52.b: Mortality Assumptions Following are the tables the mortality assumptions are based upon. Inasmuch as these tables are based on appropriate populations, and that these tables are used for pension purposes, we believe these tables to be the most appropriate for the valuation.

| Mortality Table | 2009 CalSTRS Mortality |
|---|---|
| Disclosure | The mortality assumptions are based on the 2009 CalSTRS Mortality table created by CalSTRS. CalSTRS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalSTRS analysis. |

| | |
|---|---|
| Mortality Table | 2014 CalPERS Retiree Mortality for Miscellaneous Employees |
| Disclosure | The mortality assumptions are based on the 2014 CalPERS Retiree Mortality for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis. |
| Mortality Table | 2014 CalPERS Active Mortality for Miscellaneous Employees |
| Disclosure | The mortality assumptions are based on the 2014 CalPERS Active Mortality for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis. |

52.c: Experience Studies Following are the tables the retirement and turnover assumptions are based upon. Inasmuch as these tables are based on appropriate populations, and that these tables are used for pension purposes, we believe these tables to be the most appropriate for the valuation.

Retirement Tables

| | |
|---|---|
| Retirement Table | 2009 CalSTRS Retirement Rates |
| Disclosure | The retirement assumptions are based on the 2009 CalSTRS Retirement Rates table created by CalSTRS. CalSTRS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool. |

| | |
|---|---|
| Retirement Table | 2009 CalPERS 2.0%@60 Rates for Miscellaneous Employees |
| Disclosure | The retirement assumptions are based on the 2009 CalPERS 2.0%@60 Rates for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool. |

| | |
|---|---|
| Retirement Table | 2009 CalPERS Retirement Rates for School Employees |
| Disclosure | The retirement assumptions are based on the 2009 CalPERS Retirement Rates for School Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool. |

Turnover Tables

| Turnover Table | 2009 CalSTRS Termination Rates |
|---|---|
| Disclosure | The turnover assumptions are based on the 2009 CalSTRS Termination Rates table created by CalSTRS. CalSTRS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool. |

| Turnover Table | 2009 CalPERS Termination Rates for School Employees |
|---|---|
| Disclosure | The turnover assumptions are based on the 2009 CalPERS Termination Rates for School Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool. |

For other assumptions, we use actual plan provisions and plan data.

52.d: The alternative measurement method was not used in this valuation.

52.e: NOL Using alternative trend assumptions The following table shows the Net OPEB Liability with a health care cost trend rate 1% higher and 1% lower than assumed in the valuation.

| | Trend 1% Lower | Valuation Trend | Trend 1% Higher |
|---|---|---|---|
| Net OPEB Liability | $32,000,922 | $35,630,575 | $40,137,874 |

**Paragraph 53:** **Discount Rate**

The following information is intended to assist Long Beach CCD to comply with Paragraph 53 requirements.

53.a: A discount rate of 3.7% was used in the valuation.

53.b: We assumed that all contributions are from the employer.

53.c: We used historic 20 year real rates of return for each asset class along with our assumed long-term inflation assumption to set the discount rate. We offset the expected investment return by investment expenses of 25 basis points.

53.d: The interest assumption reflects a municipal bond rate. We used the Bond Buyer 20 Index at June 30, 2020 and rounded the rate resulting in a rate of 2.20%.

53.e: We used the municipal bond rate beyond 22 years to result in an equivalent valuation rate of 3.70%.

53.f: Following is the assumed asset allocation and assumed rate of return for each.

Futuris - Moderate Growth

| Asset Class | Percentage of Portfolio | Assumed Gross Return |
|---|---|---|
| All Fixed Income | 55.0000 | 4.5000 |
| Real Estate Investment Trusts | 4.0000 | 7.5000 |
| All Domestic Equities | 22.0000 | 7.5000 |
| All International Equities | 19.0000 | 7.5000 |

We looked at rolling periods of time for all asset classes in combination to appropriately reflect correlation between asset classes. That means that the average returns for any asset class don't necessarily reflect the averages over time individually, but reflect the return for the asset class for the portfolio average. We used geometric means.

53.g: The following table shows the Net OPEB liability with a discount rate 1% higher and 1% lower than assumed in the valuation.

| | Discount Rate 1% Lower | Valuation Discount Rate | Discount Rate 1% Higher |
|---|---|---|---|
| Net OPEB Liability | $39,959,227 | $35,630,575 | $32,305,192 |

**Paragraph 55:** **Changes in the Net OPEB Liability**

Please see reconciliation on page 9. Please see the notes for Paragraph 244 below for more information.

**Paragraph 56:** **Additional Net OPEB Liability Information**

The following information is intended to assist Long Beach CCD to comply with Paragraph 56 requirements.

56.a: The valuation date is June 30, 2019.
The measurement date is June 30, 2020.
56 b: We are not aware of a special funding arrangement.
56 c: The interest assumption changed from 5.80% to 3.70%.
56.d: There were no changes in benefit terms since the prior measurement date.
56.e: Not applicable
56.f: To be determined by the employer
56.g: To be determined by the employer
56.h: Other than contributions after the measurement, all deferred inflow and outflow balances are shown in Appendix F
56.i: Future recognition of deferred inflows and outflows is shown in Appendix F

**Paragraph 57:** **Required Supplementary Information**

57.a: Please see reconciliation on page 9. Please see the notes for Paragraph 244 below for more information.
57.b: These items are provided on page 9 for the current valuation, except for covered payroll, which should be determined based on appropriate methods.
57.c: We have not been asked to calculate an actuarially determined contribution amount.
57.d: We are not aware that there are any statutorily or contractually established contribution requirements.

**Paragraph 58:** **Actuarially Determined Contributions**

We have not been asked to calculate an actuarially determined contribution amount. We assume the District contributes on an ad hoc basis, but in an amount sufficient to fully fund the obligation over a period not to exceed 20 years.

**Paragraph 244:** **Transition Option**

Prior periods were not restated due to the fact that prior valuations were not rerun in accordance with GASB 75. It was determined that the time and expense necessary to rerun prior valuations and to restate prior financial statements was not justified.

## APPENDIX F: DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

### EXPERIENCE GAINS AND LOSSES

| | | | Increase (Decrease) in OPEB Expense Arising from the Recognition of Effects of Experience Gains and Losses (Measurement Periods) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Measurement Period | Experience (Gain)/Loss | Original Recognition Period (Years) | Amounts Recognized in OPEB Expense through 2019 | 2020 | Amounts to be Recognized in OPEB Expense after 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Thereafter |
| 2018-19 | ($8,251,888) | 9.6 | ($859,572) | ($859,572) | ($6,532,744) | ($859,572) | ($859,572) | ($859,572) | ($859,572) | ($859,572) | ($2,234,884) |
| 2019-20 | $0 | 0 | $0 | $0 | $0 | | | | | | |
| **Net Increase (Decrease) in OPEB Expense** | | | **($859,572)** | **($859,572)** | **($6,532,744)** | **($859,572)** | **($859,572)** | **($859,572)** | **($859,572)** | **($859,572)** | **($2,234,884)** |

## CHANGES OF ASSUMPTIONS

| | | | Increase (Decrease) in OPEB Expense Arising from the Recognition of Effects of Changes of Assumptions (Measurement Periods) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Measurement Period | Changes of Assumptions | Original Recognition Period (Years) | Amounts Recognized in OPEB Expense through 2019 | 2020 | Amounts to be Recognized in OPEB Expense after 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Thereafter |
| 2017-18 | $4,557,417 | 9.6 | $949,462 | $474,731 | $3,133,224 | $474,731 | $474,731 | $474,731 | $474,731 | $474,731 | $759,569 |
| 2019-20 | $7,611,813 | 9.6 | $0 | $792,898 | $6,818,915 | $792,898 | $792,898 | $792,898 | $792,898 | $792,898 | $2,854,425 |
| **Net Increase (Decrease) in OPEB Expense** | | | **$949,462** | **$1,267,629** | **$9,952,139** | **$1,267,629** | **$1,267,629** | **$1,267,629** | **$1,267,629** | **$1,267,629** | **$3,613,994** |

## INVESTMENT GAINS AND LOSSES

| | | | Increase (Decrease) in OPEB Expense Arising from the Recognition of Effects of Investment Gains and Losses (Measurement Periods) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Measurement Period | Investment (Gain)/Loss | Original Recognition Period (Years) | Amounts Recognized in OPEB Expense through 2019 | 2020 | Amounts to be Recognized in OPEB Expense after 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Thereafter |
| 2017-18 | ($91,971) | 5 | ($36,790) | ($18,395) | ($36,786) | ($18,395) | ($18,391) | | | | |
| 2018-19 | ($77,015) | 5 | ($15,403) | ($15,403) | ($46,209) | ($15,403) | ($15,403) | ($15,403) | | | |
| 2019-20 | ($2,496) | 5 | $0 | ($500) | ($1,996) | ($500) | ($500) | ($500) | ($496) | | |
| **Net Increase (Decrease) in OPEB Expense** | | | **($52,193)** | **($34,298)** | **($84,991)** | **($34,298)** | **($34,294)** | **($15,903)** | **($496)** | **$0** | **$0** |

## APPENDIX G: GLOSSARY OF RETIREE HEALTH VALUATION TERMS

Note: The following definitions are intended to help a *non*-actuary understand concepts related to retiree health valuations. Therefore, the definitions may not be actuarially accurate.

| | |
|---|---|
| Actuarial Cost Method: | A mathematical model for allocating OPEB costs by year of service. The only actuarial cost method allowed under GASB 74/75 is the entry age actuarial cost method. |
| Actuarial Present Value of Projected Benefit Payments: | The projected amount of all OPEB benefits to be paid to current and future retirees discounted back to the valuation or measurement date. |
| Deferred Inflows/Outflows of Resources: | A portion of certain items that can be deferred to future periods or that weren't reflected in the valuation. The former includes investment gains/losses, actuarial gains/losses, and gains/losses due to changes in actuarial assumptions or methods. The latter includes contributions made to a trust subsequent to the measurement date but before the statement date. |
| Discount Rate: | Assumed investment return net of all investment expenses. Generally, a higher assumed interest rate leads to lower service costs and total OPEB liability. |
| Fiduciary Net Position: | Net assets (liability) of a qualifying OPEB "plan" (i.e. qualifying irrevocable trust or equivalent arrangement). |
| Implicit Rate Subsidy: | The estimated amount by which retiree rates are understated in situations where, for rating purposes, retirees are combined with active employees and the employer is expected, in the long run, to pay the underlying cost of retiree benefits. |
| Measurement Date: | The date at which assets and liabilities are determined in order to estimate TOL and NOL. |
| Mortality Rate: | Assumed proportion of people who die each year. Mortality rates always vary by age and often by sex. A mortality table should always be selected that is based on a similar "population" to the one being studied. |
| Net OPEB Liability (NOL): | The Total OPEB Liability minus the Fiduciary Net Position. |
| OPEB Benefits: | Other Post Employment Benefits. Generally medical, dental, prescription drug, life, long-term care or other postemployment benefits that are not pension benefits. |
| OPEB Expense: | This is the amount employers must recognize as an expense each year. The annual OPEB expense is equal to the Service Cost plus interest on the Total OPEB Liability (TOL) plus change in TOL due to plan changes minus projected investment income; all adjusted to reflect deferred inflows and outflows of resources. |
| Participation Rate: | The proportion of retirees who elect to receive retiree benefits. A lower |

| | |
|---|---|
| | participation rate results in lower service cost and a TOL. The participation rate often is related to retiree contributions. |
| Retirement Rate: | The proportion of active employees who retire each year. Retirement rates are usually based on age and/or length of service. (Retirement rates can be used in conjunction with the service requirement to reflect both age and length of service). The more likely employees are to retire early, the higher service costs and actuarial accrued liability will be. |
| Service Cost: | The annual dollar value of the "earned" portion of retiree health benefits if retiree health benefits are to be fully accrued at retirement. |
| Service Requirement: | The proportion of retiree benefits payable under the OPEB plan, based on length of service and, sometimes, age. A shorter service requirement increases service costs and TOL. |
| Total OPEB Liability (TOL): | The amount of the actuarial present value of projected benefit payments attributable to employees' past service based on the actuarial cost method used. |
| Trend Rate: | The rate at which the employer's share of the cost of retiree benefits is expected to increase over time. The trend rate usually varies by type of benefit (e.g. medical, dental, vision, etc.) and may vary over time. A higher trend rate results in higher service costs and TOL. |
| Turnover Rate: | The rate at which employees cease employment due to reasons other than death, disability or retirement. Turnover rates usually vary based on length of service and may vary by other factors. Higher turnover rates reduce service costs and TOL. |
| Valuation Date: | The date as of which the OPEB obligation is determined by means of an actuarial valuation. Under GASB 74 and 75, the valuation date does not have to coincide with the statement date, but can't be more than 30 months prior. |