



Regional Water Authority
BUILDING ALLIANCES IN NORTHERN CALIFORNIA



Regional Water Authority

Other Post Employment Benefits (OPEB)

July 12, 2018



Overview

- OPEB Funding Policy Changes
- Highlights of OPEB Funding Report
- OPEB Funding Status
- Actuarial Determine Contribution
- Questions and Comments



OPEB Funding Policy Changes

- Incorporates some GASB 75 changes
- Funding policy is different than accounting policy
 - Accounting policy amortizes the variances over shorter time frames
- Actuarially Determined Contribution
 - vs. Actuarially Required Contribution
- Discount rate is not specified
 - Policy includes ability to modify rate for adverse conditions
- Amortizes unfunded liabilities over 10 years
 - Closed versus open method



OPEB Funding Policy Changes, cont.

- Explicit and Implicit Liability
 - Two distinct types of OPEB liability
- Explicit
 - RWA contributes directly toward expected retiree health care premiums.
 - Fund 100% of the explicit actuarial determined contribution
 - Represents the expected cash flow obligations to fund the retiree health benefits



OPEB Funding Policy Changes, cont.

- Implicit
 - Exists when retiree health care premiums are less than expected retiree claims for coverage
 - RWA pays the same premiums for active employees and retirees
 - Assumption is active employee premiums are subsidizing retiree premiums
 - Policy allows flexibility to fund implicit subsidy
 - Evaluate if actuarial plan assets exceed future plan benefits
 - If assets < future plan benefits, funding is expected
 - If premiums are not age rated, implicit subsidy won't be necessary



Highlights of July 1, 2017 OPEB Biennial Valuation Report

- Actuarially determined by Macleod Watts
- Determines Actuarial Determined Contribution for FY 2019 and FY 2020
 - Explicit and Implicit
- 7.0% Discount rate for valuation
 - Same as 2015
 - Current 7.0% rate equivalency to a 5.75% discount rate for the explicit portion only
 - Includes a .28% buffer (7.28% vs. 7.0%)
 - Not guaranteed



Highlights of July 1, 2017 OPEB Biennial Valuation Report, con't.

- Discount rate assumes funding both explicit and implicit
- Assumes continued investment in CERBT Strategy 1
- Includes additional legislative advocacy position
- Includes higher future health care costs
- Refines future retirement dates

OPEB Funded Status

- Status of OPEB plan at June 30, 2017 @ 7.0% discount rate

Subsidy	Explicit	Implicit	Total
Actuarial Accrued Liability	\$ 863,611	\$209,912	\$ 1,073,523
Actuarial Value of Assets	954,941	26,088	981,029
Unfunded Actuarial Accrued Liability	\$ (91,330)	\$183,824	\$ 92,494
Funded Ratio	110.6%	12.4%	91.4%

- Snapshot in time with set of assumptions
- Fully funded explicit subsidy
- Still funding implicit subsidy
 - Evaluate biennially to determine status of funding – Total assets should be less than current and future explicit OPEB needs (APVPB)

Subsidy	Explicit	Implicit	Total
Actuarially Present Value of Proj. Benefits →	\$ 1,130,239	\$281,059	\$ 1,411,298
Actuarial Value of Assets	954,941	26,088	981,029 ←
Difference	\$ 175,298	\$254,971	\$ 430,269

Actuarial Determined Contribution

- From the draft July 1, 2017 OPEB Valuation report, using 7.0% discount rate

For FYE 2019	Explicit	Implicit	Total
Normal Cost	\$52,835	\$13,400	\$66,235
Amortization of UAAL	(10,546)	23,729	13,183
Interest to fiscal year end	2,960	2,599	5,559
Actuarially Determined Contribution for FY19	45,249	39,728	84,977
Less: Implicit subsidy credit paid in health premiums		(26,552)	(26,552)
Total Cash required for FY19	\$45,249	\$13,176	\$58,425
OPEB Budget FY19			\$83,201

- Cash requirement of \$58K is less than budgeted of \$83K
- For FY 2019, it is estimated that RWA pays \$26,552 higher health care premiums to subsidize the retiree health care. This subsidy can be applied towards the FY 2019 OPEB contribution.



Questions and Discussion