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

- 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)

### Actuarial Accrued Liability

<table>
<thead>
<tr>
<th>Subsidy</th>
<th>Explicit</th>
<th>Implicit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial Accrued Liability</td>
<td>$863,611</td>
<td>$209,912</td>
<td>$1,073,523</td>
</tr>
<tr>
<td>Actuarial Value of Assets</td>
<td>954,941</td>
<td>26,088</td>
<td>981,029</td>
</tr>
</tbody>
</table>

### Unfunded Actuarial Accrued Liability

<table>
<thead>
<tr>
<th>Subsidy</th>
<th>Explicit</th>
<th>Implicit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unfunded Actuarial Accrued Liability</td>
<td>$(91,330)</td>
<td>$183,824</td>
<td>$92,494</td>
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</table>

### Funded Ratio

<table>
<thead>
<tr>
<th></th>
<th>Explicit</th>
<th>Implicit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funded Ratio</td>
<td>110.6%</td>
<td>12.4%</td>
<td>91.4%</td>
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</tbody>
</table>

### Actuarially Present Value of Proj. Benefits

<table>
<thead>
<tr>
<th>Subsidy</th>
<th>Explicit</th>
<th>Implicit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarially Present Value of Proj. Benefits</td>
<td>$1,130,239</td>
<td>$281,059</td>
<td>$1,411,298</td>
</tr>
<tr>
<td>Actuarial Value of Assets</td>
<td>954,941</td>
<td>26,088</td>
<td>981,029</td>
</tr>
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</table>

### Difference

<table>
<thead>
<tr>
<th>Subsidy</th>
<th>Explicit</th>
<th>Implicit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difference</td>
<td>$175,298</td>
<td>$254,971</td>
<td>$430,269</td>
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</table>
Actuarial Determined Contribution

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

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

- 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