

City of Moreno Valley

GASB 75 Disclosures for Fiscal Year Ending June 30, 2023
Based on OPEB Valuation as of June 30, 2022

CONTACT

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GovInvest
The Financial Forecasting Authority

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Actuarial Certification

Ms. Dena Heald
City of Moreno Valley
14177 Frederick St.
Moreno Valley, CA 92553

GovInvest has been engaged by City of Moreno Valley to complete an actuarial valuation of the City of Moreno Valley OPEB Plan as of June 30, 2022 which will be used as the basis of the financial accounting disclosure for fiscal year ending June 30, 2023 in accordance with GASB Statement No. 75 (Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions).

The purpose of this report is to provide the City with recommended contributions as well as required information needed for financial statement disclosure purposes. The use of this report for any other purpose may not be appropriate. The content of this report may not be modified, reproduced, or provided to third parties, either in whole or in part, without our permission. GovInvest is not responsible for usage, inference, or misinterpretation of this report by third parties.

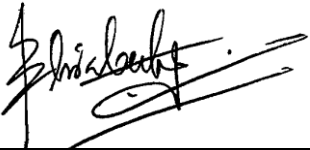
Results presented in this report are based on the census data, substantive plan provisions, and healthcare cost information provided by the City and/or their benefit consultants. All information provided has been reviewed for reasonableness and clarifications or corrections have been requested where appropriate. We have not audited the information at the source, and therefore, do not accept responsibility for the accuracy or completeness of the data on which the information is based. Assumptions made related to missing data have been identified in this report. We are satisfied that the information provided is suitable and sufficient for the purpose of the measurement.

The valuation results were prepared using leased actuarial modeling software that produces results consistent with the purpose of this valuation and meets applicable regulatory requirements. The vendor is responsible for the development, maintenance, and improvement of these models. The models include comprehensive technical documentations that outline how the calculations are performed along with sample life outputs that allow the users to confirm with high degree of accuracy how the programmed benefit is applied to an individual with the proposed decrements and other assumptions. The actuarial team loads the participant data, programs the benefit provisions and proposed assumptions into the model and review sample life outputs and results under the supervision of credentialed actuaries who are proficient users of the software. We are not aware of any material limitations in the model nor any material inconsistencies in the assumptions used within the model.

The discount rate, other economic, and demographic assumptions have been selected by the City with our recommendations and concurrence. We believe each assumption is reasonable based on its own merits and in combination represents reasonable expected experience of the Plan. All calculations have been completed in accordance with generally accepted actuarial principles and practices.

Future actuarial measurements may differ significantly from current measurements due to factors such as actual plan experience that differs from that anticipated by the economic and demographic assumptions as well as changes in future assumptions, substantive plan provisions, and/or applicable law. We have not analyzed the potential range of such differences due to the limited scope of our engagement. To our knowledge, there are no significant events prior to the current year's Measurement Date or as of the date of this report that may materially affect the results presented herein.

The undersigned meets the General Qualification Standards of the American Academy of Actuaries for the purpose of issuing Statement of Actuarial Opinion in the United States. Neither GovInvest nor any of its employees have any relationship with the Plan Sponsor that could impair or appear to impair the objectivity of this report.



Evi Laksana, ASA, MAAA
August 30, 2023

Section 1: Executive Summary

City of Moreno Valley (the “City”) sponsors a single-employer defined benefit OPEB plan that provides medical and prescription drug coverage at retirement. Employees may continue health coverage with the City at retirement for themselves, their spouses, and dependents for life once they meet certain eligibility requirements and as long as required contributions are made.

The results presented in this report are based on the June 30, 2022 valuation with liabilities and assets measured as of June 30, 2022, for use in the City’s accrual-based financial statement for the fiscal year ending June 30, 2023. The City has elected to use the GASB 75 “lookback” method where assets and liabilities are measured as of the prior fiscal year-end but applied to the current fiscal year. The June 30, 2022 valuation uses census data of (a) active employees who will be eligible to receive benefits in the future and (b) existing retirees who are currently receiving these benefits as of June 30, 2022, as well as healthcare cost information effective on January 1, 2022 provided by the Plan Sponsor and/or their healthcare consultant.

The actuarial valuation is based on substantive plan provisions outlined in Section 6. The valuation requires assumptions which are listed in Section 7. Results from the June 30, 2022 valuation may be rolled-forward for use in the Plan Sponsor’s accrual-based financial statement disclosure for the fiscal year ending June 30, 2024 assuming that there are no material changes to the substantive plan provisions and/or the covered population.

The Plan Sponsor’s next full valuation is as of June 30, 2024 with liabilities and assets measured as of June 30, 2024 for reporting in the Plan Sponsor’s accrual-based financial statements for the fiscal year ending June 30, 2025.

Changes Since Prior Valuation

The City’s Net OPEB Liability has increased from \$5,274,815 as of June 30, 2021 to \$5,733,797 as of June 30, 2022, which is attributable to a combination of the following factors:

1. Less favorable actual asset performance compared to expected that contributed to an increase in the City’s Net OPEB Liability.
2. Favorable demographic experience and lower healthcare cost increase than expected that produce a liability decrease.
3. Assumption changes as outlined in Section 7 that produce a net liability increase.

Summary of Results

Presented below is the summary of results for the current fiscal year compared to the prior fiscal year.

Fiscal Years	2022/23	2021/22
Valuation Date (VD)	June 30, 2022	June 30, 2020
Measurement Date (MD)	June 30, 2022	June 30, 2021
Membership Data as of Valuation Date		
Inactive employees or beneficiaries currently receiving benefits ¹	177	147
Inactive employees entitled to but not yet receiving benefits ²	80	134
Active employees	316	320
Total membership	573	601
Discount Rate at Measurement Date		
Municipal Bond Index Rate	4.09%	2.19%
Long-term Expected Asset Return	6.00%	7.00%
Year in which Fiduciary Net Position is projected to be depleted	N/A	N/A
Single Equivalent Discount Rate (SEDR)	6.00%	6.17%
Net OPEB Liability as of Measurement Date		
Total OPEB Liability (TOL)	\$ 19,889,603	\$ 20,689,327
Fiduciary Net Position (FNP)	(14,155,806)	(15,414,512)
Net OPEB Liability (NOL = TOL – FNP)	\$ 5,733,797	\$ 5,274,815
Funded Status (FNP / TOL)	71.2%	74.5%

¹ Prior year inactive employees or beneficiaries currently receiving benefits enrollment includes 101 retirees and surviving spouses and 46 spouses of living retirees. Current year inactive employees or beneficiaries currently receiving benefits enrollment includes 177 retirees and surviving spouses only and exclude spouses of living retirees covered under the plan to comply with GASB requirements on enrollment reporting. Out of these 177 retirees and surviving spouses, 52 of them are not enrolled in CalPERS health plans but receiving additional City subsidy.

² Prior year inactive employees entitled to but not yet receiving benefits includes 54 retirees who were receiving additional City subsidy but not enrolled in CalPERS health plans. In this year's valuation, all retirees receiving additional City subsidy but not enrolled in CalPERS health plans (52) are included in the inactive employees or beneficiaries currently receiving benefits enrollment.

Fiscal Years	2022/23	2021/22
Valuation Date (VD)	June 30, 2022	June 30, 2020
Measurement Date (MD)	June 30, 2022	June 30, 2021
OPEB Expense / (Income) by Fiscal Year	\$ 766,352	\$ 795,079
Balance of unamortized Deferred Inflows at MD	\$ (2,137,228)	\$ (2,705,603)
Balance of unamortized Deferred Outflows at MD	\$ 4,067,215	\$ 3,575,652
Actuarially Determined Contribution by Fiscal Year³	\$ 1,405,197	\$ 1,367,308

³ Actuarially Determined Contributions (ADCs) for FY 2021/22 and FY 2022/23 are as shown in the City of Moreno Valley GASB 75 OPEB Valuation Report for fiscal year ending June 30, 2022 prepared by Precision Actuarial, Inc. dated 8/9/2022.

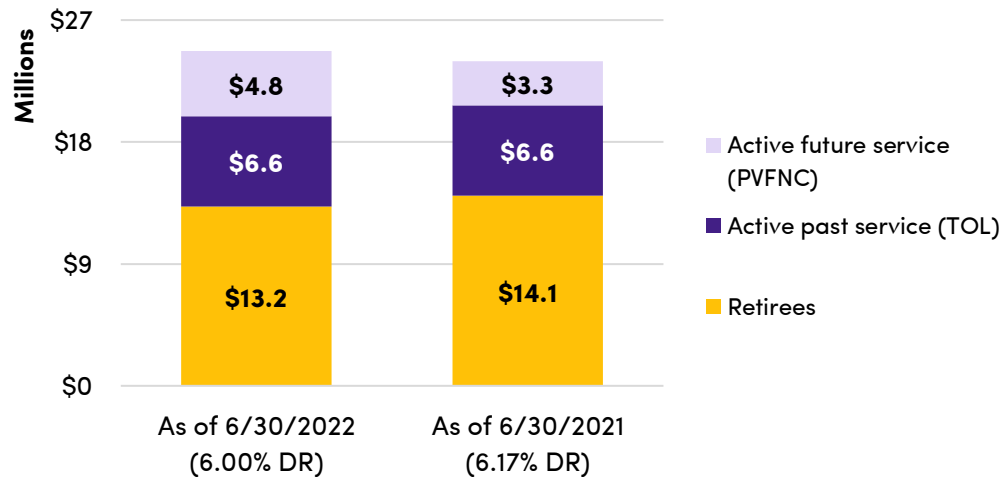
Below is a breakdown of the OPEB liability allocated to past and current service as of the Measurement Date compared to the prior Measurement Date. The liability below includes explicit subsidy (if any) and implicit subsidy. Refer to the Substantive Plan Provisions section for complete information on the City benefit provisions.

Present Value of Future Benefits (PVFB)	As of June 30, 2022	As of June 30, 2021
Active employees	\$ 11,459,801	\$ 9,877,763
Retired employees	13,247,940	14,061,978
Total PVFB	\$ 24,707,741	\$ 23,939,741

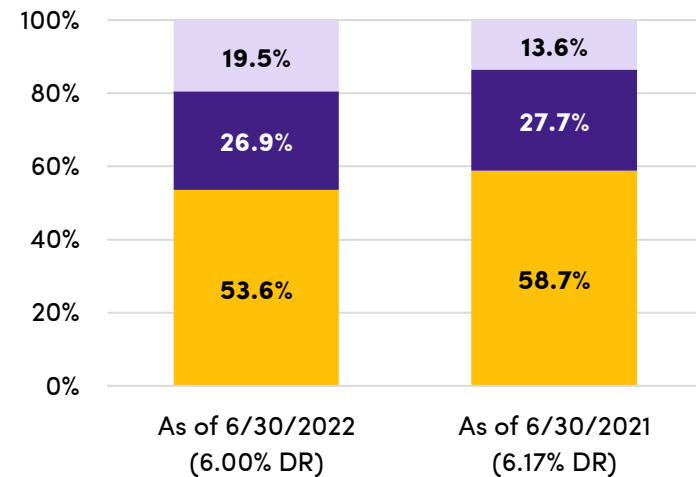
Total OPEB Liability (TOL)	As of June 30, 2022	As of June 30, 2021
Active employees	\$ 6,641,663	\$ 6,627,349
Retired employees	13,247,940	14,061,978
Total TOL	\$ 19,889,603	\$ 20,689,327

	As of June 30, 2022	As of June 30, 2021
Discount Rate	6.00%	6.17%

OPEB Liability Breakdown (\$)



OPEB Liability Breakdown (%)



Section 2: Financial Disclosures

This section provides the necessary accounting disclosures for the City’s financial reports as shown in the following tables:

Table 1: Plan Demographics

Table 2: Brief Summary of Assumptions

Table 3: OPEB Expense

Table 4: Net OPEB Liability Sensitivity (Discount Rate)

Table 5: Net OPEB Liability Sensitivity (Healthcare Trend Rates)

Table 6: Historical Deferred Inflows and Outflows

Table 7: Unamortized Balance of Deferred Inflows and Outflows

Table 8: Schedule of Future Amortization of Deferred Inflows and Outflows

Summary of Membership and Assumptions

The table below shows the number of employees covered by the benefit terms as of June 30, 2022.

Table 1 - Plan Demographics

Inactive employees or beneficiaries currently receiving benefits	177
Inactive employees entitled to but not yet receiving benefits	80
Active employees	316
Total membership	573

The Total OPEB Liability (TOL) as of June 30, 2022 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. For a complete list of assumptions, refer to Section 7.

Table 2 - Brief Summary of Assumptions

Inflation	2.30%
Payroll growth	2.80% wage inflation plus seniority, merit, and promotion salary increases based on CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021
Investment rate of return	6.00%
Discount rate	6.00%
Healthcare trend rates	Based on 2022 Getzen model that reflects actual premium increases from 2022 to 2023 ⁴ followed by 6.50% non-Medicare / 4.00% Medicare decreasing gradually to an ultimate rate of 3.73% by 2075

⁴ Actual premium increases from 2022 to 2023 used in the valuation are as follows: (a) Actives: 5.80% non-Medicare / -2.30% Medicare and (b) Retirees: 8.70% non-Medicare / 1.90% Medicare.

OPEB Expense

The table below shows a comparison of the OPEB Expense recognized by the City for the current and prior fiscal years.

Table 3 - OPEB Expense

Fiscal Years	2022/23	2021/22
SEDR as of beginning of year	6.17%	6.17%
SEDR as of end of year	6.00%	6.17%
Service Cost	\$ 453,543	\$ 441,404
Interest on TOL and Service Cost	1,272,484	1,250,876
Changes of benefit terms	0	0
Projected earnings on OPEB Plan investments	(1,111,615)	(684,529)
OPEB Plan administrative expenses net of all revenues	4,116	4,560
Current period recognition of Deferred Inflows / Outflows of Resources		
Difference between expected and actual experience in the TOL	\$ (307,746)	\$ 10,657
Changes of assumptions or other inputs	258,872	185,751
Net difference between the projected and actual earnings on OPEB Plan investments	196,698	(413,640)
Other	0	0
Total current period recognition	\$ 147,824	\$ (217,232)
OPEB Expense	\$ 766,352	\$ 795,079

Schedule of Changes in Net OPEB Liability

Fiscal Year Ending June 30	2023	2022	2021	2020	2019
Measurement Period Ending June 30	2022	2021	2020	2019	2018
Total OPEB Liability (TOL)					
Service Cost	\$ 453,543	\$ 441,404	\$ 459,956	\$ 360,905	\$ 0
Interest on TOL and Service Cost	1,272,484	1,250,876	1,178,040	1,212,957	0
Changes of benefit terms	0	0	0	0	0
Difference between expected & actual experience	(1,910,420)	(352,233)	475,121	(200,112)	135,598
Changes of assumptions or other inputs	438,727	29,971	109,418	1,961,763	(854,050)
Benefit payments	(1,054,058) ⁵	(1,025,617)	(1,021,392)	(984,625)	26,466
Net change in TOL	\$ (799,724)	\$ 344,401	\$ 1,201,143	\$ 2,350,888	\$ (691,986)
TOL – beginning	\$ 20,689,327	\$ 20,344,926	\$ 19,143,783	\$ 16,792,895	\$ 17,484,881
TOL – ending	\$ 19,889,603	\$ 20,689,327	\$ 20,344,926	\$ 19,143,783	\$ 16,792,895
Plan Fiduciary Net Position (FNP)					
Contributions – employer	\$ 2,005,598	\$ 1,838,078	\$ 934,040	\$ 956,519	\$ 0
Other additions	0	0	0	(10,898)	0
Benefit payments	(1,054,058)	(1,025,617)	(1,021,392)	(984,625)	26,466
Net investment income	(2,206,130)	3,309,203	421,628	670,718	(72,538)
Trust administrative expenses	(4,116)	(4,560)	(5,640)	(2,350)	(66)
Net change in Plan FNP	\$ (1,258,706)	\$ 4,117,104	\$ 328,636	\$ 629,364	\$ (46,138)
FNP – beginning	\$ 15,414,512	\$ 11,297,408	\$ 10,968,772	\$ 10,339,408	\$ 10,385,546
FNP – ending	\$ 14,155,806	\$ 15,414,512	\$ 11,297,408	\$ 10,968,772	\$ 10,339,408
Net OPEB Liability – ending	\$ 5,733,797	\$ 5,274,815	\$ 9,047,518	\$ 8,175,011	\$ 6,453,487
FNP as % of TOL	71.2%	74.5%	55.5%	57.3%	61.6%
Covered payroll – measurement period	\$ 24,579,873	\$ 23,236,495	\$ 21,287,842	\$ 24,421,260	\$ 20,682,710
NOL as % of covered payroll	23.3%	22.7%	42.5%	33.5%	31.2%

⁵ Based on employer contributions outside of trust shown in the CERBT Schedule of Changes in Fiduciary Net Position by Employer as of and for the Year Ended June 30, 2022.

Schedule of Changes in Net OPEB Liability (Continued)

Fiscal Year Ending June 30	2018	2017
Measurement Period Ending June 30	2018	2017
Total OPEB Liability (TOL)		
Service Cost	\$ 409,532	\$ 397,604
Interest on TOL and Service Cost	1,149,342	1,103,301
Changes of benefit terms	0	0
Difference between expected & actual experience	0	0
Changes of assumptions or other inputs	0	0
Benefit payments	(986,334)	(977,892)
Net change in TOL	\$ 572,540	\$ 523,013
TOL – beginning	\$ 16,912,341	\$ 16,389,328
TOL – ending	\$ 17,484,881	\$ 16,912,341
Plan Fiduciary Net Position (FNP)		
Contributions – employer	\$ 927,877	\$ 1,116,747
Other additions	0	0
Benefit payments	(986,334)	(977,892)
Net investment income	423,688	1,450,417
Trust administrative expenses	(5,244)	(4,601)
Net change in Plan FNP	\$ 359,987	\$ 1,584,671
FNP – beginning	\$ 10,025,559	\$ 8,440,888
FNP – ending	\$ 10,385,546	\$ 10,025,559
Net OPEB Liability – ending	\$ 7,099,335	\$ 6,886,782
FNP as % of TOL	59.4%	59.3%
Covered payroll – measurement period	\$ 20,129,158	\$ 21,269,539
NOL as % of covered payroll	35.3%	32.4%

Schedule of Employer Contribution

Fiscal Year Ending	2023	2022	2021	2020	2019
Actuarially Determined Contribution (ADC)	\$ 1,405,197	\$ 1,367,308	\$ 1,114,937	\$ 908,656	\$ 0
Contributions in relation to the ADC	\$ 1,367,308	\$ 2,005,598	\$ 1,838,078	\$ 934,040	\$ 956,519
Contribution deficiency / (excess)	\$ 37,889	\$ (638,290)	\$ (723,141)	\$ (25,384)	\$ (956,519)
Covered-employee payroll – employer fiscal year	\$ 22,296,347	\$ 24,579,873	\$ 23,236,495	\$ 21,287,842	\$ 24,421,260
Contributions as a % of covered-employee payroll	6.1%	8.2%	7.9%	4.4%	3.9%

Fiscal Year Ending	2018	2017
Actuarially Determined Contribution (ADC)	\$ 659,902	\$ 642,132
Contributions in relation to the ADC	\$ 927,877	\$ 1,116,747
Contribution deficiency / (excess)	\$ (267,975)	\$ (474,615)
Covered-employee payroll – employer fiscal year	\$ 20,682,710	\$ 21,269,539
Contributions as a % of covered-employee payroll	4.5%	5.3%

Net OPEB Liability Sensitivity

The following presents the Net OPEB Liability of the City, as well as what the City’s Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate as of June 30, 2022.

Table 4 - Net OPEB Liability Sensitivity (Discount Rate)

	1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)
Net OPEB Liability / (Asset)	\$ 7,940,288	\$ 5,733,797	\$ 3,868,565

The following presents the Net OPEB Liability of the City, as well as what the City’s Net OPEB Liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates as of June 30, 2022.

Table 5 - Net OPEB Liability Sensitivity (Healthcare Trend Rates)

	1% Decrease	Healthcare Trend Rates ⁶	1% Increase
Net OPEB Liability / (Asset)	\$ 4,510,540	\$ 5,733,797	\$ 7,126,918

⁶ Comparison of Baseline, 1% Decrease, and 1% Increase in healthcare trend rates assumptions are as shown below. Refer to Section 7 for actual premium increases from 2022 to 2023 used in the valuation.

1% Decrease	Baseline	1% Increase
Actual premium increases from 2022 to 2023 less 1.00% followed by 5.50% non-Medicare / 3.00% Medicare decreasing gradually to an ultimate rate of 2.73% by 2075	Actual premium increases from 2022 to 2023 followed by 6.50% non-Medicare / 4.00% Medicare decreasing gradually to an ultimate rate of 3.73% by 2075	Actual premium increases from 2022 to 2023 plus 1.00% followed by 7.50% non-Medicare / 5.00% Medicare decreasing gradually to an ultimate rate of 4.73% by 2075

Deferred Inflows and Deferred Outflows of Resources Related to OPEB

The tables below show changes in the Net OPEB Liability that have not been included in the OPEB expense for the following items:

1. Differences between expected and actual experience of the OPEB plan
2. Changes in assumptions
3. Differences between projected and actual earnings on the OPEB plan investments

The initial amortization base for the first two items above are amortized linearly over the average expected remaining service lives of active and inactive employees. The difference between projected and actual earnings on the OPEB plan investments is amortized linearly over five years.

Table 6 - Historical Deferred Inflows and Outflows

Differences between expected and actual experience

Measurement Period Ending	Fiscal Year Ending	Initial Balance	Initial Amortization Period	Annual Recognition	Recognized in OPEB Expense through June 30, 2022	Unamortized Balance as of June 30, 2022
6/30/2017	6/30/2017	\$ 0	N/A	\$ 0	\$ 0	\$ 0
6/30/2018	6/30/2018	\$ 0	N/A	\$ 0	\$ 0	\$ 0
6/30/2018	6/30/2019	\$ 135,598	6.80	\$ 19,941	\$ 99,705	\$ 35,893
6/30/2019	6/30/2020	\$ (200,112)	6.80	\$ (29,429)	\$ (117,716)	\$ (82,396)
6/30/2020	6/30/2021	\$ 475,121	6.10	\$ 77,889	\$ 233,667	\$ 241,454
6/30/2021	6/30/2022	\$ (352,233)	6.10	\$ (57,744)	\$ (115,488)	\$ (236,745)
6/30/2022	6/30/2023	\$ (1,910,420)	6.00	\$ (318,403)	\$ (318,403)	\$ (1,592,017)

Changes in assumptions or other inputs

Measurement Period Ending	Fiscal Year Ending	Initial Balance	Initial Amortization Period	Annual Recognition	Recognized in OPEB Expense through June 30, 2022	Unamortized Balance as of June 30, 2022
6/30/2017	6/30/2017	\$ 0	N/A	\$ 0	\$ 0	\$ 0
6/30/2018	6/30/2018	\$ 0	N/A	\$ 0	\$ 0	\$ 0
6/30/2018	6/30/2019	\$ (854,050)	6.80	\$ (125,596)	\$ (627,980)	\$ (226,070)
6/30/2019	6/30/2020	\$ 1,961,763	6.80	\$ 288,495	\$ 1,153,980	\$ 807,783
6/30/2020	6/30/2021	\$ 109,418	6.10	\$ 17,938	\$ 53,814	\$ 55,604
6/30/2021	6/30/2022	\$ 29,971	6.10	\$ 4,914	\$ 9,828	\$ 20,143
6/30/2022	6/30/2023	\$ 438,727	6.00	\$ 73,121	\$ 73,121	\$ 365,606

Differences between projected and actual earnings on OPEB plan investments

Measurement Period Ending	Fiscal Year Ending	Initial Balance	Initial Amortization Period	Annual Recognition	Recognized in OPEB Expense through June 30, 2022	Unamortized Balance as of June 30, 2022
6/30/2017	6/30/2017	\$ (854,695)	5.00	\$ 0	\$ (854,695)	\$ 0
6/30/2018	6/30/2018	\$ 266,057	5.00	\$ 0	\$ 266,057	\$ 0
6/30/2018	6/30/2019	\$ 72,538	5.00	\$ 14,506	\$ 72,538	\$ 0
6/30/2019	6/30/2020	\$ (34,391)	5.00	\$ (6,878)	\$ (27,515)	\$ (6,876)
6/30/2020	6/30/2021	\$ 252,276	5.00	\$ 50,456	\$ 151,368	\$ 100,908
6/30/2021	6/30/2022	\$ (2,624,674)	5.00	\$ (524,935)	\$ (1,049,870)	\$ (1,574,804)
6/30/2022	6/30/2023	\$ 3,317,745	5.00	\$ 663,549	\$ 663,549	\$ 2,654,196

The table below shows the unamortized balance of Deferred Inflows and Outflows of Resources as of June 30, 2022 for financial statement disclosure for the fiscal year ending June 30, 2023.

Table 7 - Unamortized Balance of Deferred Inflows and Outflows

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 277,347	\$ (1,911,158)
Changes in assumptions or other inputs	1,249,136	(226,070)
Net difference between projected and actual earnings on OPEB plan investments	1,173,424	0
Employer contribution subsequent to the Measurement Date	1,367,308 ⁷	0
Total	\$ 4,067,215	\$ (2,137,228)

Schedule of future annual amortizations of Deferred Inflows and Outflows that will be recognized in future OPEB expense is as shown below.

Table 8 - Schedule of Future Deferred Inflows and Outflows Amortization

Measurement Period Ending	Amounts
2023	\$ 133,320
2024	\$ 161,325
2025	\$ 143,585
2026	\$ 375,014
2027	\$ (250,565)
Thereafter	\$ 0

⁷ Employer contribution in FY 2022/23 is equal to the FYE 6/30/2022 Actuarially Determined Contribution as shown in the City of Moreno Valley GASB 75 OPEB Valuation Report for fiscal year ending June 30, 2022 prepared by Precision Actuarial, Inc. dated 8/9/2022.

Section 3: Asset Information

Funding Policy

The City has an OPEB Trust that is invested in California Employers' Retiree Benefit Trust (CERBT) Strategy 1, which is a qualified irrevocable trust. The City intends to contribute 100% of the sum of and amortization (both with interest) each year until the plan is fully funded, and then contribute the greater of the service cost or the total of the benefit payments and the implicit subsidy.

Asset Breakdown⁸

As of	June 30, 2022	June 30, 2021
Assets		
Cash and cash equivalents	\$ 0	\$ 0
Investments		
Global equity	\$ 6,936,345	\$ 9,094,562
Fixed income	3,255,835	3,853,628
Treasury Inflation-Protected Securities (TIPS)	707,790	770,726
Real Estate Investment Trusts (REITs)	2,831,161	1,233,161
Commodities	424,675	462,435
Total investments	\$ 14,155,806	\$ 15,414,512
Total assets	\$ 14,155,806	\$ 15,414,512
Liabilities		
Accounts payable	\$ 0	\$ 0
Total liabilities	\$ 0	\$ 0
Net asset available for benefits	\$ 14,155,806	\$ 15,414,512

⁸ Asset breakdown by investment class as of June 30, 2021 and June 30, 2022 are based on the target allocation for CERBT Strategy 1. The target allocation used to allocate June 30, 2022 asset is based on the new proposed portfolios approved by the CalPERS Board of Administration in the Spring of 2022.

Reconciliation of Assets

Measurement Periods	2021/22	2020/21
Additions		
Contributions received		
Employer	\$ 2,005,598	\$ 1,838,078
Employees	0	0
Total contributions	\$ 2,005,598	\$ 1,838,078
Investment income		
Interest and dividend	\$ 0	\$ 0
Net increase/(decrease) in fair value of investments	(2,206,130)	3,309,203
Accrued income	0	0
Investment expense	0	0
Net investment income	\$ (2,206,130)	\$ 3,309,203
Total additions	\$ (200,532)	\$ 5,147,281
Deductions		
Benefit payments net of retiree contributions	\$ (1,054,058)	\$ (1,025,617)
Administrative expenses	(4,116)	(4,560)
Total deductions	\$ (1,058,174)	\$ (1,030,177)
Change in net position	\$ (1,258,706)	\$ 4,117,104
Net position – beginning of year	\$ 15,414,512	\$ 11,297,408
Net position – end of year	\$ 14,155,806	\$ 15,414,512

Section 4: Actuarially Determined Contribution

Actuarially Determined Contribution (ADC) is the recommended contribution that, if paid on an ongoing basis, is expected to provide sufficient resources to fund (a) future normal cost (cost for new service) and (b) the amortized unfunded liabilities (cost for past service). There is no requirement to fund OPEB benefit under GASB 75 and it is up to the Plan Sponsor's discretion to determine the OPEB contributions based on their fiscal situation.

Contribution Years	2023/24	2024/25
Funding discount rate	6.00%	6.00%
Amortization method	Level % of Pay	Level % of Pay
Payroll growth	2.80%	2.80%
Amortization period	13 years	12 years
Actuarial Accrued Liability (AAL) – beginning of year ⁹	\$ 20,354,936	\$ 20,763,916
Actuarial Value of Assets (AVA) – beginning of year ¹⁰	(15,255,255)	(16,162,717)
Unfunded AAL (UAAL) – beginning of year	\$ 5,099,681	\$ 4,601,199
Normal Cost – end of year	\$ 552,330	\$ 572,932
Amortization of UAAL – beginning of year	468,407	451,316
Total Normal Cost and amortization of UAAL	\$ 1,020,737	\$ 1,024,248
Interest adjustment for end of year payment	61,244	61,455
Trust administrative expenses	8,203	8,691
Actuarially Determined Contribution (ADC)	\$ 1,090,184	\$ 1,094,394
Expected benefit payments	\$ 1,306,291	\$ 1,342,697

⁹ Fiscal years 2023/24 and 2024/25 AALs as of beginning of year is based on June 30, 2022 OPEB valuation results projected to June 30, 2023 and June 30, 2024 on a “no gain/loss” basis.

¹⁰ Fiscal year 2023/24 AVA as of beginning of year is based on market value of asset as of June 30, 2023. Fiscal year 2024/25 AVA as of beginning of year is projected from June 30, 2023 market value of asset assuming 6.00% investment income, City contribution equals to the expected benefit payment in FY 2023/24 (\$1,306,291) with no additional contribution to the Trust as the ADC is higher than the expected benefit payment, and 0.05% Trust administrative expense applied to the beginning of year asset balance.

Section 5: Projected Benefit Payments

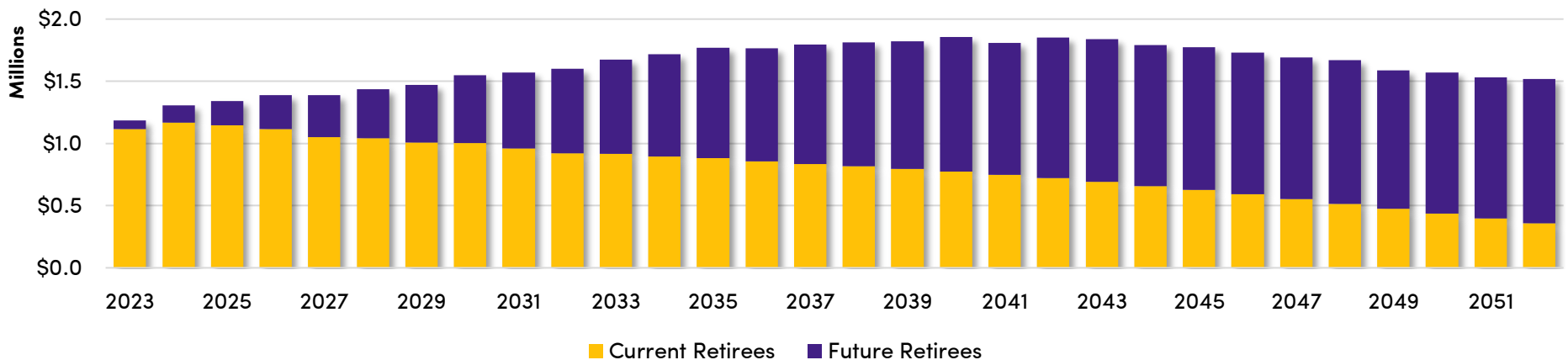
The below table shows the projected benefit payments for the next 30 years for a closed group of participants (both active employees and existing retirees) who are included in the census data as of June 30, 2022. This exhibit is provided for informational purposes only and is not a required disclosure under GASB 75. Projected benefit payments below include both explicit (if any) and implicit subsidies (as applicable).

FYE	Future Retirees	Current Retirees	Total ¹¹
2023	\$ 68,277	\$ 1,110,946	\$ 1,179,223
2024	\$ 137,335	\$ 1,168,956	\$ 1,306,291
2025	\$ 195,491	\$ 1,147,206	\$ 1,342,697
2026	\$ 272,113	\$ 1,116,298	\$ 1,388,411
2027	\$ 340,627	\$ 1,049,508	\$ 1,390,135
2028	\$ 392,397	\$ 1,043,107	\$ 1,435,504
2029	\$ 465,982	\$ 1,006,791	\$ 1,472,773
2030	\$ 546,495	\$ 1,001,952	\$ 1,548,447
2031	\$ 608,787	\$ 961,921	\$ 1,570,708
2032	\$ 681,701	\$ 920,657	\$ 1,602,358

FYE	Future Retirees	Current Retirees	Total
2033	\$ 760,568	\$ 915,079	\$ 1,675,647
2034	\$ 824,225	\$ 896,672	\$ 1,720,897
2035	\$ 888,938	\$ 882,199	\$ 1,771,137
2036	\$ 911,410	\$ 857,412	\$ 1,768,822
2037	\$ 963,995	\$ 834,265	\$ 1,798,260
2038	\$ 997,794	\$ 815,416	\$ 1,813,210
2039	\$ 1,031,581	\$ 794,635	\$ 1,826,216
2040	\$ 1,087,169	\$ 771,844	\$ 1,859,013
2041	\$ 1,063,282	\$ 746,910	\$ 1,810,192
2042	\$ 1,130,638	\$ 719,718	\$ 1,850,356

FYE	Future Retirees	Current Retirees	Total
2043	\$ 1,150,147	\$ 690,291	\$ 1,840,438
2044	\$ 1,133,045	\$ 658,793	\$ 1,791,838
2045	\$ 1,146,413	\$ 625,399	\$ 1,771,812
2046	\$ 1,140,059	\$ 590,255	\$ 1,730,314
2047	\$ 1,138,574	\$ 553,548	\$ 1,692,122
2048	\$ 1,153,144	\$ 515,602	\$ 1,668,746
2049	\$ 1,112,715	\$ 476,851	\$ 1,589,566
2050	\$ 1,134,357	\$ 437,739	\$ 1,572,096
2051	\$ 1,133,608	\$ 398,719	\$ 1,532,327
2052	\$ 1,158,980	\$ 360,267	\$ 1,519,247

Projected Benefit Payments

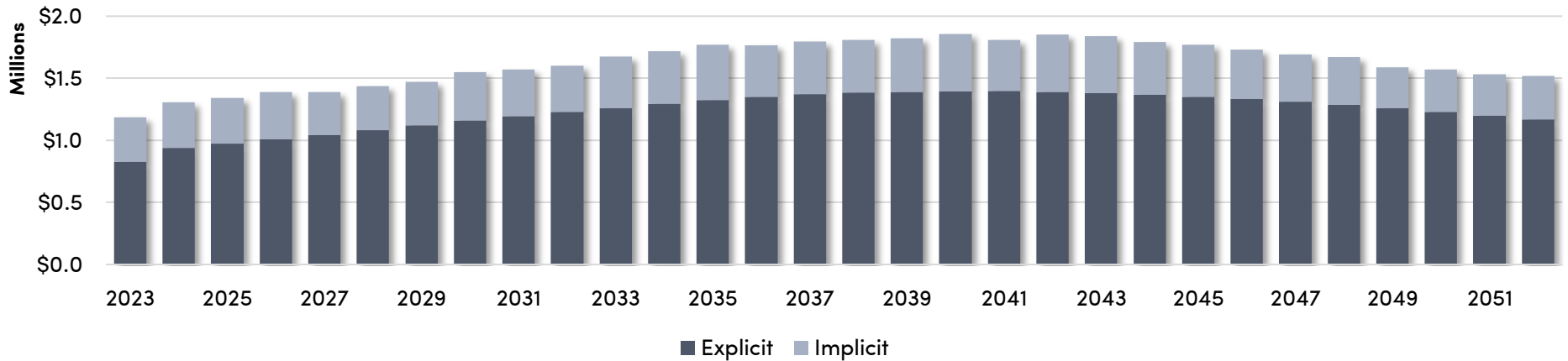


¹¹ Total benefit payment for FYE 6/30/2023 is based on explicit benefit payment of \$821,387 and estimated implicit subsidy payment of \$357,836. The benefit payment split between future and existing retirees has been estimated by our valuation software.

The following table splits the projected benefit payments for the next 30 years between the explicit and implicit subsidies for a closed group of participants (both active employees and existing retirees) who are included in the census data as of June 30, 2022.

FYE	Explicit ¹²	Implicit	Total	FYE	Explicit	Implicit	Total	FYE	Explicit	Implicit	Total
2023	\$ 821,387	\$ 357,836	\$ 1,179,223	2033	\$ 1,260,313	\$ 415,334	\$ 1,675,647	2043	\$ 1,379,272	\$ 461,166	\$ 1,840,438
2024	\$ 937,534	\$ 368,757	\$ 1,306,291	2034	\$ 1,293,290	\$ 427,607	\$ 1,720,897	2044	\$ 1,366,081	\$ 425,757	\$ 1,791,838
2025	\$ 972,611	\$ 370,086	\$ 1,342,697	2035	\$ 1,325,107	\$ 446,030	\$ 1,771,137	2045	\$ 1,350,569	\$ 421,243	\$ 1,771,812
2026	\$ 1,006,593	\$ 381,818	\$ 1,388,411	2036	\$ 1,353,577	\$ 415,245	\$ 1,768,822	2046	\$ 1,331,822	\$ 398,492	\$ 1,730,314
2027	\$ 1,041,485	\$ 348,650	\$ 1,390,135	2037	\$ 1,372,597	\$ 425,663	\$ 1,798,260	2047	\$ 1,310,033	\$ 382,089	\$ 1,692,122
2028	\$ 1,080,573	\$ 354,931	\$ 1,435,504	2038	\$ 1,385,105	\$ 428,105	\$ 1,813,210	2048	\$ 1,285,378	\$ 383,368	\$ 1,668,746
2029	\$ 1,120,244	\$ 352,529	\$ 1,472,773	2039	\$ 1,393,668	\$ 432,548	\$ 1,826,216	2049	\$ 1,258,539	\$ 331,027	\$ 1,589,566
2030	\$ 1,158,262	\$ 390,185	\$ 1,548,447	2040	\$ 1,398,396	\$ 460,617	\$ 1,859,013	2050	\$ 1,229,856	\$ 342,240	\$ 1,572,096
2031	\$ 1,196,037	\$ 374,671	\$ 1,570,708	2041	\$ 1,395,559	\$ 414,633	\$ 1,810,192	2051	\$ 1,199,909	\$ 332,418	\$ 1,532,327
2032	\$ 1,228,814	\$ 373,544	\$ 1,602,358	2042	\$ 1,389,422	\$ 460,934	\$ 1,850,356	2052	\$ 1,168,492	\$ 350,755	\$ 1,519,247

Projected Benefit Payments (Explicit/Implicit)



¹² Explicit benefit payment for FYE 6/30/2023 is based on the actual retiree healthcare expenses paid by the City.

Section 6: Substantive Plan Provisions

Changes Since Prior Valuation

There are no plan provision changes since the last full valuation.

Eligibility

Employees are eligible for lifetime retiree health benefits once they retire within 120 days from date of separation and the retiree must be receiving benefits from California Public Employees Retirement System (CalPERS). The earliest service retirement eligibility requirements under CalPERS are as follows:

Membership Date	Requirements
Before 1/1/2013	Age 50 with 5 years of CalPERS service ¹³
On/after 1/1/2013	Age 52 with 5 years of CalPERS service ¹³

CalPERS eligibility requirements for disability benefits are as follows:

- Ordinary Disability: five years of service
- Line of Duty Disability: no age or service requirement

Spouse Benefits

Employees are allowed to elect spousal coverage at retirement. Retiree medical coverage continues to surviving spouses upon death of retirees or active employees eligible to retire (including Employer Subsidy) as long as the required contributions are made and the retiree elects for the surviving spouse to continue receiving retirement benefit. There is no surviving spouse coverage upon the death of active employees not eligible to retire.

Ancillary Benefits

There is no City-subsidized dental, vision, life insurance, or Medicare Part B reimbursement benefit at retirement.

PEMHCA Minimum

Pursuant to Government Code 22892 of the Public Employees' Medical and Hospital Care Act (PEMHCA), the City contributes the minimum amount allowed, which is \$149 per month for 2022 and \$151 per month for 2023. The minimum employer contribution increases annually by the CPI medical care component. The amount of City-provided contribution is the same regardless of the retiree's dependent coverage and health plan choice.

¹³ Note that service includes service across all CalPERS employers and with other retirement systems with which CalPERS has reciprocity agreements.

Employer Subsidy

In addition to the PEMHCA minimum benefit, the City provides additional flat dollar subsidies as shown in the table below for full-time employees. These additional flat dollar subsidies are not expected to increase in the future. The total City subsidy (PEMHCA plus additional City subsidy) will not exceed the premium rates. Participants are not required to enroll in CalPERS health plans to receive the additional City subsidy.

Employee Groups	Hire Date Cut-Off	Age/Service Requirement	Additional City Subsidy
Management	Prior to 10/1/2011	Age 50 with 5 YOS	\$318.73 per month
Non-Management	Prior to 7/1/2009	Age 50 with 5 YOS	\$318.73 per month
	7/1/2009 to 9/30/2011	Age 50 with 10 YOS	\$318.73 per month

For all employees hired on/after 10/1/2011, the City contributes the PEMHCA minimum benefit only if they are enrolled in CalPERS health plans. There is no City subsidy for employees hired on/after 10/1/2011 who waive coverage under CalPERS health plans at retirement.

Temporary employees, crossing guards, and seasonal employees are not eligible for retiree health benefits from the City. If they participate in CalPERS, they are eligible for retiree health benefits from the City and the City will contribute the PEMHCA minimum benefit only at retirement.

Premium Rates

The monthly Non-Medicare premium rates used in the valuation effective on January 1, 2022 and 2023 are as shown below.

Regions	Non-Medicare Plans	As of January 1, 2022			As of January 1, 2023		
		Single	2-Party	Family	Single	2-Party	Family
Region 1	PERS Gold	\$ 701.23	\$ 1,402.46	\$ 1,823.20	\$ 825.61	\$ 1,651.22	\$ 2,146.59
Region 2	Anthem BC Select	\$ 712.43	\$ 1,424.86	\$ 1,852.32	\$ 765.37	\$ 1,530.74	\$ 1,989.96
	Health Net Salud y Mas	\$ 548.26	\$ 1,096.52	\$ 1,425.48	\$ 698.91	\$ 1,397.82	\$ 1,817.17
	Kaiser Permanente	\$ 706.02	\$ 1,412.04	\$ 1,835.65	\$ 756.21	\$ 1,512.42	\$ 1,966.15
	PERS Gold	\$ 587.78	\$ 1,175.56	\$ 1,528.23	\$ 695.93	\$ 1,391.86	\$ 1,809.42
	PERS Platinum	\$ 882.18	\$ 1,764.36	\$ 2,293.67	\$ 1,014.80	\$ 2,029.60	\$ 2,638.48
Region 3	Anthem BC Select	\$ 676.48	\$ 1,352.96	\$ 1,758.85	\$ 737.91	\$ 1,475.82	\$ 1,918.57
	Anthem BC Traditional	\$ 935.57	\$ 1,871.14	\$ 2,432.48	\$ 942.73	\$ 1,885.46	\$ 2,451.10
	BS Access+	\$ 779.87	\$ 1,559.74	\$ 2,027.66	\$ 738.29	\$ 1,476.58	\$ 1,919.55
	Health Net Salud y Mas	\$ 463.87	\$ 927.74	\$ 1,206.06	\$ 606.34	\$ 1,212.68	\$ 1,576.48
	Health Net SmartCare	\$ 764.96	\$ 1,529.92	\$ 1,988.90	\$ 755.29	\$ 1,510.58	\$ 1,963.75
	Kaiser Permanente	\$ 719.78	\$ 1,439.56	\$ 1,871.43	\$ 754.64	\$ 1,509.28	\$ 1,962.06
	PERS Gold	\$ 575.56	\$ 1,151.12	\$ 1,496.46	\$ 680.37	\$ 1,360.74	\$ 1,768.96
	PERS Platinum	\$ 863.37	\$ 1,726.74	\$ 2,244.76	\$ 992.59	\$ 1,985.18	\$ 2,580.73
	United Healthcare SVA	\$ 771.85	\$ 1,543.70	\$ 2,006.81	\$ 790.46	\$ 1,580.92	\$ 2,055.20
United Healthcare SVH	\$ 714.28	\$ 1,428.56	\$ 1,857.13	\$ 713.55	\$ 1,427.10	\$ 1,855.23	

Premium Rates (Cont'd)

The monthly Medicare premium rates used in the valuation effective on January 1, 2022 and 2023 are as shown below.

Medicare Plans	As of January 1, 2022			As of January 1, 2023		
	Single	2-Party	Family	Single	2-Party	Family
Anthem BC Medicare Preferred	\$ 360.19	\$ 720.38	\$ 1,080.57	\$ 413.59	\$ 827.18	\$ 1,240.77
Blue Shield Medicare	\$ 353.13	\$ 706.26	\$ 1,059.39	\$ 361.90	\$ 723.80	\$ 1,085.70
Kaiser Senior Advantage	\$ 302.53	\$ 605.06	\$ 907.59	\$ 283.25	\$ 566.50	\$ 849.75
PERS Gold Medicare Supplement	\$ 377.41	\$ 754.82	\$ 1,132.23	\$ 392.71	\$ 785.42	\$ 1,178.13
PERS Platinum Medicare Supplement	\$ 381.94	\$ 763.88	\$ 1,145.82	\$ 420.02	\$ 840.04	\$ 1,260.06
UHC Medicare Advantage	\$ 294.65	\$ 589.30	\$ 883.95	\$ 299.68	\$ 599.36	\$ 899.04

Section 7: Actuarial Methods and Assumptions

Changes Since Prior Valuation

The following assumptions have been updated since the prior valuation:

1. Single Equivalent Discount Rate (SEDR) has decreased from 6.17% as of June 30, 2021 to 6.00% as of June 30, 2022 based on updated expected long-term rate of return of the Trust, which caused an increase in the liability.
2. Payroll growth, mortality, termination, disability, and retirement rates assumptions have been updated from CalPERS Experience Study and Review of Actuarial Assumptions published in December 2017 to the most recent study published in November 2021. The net impact of these changes is a decrease in the liability.
3. Health care trend rates have been updated as follows based on the updated Getzen Model of Long-Run Medical Cost Trend and publicly available health care trend rate surveys and medical inflation data, which caused a decrease in liability:
 - a. Medical/prescription drug costs: from (i) Getzen 2019 table with an initial rate of 7.00% non-Medicare that decreases gradually to an ultimate rate of 4.04% by FYE 2076 and 4.00% Medicare for all years to (ii) Getzen 2022 that reflects actual premium increases¹⁴ through 2023 followed by 6.50% non-Medicare / 4.00% Medicare that decreases gradually to an ultimate rate of 3.73% by FYE 2076.
 - b. PEMHCA: from 3.00% for all years to 1.30% from 2022 to 2023 followed by 3.50% for all subsequent years.

Valuation Date	June 30, 2022
Measurement Date	June 30, 2022
Reporting Period	Fiscal year ending June 30, 2023

¹⁴ Actual premium increases from 2022 to 2023 used in the valuation are as follows: (a) Actives: 5.80% non-Medicare / -2.30% Medicare and (b) Retirees: 8.70% non-Medicare / 1.90% Medicare.

Discount Rate	<p>For accounting disclosure: 6.00% as of June 30, 2022 and 6.17% as of June 30, 2021</p> <p>For funding purposes (in calculating the Actuarially Determined Contribution): 6.00% for FY 2023/24 and FY 2024/25 contribution years</p> <p>Refer to the Discussion of Discount Rate section for additional information on the discount rate setting.</p>
Actuarial Cost Method	<p>Entry Age Normal Level Percentage of Pay; a method that allocates the actuarial present value of the projected benefits of each individual on a level basis over the earnings of the individual between entry age and assumed exit age(s).</p> <ul style="list-style-type: none"> • The portion allocated to a valuation year is called the Normal Cost. • The portion allocated to past periods is called the Actuarial Accrued Liability (AAL) or Total OPEB Liability (TOL).
Payroll Growth	<p>2.80% wage inflation plus seniority, merit, and promotion salary increases based on CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021 for Public Agency Miscellaneous members. Refer to the Appendix for sample rates.</p>
Census Data	<p>Census information was provided by the City as of June 30, 2022. We have reviewed this data for reasonableness and no material modification was made to the data except for the following:</p> <ul style="list-style-type: none"> • As retirees who are enrolled in their own individual non-CalPERS health plans are required to submit reimbursement request to receive City's additional subsidy, those who last receive City's additional subsidy in/after 2020 as shown in the August 2023 reimbursement file provided by the City are assumed to receive City's additional subsidy in the future. There are five retirees and one survivor in this category who have been added to the valuation data. Retirees who last received City's additional subsidy prior to 2020 have been excluded from the valuation and are not assumed to request City's additional subsidy in the future.
Mortality	<p>Based on CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021 for Public Agency Miscellaneous members. Refer to the Appendix for sample rates.</p>
Termination	<p>Based on CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021 for Public Agency Miscellaneous members. Refer to the Appendix for sample rates.</p>
Disability	<p>Based on CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021 for Public Agency Miscellaneous members. Refer to the Appendix for sample rates.</p>

Retirement

Based on CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021 for Public Agency Miscellaneous members. Refer to the Appendix for sample rates.

Participation Rate

The assumed participation rate for active employees at retirement is as shown below and assumed to continue for life.

Condition	DOH < 10/1/2011	DOH >= 10/1/2011
Elect CalPERS health plans	60%	70%
Waived CalPERS health plans*	30%	0%
Waived coverage**	10%	30%

* These future retirees are assumed to receive additional City subsidy by submitting reimbursement requests.

** These future retirees are assumed not to receive additional City subsidy.

Existing retirees who are currently enrolled in the CalPERS or individual non-CalPERS health plans are assumed to continue coverage until death and receive PEMHCA and/or additional City subsidy as applicable. Upon retiree's death, surviving spouses are assumed to continue coverage in the same health plans as the retirees prior to their death (all of them are assumed to receive contingent pension benefit).

20% of existing retirees who are not currently enrolled in CalPERS or individual non-CalPERS health plans and are not receiving additional City subsidy are assumed to receive additional City subsidy in the future. If they are currently under the age of 65 as of the Valuation Date, they are assumed to receive additional City subsidy when they turn 65.

Spousal Election

For future retirees, 50% of employees are assumed to elect spousal coverage at retirement. Husbands are assumed to be three years older than wives.

For existing retirees enrolled in CalPERS health plans, spousal coverage and age is based on actual data. All existing retirees enrolled in their own individual non-CalPERS health plans are assumed to have single coverage.

Dependent Election

None assumed.

Medicare Eligibility

All future and existing retirees (including disabled retirees) are assumed to be eligible for Medicare at age 65.

Health Plan Election

Employees are assumed to elect the same health plan option they are currently enrolled in at retirement prior to Medicare eligibility. Upon Medicare eligibility, the pre-Medicare to Medicare health plan mapping assumed is as shown below.

Pre-Medicare Plans	Medicare Plans
Anthem BC Select	Anthem BC Medicare Preferred
Anthem BC Traditional	Anthem BC Medicare Preferred
BS Access+	Blue Shield Medicare
Health Net Salud y Mas, Health Net SmartCare, Kaiser Permanente	Kaiser Senior Advantage
PERS Gold	PERS Gold Medicare Supplement
PERS Platinum	PERS Platinum Medicare Supplement
United Healthcare SVA, United Healthcare SVH	UHC Medicare Advantage PPO

Existing retirees are assumed to remain in the same health plan option they are currently enrolled in for life, except for those who are under the age of 65 as of the Valuation Date. The assumed Medicare plan option election for these retirees is according to the above table.

Per Capita Costs

The valuation projects health care costs for employees who remain enrolled in the City's benefit plans after retirement. In accordance with Actuarial Standards of Practice No. 6 (ASOP 6), the actuarial development of health care costs should preferably use the health plan experience that is considered the best predictor of future claims experience assuming it is sufficiently credible. In the absence of credible health plan experience data, the actuary may use other methods such as premiums and normative databases to develop the per capita costs.

As medical/prescription drug costs generally vary by age, age-specific costs should be used in the development of initial per capita costs and projection of future benefit costs, except in very limited circumstances defined in ASOP 6 Section 3.7.7(c). The development of the age-specific costs should be based on the demographics of the group being valued and the group's total expected claims or premiums.

Per Capita Costs (Cont'd) Retiree healthcare costs are, on average, significantly higher than active employees and if the City charges blended premium rates (determined using active employees and retiree claims experience) to the retirees, the City is providing an implicit subsidy for these retirees. Under GASB 75, the implicit subsidy must be included in the post-employment medical benefit obligation. Separate costs should be developed for Medicare-eligible participants due to Medicare being the primary payer for these retirees, which leads to a reduction to the Plan Sponsor's health plan costs.

In developing the per capita costs, we have used CalPERS health plan premium rates effective on January 1, 2022 and aging factors and subscriber enrollments for HMO and PPO plans combined as published in the CalPERS Health Plan (PEMHCA) Implicit Subsidy Data for Calendar 2021.

The following table shows the sample per capita costs at select ages for 2022/23 plan year used in the valuation. These costs are assumed to increase with health care trend rates. Separate costs were developed for active employees and retirees based on weighted average premium rates for actives and retirees¹⁵.

Age	Active Employees		Retired Employees	
	Male	Female	Male	Female
45	\$6,530	\$8,232	\$6,910	\$8,711
50	\$8,734	\$9,574	\$9,241	\$10,130
55	\$11,423	\$11,099	\$12,088	\$11,744
60	\$14,448	\$13,036	\$15,288	\$13,794
64	\$16,070	\$14,062	\$17,004	\$14,879

We have assumed that the City's health plans premiums for Medicare eligible retirees are based on Medicare eligible retiree claims experience and represent the expected true cost of retiree coverage. As such, we have assumed there is no implicit subsidy for Medicare retirees. The annual costs used on/after age 65 are \$3,803 for active employees and \$3,980 for retired employees¹⁵. These costs are assumed to increase with health care trend rates.

¹⁵ For retirees who are enrolled in their own individual non-CalPERS health plans, their costs are assumed to be the same as retirees who are enrolled in CalPERS health plans.

Trend Rates

Historically, health care costs have increased more rapidly than the rate of inflation. In estimating the value of retiree health benefits, assumptions must be made on future increases in healthcare costs. The health care trend rates assumption used in this valuation is based on the Getzen Model of Long-Run Medical Cost Trends, which was first designed by T.E. Getzen for the Society of Actuaries (SOA) in 2007. The model is designed to make long-run forecasts and typically used to select medical trend assumptions for retiree medical valuations to present liabilities disclosed under the appropriate accounting standards, or to determine contributions under a funding policy. The long-run baseline projection and input variables were developed under the guidance of the SOA Project Oversight Group. The model is updated annually along with updated documentation and recommended input variables by the author of the model.

The baseline assumptions used in the Getzen model are as shown in the table below.

Inflation Rate	2.3%
Real GDP Per Capita Growth	1.4%
Excess Medical Cost Growth	1.0%
Health Share of GDP Resistance Point	25.0%
Year for Limiting Cost Growth to GDP Growth	2075

The output of the Getzen Model of Long-Run Medical Cost Trend Model used in the valuation is as shown below.

Year	Non-Medicare	Medicare
2022	Actual ¹⁶	Actual ¹⁶
2023	6.50%	4.00%
2024	6.00%	4.00%
2025	5.50%	4.00%
2030	4.84%	4.00%
2035	4.77%	4.00%

Year	Non-Medicare	Medicare
2040	4.60%	4.00%
2050	4.43%	4.00%
2060	4.33%	4.00%
2070	4.00%	4.00%
2075+	3.73%	3.73%

PEMHCA minimum cost is assumed to increase by 1.30% from 2022 to 2023 followed by 3.50% annually. The City additional subsidy is not expected to increase in the future.

¹⁶ Actual premium increases from 2022 to 2023 used in the valuation are as follows: (a) Actives: 5.80% non-Medicare / -2.30% Medicare and (b) Retirees: 8.70% non-Medicare / 1.90% Medicare.

Discussion of Discount Rates

Under GASB 75, the discount rate used in valuing OPEB liabilities as of the Measurement Date is a single rate that reflects:

1. The long-term expected rate of return on OPEB plan investments that are expected to be used to finance future benefit payments, to the extent that (a) they are sufficient to pay for the projected benefit payments and (b) the OPEB plan assets are expected to be invested using a strategy that will achieve that return.
2. A yield or index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), when the conditions in (1) above are not met.

For the current year's valuation:

1. The expected long-term real rate of return of the OPEB Trust is 6.00% as of June 30, 2023. This rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return net of investment expense are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target allocation percentage. The Plan Sponsor's expected future real rates of return by asset class are as shown below¹⁷.
2. The municipal bond index as of the prior and current Measurement Dates are as shown below:

Index	June 30, 2022	June 30, 2021
S&P Municipal Bond 20 Year High Grade Rate Index	4.09%	2.19%

3. The final equivalent single discount rate used for accounting disclosure is 6.00% with the expectation that the Plan Sponsor will contribute in accordance with the Funding Policy described in Section 3. Under this Funding Policy, the OPEB Trust is not expected to be depleted in the future.

The discount rate used to calculate the Actuarially Determined Contribution for recommended funding contribution is 6.00%.

Asset Classes	Target Allocation	Projected Real Rates of Return
Global Equity	49%	4.50%
Fixed Income	23%	1.40%
Global Real Estate (REITs)	20%	3.70%
Treasury Inflation-Protected Securities (TIPS)	5%	0.50%
Commodities	3%	1.10%
Total	100%	

¹⁷ The assumed inflation rate of 2.30% is added to the weighted expected future real rate of return to obtain the assumed discount rate. Projected long-term real rates of return are compound returns (time-weighted and net of all fees), adjusted for inflation, as shown in the CERBT Investment Policy Information – 2022 Capital Market Assumptions adopted by the CalPERS Board of Administration in November 2021.

Section 8: Participant Summary

Active Employees

Active employees are enrolled in Region 2 and Region 3 CalPERS health plans.

Actives with Health Coverage	Single	2-Party	Family	Total	Avg. Age	Avg. Svc	FY 2021/22 Salary
Anthem BC Select	6	1	7	14	47.9	10.4	\$ 1,032,739
Anthem BC Traditional	1	1		2	50.5	4.1	\$ 138,064
BS Access+	8	3	4	15	46.0	10.6	\$ 790,148
Health Net Salud y Mas	4		5	9	37.5	8.7	\$ 593,704
Health Net SmartCare	3		1	4	45.8	10.8	\$ 238,575
Kaiser Permanente	82	17	45	144	44.2	9.1	\$ 9,822,577
PERS Gold	5	2	8	15	44.9	8.0	\$ 1,252,698
PERS Platinum	4		1	5	53.9	5.6	\$ 385,348
United Healthcare SVA	5	1		6	49.5	7.9	\$ 343,244
United Healthcare SVH	2	1		3	57.0	10.2	\$ 224,820
Total actives with health coverage	120	26	71	217	45.0	9.1	\$ 14,821,918

Actives without Health Coverage	Total	Avg. Age	Avg. Svc	FY 2021/22 Salary
Total actives without health coverage	99	44.1	9.2	\$ 5,165,272

Active employees who currently have no coverage are assumed to elect health coverage with the City at retirement according to the Participation Rate and Health Plan Election assumptions shown on pages 27 and 28.

Active Age-Service Distribution

Age	Years of Service with the City										Total
	<1	1 – 4	5 – 9	10 – 14	15 – 19	20 – 24	25 – 29	30 – 34	35 – 39	40+	
<25	9	3									12
25 – 29	18	13	4								35
30 – 34	15	8	8		1						32
35 – 39	9	7	10	5	1						32
40 – 44	8	14	9	3	7	5					46
45 – 49	7	11	6	1	14	6	1				46
50 – 54	7	6	9	5	14	8		1			50
55 – 59	3	3	1	3	6	9	2	1			28
60 – 64	1	2	2	3	7	4	4	2			25
65+			1	2	4	2	1				10
Total	77	67	50	22	54	34	8	4	0	0	316

Retired Employees

Retirees with Health Coverage	Single	2-Party	Family	Total	Avg. Age
Anthem BC Select	2		1	3	60.2
Anthem BC Traditional		1		1	68.2
BS Access+	3	3	1	7	60.4
Health Net Salud y Mas			1	1	58.3
Health Net SmartCare			1	1	63.7
Kaiser Permanente	32	18	1	51	67.8
PERS Gold	2	4		6	61.5
PERS Platinum	22	17	1	40	68.2
United Healthcare SVA	10	5		15	71.2
Total retirees with health coverage	71	48	6	125	67.3

Age	With CalPERS Health	Without CalPERS Health	Total
<50			0
50 – 54	3	2	5
55 – 59	13	12	25
60 – 64	31	26	57
65 – 69	38	35	73
70 – 74	27	19	46
75 – 79	6	20	26
80 – 84	2	10	12
85 – 89	5	7	12
90+		1	1
Total	125	132	257

Enrollments for retirees with health coverage above include those enrolled in the corresponding Medicare plans or those with split enrollment in pre-Medicare and Medicare plans.

For the 132 retirees who are not enrolled in CalPERS health plans:

- 52 of them are receiving City additional subsidy. They are all assumed to have single coverage and will continue receiving City additional subsidy for life.
- 80 of them are not currently receiving City additional subsidy. For those who are under the age of 65 as of the Valuation Date, 20% of them are assumed to receive City additional subsidy when they turn 65. For those who are at least age 65 as of the Valuation Date, 20% of them are assumed to receive City additional subsidy in the future.

Comparison of Participant Summary

Below is a comparison of participant summary included in the current valuation and the prior full valuation.

	As of June 30, 2022	As of June 30, 2020
Number of Participants		
Active employees	316	320
Retired employees – currently receiving ¹⁸	177	147
Retired employees – entitled to but not yet receiving ¹⁹	80	134
Total	573	601
Averages		
Active average age	44.7	46.5
Active average service	9.1	10.2
Inactive average age (all retired employees)	68.8	67.8

¹⁸ The retired employees – currently receiving enrollment as of June 30, 2022 above includes retirees only and exclude spouses and/or dependents who are covered under the City's health plans. The enrollment as of June 30, 2020 includes 101 retirees and 46 spouses of living retirees.

¹⁹ The retired employees who are entitled to but not yet receiving enrollment as of June 30, 2022 includes retirees who are eligible for additional City subsidy but are not currently receiving this benefit. This enrollment as of June 30, 2020 includes 54 retirees who were receiving additional City subsidy but not enrolled in CalPERS health plans and the remaining 80 were not enrolled in CalPERS health plans and not receiving additional City subsidy.

Appendix – Sample Decrement Rates

Mortality Rates

Mortality rates used in the valuation are based on the CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021 for Public Agency Miscellaneous members. Sample pre-retirement, post-retirement non-disabled, and post-retirement disabled base mortality rates are as shown below. These rates are projected fully generationally using 80% of MP-2020 mortality improvement scale.

Attained Ages	Pre-Retirement ²⁰		Post-Retirement Non-Disabled		Post-Retirement Disabled ²¹	
	Male	Female	Male	Female	Male	Female
20	0.00039	0.00014	0.00039	0.00014	0.00411	0.00233
25	0.00033	0.00013	0.00033	0.00013	0.00336	0.00187
30	0.00044	0.00019	0.00044	0.00019	0.00452	0.00301
35	0.00058	0.00029	0.00058	0.00029	0.00603	0.00504
40	0.00075	0.00039	0.00075	0.00039	0.00779	0.00730
45	0.00093	0.00054	0.00093	0.00054	0.01120	0.01019
50	0.00134	0.00081	0.00271	0.00199	0.01727	0.01439
55	0.00198	0.00123	0.00391	0.00325	0.02217	0.01734
60	0.00287	0.00179	0.00575	0.00455	0.02681	0.01962
65	0.00403	0.00250	0.00856	0.00612	0.03332	0.02276
70	0.00594	0.00404	0.01340	0.00996	0.04056	0.02910
75	0.00933	0.00688	0.02400	0.01783	0.05465	0.04160
80	0.01515	0.01149	0.04380	0.03403	0.08044	0.06112
85	0.00000	0.00000	0.08274	0.06166	0.11695	0.09385
90	0.00000	0.00000	0.14539	0.11086	0.16770	0.14396

²⁰ Pre-Retirement rates for all groups are based on the sum of non-industrial death and industrial death rates.

²¹ Post-Retirement Disabled rates are based on non-industrially disabled rates for Miscellaneous participants.

Salary Increases

The seniority, merit and promotional salary increases used in the valuation are based on the CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021 for Public Agency Miscellaneous members. Sample rates are as shown below.

Service	Miscellaneous						
	Entry Ages						
	20	25	30	35	40	45	50
0	0.0764	0.0764	0.0621	0.0621	0.0521	0.0521	0.0521
2	0.0576	0.0576	0.0449	0.0449	0.0346	0.0346	0.0346
4	0.0435	0.0435	0.0324	0.0324	0.0229	0.0229	0.0229
6	0.0328	0.0328	0.0234	0.0234	0.0152	0.0152	0.0152
8	0.0248	0.0248	0.0170	0.0170	0.0101	0.0101	0.0101
10	0.0201	0.0201	0.0126	0.0126	0.0108	0.0108	0.0108
12	0.0181	0.0181	0.0116	0.0116	0.0092	0.0092	0.0092
14	0.0163	0.0163	0.0106	0.0106	0.0078	0.0078	0.0078
16	0.0147	0.0147	0.0098	0.0098	0.0066	0.0066	0.0066
18	0.0132	0.0132	0.0090	0.0090	0.0055	0.0055	0.0055
20	0.0119	0.0119	0.0083	0.0083	0.0047	0.0047	0.0047

Disability Rates

The disability rates used in the valuation are based on the CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021 for Public Agency Miscellaneous members. Sample rates are as shown below.

Attained Ages	Miscellaneous	
	Male	Female
20	0.000070	0.000040
25	0.000070	0.000090
30	0.000170	0.000330
35	0.000350	0.000650
40	0.000910	0.001190
45	0.001490	0.001850
50	0.001540	0.001930
55	0.001390	0.001290
60	0.001240	0.000940

Termination Rates

This assumption is used to project terminations (voluntary and involuntary) prior to meeting the minimum eligibility requirements to retire. The rates are based on the CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021 for Public Agency Miscellaneous members. Sample rates are as shown below.

Service	Miscellaneous (Male)							Miscellaneous (Female)						
	Entry Ages													
	20	25	30	35	40	45	50	20	25	30	35	40	45	50
0	0.1851	0.1769	0.1631	0.1493	0.1490	0.1487	0.1509	0.1944	0.1899	0.1824	0.1749	0.1731	0.1713	0.1741
2	0.1218	0.1125	0.0970	0.0815	0.0771	0.0726	0.0750	0.1381	0.1307	0.1183	0.1058	0.0998	0.0938	0.0941
4	0.0672	0.0616	0.0524	0.0431	0.0392	0.0352	0.0366	0.0801	0.0752	0.0670	0.0587	0.0523	0.0459	0.0457
6	0.0669	0.0641	0.0575	0.0509	0.0453	0.0397	0.0383	0.0869	0.0847	0.0757	0.0666	0.0580	0.0494	0.0464
8	0.0470	0.0453	0.0410	0.0366	0.0311	0.0255	0.0218	0.0613	0.0601	0.0545	0.0488	0.0394	0.0299	0.0294
10	0.0377	0.0366	0.0337	0.0309	0.0245	0.0181	0.0032	0.0502	0.0491	0.0446	0.0401	0.0308	0.0215	0.0046
12	0.0307	0.0300	0.0282	0.0263	0.0200	0.0137	0.0027	0.0423	0.0413	0.0368	0.0322	0.0244	0.0165	0.0037
14	0.0251	0.0246	0.0226	0.0207	0.0156	0.0014	0.0017	0.0352	0.0343	0.0292	0.0241	0.0181	0.0019	0.0023
16	0.0173	0.0173	0.0152	0.0132	0.0101	0.0000	0.0000	0.0235	0.0235	0.0193	0.0151	0.0112	0.0000	0.0000
18	0.0159	0.0159	0.0129	0.0100	0.0067	0.0000	0.0000	0.0202	0.0202	0.0158	0.0113	0.0075	0.0000	0.0000
20	0.0141	0.0141	0.0110	0.0079	0.0000	0.0000	0.0000	0.0175	0.0175	0.0131	0.0087	0.0000	0.0000	0.0000

Retirement Rates

Retirement rates used in the valuation are based on the CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021 for Public Agency Miscellaneous members. Sample rates are as shown below.

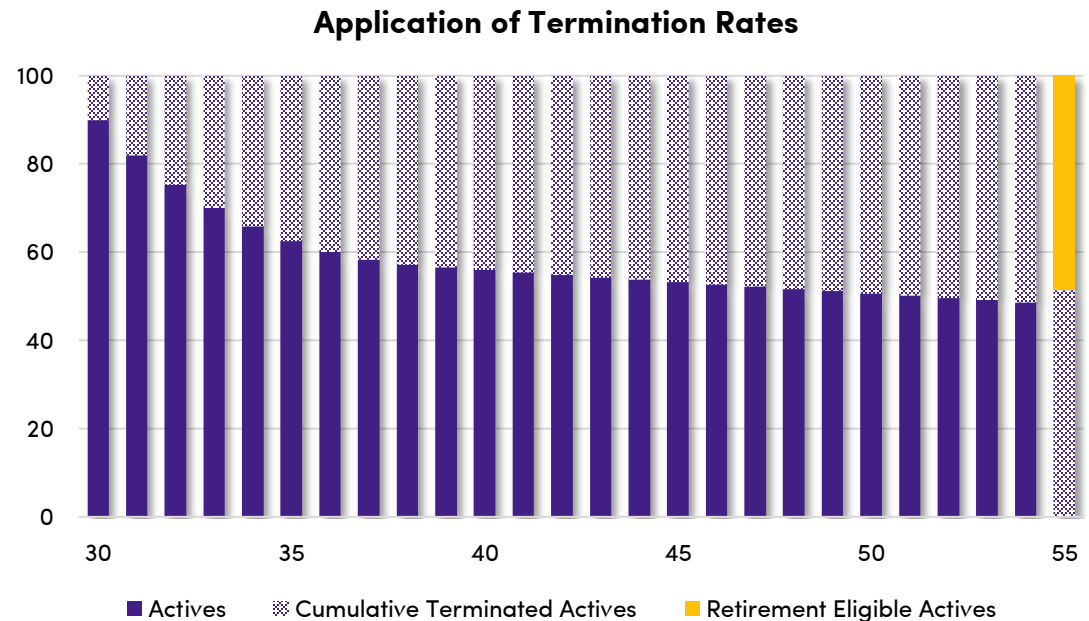
Service	Miscellaneous 2.5% at 55						Miscellaneous 2.7% at 55					
	Attained Ages											
	50	55	60	65	70	75	50	55	60	65	70	75
5	0.0140	0.0290	0.0390	0.1120	0.2290	1.0000	0.0110	0.0450	0.0870	0.1820	0.2270	1.0000
10	0.0170	0.0420	0.0690	0.1740	0.2290	1.0000	0.0160	0.0580	0.0840	0.2010	0.2270	1.0000
15	0.0270	0.0640	0.0940	0.2220	0.2290	1.0000	0.0220	0.0820	0.0960	0.2420	0.2270	1.0000
20	0.0350	0.1090	0.1570	0.2090	0.2290	1.0000	0.0330	0.1380	0.1420	0.2640	0.2270	1.0000
25	0.0460	0.1500	0.1770	0.2680	0.2290	1.0000	0.0340	0.2080	0.1650	0.2930	0.2270	1.0000
30	0.0500	0.2250	0.2210	0.2730	0.2290	1.0000	0.0380	0.2780	0.1980	0.2930	0.2270	1.0000
35	0.0520	0.2760	0.2190	0.2910	0.2290	1.0000	0.0440	0.3410	0.2230	0.2930	0.2270	1.0000
40	0.0000	0.3010	0.2350	0.2910	0.2290	1.0000	0.0000	0.3410	0.2230	0.2930	0.2270	1.0000

Service	Miscellaneous 2% at 62					
	Attained Ages					
	50	55	60	65	70	75
5	0.0000	0.0100	0.0310	0.1080	0.1200	1.0000
10	0.0000	0.0190	0.0510	0.1410	0.1560	1.0000
15	0.0000	0.0280	0.0710	0.1730	0.1930	1.0000
20	0.0000	0.0360	0.0910	0.2060	0.2290	1.0000
25	0.0000	0.0610	0.1110	0.2390	0.2650	1.0000
30	0.0000	0.0960	0.1380	0.3000	0.3330	1.0000
35	0.0000	0.1520	0.1830	0.3480	0.3870	1.0000
40	0.0000	0.1800	0.2040	0.3600	0.4000	1.0000

Decrements Illustration

The table below illustrates how decrements are applied in the valuation and how the decrements affect the liabilities valued. Assuming the Plan Sponsor has 100 employees aged 30 as of the valuation date, only 48.6 employees will be projected to be employed at age 55 (assumed retirement eligibility age) using the assumed illustrative termination rates.

Age	# Actives BOY	Annual Termination %	# Terminated Actives / Year
30	100.0	10%	10.0
31	90.0	9%	8.1
32	81.9	8%	6.6
33	75.3	7%	5.3
34	70.1	6%	4.2
35	65.9	5%	3.3
36	62.6	4%	2.5
37	60.1	3%	1.8
38	58.3	2%	1.2
39	57.1	1%	0.6
40	56.5	1%	0.6
41	56.0	1%	0.6
42	55.4	1%	0.6
43	54.9	1%	0.5
44	54.3	1%	0.5
45	53.8	1%	0.5
46	53.2	1%	0.5
47	52.7	1%	0.5
48	52.2	1%	0.5
49	51.6	1%	0.5
50	51.1	1%	0.5
51	50.6	1%	0.5
52	50.1	1%	0.5
53	49.6	1%	0.5
54	49.1	1%	0.5
55	48.6	0%	0.0



Notes:

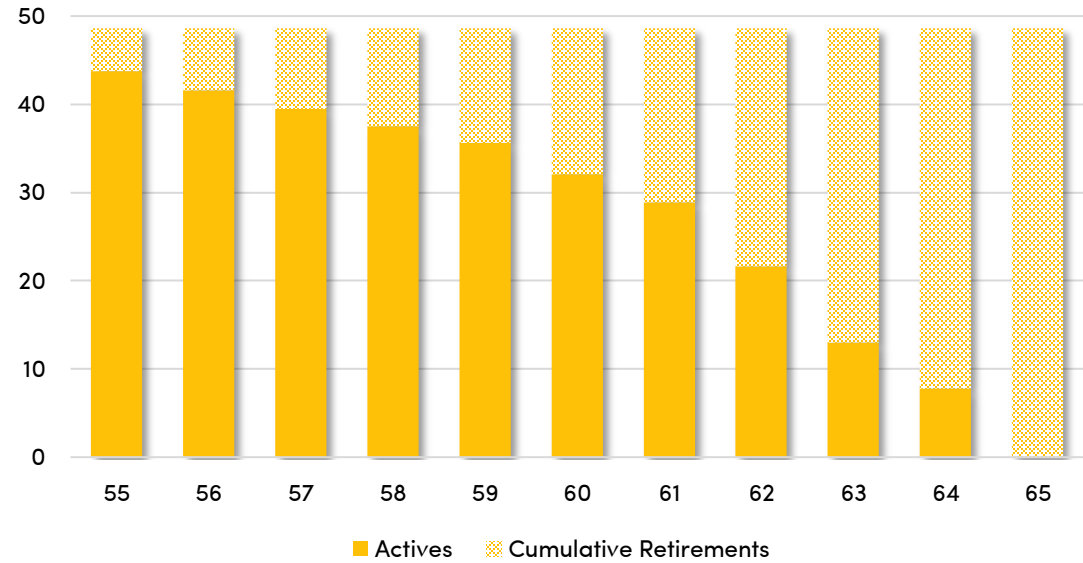
1. The annual termination percentages shown in the table are for illustrative purposes only, not the actual termination rates used in the valuation.
2. For simplification, only termination decrement is assumed to be applicable while actively employed. Actuarial valuation typically applies pre-retirement death decrement during employment as well.

Decrements Illustration (Continued)

The table below illustrates the number of active employees assumed to retire at each age based on the illustrative retirement rates.

Age	# Actives BOY	Annual Retirement %	# Retirements / Year
55	48.6	10%	4.9
56	43.8	5%	2.2
57	41.6	5%	2.1
58	39.5	5%	2.0
59	37.5	5%	1.9
60	35.6	10%	3.6
61	32.1	10%	3.2
62	28.9	25%	7.2
63	21.7	40%	8.7
64	13.0	40%	5.2
65	7.8	100%	7.8

Application of Retirement Rates



Notes:

1. The annual retirement percentages shown in the table are for illustrative purposes only, not the actual retirement rates used in the valuation.
2. For simplification, only retirement decrement is assumed to be applicable once the employee is retirement eligible. Actuarial valuation typically applies pre-retirement death decrement once an employee is eligible to retire.
3. The illustration above assumes that all active employees who are projected to be employed at age 55 elect health coverage with the Plan Sponsor at retirement.

| Appendix – Glossary

1. **Active Employees** – Individuals employed at the end of the reporting or measurement period, as applicable.
2. **Actuarial Cost Method** – A method to allocate the Actuarial Present Value of Future Benefits into portions attributed to past service (Total OPEB Liability) and future service (Normal Cost).
3. **Actuarial Present Value of Future Benefits** – Projected benefit payments estimated to be payable through the OPEB plan to current active and inactive employees as a result of their past service and their expected future service, discounted to reflect the expected effects of time value (present value) of money and the probabilities of payment (which is contingent on events such as death, termination, retirement, etc). In other words, this is the amount that would have been invested as of the Valuation Date so that it is sufficient to pay for benefit payments when due.
4. **Deferred Inflows** – Gains in the Total OPEB Liability and Fiduciary Net Position (for funded plan only) due to be recognized in the future.
5. **Deferred Outflows** – Losses in the Total OPEB Liability and Fiduciary Net Position (for funded plan only) due to be recognized in the future.
6. **Defined Benefit OPEB** – OPEB for which the benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The OPEB may be stated as (a) a specified dollar amount; (b) an amount that is calculated
7. **Entry Age Actuarial Cost Method** – A method that allocates the actuarial present value of the projected benefits of each individual on a level basis over the earnings or service of the individual between entry age and assumed exit age(s).
 - The portion allocated to a valuation year is called the Normal Cost.
 - The portion allocated to past periods is called the Total OPEB Liability.
 - The portion allocated to future periods after the valuation date is called the Present Value of Future Normal Costs.
8. **Fiduciary Net Position** – OPEB plan assets in a secure Trust that meet the following criteria:
 - Contributions from employers to the OPEB plan and earnings on those contributions are irrevocable.
 - OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
 - OPEB Plan assets are legally protected from the creditors of employers, OPEB plan administrator, and creditors of the plan members.
9. **Funded Ratio** – The value of the asset expressed as a percentage of the Total OPEB Liability.

10. **Healthcare Cost Trend Rates** – The rates of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.
11. **Inactive Employees** – Individuals no longer employed by an employer in the OEPB plan or the beneficiaries of those individuals. Inactive employees also include individuals who have accumulated benefits under the terms of an OPEB plan but are not yet receiving benefit payments and individuals currently receiving benefits.
12. **Net OPEB Liability** – The difference between the Total OPEB Liability and the Fiduciary Net Position.
13. **Payroll Growth** – An actuarial assumption on the rate of future increase in the total coverage payroll attributable to wage inflation and productivity increase; used in the Actuarial Cost Method to determine the Total OPEB Liability.
14. **Plan Members** – Individuals covered by the terms of the OPEB plan, which would typically include employees in active service, terminated employees who have terminated service but are not yet receiving benefit payments, and retired employees who are currently receiving benefits.
15. **Other Postemployment Benefits (OPEB)** – Benefits such as death benefits, life insurance, disability, and long-term care, as well as healthcare benefits (medical, prescription drug, dental, vision, and other health-related benefits), that are paid in the period after employment and that are provided separately from a pension plan regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.
16. **Service Cost (Normal Cost)** – The portion of actuarial present value of projected benefit payments that are attributed to a 12-month period after a valuation date as determined by the Actuarial Cost Method.
17. **Total OPEB Liability** – The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service as of the valuation date as determined by the Actuarial Cost Method.



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