Total Compensation Systems, Inc.

West Hills Community College District
Actuarial Study of
[illegible]

Valuation Date: June 30, 2018

Table of Contents

West Hills Community College District
Actuarial Study of Retiree Health Liabilities

A. Introduction

West Hills Community College District engaged Total Compensation Systems, Inc. (TCS) to analyze liabilities associated with its current retiree health program as of June 30, 2018 (the measurement date). 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, 2018. 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 [illegible]

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 West Hills CCD to manage the costs and liabilities associated with its retiree health benefits.
- To provide information to [illegible]

[redacted]

- 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.

[redacted]

[redacted]

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.

In addition to the above voluntary plan, represented employees are also eligible for the benefits below

whether or not they elect voluntary coverage (i.e. plan contribution limits are cumulative).

	Certificated	Classified

[redacted]

OPEB benefits. Ineligible employees can include those in ineligible job classes; those hired after a

[redacted]

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.

[redacted]

[redacted]

PART II: BACKGROUND

A. Summary

[redacted]

- ***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 [illegible]

  used for a funded plan is the real rate of return expected for plan assets plus 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 [illegible]

PART III: LIABILITIES AND COSTS FOR RETIREE BENEFITS

A. Introduction.

We calculated the actuarial present value of projected benefit payments (APVPBP) separately for each

Actuarial Present Value of Projected Benefit Payments at June 30, 2018

	Total	*Certificated*	*Classified*	*Management*
Active: Pre-65	$10,861,755	$4,559,971	$4,512,346	$1,789,438
Post-65	$4,642,158	$1,976,583	$1,496,669	$1,168,906
[redacted]				
Post-65	$2,984,150	$264,878	$930,716	$1,788,556
Subtotal	$3,500,847	$416,538	$1,014,611	$2,069,698
Grand Total	$19,004,760	$6,953,092	$7,023,626	$5,028,042
Subtotal Pre-65	$11,378,452	$4,711,631	$4,596,241	$2,070,580
Subtotal Post-65	$7,626,308	$2,241,461	$2,427,385	$2,957,462

The APVPBP should be accrued over the working lifetime of employees. At any time much of it has not been "earned" by employees. The APVPBP is used to develop expense and liability figures. To do so, the APVPBP is divided into two parts: the portions attributable to service rendered prior to the measurement date (the past service liability or Total OPEB Liability (TOL) under GASB 74 and 75) and to service after the measurement date but prior to retirement (the future service liability).

[redacted]

future service liability which is fun [redacted] ed by the service cost.

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

If actuarial assumptions are borne out by experience, the District will fully accrue retiree benefits by expensing an amount each year that equals the service cost. If no accruals had taken place in the past, there would be a shortfall of many years' accruals, accumulated interest and forfeitures for terminated or deceased employees. This [redacted]

of future service costs. To the extent that benefits are funded through a GASB 74 qualifying trust, the trust's Fiduciary Net Position (FNP) is subtracted to get the NOL. The FNP is the value of assets adjusted for any applicable payables and receivables.

Total OPEB Liability (TOL) and Net OPEB Liability (NOL) as of June 30, [illegible]

[redacted]

3. Preliminary OPEB Expense

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. West Hills CCD determined that it was not reasonable to rerun prior valuations under GASB 75. Therefore, we used the transition approach provided in GASB 75, Paragraph [illegible]

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

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

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.

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

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

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.

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 West Hills CCD to understand that the appropriateness of all selected actuarial

Total Compensation Systems, Inc.

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

[redacted]

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
[redacted]	[redacted]

[redacted]

RETIREMENT RATES

Employee Type	*Retirement Rate Tables*
[redacted]	[redacted]

[redacted]

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

APPENDIX D: DISTRIBUTION OF ELIGIBLE PARTICIPANTS BY AGE

ELIGIBLE ACTIVE EMPLOYEES

Age	*Total*	*Certificated*	*Classified*	*Management*
Under 25	3	0	2	1
25-29	24	1	19	4
30-34	41	4	29	8
35-39	53	9	29	15
40-44	47	20	19	8
45-49	50	21	15	14
50-54	34	10	19	5
55-59	40	11	16	13
60-64	17	4	6	7
65 and older	8	7	0	1
Total	317	87	154	76

ELIGIBLE RETIREES

Age	*Total*	*Certificated*	*Classified*	*Management*
Under 50	0	0	0	0
50-54	0	0	0	0
55-59	2	0	0	2

[redacted]

This report does not necessarily include the entire accounting values. As mentioned earlier, there are certain [redacted]

Total Compensation Systems, Inc.

Turnover Tables

Turnover Table	2009 CalSTRS Termination Rates
[illegible]	[illegible]

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.

accordance with GASB 75. It was determined that the time and expense necessary to rerun [redacted]

Total Compensation Systems, Inc.

Participation Rate: The proportion of retirees who elect to receive retiree benefits. A lower [illegible]

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.

[illegible]