

IV.A.

May Meeting Agenda

10:00 a.m. April 19, 2024
279-666-3100 / ID 503 590 131#
Join the meeting now

The virtual meeting begins at 10:00 a.m. via MS Team link or the provided call-in number.

1. Opening Business

- a. Staffing and Administrative Updates
- b. Next FAC Meetings

2. 2024 FAC Schedule and Presentations

2024 FAC Schedule of Presentations – DRAFT		
Date	Topic	Presenter
January 23	2024 FAC Issues Matrix	Kevin Kasberg
February	Canceled	
March 22	FY 2023 Accountings	Sabir
April 19	Spring Budget Workshop	Ed Young
May 31	2025 Reserved Works Application	Stroup
June 28	New Storage Projects	Nickels
July 19		
August 2	PUE Allocation	Paul Hill
September 13		
October 18	Fall Budget Workshop	Ed Young
November 15	Friant Adv. Payment Pilot Program	Washington/Orvis
December 13		

Other Potential Topics for FAC Presentations:

- Future Costs and Potential Rate Impacts
- Annual O&M Cost Allocation/ Power Cost Allocation

3. 2025 Reserved Works Application – Stroup

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4. FAC Issues Matrix

2024 FAC Issues Matrix – DRAFT
Priority Issues
1. Future Costs and Potential Rate Impacts
2. Reserved Works Aging Infrastructure Account Application
3. True-up for WIIN Act and FCA
4. Friant Advanced Payment Pilot Program
5. Annual Budget Review with Stakeholders
6. Annual PUE Ratesetting Proposal
7. FY 2023 Annual Accounting Analysis/Expedited Refunds
Tracking Issues
1. Trinity PUD Assessment Collection
2. PL 111-11 XM Rate
3. Folsom SOD Cost Recovery
4. Warren Act Rates
5. 3f Tiered Pricing – Memo sent out to all FAC members on 3/27/2024
6. San Luis Joint Use O&M Cost Reallocation Study
7. Contractor Contact list - Request Update from Travis Buttelman
8. Reclamation Manual Updates CMP 08-01 Received Draft Response from Reclamation on 5/17/2024
9. WIIN Act Section 4007 Storage Projects
10. CVPIA True-up and Accounting BPG
11. BORWORKS Enhancements
12. Ability-to-Pay Studies
13. Remediation of 2014-2019 costs
14. Recharacterization of Reimbursability of Costs (BGT 02-02)

6. Other Items

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IX.B.

JWT & Associates, LLP

A Certified Public Accountancy Limited Liability Partnership

Utah Office - 212 East Crossroads Blvd, Suite 179, Saratoga Springs, Utah 84045
California Office - 1111 East Herndon, Suite 211, Fresno, California 93720

June 4, 2024

Del Puerto Water District
Attn: Board of Directors
PO Box 1596
Patterson, CA 95363

We are pleased to confirm our understanding of the services we are to provide to the Del Puerto Water District ("The District") for the year ended February 28, 2024.

Audit Scope and Objectives

We will audit the financial statements of The District, which comprise the statement of net position as of February 28, 2024, the related statements of revenues, expenses, and changes in net position, and cash flows for the year ended February 28, 2024, and the related notes to the financial statements. Accounting standards generally accepted in the United States of America (GAAP) provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement The District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to The District's RSI in accordance with auditing standards generally accepted in the United States of America (GAAS). These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtain during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by GAAP and will be subjected to certain limited procedures, but will not be audited:

1) Management's Discussion and Analysis

We have also been engaged to report on supplementary information other than RSI that accompanies The District's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS, and we will provide an opinion on it in relation to the financial statements as a whole in a report combined with our auditor's report on the financial statements:

- 1) Schedule of Contributions to the OPEB Plan
- 2) Schedule of Pension Information

The objectives of our audit are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; issue an auditor's report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP; and report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

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The objectives also include reporting on internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

Auditor's Responsibilities for the Audit of the Financial Statements

We will conduct our audit in accordance with GAAS and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of accounting records of The District and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with GAAS and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement.

Audit Procedures—Internal Control

We will obtain an understanding of the entity and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

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Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of The District's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The auditors' procedures do not include testing compliance with laws and regulations, in any jurisdiction related to Medicare and Medicaid antifraud and abuse. It is the responsibility of management of the entity, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provision of laws and regulations that determine the reported amounts and disclosures in the entity's financial statements. Therefore, management's responsibilities for compliance with laws and regulations applicable to its operations, include, but are not limited to, those related to Medicare and Medicaid antifraud and abuse statutes.

Other Services

We will also assist in preparing the financial statements and related notes of The District in conformity with accounting principles generally accepted in the United States of America based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Responsibilities of Management for the Financial Statements

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with accounting principles generally accepted in the United States of America, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is responsible for making drafts of financial statements, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by GAAS and *Government Auditing Standards*.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the entity involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to

remedy fraud and noncompliance with provisions of laws, regulations, or contracts or grant agreements that we report.

You are responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with accounting principles generally accepted in the United States of America. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Scope and Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to specific regulators as authorized by The District; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of JWT and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to specific regulators as authorized by The District or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for the purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of JWT personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by specific regulators as authorized by The District. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Richard Jackson is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

We estimate that our fees for these services will be \$12,000. You will also be billed for out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc., not to exceed 5% of professional fees). If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed

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upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Reporting

We will issue a written report upon completion of our audit of The District's financial statements. Our report will be addressed to The Board of Directors of The District. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will state (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The report will also state that the report is not suitable for any other purpose. If during our audit we become aware that the District is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

We appreciate the opportunity to be of service to The District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the attached copy and return it to us.

Very truly yours,

JWT & Associates, LLP

Approved by Management:

Name & Title: _____

Date: _____

Approved by the Board of Directors:

Name & Title: _____

Date: _____

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MacLeod Watts

IX.c.

June 3, 2024

Anthea Hansen
General Manager
Del Puerto Water District
P.O. Box 1596
Patterson, CA 95363

Re: Del Puerto Water District Other Post-Employment Benefits
GASB 75 Actuarial Report for the Fiscal Year Ending February 29, 2024

Dear Ms. Hansen:

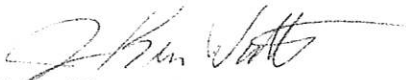
We are pleased to enclose our actuarial report providing financial information about the other post-employment benefit (OPEB) liabilities of the Del Puerto Water District. The report's text describes our analysis and assumptions in detail.

The primary purpose of this report is to provide information required by GASB 75 ("Accounting and Financial Reporting for Postemployment Benefits Other Than Pension") to be reported in the District's financial statements for the fiscal year ending February 29, 2024. The information included in this report reflects the District's established OPEB funding policy to contribute, on average, 100% or more of the Actuarially Determined Contribution.

The exhibits presented are based on a roll forward of the results of the February 28, 2022, actuarial valuation, and on the employee and plan data provided to us for that valuation. The District also provided information on retiree benefit payments, trust contributions/reimbursements and total covered employee payroll for the current fiscal year. As with any analysis, the soundness of the report is dependent on the inputs. Please review the information shown in the report to be comfortable that it matches your records.

We appreciate the opportunity to work on this analysis and acknowledge the efforts of District employees who provided valuable time and information to enable us to prepare this report. Please let us know if we can be of further assistance.

Sincerely,



J. Kevin Watts, FSA, FCA, MAAA
Principal & Consulting Actuary

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Del Puerto Water District

GASB 75 Actuarial Report
Measured as of February 28, 2023
For Fiscal Year End February 29, 2024 Financial Reporting

Submitted June 2024

MacLeod Watts

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A. Executive Summary

This report presents actuarial information regarding the other post-employment benefit (OPEB) program of the Del Puerto Water District (the District). The purpose of this valuation is to assess the OPEB liabilities and provide disclosure information as required by Statement No. 75 of the Governmental Accounting Standards Board (GASB 75) for the fiscal year ending February 29, 2024.

Important background information regarding the valuation process can be found in the Appendices. We recommend users of the report read this information to familiarize themselves with the process and context of actuarial valuations, including the requirements of GASB 75. The pages following this executive summary present various exhibits and other relevant information appropriate for disclosures under GASB 75.

An updated valuation should be prepared as of February 29, 2024. Results of that valuation will first be applied to prepare that GASB 75 report for the District's fiscal year ending February 28, 2025.

OPEB Obligations of the District

The District provides continuation of medical, dental, and vision coverage to its retiring employees. This coverage may create one or more of the following types of OPEB liabilities:

- **Explicit subsidy liabilities:** An "explicit subsidy" exists when the employer contributes directly toward the cost of retiree healthcare. In this program, the District pays a portion of medical, dental, and vision premiums for qualifying retirees. Details are provided in Supporting Information Section 2.
- **Implicit subsidy liabilities:** An "implicit subsidy" exists when premiums are developed using blended active and retiree claims experience. In this situation, premiums charged for retirees may not be sufficient to cover expected medical claims¹ and the premiums charged for active employees are said to "implicitly subsidize" retirees. This OPEB program includes implicit subsidy liabilities for retiree coverage prior to coverage under Medicare.
- **Other subsidy liabilities:** Pooled plans that do not blend active and retiree premiums likely generate subsidies between employers and retirees within the pool. In the CalPERS medical program, the premium rates for Medicare-covered retirees are based only on retiree claims experience of the pool. An actuarial practice note indicates these subsidies should be included in plan liabilities to the extent they are paid by the employer.² We generally expect these subsidies to be small and include any such liability with the implicit subsidy liability in this report.

We determine explicit subsidy liabilities using the expected direct payments promised by the plan toward retiree coverage. We determine the implicit and other subsidy liabilities as the projected difference between (a) estimated retiree medical claim costs by age and (b) premiums charged for retiree coverage. For more information on MacLeod Watts' age rating methodology, see Appendix 2.

¹ In rare situations, premiums for retiree coverage may be high enough that they subsidize active employees' claims.

² Exceptions exist for 1) Medicare Advantage Plans, treated as if their premiums are age-based due to the nature of the Federal subsidies paid to these plans, and 2) when employer explicit subsidies to Medicare-covered retirees are low and no part of any potential pool subsidy is expected to be paid by the employer.



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Executive Summary

(Continued)

OPEB Funding Policy

The District's OPEB funding policy affects the calculation of liabilities by impacting the discount rate used to develop the plan liability and expense. "Prefunding" is the term used when an agency consistently contributes an amount based on an actuarially determined contribution (ADC) each year. GASB 75 allows prefunded plans to use a discount rate that reflects the expected earnings on trust assets. Pay-as-you-go, or "PAYGO", is the term used when an agency only contributes the required retiree benefits when due. When an agency finances retiree benefits on a pay-as-you-go basis, GASB 75 requires the use of a discount rate equal to a 20-year high grade municipal bond rate.

The District continues to prefund its OPEB liability, consistently contributing 100% or more of the Actuarially Determined Contributions each year. With the District's approval, the discount rate used in this valuation is 5.70%, reflecting the District's expectation of the long-term return on trust assets as of the measurement date. Information on how this rate was determined is provided on page 7, Expected Return on Trust Assets.

Actuarial Assumptions

The actuarial "demographic" assumptions (i.e., rates of retirement, death, disability or other termination of employment) used in this report were chosen, for the most part, to be the same as the actuarial demographic assumptions used for the most recent valuation of the retirement plan(s) covering District employees. Other assumptions, such as age-related healthcare claims, healthcare trend, retiree participation rates and spouse coverage, were selected based on demonstrated plan experience and/or our best estimate of expected future experience. All these assumptions, and more, impact expected future benefits. Please note that this valuation has been prepared on a closed group basis. This means that only employees and retirees present as of the valuation date are considered. We do not consider replacement employees for those we project to leave the current population. New employees are valued on the valuation date following their employment.

We emphasize that this actuarial valuation provides a projection of future results based on many assumptions. Actual results are likely to vary to some extent and we will continue to monitor these assumptions in future valuations. See Section 3 for a description of assumptions used in this valuation.

Important Dates Used in the Valuation

GASB 75 allows reporting liabilities as of any fiscal year end based on: (1) a *valuation date* no more than 30 months plus 1 day prior to the close of the fiscal year end; and (2) a *measurement date* up to one year prior to the close of the fiscal year. The following dates were used for this report:

Fiscal Year End	February 29, 2024
Measurement Date	February 28, 2023
Measurement Period	February 28, 2022, to February 28, 2023
Valuation Date	February 28, 2022



**Executive Summary
 (Concluded)**

Updates Since the Prior Report

This report is based on a roll forward of the February 28, 2022, valuation. No benefit changes and no material changes in plan members or premium rates were reported to MacLeod Watts from those in place at the time the February 28, 2022, valuation was prepared. No plan experience was recognized, and no assumptions were changed, other than an update to the discount rate as described above.

Impact on Statement of Net Position and OPEB Expense for Fiscal Year Ending 2024

The plan's impact on Net Position will be the sum of difference between assets and liabilities as of the measurement date plus the unrecognized net outflows and inflows of resources. Different recognition periods apply to deferred resources depending on their origin. The plan's impact on Net Position as of the measurement date can be summarized as follows:

Items	For Reporting At Fiscal Year Ending February 29, 2024
Total OPEB Liability	\$ 758,324
Fiduciary Net Position	(828,255)
Net OPEB Liability (Asset)	\$ (69,931)
<i>Adjustment for Deferred Resources:</i>	
Deferred (Outflows)	(247,372)
Deferred Inflows	91,066
Impact on Statement of Net Position	\$ (226,237)
OPEB Expense, FYE 2/29/2024	\$ 68,725

Important Notices

This report is intended to be used only to present the actuarial information relating to other postemployment benefits for the District's financial statements. The results of this report may not be appropriate for other purposes, where other assumptions, methodology and/or actuarial standards of practice may be required or more suitable. We note that various issues in this report may involve legal analysis of applicable law or regulations. The District should consult counsel on these matters; MacLeod Watts does not practice law and does not intend anything in this report to constitute legal advice. In addition, we recommend the District consult with their internal accounting staff or external auditor or accounting firm about the accounting treatment of OPEB liabilities.



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B. Results Measured as of February 28, 2023

The District's OPEB liability measured as of February 28, 2023, was determined based on a "roll-forward" of the February 28, 2022, valuation. A roll-forward valuation moves the plan liability forward based on expected changes. For this type of valuation, we do not collect new plan data, and we generally do not change any actuarial assumptions. One exception is that changes in the liability discount rate reflecting changes in the municipal bond index or updated trust earnings expectations are reflected as of the new measurement date. Updated trust assets as of the measurement date are also reflected in the roll-forward valuation.

GASB allows roll-forward valuations to be performed in the year following the full biennial valuation if no material changes to the plan or the plan's members have occurred. Examples of material changes would include significantly different terminations or retirements during the year than were assumed, or a change in the retirement plan provisions. No such events or plan amendments were reported by the District in the current measurement period.

The chart below reconciles the liability reported last year to that obtained by the roll-forward valuation as of the end of the current fiscal year.

Reconciliation of Changes During Measurement Period	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (Asset) (c) = (a) - (b)
Balance at Fiscal Year Ending 2/28/2023 <i>Measurement Date 2/28/2022</i>	\$ 678,983	\$ 909,135	\$ (230,152)
Expected Changes During the Period:			
Service Cost	49,623		49,623
Interest Cost	41,203		41,203
Expected Investment Income		52,525	(52,525)
District Contributions		36,608	(36,608)
Administrative Expenses		(415)	415
Benefit Payments	(11,485)	(11,485)	-
Total Expected Changes During the Period	79,341	77,233	2,108
Expected at Fiscal Year Ending 2/29/2024 <i>Measurement Date 2/28/2023</i>	\$ 758,324	\$ 986,368	\$ (228,044)
Unexpected Changes During the Period:			
Change Due to Investment Experience		(158,113)	158,113
Total Unexpected Changes During the Period	-	(158,113)	158,113
Balance at Fiscal Year Ending 2/29/2024 <i>Measurement Date 2/28/2023</i>	\$ 758,324	\$ 828,255	\$ (69,931)



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C. Accounting Information (GASB 75)

The following exhibits are designed to satisfy the reporting and disclosure requirements of GASB 75 for the fiscal year ending February 29, 2024. The District is classified for GASB 75 purposes as a single employer.

Components of Net Position and Expense

The exhibit below shows the development of Net Position and Expense as of the Measurement Date.

Plan Summary Information for FYE February 29, 2024 <i>Measurement Date is February 28, 2023</i>	Del Puerto Water District
Items Impacting Net Position:	
Total OPEB Liability	\$ 758,324
Fiduciary Net Position	(828,255)
Net OPEB Liability (Asset)	(69,931)
 <i>Deferred (Outflows) Due to:</i>	
Assumption Changes	(51,221)
Plan Experience	-
Investment Experience	(156,843)
Deferred Contributions	(39,308)
 <i>Deferred Inflows Due to:</i>	
Assumption Changes	4,588
Plan Experience	52,389
Investment Experience	34,089
Impact on Statement of Net Position, FYE 2/29/2024	\$ (226,237)
 Items Impacting OPEB Expense:	
Service Cost	\$ 49,623
Cost of Plan Changes	-
Interest Cost	41,203
Expected Earnings on Assets	(52,525)
Administrative Expenses	415
 <i>Recognition of Deferred Outflows:</i>	
Assumption Changes	10,783
Plan Experience	-
Investment Experience	53,205
 <i>Recognition of Deferred (Inflows):</i>	
Assumption Changes	(765)
Plan Experience	(10,054)
Investment Experience	(23,160)
OPEB Expense, FYE 2/29/2024	\$ 68,725



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Accounting Information
 (Continued)

Change in Net Position During the Fiscal Year

The exhibit below shows the year-to-year changes in the components of Net Position.

For Reporting at Fiscal Year End	2/28/2023	2/29/2024	Change
<i>Measurement Date</i>	<i>2/28/2022</i>	<i>2/28/2023</i>	During
			Period
Total OPEB Liability	\$ 678,983	\$ 758,324	\$ 79,341
Fiduciary Net Position	<u>(909,135)</u>	<u>(828,255)</u>	<u>80,880</u>
Net OPEB Liability (Asset)	(230,152)	(69,931)	160,221
<i>Deferred (Outflows) Due to:</i>			
Assumption Changes	(62,004)	(51,221)	10,783
Plan Experience	-	-	-
Investment Experience	(51,935)	(156,843)	(104,908)
Deferred Contributions	(36,608)	(39,308)	(2,700)
<i>Deferred Inflows Due to:</i>			
Assumption Changes	5,353	4,588	(765)
Plan Experience	62,443	52,389	(10,054)
Investment Experience	<u>57,249</u>	<u>34,089</u>	<u>(23,160)</u>
Impact on Statement of Net Position	<u>\$ (255,654)</u>	<u>\$ (226,237)</u>	<u>\$ 29,417</u>

Change in Net Position During the Fiscal Year

Impact on Statement of Net Position, FYE 2/28/2023	\$ (255,654)
OPEB Expense (Income)	68,725
District Contributions During Fiscal Year	<u>(39,308)</u>
Impact on Statement of Net Position, FYE 2/29/2024	<u>\$ (226,237)</u>

OPEB Expense

District Contributions During Fiscal Year	\$ 39,308
Deterioration (Improvement) in Net Position	<u>29,417</u>
OPEB Expense (Income), FYE 2/29/2024	<u>\$ 68,725</u>



Accounting Information
 (Continued)

Change in Fiduciary Net Position During the Measurement Period

	Del Puerto Water District
Fiduciary Net Position at Fiscal Year Ending 2/28/2023 <i>Measurement Date 2/28/2022</i>	\$ 909,135
Changes During the Period:	
Investment Income	(105,588)
District Contributions	36,608
Administrative Expenses	(415)
Benefit Payments	(11,485)
Net Changes During the Period	(80,880)
Fiduciary Net Position at Fiscal Year Ending 2/29/2024 <i>Measurement Date 2/28/2023</i>	\$ 828,255

Expected Long-term Return on Trust Assets

In March 2022, CalPERS updated the projected future investment returns for CERBT Strategy 2. CalPERS determined its returns using a building-block method and best-estimate ranges of expected future real rates of return for each major asset class (expected returns, net of OPEB plan investment expense and inflation). The target allocation and best estimates of geometric real rates of return published by CalPERS for each major class are split for years 1-5 and years 6-20. We assumed that the returns for years 6 through 20 would continue in later years.

CERBT Strategy 2		Years 1-5			Years 6-20		
Major Asset Classification	Target Allocation	General Inflation Rate Assumption	1-5 Year Expected Real Rate of Return	Compound Return Yrs 1-5	General Inflation Rate Assumption	6-20 Year Expected Real Rate of Return	Compound Return Years 6-20
Global Equity	34%	2.40%	4.40%	6.80%	2.30%	4.50%	6.80%
Fixed Income	41%	2.40%	-1.00%	1.40%	2.30%	2.20%	4.50%
Global Real Estate(REITs)	17%	2.40%	3.00%	5.40%	2.30%	3.90%	6.20%
Treasury Inflation Protected Securities	5%	2.40%	-1.80%	0.60%	2.30%	1.30%	3.60%
Commodities	3%	2.40%	0.80%	3.20%	2.30%	1.20%	3.50%
Volatility	9.9%		weighted	4.2%		weighted	5.9%

To derive the expected future trust return specifically for the District, we first adjusted CalPERS' future return expectations to align with the 2.5% general inflation assumption used in this report. Then applying the plan specific benefit payments to CalPERS' bifurcated return expectations, we determined the single equivalent long-term rate of return to be 5.70%.



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Accounting Information
 (Continued)

Recognition Period for Deferred Resources

Liability changes due to plan experience which differs from what was assumed in the prior measurement period and/or from assumption changes during the period are recognized over the plan's Expected Average Remaining Service Life ("EARSL"). The EARSL of 9.33 years is the period used to recognize such changes in the OPEB Liability arising during the current measurement period.

When applicable, changes in the Fiduciary Net Position due to investment performance different from the assumed earnings rate are always recognized over 5 years.

Liability changes attributable to benefit changes occurring during the period, if any, are recognized immediately.

Deferred Resources as of Fiscal Year End and Expected Future Recognition

The exhibit below shows deferred resources as of the fiscal year end February 29, 2024.

Del Puerto Water District	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 51,221	\$ 4,588
Differences Between Expected and Actual Experience	-	52,389
Net Difference Between Projected and Actual Earnings on Investments	122,754	-
Deferred Contributions	39,308	-
Total	\$ 213,283	\$ 56,977

The District will recognize the Deferred Contributions in the next fiscal year. In addition, future recognition of these deferred resources is shown below.

For the Fiscal Year Ending February 29	Recognized Net Deferred Outflows (Inflows) of Resources
2025	\$ 18,544
2026	30,775
2027	41,244
2028	29,880
2029	(2,557)
Thereafter	(888)



Accounting Information
 (Continued)

Sensitivity of Liabilities to Changes in the Discount Rate and Healthcare Cost Trend Rate

The discount rate used for accounting purposes for the fiscal year end 2024 is 5.70%. Healthcare Cost Trend Rate was assumed to start at 5.6% (increase effective January 1, 2024) and grade down to 3.9% for years 2076 and later. The impact of a 1% increase or decrease in these assumptions is shown in the chart below.

Sensitivity to:			
Change in Discount Rate	Current - 1% 4.70%	Current 5.70%	Current + 1% 6.70%
Total OPEB Liability	876,860	758,324	661,715
Increase (Decrease)	118,536		(96,609)
% Increase (Decrease)	15.6%		-12.7%
Net OPEB Liability (Asset)	48,605	(69,931)	(166,540)
Increase (Decrease)	118,536		(96,609)
% Increase (Decrease)	169.5%		-138.1%
Change in Healthcare Cost Trend Rate	Current Trend - 1%	Current Trend	Current Trend + 1%
Total OPEB Liability	641,629	758,324	907,353
Increase (Decrease)	(116,695)		149,029
% Increase (Decrease)	-15.4%		19.7%
Net OPEB Liability (Asset)	(186,626)	(69,931)	79,098
Increase (Decrease)	(116,695)		149,029
% Increase (Decrease)	-166.9%		213.1%



Accounting Information
 (Continued)

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

GASB 75 requires presentation of the 10-year history of changes in the Net OPEB Liability. Years since GASB 75 was implemented are shown.

Fiscal Year Ending	2/29/2024	2/28/2023	2/28/2022	2/28/2021	2/28/2020	2/29/2020	2/28/2019	2/28/2018
<i>Measurement Date</i>	<i>2/28/2023</i>	<i>2/28/2022</i>	<i>2/28/2021</i>	<i>2/28/2020</i>	<i>2/29/2020</i>	<i>2/28/2019</i>	<i>2/28/2018</i>	<i>2/28/2018</i>
<i>Discount Rate</i>	5.70%	5.70%	6.55%	6.55%	6.55%	6.55%	6.73%	6.73%
Total OPEB liability								
Service Cost	\$ 49,623	\$ 42,073	\$ 40,848	\$ 30,913	\$ 28,664	\$ 28,664	\$ 32,526	
Interest	41,203	41,348	36,868	35,286	32,616	32,616	29,671	
Changes of benefit terms	-	-	-	-	-	-	-	
Differences between expected and actual experience	-	(31,664)	-	(30,428)	-	-	(30,959)	
Changes of assumptions	-	43,337	-	(7,648)	12,464	12,464	40,082	
Benefit payments	(11,485)	(10,600)	(10,486)	(17,347)	(26,475)	(26,475)	(20,920)	
Net change in total OPEB liability	79,341	84,494	67,230	10,776	47,269	47,269	50,400	
Total OPEB liability - beginning	678,983	594,489	527,259	516,483	469,214	469,214	418,814	
Total OPEB liability - ending (a)	\$ 758,324	\$ 678,983	\$ 594,489	\$ 527,259	\$ 516,483	\$ 516,483	\$ 469,214	
Plan fiduciary net position								
Contributions - employer	\$ 36,608	\$ 34,671	\$ 33,423	\$ 31,062	\$ 38,465	\$ 38,465	\$ 26,428	
Net investment income	(105,588)	7,673	104,546	103,132	(14,065)	(14,065)	48,504	
Benefit payments	(11,485)	(10,600)	(10,486)	(17,347)	(26,475)	(26,475)	(20,920)	
Administrative Expenses	(415)	(73)	(659)	(601)	(540)	(540)	(527)	
Net change in plan fiduciary net position	(80,880)	31,671	126,824	116,246	(2,615)	(2,615)	53,485	
Plan fiduciary net position - beginning	909,135	877,464	750,640	634,394	637,009	637,009	583,524	
Plan fiduciary net position - ending (b)	\$ 828,255	\$ 909,135	\$ 877,464	\$ 750,640	\$ 634,394	\$ 634,394	\$ 637,009	
Net OPEB liability - ending (a) - (b)	\$ (69,931)	\$ (230,152)	\$ (282,975)	\$ (223,381)	\$ (117,911)	\$ (117,911)	\$ (167,795)	
Covered-employee payroll	\$ 773,219	\$ 692,037	\$ 618,148	\$ 498,958	\$ 459,586	\$ 459,586	\$ 437,670	
Net OPEB liability as a % of covered-employee payroll	-9.04%	-33.26%	-45.78%	-44.77%	-25.66%	-25.66%	-38.34%	

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Accounting Information
 (Continued)

Schedule of Changes in the District's Net OPEB Liability and Related Ratios
 (concluded)

Fiscal Year Ending	2/29/2024	2/28/2023	2/28/2022	2/28/2021	2/29/2020	2/28/2019	2/28/2018
<i>Measurement Date</i>	2/28/2023	2/28/2022	2/28/2021	2/29/2020	2/28/2019	2/28/2018	2/28/2018
<i>Discount Rate</i>	5.70%	5.70%	6.55%	6.55%	6.55%	6.55%	6.73%
Valuation Date	2/28/2022	2/29/2020	2/29/2020	2/29/2020	2/28/2018	2/28/2018	2/28/2018
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Discount Rate	5.70%	6.55%	6.55%	6.55%	6.55%	6.73%	6.73%
Inflation	2.50%	2.50%	2.50%	2.50%	2.75%	2.75%	2.75%
Healthcare Cost Trend Rates	5.6% in 2024, step down to 3.9% by 2076	5.4% in Jan 2021, step down to 4.0% by 2076	5.4% in Jan 2021, step down to 4.0% by 2076	5.4% in Jan 2021, step down to 4.0% by 2076	7.5% in Jan 2019, step down 0.5% per year to 5.0% by 2024	7.5% in Jan 2019, step down 0.5% per year to 5.0% by 2024	7.5% in Jan 2019, step down 0.5% per year to 5.0% by 2024
Salary Increases	3.00%	3.00%	3.00%	3.00%	3.25%	3.25%	3.25%
Retirement Age	From 50 to 75	From 50 to 75	From 50 to 75	From 50 to 75	From 50 to 75	From 50 to 75	From 50 to 75
Mortality	CalPERS 2021 Experience Study	CalPERS 2017 Experience Study	CalPERS 2017 Experience Study	CalPERS 2017 Experience Study	CalPERS 2014 Experience Study	CalPERS 2014 Experience Study	CalPERS 2014 Experience Study
Mortality Improvement	MW Scale 2022	MW Scale 2022	MW Scale 2020	MW Scale 2020	MW Scale 2017	MW Scale 2017	MW Scale 2017

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Accounting Information
(Continued)

Schedule of Contributions

The chart below shows the Actuarially Determined Contribution (ADC), the District's contribution, and the excess or shortfall.

	FYE 2024	FYE 2023	FYE 2022	FYE 2021	FYE 2020	FYE 2019
Actuarially Determined Contribution	\$ 38,054	\$ 36,031	\$ 34,493	\$ 22,790	\$ 21,906	\$ 21,053
Contributions in relation to the actuarially determined contribution	39,308	36,608	34,671	33,416	31,062	38,465
Contribution deficiency (excess)	\$ (1,254)	\$ (577)	\$ (178)	\$ (10,626)	\$ (9,156)	\$ (17,412)
Covered employee payroll	\$ 836,017	\$ 773,219	\$ 692,037	\$ 618,148	\$ 498,958	\$ 459,586
Contributions as a percentage of covered employee payroll	4.70%	4.73%	5.01%	5.41%	6.23%	8.37%

Notes to Schedule

Valuation Date:

Actuarial cost method
 Amortization method
 Amortization period
 Asset valuation method
 Inflation

Healthcare cost trend rates

Salary increases
 Investment rate of return
 Retirement age

Mortality
 Mortality Improvement

2/28/2022	2/29/2020	2/28/2018
Entry Age Normal	Entry Age Normal	Entry Age Normal
Open period	Open period	Open period
30 years	30 years	30 years
Market Value	Market Value	Market Value
2.50%	2.50%	2.75%
5.6% in 2024, step down to 3.9% by 2076	5.4% in Jan 2021, step down to 4.0% by 2076	7.5% in Jan 2019, step down .5% per year to 5.0% by 2024
3.00%	3.00%	3.25%
5.70%	6.55%	6.73%
Form 50 to 75	Form 50 to 75	From 50 to 75
2021 CalPERS Experience Study	2017 CalPERS Experience Study	2014 CalPERS Experience Study
MW Scale 2022	MW Scale 2020	MW Scale 2017



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Accounting Information
 (Continued)

Detail of Changes to Net Position

The chart below details changes to all components of Net Position.

Del Puerto Water District	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (Asset) (c) = (a) - (b)	Deferred Outflows:			Deferred Inflows:			Impact on Statement of Net Position (f) = (c) - (d) + (e)	
				Assumption Changes	Plan Experience	Investment Experience	Deferred Contributions	Assumption Changes	Plan Experience		Investment Experience
Balance at Fiscal Year Ending 2/28/2023 <i>Measurement Date 2/28/2022</i>	\$ 678,983	\$ 909,135	\$ (230,152)	\$ 62,004	\$ -	\$ 51,935	\$ 36,608	\$ 5,353	\$ 62,443	\$ 57,249	\$ (255,654)
Changes During the Period:											
Service Cost	49,623		49,623								49,623
Interest Cost	41,203		41,203								41,203
Expected Investment Income		52,525	(52,525)								(52,525)
District Contributions		36,608	(36,608)								(36,608)
Changes of Benefit Terms	-	(415)	-								-
Administrative Expenses		(415)	415								415
Benefit Payments	(11,485)	(11,485)	-								-
Assumption Changes	-		-								-
Plan Experience	-		-								-
Investment Experience		(158,113)	158,113			158,113					-
Recognized Deferred Resources				(10,783)		(53,205)	(36,608)	(765)	(10,054)	(23,160)	66,617
Contributions After Measurement Date						39,308					(39,308)
Net Changes in Fiscal Year 2023-2024	79,341	(80,880)	160,221	(10,783)	-	104,908	2,700	(765)	(10,054)	(23,160)	29,417
Balance at Fiscal Year Ending 2/29/2024 <i>Measurement Date 2/28/2023</i>	\$ 758,324	\$ 828,255	\$ (69,931)	\$ 51,221	\$ -	\$ 156,843	\$ 39,308	\$ 4,588	\$ 52,389	\$ 34,089	\$ (226,237)



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Accounting Information
 (Continued)

Schedule of Deferred Outflows and Inflows of Resources

A listing of all deferred resource bases used to develop the Net Position and Pension Expense is shown below. Deferred Contributions are not shown.

Measurement Date: February 28, 2023

Date Created	Source	Deferred Outflow or (Inflow)			Balance as of Feb 28, 2023	Recognition of Deferred Outflow or Deferred (Inflow) in Measurement Period:							
		Impact on Net OPEB Liability (NOL)	Initial Amount	Period (Yrs)		Annual Recognition	2022-23 (FYE 2024)	2023-24 (FYE 2025)	2024-25 (FYE 2026)	2025-26 (FYE 2027)	2026-27 (FYE 2028)	2027-28 (FYE 2029)	Thereafter
2/28/2018	Plan Experience	Decreased	\$ (30,959)	8.56	\$ (3,617)	\$ (3,617)	\$ (3,617)	\$ (3,617)	\$ (2,023)	\$ -	\$ -	\$ -	\$ -
	Assumption Changes	Increased	40,082	8.56	4,682	4,682	4,682	4,682	2,626	-	-	-	-
2/28/2019	Assumption Changes	Increased	12,464	8.56	1,456	1,456	1,456	1,456	1,456	816	-	-	-
2/28/2019	Investment Earnings	Increased	57,321	5.00	11,464	-	-	-	-	-	-	-	-
2/29/2020	Plan Experience	Decreased	(30,428)	10.00	(3,043)	(18,256)	(3,043)	(3,043)	(3,043)	(3,043)	(3,043)	(3,043)	(3,041)
	Assumption Changes	Decreased	(7,648)	10.00	(765)	(4,588)	(765)	(765)	(765)	(765)	(765)	(765)	(763)
2/29/2020	Investment Earnings	Decreased	(61,150)	5.00	(12,230)	(12,230)	(12,230)	(12,230)	-	-	-	-	-
2/28/2021	Investment Earnings	Decreased	(54,649)	5.00	(10,930)	(21,859)	(10,930)	(10,930)	-	-	-	-	-
2/28/2022	Plan Experience	Decreased	(31,664)	9.33	(3,394)	(24,876)	(3,394)	(3,394)	(3,394)	(3,394)	(3,394)	(3,394)	(7,906)
	Assumption Changes	Increased	43,337	9.33	4,645	34,047	4,645	4,645	4,645	4,645	4,645	4,645	10,822
2/28/2022	Investment Earnings	Increased	50,587	5.00	10,117	30,353	10,117	10,117	10,117	10,119	-	-	-
2/28/2023	Investment Earnings	Increased	158,113	5.00	31,623	126,490	31,623	31,623	31,623	31,623	31,623	-	-

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Accounting Information
 (Continued)

District Contributions to the Plan

District contributions to the Plan occur as benefits are paid to or on behalf of retirees and/or as contributions are made to the OPEB trust. Benefit payments may occur in the form of direct payments for premiums (“explicit subsidies”) and/or indirect payments to retirees in the form of higher premiums for active employees (“implicit subsidies”). For details on Important Background Information, see Appendices.

The District reported the following OPEB contributions paid during the measurement period.

For the Measurement Period, Mar 1, 2022 thru Feb 28, 2023	Del Puerto Water District
District	
(a) Contribution To CERBT	\$ 36,031
(b) Benefits Paid Directly To or On Behalf of Retirees	10,908
(c) Implicit Subsidy Payment	577
CERBT	
(d) Benefits Paid Directly To or On Behalf of Retirees	-
(e) Reimbursements to District	10,908
<i>Total Benefits Paid During the MP, (b)+(c)+(d)</i>	11,485
<i>District Contribution During the MP, (a)+(b)+(c)-(e)</i>	36,608

The District’s OPEB benefits payments/contributions made after the measurement date but prior to the current fiscal year end in the chart below.

For the Fiscal Year, Mar 1, 2023 thru Feb 29, 2024	Del Puerto Water District
District	
(f) Contribution To CERBT	\$ 38,054
(g) Benefits Paid Directly To or On Behalf of Retirees	11,788
(h) Implicit Subsidy Payment	682
CERBT	
(i) Benefits Paid Directly To or On Behalf of Retirees	-
(j) Reimbursements to District	11,216
<i>Total Benefits Paid During the Current FY, (g)+(h)+(i)</i>	12,470
<i>District Contribution During the Current FY, (f)+(g)+(h)-(j)</i>	39,308

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Accounting Information

(Continued)

Projected Benefit Payments (15-year projection)

The following is an estimate of other post-employment benefits to be paid on behalf of current retirees and current employees expected to retire from the District. Expected annual benefits have been projected on the basis of the actuarial assumptions outlined in Section 3.

These projections do not include any benefits expected to be paid on behalf of current active employees *prior to* retirement, nor do they include any benefits for potential *future employees* (i.e., those who might be hired in future years).

Projected Annual Benefit Payments							
Fiscal Year Ending February 28	Explicit Subsidy			Implicit Subsidy			Total
	Current Retirees	Future Retirees	Total	Current Retirees	Future Retirees	Total	
2024	11,788	-	11,788	682	-	682	12,470
2025	11,964	6,229	18,193	-	1,141	1,141	19,334
2026	12,315	9,260	21,575	-	1,848	1,848	23,423
2027	12,634	9,075	21,709	-	2,800	2,800	24,509
2028	12,928	12,163	25,091	-	4,174	4,174	29,265
2029	13,192	15,563	28,755	-	5,976	5,976	34,731
2030	13,418	21,684	35,102	-	9,143	9,143	44,245
2031	13,600	27,914	41,514	-	13,057	13,057	54,571
2032	13,731	34,147	47,878	-	18,015	18,015	65,893
2033	13,803	28,658	42,461	-	11,443	11,443	53,904
2034	13,813	35,430	49,243	-	17,129	17,129	66,372
2035	13,744	43,391	57,135	-	21,432	21,432	78,567
2036	13,597	51,676	65,273	-	24,758	24,758	90,031
2037	13,367	46,602	59,969	-	20,399	20,399	80,368
2038	13,049	53,981	67,030	-	19,686	19,686	86,716

The amounts shown in the Explicit Subsidy table reflect the expected payment by the District toward retiree medical premiums in each of the years shown. The amounts are shown separately, and in total, for those retired on the valuation date ("current retirees") and those expected to retire after the valuation date ("future retirees").

The amounts shown in the Implicit Subsidy table reflect the estimated excess of retiree medical and prescription drug claims over the premiums expected to be charged during the year for retirees' coverage. These amounts are also shown separately and in total for those currently retired on the valuation date and for those expected to retire in the future.



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Accounting Information
 (Concluded)

Sample Journal Entries

OPEB Accounts at Beginning of Fiscal Year	By Source		Sources Combined	
	Debit	Credit	Debit	Credit
Net OPEB Liability	230,152		230,152	
<i>Deferred Outflow:</i>				
Assumption Changes	62,004			
Plan Experience	-			
Investment Experience	51,935			
Contribution Subsequent to MD	36,608			
Deferred Outflows			150,547	
<i>Deferred Inflow:</i>				
Assumption Changes		5,353		
Plan Experience		62,443		
Investment Experience		57,249		
Deferred Inflows				125,045
Record Benefits Paid to Retirees		Debit		Credit
Net OPEB Liability		11,788		
Cash				11,788
Record Contributions to the Trust		Debit		Credit
Net OPEB Liability		38,054		
Cash				38,054
Record Reimbursements from the Trust		Debit		Credit
Cash		11,216		
Net OPEB Liability				11,216
Record Implicit Subsidy Payment		Debit		Credit
Net OPEB Liability		682		
Premium Expense				682
Record End of Year Updates to OPEB Accounts		By Source		Sources Combined
		Debit		Credit
Net OPEB Liability				199,529
<i>Deferred Outflow:</i>				
Assumption Changes				10,783
Plan Experience				
Investment Experience	104,908			
Contribution Subsequent to MD	2,700			
Deferred Outflows				96,825
<i>Deferred Inflow:</i>				
Assumption Changes		765		
Plan Experience		10,054		
Investment Experience		23,160		
Deferred Inflows				33,979
OPEB Expense	68,725			68,725

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D. Funding Information

Prefunding (setting aside funds to accumulate in an irrevocable OPEB trust) has certain advantages, one of which is the ability to (potentially) use a higher discount rate in the determination of liabilities for GASB 75 reporting purposes. The District has been prefunding its OPEB liability by contributing 100% or more of the Actuarially Determined Contribution (ADC) each year.

Different terminology is sometimes used by actuaries and accountants when referring to key liability and expense components. Here are some of these terms which are often interchangeable:

Actuarial Funding Terminology

Present Value of Projected Benefits (PVPB)
 Actuarially Accrued Liability (AAL)
 Market Value of Assets
 Unfunded Actuarially Accrued Liability (UAAL)
 Normal Cost

GASB 75 Terminology

N/A; typically not reported for accounting purposes
 Total OPEB Liability (TOL)
 Fiduciary Net Position
 Net OPEB Liability
 Service Cost

The District approved development of Actuarially Determined Contributions (ADC) based on the following two components, which are then adjusted with interest to the District’s fiscal year end:

- The amounts attributed to service performed in the current fiscal year (the normal cost) and
- Amortization of the unfunded actuarial accrued liability (UAAL).

The ADC determined for the District’s fiscal year ending February 29, 2024, was developed based on the February 28, 2022 actuarial valuation using a 5.70% discount rate. A summary is shown below:

Discount Rate	5.70%
Actuarial Accrued Liability (projected)	\$ 758,324
Actuarial Value of Assets (projected)	985,751
Unfunded Actuarial Accrued Liability (UAAL)	(227,427)
Amortization Factor*	15.0287
Actuarially Determined Contribution for FYE 2024	
Amortization of UAAL	(15,133)
Normal Cost	51,112
Interest to Fiscal Year End	2,051
Total ADC	\$ 38,030

*Determined on a level \$ basis over a open 30 year period

The ADC determined on this basis should provide for trust sufficiency, based on the current plan provisions and employee data, if all assumptions are exactly realized *and providing that the District contribute 100% or more of the total ADC each year*. When an agency commits to funding the trust at or above the ADC, GASB 75 allows use of the expected long term trust return to be used as the discount rate in determining the plan liability. Even so, the ADC developed on this basis does not guarantee trust sufficiency due to the non-trivial risk that the assumptions used to determine plan contributions may not be realized.



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E. Certification

The purpose of this report is to provide actuarial information in compliance with Statement 75 of the Governmental Accounting Standards Board (GASB 75) for other postemployment benefits provided by the Del Puerto Water District (the District). We summarized the benefits in this report and our calculations were based on our understanding of the benefits as described herein.

In preparing this report we relied without audit on information provided by the District. This information includes, but is not limited to, plan provisions, census data, and financial information. We performed a limited review of this data and found the information to be reasonably consistent. The accuracy of this report is dependent on this information and if any of the information we relied on is incomplete or inaccurate, then the results reported herein will be different from any report relying on more accurate information.

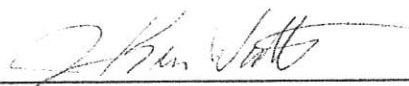
We consider the actuarial assumptions and methods used in this report to be individually reasonable under the requirements imposed by GASB 75 and taking into consideration reasonable expectations of plan experience. The results provide an estimate of the plan's financial condition at one point in time. Future actuarial results may be significantly different due to a variety of reasons including, but not limited to, demographic and economic assumptions differing from future plan experience, changes in plan provisions, changes in applicable law, or changes in the value of plan benefits relative to other alternatives available to plan members.

Alternative assumptions may also be reasonable; however, demonstrating the range of potential plan results based on alternative assumptions was beyond the scope of our assignment except to the limited extent required by GASB 75. Plan results for accounting purposes may be materially different than results obtained for other purposes such as plan termination, liability settlement, or underlying economic value of the promises made by the plan.

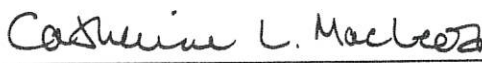
This report is prepared solely for the use and benefit of the District and may not be provided to third parties without prior written consent of MacLeod Watts. Exceptions are: The District may provide copies of this report to their professional accounting and legal advisors who are subject to a duty of confidentiality, and the District may provide this work to any party if required by law or court order. No part of this report should be used as the basis for any representations or warranties in any contract or agreement without the written consent of MacLeod Watts.

The undersigned actuaries are unaware of any relationship that might impair the objectivity of this work. Nothing within this report is intended to be a substitute for qualified legal or accounting counsel. The signing actuaries are members of the American Academy of Actuaries and meet the qualification standards for rendering this opinion.

Signed: June 3, 2024



J. Kevin Watts, FSA, FCA, MAAA



Catherine L. MacLeod, FSA, FCA, EA, MAAA

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F. Supporting Information

Section 1 - Summary of Employee Data

Active employees: The District reported 6 active members in the data provided to us for the February 28, 2022, valuation. Of these, 5 were enrolled in the medical program, with 1 waiving coverage as of the valuation date.

Distribution of Benefits-Eligible Active Employees								
Current Age	Years of Service						Total	Percent
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 & Up		
Under 25							0	0%
25 to 29							0	0%
30 to 34			1				1	17%
35 to 39			1				1	17%
40 to 44							0	0%
45 to 49		1		1			2	33%
50 to 54	1					1	2	33%
55 to 59							0	0%
60 to 64							0	0%
65 to 69							0	0%
70 & Up							0	0%
Total	1	1	2	1	0	1	6	100%
Percent	17%	17%	33%	17%	0%	17%	100%	

Valuation	February 2020	February 2022
Average Attained Age for Actives	41.4	45.8
Average Years of Service	7.2	8.5

Retirees: There were also 2 retirees receiving benefits under this program on the valuation date. Their current ages are summarized in the chart at right, as well as the average age at retirement.

Retirees by Age		
Current Age	Number	Percent
Below 50	0	0%
50 to 54	0	0%
55 to 59	0	0%
60 to 64	0	0%
65 to 69	1	50%
70 to 74	1	50%
75 to 79	0	0%
80 & up	0	0%
Total	2	100%
Average Age:		
On 2/28/2022	70.46	
At retirement	63.46	

Summary of Plan Member Counts: The numbers of those members currently or potentially eligible to receive benefits under the OPEB plan are required to be reported in the notes to the financial statements.

Summary of Plan Member Counts	
Number of active plan members	6
Number of inactive plan members currently receiving benefits	2
Number of inactive plan members entitled to but not receiving benefits	0



Supporting Information
 (Continued)

Section 2 - Summary of Retiree Benefit Provisions

OPEB provided: The District reported that the only OPEB provided is medical plan coverage.

Access to coverage: Medical coverage is currently provided through CalPERS as permitted under the Public Employees' Medical and Hospital Care Act (PEMHCA). This coverage requires the employee to satisfy the requirements for retirement under CalPERS: either (a) attainment of age 50 (age 52, if a miscellaneous employee new to PERS on or after January 1, 2013) with 5 years of State or public agency service or (b) an approved disability retirement. The employee must begin his or her pension benefit within 120 days of terminating employment with the District³ to be eligible to continue medical coverage through the District and be entitled to the employer subsidy described below.

Once eligible, a retiree or survivor may enroll within 60 days of retirement *or during any future open enrollment period*. Coverage may be continued at the retiree's option for his or her lifetime. A surviving spouse and other eligible dependents may also continue coverage.

Benefits provided: Under the CalPERS medical program, the District must contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. The District currently maintains two PEMHCA resolutions defining the District's contribution toward retiree medical plan premiums. The resolutions apply based on an employee's hire date as follows:

- *Employees hired before February 1, 2015:* The District contributes 100% of the medical premium for employees and retirees and 75% of the premium for any covered dependents. The surviving spouse of a deceased retiree will receive 100% of the medical premium.
- *Employees hired on or after February 1, 2015:* Those who retire from the District meeting the eligibility requirements described above under "Access to coverage", but with less than 5 years of District service and less than 10 years of PERS service may continue the medical coverage at their own expense.

For employees who retire from the District with 5 or more years of District service and 10 or more years of PERS service, the District will pay 100% of the medical premium for retirees and dependents for life, up to but not exceeding certain maximum amounts. Those maximum amounts are: (a) dollar caps which vary by coverage level set annually per the "100/90 formula"⁴ (shown in this chart), multiplied by (b) a vesting percentage based on the retiree's years of CalPERS membership.

Subsidy for the 100/90 Formula		
Retiree	Retiree + 1	Retiree + 2
\$883.00	\$1,699.00	\$2,124.00

³ Employees covered by the PEMHCA Vesting Resolution who work at least 20 years for the District are not subject to the requirement to begin their pension benefit within 120 days of leaving the District employment.

⁴ The "100/90 formula" provides that the District pay up to a maximum of 100% of the weighted average of the health benefits plan premium for retirees and 90% of the weighted average of additional premiums required for the enrollment of eligible dependents.



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Supporting Information

(Continued)

Section 2 - Summary of Retiree Benefit Provisions

(continued)

The vesting percentage⁵ applied to the “100/90 formula” caps for service retirements are shown in the chart at right:

Note that for employees who qualify for a disability retirement, the vesting percentage does *not* apply in determining the amount of the benefit payable.

Years of Qualifying Service	Vested Percent	Years of Qualifying Service	Vested Percent
Less than 10	0%	15	75%
10	50%	16	80%
11	55%	17	85%
12	60%	18	90%
13	65%	19	95%
14	70%	20 or more	100%

Dental and vision benefits provided: Dental and vision insurance is also provided for qualifying retirees, as follows:

- *Employees hired before February 1, 2015:* The District contributes 100% of the dental and vision premium for the retiree and 75% of the premium for any covered dependents.
- *Employees hired on or after February 1, 2015:* Those who retire from the District with at least 10 years of service are eligible for (a) 100% of the dental and vision premium for the retiree and 75% of the premium for any covered dependents, multiplied by (b) the vested percent, determined from the table shown above.

Dental and vision coverage ends upon the retiree’s death.

Current premium rates: The 2023 CalPERS monthly medical plan rates in the CalPERS Region 1 rate group are shown in the table below. If different rates apply where the member resides outside of this area, those rates are reflected in the valuation, but not listed here. The CalPERS administration fee is assumed to be expensed each year and has not been projected as an OPEB liability in this valuation.

Region 1 2023 Health Plan Rates						
Plan	Actives and Pre-Med Retirees			Medicare Eligible Retirees		
	Ee Only	Ee & 1	Ee & 2+	Ee Only	Ee & 1	Ee & 2+
Blue Shield Access+ HMO & EPO	\$ 1,035.21	\$ 2,070.42	\$ 2,691.55	\$ 361.90	\$ 723.80	\$ 1,344.93
Kaiser HMO*	913.74	1,827.48	2,375.72	336.29	672.58	1,220.82
PERS Platinum PPO	1,200.12	2,400.24	3,120.31	420.02	840.04	1,560.11

*Medicare rates shown are for Kaiser Medicare Advantage Summit

⁵ Note that CalPERS applies the vesting percent to the 100/90 formula caps and not to the retiree’s actual premium, if less. Thus, for example, a retiree with 15 years of CalPERS membership (including 5 with the District) could receive more than 75% of his or her premium paid; after the retiree is covered by Medicare, this could increase to 100% of the premium, depending on the medical plan selected.



Supporting Information
(Continued)

Section 3 - Actuarial Methods and Assumptions

The ultimate real cost of an employee benefit plan is the value of all benefits and other expenses of the plan over its lifetime. These payments depend only on the terms of the plan and the administrative arrangements adopted. The actuarial assumptions are used to estimate the cost of these benefits; the funding method spreads the expected costs on a level basis over the life of the plan.

Important Dates

Fiscal Year End	February 29, 2024
GASB 75 Measurement Date	February 28, 2023 (last day of the prior fiscal year)
Valuation Date	February 28, 2022

Valuation Methods

Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.

**Development of Age-related
Medical Premiums**

Actual premium rates for retirees and their spouses were adjusted to an age-related basis by applying medical claim cost factors developed from the data presented in the report, "Health Care Costs – From Birth to Death", sponsored by the Society of Actuaries. A description of the use of claims cost curves can be found in MacLeod Watts's Age Rating Methodology provided in Addendum 2 to this report. Pre-Medicare retiree premiums are blended with premiums for active members. Medicare-eligible retirees are covered by plans which are rated solely on the experience of Medicare retirees with no subsidy by active employees.

Monthly baseline premium costs were set equal to the active single premiums shown in the chart in Section 2. Representative claims costs derived from the dataset provided by CalPERS are shown in the chart on the following page. Age-based claims were applied (a) for all retirees not yet eligible for Medicare and (b) for Medicare retirees covered by Medicare Supplement plans.



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Supporting Information
 (Continued)

Section 3 - Actuarial Methods and Assumptions

Development of Age-related
 Medical Premiums (continued)

Region	Medical Plan	Expected Monthly Claims by Medical Plan for Selected Ages - Male												
		Non-Medicare Retirees						Medicare Retirees						
		50	53	56	59	62	65	70	75	80	85	90	95	
Region 1	Blue Shield Access+ HMO & Blue Shield EPO	\$ 934	\$ 1,101	\$ 1,279	\$ 1,466	\$ 1,667	Claims not developed for Medicare Advantage plans						90	95
	Kaiser HMO	931	1,098	1,275	1,461	1,661	Claims not developed for Medicare Advantage plans							
	PERS Platinum PPO	1,032	1,217	1,414	1,620	1,842	350	393	426	447	441	421	417	
	PERS Platinum	695	819	951	1,091	1,240	355	397	431	452	446	426	422	
Out of State														
Region	Medical Plan	Expected Monthly Claims by Medical Plan for Selected Ages - Female												
		Non-Medicare Retirees						Medicare Retirees						
		50	53	56	59	62	65	70	75	80	85	90	95	
Region 1	Blue Shield Access+ HMO & Blue Shield EPO	\$ 1,158	\$ 1,271	\$ 1,368	\$ 1,478	\$ 1,630	Claims not developed for Medicare Advantage plans						90	95
	Kaiser HMO	1,154	1,267	1,364	1,473	1,624	Claims not developed for Medicare Advantage plans							
	PERS Platinum PPO	1,279	1,405	1,512	1,634	1,801	336	379	411	429	433	424	417	
	PERS Platinum	861	946	1,017	1,099	1,212	340	384	416	434	438	429	422	
Out of State														

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Supporting Information
 (Continued)

Section 3 - Actuarial Methods and Assumptions

Economic Assumptions

Long Term Return on Assets/ Discount Rate for Accounting	5.70% as of February 28, 2023, and 5.70% as of February 28, 2022, net of plan investment expenses
Long Term Return on Assets/ Discount Rate for Funding	5.70% as of February 28, 2023, and 5.70% as of February 28, 2022, net of plan investment & trust administrative expenses
General Inflation Rate	2.5% per year
Salary Increase	3.0% per year. Since benefits do not depend on salary, this is used to allocate the cost of benefits between service years and to determine the amortization payment component of the Actuarially Determined Contributions.
Healthcare Trend	Medical plan premiums and claims costs by age are assumed to increase once each year. The increases over the prior year's levels are assumed to be effective on the dates shown below:

Effective January 1	Premium Increase	Effective January 1	Premium Increase
2023	Actual	2051-2059	4.6%
2024	5.6%	2060-2066	4.5%
2025	5.4%	2067-2068	4.4%
2026-2027	5.2%	2069-2070	4.3%
2028-2029	5.2%	2071-2072	4.2%
2030-2038	5.0%	2073	4.1%
2039	4.9%	2074-2075	4.0%
2040-2043	4.8%	2076 & later	3.9%
2044-2050	4.7%		

The healthcare trend shown above was developed using the Getzen Model 2022_b published by the Society of Actuaries using the following settings: CPI 2.5%; Real GDP Growth 1.4%; Excess Medical Growth 1.0%; Expected Health Share of GDP in 2028 20.0%; Resistance Point 25%; Year after which medical growth is limited to growth in GDP 2075. The MEC was assumed to increase by 4% annually.

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Supporting Information
 (Continued)

Section 3 - Actuarial Methods and Assumptions

Participant Election Assumptions

Participation Rate

Active employees: Participation rates for retiree coverage are assumed to vary based on the employment date and service:

Assumed Participation Rates		
District	2/1/2015	on/after
Less than 5	100%	0%
5-9	100%	15%
10	100%	75%
11	100%	80%
12	100%	85%
13	100%	90%
14	100%	95%
15 or more	100%	100%

Cap Increase

The cap is assumed to increase annually by 4.0%.

Spouse Coverage

Existing elections for spouse coverage are assumed to be continued in retirement.⁶ For active employees, husbands are assumed to be 3 years older than their wives. For retirees, actual spouse ages are used.

Retired participants: Existing elections for spouse coverage are assumed to continue until the spouse's death. Actual spouse ages are used, where known; if not, husbands are assumed to be 3 years older than their wives.

Medicare Eligibility

Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at age 65.

Demographic Assumptions

Demographic actuarial assumptions used in this valuation are based on the 2021 experience study of the California Public Employees Retirement System using data from 1997 to 2019, except for a different basis used to project future mortality improvements.

Mortality Improvement

MacLeod Watts Scale 2022 applied generationally from 2015 (see Appendices)

Service Retirement Rates

	Misc
Classic:	2% @ 55
PEPRA:	2% @ 62

⁶ Married employees are assumed to elect coverage separately in order to maximize benefits.



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Supporting Information (Concluded)

Section 3 - Actuarial Methods and Assumptions

For sample rates of assumed mortality, service and disability retirement and separation (termination) prior to retirement at selected ages, please refer to our February 28, 2022, valuation report and/or the CalPERS experience study referenced on the previous page.

Software and Models Used in the Valuation

ProVal - MacLeod Watts utilizes ProVal, a licensed actuarial valuation software product from Winklevoss Technologies (WinTech) to project future retiree benefit payments and develop the OPEB liabilities presented in this report. ProVal is widely used by the actuarial community. We review results at the plan level and for individual sample lives and find them to be reasonable and consistent with the results we expect. We are not aware of any material inconsistencies or limitations in the software that would affect this actuarial valuation.

Age-based premiums model – developed internally and reviewed by an external consultant at the time it was developed. See discussion on Development of Age-Related Medical Premiums and Appendices.

Getzen model – published by the Society of Actuaries; used to derive medical trend assumptions described earlier in this section.

Changes in assumptions or methods as of the Measurement Date

None.



Appendix 1: Important Background Information

General Types of Other Post-Employment Benefits (OPEB)

Post-employment benefits other than pensions (OPEB) comprise a part of compensation that employers offer for services received. The most common OPEB are medical, prescription drug, dental, vision, and/or life insurance coverage. Other OPEB may include outside group legal, long-term care, or disability benefits outside of a pension plan. OPEB does not generally include COBRA, vacation, sick leave (unless converted to defined benefit OPEB), or other direct retiree payments.

A direct employer payment toward the cost of OPEB benefits is referred to as an “explicit subsidy”. In addition, if claims experience of employees and retirees are pooled when determining premiums, retiree premiums are based on a pool of members which, on average, are younger and healthier. For certain types of coverage such as medical insurance, this results in an “implicit subsidy” of retiree premiums by active employee premiums since the retiree premiums are lower than they would have been if retirees were insured separately. GASB 75 and Actuarial Standards of Practice generally require that an implicit subsidy of retiree premium rates be valued as an OPEB liability.

Expected retiree claims		
Premium charged for retiree coverage		Covered by higher active premiums
Retiree portion of premium	Agency portion of premium Explicit subsidy	Implicit subsidy

This chart shows the sources of funds needed to cover expected medical claims for pre-Medicare retirees. The portion of the premium paid by the Agency does not impact the amount of the implicit subsidy.

Under GASB 45, for actuarial valuations dated prior to March 31, 2015, an exception allowed plan employers with a very small membership in a large “community-rated” healthcare program to avoid reporting of implicit subsidy liability. Following a change in Actuarial Standards of Practice and in accordance with GASB 75 requirements, this exception is no longer available.

Valuation Process

The valuation was based on employee census data and benefits provided by the District. A summary of the employee data is provided in Table 1 and a summary of the benefits provided under the Plan is provided in Section 2. While individual employee records were reviewed to verify that they are reasonable in various respects, the data has not been audited and we have otherwise relied on the District as to its accuracy. The valuation was based on the actuarial methods and assumptions described in Section 3.

In developing the projected benefit values and liabilities, we first determine an expected premium or benefit stream over the employee’s future retirement. Benefits may include both direct employer payments (explicit subsidies) and/or an implicit subsidy, arising when retiree premiums are expected to be subsidized by active employee premiums. The projected benefit streams reflect assumed trends

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Important Background Information

(Continued)

in the cost of those benefits and assumptions as to the expected date(s) when benefits will end. We then apply assumptions regarding:

- The probability that each individual employee will or will not continue in service to receive benefits.
- The probability of when such retirement will occur for each retiree, based on current age, service and employee type; and
- The likelihood that future retirees will or will not elect retiree coverage (and benefits) for themselves and/or their dependents.

We then calculate a present value of these benefits by discounting the value of each future expected benefit payment, multiplied by the assumed expectation that it will be paid, back to the valuation date using the discount rate. These benefit projections and liabilities have a very long time horizon. The final payments for currently active employees may not be made for many decades.

The resulting present value for each employee is allocated as a level percent of payroll each year over the employee's career using the entry age normal cost method and the amounts for each individual are then summed to get the results for the entire plan. This creates a cost expected to increase each year as payroll increases. Amounts attributed to prior fiscal years form the "Total OPEB Liability". The OPEB cost allocated for active employees in the current year is referred to as "Service Cost".

Where contributions have been made to an irrevocable OPEB trust, the accumulated value of trust assets ("Fiduciary Net Position") is applied to offset the "Total OPEB Liability", resulting in the "Net OPEB Liability". If a plan is not being funded, then the Net OPEB Liability is equal to the Total OPEB Liability.

It is important to remember that an actuarial valuation is, by its nature, a projection of one possible future outcome based on many assumptions. To the extent that actual experience is not what we assumed, future results will differ. Some possible sources of future differences may include:

- A significant change in the number of covered or eligible plan members;
- A significant increase or decrease in the future premium rates;
- A change in the subsidy provided by the Agency toward retiree premiums;
- Longer life expectancies of retirees;
- Significant changes in estimated retiree healthcare claims by age, relative to healthcare claims for active employees and their dependents;
- Higher or lower returns on plan assets or contribution levels other than were assumed; and/or
- Changes in the discount rate used to value the OPEB liability



Important Background Information

(Continued)

Requirements of GASB 75

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and disclosure of OPEB expense and related liabilities (assets), note disclosures, and required supplementary information (RSI) in the financial reports of state and local governmental employers.

Important Dates

GASB 75 requires that the information used for financial reporting falls within prescribed timeframes. Actuarial valuations of the total OPEB liability are generally required at least every two years. If a valuation is not performed as of the Measurement Date, then liabilities are required to be based on roll forward procedures from a prior valuation performed no more than 30 months and 1 day prior to the most recent year-end. In addition, the net OPEB liability is required to be measured as of a date no earlier than the end of the prior fiscal year (the "Measurement Date").

Recognition of Plan Changes and Gains and Losses

Under GASB 75, gains and losses related to changes in Total OPEB Liability and Fiduciary Net Position are recognized in OPEB expense systematically over time.

- *Timing of recognition:* Changes in the Total OPEB Liability relating to changes in plan benefits are recognized immediately (fully expensed) in the year in which the change occurs. Gains and Losses are amortized, with the applicable period based on the type of gain or loss. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.
- *Deferred recognition periods:* These periods differ depending on the source of the gain or loss.

Difference between projected
and actual trust earnings:

5-year straight-line recognition

All other amounts:

Straight-line recognition over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits, determined as of the beginning of the Measurement Period. In determining the EARSL, all active, retired and inactive (vested) members are counted, with the latter two groups having 0 remaining service years.

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Important Background Information

(Continued)

Implicit Subsidy Plan Contributions

An implicit subsidy occurs when estimated retiree claims exceed the premiums charged for retiree coverage. When this occurs, we expect part of the premiums paid for active employees to cover a portion of retiree claims. This transfer represents the current year's "implicit subsidy". Because GASB 75 treats payments to an irrevocable trust *or directly to the insurer* as employer contributions, each year's implicit subsidy is treated as a contribution toward the payment of retiree benefits.

The following hypothetical example illustrates this treatment:

Hypothetical Illustration of Implicit Subsidy Recognition	For Active Employees	For Retired Employees
<i>Prior to Implicit Subsidy Adjustment</i>		
Premiums Paid by Agency During Fiscal Year	\$ 411,000	\$ 48,000
Accounting Treatment	Compensation Cost for Active Employees	Contribution to Plan & Benefits Paid from Plan
<i>After Implicit Subsidy Adjustment</i>		
Premiums Paid by Agency During Fiscal Year	\$ 411,000	\$ 48,000
Implicit Subsidy Adjustment	(23,000)	23,000
Accounting Cost of Premiums Paid	\$ 388,000	\$ 71,000
Accounting Treatment Impact	Reduces Compensation Cost for Active Employees	Increases Contributions to Plan & Benefits Paid from Plan

The example above shows that total payments toward active and retired employee healthcare premiums is the same, but for accounting purposes part of the total is shifted from actives to retirees. This shifted amount is recognized as an OPEB contribution and reduces the current year's premium expense for active employees.

Discount Rate

When the financing of OPEB liabilities is on a pay-as-you-go basis, GASB 75 requires that the discount rate used for valuing liabilities be based on the 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 a plan sponsor makes regular, sufficient contributions to a trust in order to prefund the OPEB liabilities, GASB 75 allows use of a rate up to the expected rate of return of the trust. Therefore, prefunding has an advantage of potentially being able to report overall lower liabilities due to future expected benefits being discounted at a higher rate.



Important Background Information

(Concluded)

Actuarial Funding Method and Assumptions

The “ultimate real cost” of an employee benefit plan is the value of all benefits and other expenses of the plan over its lifetime. These expenditures are dependent only on the terms of the plan and the administrative arrangements adopted, and as such are not affected by the actuarial funding method.

The actuarial funding method attempts to spread recognition of these expected costs on a level basis over the life of the plan, and as such sets the “incidence of cost”. GASB 75 specifically requires that the actuarial present value of projected benefit payments be attributed to periods of employee service using the Entry Age Actuarial Cost Method, with each period’s service cost determined as a level percentage of pay.

The results of this report may not be appropriate for other purposes, where other assumptions, methodology and/or actuarial standards of practice may be required or more suitable.



Appendix 2: MacLeod Watts Age Rating Methodology

Both accounting standards (e.g., GASB 75) and actuarial standards (e.g., ASOP 6) require that expected retiree claims, not just premiums paid, be reflected in most situations where an actuary is calculating retiree healthcare liabilities. Unfortunately, the actuary is often required to perform these calculations without any underlying claims information. In most situations, the information is not available, but even when available, the information may not be credible due to the size of the group being considered.

Actuaries have developed methodologies to approximate healthcare claims from the premiums being paid by the plan sponsor. Any methodology requires adopting certain assumptions and using general studies of healthcare costs as substitutes when there is a lack of credible claims information for the specific plan being reviewed.

Premiums paid by sponsors are often uniform for all employee and retiree ages and genders, with a drop in premiums for those participants who are Medicare-eligible. While the total premiums are expected to pay for the total claims for the insured group, on average, the premiums charged would not be sufficient to pay for the claims of older insureds and would be expected to exceed the expected claims of younger insureds. An age-rating methodology takes the typically uniform premiums paid by plan sponsors and spreads the total premium dollars to each age and gender intended to better approximate what the insurer might be expecting in actual claims costs at each age and gender.

The process of translating premiums into expected claims by age and gender generally follows the steps below.

1. *Obtain or Develop Relative Medical Claims Costs by Age, Gender, or other categories that are deemed significant.* For example, a claims cost curve might show that, if a 50-year-old male has \$1 in claims, then on average a 50-year-old female has claims of \$1.25, a 30-year male has claims of \$0.40, and an 8-year-old female has claims of \$0.20. The claims cost curve provides such relative costs for each age, gender, or any other significant factor the curve might have been developed to reflect. Section 3 provides the source of information used to develop such a curve and shows sample relative claims costs developed for the plan under consideration.
2. *Obtain a census of participants, their chosen medical coverage, and the premium charged for their coverage.* An attempt is made to find the group of participants that the insurer considered in setting the premiums they charge for coverage. That group includes the participant and any covered spouses and children. When information about dependents is unavailable, assumptions must be made about spouse age and the number and age of children represented in the population. These assumptions are provided in Section 3.
3. *Spread the total premium paid by the group to each covered participant or dependent based on expected claims.* The medical claims cost curve is used to spread the total premium dollars paid by the group to each participant reflecting their age, gender, or other relevant category. After this step, the actuary has a schedule of expected claims costs for each age and gender for the current premium year. It is these claims costs that are projected into the future by medical cost inflation assumptions when valuing expected future retiree claims.

The methodology described above is dependent on the data and methodologies used in whatever study might be used to develop claims cost curves for any given plan sponsor. These methodologies and assumptions can be found in the referenced paper cited as a source in the valuation report.



Appendix 3: MacLeod Watts Mortality Projection Methodology

Actuarial standards of practice (e.g., ASOP 35, Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations, and ASOP 6, Measuring Retiree Group Benefits Obligations) indicate that the actuary should reflect the effect of mortality improvement (i.e., longer life expectancies in the future), both before and after the measurement date. The development of credible mortality improvement rates requires the analysis of large quantities of data over long periods of time. Because it would be extremely difficult for an individual actuary or firm to acquire and process such extensive amounts of data, actuaries typically rely on large studies published periodically by organizations such as the Society of Actuaries or Social Security Administration.

As noted in a recent actuarial study on mortality improvement, key principles in developing a credible mortality improvement model would include the following:

- (1) Short-term mortality improvement rates should be based on recent experience.
- (2) Long-term mortality improvement rates should be based on expert opinion.
- (3) Short-term mortality improvement rates should blend smoothly into the assumed long-term rates over an appropriate transition period.

The **MacLeod Watts Scale 2022** was developed from a blending of data and methodologies found in two published sources: (1) the Society of Actuaries Mortality Improvement Scale MP-2021 Report, published in October 2021 and (2) the demographic assumptions used in the 2021 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, published August 2021.

MacLeod Watts Scale 2022 is a two-dimensional mortality improvement scale reflecting both age and year of mortality improvement. The underlying base scale is Scale MP-2021 which has two segments – (1) historical improvement rates for the period 1951-2017 and (2) an estimate of future mortality improvement for years 2018-2020 using the Scale MP-2021 methodology but utilizing the assumptions obtained from Scale MP-2015. The MacLeod Watts scale then transitions from the 2020 improvement rate to the Social Security Administration (SSA) Intermediate Scale linearly over the 10-year period 2021-2030. After this transition period, the MacLeod Watts Scale uses the constant mortality improvement rate from the SSA Intermediate Scale from 2030-2044. The SSA's Intermediate Scale has a final step down in 2045 which is reflected in the MacLeod Watts scale for years 2045 and thereafter. Over the ages 95 to 118, the SSA improvement rate is graded to zero.

Scale MP-2021 can be found at the SOA website and the projection scales used in the 2021 Social Security Administrations Trustees Report at the Social Security Administration website.



Glossary

Actuarial Funding Method – A procedure which calculates the actuarial present value of plan benefits and expenses, and allocates these expenses to time periods, typically as a normal cost and an actuarial accrued liability

Actuarial Present Value of Projected Benefits (APVPB) – The amount presently required to fund all projected plan benefits in the future. This value is determined by discounting the future payments by an appropriate interest rate and the probability of nonpayment.

CalPERS – Many state governments maintain a public employee retirement system; CalPERS is the California program, covering all eligible state government employees as well as other employees of other governments within California who have elected to join the system

Defined Benefit (DB) – A pension or OPEB plan which defines the monthly income or other benefit which the plan member receives at or after separation from employment

Defined Contribution (DC) – A pension or OPEB plan which establishes an individual account for each member and specifies how contributions to each active member's account are determined and the terms of distribution of the account after separation from employment

Discount Rate – Interest rate used to discount future potential benefit payments to the valuation date. Under GASB 75, if a plan is prefunded, then the discount rate is equal to the expected trust return. If a plan is not prefunded (pay-as-you-go), then the rate of return is based on a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Expected Average Remaining Service Lifetime (EARSL) – Average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees), beginning in the current period

Entry Age Actuarial Cost Method – An actuarial funding method where, for each individual, the actuarial present value of benefits is levelly spread over the individual's projected earnings or service from entry age to the last age at which benefits can be paid

Excise Tax – The Affordable Care Act created an excise tax on the value of employer sponsored coverage which exceeds certain thresholds ("Cadillac Plans"). The tax was repealed in December 2019.

Explicit Subsidy – The projected dollar value of future retiree healthcare costs expected to be paid directly by the Employer, e.g., the Employer's payment of all or a portion of the monthly retiree premium billed by the insurer for the retiree's coverage

Fiduciary Net Position – The value of trust assets used to offset the Total OPEB Liability to determine the Net OPEB Liability.

Government Accounting Standards Board (GASB) – A private, not-for-profit organization which develops generally accepted accounting principles (GAAP) for U.S. state and local governments.

Health Care Trend – The assumed rate(s) of increase in future dollar values of premiums or healthcare claims, attributable to increases in the cost of healthcare; contributing factors include medical inflation, frequency or extent of utilization of services and technological developments.

Implicit Subsidy – The projected difference between future retiree claims and the premiums to be charged for retiree coverage; this difference results when the claims experience of active and retired employees are pooled together, and a 'blended' group premium rate is charged for both actives and retirees; a portion of the active employee premiums subsidizes the retiree premiums.



Glossary

(Continued)

Net OPEB Liability (NOL) – The liability to employees for benefits provided through a defined benefit OPEB. Only assets administered through a trust that meet certain criteria may be used to reduce the Total OPEB Liability.

Net Position – The Impact on Statement of Net Position is the Net OPEB Liability adjusted for deferred resource items

OPEB Expense – The OPEB expense reported in the Agency’s financial statement. OPEB expense is the annual cost of the plan recognized in the financial statements.

Other Post-Employment Benefits (OPEB) – Post-employment benefits other than pension benefits, most commonly healthcare benefits but also including life insurance if provided separately from a pension plan

Pay-As-You-Go (PAYGO) – Contributions to the plan are made at about the same time and in about the same amount as benefit payments and expenses coming due

PEMHCA – The Public Employees’ Medical and Hospital Care Act, established by the California legislature in 1961, provides community-rated medical benefits to participating public employers. Among its extensive regulations are the requirements that a contracting Agency contribute toward medical insurance premiums for retired annuitants and that a contracting Agency file a resolution, adopted by its governing body, with the CalPERS Board establishing any new contribution.

Plan Assets – The value of cash and investments considered as ‘belonging’ to the plan and permitted to be used to offset the AAL for valuation purposes. To be considered a plan asset, GASB 75 requires (a) contributions to the OPEB plan be irrevocable, (b) OPEB assets to dedicated to providing OPEB benefit to plan members in accordance with the benefit terms of the plan, and (c) plan assets be legally protected from creditors, the OPEB plan administrator and the plan members.

Public Agency Miscellaneous (PAM) – Non-safety public employees.

Select and Ultimate – Actuarial assumptions which contemplate rates which differ by year initially (the select period) and then stabilize at a constant long-term rate (the ultimate rate)

Service Cost – Total dollar value of benefits expected to be earned by plan members in the current year, as assigned by the actuarial funding method; also called normal cost

Total OPEB Liability (TOL) – Total dollars required to fund all plan benefits attributable to service rendered as of the valuation date for current plan members and vested prior plan members; a subset of “Actuarial Present Value”

Vesting – As defined by the plan, requirements which when met make a plan benefit nonforfeitable on separation of service before retirement eligibility

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