



FAIRFAX TOWN COUNCIL MEETING

STAFF REPORT

MEETING DATE February 4, 2026
PREPARED FOR Mayor and Town Council
PREPARED BY Michael Vivrette, Finance Director
SUBJECT Presentation of the Actuarial Valuation of Other Post Employment Benefits (OPEB)
as of June 30, 2024

RECOMMENDATION

Accept and file reports.

BACKGROUND

Government Accounting Standards Board Statement 75 (GASB 75) requires that public agencies report on the cost of Other Post Employment Benefits (OPEB) such as medical, prescription drug, dental, vision and life insurance benefits for which the agency provides a contribution. For the Town of Fairfax, OPEB is primarily medical benefits. GASB 75 requires the cost for OPEB to be actuarially calculated and reported in the City's audited annual financial statements.

Fairfax retiree health benefits (the Plan) are provided through MOU contract provisions and the Town's obligation through California's Public Employees' Medical and Hospital Care Act (PEMHCA). The Town provides retiree medical to employees who retire at age 50 or later with at least 5 years of service (age 52 with 5 years of service if hired on or after January 1, 2013). The Plan also provides retiree medical for ordinary disability with 5 years of service and line of duty disability with no age or service requirement. The Town subsidizes either the PEMHCA minimum or a percentage of Region 1 Kaiser Permanente single premium (or Kaiser Senior Advantage for Medicare-eligible retirees) or the lowest cost plan. The Town subsidy varies by bargaining unit and years of Town service at retirement.

Staff retained Nicolay Consulting Group to complete this actuarial valuation of the Town's OPEB program as of June 30, 2024 measurement date compliant under GASB 75. The purpose of this valuation is to determine the value of the expected postretirement benefits for current and future retirees and the Net OPEB Liability and OPEB Benefit Cost for the fiscal year ending June 30, 2025.

An OPEB valuation considers various assumptions such as active employee and retiree demographics, turnover, mortality, disability, retirement, and health care trends to determine an estimate of the total cost presented to the Town by this benefit obligation. This amount is discounted using an interest rate assumption to determine the Actuarial Accrued Liability (AAL). This is compared to the Actuarial Value of Assets (AVA) – the value of assets that have been set aside by the City solely to fund future OPEB costs. The difference is the Unfunded Actuarial Accrued Liability (UAAL). Once the UAAL is determined, the Actuarially Determined Contributions (ADC) is calculated in order to amortize these costs over benefit period.

The Town historically adopted a funding practice where the direct health care costs for current retirees are expensed annually and, in addition, the Town made annual funding contributions to an "Irrevocable Trust" (CalPERS CERBT) to partially address future funding obligations. The Trust funds are restricted in use to the payment of future OPEB costs.

PRESENTATION

DISCUSSION

The June 30, 2025 report reflects a significant improvement in the Unfunded AAL (UAAL). It reflects decisions made by the Town in 2013 revising the OPEB plans for new employees. As indicated in the report, assets of the trust slightly exceed the liabilities (104%) at June 30, 2024. By comparison, in 2017 the assets of the plan were 31% of the liabilities. This is subject to many variables and is based on multiple assumptions which change periodically. Nevertheless it is promising news.

Representatives of Nicolay Consulting Group will be attending the meeting via ZOOM to answer any questions.

CONCLUSION

Past practices and actions regarding OPEB, AAL valuations and OPEB Trust funding and investment strategies have served the Town well. The current valuation is an encouraging report on the funding status of this benefit liability.

ATTACHMENTS

Town of Fairfax GASB 75 Report FYE June 30, 2025.

Town of Fairfax

Governmental Accounting Standards Board
(GASB) Statement 75

Actuarial Valuation Date: June 30, 2023

Measurement Date: June 30, 2024

Fiscal Year End: June 30, 2025

January 14, 2026



January 14, 2026

OPEB CONSULTANTS AND ACTUARIES
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Michael Vivrette
Finance Director
Town of Fairfax
142 Bolinas Rd.
Fairfax, CA 94930

Re: Town of Fairfax GASB 75 Report for FYE June 30, 2025

Dear Mr. Vivrette,

Town of Fairfax (Town) has retained Nicolay Consulting Group to complete this valuation of the Town's postemployment medical program (the "Plan") as of June 30, 2024 measurement date compliant under Governmental Accounting Standards Board (GASB) Statement 75.

The purpose of this valuation is to determine the value of the expected postretirement benefits for current and future retirees and the Net OPEB Liability and OPEB Benefit Cost for the fiscal year ending June 30, 2025. The amounts reported herein are not necessarily appropriate for use for a different fiscal year without adjustment.

Based on the foregoing, the cost results and actuarial exhibits presented in this report were determined on a consistent and objective basis in accordance with applicable Actuarial Standards of Practice and generally accepted actuarial procedures. We believe they fully and fairly disclose the actuarial position of the Plan based on the plan provisions, employee and plan cost data submitted.

The actuarial calculations were completed under the supervision of Tina Haugbro and Sue Simon. They are members of the American Academy of Actuaries who meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. In our opinion, assumptions as approved by the plan sponsor are reasonably related to the experience of and expectations for the Plan.

We would be pleased to answer any questions on the material contained in this report or to provide further explanation or detail as may be appropriate.

Respectfully submitted,

NICOLAY CONSULTING GROUP



Tina D. Haugbro EA, MAAA
Consulting Actuary



Sue Simon ASA, MAAA, EA, FCA
Vice President & Senior Actuary

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MANAGEMENT SUMMARY

Executive Summary

Key Valuation Results

Total Change in TOL	2024	2023
<u>Present Value of Future Benefits:</u>		
Active	\$1,687,070	\$1,730,092
Retired	1,008,129	1,119,408
Total	\$2,695,199	\$2,849,500
<u>Actuarial Accrued Liability or Total OPEB Liability (TOL):</u>		
Active	\$926,154	\$837,907
Retired	1,008,129	1,119,408
Total	\$1,934,283	\$1,957,315
Plan Fiduciary Net Position (i.e. Fair Value of Assets)	2,020,824	1,686,104
Net OPEB Liability (NOL)	(\$86,541)	\$271,211
Plan Fiduciary Net Position as a percentage of the TOL	104%	86%
Aggregate OPEB Expense/ (Income)	(\$118,059)	(\$69,419)
Covered Payroll	\$3,748,438	\$2,889,863
Schedule of Contributions for measurement period ending June 30:		
Actuarially determined contributions	\$123,059	\$123,059
Actual contributions	290,121	113,434
Contribution deficiency/(excess)	(\$167,062)	\$9,625
Employer's Share of Benefit Payments	\$140,121	\$113,434
Demographic data for measurement period ending June 30:		
Number of active members	35	35
Number of retired members and beneficiaries	12	12
Number of inactives with deferred benefits	17	17
Total Participants	64	64
Key assumptions as of the Measurement Date:		
Discount rate	6.40%	6.00%
<u>Initial Trend Rate</u>		
Pre-65	6.50%	6.50%
Post-65	5.75%	5.75%
Ultimate Rate	3.94%	3.94%
Year Ultimate Rate is Reached	2075	2075
PEMHCA Trend	3.50%	3.50%

MANAGEMENT SUMMARY

Gap Analysis

The Total OPEB Liability has decreased \$23,032 from \$1,957,315 as of June 30, 2023 to \$1,934,283 as of June 30, 2024.

Interim Valuation

This report presents liabilities as of the measurement date that are based on an interim valuation.

GASB 75 allows plan sponsors to perform valuations biennially, meaning the results for a valuation can be used for up to two GASB 75 measurement dates, one of which can be 'rolled forward'. The valuation date can precede a GASB 75 measurement date as long as the results would not be materially different had an updated census been collected as of the measurement date. Therefore, if there was a significant shift in participant demographics between the valuation date and a GASB 75 measurement date, an updated census must be collected and a full valuation performed.

When a full valuation is performed the inputs to the valuation (participant census, plan provisions, assets, and actuarial assumptions and methods) are reviewed and updated.

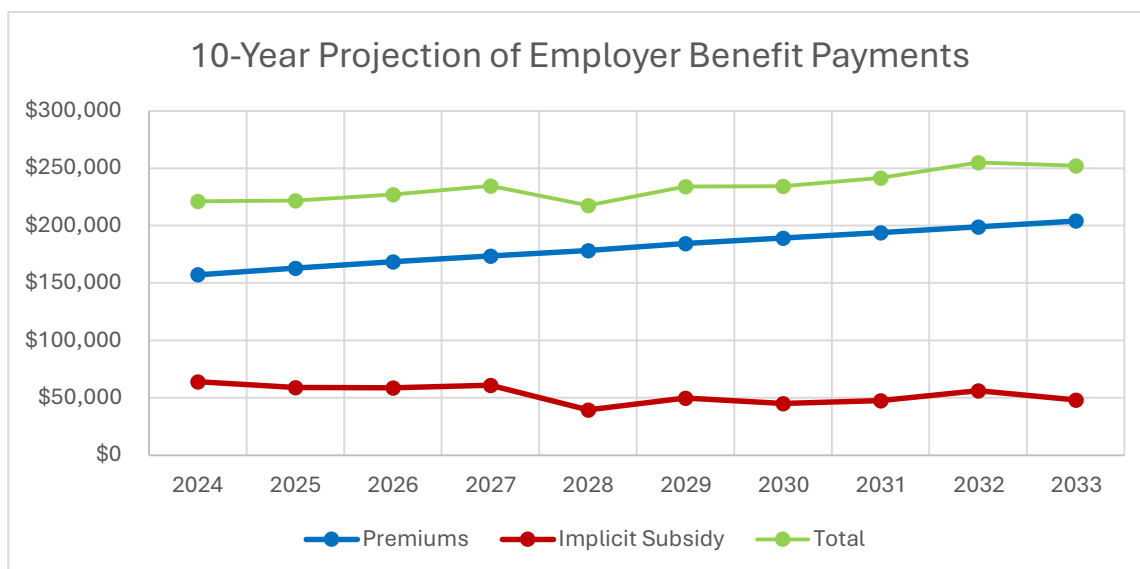
When an interim valuation is performed, neither the census data nor the assumptions and methods need to be updated. In an interim valuation, updates are made to the assets, plan provisions that have not changed materially, and the discount rate to the extent that it is based on a yield or index rate.

MANAGEMENT SUMMARY

10 – Year Projection of Employer’s Benefit Payments

In this table we show the projected pay-as-you-go costs (employer's share of premiums), the implicit subsidy, and total expected benefit payments. The implicit subsidy reflects the shortfall of premiums versus the true cost of coverage. The shortfall exists because claims for active employees are combined with claims of retirees (who generally are older and cost more) to develop a single flat premium paid by both groups.

Measurement Date June 30	Employer's Share of Premiums	Implicit Subsidy	Total
2024	\$97,752	\$53,038	\$150,790
2025	\$103,938	\$57,705	\$161,643
2026	\$97,626	\$50,393	\$148,019
2027	\$92,659	\$38,438	\$131,097
2028	\$89,729	\$34,741	\$124,470
2029	\$96,465	\$38,724	\$135,189
2030	\$103,055	\$37,988	\$141,043
2031	\$98,673	\$23,787	\$122,460
2032	\$104,653	\$22,978	\$127,631
2033	\$110,785	\$23,532	\$134,317



MANAGEMENT SUMMARY

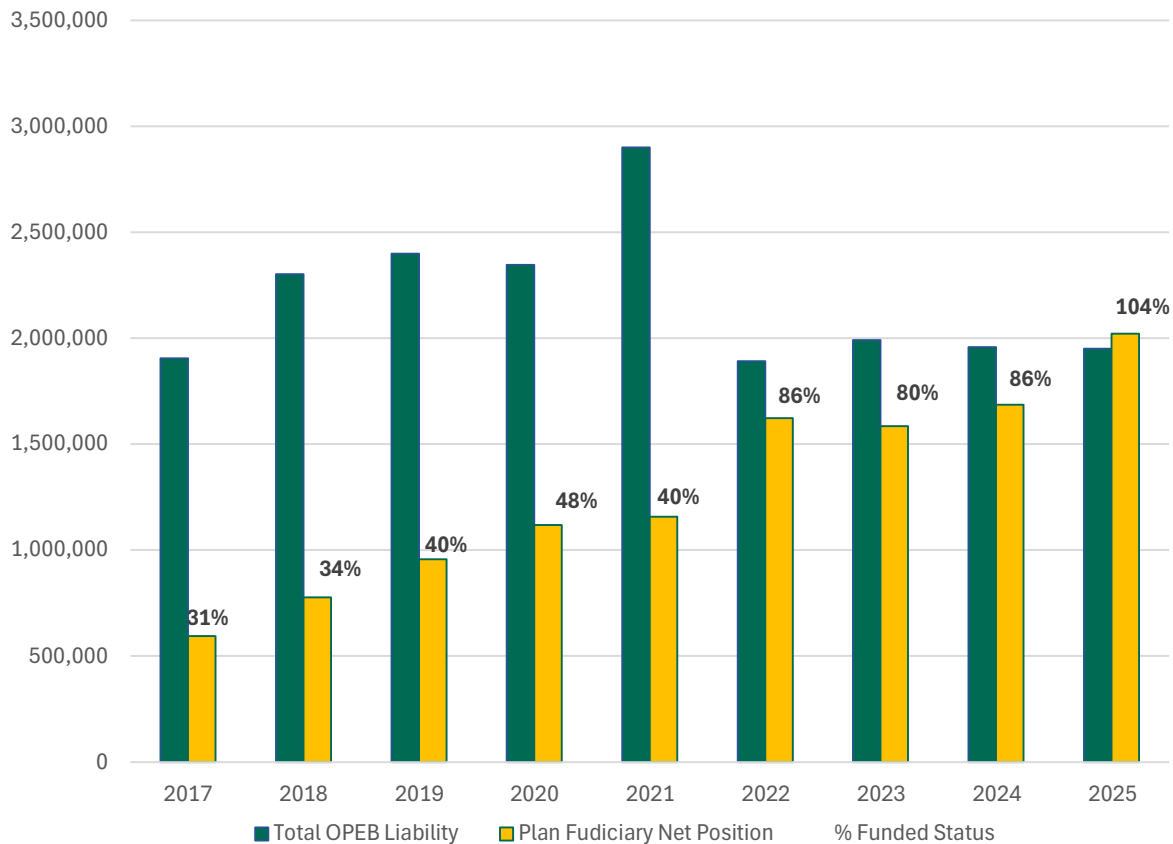
Breakdown of Explicit and Implicit Liabilities

	Explicit	Implicit	Total
Present Value of Future Benefits			
Actives	\$1,216,625	\$470,445	\$1,687,070
Retirees	680,102	328,027	1,008,129
Total	\$1,896,727	\$798,472	\$2,695,199
Actuarial Accrued Liability			
Actives	\$721,652	\$204,502	\$926,154
Retirees	680,102	328,027	1,008,129
Total	\$1,401,754	\$532,529	\$1,934,283
Normal Cost	\$52,993	\$23,803	\$76,796

MANAGEMENT SUMMARY

Funding Progress

Below is an illustration of the funded status of the Plan for the past 8 years:



GASB 75 EXHIBITS

GASB 75 Exhibits

Schedule of Change in Net OPEB Liability

	2024	2023
<u>Total OPEB Liability</u>		
Service Cost	\$81,207	\$84,350
Interest	118,169	121,156
Change of benefit terms	0	0
Differences between expected and actual experience	0	255,364
Changes in assumptions	(82,287)	(380,923)
Benefit payments	(140,121)	(113,434)
Net change in Total OPEB Liability	(\$23,032)	(\$33,487)
 Total OPEB Liability – beginning (a)	 \$1,957,315	 \$1,990,802
Total OPEB Liability - ending (b)	\$1,934,283	\$1,957,315
<u>Plan Fiduciary Net Position</u>		
Contributions – employer	\$290,121	\$113,434
Contributions – employee	0	0
Net investment income	185,272	101,774
Benefit payments	(140,121)	(113,434)
Administrative expense	(552)	(460)
Other	0	0
Net change in Plan Fiduciary Net Position	\$334,720	\$101,314
 Plan Fiduciary Net Position – beginning (c)	 \$1,686,104	 \$1,584,790
Plan Fiduciary Net Position – ending (d)	\$2,020,824	\$1,686,104
 Net OPEB Liability – beginning (a) - (c)	 \$271,211	 \$406,012
Net OPEB Liability – ending (b) - (d)	(\$86,541)	\$271,211
 Plan Fiduciary Net Position as a percentage of the TOL:	 104%	 86%
Covered employee payroll	\$3,748,438	\$2,889,863
NOL as percentage of covered employee payroll	(2%)	(9%)

GASB 75 EXHIBITS

Summary of Change in Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)– (b)
Measurement as of June 30, 2023	\$1,957,315	\$1,686,104	\$271,211
Recognized Changes Resulting from:			
• Service cost	\$81,207	0	\$81,207
• Interest cost	118,169	0	118,169
• Diff. between exp and actual experience	0	0	0
• Assumption changes	(82,287)	0	(82,287)
• Net investment income	0	185,272	(185,272)
• Benefit payments	(140,121)	(140,121)	0
• Contributions – employer	0	290,121	(290,121)
• Contributions – employee	0	0	0
• Administrative expense	0	(552)	552
• Change of benefit terms	0	0	0
• Net Changes	(\$23,032)	\$334,720	(\$357,752)
Measurement as of June 30, 2024	\$1,934,283	\$2,020,824	(\$86,541)

GASB 75 EXHIBITS

Derivation of Significant Actuarial Assumptions

Long-term Expected Rate of Return – As of June 30, 2024, the long-term expected rates of return for each major investment class in the Plan's portfolio are as follows:

Investment Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	49.00%	6.80%
Fixed Income	23.00%	3.70%
TIPS	5.00%	2.80%
REITs	20.00%	6.00%
Others (Commodities)	3.00%	3.40%

The above table shows the target asset allocation in the CERBT Strategy 1 investment policy. The discount rate for CERBT Strategies are set by CalPERS and can be found on their website.

Discount rate – The discount rate is based on a blend of the long-term expected rate of return on assets for benefits covered by plan assets and a yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or better for benefits not covered by plan assets.

Long-Term Expected Rates of Return are cited in CalPERS Investment Committee's March 2022 Agenda Item 7b. CalPERS expected inflation is 2.50%

The District's OPEB assets projected at the Strategy 1 CERBT discount rate is sufficient to cover future benefit payments.

	June 30, 2024	June 30, 2023
Discount Rate	6.40%	6.00%
Fidelity 20 - year Bond GO Index	3.97%	3.86%

GASB 75 EXHIBITS

Sensitivity Analysis

The Net OPEB Liability (NOL) is sensitive to changes in key actuarial assumptions. The following analysis illustrates the impact of a 1 percentage point change in both the discount rate and the healthcare cost trend rates on the NOL as of the June 30, 2024 measurement date.

Discount Rate Sensitivity

The table below shows the NOL calculated using a discount rate 1 percentage point lower (5.40%) and 1 percentage point higher (7.40%) than the current rate of (6.40%):

Assumed Discount Rate	Net OPEB Liability
7.40%	(\$269,521)
6.40% (Current)	(\$86,541)
5.40%	\$130,426

Healthcare Trend Rate Sensitivity

The table below shows the NOL calculated using healthcare cost trend rates that are 1 percentage point lower and 1 percentage point higher than the current assumption:

Healthcare Trend Assumption	Net OPEB Liability
1% Decrease	(\$310,353)
Current Trend	(\$86,541)
1% Increase	\$187,039

GASB 75 EXHIBITS

Schedule of OPEB Expense

Measurement Period Ending June 30:	2024	2023
Components of OPEB Expense:		
Service Cost	\$81,207	\$84,350
Interest on the Total OPEB Liability	118,169	121,156
Projected Earnings on OPEB Plan Investments	(105,584)	(95,074)
Employee Contributions	0	0
Administrative Expense	552	460
Changes in Benefit Terms	0	0
Recognition of Deferred Resources Due to:		
• Differences Between Expected and Actual Experience	(102,263)	(102,263)
• Assumptions Changes	(113,132)	(99,417)
• Difference: Expected & Actual Investment Earnings	2,992	21,369
Aggregate OPEB Expense/(Income)	(\$118,059)	(\$69,419)

GASB 75 EXHIBITS

Interest on the Total OPEB Liability

	Amount for Period (a)	Portion of Period (b)	Interest Rate (c)	Interest on the Total OPEB Liability (a) x (b) x (c)
Beginning Total OPEB Liability	\$1,957,315	100%	6.00%	\$117,439
Service Cost	\$81,207	100%	6.00%	4,872
Benefit Payments	(\$140,121)	50%	6.00%	(4,142)
Total Interest on the TOL				\$118,169

Projected Earnings on OPEB Plan Investments

	Amount for Period (a)	Portion of Period (b)	Projected Rate of Return (c)	Projected Earnings (a) x (b) x (c)
Beginning Plan Fiduciary Net Position	1,686,104	100%	6.00%	\$101,166
Employer Contributions	\$290,121	50%	6.00%	8,577
Employee Contributions	0	50%	6.00%	0
Benefit Payments	(\$140,121)	50%	6.00%	(4,142)
Administrative Expense and Other	(\$552)	50%	6.00%	(17)
Total Projected Earnings				\$105,584

Comparison of Projected and Actual Investment Earnings

Total Projected Earnings	\$105,584
Actual	185,272
Difference Between Projected and Actual Earnings on Assets	(\$79,688)

GASB 75 EXHIBITS

Schedule of Contributions

Fiscal Year Ending June 30:	2025	2024
Actuarially Determined Contribution (ADC)	\$123,059	\$129,401
Contributions to the Trust	150,000	150,000
Pay-go Payments by Employer Unreimbursed by the Trust	84,761	86,946
Active Implicit Rate Subsidy Transferred to OPEB	55,360	55,360
Total OPEB Contributions	\$290,121	\$292,306
Covered-employee payroll	\$3,748,438	\$2,899,863
Total OPEB contributions as a percentage of covered-employee payroll	8%	10%

1. Employers who set a discount rate based on the assumption that assets will cover all future benefit payments under the plan are assumed to make annual contributions equal to the ADC. Annual contributions that are substantially less than the ADC require additional justification for using a discount rate equal to the long-term expected return on trust assets.
2. Covered-Employee Payroll, as defined by GASB 75, is the total payroll of employees eligible for benefits under the OPEB Plan.

GASB 75 EXHIBITS

Deferred Inflows/Outflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Unrecognized Deferred Resources due to:		
• Differences between expected and actual experience	\$172,579	\$235,303
• Changes in assumptions	114,268	554,263
• Net difference between projected and actual earnings	17,091	0
• Contribution to OPEB plan after measurement date ¹	292,901	0
Total	\$596,839	\$789,566

¹ Determined as of the fiscal year ending June 30, 2025

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB Expense as follows:

Fiscal Year Ending June 30	Recognized Deferred Outflows/(Inflows) of resources
2025	(\$187,206)
2026	(183,157)
2027	(101,049)
2028	(504)
2029	(13,712)
Thereafter	0
Total Deferred Resources	(\$485,628)

GASB 75 EXHIBITS

GASB 75 EXHIBITS

Schedule of Deferred Inflows/Outflows of Resources

Fiscal Year Established	Initial Amount	Initial Years	Years Left	Amount Recognized in FYE 2025	Deferred Balances as of FYE 2025	
					Outflows	Inflows
Difference Between Expected and Actual Plan Experience						
2020	(\$238,657)	6.1	0.1	(\$39,124)	\$0	(\$3,909)
2021	12,962	6.1	1.1	2,125	2,337	0
2022	(552,481)	6.0	2.0	(92,080)	0	(184,161)
2023	(94,468)	6.0	3.0	(15,745)	0	(47,233)
2024	255,364	6.0	4.0	42,561	170,242	0
2025	0	6.0	5.0	0	0	0
Total	(\$617,280)			(\$102,263)	\$172,579	(\$235,303)
Changes in Assumptions						
2020	\$32,801	6.1	0.1	\$5,377	\$535	\$0
2021	353,019	6.1	1.1	57,872	63,659	0
2022	(695,226)	6.0	2.0	(115,871)	0	(231,742)
2023	100,150	6.0	3.0	16,692	50,074	0
2024	(380,923)	6.0	4.0	(63,487)	0	(253,949)
2025	(82,287)	6.0	5.0	(13,715)	0	(68,572)
Total	(\$672,466)			(\$113,132)	\$114,268	(\$554,263)
Net Difference Between Projected and Actual Investment earnings Investments						
2021	\$25,897	5.0	0.0	\$5,178	\$0	\$0
2022	(273,383)	5.0	1.0	(54,677)	0	(54,675)
2023	348,843	5.0	2.0	69,769	139,536	0
2024	(6,700)	5.0	3.0	(1,340)	0	(4,020)
2025	(79,688)	5.0	4.0	(15,938)	0	(63,750)
Total	\$14,969			2,992	\$139,536	(\$122,445)
Sub-Total					\$17,091	
Totals				(\$212,403)	\$303,938	(\$789,566)

GASB 75 EXHIBITS

GASB 75 EXHIBITS

Reconciliation of the Net Position

Measurement as of June 30:	2024	2023
Total OPEB Liability (TOL)	\$1,934,283	\$1,957,315
Plan Fiduciary Net Position	2,020,824	1,686,104
Net OPEB Liability (NOL)	(\$86,541)	\$271,211
Deferred Inflows of resources (CR):		
• Differences between expected and actual experience	\$235,303	\$382,252
• Assumption Changes	554,263	665,049
• Net differences between projected and actual earnings	0	0
Deferred Outflows of resources (DR):		
• Differences between expected and actual experience	172,579	217,265
• Assumption Changes	114,268	194,209
• Net differences between projected and actual earnings	17,091	99,771
• Est. contributions post measurement date	292,901	292,306
Net Position	\$106,184	\$514,959

Reconciliation of Net Position	
Net Position at June 30, 2023	\$514,959
Aggregate OPEB Expense/(Income)	(118,059)
Total OPEB Contribution	(290,121)
Difference in Post-Measurement Contributions	(595)
Net Position at June 30, 2024	\$106,184

Post-Measurement Date Contributions Breakdown	7/1/2024- 6/30/2025	7/1/2023- 6/30/2024
Direct Contributions to the Trust	\$150,000	\$150,000
Employer Share of Retiree Premiums Unreimbursed by the Trust	89,863	86,946
Implied Subsidy Unreimbursed by the Trust	53,038	55,360
Total Post-Measurement Date Contributions	\$292,901	\$292,306

DATA

Data

Summary of Demographic Information

The participant data used in the valuation was provided by the Town as of June 30, 2024. While the participant data was checked for reasonableness, the data was not audited. The valuation results presented in this report are dependent upon the accuracy of the participant data provided. The table below represents a summary of the basic participant information for the active and retired participants covered under the terms of the Plan.

2024	
Actives	
Count	35
Average Age	45.2
Average Service	8.6
Retirees & Surviving Spouses	
Under age 65	4
Age 65 and over	7
Total	11
Average Age	69.9
Retirees who waived coverage	17
Total Participants	63
Covered Dependents of Retirees	
Spouses/Domestic Partners	2
Children	0
Total	2
Total Participants and Covered Dependents	65

DATA

Distribution of Participants by Age and Service

Age Group	Retired Participants*	Active Participants – Years of Service						Total
		0 – 4	5 – 9	10 – 14	15 – 19	20 – 24	25+	
<25	0	2	0	0	0	0	0	2
25 – 29	0	7	1	0	0	0	0	8
30 – 34	0	4	1	0	0	0	0	5
35 – 39	0	1	0	1	0	0	0	2
40 – 44	0	0	0	0	1	0	0	1
45 – 49	0	0	0	0	0	0	0	0
50 – 54	1	6	0	0	0	0	0	6
55 – 59	2	0	1	1	1	0	1	4
60 – 64	5	0	0	0	1	0	2	3
65 – 69	8	0	0	0	1	0	0	1
>70	<u>12</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>3</u>
Total	28	21	3	3	5	0	3	35

*Includes retirees, disabled and beneficiaries as well as retirees who have waived coverage. Does not include covered beneficiaries.

PLAN PROVISIONS SUMMARY

Plan Provisions Summary

Eligibility and Contribution Requirements

The Plan provides retiree medical to employees who retire at age 50 or later with at least 5 years of service (age 52 with 5 years of service if hired on or after January 1, 2013). The Plan also provides retiree medical for ordinary disability with 5 years of service and line of duty disability with no age or service requirement.

Spouses are covered during the lifetime of retiree and after death of retiree. Upon death of retiree surviving spouse is eligible for PEMHCA minimum only.

The Town subsidizes either the PEMHCA minimum or a percentage of Region 1 Kaiser Permanente single premium (or Kaiser Senior Advantage for Medicare-eligible retirees) or the lowest cost plan. The Town subsidy varies by bargaining unit and years of Town service at retirement as shown below.

Bargaining Unit	Hire Date	Service	Town Subsidy
Management and Confidential	Before 7/1/2013	5 - 9	PEMHCA Minimum
		10 - 14	50% of premium
		15 - 19	75% of premium
		20+	100% of premium
	On/after 7/1/2013	5+	PEMHCA Minimum
SEIU	Before 7/1/2013	5 – 9	PEMHCA Minimum
		10 – 14	25% of premium
		15 – 19	50% of premium
		20 – 24	75% of premium
		25+	100% of premium
	On/after 7/1/2013	5+	PEMHCA Minimum
Police Officer's Association	Before 7/1/2013	5 – 9	PEMHCA Minimum
		10 – 14	25% of premium
		15 – 19	50% of premium
		20 – 24	75% of premium
		25+	100% of premium
	On/after 7/1/2013	5 – 9	PEMHCA Minimum
		10 – 19	25% of premium
		20+	50% of premium

PLAN PROVISIONS SUMMARY

Plan Description

Health premium rates:

CalPERS Region 1	2023 Rates			2024 Rates		
	EE	EE+1	Family	EE	EE+1	Family
Pre-Medicare						
Anthem HMO Trad	\$1,210.71	\$2,421.42	\$3,147.85	\$1,339.70	\$2,679.40	\$3,483.22
Kaiser	\$913.74	\$1,827.48	\$2,375.72	\$1,021.41	\$2,042.82	\$2,655.67
PERS Platinum	\$1,200.12	\$2,400.24	\$3,120.31	\$1,314.27	\$2,628.54	\$3,417.10
PORAC	\$825.00	\$1,875.00	\$2,300.00	\$931.00	\$2,117.00	\$2,651.00
United Healthcare	\$1,044.07	\$2,088.14	\$2,714.58	\$1,091.13	\$2,182.26	\$2,836.94
Post-Medicare						
Anthem Select	\$413.59	\$827.18	\$1,240.77	\$405.83	\$811.66	\$1,217.49
Kaiser Sr. Advantage	\$283.25	\$566.50	\$849.75	\$324.79	\$649.58	\$974.37
PERS Platinum	\$420.02	\$840.04	\$1,260.06	\$448.15	\$896.30	\$1,344.45
PORAC	\$465.00	\$1,030.00	\$1,395.00	\$465.00	\$1,030.00	\$1,395.00
United HC Edge	\$357.70	\$715.40	\$1,073.10	\$366.01	\$732.02	\$1,098.03
PEMHCA Minimum			\$151.00			\$157.00

Plan Provision Changes

There have been no plan amendments since the last measurement date.

ACTUARIAL ASSUMPTIONS, METHODS & CONSIDERATIONS

Actuarial Assumptions, Methods & Considerations

Actuarial Assumptions

Discount Rate	6.40% on 6/30/2024, 6.00% on 6/30/2023
Net Investment Return	6.00%, based on the CERBT Strategy 1 investment policy
Inflation	2.50% annual inflation.
Payroll increases	2.80% annual increases.
Administrative Expenses	The administrative expense was \$552 for the measurement period ending June 30, 2024.

Health Care Trend	Year Beginning	Increase in Premium Rates	
		Pre-65	Post-65
	2024	6.50%	5.75%
	2025	6.20%	5.50%
	2026	5.60%	5.40%
	2027	5.46%	5.30%
		...	...
	2075+	3.94%	3.94%
PEMHCA Minimum	All years		3.50%

ACTUARIAL ASSUMPTIONS, METHODS & CONSIDERATIONS

Average Per Capita Claims Cost
(Baseline Cost)

\$11,196 Pre 65 Active Members
\$10,968 Pre 65 Retired Members
\$3,444 Post 65 Active Members
\$4,296 Post 65 Retired Members

Medicare Coverage

All future retirees will be eligible for Medicare when they reach age 65.

Morbidity Factors

CalPERS 2021 Experience Study

Population for Curving

CalPERS 2021 Experience Study

Age-Weighted Monthly Claims

Age	Active Employees		Retired Employees	
	Male	Female	Male	Female
45	\$7,817	\$9,854	\$7,654	\$9,648
50	\$10,455	\$11,460	\$10,236	\$11,221
55	\$13,675	\$13,287	\$13,389	\$13,009
60	\$17,295	\$15,606	\$16,933	\$15,279
64	\$19,237	\$16,833	\$18,834	\$16,481

Health Plan Participation

- 99% of eligible participants that will receive 100% of premiums will participate,
- 95% of eligible participants with 75% of premium coverage will participant and
- 90% of those with 50% or less of premium coverage will participate in the medical.
- 5% of existing retirees who currently waived coverage are assumed to re-elect coverage with the Town in the coming year

ACTUARIAL ASSUMPTIONS, METHODS & CONSIDERATIONS

Mortality*	<u>Pre-Retirement:</u> CalPERS 2021 Mortality pre-retirement <u>Post-Retirement:</u> CalPERS 2021 Mortality post-retirement
Disability*	CalPERS 2021 Non-Industrial
Retirement	CalPERS 2021 Experience Study
Withdrawal	CalPERS 2021 Experience Study for Miscellaneous
Percent Married	25% of eligible retirees will cover their spouse. Male spouses are 3 years older than female spouses

** Source: NCG has not performed an experience study to select these assumptions. NCG has not observed materially consistent gains or consistent losses associated with these assumptions.*

Assumption Changes

The discount rate has been updated from 6.00% as of June 30, 2023 to 6.40% as of June 30, 2024.

ACTUARIAL ASSUMPTIONS, METHODS & CONSIDERATIONS

Actuarial Methods

Actuarial Cost Method

Entry Age Normal

An actuarial cost method under which the Actuarial Present Value of the Projected Benefits of each individual included in the valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost.

Amortization Methodology

Straight-line amortization over the Average Future Working Lifetime for assumption changes and experience gains/losses. Asset gains/losses are amortized over 5 years.

Financial and Census Data

The plan sponsor provided the participant data, financial information and plan descriptions used in this valuation. We reviewed the data for reasonableness but have not independently audited the data. We have no reason to believe the data is incomplete and/or inaccurate and we are unaware of any additional information that is essential to the preparation of the actuarial valuation.

Plan Fiduciary Net Position

Market value of assets as of the measurement date

Measurement Date

June 30, 2024

Valuation Date

June 30, 2023

Funding Policy

The Town intends to make annual contributions of \$150,000 to the trust while continuing to pay explicit benefit payments plus implicit subsidies outside the trust.

Valuation Model

Results in this report were calculated using ProVal actuarial valuation software in accordance with its intended purpose and have not identified any material inconsistencies in ProVal's assumptions nor outputs that would affect this valuation. ProVal was developed in 1994 and maintained by WinTech, a company that provides valuation and projection software for both pension and other postemployment benefit plans.

KEY TERMS

Key Terms

Actuarial Accrued Liability
(AAL)

The portion of the actuarial present value of projected benefit payments that is attributed to past service as defined by the Actuarial Cost Method.

Actuarially Determined Contribution
(ADC)

The annual contribution amount required to fund the plan based on the Actuarial Cost Method, calculated to ensure sufficient assets are set aside during the working careers of participants to fully pay all future benefits after participants retire.

Covered Payroll

Aggregate annual compensation paid (or expected to be paid) to active employees covered by an OPEB plan.

Implicit Subsidy

Subsidy generated by blending active and pre-Medicare retirees to develop a single flat premium for both groups, with active employees subsidizing the premiums for retirees.

Normal Cost (or Service Cost)

The portion of the PVB attributed to employee service during the current fiscal year.

Other Postemployment Benefits (OPEB)

Post-employment benefits (excluding termination and severance benefits) not covered by a pension plan

Present Value of Future Benefits
(PVB)

The value, as of the valuation date, of the projected benefits payable to all members for their accrued service and their expected future service, discounted to reflect the time value of money and adjusted for the probabilities of retirement, withdrawal, death and disability