



Lou Ann Teixeira  
 Executive Officer

**MEMBERS**

<b>Candace Andersen</b> <i>County Member</i>	<b>Federal Glover</b> <i>County Member</i>
<b>Donald A. Blubaugh</b> <i>Public Member</i>	<b>Michael R. McGill</b> <i>Special District Member</i>
<b>Tom Butt</b> <i>City Member</i>	<b>Rob Schroder</b> <i>City Member</i>
<b>Igor Skaredoff</b> <i>Special District Member</i>	

**ALTERNATE MEMBERS**

<b>Diane Burgis</b> <i>County Member</i>
<b>Stanley Caldwell</b> <i>Special District Member</i>
<b>Charles R. Lewis, IV</b> <i>Public Member</i>
<b>Edi Birsan</b> <i>City Member</i>

April 14, 2021 (Agenda)

**April 14, 2021  
 Agenda Item 12**

Contra Costa Local Agency Formation Commission  
 40 Muir Road, 1<sup>st</sup> Floor  
 Martinez, CA 94553

**Actuarial Evaluation – Post-Employment Medical Benefits Plan  
 GASB 75 Supplemental Schedules – Measurement Period July 1, 2019 to June 30, 2020**

Dear Members of the Commission:

Contra Costa LAFCO provides post-employment healthcare benefits for its retired employees and their dependents. LAFCO currently funds the employer’s share of these benefits for its retirees.

In FY 2011-12, the Commission initiated a plan to fund future benefit costs and minimize future liabilities to LAFCO. The plan includes prefunding the post-employment healthcare liability. In FY 2011-12, the Commission began funding this liability initially at \$10,000 per year as part of the LAFCO budget.

LAFCO’s plan also includes participation in a trust to hold these funds. In 2014, LAFCO entered into an agreement with Contra Costa County and the Public Agencies Post-Retirement Health Care Plan Trust (“Trust”) administered by Public Agency Retirement Services (PARS).

To participate in the PARS trust and comply with federal accounting rules Government Accounting Standard Board Statement 45 (GASB 45) which require LAFCO to disclose any unfunded post-employment benefits in its annual audits, LAFCO must conduct actuarial evaluations. These evaluations calculate the future liability for retiree healthcare and other post-employment benefits and the employer’s annual contribution rate.

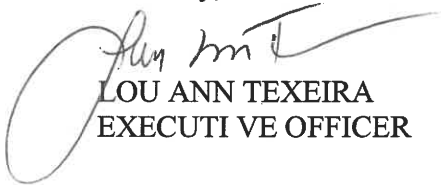
In 2014, LAFCO entered into an agreement with the California School Boards Association (CSBA) and the actuarial firm of Demsey, Filliger & Associates LLC to prepare actuarial evaluations. If an employer has less than 100 “plan members” it is eligible to prepare an alternative measurement method (AMM) report in lieu of a full actuarial evaluation. In response to recent statutory changes, LAFCO is required to prepare these evaluations at least every other year. The information contained in the AMM is also used in preparing LAFCO’s annual audits and budgets.

Since March 2014, LAFCO has completed seven actuarial evaluations/supplemental schedules. In FY 2015-16, following completion of its first actuarial evaluation, the Commission increased its annual funding for Other Post-Employment Benefits (OPEB) from \$10,000 to \$40,000 per year.

The most recent actuarial evaluation, ***GASB 75 Supplemental Schedule - Measurement Period July 1, 2019 to June 30, 2020*** (attached), provides information applicable to the measurement period. The report reflects benefit payments made within the measurement period as well as the applicable discount rate, assets, and projected liabilities as of June 30, 2020. The report also shows that as of June 30, 2020, LAFCO has accrued \$283,868 which is held in the PARS trust account. The recent GASB reports indicates that LAFCO's prefunding amount is sufficient. Overall, LAFCO's long-term rate of return is approximately 4% (conservative) and LAFCO is approximately 80% funded – both affirmative indicators. Consequently, LAFCO can reduce its annual prefunding of the OPEB liability.

**RECOMMENDATION:** Informational report – no action needed.

Sincerely,



LOU ANN TEXEIRA  
EXECUTIVE OFFICER

Attachment

*GASB Statement No. 75 – Supplemental Schedules – 7/1/19 - 6/30/20 – Measurement Period*

cc: Bob Campbell, Contra Costa County Auditor  
Lisa Driscoll, Contra Costa County Finance Director  
Michael O'Connor, CPA, RIA, R. J. Ricciardi, Inc. - Certified Public Accountants



**GASB Statement No. 75**

**Supplemental Schedules**

**for Contra Costa Local Agency Formation Commission**

*Reporting Period: July 1, 2020 to June 30, 2021*  
*Measurement Period: July 1, 2019 to June 30, 2020*  
*Valuation Date: July 1, 2019*

March 12, 2021

**Contra Costa Local Agency Formation Commission  
Post-Employment Medical Benefits Plan**

**GASB 75 Disclosure Information**

**Note to Auditors**

DFA, LLC (DFA) has prepared the following supplemental schedules to accompany the Agency's actuarial valuation as of July 1, 2019 to (1) facilitate preparation of GASB 75 reporting and (2) provide information that (if applicable) was not determinable as of the valuation date. We have prepared this supplement based on the results of our actuarial valuation and (if applicable) subsequent projections. We are available to discuss any differences between our calculations and your records.

Our actuarial valuation report is intended to comply with GASB 75's valuation requirements (at least one every two years); the following schedules are intended to provide the reporting information specific to the applicable reporting period (July 1, 2020 to June 30, 2021), with updates to the measurement date (June 30, 2020).

**Notes to the Financial Statements for the Year Ended June 30, 2021**

**Plan Description**

*Plan administration.* The Agency administers a single employer defined benefit healthcare plan. The Agency currently provides retiree health benefits to retirees and their dependents through Contra Costa County. All retired employees are eligible to receive health and dental benefits for life, with costs shared by the Agency and the retirees.

*Benefits provided.* Employees who attain age 55 and complete 10 years of service are eligible to receive an Agency paid benefit. The Agency pays a portion of the retiree's medical and dental benefits for the lifetime of the retiree and their dependents.

*Plan membership.* At July 1, 2019, membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	3
Active plan members	2

*Contributions.* The contribution requirements of Plan members and the Agency are established and amended by the Agency. The Agency has an irrevocable trust account with Public Agency Retirement Services (PARS).



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Post-Employment Medical Benefits Plan**

**GASB 75 Disclosure Information**

**Net OPEB Liability**

The Agency's Net OPEB Liability was measured as of June 30, 2020 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of July 1, 2019. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

*Actuarial assumptions.* The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age, Level Percent of Pay
Recognition of deferred inflows and outflows of resources	Closed period equal to the average of the expected remaining service lives of all employees provided with OPEB
Salary increases	3.00 percent
Inflation rate	3.00 percent
Investment rate of return	4.00 percent, net of OPEB plan investment expense
Healthcare cost trend rate	5.90 percent for 2020; 5.80 percent for 2021; 5.70 percent for 2022; and decreasing 0.10 percent per year to an ultimate rate of 5.00 percent for 2029 and later years

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Actuarial assumptions used in the July 1, 2019 valuation were based on a review of plan experience during the period July 1, 2017 to June 30, 2019.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected ten-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate). The table below provides the long-term expected real rates of return by asset class (based on published capital market assumptions).

Asset Class	Assumed Asset Allocation	Real Rate of Return
Broad U.S. Equity	60%	4.4%
U.S. Fixed	40%	1.5%

*Discount rate.* GASB 75 requires a discount rate that reflects the following:

- a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be enough to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
- b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the Agency's Total OPEB liability is based on these requirements and the following information:

Reporting Date	Measurement Date	Long-Term Expected Return of Plan Investments (if any)	Fidelity GO AA 20 Years Municipal Index	Discount Rate
June 30, 2020	June 30, 2019	4.00%	3.13%	4.00%
June 30, 2021	June 30, 2020	4.00%	2.45%	4.00%



**Contra Costa Local Agency Formation Commission  
Post-Employment Medical Benefits Plan**

**GASB 75 Disclosure Information**

The components of the net OPEB liability were as follows:

Total OPEB liability	351,331
Plan fiduciary net position	283,868
Net OPEB liability	\$67,463
Measurement date	June 30, 2020
Reporting date	June 30, 2021
Covered payroll	\$208,785
Net OPEB liability (asset) as a percentage of covered payroll	32.31%
Plan fiduciary net position as a percentage of the total OPEB liability	80.80%

*Schedule of Changes in Net OPEB Liability (June 30, 2019 to June 30, 2020)*

<b>Total OPEB Liability</b>	
Service Cost	20,689
Interest	14,067
Changes of benefit terms	0
Difference between expected and actual experience	0
Changes in assumptions or other inputs	0
Benefit payments <sup>1</sup>	(28,546)
<b>Net change in total OPEB liability</b>	<b>6,210</b>
<b>Total OPEB liability – June 30, 2019 (a)</b>	<b>\$345,121</b>
<b>Total OPEB liability – June 30, 2020 (b)</b>	<b>\$351,331</b>
<b>Plan fiduciary net position</b>	
Contributions – employer <sup>1</sup>	68,546
Net investment income	9,609
Benefit payments <sup>1</sup>	(28,546)
Trustee fees	(161)
Administrative expense	0
<b>Net change in plan fiduciary net position</b>	<b>49,448</b>
<b>Plan fiduciary net position – June 30, 2019 (c)</b>	<b>\$234,420</b>
<b>Plan fiduciary net position – June 30, 2020 (d)</b>	<b>\$283,868</b>
<b>Net OPEB liability – June 30, 2019 (c) – (a)</b>	<b>\$110,701</b>
<b>Net OPEB liability – June 30, 2020 (d) – (b)</b>	<b>\$67,463</b>

<sup>1</sup> Amount includes any implicit subsidy associated with benefits paid (see Page 5).



**Contra Costa Local Agency Formation Commission  
Post-Employment Medical Benefits Plan**

**GASB 75 Disclosure Information**

*Sensitivity of the net OPEB liability to changes in the discount rate.* The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (3.00%)	Discount Rate (4.00%)	1% Increase (5.00%)
Net OPEB liability (asset)	100,476	67,463	39,302

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.* The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (4.90% for 2020, 4.00% ultimate)	Trend Rate (5.90% for 2020, 5.00% ultimate)	1% Increase (6.90% for 2020 6.00% ultimate)
Net OPEB liability (asset)	36,176	67,463	103,682



**Contra Costa Local Agency Formation Commission  
Post-Employment Medical Benefits Plan**

**GASB 75 Disclosure Information**

**Statement of Fiduciary Net Position**

<b>Assets</b>	
Cash, deposits, and cash equivalents	0
Receivables:	
Accrued Income	0
Total receivables	0
Investments:	
Managed account	283,868
Total Investments	283,868
Total Assets	283,868
<b>Liabilities</b>	
Payables	0
Total Liabilities	0
<b>Net position restricted for postemployment benefits other than pensions</b>	<b>\$283,868</b>
Measurement date	June 30, 2020
Reporting date	June 30, 2021

**Statement of Changes in Fiduciary Net Position**

<b>Additions</b>	
Employer contributions <sup>2</sup>	68,546
Investment income:	
Net increase in fair value of investments	9,609
Total additions	78,155
<b>Deductions</b>	
Trustee fees	161
Administrative expense	0
Benefit payments <sup>2</sup>	28,546
Total deductions	28,707
Net increase in net position	49,448
<b>Net position restricted for postemployment benefits other than pensions</b>	
Beginning of year – June 30, 2019	\$234,420
End of year – June 30, 2020	\$283,868

<sup>2</sup> Includes an implicit subsidy credit as follows:

	Trust	Non-Trust	Total
Employer contribution	\$40,000	\$27,839	\$67,839
Implicit subsidy credit	0	707	707
Total employer contributions	\$40,000	\$28,546	\$68,546
Benefit payments	\$0	\$27,839	\$27,839
Implicit subsidy credit	0	707	707
Total benefit payments	\$0	\$28,546	\$28,546





**Contra Costa Local Agency Formation Commission  
Post-Employment Medical Benefits Plan**

**GASB 75 Disclosure Information**

**Investments**

*Investment policy.* The Agency's policy regarding the allocation of the plan's invested assets is established and may be amended by Agency management. The primary objective is to maximize total Plan return, subject to the risk and quality constraints set forth in the investment guidelines. The Agency's assets are invested through PARS. The asset allocation ranges for this objective are listed below:

<i>Strategic Asset Allocation Ranges</i>			
	Cash	Fixed Income	Equity
Stated Range	0-20%	40%-60%	40%-60%

Market conditions may cause the account's asset allocation to vary from the stated range from time to time. The investment manager (assisting the Agency) will rebalance the portfolio no less than quarterly and/or when the actual weighting differs substantially from the strategic range, if appropriate and consistent with the objectives.

*Rate of return.* For the year ended on the measurement date, the annual money-weighted rate of return on investments, net of investment expense, was 3.59 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

<b>Annual money-weighted rate of return, net of investment expense</b>	3.59%
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**Contra Costa Local Agency Formation Commission  
Post-Employment Medical Benefits Plan**

**GASB 75 Disclosure Information**

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2021, the Agency's deferred outflows of resources and deferred inflows of resources to OPEB from the following sources are:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience <sup>3,4</sup>	0	0
Changes in assumptions or other inputs <sup>3,4</sup>	0	0
Differences between projected and actual return investments <sup>3,4</sup>	1,787	3,847
<b>Total</b>	<b>\$1,787<sup>5</sup></b>	<b>\$3,847</b>

<sup>3</sup> Measured at June 30, 2020.

<sup>4</sup> See Schedule of Deferred Outflows and Inflows of Resources for additional information.

<sup>5</sup> Does not include Agency contributions (plus associated implicit subsidy) made after the measurement, which will be recognized as a reduction of the Net OPEB Liability in the year ending June 30, 2021.

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

Fiscal Year ending June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	1,149	(1,411)
2023	212	(1,410)
2024	212	(1,026)
2025	214	0
2026	0	0
2027	0	0
2028	0	0
2029	0	0
2030	0	0
2031	0	0

**Contra Costa Local Agency Formation Commission  
Post-Employment Medical Benefits Plan**

**GASB 75 Disclosure Information**

**Schedule of Deferred Outflows of Resources**

Year	Type	Category	Initial Base	Amortization Period	Annual Recognition	Current Balance
2018	Deferred Outflow	Difference between expected and actual experience	0	0.0	0	0
2018	Deferred Outflow	Changes in assumptions or other inputs	0	0.0	0	0
2018	Deferred Outflow	Net difference between projected and actual earnings on plan investments	4,693	5.0	939	937
2019	Deferred Outflow	Difference between expected and actual experience	0	0.0	0	0
2019	Deferred Outflow	Changes in assumptions or other inputs	0	0.0	0	0
2019	Deferred Outflow	Net difference between projected and actual earnings on plan investments	0	0.0	0	0
2020	Deferred Outflow	Difference between expected and actual experience	0	0.0	0	0
2020	Deferred Outflow	Changes in assumptions or other inputs	0	0.0	0	0
2020	Deferred Outflow	Net difference between projected and actual earnings on plan investments	0	0.0	0	0
2021	Deferred Outflow	Difference between expected and actual experience	0	1.0	0	0
2021	Deferred Outflow	Changes in assumptions or other inputs	0	1.0	0	0
2021	Deferred Outflow	Net difference between projected and actual earnings on plan investments	1,062	5.0	212	850
<b>Total</b>						<b>1,787</b>

**Schedule of Deferred Inflows of Resources**

Year	Type	Category	Initial Base	Amortization Period	Annual Recognition	Current Balance
2018	Deferred Inflow	Difference between expected and actual experience	0	0.0	0	0
2018	Deferred Inflow	Changes in assumptions or other inputs	0	0.0	0	0
2018	Deferred Inflow	Net difference between projected and actual earnings on plan investments	0	0.0	0	0
2019	Deferred Inflow	Difference between expected and actual experience	0	0.0	0	0
2019	Deferred Inflow	Changes in assumptions or other inputs	0	0.0	0	0
2019	Deferred Inflow	Net difference between projected and actual earnings on plan investments	1,934	5.0	387	773
2020	Deferred Inflow	Difference between expected and actual experience	194,009	1.0	0	0
2020	Deferred Inflow	Changes in assumptions or other inputs	27,855	1.0	0	0
2020	Deferred Inflow	Net difference between projected and actual earnings on plan investments	5,122	5.0	1,024	3,074
2021	Deferred Inflow	Difference between expected and actual experience	0	1.0	0	0
2021	Deferred Inflow	Changes in assumptions or other inputs	0	1.0	0	0
2021	Deferred Inflow	Net difference between projected and actual earnings on plan investments	0	5.0	0	0
<b>Total</b>						<b>3,847</b>



**Contra Costa Local Agency Formation Commission  
Post-Employment Medical Benefits Plan**

**GASB 75 Disclosure Information**

**Net OPEB Expense**

The Agency's Net OPEB expense was \$(197,878).

Net OPEB Liability – beginning (a)	\$110,701
Net OPEB Liability – ending (b)	\$67,463
Change in Net OPEB Liability [(b)-(a)]	(43,238)
Change in Deferred Outflows	89
Change in Deferred Inflows	(223,275)
Employer Contributions	68,546
Net OPEB Expense – June 30, 2019 to June 30, 2020	\$(197,878)

Service Cost	20,689
Interest Cost	14,067
Expected Return on Assets	(10,510)
Changes of benefit terms	0
Recognition of Deferred Outflows and Inflows	
Differences between expected and actual experience	(194,009)
Changes of assumptions	(27,855)
Differences between projected and actual investments	(260)
Total	(222,124)
Net OPEB Expense – June 30, 2019 to June 30, 2020	\$(197,878)

**Actuarially Determined Contribution**

The actuarially determined contributions from the most recent actuarial valuation are:

Actuarially Determined Contribution for year ending June 30, 2020 <sup>6</sup>	\$25,916
Actuarially Determined Contribution for year ending June 30, 2021 <sup>6</sup>	26,694

Valuation Date	July 1, 2019
Discount Rate (Expected Long-term Return on Assets)	4.00%
Salary Increases	3.00%

<sup>6</sup> For purposes of reporting the comparison between actual employer OPEB contributions and the actuarially determined contribution, we recommend multiplying the actual Agency-paid contributions to trust and Agency-paid premiums on behalf of retirees by a factor of 1.0254 to adjust for the implicit subsidy.

**Contra Costa Local Agency Formation Commission  
Post-Employment Medical Benefits Plan**

**GASB 75 Disclosure Information**

**Actuarial Certification**

The results set forth in this supplement are based on our actuarial valuation of the health and welfare benefit plans of the Contra Costa Local Agency Formation Commission as of July 1, 2019.

The valuation was performed in accordance with generally accepted actuarial principles and practices. We relied on census data for active employees and retirees provided to us by the Agency. We also made use of claims, premium, expense, and enrollment data, and copies of relevant sections of healthcare documents provided to us by the Agency, and (when applicable) trust statements prepared by the trustee and provided to us by the Agency.

The assumptions used in performing the valuation, as summarized in this report, and the results based thereupon, represent our best estimate of the actuarial costs of the program under GASB 74 and GASB 75, and the existing and proposed Actuarial Standards of Practice for measuring post-retirement healthcare benefits.

Each undersigned actuary meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

Certified by:



Molly McGee, ASA, EA, MAAA  
Actuary



Carlos Diaz, ASA, EA, MAAA  
Actuary

Contra Costa Local Agency Formation Commission  
c/o California School Boards Association