

Total Compensation Systems, Inc.

**West Hills Community College District
Actuarial Study of**

Final Report

Valuation Date: June 30, 2012

Total Compensation Systems, Inc.

Table of Contents

PART I: EXECUTIVE SUMMARY 3

A. INTRODUCTION 3

B. GENERAL FINDINGS 4

C. DESCRIPTION OF PAYMENT BENEFITS 4

D. RECOMMENDATIONS 5

PART II: BACKGROUND 7

B. ACTUARIAL ACCRUAL 8

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**West Hills Community College District
Actuarial Study of Retiree Health Liabilities**

A. Introduction

West Hills Community College District engaged Total Compensation Systems, Inc. (TCS) to analyze liabilities associated with its current retiree health program as of June 30, 2018 (the measurement date). The numbers in this report are based on the assumption that they will first be used to determine accounting entries for the fiscal year ending June 30, 2018. If the report will first be used for a different fiscal year, the numbers may need to be adjusted accordingly.

This report does not reflect any cash benefits paid unless the retiree is required to provide proof that the cash benefits are used to reimburse the retiree's cost of health benefits. Costs and liabilities attributable to cash benefits

paid to retirees are reportable under applicable Governmental Accounting Standards Board (GASB) Standards.

This actuarial study is intended to serve the following purposes:

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

- To provide information to enable West Hills CCD to assess its financial condition.

- the “net OPEB liability” (NOL). For plans funded through a trust, this represents the unfunded portion of the liability.
- the service cost (SC). This is the value of OPEB benefits earned for one year of service.
- deferred inflows and outflows of resources attributable to the OPEB plan.

current period expense. The OPEB expense includes service cost, interest and certain changes in the OPEB liability, adjusted to reflect deferred inflows and outflows. This amount may need to be adjusted to reflect any contributions received after the Measurement Date.

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

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

Certificated

Classified

OPEB eligible employees can include those in ineligible job classes; those hired after a

designated date restricting eligibility; those who, due to their age at hire cannot qualify for District-paid OPEB benefits; employees who exceed the termination age for OPEB benefits, etc.

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PART II: BACKGROUND

Summary

PART III- LIABILITIES AND COSTS FOR RETIREE BENEFITS

A. Introduction.

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

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

	<i>Total</i>	<i>Certificated</i>	<i>Classified</i>	<i>Management</i>
Active: Pre-65	\$10,861,755	\$4,559,971	\$4,512,346	\$1,789,438
Post-65	\$4,642,158	\$1,976,583	\$1,496,669	\$1,168,906

Retiree: Pre-65	\$516,607	\$151,660	\$82,905	\$281,142
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Post-65	\$2,984,150	\$264,878	\$930,716	\$1,788,556
Subtotal	\$3,500,847	\$416,538	\$1,014,611	\$2,069,698
Grand Total	\$19,004,760	\$6,953,092	\$7,023,626	\$5,028,042
Subtotal Pre-65	\$11,378,452	\$4,711,631	\$4,596,241	\$2,070,580
Subtotal Post-65	\$7,626,308	\$2,241,461	\$2,427,385	\$2,957,462

The APVPBP should be accrued over the working lifetime of employees. At any time much of it has not been "earned" by employees. The APVPBP is used to develop expense and liability figures. To do so, the APVPBP is divided into two parts: the portion attributable to service rendered prior to the measurement date (the past service

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

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

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

Total OPEB Liability (TOL) and Net OPEB Liability (NOL) as of June 30, 2018

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3. Preliminary OPEB Expense

Under GASB 74 and 75, OPEB expense includes service cost, interest cost, change in TOL due to plan changes; all adjusted for deferred inflows and outflows. West Hills CCD determined that it was not reasonable to rerun prior valuations under GASB 75. Therefore, we used the transition approach provided in GASB 75, Paragraph 14. That means that there are no deferred inflows/outflows in the first year (with the possible exception of

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14

We used the national assumptions shown in Appendix C to project the District's transportation benefits

[REDACTED]

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PART V: RECOMMENDATIONS FOR FUTURE VALUATIONS

To effectively manage benefit costs, an employer must periodically examine the existing liability for retiree benefits as well as future annual expected premium costs. GASB 74/75 require biennial valuations. In addition, a valuation should be conducted whenever plan changes, changes in actuarial assumptions or other employer actions

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

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PART VI: APPENDICES

APPENDIX A: MATERIALS USED FOR THIS STUDY

We relied on the following materials to complete this study.

- We used paper reports and digital files containing employee demographic data from the District personnel records.
- We used relevant sections of collective bargaining agreements provided by the District.

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While we believe the estimates in this study are reasonable overall, it was necessary for us to use assumptions which inevitably introduce errors. We believe that the errors caused by our assumptions will not

materially affect study results. If the District wants more refined estimates for decision-making, we recommend additional investigation.

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APPENDIX C: ACTUARIAL ASSUMPTIONS AND METHODS

Following is a summary of actuarial assumptions and methods used in this study. The District should carefully review these assumptions and methods to make sure they reflect the District's assessment of its underlying experience. It is important for West Hills CCD to understand that the appropriateness of all selected actuarial

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ECONOMIC ASSUMPTIONS:

Assumptions are set under the guidance of Actuarial Standard of Practice 27 (ASOP 27). Among other

things, ASOP 27 provides that economic assumptions should reflect a consistent underlying rate of general inflation. For that reason, we show our assumed long-term inflation rate below.

INFLATION: We assumed 2.75% per year used for pension purposes. Actuarial

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NON-ECONOMIC ASSUMPTIONS:

Economic assumptions are set under the guidance of Actuarial Standard of Practice 35 (ASOP 35). See Appendix E, Paragraph 52 for more information.

MORTALITY

<i>Participant Type</i>	<i>Mortality Tables</i>
Certificated	2009 CalSTRS Mortality
Classified	2014 CalPERS Active Mortality for Miscellaneous Employees

RETIREMENT RATES

<i>Employee Type</i>	<i>Retirement Rate Tables</i>
Certificated	2000 CalSTRS Retirement Rates

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APPENDIX D: DISTRIBUTION OF ELIGIBLE PARTICIPANTS BY AGE

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

ELIGIBLE RETIREES

<i>Age</i>	<i>Total</i>	<i>Certificated</i>	<i>Classified</i>	<i>Management</i>
Under 50	0	0	0	0
50-54	0	0	0	0
55-59	2	0	0	2

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

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Turnover Tables

Turnover Table	2009 CalSTRS Termination Rates
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[The remainder of the page contains multiple rows of data that have been completely redacted with black bars.]

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We looked at rolling periods of time for all asset classes in combination to appropriately reflect correlation between asset classes. That means that the average returns for any asset

11

class don't necessarily reflect the averages over time individually, but reflect the return for the asset class for the portfolio average. We used geometric means

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



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Participation Rate:

The proportion of retirees who elect to receive retiree benefits. A lower participation rate results in lower service cost and a TOI. The participation rate

Retirement Rate:

The proportion of active employees who retire each year. Retirement rates are usually based on age and/or length of service. (Retirement rates can be used in conjunction with the service requirement to reflect both age and length of service). The more likely employees are to retire early, the higher service costs and actuarial accrued liability will be.

Service Cost:

The annual dollar value of the "earned" portion of retiree health benefits if retiree health benefits are to be fully accrued at retirement.