

THE SUPERIOR COURT OF CALIFORNIA  
COUNTY OF LOS ANGELES

**Actuarial Valuation of  
Other Postemployment Benefits (OPEB)  
Under GASB Statement No. 75  
For Fiscal Year Ending June 30, 2019**

**January 17, 2019**

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**LOS ANGELES SUPERIOR COURT**  
 Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2019

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**Introduction and Certification**

**Purposes of the valuation**

This report includes OPEB financial reporting information determined under Governmental Accounting Standards Board Statement No. 75 (GASB 75) for Los Angeles Superior Court (the Court). GASB 75 standardizes OPEB disclosure requirements and requires plans and employers to provide additional details about their OPEB obligations. The information to be disclosed includes:

- Obligations and funded status of the plan,
- The annual GASB 75 accounting expense, and
- Other disclosure information.

The Court has elected to use the GASB 75 "lookback" method where assets and liabilities are measured as of the prior fiscal year-end, but applied to the current fiscal year. The valuation, measurement and reporting dates are:

|   |               |
|---|---------------|
| Valuation date (census)                   | June 30, 2017 |
| Measurement date (assets and liabilities) | June 30, 2018 |
| Reporting date (fiscal year end)          | June 30, 2019 |

This report has been prepared solely for the Court. The purpose of this valuation is to provide the Court's GASB 75 accounting information. It is important to recognize that calculations performed for other purposes may yield significantly different results. Other considerations are summarized in the Important Notices and Accounting Requirements and Valuation Considerations sections of this report.

This report may not be used for any other purpose, and Van Iwaarden Associates is not responsible for the consequences of any unauthorized use. Its content may not be modified, incorporated into or used in other material, or otherwise provided, in whole or in part, to any other person or entity, without the Judicial Council's permission.

The language of this report includes a number of technical terms which have special meanings. The glossary at the end of the report is provided to enhance understanding of these terms; many of them are defined there.

**Changes from the prior valuation**

Changes to the plan provisions and actuarial assumptions reflected in this valuation are described at the end of each of those sections in this report. The Court has confirmed that there have been no significant changes in the plan provisions or census since the fiscal 2018 valuation report.

**Introduction and Certification (continued)****Actuarial certification**

To the best of our knowledge, this report is complete and accurate and all costs and liabilities under the plan were determined in accordance with generally accepted actuarial principles and practices. Upon receipt of the valuation report, the Court should notify us if you disagree with any information contained in the report or if you are aware of any information that would affect the results that has not been communicated to us. The report will be deemed final and acceptable to the Court unless you notify us otherwise.

The actuarial assumptions and methods are the responsibility of the employer. We have reviewed the assumptions and believe that they are reasonable estimates of future plan experience, both individually and in the aggregate. The calculations reported herein are consistent with our understanding of the provisions of GASB Statement No. 75.

The undersigned credentialed actuaries are Members of the American Academy of Actuaries and meet the Qualification Standards of the Academy to render the actuarial opinion contained herein. We are available to answer questions on the material contained in the report or to provide explanations or further detail, as may be appropriate. We are not aware of any material direct or indirect financial interest or relationship that could create a conflict of interest or impair the objectivity of our work.



Mark W. Schulte, FSA, EA, MAAA  
Consulting Actuary



Laura K. Pistotnik, ASA, MAAA  
Consulting Actuary

January 17, 2019

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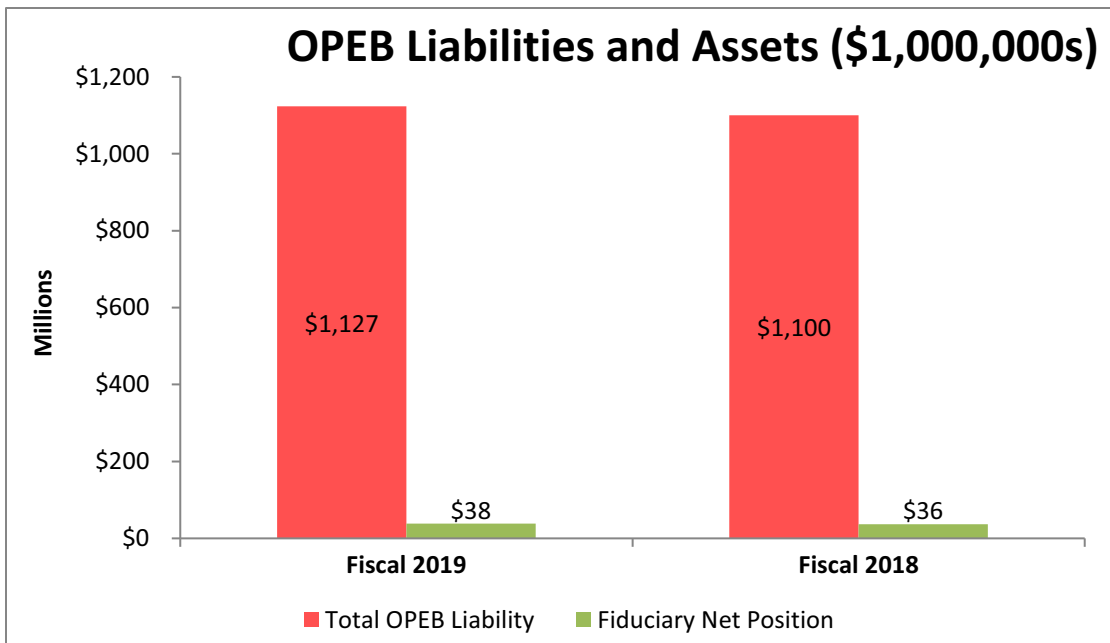
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# LOS ANGELES SUPERIOR COURT

## Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2019

### Summary of Results

|   | Valuation Date<br>6/30/2017     |                  |
|---|---------------------------------|------------------|
| <b>A. Participants eligible for OPEB</b>            |                                 |                  |
| 1. Active employees electing coverage               | 4,431                           |                  |
| 2. Vested terminated                                | 611                             |                  |
| 3. Retirees electing coverage                       | 2,143                           |                  |
| 4. Total  | 7,185                           |                  |
| <b>B. Funded Status</b>                             |                                 |                  |
|   | Fiscal Year Ending <sup>1</sup> |                  |
|   | 6/30/2019                       | 6/30/2018        |
| 1. Total OPEB Liability                             | \$ 1,123,377,835                | \$ 1,100,415,412 |
| 2. Plan Fiduciary Net Position (assets)             | 38,148,167                      | 36,347,094       |
| 3. Net OPEB Liability (1. - 2.)                     | 1,085,229,668                   | 1,064,068,318    |
| 4. Funded Percent (2./1.)                           | 3.4%                            | 3.3%             |
| 5. Liability Discount Rate                          | 3.70%                           | 3.62%            |
| <b>C. Accounting Expense (see page 12)</b>          | \$ 55,978,945                   | \$ 62,728,394    |
| <b>D. Actuarially Determined Contribution (ADC)</b> | N/A <sup>2</sup>                | N/A <sup>2</sup> |



<sup>1</sup> The Court has elected to use the GASB 75 "lookback" method where assets and liabilities are measured as of the prior fiscal year-end, but applied to the current fiscal year.

<sup>2</sup> The Court does not currently calculate an ADC.

LOS ANGELES SUPERIOR COURT

Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2019

Statement of Fiduciary Net Position (Assets)

|   | Fiscal Year Ending <sup>1</sup> |                      |
|---|---------------------------------|----------------------|
|   | 6/30/2019                       | 6/30/2018            |
| <b>Assets<sup>2</sup></b>                             |                                 |                      |
| Cash and deposits                                     | \$ 4,272,595                    | \$ 4,070,875         |
| Money market funds and interest-bearing cash          | -                               | -                    |
| <b>Total cash</b>                                     | <b>4,272,595</b>                | <b>4,070,875</b>     |
| Cash position of investments                          | -                               | -                    |
| Receivables   |                                 |                      |
| Contributions   | -                               | -                    |
| Investment income                                     | -                               | -                    |
| Other   | -                               | -                    |
| <b>Total receivables</b>                              | <b>-</b>                        | <b>-</b>             |
| Investments   |                                 |                      |
| Domestic equity                                       | 16,792,823                      | 15,999,991           |
| International equity                                  | 14,305,562                      | 13,630,160           |
| Fixed income  | 2,777,187                       | 2,646,068            |
| Real estate and alternatives                          | -                               | -                    |
| <b>Total investments</b>                              | <b>33,875,572</b>               | <b>32,276,219</b>    |
| <b>Total assets</b>                                   | <b>38,148,167</b>               | <b>36,347,094</b>    |
| <b>Short term liabilities</b>                         |                                 |                      |
| Payables  |                                 |                      |
| Investment management fees                            | -                               | -                    |
| Reimbursement to employer for benefit payments        | -                               | -                    |
| Reimbursement to employer for administrative expenses | -                               | -                    |
| <b>Total liabilities</b>                              | <b>-</b>                        | <b>-</b>             |
| <b>Net position restricted for OPEB</b>               | <b>\$ 38,148,167</b>            | <b>\$ 36,347,094</b> |

<sup>1</sup> The Court has elected to use the GASB 75 "lookback" method where assets and liabilities are measured as of the prior fiscal year-end, but applied to the current fiscal year.

<sup>2</sup> Asset allocation is estimated based on the target allocation for LACERA as of June 30, 2017.

LOS ANGELES SUPERIOR COURT

Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2019

Statement of Changes in Fiduciary Net Position

|   | Fiscal Year Ending <sup>1</sup> |                     |
|---|---------------------------------|---------------------|
|   | 6/30/2019                       | 6/30/2018           |
| <b>Additions</b>                                    |                                 |                     |
| Contributions                                       |                                 |                     |
| Employee  | -                               | -                   |
| Employer  |                                 |                     |
| Cash contributions to OPEB trust                    | 2,015,711                       | 26,612,105          |
| Net Benefits paid from employer assets <sup>2</sup> | 19,782,933                      | 22,030,391          |
| Total   | 21,798,644                      | 48,642,496          |
| Investment income                                   |                                 |                     |
| Net appreciation in fair value of investments       | 722,638                         | 1,962,939           |
| Interest and dividends                              | 2,864,336                       | 83,056              |
| Less investment expense                             | (21,628)                        | (9,398)             |
| Net investment income                               | 3,565,346                       | 2,036,597           |
| Other additions                                     | -                               | -                   |
| <b>Total additions</b>                              | <b>25,363,990</b>               | <b>50,679,093</b>   |
| <b>Deductions</b>                                   |                                 |                     |
| Benefit payments <sup>2</sup>                       |                                 |                     |
| Direct subsidy                                      | (23,517,933)                    | (22,030,391)        |
| Implicit subsidy                                    | -                               | -                   |
| Total   | (23,517,933)                    | (22,030,391)        |
| Administrative expense                              | (44,984)                        | (201,608)           |
| Other deductions                                    | -                               | -                   |
| <b>Total deductions</b>                             | <b>(23,562,917)</b>             | <b>(22,231,999)</b> |
| <b>Net increase in net position</b>                 | <b>1,801,073</b>                | <b>28,447,094</b>   |
| <b>Net position restricted for OPEB</b>             |                                 |                     |
| Beginning of year                                   | 36,347,094                      | 7,900,000           |
| End of year   | \$ 38,148,167                   | \$ 36,347,094       |
| <b>Investment return for the measurement year</b>   |                                 |                     |
| a. Net investment income                            | \$ 3,565,346                    | \$ 2,036,597        |
| b. Beginning balance                                | 36,347,094                      | 7,900,000           |
| c. Time-weighted cash flows                         | (847,869)                       | 7,775,172           |
| d. Investment return: a. / (b. + c.)                | 10.04%                          | 12.99%              |

<sup>1</sup> The Court has elected to use the GASB 75 "lookback" method where assets and liabilities are measured as of the prior fiscal year-end, but applied to the current fiscal year.

<sup>2</sup> The contribution labeled "benefits paid from employer assets" shown above are equal to the annual plan benefit payments paid from employer assets minus a \$3,735,000 reimbursement received from the trust in FY2018. The FY2018 OPEB payments were paid from the employer's general assets rather than from the trust assets. GASB 74 Q&A 4.52 specifies that this arrangement should be recognized as an offsetting contribution and benefit payment in the reconciliation of the plan's Fiduciary Net Position.



## LOS ANGELES SUPERIOR COURT

Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2019

## Changes in Net OPEB Liability

|   | Increase (Decrease)         |                                    | Net OPEB Liability<br>(c) = (a) - (b) |
|---|-----------------------------|------------------------------------|---------------------------------------|
|   | Total OPEB Liability<br>(a) | Plan Fiduciary Net Position<br>(b) |                                       |
| <b>Balance for fiscal year ending 6/30/2018<sup>1</sup></b> | \$ 1,100,415,412            | \$ 36,347,094                      | \$ 1,064,068,318                      |
| <b>Changes for the year:</b>                                |                             |                                    |                                       |
| Service cost  | 38,224,498                  | -                                  | 38,224,498                            |
| Interest  | 40,793,090                  | -                                  | 40,793,090                            |
| Differences between expected and actual experience          | -                           | -                                  | -                                     |
| Changes of assumptions                                      | (32,537,232)                | -                                  | (32,537,232)                          |
| Changes of benefit terms                                    | -                           | -                                  | -                                     |
| Employee contributions                                      | -                           | -                                  | -                                     |
| Employer contributions <sup>2</sup>                         | -                           | 21,798,644                         | (21,798,644)                          |
| Net investment income                                       | -                           | 3,565,346                          | (3,565,346)                           |
| Other additions   | -                           | -                                  | -                                     |
| Benefit payments <sup>2</sup>                               | (23,517,933)                | (23,517,933)                       | -                                     |
| Administrative expense                                      | -                           | (44,984)                           | 44,984                                |
| Other deductions  | -                           | -                                  | -                                     |
| <b>Net changes</b>  | <b>22,962,423</b>           | <b>1,801,073</b>                   | <b>21,161,350</b>                     |
| <b>Balance for fiscal year ending 6/30/2019<sup>1</sup></b> | <b>\$ 1,123,377,835</b>     | <b>\$ 38,148,167</b>               | <b>\$ 1,085,229,668</b>               |

<sup>1</sup> The Court has elected to use the GASB 75 "lookback" method where assets and liabilities are measured as of the prior fiscal year-end, but applied to the current fiscal year.

<sup>2</sup> Benefit payments to retirees during the measurement period ending 6/30/2018.

**LOS ANGELES SUPERIOR COURT**

Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2019

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

|                                     | Total OPEB<br>Liability<br>(a) | Plan Fiduciary Net<br>Position<br>(b) | Net OPEB<br>Liability<br>(c) = (a) - (b) |
|-------------------------------------|--------------------------------|---------------------------------------|--|
| 1% decrease in Discount Rate (2.7%) | \$ 1,327,921,673               | \$ 38,148,167                         | \$ 1,289,773,506                         |
| Current Discount Rate (3.7%)        | 1,123,377,835                  | 38,148,167                            | 1,085,229,668                            |
| 1% increase in Discount Rate (4.7%) | 958,800,010                    | 38,148,167                            | 920,651,843                              |

**Sensitivity of the Net OPEB Liability to Changes in the Trend Rates**

|                            | Total OPEB<br>Liability<br>(a) | Plan Fiduciary Net<br>Position<br>(b) | Net OPEB<br>Liability<br>(c) = (a) - (b) |
|----------------------------|--------------------------------|---------------------------------------|--|
| 1% decrease in Trend Rates | \$ 923,326,825                 | \$ 38,148,167                         | \$ 885,178,658                           |
| Current Trend Rates        | 1,123,377,835                  | 38,148,167                            | 1,085,229,668                            |
| 1% increase in Trend Rates | 1,386,539,266                  | 38,148,167                            | 1,348,391,099                            |

**Summary of Deferred Outflows and Deferred Inflows**

|   | <u>Outflows</u> | <u>Inflows</u>        |
|---|-----------------|-----------------------|
| <b><u>Summary of Deferred Outflows/Inflows</u></b>                        |                 |                       |
| A. Difference between expected and actual liability                       | \$ -            | \$ -                  |
| B. Change of assumptions  | -               | 121,404,226           |
| C. Net difference between projected and actual investment earnings        | -               | 1,556,457             |
| D. Contributions between measurement date and reporting date <sup>1</sup> | TBD             | N/A                   |
| E. Total  | <u>\$ -</u>     | <u>\$ 122,960,683</u> |

See page 14 for amortization schedules and development of deferred outflows/inflows.

**Amounts reported as deferred (inflows) outflows of resources related to OPEBs will be recognized in OPEB expense as follows:**

| <u>Year ended</u> | <u>Future recognition</u> |
|-------------------|---------------------------|
| 2020              | (20,719,379)              |
| 2021              | (20,719,379)              |
| 2022              | (20,719,380)              |
| 2023              | (20,520,851)              |
| 2024              | (20,280,633)              |
| Thereafter        | (20,001,061)              |
|                   | <u>\$ (122,960,683)</u>   |

<sup>1</sup> Under GASB 75 paragraph 44, employer contributions made after the June 30, 2018 Measurement Date and on or before the June 30, 2019 Reporting Date must be disclosed as Deferred Outflows of Resources. If the contribution amount is not available at the time of this report, "TBD" is shown temporarily. The final amount should include employer trust contributions plus any unreimbursed benefits paid from general assets.

LOS ANGELES SUPERIOR COURT

Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2019

Significant Assumptions Used to Measure the Total OPEB Liability

|                                |  |
|--------------------------------|--|
| Discount rate                  | 3.70%  |
| Expected return on plan assets | 6.66%  |
| Inflation rate                 | 2.75%  |
| Healthy Mortality              | The base RP-2014 headcount-weighted white collar table adjusted to 2006. Generational projection using scale MP-2017 was applied to these base rates after 2006.   |
| Disabled Mortality             | The base RP-2014 headcount-weighted disabled mortality table adjusted to 2006. Generational projection using scale MP-2017 was applied to these base rates after 2006.   |
| Health care cost trend rate    | Actual premium increase rates for FY2018 and 6.90% for FY2019, gradually decreasing over several decades to an ultimate rate of 4.40% in FY2075 and later years.<br><br>In addition, the medical trend rates above were increased to reflect the projected effect of the Affordable Care Act's Excise Tax on high-cost health insurance plans. The additional trend rate adjustments vary by year, but average 0.35% beginning calendar year 2022 for plans other than Medicare plans. |

See pages 15 to 24 for more details on actuarial assumptions and methods.

LOS ANGELES SUPERIOR COURT

Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2019

Schedule of Changes in Net OPEB Liability and Related Ratios<sup>1</sup>

| Total OPEB Liability                                    | Fiscal Year Ending <sup>2</sup> |                         |
|---|---------------------------------|-------------------------|
|   | 6/30/2019                       | 6/30/2018               |
| Service cost  | \$ 38,224,498                   | \$ 44,081,221           |
| Interest  | 40,793,090                      | 35,786,527              |
| Differences between expected and actual experience      | -                               | -                       |
| Changes of assumptions                                  | (32,537,232)                    | (125,246,097)           |
| Changes of benefit terms                                | -                               | -                       |
| Benefit payments  | (23,517,933)                    | (22,030,391)            |
| <b>Net change in total OPEB liability</b>               | <b>22,962,423</b>               | <b>(67,408,740)</b>     |
| <b>Total OPEB Liability - beginning of year</b>         | <b>1,100,415,412</b>            | <b>1,167,824,152</b>    |
| <b>Total OPEB Liability - end of year</b>               | <b>\$ 1,123,377,835</b>         | <b>\$ 1,100,415,412</b> |
| <b>Plan Fiduciary Net Position (FNP, assets)</b>        |                                 |                         |
| Employee contributions                                  | \$ -                            | \$ -                    |
| Employer contributions                                  | 21,798,644                      | 48,642,496              |
| Net investment income                                   | 3,565,346                       | 2,036,597               |
| Other additions   | -                               | -                       |
| Benefit payments  | (23,517,933)                    | (22,030,391)            |
| Administrative expense                                  | (44,984)                        | (201,608)               |
| Other deductions  | -                               | -                       |
| <b>Net change in plan fiduciary net position</b>        | <b>1,801,073</b>                | <b>28,447,094</b>       |
| <b>Plan Fiduciary Net Position - beginning of year</b>  | <b>36,347,094</b>               | <b>7,900,000</b>        |
| <b>Plan Fiduciary Net Position - end of year</b>        | <b>\$ 38,148,167</b>            | <b>\$ 36,347,094</b>    |
| <b>Net OPEB Liability - end of year</b>                 | <b>\$ 1,085,229,668</b>         | <b>\$ 1,064,068,318</b> |
| <b>FNP as a percentage of the Total OPEB Liability</b>  | <b>3.4%</b>                     | <b>3.3%</b>             |
| <b>OPEB-eligible payroll for the measurement period</b> | <b>\$ 322,320,444</b>           | <b>\$ 314,553,063</b>   |
| <b>Net OPEB Liability as a % of eligible payroll</b>    | <b>336.7%</b>                   | <b>338.3%</b>           |

<sup>1</sup> The employer must eventually disclose a 10-year history of the schedule of changes in Net OPEB Liability and related ratios.

<sup>2</sup> The Court has elected to use the GASB 75 "lookback" method where assets and liabilities are measured as of the prior fiscal year-end, but applied to the current fiscal year.

**LOS ANGELES SUPERIOR COURT**

Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2019

**Schedule of Contributions<sup>1</sup>**

|  | Fiscal Year Ending |                  |
|--|--------------------|------------------|
|  | <u>6/30/2019</u>   | <u>6/30/2018</u> |
| Actuarially determined contribution (ADC) <sup>2</sup>   | N/A                | N/A              |
| Contributions in relation to the ADC                     | N/A                | N/A              |
| Contribution deficiency (excess)                         | N/A                | N/A              |
| OPEB-eligible payroll for reporting period (fiscal year) | N/A                | N/A              |
| Contributions as a percent of payroll                    | N/A                | N/A              |

**Schedule of Investment Returns<sup>1</sup>**

|  | Fiscal Year Ending |                  |
|--|--------------------|------------------|
|  | <u>6/30/2019</u>   | <u>6/30/2018</u> |
| Annual money-weighted rate of return,<br>net of investment expense | 10.04%             | 12.99%           |

<sup>1</sup> The employer must eventually disclose a 10-year history of the contribution, investment return, and payroll schedules.

<sup>2</sup> Per GASB 75 paragraph 57c., these disclosures are only required if the employer calculates an Actuarially Determined Contribution (ADC). The Court does not currently calculate an ADC.

LOS ANGELES SUPERIOR COURT

Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2019

Calculation of OPEB Expense

|   | Fiscal Year Ending <sup>1</sup> |               |
|---|---------------------------------|---------------|
|   | 6/30/2019                       | 6/30/2018     |
| A. Service cost   | \$ 38,224,498                   | \$ 44,081,221 |
| B. Interest cost  | 40,793,090                      | 35,786,527    |
| C. Current period benefit changes   | -                               | -             |
| D. Employee contributions   | -                               | -             |
| E. Projected earnings on OPEB plan investments                                    | (2,364,248)                     | (1,043,966)   |
| F. Administrative expenses paid from the trust                                    | 44,984                          | 201,608       |
| G. Other changes in fiduciary net position  | -                               | -             |
| H. Recognition of expected vs. actual experience                                  | -                               | -             |
| I. Recognition of assumption changes  | (20,280,633)                    | (16,098,470)  |
| J. Recognition of net difference between projected and actual investment earnings | (438,746)                       | (198,526)     |
| K. Total OPEB expense (sum of A. through J.)                                      | \$ 55,978,945                   | \$ 62,728,394 |

<sup>1</sup> The Court has elected to use the GASB 75 "lookback" method where assets and liabilities are measured as of the prior fiscal year-end, but applied to the current fiscal year.

LOS ANGELES SUPERIOR COURT

Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2019

Calculation of Interest Cost and Projected Plan Earnings for OPEB Expense

|   | Fiscal Year Ending <sup>1</sup> |                  |
|---|---------------------------------|------------------|
|   | 6/30/2019                       | 6/30/2018        |
| <b><u>Interest cost calculation</u></b>                       |                                 |                  |
| A. Total OPEB Liability at beginning of measurement year      | \$ 1,100,415,412                | \$ 1,167,824,152 |
| B. Service cost   | 38,224,498                      | 44,081,221       |
| C. Benefit payments   | (23,517,933)                    | (22,030,391)     |
| D. Discount rate at beginning of measurement year             | 3.62%                           | 2.98%            |
| E. Interest cost ((A. + B. + 1/2 x C.) x D.)                  | \$ 40,793,090                   | \$ 35,786,527    |
| <b><u>Projected plan earnings calculation</u></b>             |                                 |                  |
| A. Fiduciary Net Position at beginning of measurement year    | \$ 36,347,094                   | \$ 7,900,000     |
| B. Time-weighted cash flows                                   | (847,869)                       | 7,775,172        |
| C. Expected return on assets at beginning of measurement year | 6.66%                           | 6.66%            |
| D. Projected plan earnings ((A. + B.) x C.)                   | \$ 2,364,248                    | \$ 1,043,966     |
| <b><u>Investment (gain) or loss</u></b>                       |                                 |                  |
| A. Projected plan earnings                                    | \$ 2,364,248                    | \$ 1,043,966     |
| B. Actual plan investment earnings                            | 3,565,346                       | 2,036,597        |
| C. Investment (gain) or loss (A. - B.)                        | \$ (1,201,098)                  | \$ (992,631)     |

<sup>1</sup> The Court has elected to use the GASB 75 "lookback" method where assets and liabilities are measured as of the prior fiscal year-end, but applied to the current fiscal year.



**LOS ANGELES SUPERIOR COURT**

Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2019

**Schedule of Amortizations: Liability Experience (Gains) and Losses**

| Fiscal Year                                 | Initial Deferred (Inflow)/Outflow | Initial Amortization Period | Unrecognized Amount | Remaining Amortization Period | Current Year Amortization |
|---|-----------------------------------|-----------------------------|---------------------|-------------------------------|---------------------------|
| 2018  | \$ -                              | N/A                         | \$ -                | N/A                           | \$ -                      |
| 2019  | \$ -                              | N/A                         | \$ -                | N/A                           | \$ -                      |
| Subtotal liability experience amortizations |                                   |                             | \$ -                |                               | \$ -                      |

**Schedule of Amortizations: Assumption Changes**

| Fiscal Year                              | Initial Deferred (Inflow)/Outflow | Initial Amortization Period | Unrecognized Amount | Remaining Amortization Period | Current Year Amortization |
|--|-----------------------------------|-----------------------------|---------------------|-------------------------------|---------------------------|
| 2018                                     | \$ (125,246,097)                  | 7.78                        | \$ (93,049,157)     | 5.78                          | \$ (16,098,470)           |
| 2019                                     | \$ (32,537,232)                   | 7.78                        | \$ (28,355,069)     | 6.78                          | \$ (4,182,163)            |
| Subtotal assumption change amortizations |                                   |                             | \$ (121,404,226)    |                               | \$ (20,280,633)           |

**Schedule of Amortizations: Investment (Gains) and Losses**

| Fiscal Year                                  | Initial Deferred (Inflow)/Outflow | Initial Amortization Period | Unrecognized Amount | Remaining Amortization Period | Current Year Amortization |
|--|-----------------------------------|-----------------------------|---------------------|-------------------------------|---------------------------|
| 2018   | \$ (992,631)                      | 5.00                        | \$ (595,579)        | 3.00                          | \$ (198,526)              |
| 2019   | \$ (1,201,098)                    | 5.00                        | \$ (960,878)        | 4.00                          | \$ (240,220)              |
| Subtotal investment experience amortizations |                                   |                             | \$ (1,556,457)      |                               | \$ (438,746)              |

Summary of Actuarial Methods

- A. Liability Measurement Method** GASB 75 requires that "The total OPEB liability should be determined by (a) an actuarial valuation as of the measurement date or (b) the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end."
- Liabilities in this report were calculated as of the valuation date and rolled forward to the measurement date using standard actuarial roll-forward techniques per GASB 75 option (b) above.
- |   |               |
|---|---------------|
| Valuation date (census)                   | June 30, 2017 |
| Measurement date (assets and liabilities) | June 30, 2018 |
| Reporting date (fiscal year end)          | June 30, 2019 |
- B. Actuarial Cost Method** Liabilities are based on the Entry Age Normal level percent of pay cost method. In this method, the actuarial Present Value of Benefits (PVB) for each individual is allocated as a level percent of pay from entry age (hire age, for most employees) to age at which retirement rates become 100%. The portion of the PVB allocated to the valuation year is called the Normal Cost (NC). The portion of the PVB allocated to past years is called the Actuarial Accrued Liability (AAL) or the Total OPEB Liability (TOL).
- C. Amortization Method** Investment Gains and Losses:  
Straight-line amortization over a closed 5-year period.
- Effects of Assumption Changes and Experience Gains and Losses:  
Straight-line amortization over a closed period equal to the average of the expected remaining service lives of all members (i.e., active employees and terminated/retired members) that are provided with OPEB through the plan.
- D. Funding Policy** The Court has assets designated for OPEB. These assets are in a qualified irrevocable trust, administered and invested through LACERA. Additional trust contributions will be made on an ad-hoc basis as funds are available.

**Summary of Actuarial Methods (continued)****E. Data Methods**

The census data used in this report is the same data used in the fiscal 2018 GASB 75 actuarial valuation report dated May 22, 2018.

To the extent that census data was collected as of a date later than June 30, 2017, we have assumed that it is reasonably representative of the plan census on the valuation date and used it with only minor adjustments.

As instructed by the Court, participants terminating employment or retiring before January 1, 2001 are included in the valuation because the Court is financing these retirees' medical, dental, vision and life insurance benefits.

**F. Covered Payroll**

Covered OPEB-eligible payroll information for the fiscal year ending June 30, 2018 was provided by the Court.

**Summary of Actuarial Assumptions**

The benefits, actuarial assumptions and methods valued in this report are based on the same plan provisions, assumptions and methods described in the fiscal 2018 GASB 75 actuarial valuation report dated May 22, 2018, with the exception of the changes listed below.

**A. Economic Assumptions**

|   | Measurement Date |               |
|---|------------------|---------------|
|   | June 30, 2018    | June 30, 2017 |
| Discount Rate   | 3.70%            | 3.62%         |
| Expected long-term rate of return on assets   | 6.66%            | 6.66%         |
| Index rate for 20-year, tax-exempt municipal bonds <sup>1</sup><br>(Fidelity 20-Year Municipal GO AA Index) used in discount rate determination | 3.62%            | 3.56%         |

Healthcare Trend Rates Annual increases in per capita claims costs and plan premiums are as follows:

| Fiscal Year Beginning | Medical Coverage            |                             |
|-----------------------|-----------------------------|-----------------------------|
|                       | Not Medicare Eligible       | Medicare Eligible           |
| 2017                  | Actual <sup>2</sup>         | Actual <sup>2</sup>         |
| 2018                  | 6.90%                       | 5.60%                       |
| 2019                  | 6.30%                       | 5.40%                       |
| 2020                  | 5.80%                       | 5.30%                       |
| 2021-2054             | 5.20%                       | 5.20%                       |
| 2055-2073             | Transition to ultimate rate | Transition to ultimate rate |
| 2074+                 | 4.40%                       | 4.40%                       |

- Actual Medicare Part B premiums increased 1.12% from 2018 to 2019 and are assumed to increase 5.0% annually through fiscal year beginning 2065 and 4.0% annually thereafter.
- Dental and vision premiums are assumed to increase 4.0% and 3.0% annually, respectively.
- In addition, the medical trend rates above were increased to reflect the projected effect of the Affordable Care Act's Excise Tax on high-cost health insurance plans. The additional trend rate adjustments vary by year, but average 0.35% beginning calendar year 2022 for plans other than Medicare plans.

<sup>1</sup> The municipal bond index rate was updated to reflect rates as of the June 30, 2018 measurement date.

<sup>2</sup> Average premium increase rates from 2018 to 2019 were 6.58% for the non-Medicare plans and 6.20% for the Medicare plans. Actual premium rates for the dental and vision plans did not change.

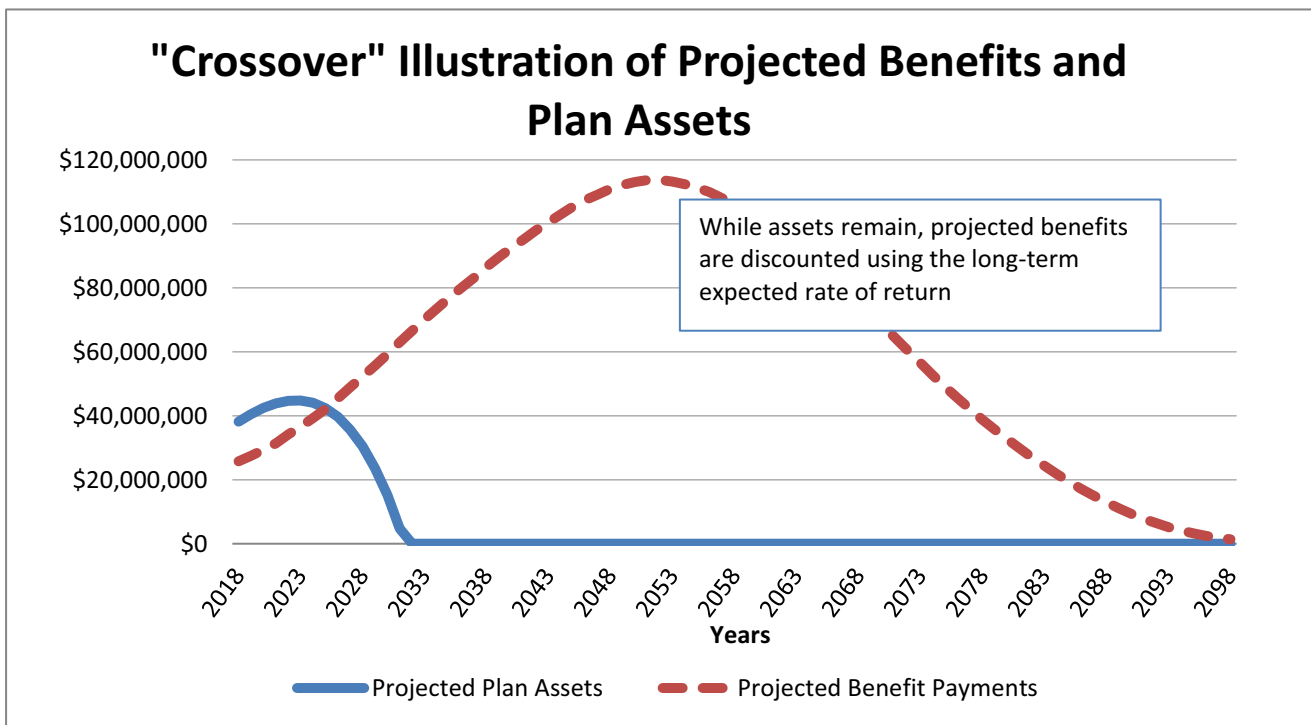
**Discount Rate Development**

GASB 75 requires that the liability discount rate be the single rate that reflects the following:

- A. The long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that (1) the OPEB plan’s fiduciary net position is projected to be sufficient to make projected benefit payments and (2) OPEB plan assets are expected to be invested using a strategy to achieve that return; and
- B. A 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), to the extent that the conditions in A. are not met.

GASB 75 has very specific rules regarding the the projection of benefit payments, contributions, and Fiduciary Net Position used to determine the discount rate. Regardless of an employer’s actual funding policy, we must assume that (1) benefits are paid out of the OPEB trust until assets are depleted, and (2) projected employer contributions are first applied to employee service costs in each period (including future employees) before paying for current accrued benefit costs.

Below is an illustration of the GASB 75 "crossover" discount rate projections for your plan. A detailed summary of the calculations is presented on the following pages.



- Projected plan assets include projected funding policy contributions, investment earnings, and benefit payments. They do not include anticipated future ad-hoc contributions.
- Projected benefit payments include only current members (i.e., no new lives) per GASB rules.

LOS ANGELES SUPERIOR COURT

Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2019

Discount Rate Development: Projected Contributions for Current Participants

| Year | OPEB-Eligible Projected Payroll      |   |                      | Projected Contributions                          |   |  |
|------|--------------------------------------|---|----------------------|--|---|--|
|      | Payroll for Current Employees<br>(a) | Payroll for Future Employees<br>(b) = (c) - (a) | Total Payroll<br>(c) | Total Employer Contributions <sup>1</sup><br>(d) | Employer Contributions Related to Payroll of Future Employees<br>(e) = (b) x 4.92% <sup>2</sup> | Employer Contributions for Current Participants<br>(f) = (d) - (e) |
| 1    | 329,079,243                          | 2,910,814                                       | 331,990,057          | 25,790,873                                       | 143,212   | 25,647,661   |
| 2    | 327,993,491                          | 13,956,268                                      | 341,949,759          | 27,486,024                                       | 686,648   | 26,799,376   |
| 3    | 325,506,344                          | 26,701,908                                      | 352,208,252          | 29,388,376                                       | 1,313,734   | 28,074,642   |
| 4    | 322,387,090                          | 40,387,410                                      | 362,774,500          | 31,400,952                                       | 1,987,061   | 29,413,891   |
| 5    | 318,074,370                          | 55,583,365                                      | 373,657,735          | 34,151,239                                       | 2,734,702   | 31,416,537   |
| 6    | 313,002,486                          | 71,864,981                                      | 384,867,467          | 36,599,263                                       | 3,535,757   | 33,063,506   |
| 7    | 307,040,850                          | 89,372,641                                      | 396,413,491          | 39,272,695                                       | 4,397,134   | 34,875,561   |
| 8    | 300,092,015                          | 108,213,881                                     | 408,305,896          | 42,062,848                                       | 5,324,123   | 36,738,725   |
| 9    | 292,072,065                          | 128,483,008                                     | 420,555,073          | 45,495,149                                       | 6,321,364   | 39,173,785   |
| 10   | 283,316,434                          | 149,855,291                                     | 433,171,725          | 48,873,666                                       | 7,372,880   | 41,500,786   |
| 11   | 273,297,967                          | 172,868,910                                     | 446,166,877          | 52,235,905                                       | 8,505,150   | 43,730,755   |
| 12   | 262,763,213                          | 196,788,670                                     | 459,551,883          | 55,704,720                                       | 9,682,003   | 46,022,717   |
| 13   | 251,489,604                          | 221,848,835                                     | 473,338,439          | 59,297,965                                       | 10,914,963  | 48,383,002   |
| 14   | 239,590,067                          | 247,948,525                                     | 487,538,592          | 62,986,159                                       | 12,199,067  | 50,787,092   |
| 15   | 227,308,565                          | 274,856,185                                     | 502,164,750          | 66,579,647                                       | 13,522,924  | 53,056,723   |
| 16   | 214,783,879                          | 302,445,814                                     | 517,229,693          | 70,224,286                                       | 14,880,334  | 55,343,952   |
| 17   | 202,336,397                          | 330,410,187                                     | 532,746,584          | 73,565,383                                       | 16,256,181  | 57,309,202   |
| 18   | 189,863,889                          | 358,865,093                                     | 548,728,982          | 76,884,087                                       | 17,656,163  | 59,227,924   |
| 19   | 177,197,187                          | 387,993,664                                     | 565,190,851          | 80,092,835                                       | 19,089,288  | 61,003,547   |
| 20   | 165,275,742                          | 416,870,835                                     | 582,146,577          | 83,181,813                                       | 20,510,045  | 62,671,768   |
| 21   | 153,568,764                          | 446,042,210                                     | 599,610,974          | 86,478,281                                       | 21,945,277  | 64,533,004   |
| 22   | 142,200,418                          | 475,398,885                                     | 617,599,303          | 89,646,668                                       | 23,389,625  | 66,257,043   |
| 23   | 131,708,224                          | 504,419,058                                     | 636,127,282          | 92,504,132                                       | 24,817,418  | 67,686,714   |
| 24   | 121,446,041                          | 533,765,059                                     | 655,211,100          | 95,213,731                                       | 26,261,241  | 68,952,490   |
| 25   | 111,645,231                          | 563,222,202                                     | 674,867,433          | 97,966,355                                       | 27,710,532  | 70,255,823   |
| 26   | 102,264,119                          | 592,849,337                                     | 695,113,456          | 100,530,924                                      | 29,168,187  | 71,362,737   |
| 27   | 93,401,743                           | 622,565,117                                     | 715,966,860          | 102,986,073                                      | 30,630,204  | 72,355,869   |
| 28   | 84,967,725                           | 652,478,141                                     | 737,445,866          | 105,467,367                                      | 32,101,925  | 73,365,442   |
| 29   | 77,106,874                           | 682,462,368                                     | 759,569,242          | 107,506,030                                      | 33,577,149  | 73,928,881   |
| 30   | 69,590,362                           | 712,765,957                                     | 782,356,319          | 109,193,062                                      | 35,068,085  | 74,124,977   |
| 31   | 62,517,116                           | 743,309,893                                     | 805,827,009          | 111,008,684                                      | 36,570,847  | 74,437,837   |
| 32   | 55,920,166                           | 774,081,653                                     | 830,001,819          | 112,188,822                                      | 38,084,817  | 74,104,005   |
| 33   | 49,649,050                           | 805,252,824                                     | 854,901,874          | 113,111,164                                      | 39,618,439  | 73,492,725   |
| 34   | 43,704,489                           | 836,844,441                                     | 880,548,930          | 113,667,449                                      | 41,172,746  | 72,494,703   |
| 35   | 37,969,904                           | 868,995,494                                     | 906,965,398          | 113,746,453                                      | 42,754,578  | 70,991,875   |
| 36   | 32,662,530                           | 901,511,830                                     | 934,174,360          | 113,213,696                                      | 44,354,382  | 68,859,314   |
| 37   | 27,695,190                           | 934,504,401                                     | 962,199,591          | 112,454,434                                      | 45,977,617  | 66,476,817   |
| 38   | 23,200,114                           | 967,865,465                                     | 991,065,579          | 111,342,130                                      | 47,618,981  | 63,723,149   |
| 39   | 19,370,405                           | 1,001,427,141                                   | 1,020,797,546        | 109,926,179                                      | 49,270,215  | 60,655,964   |
| 40   | 15,801,259                           | 1,035,620,213                                   | 1,051,421,472        | 108,033,274                                      | 50,952,514  | 57,080,760   |
| 41   | 12,678,094                           | 1,070,286,022                                   | 1,082,964,116        | 106,328,288                                      | 52,658,072  | 53,670,216   |
| 42   | 10,198,663                           | 1,105,254,376                                   | 1,115,453,039        | 104,199,332                                      | 54,378,515  | 49,820,817   |
| 43   | 7,931,657                            | 1,140,984,973                                   | 1,148,916,630        | 102,001,305                                      | 56,136,461  | 45,864,844   |
| 44   | 6,140,020                            | 1,177,244,109                                   | 1,183,384,129        | 99,480,216                                       | 57,920,410  | 41,559,806   |
| 45   | 4,676,811                            | 1,214,208,842                                   | 1,218,885,653        | 96,723,424                                       | 59,739,075  | 36,984,349   |
| 46   | 3,384,315                            | 1,252,067,908                                   | 1,255,452,223        | 93,761,648                                       | 61,601,741  | 32,159,907   |
| 47   | 2,343,286                            | 1,290,772,504                                   | 1,293,115,790        | 90,593,321                                       | 63,506,007  | 27,087,314   |

<sup>1</sup> Total employer contributions are equal to expected benefit payments.

<sup>2</sup> Service cost based on the OPEB trust's expected long-term rate of return.

LOS ANGELES SUPERIOR COURT

Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2019

Discount Rate Development: Projected Contributions for Current Participants (continued)

| Year | OPEB-Eligible Projected Payroll      |   |                      | Projected Contributions                          |   |  |
|------|--------------------------------------|---|----------------------|--|---|--|
|      | Payroll for Current Employees<br>(a) | Payroll for Future Employees<br>(b) = (c) - (a) | Total Payroll<br>(c) | Total Employer Contributions <sup>1</sup><br>(d) | Employer Contributions Related to Payroll of Future Employees<br>(e) = (b) x 4.92% <sup>2</sup> | Employer Contributions for Current Participants<br>(f) = (d) - (e) |
| 48   | 1,569,670                            | 1,330,339,594                                   | 1,331,909,264        | 87,250,840                                       | 65,452,708  | 21,798,132   |
| 49   | 997,113                              | 1,370,869,429                                   | 1,371,866,542        | 83,763,470                                       | 67,446,776  | 16,316,694   |
| 50   | 606,099                              | 1,412,416,439                                   | 1,413,022,538        | 79,945,637                                       | 69,490,889  | 10,454,748   |
| 51   | 267,631                              | 1,455,145,583                                   | 1,455,413,214        | 76,049,128                                       | 71,593,163  | 4,455,965  |
| 52   | 150,244                              | 1,498,925,366                                   | 1,499,075,610        | 72,097,905                                       | 73,747,128  | -  |
| 53   | 40,874                               | 1,544,007,004                                   | 1,544,047,878        | 68,105,420                                       | 75,965,145  | -  |
| 54   | 19,336                               | 1,590,349,978                                   | 1,590,369,314        | 64,163,959                                       | 78,245,219  | -  |
| 55   | 8,821                                | 1,638,071,572                                   | 1,638,080,393        | 60,254,632                                       | 80,593,121  | -  |
| 56   | -                                    | 1,687,222,805                                   | 1,687,222,805        | 56,436,501                                       | 83,011,362  | -  |
| 57   | -                                    | 1,737,839,489                                   | 1,737,839,489        | 52,687,991                                       | 85,501,703  | -  |
| 58   | -                                    | 1,789,974,674                                   | 1,789,974,674        | 49,023,133                                       | 88,066,754  | -  |
| 59   | -                                    | 1,843,673,914                                   | 1,843,673,914        | 45,487,574                                       | 90,708,757  | -  |
| 60   | -                                    | 1,898,984,131                                   | 1,898,984,131        | 42,083,584                                       | 93,430,019  | -  |
| 61   | -                                    | 1,955,953,655                                   | 1,955,953,655        | 38,810,416                                       | 96,232,920  | -  |
| 62   | -                                    | 2,014,632,265                                   | 2,014,632,265        | 35,666,469                                       | 99,119,907  | -  |
| 63   | -                                    | 2,075,071,233                                   | 2,075,071,233        | 32,649,221                                       | 102,093,505   | -  |
| 64   | -                                    | 2,137,323,370                                   | 2,137,323,370        | 29,755,803                                       | 105,156,310   | -  |
| 65   | -                                    | 2,201,443,071                                   | 2,201,443,071        | 26,984,116                                       | 108,310,999   | -  |
| 66   | -                                    | 2,267,486,363                                   | 2,267,486,363        | 24,332,705                                       | 111,560,329   | -  |
| 67   | -                                    | 2,335,510,954                                   | 2,335,510,954        | 21,801,122                                       | 114,907,139   | -  |
| 68   | -                                    | 2,405,576,283                                   | 2,405,576,283        | 19,391,215                                       | 118,354,353   | -  |
| 69   | -                                    | 2,477,743,571                                   | 2,477,743,571        | 17,107,014                                       | 121,904,984   | -  |
| 70   | -                                    | 2,552,075,878                                   | 2,552,075,878        | 14,954,101                                       | 125,562,133   | -  |
| 71   | -                                    | 2,628,638,154                                   | 2,628,638,154        | 12,939,378                                       | 129,328,997   | -  |
| 72   | -                                    | 2,707,497,299                                   | 2,707,497,299        | 11,070,786                                       | 133,208,867   | -  |
| 73   | -                                    | 2,788,722,218                                   | 2,788,722,218        | 9,356,021  | 137,205,133   | -  |
| 74   | -                                    | 2,872,383,885                                   | 2,872,383,885        | 7,801,737  | 141,321,287   | -  |
| 75   | -                                    | 2,958,555,402                                   | 2,958,555,402        | 6,412,734  | 145,560,926   | -  |
| 76   | -                                    | 3,047,312,064                                   | 3,047,312,064        | 5,190,441  | 149,927,754   | -  |
| 77   | -                                    | 3,138,731,426                                   | 3,138,731,426        | 4,132,633  | 154,425,586   | -  |
| 78   | -                                    | 3,232,893,369                                   | 3,232,893,369        | 3,233,558  | 159,058,354   | -  |
| 79   | -                                    | 3,329,880,170                                   | 3,329,880,170        | 2,484,066  | 163,830,104   | -  |
| 80   | -                                    | 3,429,776,575                                   | 3,429,776,575        | 1,871,726  | 168,745,007   | -  |
| 81   | -                                    | 3,532,669,872                                   | 3,532,669,872        | 1,382,002  | 173,807,358   | -  |
| 82   | -                                    | 3,638,649,968                                   | 3,638,649,968        | 999,012  | 179,021,578   | -  |
| 83   | -                                    | 3,747,809,467                                   | 3,747,809,467        | 706,385  | 184,392,226   | -  |
| 84   | -                                    | 3,860,243,751                                   | 3,860,243,751        | 488,072  | 189,923,993   | -  |
| 85   | -                                    | 3,976,051,064                                   | 3,976,051,064        | 329,258  | 195,621,712   | -  |
| 86   | -                                    | 4,095,332,596                                   | 4,095,332,596        | 216,695  | 201,490,364   | -  |
| 87   | -                                    | 4,218,192,574                                   | 4,218,192,574        | 139,009  | 207,535,075   | -  |
| 88   | -                                    | 4,344,738,351                                   | 4,344,738,351        | 86,839   | 213,761,127   | -  |
| 89   | -                                    | 4,475,080,502                                   | 4,475,080,502        | 52,810   | 220,173,961   | -  |
| 90   | -                                    | 4,609,332,917                                   | 4,609,332,917        | 31,243   | 226,779,180   | -  |
| 91   | -                                    | 4,747,612,905                                   | 4,747,612,905        | 17,965   | 233,582,555   | -  |
| 92   | -                                    | 4,890,041,292                                   | 4,890,041,292        | 10,029   | 240,590,032   | -  |
| 93   | -                                    | 5,036,742,531                                   | 5,036,742,531        | 5,440  | 247,807,733   | -  |

<sup>1</sup> Total employer contributions are equal to expected benefit payments.

<sup>2</sup> Service cost based on the OPEB trust's expected long-term rate of return.

LOS ANGELES SUPERIOR COURT

Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2019

Discount Rate Development: Projection of Fiduciary Net Position (FNP)

| Year | Projected Beginning FNP (a) | Employer Contributions for Current Participants (b) | Projected Benefit Payments (c) | Projected Administrative Expenses (d) | Projected Investment Earnings @ 6.66% (e) | Projected Ending FNP (a)+(b)-(c)-(d)+(e) |
|------|-----------------------------|---|--------------------------------|---------------------------------------|---|--|
| 1    | 38,148,167                  | 25,647,661  | 25,790,873                     | 45,600                                | 2,534,381                                 | 40,493,736                               |
| 2    | 40,493,736                  | 26,799,376  | 27,486,024                     | 45,635                                | 2,672,497                                 | 42,433,950                               |
| 3    | 42,433,950                  | 28,074,642  | 29,388,376                     | 46,330                                | 2,780,811                                 | 43,854,697                               |
| 4    | 43,854,697                  | 29,413,891  | 31,400,952                     | 47,065                                | 2,852,987                                 | 44,673,558                               |
| 5    | 44,673,558                  | 31,416,537  | 34,151,239                     | 47,829                                | 2,882,601                                 | 44,773,628                               |
| 6    | 44,773,628                  | 33,063,506  | 36,599,263                     | 48,600                                | 2,862,566                                 | 44,051,837                               |
| 7    | 44,051,837                  | 34,875,561  | 39,272,695                     | 49,375                                | 2,785,783                                 | 42,391,111                               |
| 8    | 42,391,111                  | 36,738,725  | 42,062,848                     | 50,146                                | 2,644,285                                 | 39,661,127                               |
| 9    | 39,661,127                  | 39,173,785  | 45,495,149                     | 50,922                                | 2,429,234                                 | 35,718,075                               |
| 10   | 35,718,075                  | 41,500,786  | 48,873,666                     | 51,687                                | 2,131,586                                 | 30,425,094                               |
| 11   | 30,425,094                  | 43,730,755  | 52,235,905                     | 52,447                                | 1,741,343                                 | 23,608,840                               |
| 12   | 23,608,840                  | 46,022,717  | 55,704,720                     | 53,185                                | 1,248,167                                 | 15,121,819                               |
| 13   | 15,121,819                  | 48,383,002  | 59,297,965                     | 53,899                                | 641,850                                   | 4,794,807                                |
| 14   | 4,794,807                   | 50,787,092  | 62,986,159                     | 54,583                                | -   | -  |
| 15   | -                           | 53,056,723  | 66,579,647                     | -                                     | -   | -  |
| 16   | -                           | 55,343,952  | 70,224,286                     | -                                     | -   | -  |
| 17   | -                           | 57,309,202  | 73,565,383                     | -                                     | -   | -  |
| 18   | -                           | 59,227,924  | 76,884,087                     | -                                     | -   | -  |
| 19   | -                           | 61,003,547  | 80,092,835                     | -                                     | -   | -  |
| 20   | -                           | 62,671,768  | 83,181,813                     | -                                     | -   | -  |
| 21   | -                           | 64,533,004  | 86,478,281                     | -                                     | -   | -  |
| 22   | -                           | 66,257,043  | 89,646,668                     | -                                     | -   | -  |
| 23   | -                           | 67,686,714  | 92,504,132                     | -                                     | -   | -  |
| 24   | -                           | 68,952,490  | 95,213,731                     | -                                     | -   | -  |
| 25   | -                           | 70,255,823  | 97,966,355                     | -                                     | -   | -  |
| 26   | -                           | 71,362,737  | 100,530,924                    | -                                     | -   | -  |
| 27   | -                           | 72,355,869  | 102,986,073                    | -                                     | -   | -  |
| 28   | -                           | 73,365,442  | 105,467,367                    | -                                     | -   | -  |
| 29   | -                           | 73,928,881  | 107,506,030                    | -                                     | -   | -  |
| 30   | -                           | 74,124,977  | 109,193,062                    | -                                     | -   | -  |
| 31   | -                           | 74,437,837  | 111,008,684                    | -                                     | -   | -  |
| 32   | -                           | 74,104,005  | 112,188,822                    | -                                     | -   | -  |
| 33   | -                           | 73,492,725  | 113,111,164                    | -                                     | -   | -  |
| 34   | -                           | 72,494,703  | 113,667,449                    | -                                     | -   | -  |
| 35   | -                           | 70,991,875  | 113,746,453                    | -                                     | -   | -  |
| 36   | -                           | 68,859,314  | 113,213,696                    | -                                     | -   | -  |
| 37   | -                           | 66,476,817  | 112,454,434                    | -                                     | -   | -  |
| 38   | -                           | 63,723,149  | 111,342,130                    | -                                     | -   | -  |
| 39   | -                           | 60,655,964  | 109,926,179                    | -                                     | -   | -  |
| 40   | -                           | 57,080,760  | 108,033,274                    | -                                     | -   | -  |
| 41   | -                           | 53,670,216  | 106,328,288                    | -                                     | -   | -  |
| 42   | -                           | 49,820,817  | 104,199,332                    | -                                     | -   | -  |
| 43   | -                           | 45,864,844  | 102,001,305                    | -                                     | -   | -  |
| 44   | -                           | 41,559,806  | 99,480,216                     | -                                     | -   | -  |
| 45   | -                           | 36,984,349  | 96,723,424                     | -                                     | -   | -  |
| 46   | -                           | 32,159,907  | 93,761,648                     | -                                     | -   | -  |
| 47   | -                           | 27,087,314  | 90,593,321                     | -                                     | -   | -  |

Note: Projected contributions, benefit payments, and administrative expenses are assumed to occur mid-year.



LOS ANGELES SUPERIOR COURT

Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2019

Discount Rate Development: Projection of Fiduciary Net Position (FNP) (continued)

| Year | Projected Beginning FNP (a) | Employer Contributions for Current Participants (b) | Projected Benefit Payments (c) | Projected Administrative Expenses (d) | Projected Investment Earnings @ 6.66% (e) | Projected Ending FNP (a)+(b)-(c)-(d)+(e) |
|------|-----------------------------|---|--------------------------------|---------------------------------------|---|--|
| 48   | -                           | 21,798,132  | 87,250,840                     | -                                     | -   | -  |
| 49   | -                           | 16,316,694  | 83,763,470                     | -                                     | -   | -  |
| 50   | -                           | 10,454,748  | 79,945,637                     | -                                     | -   | -  |
| 51   | -                           | 4,455,965   | 76,049,128                     | -                                     | -   | -  |
| 52   | -                           | -   | 72,097,905                     | -                                     | -   | -  |
| 53   | -                           | -   | 68,105,420                     | -                                     | -   | -  |
| 54   | -                           | -   | 64,163,959                     | -                                     | -   | -  |
| 55   | -                           | -   | 60,254,632                     | -                                     | -   | -  |
| 56   | -                           | -   | 56,436,501                     | -                                     | -   | -  |
| 57   | -                           | -   | 52,687,991                     | -                                     | -   | -  |
| 58   | -                           | -   | 49,023,133                     | -                                     | -   | -  |
| 59   | -                           | -   | 45,487,574                     | -                                     | -   | -  |
| 60   | -                           | -   | 42,083,584                     | -                                     | -   | -  |
| 61   | -                           | -   | 38,810,416                     | -                                     | -   | -  |
| 62   | -                           | -   | 35,666,469                     | -                                     | -   | -  |
| 63   | -                           | -   | 32,649,221                     | -                                     | -   | -  |
| 64   | -                           | -   | 29,755,803                     | -                                     | -   | -  |
| 65   | -                           | -   | 26,984,116                     | -                                     | -   | -  |
| 66   | -                           | -   | 24,332,705                     | -                                     | -   | -  |
| 67   | -                           | -   | 21,801,122                     | -                                     | -   | -  |
| 68   | -                           | -   | 19,391,215                     | -                                     | -   | -  |
| 69   | -                           | -   | 17,107,014                     | -                                     | -   | -  |
| 70   | -                           | -   | 14,954,101                     | -                                     | -   | -  |
| 71   | -                           | -   | 12,939,378                     | -                                     | -   | -  |
| 72   | -                           | -   | 11,070,786                     | -                                     | -   | -  |
| 73   | -                           | -   | 9,356,021                      | -                                     | -   | -  |
| 74   | -                           | -   | 7,801,737                      | -                                     | -   | -  |
| 75   | -                           | -   | 6,412,734                      | -                                     | -   | -  |
| 76   | -                           | -   | 5,190,441                      | -                                     | -   | -  |
| 77   | -                           | -   | 4,132,633                      | -                                     | -   | -  |
| 78   | -                           | -   | 3,233,558                      | -                                     | -   | -  |
| 79   | -                           | -   | 2,484,066                      | -                                     | -   | -  |
| 80   | -                           | -   | 1,871,726                      | -                                     | -   | -  |
| 81   | -                           | -   | 1,382,002                      | -                                     | -   | -  |
| 82   | -                           | -   | 999,012                        | -                                     | -   | -  |
| 83   | -                           | -   | 706,385                        | -                                     | -   | -  |
| 84   | -                           | -   | 488,072                        | -                                     | -   | -  |
| 85   | -                           | -   | 329,258                        | -                                     | -   | -  |
| 86   | -                           | -   | 216,695                        | -                                     | -   | -  |
| 87   | -                           | -   | 139,009                        | -                                     | -   | -  |
| 88   | -                           | -   | 86,839                         | -                                     | -   | -  |
| 89   | -                           | -   | 52,810                         | -                                     | -   | -  |
| 90   | -                           | -   | 31,243                         | -                                     | -   | -  |
| 91   | -                           | -   | 17,965                         | -                                     | -   | -  |
| 92   | -                           | -   | 10,029                         | -                                     | -   | -  |
| 93   | -                           | -   | 5,440                          | -                                     | -   | -  |

Note: Projected contributions, benefit payments, and administrative expenses are assumed to occur mid-year.

LOS ANGELES SUPERIOR COURT

Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2019

Discount Rate Development: Present Value of Projected Benefit Payments

| Year | Projected Beginning FNP | Total Projected Benefit Payments | "Funded" Portion of Benefit Payments | "Unfunded" Portion of Benefit Payments | Present Value of "Funded" Benefit Payments <sup>1</sup> | Present Value of "Unfunded" Benefit Payments <sup>2</sup> | Present Value of Benefit Payments Using Single Discount Rate |
|------|-------------------------|----------------------------------|--------------------------------------|--|---|---|--|
| 1    | 38,148,167              | 25,790,873                       | 25,790,873                           | -                                      | 24,972,686  | -   | 25,326,388   |
| 2    | 40,493,736              | 27,486,024                       | 27,486,024                           | -                                      | 24,952,241  | -   | 26,027,567   |
| 3    | 42,433,950              | 29,388,376                       | 29,388,376                           | -                                      | 25,013,337  | -   | 26,835,623   |
| 4    | 43,854,697              | 31,400,952                       | 31,400,952                           | -                                      | 25,057,474  | -   | 27,649,886   |
| 5    | 44,673,558              | 34,151,239                       | 34,151,239                           | -                                      | 25,550,497  | -   | 28,998,226   |
| 6    | 44,773,628              | 36,599,263                       | 36,599,263                           | -                                      | 25,672,233  | -   | 29,967,584   |
| 7    | 44,051,837              | 39,272,695                       | 39,272,695                           | -                                      | 25,827,385  | -   | 31,008,770   |
| 8    | 42,391,111              | 42,062,848                       | 42,062,848                           | -                                      | 25,935,034  | -   | 32,026,313   |
| 9    | 39,661,127              | 45,495,149                       | 6,321,364                            | 39,173,785                             | 3,654,243   | 28,955,098  | 33,403,178   |
| 10   | 35,718,075              | 48,873,666                       | 7,372,880                            | 41,500,786                             | 3,995,969   | 29,603,444  | 34,602,865   |
| 11   | 30,425,094              | 52,235,905                       | 8,505,150                            | 43,730,755                             | 4,321,807   | 30,104,353  | 35,663,232   |
| 12   | 23,608,840              | 55,704,720                       | 9,682,003                            | 46,022,717                             | 4,612,613   | 30,575,319  | 36,673,977   |
| 13   | 15,121,819              | 59,297,965                       | 10,914,963                           | 48,383,002                             | 4,875,313   | 31,020,441  | 37,646,121   |
| 14   | 4,794,807               | 62,986,159                       | 4,740,224                            | 58,245,935                             | 1,985,078   | 36,039,369  | 38,560,265   |
| 15   | -                       | 66,579,647                       | -                                    | 66,579,647                             | -   | 39,756,621  | 39,305,272   |
| 16   | -                       | 70,224,286                       | -                                    | 70,224,286                             | -   | 40,467,998  | 39,977,081   |
| 17   | -                       | 73,565,383                       | -                                    | 73,565,383                             | -   | 40,912,338  | 40,384,219   |
| 18   | -                       | 76,884,087                       | -                                    | 76,884,087                             | -   | 41,264,223  | 40,699,501   |
| 19   | -                       | 80,092,835                       | -                                    | 80,092,835                             | -   | 41,484,637  | 40,884,691   |
| 20   | -                       | 83,181,813                       | -                                    | 83,181,813                             | -   | 41,579,419  | 40,945,849   |
| 21   | -                       | 86,478,281                       | -                                    | 86,478,281                             | -   | 41,717,041  | 41,049,037   |
| 22   | -                       | 89,646,668                       | -                                    | 89,646,668                             | -   | 41,734,673  | 41,034,063   |
| 23   | -                       | 92,504,132                       | -                                    | 92,504,132                             | -   | 41,560,466  | 40,830,616   |
| 24   | -                       | 95,213,731                       | -                                    | 95,213,731                             | -   | 41,283,382  | 40,526,474   |
| 25   | -                       | 97,966,355                       | -                                    | 97,966,355                             | -   | 40,992,938  | 40,209,680   |
| 26   | -                       | 100,530,924                      | -                                    | 100,530,924                            | -   | 40,596,462  | 39,789,436   |
| 27   | -                       | 102,986,073                      | -                                    | 102,986,073                            | -   | 40,135,014  | 39,306,198   |
| 28   | -                       | 105,467,367                      | -                                    | 105,467,367                            | -   | 39,666,094  | 38,816,385   |
| 29   | -                       | 107,506,030                      | -                                    | 107,506,030                            | -   | 39,020,297  | 38,154,366   |
| 30   | -                       | 109,193,062                      | -                                    | 109,193,062                            | -   | 38,248,041  | 37,369,810   |
| 31   | -                       | 111,008,684                      | -                                    | 111,008,684                            | -   | 37,525,589  | 36,635,088   |
| 32   | -                       | 112,188,822                      | -                                    | 112,188,822                            | -   | 36,599,619  | 35,702,967   |
| 33   | -                       | 113,111,164                      | -                                    | 113,111,164                            | -   | 35,611,385  | 34,711,600   |
| 34   | -                       | 113,667,449                      | -                                    | 113,667,449                            | -   | 34,536,309  | 33,637,190   |
| 35   | -                       | 113,746,453                      | -                                    | 113,746,453                            | -   | 33,352,937  | 32,459,056   |
| 36   | -                       | 113,213,696                      | -                                    | 113,213,696                            | -   | 32,036,982  | 31,153,829   |
| 37   | -                       | 112,454,434                      | -                                    | 112,454,434                            | -   | 30,710,411  | 29,840,320   |
| 38   | -                       | 111,342,130                      | -                                    | 111,342,130                            | -   | 29,344,383  | 28,490,552   |
| 39   | -                       | 109,926,179                      | -                                    | 109,926,179                            | -   | 27,959,088  | 27,124,198   |
| 40   | -                       | 108,033,274                      | -                                    | 108,033,274                            | -   | 26,517,698  | 25,705,600   |
| 41   | -                       | 106,328,288                      | -                                    | 106,328,288                            | -   | 25,187,410  | 24,396,833   |
| 42   | -                       | 104,199,332                      | -                                    | 104,199,332                            | -   | 23,820,783  | 23,054,941   |
| 43   | -                       | 102,001,305                      | -                                    | 102,001,305                            | -   | 22,503,664  | 21,763,024   |
| 44   | -                       | 99,480,216                       | -                                    | 99,480,216                             | -   | 21,180,716  | 20,467,494   |
| 45   | -                       | 96,723,424                       | -                                    | 96,723,424                             | -   | 19,874,307  | 19,189,959   |
| 46   | -                       | 93,761,648                       | -                                    | 93,761,648                             | -   | 18,592,679  | 17,938,332   |
| 47   | -                       | 90,593,321                       | -                                    | 90,593,321                             | -   | 17,336,816  | 16,713,501   |

<sup>1</sup> Funded benefit payments discounted using the assumed 6.66% long-term investment return.

<sup>2</sup> Unfunded benefit payments discounted using the assumed 3.62% municipal bond index rate.

LOS ANGELES SUPERIOR COURT

Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2019

Discount Rate Development: Present Value of Projected Benefit Payments (continued)

| Year | Projected Beginning FNP | Total Projected Benefit Payments | "Funded" Portion of Benefit Payments | "Unfunded" Portion of Benefit Payments | Present Value of "Funded" Benefit Payments <sup>1</sup> | Present Value of "Unfunded" Benefit Payments <sup>2</sup> | Present Value of Benefit Payments Using Single Discount Rate |
|------|-------------------------|----------------------------------|--------------------------------------|--|---|---|--|
| 48   | -                       | 87,250,840                       | -                                    | 87,250,840                             | -   | 16,113,845  | 15,522,273   |
| 49   | -                       | 83,763,470                       | -                                    | 83,763,470                             | -   | 14,929,341  | 14,369,934   |
| 50   | -                       | 79,945,637                       | -                                    | 79,945,637                             | -   | 13,751,091  | 13,225,416   |
| 51   | -                       | 76,049,128                       | -                                    | 76,049,128                             | -   | 12,623,886  | 12,131,744   |
| 52   | -                       | 72,097,905                       | -                                    | 72,097,905                             | -   | 11,549,890  | 11,090,882   |
| 53   | -                       | 68,105,420                       | -                                    | 68,105,420                             | -   | 10,529,150  | 10,102,749   |
| 54   | -                       | 64,163,959                       | -                                    | 64,163,959                             | -   | 9,573,246   | 9,178,326  |
| 55   | -                       | 60,254,632                       | -                                    | 60,254,632                             | -   | 8,675,907   | 8,311,457  |
| 56   | -                       | 56,436,501                       | -                                    | 56,436,501                             | -   | 7,842,255   | 7,506,911  |
| 57   | -                       | 52,687,991                       | -                                    | 52,687,991                             | -   | 7,065,598   | 6,758,141  |
| 58   | -                       | 49,023,133                       | -                                    | 49,023,133                             | -   | 6,344,461   | 6,063,608  |
| 59   | -                       | 45,487,574                       | -                                    | 45,487,574                             | -   | 5,681,237   | 5,425,469  |
| 60   | -                       | 42,083,584                       | -                                    | 42,083,584                             | -   | 5,072,467   | 4,840,293  |
| 61   | -                       | 38,810,416                       | -                                    | 38,810,416                             | -   | 4,514,516   | 4,304,489  |
| 62   | -                       | 35,666,469                       | -                                    | 35,666,469                             | -   | 4,003,865   | 3,814,590  |
| 63   | -                       | 32,649,221                       | -                                    | 32,649,221                             | -   | 3,537,110   | 3,367,248  |
| 64   | -                       | 29,755,803                       | -                                    | 29,755,803                             | -   | 3,111,027   | 2,959,296  |
| 65   | -                       | 26,984,116                       | -                                    | 26,984,116                             | -   | 2,722,681   | 2,587,851  |
| 66   | -                       | 24,332,705                       | -                                    | 24,332,705                             | -   | 2,369,384   | 2,250,277  |
| 67   | -                       | 21,801,122                       | -                                    | 21,801,122                             | -   | 2,048,709   | 1,944,190  |
| 68   | -                       | 19,391,215                       | -                                    | 19,391,215                             | -   | 1,758,583   | 1,667,552  |
| 69   | -                       | 17,107,014                       | -                                    | 17,107,014                             | -   | 1,497,230   | 1,418,610  |
| 70   | -                       | 14,954,101                       | -                                    | 14,954,101                             | -   | 1,263,080   | 1,195,814  |
| 71   | -                       | 12,939,378                       | -                                    | 12,939,378                             | -   | 1,054,728   | 997,772  |
| 72   | -                       | 11,070,786                       | -                                    | 11,070,786                             | -   | 870,887   | 823,210  |
| 73   | -                       | 9,356,021                        | -                                    | 9,356,021                              | -   | 710,282   | 670,869  |
| 74   | -                       | 7,801,737                        | -                                    | 7,801,737                              | -   | 571,594   | 539,451  |
| 75   | -                       | 6,412,734                        | -                                    | 6,412,734                              | -   | 453,415   | 427,581  |
| 76   | -                       | 5,190,441                        | -                                    | 5,190,441                              | -   | 354,171   | 333,729  |
| 77   | -                       | 4,132,633                        | -                                    | 4,132,633                              | -   | 272,140   | 256,231  |
| 78   | -                       | 3,233,558                        | -                                    | 3,233,558                              | -   | 205,496   | 193,330  |
| 79   | -                       | 2,484,066                        | -                                    | 2,484,066                              | -   | 152,350   | 143,218  |
| 80   | -                       | 1,871,726                        | -                                    | 1,871,726                              | -   | 110,784   | 104,061  |
| 81   | -                       | 1,382,002                        | -                                    | 1,382,002                              | -   | 78,940  | 74,092   |
| 82   | -                       | 999,012                          | -                                    | 999,012                                | -   | 55,070  | 51,647   |
| 83   | -                       | 706,385                          | -                                    | 706,385                                | -   | 37,579  | 35,215   |
| 84   | -                       | 488,072                          | -                                    | 488,072                                | -   | 25,058  | 23,463   |
| 85   | -                       | 329,258                          | -                                    | 329,258                                | -   | 16,314  | 15,264   |
| 86   | -                       | 216,695                          | -                                    | 216,695                                | -   | 10,361  | 9,687  |
| 87   | -                       | 139,009                          | -                                    | 139,009                                | -   | 6,415   | 5,992  |
| 88   | -                       | 86,839                           | -                                    | 86,839                                 | -   | 3,867   | 3,610  |
| 89   | -                       | 52,810                           | -                                    | 52,810                                 | -   | 2,270   | 2,117  |
| 90   | -                       | 31,243                           | -                                    | 31,243                                 | -   | 1,296   | 1,208  |
| 91   | -                       | 17,965                           | -                                    | 17,965                                 | -   | 719   | 670  |
| 92   | -                       | 10,029                           | -                                    | 10,029                                 | -   | 387   | 360  |
| 93   | -                       | 5,440                            | -                                    | 5,440                                  | -   | 203   | 189  |
|      |                         |                                  |                                      |  | \$ 226,425,910  | \$ 1,470,981,333  | \$ 1,697,407,243   |

<sup>1</sup> Funded benefit payments discounted using the assumed 6.66% long-term investment return.

<sup>2</sup> Unfunded benefit payments discounted using the assumed 3.62% municipal bond index rate.

## Important Notices

### Purpose and Scope of the Valuation

This valuation has been prepared exclusively for the Court and solely to provide GASB 75 accounting information. It is important to recognize that calculations performed for other purposes (such as benefit design, investment policy, or plan funding) may yield significantly different results.

A valuation report is only a snapshot of a plan's estimated financial condition at a single point in time. A plan's total cost will depend on many factors and variables that are uncertain and unknowable at the current valuation date.

Actuarial valuations are extremely complex and it's possible that data, computer coding, and mathematical errors could occur during the valuation process. Errors in a valuation discovered after its preparation may be corrected by revising the current valuation or in a subsequent year's valuation.

### Assumptions and Methods

Since modeling all possible future outcomes is not possible or practical, the valuation is based on a single set of data, assumptions, methods, and plan provisions which satisfy current GASB 75 accounting requirements. We may also use estimates or simplifications to model future events in an efficient and cost-effective manner, so long as we believe that these simplifying techniques do not affect the reasonableness of the valuation results.

The Court is responsible for the assumptions, methods, and funding policies used to prepare the valuation. The assumptions used in this report are among a wide range of possibilities (each of which may be considered reasonable), but have been chosen as a single "best estimate". If the Court is interested in analyzing the effect of different assumption sets on the valuation results, then we suggest a sensitivity analysis to be performed at a later date.

Per direction of the Judicial Council of California, the actuarial methods and assumptions used are in accordance with the submission requirements of CalPERS Employer's Retiree Benefit Trust (CERBT), where applicable. We have not validated each individual assumption since it is beyond the scope of this project, but we have no reason to doubt their overall reasonableness. If the Court would prefer an assumption set tailored specifically to its unique plan, then we suggest an experience study to be completed at a later date.

To the extent that actual plan experience differs from the valuation assumptions, actuarial gains and losses will occur and be amortized over future periods. A summary of the actuarial assumptions and methods used in this valuation are summarized in the Actuarial Basis section of the report.

### Accuracy of Substantive Plan Information and Census Data

For purposes of this valuation, we have assumed that the Court has validated our summary of the substantive plan provisions and has provided us with any relevant information regarding interpretation of the plan provisions and changes to the plan terms since the prior valuation.

The Court is solely responsible for the validity, accuracy and comprehensiveness of this information. If any data or plan provisions supplied are not accurate and complete, the valuation results may differ significantly. Moreover, different interpretations of the substantive plan may produce substantially different valuation results.

## Accounting Requirements and Valuation Considerations

This section summarizes the applicable accounting requirements for the plan and describes important considerations and methods used to complete the valuation.

### Accounting Information under GASB 74 and GASB 75

The Governmental Accounting Standards Board (GASB) issued Statements No. 74 (GASB 74 for funded OPEB plans) and 75 (GASB 75 for employers). The statements' objectives are to establish uniform standards of financial reporting by state and local governmental entities for postemployment benefit plans other than pension benefits (OPEB plans). This includes benefits such as postemployment medical, dental, vision and life insurance benefits.

For OPEB plans sponsored by governmental entities, these GASB Statements require certain standards and disclosures of plan and fund information including financial reporting of plan assets, liabilities of plan, changes in net assets, funded status and funding progress of the plan, and contributions to the plan in comparison to the accounting expense.

### Valuing Postretirement Health Benefits

Determining the value of future healthcare benefits is challenged by the fact that assumptions must be made about many future events that are especially hard to predict. Future increases in healthcare costs are affected by many factors, including:

- OPEB inflation
- Utilization
- Technological advances
- Cost shifting between private and public healthcare plans
- Cost leveraging (i.e., erosion of fixed deductibles and out-of-pocket maximums)

OPEB obligations are also heavily influenced by demographic assumptions such as:

- Withdrawal rates (i.e., employees terminating before receiving benefits)
- Retirement rates (i.e., employees retiring at various ages and subsidy levels)
- Mortality rates (i.e., how long employees and spouses will receive benefits)
- Election rates (i.e., retirees electing to participate, electing which plan, and electing spouse coverage or not)

The Summary of Actuarial Assumptions and Methods section outlines the assumptions used in this valuation.

**Accounting Requirements and Valuation Considerations (continued)****Estimating Healthcare Costs and Implicit Subsidy**

Estimating future healthcare costs involves calculating a starting claims plus administrative cost on a per-covered-individual basis, as well as developing an assumption regarding future increases in healthcare costs.

For insured plans, the premiums usually represent a blended average cost of both active and retired individuals. Since older, pre-65 retirees generally incur higher claims than younger active employees, GASB requires employers to value retiree liability based on retirees' estimated true costs rather than anticipated premium costs. Age-adjusted claims are developed and used to value the OPEB liability.

**Impact of Legislative Changes**

The legislative and regulatory environments have many implications for OPEB plans. Changes to current rules and implementation of new legislation are difficult to predict but could have a dramatic impact on the value of future plan benefits. These include changes to government medical programs, such as Medicare and the Affordable Care Act. Future changes to these programs will be reflected if/when they become law.

### Glossary of Selected Terms

This section provides the definitions of applicable terminology in the actuarial valuation, with references to the Governmental Accounting Standards (GASB) No. 75.

**Actuarial Cost Method** - the method used to allocate OPEB liability costs between past, current, and future years.

**Actuarial Present Value of Benefits** - the amount of money needed today to cover the promised benefits for the current participant group, if all actuarial assumptions are exactly met.

**Direct Subsidy** - OPEB explicitly provided by employer.

**Discount Rate** - the interest rate used to adjust liabilities and obligations for the time value of money.

**Fiduciary Net Position** - The value of assets reported by the plan/employer.

**GASB Statement No. 75** - the Governmental Accounting Standards Board Statement Number 75 Accounting and Financial Reporting for OPEB Plans.

**Implicit Subsidy or Implicit Rate Subsidy** - the difference between the actual and apparent cost of OPEB coverage. The actual cost for early retirees is higher than the average per-person premium for the active/retiree group. Plans in which retirees pay the average active/retiree rate (the apparent cost) give rise to an implicit rate subsidy: the employer pays the difference between the actual and apparent cost.

**Long-Term Expected Investment Return** - the assumed long-term asset return expected to be earned by the OPEB investments.

**Measurement Date** - the date as of which the Total OPEB Liability and Fiduciary Net Position (assets) are measured.

**Net OPEB Liability** - the difference between the actuarial accrued liability (Total OPEB Liability) and OPEB assets (Fiduciary Net Position).

**Net Position Restricted for OPEB** - accounting terminology for OPEB plan assets.

**Reporting Date** - the plan's or employer's fiscal year end.

**Service Cost** - the portion of the actuarial present value which is allocated to the current year by the actuarial cost method.

**Total OPEB Liability** - the portion of the actuarial present value which is not attributable to future service costs, determined under the actuarial cost method.

**Valuation Date** - the date as of which liabilities are calculated. Liabilities may be "rolled forward" from the Valuation Date to the Measurement Date.