

September 24, 2018

Ms. Paula F. Rigney  
Chief Business Official  
Larkspur-Corte Madera School District  
230 Doherty Drive  
Larkspur, CA 94939

Re: Larkspur-Corte Madera School District ("District") GASB 75 Valuation

Dear Ms. Rigney:

This report sets forth our update of July 1, 2017 GASB 75 actuarial valuation of the District's retiree health insurance program to the District's June 30, 2018 financial reporting date.

The differences between the projected numbers from the valuation report and the June 30, 2018 disclosures were as follows:

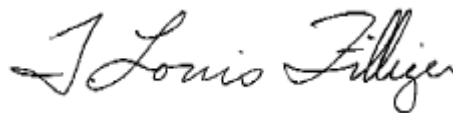
(1) The discount rate, which is based on an outside index, was increased from 3.60% to 3.90%, resulting in a decrease of \$1,426 in the District's Total OPEB Liability and a deferred inflow of resources at year-end of \$713.

(2) Actual benefit payments were \$104 greater than expected and this resulted in a deferred outflow of resources at year-end of \$52.

The valuation report itself is intended to serve as a companion document for your auditors, and we recommend that you forward both documents to your auditors, and have them contact us directly if they have any questions.

We are available at (818) 718-1266 to answer any questions the District or its auditors may have concerning the reports.

Sincerely,  
PACIFIC CREST ACTUARIES



T. Louis Filliger, FSA, EA, MAAA  
Actuary

## **Summary of Results**

The change in Larkspur-Corte Madera School District's Total OPEB Liability, Deferred Inflows and Deferred Outflows, and the Net Impact on Statement of Net Position, together with the OPEB Expense, are shown in the following table:

	<b>Measurement Date</b>	
	<b><u>6/30/2018</u></b>	<b><u>6/30/2017</u></b>
Total OPEB Liability/(Asset)	\$187,942	\$215,961
Deferred Inflows of Resources	713	0
Deferred Outflows of Resources	<u>(52)</u>	<u>(0)</u>
<b>Net Impact on Statement of Net Position</b>	<b>\$188,603</b>	<b>\$215,961</b>
OPEB Expense (\$ Amount)	\$8,642	
Covered Payroll	\$16,171,400	
OPEB Expense (% of Payroll)	0.05%	

For the measurement period ending June 30, 2018, the annual OPEB Expense is \$8,642, or 0.05% of covered payroll. This amount differs from the District's projected contribution (including implicit subsidy, if any) of \$36,000 in that it represents the change in the Net Impact on the Statement of Net Position plus employer contributions (\$188,603 - \$215,961 + \$36,000). A breakdown of the components of the annual OPEB Expense is shown on page 5 of this report.

Because the District has not contributed to a qualifying trust, the Fiduciary Net Position of the plan is \$0 and the Net OPEB Liability is by definition equal to the Total OPEB Liability (see page 19 for more details).

**Schedule of Changes in Total OPEB Liability**  
**For the Year Ended June 30, 2018**

The components of the Larkspur-Corte Madera School District's Total OPEB Liability as of June 30, 2018 were as follows:

**Total OPEB Liability (TOL)**

Service cost at beginning of year	\$2,099
Interest on TOL plus service cost, less 1/2 benefit payments	7,204
Changes of benefit terms	0
Difference between expected and actual experience*	104
Changes of assumptions**	(1,426)
Benefit payments, including implicit subsidy if any	<u>(36,000)</u>
<b>Net change in Total OPEB Liability</b>	<b>(\$28,019)</b>

<b>Total OPEB Liability - beginning</b>	<u>215,961</u>
<b>Total OPEB Liability - ending</b>	<b>\$187,942</b>

\*Benefit payments greater than expected.

\*\*Change in discount rate from 3.60% as of July 1, 2017 to 3.90% as of June 30, 2018.

**Schedule of Collective Deferred Inflows and Deferred Outflows**  
**For the Year Ended June 30, 2018**

The current balances of collective deferred outflows and deferred inflows of resources as of June 30, 2018 were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$52	\$0
Changes in assumptions	0	713
Net difference between projected and actual earnings on OPEB plan investments	<u>0</u>	<u>0</u>
<b>Total</b>	<b>\$52</b>	<b>\$713</b>

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

<u>Year ended June 30:</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	\$52	\$713
2020	0	0
2021	0	0
2022	0	0
2023	0	0
2024	0	0
2025	0	0
2026	0	0

The average of expected remaining active and inactive service lives was 2.0625 as of the June 30, 2017 and June 30, 2018 Measurement Dates. This factor was rounded to 2.0 and used to recognize the difference between expected and actual experience and the change in assumptions. The amount recognized in the year ended June 30, 2018 was a net inflow of \$661, determined as follows:

$$\begin{aligned}
 & \$1,426 / 2 = \$713 \text{ (change in discount rate as of June 30, 2018: inflow)} \\
 - & \$104 / 2 = \$52 \text{ (2017-18 benefit payments greater than expected: outflow)} \\
 = & \$661 \text{ net inflow}
 \end{aligned}$$

**Annual OPEB Expense**  
**For the Year Ended June 30, 2018**

The annual OPEB Expense recognized by the Larkspur-Corte Madera School District can be calculated as the changes in the amounts reported on the Statement of Net Position that are not attributable to employer contributions. It is the change in Total OPEB Liability minus the changes in deferred outflows plus the changes in deferred inflows plus employer contributions.

The components of the annual OPEB Expense for the Larkspur-Corte Madera School District as of June 30, 2018 were as follows:

Total OPEB Liability as of June 30, 2017 (a)	\$215,961
Total OPEB Liability as of June 30, 2018 (b)	<u>187,942</u>
Change in Total OPEB Liability [(b)-(a)]	(\$28,019)
Change in Deferred Outflows	(52)
Change in Deferred Inflows	713
Employer Contributions*	<u>36,000</u>
OPEB Expense	\$8,642

\*Actual pay-as-you-go, increased for implicit subsidy if any.

## **Total OPEB Liability**

The District's Total OPEB Liability of \$187,942 was based on an actuarial valuation as of July 1, 2017, a measurement date of June 30, 2018, and a discount rate of 3.90%. For purposes of implementation of GASB 75, the Total OPEB Liability as of the beginning of the 2017-18 fiscal year, based on the same actuarial valuation, but using a measurement date of June 30, 2017 and a discount rate of 3.60%, was \$215,961. The results of the July 1, 2017 actuarial valuation were used to determine the Total OPEB Liability as of the June 30, 2017 Measurement Date, without adjustment.

Actuarial Assumptions. The Total OPEB Liability was determined using an actuarial valuation as of July 1, 2017, using the following actuarial assumptions:

Inflation	2.25%
Salary increases	3.00%, average, including inflation
Discount rate	
As of 6/30/17:	3.60%, net of investment expense, including inflation
As of 6/30/18:	3.90%, net of investment expense, including inflation
Healthcare cost trend rates	8.00% for 2017-18, decreasing to 5.00% for 2020-21 and after
Retirees' share of cost	Retirees pay the balance of the premium after District contribution which is \$250/month for a term that varies between 5 and 10 years of benefits depending on date of hire and job classification.

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Mortality Tables for Males or Females, as appropriate, projected using a generational projection based on 100% of scale MP-2016 for years 2014 through 2029, 50% of MP-2016 for years 2030 through 2049, and 20% of MP-2016 for 2050 and thereafter.

All actuarial assumptions used in measuring the Total OPEB Liability are described in the July 1, 2017 actuarial valuation performed by Pacific Crest Actuaries. The assumptions were based on plan experience through July 1, 2017. The actuarial cost method used for measuring the Total OPEB Liability for purposes of GASB 75 was Entry Age, Level Percent of Pay.

### **Total OPEB Liability (continued)**

Sensitivity of the Total OPEB Liability to changes in the discount rate. The following presents the District's Total OPEB Liability as of June 30, 2018 calculated using the discount rate of 3.90%, as well as what the District's Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.90%) or 1 percentage point higher (4.90%) than the current rate:

	<u>1% Decrease (2.90%)</u>	<u>Current Rate (3.90%)</u>	<u>1% Increase (4.90%)</u>
Total OPEB Liability	\$192,740	\$187,942	\$183,272

Sensitivity of the Total OPEB Liability to changes in the healthcare trend rates. The following presents the District's Total OPEB Liability as of June 30, 2018, as well as what the District's Total OPEB Liability would be if it were calculated using healthcare trend rates that are 1 percentage point lower (7.0% grading down to 4.0%) or 1 percentage point higher (9.0% grading down to 6.0%) than the current healthcare cost trend rates. The numbers are close to identical for all three sets of trend rates because the District's contribution is a dollar cap that is almost always exceeded:

	<u>1% Decrease (7.0% decreasing to 4.0%)</u>	<u>Current Rates (8.0% decreasing to 5.0%)</u>	<u>1% Increase (9.0% decreasing to 6.0%)</u>
Total OPEB Liability	\$186,963	\$187,942	\$188,941

### **Other Required Information**

Please see the July 1, 2017 actuarial report prepared by PCA, meant to be used as a companion document for these disclosures, for the following additional information:

(A) Detail of number of covered members, active and inactive. This data is given as of the valuation date and has not changed sufficiently to warrant a revision of the Total OPEB liability.

(B) Summary of plan provisions.

(C) Detail of actuarial assumptions, subject to the following changes:

(1) Discount rate as of June 30, 2018 is 3.90%

(D) Actuarial Certification.