



GASB 74/75 INTERIM ACTUARIAL VALUATION

Fiscal Year Ending June 30, 2021

WEST VALLEY MISSION COMMUNITY COLLEGE DISTRICT

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April 7, 2021

**Ms. Ngoc Chim
West Valley Mission Community College District
14000 Fruitvale Avenue
Saratoga, CA 95070**

This report summarizes the interim GASB actuarial valuation for the West Valley Mission Community College District 2020/21 fiscal year. To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statement No. 74 (Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans) and GASB Statement No. 75 (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions).

The information presented herein is based on the actuarial assumptions and substantive plan provisions summarized in this report and participant information furnished to us by the Plan Sponsor. We have reviewed the employee census provided by the Plan Sponsor for reasonableness when compared to the prior information provided but have not audited the information at the source, and therefore do not accept responsibility for the accuracy or the completeness of the data on which the information is based. When relevant data may be missing, we may have made assumptions we feel are neutral or conservative to the purpose of the measurement. We are not aware of any significant issues with and have relied on the data provided.

The discount rate, other economic assumptions, and demographic assumptions have been selected by the Plan Sponsor with the concurrence of Nyhart. In our opinion, the actuarial assumptions are individually reasonable and in combination represent our estimate of anticipated experience of the Plan. All calculations have been made in accordance with generally accepted actuarial principles and practice.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following:

- plan experience differing from that anticipated by the economic or demographic assumptions;
- changes in economic or demographic assumptions;
- increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and
- changes in plan provisions or applicable law.

We did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement.

To our knowledge, there have been no significant events prior to the current year's measurement date or as of the date of this report that could materially affect the results contained herein.

Neither Nyhart nor any of its employees has any relationship with the plan or its sponsor that could impair or appear to impair the objectivity of this report. Our professional work is in full compliance with the American Academy of Actuaries "Code of Professional Conduct" Precept 7 regarding conflict of interest. The undersigned meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Should you have any questions please do not hesitate to contact us.



Suraj M. Datta, ASA, MAAA
Consulting Actuary



David Murciano, ASA, MAAA, EA
Valuation Actuary

Executive Summary

West Valley Mission Community College District Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Summary of Results

Presented below is the summary of GASB 75 results for the fiscal year ending June 30, 2021 compared to the prior fiscal year as shown in the District's Notes to Financial Statement.

	FYE June 30, 2020	FYE June 30, 2021
Total OPEB Liability	\$ 60,829,445	\$ 56,197,288
Actuarial Value of Assets	\$ (73,033,510)	\$ (77,591,369)
Net OPEB Liability	\$ (12,204,065)	\$ (21,394,081)
Funded Ratio	120.1%	138.1%

	FY 2019/20	FY 2020/21
OPEB Expense	\$ 6,730,990	\$ (4,806,107)
Annual Employer Contributions	\$ 4,607,055	\$ 4,556,574

	As of June 30, 2020	As of June 30, 2021
Discount Rate	6.00%	6.00%
Expected Return on Assets	6.00%	6.00%

GASB Disclosures

West Valley Mission Community College District Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Schedule of Changes in Net OPEB Liability and Related Ratios

OPEB Liability	FY 2020/21	FY 2019/20	FY 2018/19
Total OPEB Liability			
Total OPEB Liability - beginning of year	\$ 60,829,445	\$ 53,036,551	\$ 56,605,296
Service cost	132,894	93,763	246,894
Interest	3,521,043	3,049,607	3,193,452
Change of benefit terms	0	1,298,612	0
Changes in assumptions	0	7,585,302	0
Differences between expected and actual experience	(3,729,520)	372,665	0
Benefit payments	(4,556,574)	(4,607,055)	(7,009,091)
Net change in total OPEB liability	\$ (4,632,157)	\$ 7,792,894	\$ (3,568,745)
Total OPEB Liability - end of year	\$ 56,197,288	\$ 60,829,445	\$ 53,036,551
Plan Fiduciary Net Position			
Plan fiduciary net position - beginning of year	\$ 73,033,510	\$ 68,121,589	\$ 63,596,005
Contributions - employer	4,556,574	4,607,055	7,009,091
Contributions - active employees	0	0	0
Net investment income	4,594,075	4,970,291	4,643,346
Benefit payments	(4,556,574)	(4,607,055)	(7,009,091)
Trust administrative expenses	(36,216)	(58,370)	(117,762)
Net change in plan fiduciary net position	\$ 4,557,859	\$ 4,911,921	\$ 4,525,584
Plan fiduciary net position - end of year	\$ 77,591,369	\$ 73,033,510	\$ 68,121,589
Net OPEB Liability - end of year	\$ (21,394,081)	\$ (12,204,065)	\$ (15,085,038)
Plan fiduciary net position as % of total OPEB liability	138.1%	120.1%	128.4%
Covered employee payroll	N/A	N/A	N/A
Net OPEB liability as % of covered payroll	N/A	N/A	N/A

* Employer Contributions are determined from the June 30, 2020 CERBT Statement of Fiduciary Net Position and includes contributions outside the Trust.

GASB Disclosures

West Valley Mission Community College District Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

OPEB Expense

OPEB Expense	FY 2020/21	FY 2019/20
Discount Rate		
Beginning of year	6.00%	6.00%
End of year	6.00%	6.00%
Service cost	\$ 132,894	\$ 93,763
Interest	3,521,043	3,049,607
Change of benefit terms	0	0
Projected earnings on OPEB plan investments	(4,380,940)	(4,085,544)
Reduction for contributions from active employees	0	0
OPEB plan administrative expenses	36,216	58,370
Current period recognition of deferred outflows / (inflows) of resources		
Differences between expected and actual experience	\$ (3,729,520)	\$ 372,665
Changes in assumptions	0	7,585,302
Net difference between projected and actual earnings on OPEB plan investments	(385,800)	(343,173)
Total current period recognition	\$ (4,115,320)	\$ 7,614,794
Total OPEB expense	\$ (4,806,107)	\$ 6,730,990

GASB Disclosures

West Valley Mission Community College District Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Deferred Outflows / (Inflows) of Resources

Deferred Outflows / (Inflows) of Resources represents the following items that have not been recognized in the OPEB Expense:

1. Differences between expected and actual experience of the OPEB plan
2. Changes of assumptions
3. Differences between projected and actual earnings in OPEB plan investments (for funded plans only)

The initial amortization period for the first two items noted above is based on expected future service lives while the difference between the projected and actual earnings in OPEB plan investment is amortized over five years. All balances are amortized linearly on a principal only basis and new bases will be created annually for each of the items above.

Differences between expected and actual experience for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2021
June 30, 2019	\$ 0	N/A	\$ 0	\$ 0
June 30, 2020	\$ 372,665	1	\$ 372,665	\$ 0
June 30, 2021	\$ (3,729,520)	1	\$ (3,729,520)	\$ 0

Changes in assumptions for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2021
June 30, 2019	\$ 0	N/A	\$ 0	\$ 0
June 30, 2020	\$ 7,585,302	1	\$ 7,585,302	\$ 0
June 30, 2021	\$ 0	N/A	\$ 0	\$ 0

Net Difference between projected and actual earnings in OPEB plan investments for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2021
June 30, 2019	\$ (831,119)	5	\$ (166,224)	\$ (332,447)
June 30, 2020	\$ (884,747)	5	\$ (176,949)	\$ (530,849)
June 30, 2021	\$ (213,135)	5	\$ (42,627)	\$ (170,508)

GASB Disclosures

West Valley Mission Community College District Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Deferred Outflows / (Inflows) of Resources (Continued)

As of fiscal year ending June 30, 2021	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 0	\$ 0
Changes in assumptions	0	0
Net difference between projected and actual earnings in OPEB plan investments	0	(1,033,804)
Contributions subsequent to the measurement date	4,903,618	N/A
Total	\$ 4,903,618	\$ (1,033,804)

Annual Amortization of Deferred Outflows / (Inflows)

The balances as of June 30, 2021 of the deferred outflows / (inflows) of resources will be recognized in OPEB expense in the future fiscal years as noted below. Balances shown below do not include the recognition of any deferred outflows for contributions subsequent to the measurement date.

FYE	Balance
2022	\$ (385,800)
2023	\$ (385,799)
2024	\$ (219,578)
2025	\$ (42,627)
2026	\$ 0
Thereafter	\$ 0

GASB Disclosures

West Valley Mission Community College District Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Sensitivity Results

The following presents the Net OPEB Liability as of June 30, 2021, calculated using the discount rate assumed and what it would be using a 1% higher and 1% lower discount rate.

- The current discount rate is 6.00%.
- The 1% decrease in discount rate would be 5.00%.
- The 1% increase in discount rate would be 7.00%.

As of June 30, 2021	Net OPEB Liability
1% Decrease	\$ (15,871,189)
Current Discount Rate	\$ (21,394,081)
1% Increase	\$ (26,079,817)

The following presents the Net OPEB Liability as of June 30, 2021, using the health care trend rates assumed and what it would be using 1% higher and 1% lower health care trend rates.

- The current health care trend rate starts at an initial rate of 6.00%, decreasing to an ultimate rate of 5.00%.
- The 1% decrease in health care trend rates would assume an initial rate of 5.00%, decreasing to an ultimate rate of 4.00%.
- The 1% increase in health care trend rates would assume an initial rate of 7.00%, decreasing to an ultimate rate of 6.00%.

As of June 30, 2021	Net OPEB Liability
1% Decrease	\$ (25,924,295)
Current Trend Rates	\$ (21,394,081)
1% Increase	\$ (16,101,999)

GASB Disclosures

West Valley Mission Community College District Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Asset Information

Asset Breakdown	FY 2019/20	FY 2020/21
Assets		
Cash and deposits	\$ 0	\$ 0
Securities lending cash collateral	0	0
Total cash	\$ 0	\$ 0
Receivables		
Contributions	\$ 0	\$ 0
Accrued interest	0	0
Total receivables	\$ 0	\$ 0
Investments		
Fixed income	\$ 35,786,420	\$ 38,019,771
Equities	37,247,090	39,571,598
Mutual Funds	0	0
Total investments	\$ 73,033,510	\$ 77,591,369
Total Assets	\$ 73,033,510	\$ 77,591,369
Liabilities		
Payables		
Investment management fees	\$ 0	\$ 0
Securities lending expense	0	0
Total liabilities	\$ 0	\$ 0
Net Position Restricted to OPEB	\$ 73,033,510	\$ 77,591,369

GASB Disclosures

West Valley Mission Community College District Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Asset Information (Continued)

Asset Reconciliation	FY 2019/20	FY 2020/21
Additions		
Contributions Received		
Employer	\$ 4,607,055	\$ 4,556,574
Active employees	0	0
Total contributions	\$ 4,607,055	\$ 4,556,574
Investment Income		
Net increase in fair value of investments	\$ 4,970,291	\$ 4,594,075
Interest and dividends	0	0
Investment expense, other than from securities lending	0	0
Securities lending income	0	0
Securities lending expense	0	0
Net investment income	\$ 4,970,291	\$ 4,594,075
Total additions	\$ 9,577,346	\$ 9,150,649
Deductions		
Benefit payments	\$ 4,607,055	\$ 4,556,574
Administrative expenses	58,370	36,216
Other	0	0
Total deductions	\$ 4,665,425	\$ 4,592,790
Net increase in net position	\$ 4,911,921	\$ 4,557,859
Net position restricted to OPEB		
Beginning of year	\$ 68,121,589	\$ 73,033,510
End of year	\$ 73,033,510	\$ 77,591,369

Discussion of Discount Rates

West Valley Mission Community College District Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Under GASB 74, the discount rate used in valuing OPEB liabilities for funded plans as of the Measurement Date must be based on the long-term expected rate of return on OPEB plan investments that are expected to be used to finance future benefit payments to the extent that (a) they are sufficient to pay for the projected benefit payments and (b) the OPEB plan assets are invested using a strategy that will achieve that return. When the OPEB plan investments are insufficient to cover future benefit payments, a yield 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) must be used.

For the current valuation:

1. The long-term expected rate of return on OPEB plan investment is assumed to be 6.00%. This was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation percentage and adding in expected inflation (2.75%). The best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of June 30, 2020 are summarized in the following table.
2. The discount rate used when the OPEB plan investments are insufficient to pay for future benefit payments are selected from the range of indices as shown in the table below, where the range is given as the spread between the lowest and highest rate shown.

Asset Class	Target Allocation	L/T Expected Real ROR
Global Equity	22.0%	5.50%
Global Debt Securities	49.0%	2.35%
Inflation Assets	16.0%	1.50%
Commodities	5.0%	1.75%
REITs	8.0%	3.65%
Total	100.00%	2.98%

Yield as of	July 1, 2019	June 30, 2020
Bond Buyer Go 20-Bond Municipal Bond Index	3.51%	2.21%
S&P Municipal Bond 20-Year High Grade Rate Index	2.79%	2.66%
Fidelity 20-Year Go Municipal Bond Index	3.13%	2.45%
Bond Index Range	2.79% - 3.51%	2.21% - 2.66%

3. The District's funding policy is to fund the recommended actuarially determined contribution (ADC) to fully fund the benefits over a reasonable period of time. The current ADC is \$0 as the District's assets are projected to be available to pay all future projected benefit payments. Therefore, the final equivalent single discount rate used for this year's valuation is 6.00%.

Actuarial Methods and Assumptions

West Valley Mission Community College District Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

For a complete summary of actuarial methods and assumptions, refer to the GASB 75 actuarial valuation report for the fiscal year ending June 30, 2020.

Measurement Date

For fiscal year ending June 30, 2021, a June 30, 2020 measurement date was used.

Actuarial Valuation Date

July 1, 2019 with results actuarially projected on a “no gain / no loss” basis to get to the June 30, 2020 measurement date. Liabilities as of July 1, 2019 are based on an actuarial valuation date of July 1, 2019 with no adjustments.

Benefit Payments

OPEB plan benefit payments made subsequent the measurement date of June 30, 2020 are recognized as a deferred outflow of resources in the fiscal year ending June 30, 2019 financial reporting period. An offsetting cash credit adjustment for benefits paid during the fiscal year is made in the Plan Sponsor’s journal entries. This adjustment is not explicitly shown in the GASB 75 report. The OPEB benefit payments subsequent the measurement date of June 30, 2020 will be reflected in the Plan Sponsor’s Schedule of Changes in Net OPEB Liability disclosure in the FY 2021/22 reporting period.

Discount Rate

6.00% as of June 30, 2020 and 6.00% as of July 1, 2019 for accounting disclosure purposes. Refer to the Discussion of Discount Rates section for more information on selection of the discount rate.

Payroll Growth

3.00% per year, in aggregate

Inflation Rate

2.75% per year

Cost Method

Allocation of Actuarial Present Value of Future Benefits for services prior and after the Measurement Date was determined using Entry Age Normal Level % of Salary method where:

- Service Cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant’s benefit at retirement; and
- Annual Service Cost is a constant percentage of the participant’s salary that is assumed to increase according to the Payroll Growth.

Medical Trend Rates

<u>FYE</u>	<u>Medical/Rx</u>
2020	Actual
2021	6.00%
2022	5.50%
2023+	5.00%

Actuary's Notes

West Valley Mission Community College District Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Interim year valuation results have been projected from the prior year's valuation with adjustments for actual premium increases from 2019/20 to 2020/21. Making this change resulted in a small decrease in liabilities.

Premium Rates

The District participates in the CalPERS Health Program, a community-rated program, for its medical coverage. The tables below summarize the 2020/2021 monthly medical premiums for the CalPERS medical plans. All premiums are effective for the calendar year.

2020 CalPERS Premiums - Region 1	PERS Choice	PERS Select	PERS Care	Anthem HMO Select	Anthem HMO Traditional	Blue Shield Access+
Retiree Only	\$ 861.18	\$ 520.29	\$ 1,133.14	\$ 868.98	\$ 1,184.84	\$ 1,127.77
Retiree plus Spouse	\$ 1,722.36	\$ 1,040.58	\$ 2,266.28	\$ 1,737.96	\$ 2,369.68	\$ 2,255.54
Retiree plus Family	\$ 2,239.07	\$ 1,352.75	\$ 2,946.16	\$ 2,259.35	\$ 3,080.58	\$ 2,932.20

2020 CalPERS Premiums -Region 1	Blue Shield NetValue	Kaiser CA	United Healthcare	Health Net Smartcare	Sharp	PORAC
Retiree Only	\$ 833.00	\$ 768.49	\$ 899.94	\$ 1,000.52	\$ 731.96	\$ 774.00
Retiree plus Spouse	\$ 1,666.00	\$ 1,536.98	\$ 1,799.88	\$ 2,001.04	\$ 1,463.92	\$ 1,699.00
Retiree plus Family	\$ 2,165.80	\$ 1,998.07	\$ 2,339.84	\$ 2,601.35	\$ 1,903.10	\$ 2,199.00

2021 CalPERS Premiums - Region 1	PERS Choice	PERS Select	PERS Care	Anthem HMO Select	Anthem HMO Traditional	Blue Shield Access+
Retiree Only	\$ 935.84	\$ 566.67	\$ 1,294.69	\$ 925.60	\$ 1,307.86	\$ 1,170.08
Retiree plus Spouse	\$ 1,871.68	\$ 1,133.34	\$ 2,589.38	\$ 1,851.20	\$ 2,615.72	\$ 2,340.16
Retiree plus Family	\$ 2,433.18	\$ 1,473.34	\$ 3,366.19	\$ 2,406.56	\$ 3,400.44	\$ 3,042.21

2021 CalPERS Premiums - Region 1	Blue Shield NetValue	Kaiser CA	United Healthcare	Health Net Smartcare	Sharp	PORAC
Retiree Only	\$ 880.50	\$ 813.64	\$ 941.17	\$ 1,120.21	\$ 757.02	\$ 799.00
Retiree plus Spouse	\$ 1,761.00	\$ 1,627.28	\$ 1,882.34	\$ 2,240.42	\$ 1,514.04	\$ 1,725.00
Retiree plus Family	\$ 2,289.30	\$ 2,115.46	\$ 2,447.04	\$ 2,912.55	\$ 1,968.25	\$ 2,199.00

Appendix

West Valley Mission Community College District Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Valuation Results Summary¹

Below is the summary of the GASB results as of the June 30, 2019 valuation date based on the Entry Age Normal Level % of Pay cost method with a discount rate of 6.00%.

Present Value of Employer Contributions	Explicit	Implicit	Total
Active	\$ 6,328,122	\$ 443,501	\$ 6,771,623
Retirees	\$ 53,652,505	\$ 885,365	\$ 54,537,870
Total	\$ 59,980,627	\$ 1,328,866	\$ 61,309,493

Total (Accrued) OPEB Liability	Explicit	Implicit	Total
Active	\$ 5,878,327	\$ 413,248	\$ 6,291,575
Retirees	\$ 53,652,505	\$ 885,365	\$ 54,537,870
Total	\$ 59,530,832	\$ 1,298,613	\$ 60,829,445

Projected Employer Contributions Fiscal Period Ending June 30,	Explicit	Implicit	Total
2020	\$ 4,611,710	\$ 197,578	\$ 4,809,288
2021	\$ 4,720,562	\$ 183,056	\$ 4,903,618
2022	\$ 4,745,836	\$ 146,465	\$ 4,892,301
2023	\$ 4,799,660	\$ 162,504	\$ 4,962,164
2024	\$ 4,799,066	\$ 181,570	\$ 4,980,636
2025	\$ 4,804,469	\$ 191,701	\$ 4,996,170
2026	\$ 4,732,262	\$ 143,184	\$ 4,875,446
2027	\$ 4,708,641	\$ 149,787	\$ 4,858,428
2028	\$ 4,626,497	\$ 123,990	\$ 4,750,487

¹ The results shown on this page come directly from the prior valuation and do not reflect the trend update for the actual premium increases from 2019/20 to 2020/21.

Appendix

West Valley Mission Community College District Interim GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Valuation Results Summary – By Group

Below is the summary of the GASB results as of the June 30, 2020 valuation date based on the Entry Age Normal Level % of Pay cost method with a discount rate of 6.00%.

Present Value of Employer Contributions	Certificated	Classified	Management	Police	Total
Active	\$ 3,516,877	\$ 3,297,492	\$ -	\$ -	6,814,369
Retirees	\$ 27,890,860	\$ 13,491,988	\$ 7,971,934	\$ 538,049	49,892,831
Total	\$ 31,407,737	\$ 16,789,480	\$ 7,971,934	\$ 538,049	\$ 56,707,200

Total (Accrued) OPEB Liability	Certificated	Classified	Management	Police	Total
Active	\$ 3,253,713	\$ 3,050,744	\$ -	\$ -	6,304,457
Retirees	\$ 27,890,860	\$ 13,491,988	\$ 7,971,934	\$ 538,049	49,892,831
Total	\$ 31,144,573	\$ 16,542,732	\$ 7,971,934	\$ 538,049	\$ 56,197,288