

# Total Compensation Systems, Inc.

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## Peralta Community College District

### Funding Valuation Results: Pre-2004 Plan

Peralta Community College District engaged Total Compensation Systems, Inc. (TCS) to conduct a funding valuation for its current retiree health program as of June 30, 2022 (the valuation date). TCS previously conducted a separate valuation for accounting compliance under GASB accounting standards.

The purpose of this funding valuation is to determine what the GASB 75 measured liability would be if Peralta's Trust I met GASB requirements as a qualifying trust. Our understanding is that Trust I does not meet GASB requirements as a qualifying trust, so even though assets have been set aside for the intended use to pay future retiree health benefits under the Pre-2004 Plan, the Pre-2004 Plan must be treated as an unfunded plan under GASB 75.

For plans that pre-fund their retiree health benefits through a qualifying trust, GASB 75 allows the use of the expected rate of return on assets to be used as the valuation interest rate assumption instead of the municipal bond rate that must be used for unfunded plans. Therefore, this report measures the plan's liability using a 5.90% valuation interest rate instead of the 3.54% that was required to be used for GASB 75 reporting purposes. The valuation interest rate assumption has a very large impact on the measured liability, so the application of a 5.90% interest rate assumption instead of the 3.54% assumption used for GASB 75 reporting makes a significant difference, as shown below.

#### Estimated Liability Increase

The following shows the District's Accrued Liability and Normal Cost as measured using a 5.90% interest rate. For comparison, we also show the corresponding GASB 75 measurements.

The Accrued Liability represents the value of the benefit earned so far by each employee and retiree. In other words, it is what the District currently owes due to the promise to provide future retiree health benefits. The Normal Cost represents the expected increase in the Accrued Liability each year as employees earn the benefit. In other words, it is the ongoing annual cost of promising this benefit.

<b>Pre-2004 Plan</b> <i>As-of June 30, 2022</i>	Funding Valuation (trust applies)	GASB 75 (trust does not qualify)
Accrued Liability	\$143,663,726	\$180,743,457
Asset Balance	<u>\$187,932,371</u>	<u>\$0</u>
Funded Status	+\$44,268,645	-\$180,743,457
Normal Cost	\$1,310,553	\$2,340,798
Valuation Interest Rate	5.90% (expected return on investments)	3.54% (municipal bond index)

**Put into words, the District owed \$143,663,726 as of June 30, 2022 due to its promise to provide future retiree health benefits. Trust I had a balance of \$187,932,371 as of the same date. Additionally, active employees are projected to earn an additional \$1,310,553 worth of benefits in 2022-23.**

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### Data

We relied on the same data as was used in our June 30, 2022 actuarial valuation.

### Assumptions, Methods, and Plan Provisions

The same assumptions, methods, and plan provisions were used for this analysis as were used for our June 30, 2022 OPEB valuation, except for the use of a 5.90% valuation interest rate.

### Changes from Prior Funding Valuation

- The valuation interest rate was decreased from 6.30% to 5.90% to reflect up-to-date investment allocation and capital market assumptions
- The format of this report was altered to a more concise and focused layout

### Intended Use

Because this report was prepared only to provide funding guidance, Peralta CCD should not use this report for any other purpose without discussion with TCS. This means that any discussions with employee groups, governing Boards, etc. should be restricted to the use of this report for funding its OPEB obligations.

### Conclusion and Actuarial Certification

Please let us know if there are any questions regarding this letter report. I meet the qualification standards set forth by the American Academy of Actuaries to render the opinion contained herein.

Respectfully Submitted,



Will Kane, FSA, EA, MAAA  
Actuarial Consultant  
Total Compensation Systems, Inc.

September 2, 2022