

Total Compensation Systems, Inc.

Peralta Community College District

Estimate of OPEB Liability Decrease from Change in Medical Plans

We were asked by Peralta CCD to estimate the impact on its OPEB liability under a potential change in its retiree health plan design to offer medical plans through the Self-Insured Schools of California (SISC) Joint Powers Authority (JPA) in place of the current arrangement. Peralta CCD treats its retiree health arrangement as two separate plans: the Pre-2004 Plan (for employees hired prior to July 1, 2004) which provides lifetime medical benefits to qualifying retirees and the Post-2004 Plan (for employees hired on or after July 1, 2004) which provides medical benefits to qualifying retirees until Age 65. Results for each plan are presented separately below.

Estimated Liability Increase

The following illustrates the estimated increase in the District's Total OPEB Liability, Annual Service Cost, and medium-term expected benefit payments. As a reminder, the actuarial valuation assumes that employees earn the value of the retiree health benefit over the course of their careers.

Total OPEB Liability (TOL) represents the value of the benefit earned so far by each employee. In other words, it is what the District currently owes due to the promise to provide future retiree health benefits.

The Annual Service Cost represents the expected increase in the TOL each year as employees earn the benefit. In other words, it is the ongoing annual cost of promising this benefit.

The expected benefit payments illustrate the medium-term cash cost of the benefit, but do not capture the true cost of the benefit in the same way that the TOL and Service Cost do.

| Pre-2004 Plan <i>As-of July 1, 2022</i> | Number of Eligible Participants | Total OPEB Liability (TOL) | Annual Service Cost | Total Benefit Payments: Next Twenty Years |
|---|---------------------------------|----------------------------|---------------------|---|
| Without Design Change | 168 Active / 637 Retired | \$180,700,000 | \$2,340,000 | \$205,800,000 |
| With Design Change | 168 Active / 637 Retired | \$142,800,000 | \$1,860,000 | \$162,700,000 |
| Savings due to Change | N/A | \$37,900,000 | \$480,000 | \$43,100,000 |

| Post-2004 Plan <i>As-of July 1, 2022</i> | Number of Eligible Employees | Total OPEB Liability (TOL) | Annual Service Cost | Total Benefit Payments: Next Twenty Years |
|--|------------------------------|----------------------------|---------------------|---|
| Without Design Change | 630 Active / 20 Retired | \$22,500,000 | \$2,160,000 | \$50,600,000 |
| With Design Change | 630 Active / 20 Retired | \$18,800,000 | \$1,810,000 | \$42,900,000 |
| Savings due to Change | N/A | \$3,700,000 | \$350,000 | \$7,700,000 |

Put into words, the estimated impact of the change is an immediate one-time decrease in what the District owes of \$41,600,000 and decreased ongoing annual cost of \$830,000.

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Data

We relied on the same data as was provided for 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 changes in medical plans described in the first section of this letter report.

Process and Reliance on Other Information

These estimates contained herein relied upon the "Peralta CCD Medical Plan Alternatives" presentation dated June 2022. The presentation contained a comparison of the current medical premiums for Peralta CCD retirees to the premiums for the most closely aligned medical plans under SISC. We used those comparisons to "map" the current retirees from their current medical plan and associated premium to their new medical plan under SISC and its associated premium.

Overall, we saw around a 20% decrease in the headcount-weighted average premium for pre-65 medical plans under SISC and a 25% decrease in the weighted average premium for Medicare plans under SISC. These decreases in premiums directly flow through to estimated decreases in Total OPEB Liability and Service Cost presented on the previous page. The 25% decrease for Medicare plans is tempered slightly because Peralta CCD also pays Medicare Part B premiums for the pre-2004 Plan retirees, and those premiums are unaffected by the change.

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,



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