Tiburon Fire Protection District

GASB 75 OPEB Valuation
Report as of June 30, 2017

February 28, 2018

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February 28, 2018

Ms. Heidi Rosevear
Finance Officer
Tiburon Fire Protection District
1679 Tiburon Blvd
Tiburon, California 94920

Re: Tiburon Fire Protection District GASB 75 OPEB Valuation Report as of June 30, 2017

Dear Ms. Rosevear:

At your request, we completed an actuarial valuation of the retiree health and welfare benefits as of June 30, 2017, for the Tiburon Fire Protection District. This valuation is based on input from the District and from CalPERS, as well as our understanding of GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" (GASB 75).

We greatly appreciate your business. If you have any questions, please feel free to call us at (415) 801–5987.

Best Regards,

Roger T. Burton, FSA, FCA, MAAA

Contents

Purpose of the Report

Precision Actuarial prepared this report to meet employer financial accounting requirements under GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" (GASB 75), issued in June 2015. This report includes information with respect to the obligation to provide future retiree health and welfare benefits for the fiscal year ending June 30, 2017.

Changes Since the Prior Valuation

The previous valuation was performed by North Bay Pensions. We updated all assumptions and the census. This valuation is a full valuation.

As of June 30, 2017, the actuarial accrued liability is $5,932,188.
As of June 30, 2018, the actuarial accrued liability is projected to be $6,244,262.

Actuarial Certification

Our determinations reflect the provisions and methods prescribed by GASB 75. In preparing this report, we relied on employee census, plan design, premium rates, and administrative fees provided directly or indirectly by the plan sponsor, and demographic assumptions provided by CalPERS. CalPERS' actuaries set the premium rates using community rating. We did not attempt to verify that the community-rated premium rates represent the true cost of claims and administrative fees.

We based the results in this report on this information, along with the actuarial assumptions and methods used herein. In our opinion, the assumptions used represent reasonable expectations of anticipated plan experience. We reviewed the census information for reasonableness, but we did not audit it.

Actuarial computations under GASB 75 fulfill employer accounting and financial reporting requirements. The calculations are consistent with our understanding of GASB 75. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results in our report. Accordingly, additional determinations may be necessary for other purposes, such as judging benefit security at termination.

Precision Actuarial's work is prepared solely for the internal business use of the Tiburon Fire Protection District and by GovInvest. To the extent that Precision Actuarial's work is not subject to disclosure under applicable public record laws, the District may not provide our work to third parties without Precision Actuarial's prior written consent, except that the District may provide our complete work product to its qualified agents who are subject to confidentiality agreements and agree to use our work product only to benefit the District, and the District may provide our complete work product to other governmental agencies or individuals, as required by law.

No third-party recipient of Precision Actuarial's work product should rely solely on Precision Actuarial's work product. Any third-party recipient should engage qualified professionals for advice appropriate to their own needs.

There is no relationship between Precision Actuarial, its owner, subcontractors, or staff; GovInvest; or the Tiburon Fire Protection District beyond the contractual services that we perform for the Tiburon Fire Protection District.

Actuarial Certification *(continued)*

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, the report is complete and accurate and that we prepared it in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable "Actuarial Standards of Practice" and "Actuarial Compliance Guidelines" as promulgated by the American Academy of Actuaries.

The undersigned is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Roger T Burton

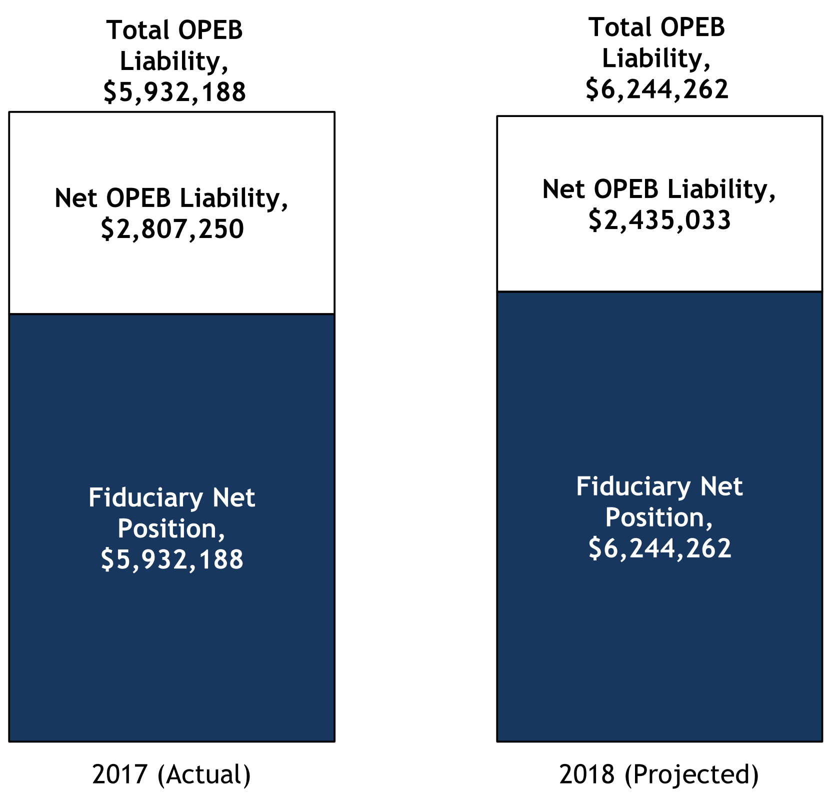
February 28, 2018

Roger T. Burton, FSA, FCA, MAAA
Fellow of the Society of Actuaries (FSA)
Member of the American Academy of Actuaries (MAAA)
Fellow of the Conference of Consulting Actuaries (FCA)

Date

A summary of the key valuation results follows.

Funded Status as of:	**Actual** June 30, 2017		**Projected** June 30, 2018	
Total OPEB Liability	$	5,932,188	$	6,244,262
Fiduciary Net Position		3,124,938		3,809,229
Net OPEB Liability	$	2,807,250	$	2,435,033
Plan fiduciary net position as a percentage of the total OPEB liability		52.68%		61.00%
Covered payroll	$	2,599,322	$	2,677,302
Net OPEB Liability as a percentage of covered payroll		108.0%		91.0%
	2016-2017		**2017-2018**	
Expense	$	327,810	$	383,959
Actuarially Determined Contribution	$	760,836	$	756,176



Statement of Fiduciary Net Position
Fiscal Year Ending June 30, 2017

Assets	
Cash and deposits	$ -
Securities lending cash collateral	-
Total cash	-
Receivables:	
Contributions	-
Due from broker for investments sold	-
Investment income (interest on investments)	-
Other	-
Total receivables	-
Investments:	
Domestic fixed income securities	-
Domestic equities	
Investment funds	3,124,938
International equities	-
Real estate	-
Total investments	3,124,938
Total assets	3,124,938
Liabilities	
Payables:	
Investment management fees	-
Due to broker for investments purchased	-
Collateral payable for securities lending	-
Other	-
Total liabilities	-
Net position restricted for postemployment benefits other than pensions	$ 3,124,938

Statement of Changes to the Fiduciary Net Position for the Fiscal Year Ended June 30, 2017 and June 30, 2018

Fiscal Year Ending:	Actual June 30, 2017	Projected June 30, 2018
Additions		
Investment income:		
Net appreciation in the fair value of investments	$ 263,245	$ 234,489
Interest and dividends	-	-
Less investment expense, other than from securities lending	-	-
Net income from investing, other than from securities lending	263,245	234,489
Securities lending income	-	-
Less securities lending expense	-	-
Net income from securities lending	-	-
Net investment income **(a)**	$ 263,245	$ 234,489
Contributions:		
Employer — District's contribution	$ 727,702	$ 680,015
Employer — implicit subsidy	71,179	76,161
Employee	-	-
Total contributions **(b)**	$ 798,881	$ 756,176
Total additions (c) = (a) + (b)	$ 1,062,126	$ 990,665
Deductions		
Benefit payments, including refunds of employee contributions	$ 198,454	$ 228,905
Implicit rate subsidy fulfilled	71,179	76,161
Administrative expense	1,276	1,308
Total deductions (d)	$ 270,909	$ 306,374
Net increase in net position = (c) − (d)	$ 791,217	$ 684,291
Net position restricted for postemployment benefits other than pensions		
Beginning of year	$ 2,333,721	$ 3,124,938
Net increase in net position	791,217	684,291
End of year	$ 3,124,938	$ 3,809,229

• Asset projections for fiscal year-end 2018 estimated using expected rate of return, contributions, and benefit payments.

The funded status of the Plan as of the fiscal year-end, as well as other required disclosure information, follows.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(c) = (a) – (b)
Balances at June 30, 2016	$ 5,612,042	$ 2,333,721	$ 3,278,321
Changes for the year:			
Service Cost	199,394		199,394
Interest	390,385		390,385
Differences between expected and actual experience	-		-
Change in assumptions	-		-
Net investment income		263,245	(263,245)
Contributions			
Employer — District's contribution		727,702	(727,702)
Employer — implicit subsidy		71,179	(71,179)
Employee		-	-
Benefit payments, including refunds of employee contributions	(198,454)	(198,454)	-
Implicit rate subsidy fulfilled	(71,179)	(71,179)	-
Administrative expense		(1,276)	1,276
Other changes		-	-
Net changes	320,146	791,217	(471,071)
Balances at June 30, 2017	$ 5,932,188	$ 3,124,938	$ 2,807,250

Fiscal Year Ending:		June 30, 2017	
Expense			
1) Service Cost	$	199,394	
2) Interest (on liabilities)		390,385	
3) Interest (on assets)		(263,245)	
4) Administrative Expenses		1,276	
5) Differences between expected and actual experience		-	(A)
6) Change in assumptions		-	(B)
7) Differences between expected and actual earnings		-	(C)
Total Expense	$	327,810	

Derivation of 2017/2018 Total Expense for Items 5), 6), and 7)

5) Differences between expected and actual experience		Earned 2016-2017		Total Recognized 2016-2017	
Actual liabilities		n/a			
Expected liabilities	–	n/a			
Difference	$	-	$	-	(A)

6) Change in assumptions		Earned 2016-2017		Total Recognized 2016-2017	
Liabilities after assumption change		n/a			
Liabilities before assumption change	–	n/a			
Difference	$	-	$	-	(B)

7) Differences between expected and actual earnings		Earned 2016-2017		Total Recognized 2016-2017	
Actual earnings		n/a			
Expected earnings (net of expenses)	–	n/a			
Difference		-		-	
Straight-line amortization over five years	$	-	$	-	(C)

2017 Deferred Outflows and Inflows

	June 30, 2017			
		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	$	-	$	-
Changes of assumptions		-		-
Net difference between projected and actual earnings on OPEB plan investments		-		-
Total	$	-	$	-

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

Year Ending June 30		Amount
2018	$	-
2019		-
2020		-
2021		-
2022	$	-

Calculation of Projected Expense Under GASB 75

Fiscal Year Ending:		Actual June 30, 2017		Projected June 30, 2018	
Expense					
1) Service Cost	$	199,394	$	205,376	
2) Interest (on liabilities)		390,385		411,764	
3) Interest (on assets)		(263,245)		(234,489)	
4) Administrative Expenses		1,276		1,308	
5) Differences between expected and actual experience		-		-	(A)
6) Change in assumptions		-		-	(B)
7) Differences between expected and actual earnings		-		-	(C)
Total Expense	$	327,810	$	383,959	

Derivation of 2017/2018 Total Expense for Items 5), 6), and 7)

5) Differences between expected and actual experience		Earned 2016-2017		Earned 2017-2018		Total Recognized 2017-2018	
Actual liabilities		n/a	$	5,932,188			
Expected liabilities	–	n/a		5,932,188			
Difference	$	-	$	-	$	-	(A)

6) Change in Assumptions		Earned 2016-2017		Earned 2017-2018		Total Recognized 2017-2018	
Liabilities after assumption change		n/a		n/a			
Liabilities before assumption change	–	n/a		n/a			
Difference	$	-	$	-	$	-	(B)

7) Differences between expected and actual earnings		Earned 2016-2017		Earned 2017-2018		Total Recognized 2017-2018	
Actual earnings		n/a	$	(263,245)			
Expected earnings (net of expenses)	–	n/a		(263,245)			
Difference		-		-			
Straight-line amortization over five years	$	-	$	-	$	-	(C)

2018 Deferred Outflows and Inflows

	June 30, 2018 Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	$	-	$	-
Changes of assumptions		-		-
actual earnings on OPEB plan investments		-		-
Total	$	-	$	-

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

Year Ending June 30		Amount
2019	$	-
2020		-
2021		-
2022		-
2023	$	-

	Original Amount	Date Established	Original Recognition Period	Amount Recognized Each Year	Amount Recognized in OPEB Expense through June 30, 2018	Balance of Deferred Inflows as of June 30, 2018	Balance of Deferred Outflows as of June 30,2018
Investment gains or losses	$ -	6/30/2017	5 years	$ -	$ -	$ -	$ -
		Total		-	-	-	-
Economic/demographic gains or losses		**Total**			-	-	-
Assumption changes or inputs		**Total**			$ -	$ -	$ -

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Deferred Inflows	Deferred Outflows	Net Deferrals	Net OPEB Liability plus Net Deferrals	Annual Expense
Balances as of June 30, 2017	$ (5,612,042)	$ 2,333,721	$ (3,278,321)	$ -	$ -	$ -	$ (3,278,321)	
Service cost	(199,394)		(199,394)					$ 199,394
Interest on total OPEB liability	(390,385)		(390,385)					390,385
Effect of plan changes								
Effect of liability gains or losses	-		-	-		-		
Effect of assumption changes or inputs	-		-	-		-		
Expected investment income (net of investment expenses)		263,245	263,245					(263,245)
Investment gains or losses on expected return		-	-	-	-	-		
Contributions								
Employer — District's contribution		727,702	727,702				727,702	
Employer — implicit subsidy		71,179	71,179				71,179	
Employee								
Benefit payments, including refunds of employee contributions	198,454	(198,454)						
Implicit rate subsidy fulfilled	71,179	(71,179)						
Administrative expenses		(1,276)	(1,276)					1,276
Recognition of liability gains or losses				-		-		-
Recognition of assumption changes or inputs				-		-		-
Recognition of investment gains or losses				-		-		-
Annual expense							(327,810)	$ 327,810
Balances as of June 30, 2018	$ (5,932,188)	$ 3,124,938	$ (2,807,250)	$ -	$ -	$ -	$ (2,807,250)	

Actuarially Determined Contribution (ADC) for the Fiscal Year Ended June 30, 2017 and June 30, 2018

The calculation of the Actuarially Determined Contribution (ADC) follows. The ADC is based on the District's funding policy.

Fiscal Year Ending:	Actual June 30, 2017	Projected June 30, 2018
Normal Cost — Entry Age Normal	$ 199,394	$ 205,376
Administrative Expenses	1,276	1,308
Amortization of the Unfunded Actuarial Accrued Liability (UAAL)	560,166	549,492
Actuarially Determined Contribution (ADC)	**$ 760,836**	**$ 756,176**
ADC as a percentage of payroll	29.27%	28.24%
Discount rate	7.00%	7.00%
Components of the ADC		
District's Contribution*	**$ 689,657**	**$ 680,015**
Implied Contribution — Implicit Subsidy	71,179	76,161

District's Funding Policy

The District intends to contribute an amount equal to the ADC each year. The amortization period has been set to fully fund the liability by June 30, 2023.

The contribution comprises an implicit contribution, made by the District as part of its benefit payments for active employees, and an explicit contribution to the OPEB Trust equal to the ADC less the estimated implicit subsidy amount. The explicit contribution is labeled "District's Contribution" above. The ADC is the sum of the Entry Age Normal Cost for the year, plus administrative expenses and amortization of the Unfunded Actuarial Accrued Liability (UAAL). The Normal Cost is the portion of the Actuarial Present Value of benefits allocated to a valuation year. The UAAL is the excess of the Entry Age Normal Actuarial Accrued Liability over the Market Value of Assets. The implicit subsidy is credited against benefits paid for active employees and is not included in the actual amount that the District pays in benefit payments for retirees or in the amount that the District contributes to the Trust Fund.

The District is amortizing the UAAL on a closed basis. Remaining years of amortization:	7
The discount rate assumed for ADC calculations is the expected long-term rate of return:	7.00%

The amortization of the UAAL uses a level percentage of pay method.

Amortization of Unfunded Actuarial Accrued Liability for the Fiscal Year Ended June 30, 2017 and June 30, 2018

A summary of the information used to establish the amortization amount for the current year, with respect to the Unfunded Actuarial Accrued Liability (UAAL), follows. We recalculate the amortization of the UAAL each fiscal year.

		Balances for the Fiscal Year Ending:	
		June 30, 2016	**June 30, 2017**
Actuarial Accrued Liability (AAL) — Entry Age Normal		$ 5,612,042	$ 5,932,188
Actuarial Value of Plan Assets	–	2,333,721	3,124,938
Unfunded Actuarial Accrued Liability (UAAL)	=	$ 3,278,321	$ 2,807,250

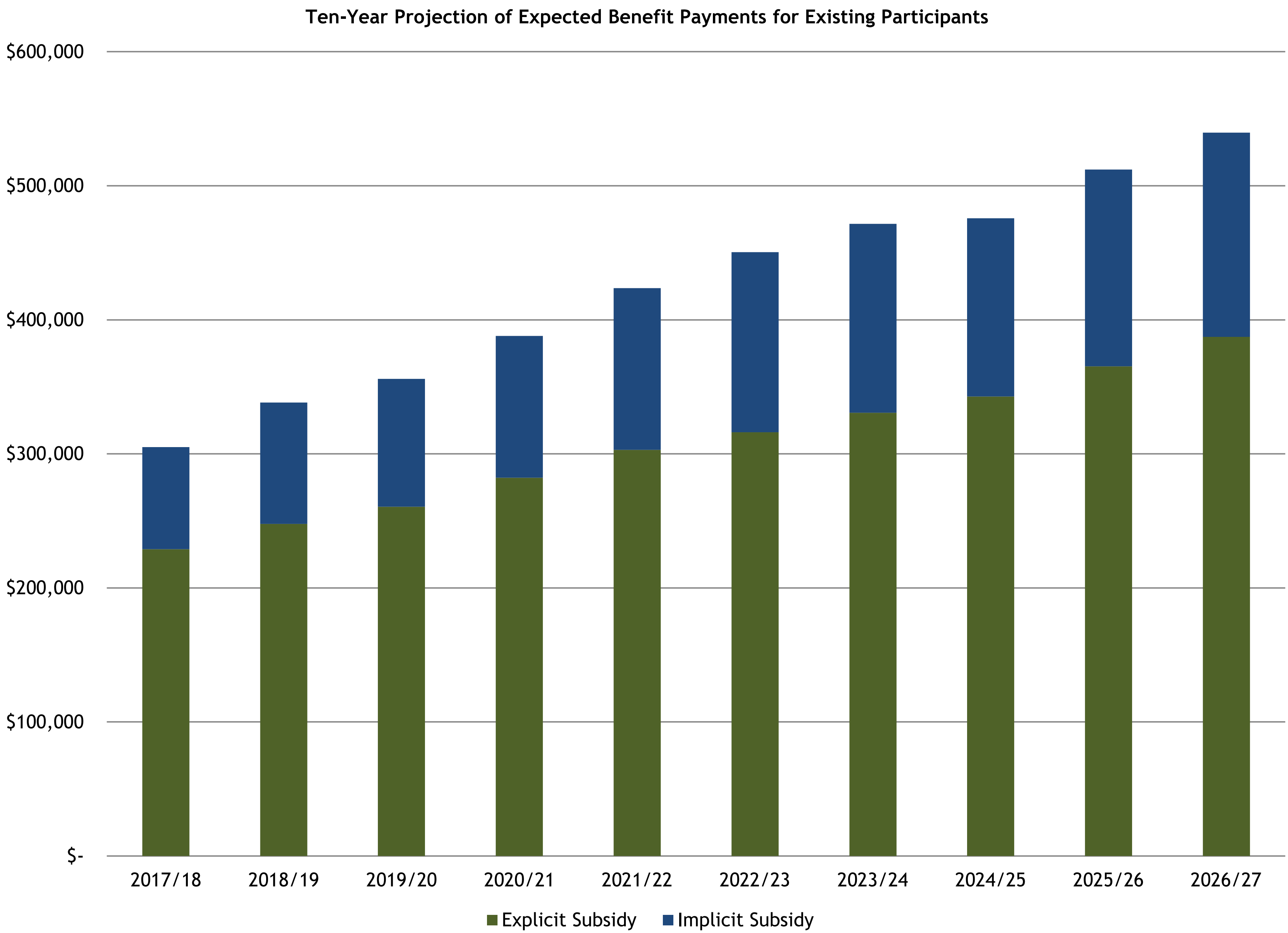
	Amortization for the Fiscal Year Ending:	
	June 30, 2017	**June 30, 2018**
Interest Rate Used to Determine Amortization Payment	7.00%	7.00%
Assumed Rate of Payroll Growth	3.00%	3.00%
Amortization Period For the Fiscal Year Ending June 30, 2017	7 years	6 years
Amount Recognized (Principal & Interest)	**$ 560,166**	**$ 549,492**

Projection of ADC and Net OPEB Liability

Fiscal Year Ending:		Actual June 30, 2017	Projected June 30, 2018
Estimated Liabilities			
OBEB liability, beginning of year		$ 5,612,042	$ 5,932,188
Normal cost	+	199,394	205,376
Interest on liabilities	+	390,385	411,764
Projected Benefit Payments			
Benefit payments, including refunds of employee contributions		(198,454)	(228,905)
Implicit rate subsidy fulfilled		(71,179)	(76,161)
Total benefit payments	+	(269,633)	(305,066)
OPEB liability, end of year **(a)**	=	$ 5,932,188	$ 6,244,262
Estimated Assets			
Assets, beginning of year		$ 2,333,721	$ 3,124,938
Expected earnings*	+	$ 263,245	234,489
Contributions			
Employer — District's contribution		$ 727,702	$ 680,015
Employer — implicit subsidy		71,179	76,161
Employee		-	-
Total contributions	+	$ 798,881	$ 756,176
Projected benefit payments			
Benefit payments, including refunds of employee contributions		$ (198,454)	$ (228,905)
Implicit rate subsidy fulfilled		(71,179)	(76,161)
Total benefit payments	+	$ (269,633)	$ (305,066)
Administrative expenses	+	$ (1,276)	$ (1,308)
Assets, end of year **(b)**	=	$ 3,124,938	$ 3,809,229
Net OPEB liability, end of year = (a) − (b)		$ 2,807,250	$ 2,435,033
Estimated expense		$ 327,810	$ 383,959
Estimated ADC		$ 760,836	$ 756,176

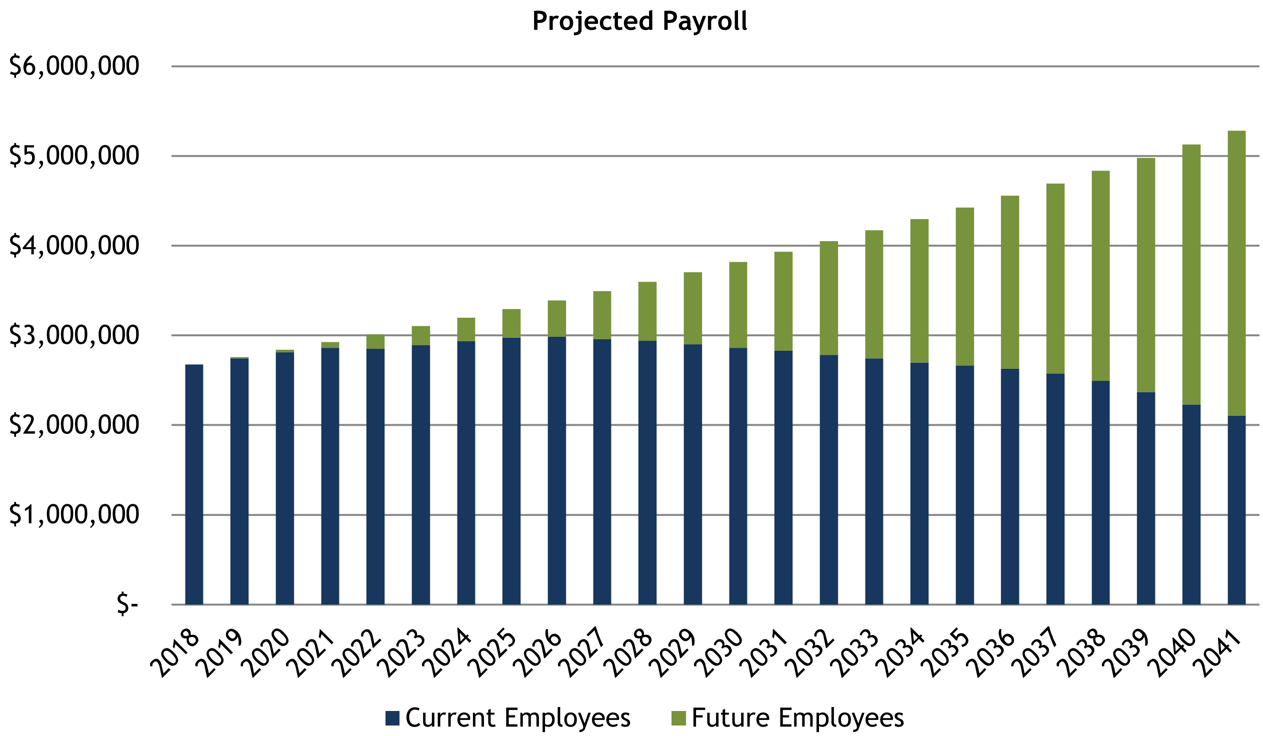
OPEB cash-flow projections for existing participants for the next thirty-six years follow.

Fiscal Year Ending	Total Expected Benefit Payments	Expected Retiree Benefit Payments	Implicit Subsidy
2018	$ 305,066	$ 228,905	$ 76,161
2019	338,212	247,767	90,445
2020	355,913	260,512	95,401
2021	387,939	282,142	105,797
2022	423,712	302,920	120,791
2023	450,489	316,176	134,312
2024	471,576	330,713	140,863
2025	475,806	342,788	133,018
2026	512,062	365,278	146,784
2027	539,619	387,252	152,367
2028	531,350	398,096	133,253
2029	542,034	413,338	128,696
2030	567,164	435,069	132,095
2031	600,158	456,465	143,693
2032	647,153	481,777	165,376
2033	633,192	493,277	139,915
2034	675,123	514,993	160,130
2035	713,605	539,366	174,238
2036	700,084	552,961	147,123
2037	731,447	576,904	154,544
2038	750,147	601,697	148,451
2039	763,673	622,846	140,826
2040	796,237	647,195	149,042
2041	804,965	669,353	135,612
2042	859,328	693,850	165,478
2043	913,875	720,208	193,667
2044	938,899	739,891	199,008
2045	992,714	762,903	229,811
2046	1,042,663	783,737	258,926
2047	1,034,297	796,993	237,303
2048	1,057,857	813,081	244,776
2049	1,047,283	825,023	222,260
2050	1,046,955	834,946	212,008
2051	1,077,797	844,738	233,059
2052	1,032,848	847,579	185,269
2053	$ 1,020,741	$ 851,175	$ 169,565

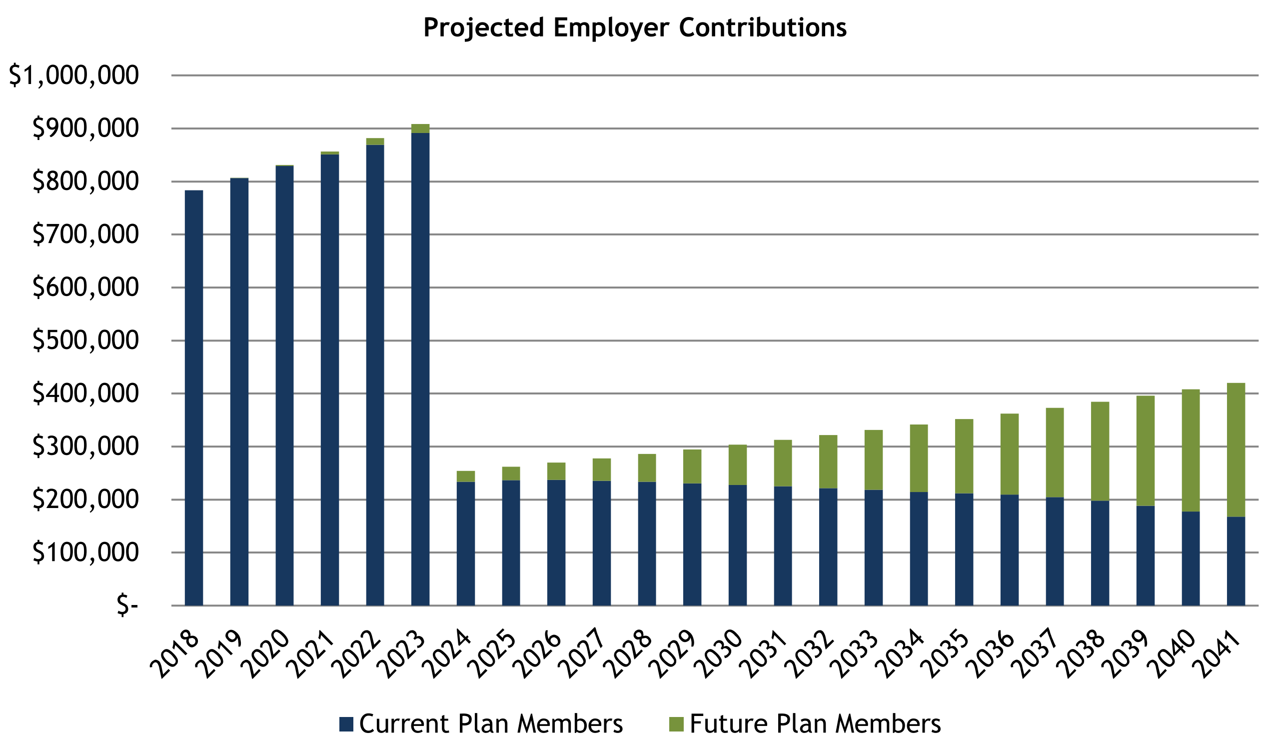

Ten-Year Projection of Expected Benefit Payments for Existing Participants
$600,000
$500,000
$400,000
$300,000
$200,000
$100,000
$-
2017/18
2018/19
2019/20
2020/21
2021/22
2022/23
2023/24
2024/25
2025/26
2026/27
Explicit Subsidy
Implicit Subsidy

Fiscal Year Ending	Payroll for Current Employees (a)	Payroll for Future Employees (b)	Total Employee Payroll (c)	Employer Contributions Related to Payroll of all Plan Members (d) = (c) x 29.27% for 6 Years, 7.95% Thereafter	Employer Contributions Related to Payroll of Future Plan Members (e) = (b) x 7.95%	Portion of Employer Contribution for Current Plan Members (f) = (d) − (e)
2018	$ 2,677,302	$ -	$ 2,677,302	$ 783,661	$ -	$ 783,661
2019	2,745,641	11,980	2,757,621	807,171	952	806,219
2020	2,811,870	28,480	2,840,350	831,386	2,264	829,122
2021	2,860,206	65,355	2,925,561	856,328	5,196	851,132
2022	2,852,235	161,093	3,013,328	882,018	12,807	869,211
2023	2,894,593	209,135	3,103,728	908,478	16,626	891,852
2024	2,937,418	259,422	3,196,840	254,149	20,624	233,525
2025	2,976,651	316,094	3,292,745	261,773	25,129	236,644
2026	2,986,489	405,038	3,391,527	269,626	32,201	237,425
2027	2,957,733	535,540	3,493,273	277,715	42,575	235,140
2028	2,938,844	659,227	3,598,071	286,047	52,409	233,638
2029	2,901,266	804,747	3,706,013	294,628	63,977	230,651
2030	2,863,037	954,156	3,817,193	303,467	75,855	227,612
2031	2,828,966	1,102,743	3,931,709	312,571	87,668	224,903
2032	2,784,534	1,265,126	4,049,660	321,948	100,578	221,370
2033	2,744,032	1,427,118	4,171,150	331,606	113,456	218,150
2034	2,696,847	1,599,438	4,296,285	341,555	127,155	214,400
2035	2,666,614	1,758,560	4,425,174	351,801	139,805	211,996
2036	2,630,699	1,927,230	4,557,929	362,355	153,215	209,140
2037	2,576,230	2,118,437	4,694,667	373,226	168,416	204,810
2038	2,492,444	2,343,063	4,835,507	384,423	186,273	198,150
2039	2,369,697	2,610,875	4,980,572	395,955	207,565	188,390
2040	2,229,056	2,900,933	5,129,989	407,834	230,624	177,210
2041	2,106,401	$ 3,177,488	$ 5,283,889	$ 420,069	$ 252,610	$ 167,459

Projected Payroll for Current and Future Employees



Projected Employer Contributions for Current and Future Plan Members



For existing participants.

Fiscal Year Ending		Projected Beginning Fiduciary Net Position (a)		Projected Total Contributions (b)		Projected Benefit Payments (c)		Projected Administrative Expense (d)		Projected Investment Earnings (e)		Projected Ending Fiduciary Net Position (f) = (a) + (b) − (c) − (d) + (e)
2018	$	3,124,938	$	783,661	$	305,066	$	1,308	$	235,451	$	3,837,676
2019		3,837,676		806,219		338,212		1,341		284,971		4,589,313
2020		4,589,313		829,122		355,913		1,375		337,766		5,398,913
2021		5,398,913		851,132		387,939		1,409		394,086		6,254,783
2022		6,254,783		869,211		423,712		1,444		453,377		7,152,216
2023		7,152,216		891,852		450,489		1,480		516,051		8,108,150
2024		8,108,150		233,525		471,576		1,517		559,186		8,427,768
2025		8,427,768		236,644		475,806		1,555		581,519		8,768,570
2026		8,768,570		237,425		512,062		1,594		604,132		9,096,471
2027		9,096,471		235,140		539,619		1,634		626,039		9,416,398
2028		9,416,398		233,638		531,350		1,675		648,669		9,765,680
2029		9,765,680		230,651		542,034		1,717		672,639		10,125,219
2030		10,125,219		227,612		567,164		1,760		696,819		10,480,726
2031		10,480,726		224,903		600,158		1,804		720,454		10,824,121
2032		10,824,121		221,370		647,153		1,849		742,721		11,139,210
2033		11,139,210		218,150		633,192		1,895		765,152		11,487,424
2034		11,487,424		214,400		675,123		1,942		787,926		11,812,685
2035		11,812,685		211,996		713,605		1,991		809,262		12,118,348
2036		12,118,348		209,140		700,084		2,041		831,030		12,456,393
2037		12,456,393		204,810		731,447		2,092		853,442		12,781,105
2038		12,781,105		198,150		750,147		2,144		875,282		13,102,246
2039		13,102,246		188,390		763,673		2,198		896,945		13,421,711
2040		13,421,711		177,210		796,237		2,253		917,775		13,718,206
2041		13,718,206		167,459		804,965		2,309		937,881		14,016,272
2042		14,016,272		154,784		859,328		2,367		956,397		14,265,758
2043	$	14,265,758	$	142,434	$	913,875	$	2,426	$	971,518	$	14,463,409

Actuarial standard of practice (ASOP) number 6, "Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions", recently changed to require the inclusion of the implicit subsidy in OPEB valuations. This change is effective for actuarial studies with a measurement date on, or after, March 31, 2015. As such, this valuation includes implicit subsidy amounts.

The implicit subsidy arises when an employer allows a retiree (and their dependents) to continue on the active plans and pay the active premiums. Retirees are not paying the true cost of their benefits because they have higher utilization rates than actives and therefore are partially subsidized by the active employees. Once a retiree reaches Medicare eligibility, the rates are sufficient to cover the true costs and there is no implicit subsidy.

Discount Rate: 7.00%

June 30, 2017 Actuarial Accrued Liability	
Category	**Amount**
District's contribution	$ 4,754,906
Implicit subsidy	1,177,282
Total	**$ 5,932,188**

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

GASB 75 requires a disclosure of the changes in Net OPEB Liability for the last 10 fiscal years, or as many years as are available

Total OPEB Liability		Fiscal Year Ending June 30, 2017
Service cost	$	199,394
Interest		390,385
Changes of benefit terms		-
Differences between expected and actual experience		-
Change of assumptions		-
Benefit payments, included refunds of employee contributions		(198,454)
Implicit rate subsidy fulfilled		(71,179)
Net change in total OPEB liability		320,146
Total OPEB liability — beginning of year		5,612,042
Total OPEB liability — end of year (a)	$	5,932,188
Plan Fiduciary Net Position		
Net investment income		263,245
Contributions		
Employer — District's conttribution	$	727,702
Employer — implicit subsidy		71,179
Employee		-
Benefit payments, included refunds of employee contributions		(198,454)
Implicit rate subsidy fulfilled		(71,179)
Administrative expense		(1,276)
Other		-
Net change in plan fiduciary net position		791,217
Plan fiduciary net position — beginning of year		2,333,721
Plan fiduciary net position — end of year (b)		3,124,938
District's net OPEB liability — end of year = (a) – (b)	$	2,807,250
Plan fiduciary net position as a percentage of the total OPEB liability		52.68%
Covered-employee payroll	$	2,677,302
District's net OPEB liability as a percentage of covered-employee payroll		104.85%

Notes to schedule:

The District adopted GASB 75 for the fiscal year ending June 30, 2017.

Schedule of Investment Returns

GASB 75 requires a schedule of investment returns for the last ten fiscal years, or for as many years as are available if less than ten years are available.

	Fiscal Year Ending June 30, 2017
Annual money-weighted rate of return, net of investment expense	10.13%

The annual money-weighted rate of return, net of investment expenses, is the net investment income for the year divided by the average net position for the year (less investment expenses).

The market value of assets as of June 30, 2017, used in this calculation were projected forward from March 31, 2017, using the assumed discount rate to estimate the fourth-quarter return.

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available.

		Fiscal Year Ending June 30, 2017
Actuarially determined contribution		$ 760,836
Less: Contributions made	–	798,881
Contribution deficiency (excess)		(38,045)
Covered-employee payroll		$ 2,599,322
Contributions as a percentage of covered-employee payroll		30.73%

Notes to Schedule:

Assumptions and Methods

Actuarial cost method	Entry age normal, level percent of pay
Amortization method	Closed period, level percent of pay
Amortization period	7 years
Asset valuation method	Market value as of June 30 projected to June 30
Inflation	2.50%
Assumed rate of payroll growth	3.00%
Healthcare trend rates	7.00%, trending down to 3.94%
PEMHCA trend rate	3.00%
Rate of return on assets	7.00%
Mortality rate	CalPERS Rates
Retirement rates	CalPERS Rates
Other information	The ADC takes into account the implicit subsidy

A draft of the required notes to the District's financial statements, based on the requirements of GASB 75 and our understanding of the District's retiree health plan, follows.

Notes to the Financial Statements
for the Year Ended June 30, 2017

Summary of Significant Accounting Policies

Other Postemployment Benefits Other Than Pensions (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the Tiburon Fire Protection District Retiree Benefits Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Note X — Other Post-employment Benefits (OPEB)

Plan Description. The District administers a single-employer defined-benefit post-employment healthcare plan. Benefits vary by hire date. Benefits continue to the surviving spouses.

Benefits Provided.

Eligibility for retiree health benefits requires retirement from the District on or after age 50 with at least five years of CalPERS service.

Eligible employees who were hired before March 1, 2005 receive 100% of medical premium. Spouse and dependent coverage is available.

Eligible employees who were hired after March 1, 2005 receive a vested share of the medical premium. Vesting starts at 50% for 10 years of service and increase 5% per additional year of service to a maximum of 100% with 20 years of service. Retirees with 5-10 years of service receive the PEMHCA minimum.

Employees covered by benefit terms.

At June 30, 2017 (the census date), the benefit terms covered the following employees:

Category	Count
Inactive employees or beneficiaries currently receiving benefit payments:	37
Inactive employees entitled to but not yet receiving benefit payment:	0
Active employees:	26
Total Participants	**63**

Contributions. The District establishes rates based on an actuarially determined rate.

For the year ended June 30, 2017 the District's expected contribution rate was 30.73% of covered-employee payroll. Employees pay the difference between the benefit they receive and the monthly premium.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30 ,2017.

Actuarial Assumptions .

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation: 2.50%

Salary increases: Aggregate salary increases 3.00%. Individual salary increases based on CalPERS.

Investment rate of return: 7.00%

Healthcare cost trend rates: 7.00% in the first year, trending down to 3.94% over 58 years.

Mortality rates were based on CalPERS tables.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57%	5.82%
Fixed Income	27%	2.37%
Treasury Inflation Protection Securities	5%	1.44%
Real Estate Investment Trusts	8%	4.25%
Commodities	3%	2.34%
Total	100%	4.50%

Discount rate.

The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that the City contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to cover all future OPEB payments. Therefore, the discount rate was set equal to the long-term expected rate of return.

Changes in the Net OPEB Liability

	Increases (Decreases)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c)
Balances as of June 30, 2016	$ 5,612,042	$ 2,333,721	$ 3,278,321
Changes for the year:			
Service cost	199,394		199,394
Interest	390,385		390,385
Differences between expected and actual experience	-		-
Contributions			
Employer — District's contribution		727,702	(727,702)
Employer — implicit subsidy		71,179	(71,179)
Employee		-	-
Net Investment Income		263,245	(263,245)
Benefit payments, including refunds of employee contributions	(198,454)	(198,454)	-
Implicit rate subsidy fulfilled	(71,179)	(71,179)	-
Administrative expenses		(1,276)	1,276
Net changes	320,146	791,217	(471,071)
Balances as of June 30, 2017	$ 5,932,188	$ 3,124,938	$ 2,807,250

Sensitivity of the net OPEB liability to changes in the discount rate. The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) follows:

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Net OPEB liability (asset)	$ 3,523,554	$ 2,807,250	$ 2,210,075

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.00%) or one percentage point higher (8.00%) than current healthcare cost trend rates follows:

	1% Decrease 6.00% Decreasing to 2.94%	Trend Rate 7.00% Decreasing to 3.94%	1% Increase 8.00% Decreasing to 4.94%
Net OPEB liability (asset)	$ 2,127,174	$ 2,807,250	$ 3,636,734

OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

For the year ended June 30, 2017, the District recognized OPEB expense of $327,810. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ -	$ -
Change of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Total	$ -	$ -

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

Year Ended June 30	Amount
2018	$ -
2019	-
2020	-
2021	-
2022	$ -

Basis of Valuation

A summary of the substantive plan used as the basis of the valuation follows.

Retiree Benefits				
Retiree Medical Benefit				
Eligibility*	Standard CalPERS (5 years of service and attained age 50)			
Duration of coverage	Retiree's lifetime			
Surviving Spouse coverage	Yes, as required by CalPERS			
Medical plan choices	Any eligible plan available via PEMHCA and administered by CalPERS			
Benefit*	District pays 100% healthcare premiums for retirees subject to a monthly maximum (max). The maximum depends on tier selection, hire date, and years of service (YOS) as shown in the table below.			
		Hire Period		
		Pre-3/1/2005	3/1/2005 to 7/30/2017	Post-7/30/2017
	Tier	Max (Fixed)	Max (subject to vesting)*	Max (Fixed)
	Employee	$ 664	$ 664	$ 664
	Employee+1	$ 1,329	$ 1,329	$ 1,329
	Family	$ 1,729	$ 1,729	$ 1,729

*<u>*Note</u>*

This group is subject to additional vesting requirements. After 10 years of service, district shall pay 50% of the cap. For every year of service after 10 years, the district shall pay an additional 5% per year toward the Cap to a maximum of 100% of cap after 20 years. For example, after 10 years of service the maximum payment would be $332 for an employee only plan. After 15 years of service, maximum payment would be $498. After 20 years of service, maximum payment is $664.

Census Date: June 30, 2017

Age and service determined as of the census date.

All Employees							
	Years of Service						
Age	**0-5**	**5-10**	**10-15**	**15-20**	**20-25**	**25+**	**Total**
<25	2						**2**
25-30	2						**2**
30-35	1	2	1				**4**
35-40	2	1	1				**4**
40-45			3				**3**
45-50	1		1	2		1	**5**
50-55		1				3	**4**
55-60			1				**1**
60-65						1	**1**
65+							**0**
Total	**8**	**4**	**7**	**2**	**0**	**5**	**26**

Inactive Participants					
	Retirees	**Disabled**	**Spouses**	**Surviving Spouses**	**Total**
< 50			1		**1**
50-54	1		2		**3**
55-59	4	1	4		**9**
60-64	1	2	2		**5**
65-69	3	2	4		**9**
70-74	1	1	3		**5**
75-79	2			2	**4**
80-84					**0**
85-89					**0**
90+				1	**1**
Total	**12**	**6**	**16**	3	**37**

A summary of the actuarial assumptions used for this valuation follows. We considered the reasonableness of each assumption independently based on its own merits, consistent with each other assumption, and the combined impact of all assumptions.

Assumption	Rates
Actuarial Cost Method	Entry Age Normal Level Percentage of Salary
Measurement Date	June 30, 2017
Census Date	June 30, 2017
Discount Rate	We selected a discount rate of 7.00% The discount rate is the long-term rate of return for the plan's assets, as our projections show that the assets will be sufficient to cover the projected benefit payments should the City continue to contribute to the plan with an amount of at least the ADC each year. Should the assets not be sufficient to cover the projected benefit payments at any time in the future, we would employ a discount rate reflecting the 20-year tax-exempt municipal bond yield or index rate to the period after which we project assets to run out. We would then use a single, blended discount rate equivalent to the long-term rate of return and the 20-year rate. If there are no assets, we would use only the 20-year rate for the valuation.
Mortality	Same as CalPERS. See appendix.
Turnover	Same as CalPERS. See appendix.
Disability	Same as CalPERS. See appendix.
Retirement	Same as CalPERS. See appendix.
Per Capita Claims Cost	Developed based on CalPERS premiums and CalPERS HMO and PPO population data. Assumed annual per capita claims costs follow:

Age	Males	Females
50	$ 11,609	$ 11,930
55	13,405	12,806
60	16,518	14,318
65	$ 3,631	$ 3,170
70	$ 4,386	$ 3,751

Average PMPM for Implicit Subsidy Calculation	Developed based on CalPERS premiums and CalPERS HMO and PPO population data. Assumed annual pre-Medicare PMPM is $7,368.
Aging or Morbidity Factors	Based on actual CalPERS HMO and PPO population data.
Participant Contributions	Based on employee hire date.

Assumption	Rates	
Salary Increases	3.00% per year (same as CalPERS). The salary increase is used to determine the growth in the aggregate payroll. Individual Salary Increases: 2015 CalPERS Merit Salary Increases.	
Inflation Rate	2.50%	
Marital Status	Used actual spouse status for current retirees. Used actual spouse coverage and ages for current retirees. Future retirees: Assumed 80% are married.	
Spouse Age Difference	Used actual spouse age for current retirees. Assumes males are three years older than females for future retirees.	
Participation	Current Retirees: current elections remain unchanged	
	Future Retirees:	
	• Eligible for Distirct Contribution above the PEMHCA minimum	95%
	• Eligible for the PEMHCA minumum only	75%
PEMHCA Administration Fee	0.33% of retiree premium.	
Annual PEMHCA Amount	$1,566 for the period June 30, 2017 through June 30, 2018.	
Benefit Cap Escalation Rate:	3.5% annually.	
PEMHCA Minimum Trend	3.00% for all future years.	
ACA Excise Tax	Assumed that the ACA Excise Tax will be greater than the benefit cap, and therefore the District will pass the tax on to the retirees.	

Assumption	Rates

Monthly Premiums, Employee only

Plan	2017	2018
Anthem HMO Select Bay Area	$783.46	$895.41
Health Net SmartCare Bay Area	$733.29	$863.48
Kaiser Permanente California Bay Area	$733.39	$779.86
Peace Officers Research Association of California	$699.00	$734.00
PERS Choice Bay Area	$830.30	$800.27
PERS Select Bay Area	$736.27	$717.50
PERSCare Bay Area	$932.39	$882.45

Medical Trend Rates

Medical Long-Term Trends from Society of Actuaries "Long Term

Year	Pre-Medicare	Post-Medicare
2017	7.00%	6.00%
2018	6.50%	5.50%
2019	6.00%	5.50%
2020	5.50%	5.30%
2021	5.20%	5.20%
2022	5.20%	5.20%
2023	5.20%	5.20%
2024	5.19%	5.19%
2025	5.19%	5.19%
2026	5.19%	5.19%
2027	5.19%	5.19%
2028-2074	...	...
2075+	3.94%	3.84%

This section includes a brief summary of GASB 75, as well as definitions of some of the key terminology used in this report.

About GASB 75

In General. In June 2015 the Governmental Accounting Standards Board released GASB 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". GASB 75 replaced GASB 45 for fiscal years beginning after June 15, 2017, for employers that sponsor OPEB plans. The provisions in GASB 75 are similar to the provisions of GASB 68 for pensions.

Accounting. GASB 75 requires a liability known as the Net OPEB Liability (NOL). The employer recognizes the NOL on its balance sheet. The employer also recognizes an OPEB expense in the income statement. GASB 45 recorded the Unfunded Accrued Actuarial Liability (UAAL) in the notes to the financial statement, whereas GASB 75 records the NOL, which is very similar to the UAAL with just a few technical differences, on the balance sheet.

Financial Statement Impact (Employers). One of the biggest changes to the financial statements of governmental employers that provide OPEB is the reporting of the OPEB liability on the face of the statements rather than in the footnotes. Governments that do not provide OPEB through a trust are required to recognize the entire OPEB liability in the financial statements. For governments that provide OPEB through an OPEB plan that is administered through a trust, the government's OPEB liability is recognized net of the amount of the OPEB plan's fiduciary net position.

Changes to the Measurement of the Total OPEB Liability. Measurement of the OPEB liability includes discounting future benefit payments for current and former employees and their beneficiaries to their present value and allocating the present value over past and future periods of the employee service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The calculation continues to include employee-related events, such as projected salary increases and projected years of service, if they affect the amount of OPEB payments employees will receive, as well as provisions for automatic cost-of-living adjustments (COLAs) and other automatic benefits. Additionally, ad hoc COLAs and other ad hoc benefit changes, which are made at the discretion of the government, are included in projections as well, if they routinely recur.

GASB 75 requires governments to discount projected OPEB payments to their present value. Under the new standard, governments discount the projected OPEB payments to be made in each year and the amount of plan assets (if a government administers the OPEB through a trust) available for providing those benefits to current active and inactive employees and their beneficiaries. Similar to the pension standards, the discount rate used is based on whether the plan assets are projected to be sufficient to make future payments. If the plan assets are sufficient, governments discount future payments using the long-term expected rate of return. If projected plan assets are insufficient to make all future payments to current and inactive employees and their beneficiaries, or if there are no plan assets held in trust, the discount rate is based on a high-quality 20-year tax-exempt general obligation municipal bond yield or index rate. "High-quality" is defined as being rated AA or higher (or an equivalent rating).

Cost Method. The Entry Age Normal Cost method must be used.

About GASB 75 (continued)

Factors that affect a government's OPEB liability, such as actual earnings on plan investments when the OPEB plan is administered as a trust, employee compensation changes, interest on the outstanding OPEB liability, contributions from employees and employers, and actual demographic and economic changes that are not in line with assumptions made in the actuarial calculations, are considered when determining the government's OPEB expense. A government's annual OPEB expense is calculated with consideration for factors affecting the OPEB liability within the reporting period. Several causes of changes in OPEB liability are immediately factored into the calculation of OPEB expense for the period, such as benefits earned each year, interest on the total OPEB liability, changes in benefit terms, and projected earnings on plan investments, if administered through a trust.

Governments are required to recognize deferred outflows of resources or deferred inflows of resources and then introduce into the expense calculation, systematically and rationally over the average remaining years of employment (active employees and inactive employees, including retirees), the effect on the total OPEB liability of differences between assumptions and actual experience.

Key Terminology

Actuarially Determined Contribution	A target or recommended contribution to a defined benefit OPEB plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.
Actuarial Present Value of Projected Benefit Payments	Projected benefit payments discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.
Actuarial Valuation Date	The date as of which an actuarial valuation is performed.
Agent Employer	An employer whose employees are provided with OPEB through an agent multiple-employer defined-benefit OPEB plan.
Closed Period	A specific number of years that is counted from one date, which declines to zero with the passage of time. For example, if the recognition period initially is five years on a closed basis, four years remain after the first year, three years after the second year, and so forth until no years remain.
Contributions	Additions to an OPEB plan's fiduciary net position for amounts from employers, non-employer contributing entities, or employees.
Defined Benefit OPEB	OPEB for which the benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The OPEB may be stated as (a) a specified dollar amount (b) an amount that is calculated based on one or more factors such as age, years of service, and compensation, or (c) a type or level of coverage such a prescription drug coverage or a percentage of health insurance premiums. OPEB that does not have all of the terms of defined contribution OPEB is classified as defined-benefit OPEB.

Key Terminology (continued)

Discount Rate	The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following: a. The actuarial present value of benefit payments projected to be made in future periods in which (1) the amount of the OPEB plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (2) OPEB plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on OPEB plan investments. b. The actuarial present value of projected benefit payments not included in (a), calculated using 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).
Measurement Period	The period between the prior and current measurement dates.
Net OPEB Liability	The liability of employers and non-employer contributing entities to employees for benefits provided through a defined-benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of GASB
Other Postemployment Benefits (OPEB)	Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payment for sick leave.
Projected Benefit Payments	All benefits estimated to be payable through OPEB plan to current active and inactive employees as a result of their past service and their expected future service.
Service Costs	The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.
Substantive Plan	The plan terms as understood by the employer and the plan members at the time of the valuation, including only changes to plan terms that have been made and communicated to employees.

The valuation used the following decrement tables from the CalPERS OPEB Assumption Model, revised March 7, 2014:
https://www.calpers.ca.gov/page/employers/benefit-programs/cerbt/opeb-assumption-model

Mortality	**Source Table**
Miscellaneous Employees	Mort and Disb Rates_Misc
Safety Employees	Mort and Disb Rates_Fire
Disability Rates	
Miscellaneous Employees	Mort and Disb Rates_Misc
Safety Employees	Mort and Disb Rates_Fire
Terminated Vested Rates	
Miscellaneous Employees	Terminated Vested Rates_Misc
Safety Employees	Terminated Vested Rates_Fire
Terminated Refund Rates	
Miscellaneous Employees	Terminated Refund Rates_Misc
Safety Employees	Terminated Refund Rates_Fire
Service Retirement Rates	
Miscellaneous Employees	
• 2.7% at 55	Rx Misc 2.7 % @ 55
Safety Employees	
• 2.0% at 50	Rx Safety Fire 2% @ 50
• 3.0% at 55	Rx Safety Fire 3% @ 55