

July 24, 2020

Ms. Alyssa Schiffman
Finance Manager
Southern Marin Fire Protection District
308 Reed Blvd.
Mill Valley, CA 94941

Re: Southern Marin Fire Protection District ("District") GASB 75 Valuation

Dear Ms. Schiffman:

This report sets forth the results of our GASB 75 actuarial valuation of the District's retiree health insurance program as of June 30, 2020.

In June, 2015 the Governmental Accounting Standards Board (GASB) issued new accrual accounting standards for Other Postemployment Benefits (OPEB), GASB 74 and GASB 75. GASB 74/75 require public employers such as the District to perform periodic actuarial valuations to measure and disclose their OPEB liabilities for the financial statements of both the employer and the trust, if any, set aside to pre-fund these liabilities. The District must obtain actuarial valuations of its retiree health insurance program under GASB 75 not less frequently than once every two years.

The net impact of OPEB on the District's Net Position is projected to decrease from \$6,665,603 as of June 30, 2019, to \$6,395,109 as of June 30, 2020. The District's OPEB expense for the fiscal year 2019-20 is \$483,456, or 7.21% of projected covered payroll.

The District has selected Pacific Crest Actuaries (PCA) to perform this actuarial valuation of the District's retiree health insurance program as of June 30, 2020, to be used for the fiscal years ending June 30, 2020 and 2021.

The report is organized as follows:

- (1) Introduction and discussion; GASB 75 accounting and disclosures.
- (2) Information not relating to GASB 75 disclosures (begins on page 10).
- (3) Plan provisions, valuation data, actuarial assumptions, and certification.

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

Introduction and Discussion

We have determined that the present value of District-paid retiree health benefits is \$11,889,005 as of June 30, 2020. This represents the present value of all plan benefits expected to be paid by the District for its current and future retirees. If the District were to place this amount in a fund earning interest at the rate of 6.00% per year, and all other actuarial assumptions were exactly met, the fund would have exactly enough to pay all expected benefits. This number is given for informational purposes only and is not required to be included in the District's financial statement. This includes benefits for 31 active employees, some of whom may become eligible to retire and receive benefits in the future, and 34 retirees receiving District health benefits as of the valuation date.

When we apportion the \$11,889,005 into past service and future service components under the Entry Age, Level Percent of Pay Cost Method, the past service liability (or "Total OPEB Liability") component is \$10,532,436 as of June 30, 2020. This represents the present value of all benefits accrued through the valuation date assuming that each employee's liability is expensed from hire date until retirement date as a level percentage of pay. The \$10,532,436 is comprised of liabilities of \$5,782,317 for active employees and \$4,750,119 for retirees. The District has adopted an irrevocable trust (PARS) for the pre-funding of retiree healthcare benefits. Trust assets have an actuarial value of \$4,379,050 as of June 30, 2020; therefore, the Unfunded Accrued Liability (also called the "Net OPEB Liability", equal to the AL less Actuarial Value of Assets) is \$6,153,386.

Actuarially determined contributions, or ADC (as defined by GASB 75) have not been calculated as part of this report. We provide a discussion of sample funding schedules beginning on page 11.

A summary of the plan liabilities as of June 30, 2019 and June 30, 2020 is shown below:

	Measurement Date <u>6/30/2020</u>	Measurement Date <u>6/30/2019</u>
Present Value of Benefits		
Active employees	\$7,138,886	
Retirees	<u>4,750,119</u>	
Total Present Value of Benefits	\$11,889,005	
Entry Age Accrued Liability		
Active employees	\$5,782,317	
Retirees	<u>4,750,119</u>	
Total OPEB Liability	\$10,532,436	\$10,633,309
Fiduciary Net Position (Trust Assets)	<u>(4,379,050)</u>	<u>(3,965,114)</u>
Net OPEB Liability	\$6,153,386	\$6,668,195
Service Cost (2020-21)	\$210,208	

Summary of Results

The change in Southern Marin Fire Protection 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:

	Measurement Date	
	<u>6/30/2020</u>	<u>6/30/2019</u>
Net OPEB Liability/(Asset)	\$6,153,386	\$6,668,195
Deferred Inflows of Resources	300,245	9,206
Deferred Outflows of Resources	<u>(58,522)</u>	<u>(11,798)</u>
Net Impact on Statement of Net Position	\$6,395,109	\$6,665,603
OPEB Expense (\$ Amount)	\$483,456	
Projected Covered Payroll	\$6,706,555	
OPEB Expense (% of Payroll)	7.21%	

For the measurement period ending June 30, 2020, the annual OPEB Expense is \$483,456, or 7.21% of covered payroll. This amount differs from the District's projected contribution (including implicit subsidy) of \$753,950 in that it represents the change in the Net Impact on the Statement of Net Position plus employer contributions (\$6,395,109 - \$6,665,603 + \$753,950). A breakdown of the components of the annual OPEB Expense is shown on page 7 of the report.

This valuation should be used for the District's fiscal years ending June 30, 2020 and June 30, 2021. The June 30, 2021 disclosures should be based on a roll-forward of the results of this valuation. The roll-forward will involve actual, rather than expected, benefit payments, trust assets as of the statement date (if any), and possibly a change in discount rate, if conditions change sufficiently in the interim. Therefore, the projected June 30, 2021 numbers are not given in this report, but will be available on a complimentary basis from PCA at the time the District prepares its June 30, 2021 disclosures.

The information given in pages 4 through 9 of this report follows the wording and format of Illustration 4 of GASB 75. Accordingly, the past tense is used in some cases where the period in question has not yet ended.

**Schedule of Changes in Net OPEB Liability
For the Year Ended June 30, 2020**

The components of the Southern Marin Fire Protection District's Net OPEB Liability as of June 30, 2020 were as follows:

Total OPEB Liability (TOL)

Service cost at beginning of year	\$203,958
Interest on TOL plus service cost, less 1/2 benefit payments	635,234
Changes of benefit terms	0
Difference between expected and actual experience	(391,781)
Changes of assumptions	(48,228)
Benefit payments, adjusted for implicit subsidy	<u>(500,056)</u>
Net change in Total OPEB Liability	(\$100,873)

Total OPEB Liability - beginning (6/30/19) (a)	<u>\$10,633,309</u>
Total OPEB Liability - ending (6/30/20) (b)	\$10,532,436

Plan Fiduciary Net Position

Contributions - employer, adjusted for implicit subsidy	\$753,950
Contributions - member	0
Expected investment income, net of investment expense	244,878
Difference between expected and actual investment income	(63,320)
Changes of assumptions	0
Benefit payments, adjusted for implicit subsidy	(500,056)
Trustee fees	(0)
Administrative expense	(21,516)
Other	<u>(0)</u>
Net change in Plan Fiduciary Net Position	\$413,936

Plan Fiduciary Net Position - beginning (6/30/19) (c)	<u>\$3,965,114</u>
Plan Fiduciary Net Position - ending (6/30/20) (d)	\$4,379,050

District's Net OPEB Liability - beginning [(a)-(c)]	\$6,668,195
District's Net OPEB Liability - ending [(b)-(d)]	\$6,153,386

**Schedule of Collective Deferred Inflows and Deferred Outflows
For the Year Ended June 30, 2020**

The current balances of collective deferred outflows and deferred inflows of resources as of June 30, 2020 were as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$0	\$261,187
Changes in assumptions	0	32,152
Net difference between projected and actual earnings on OPEB plan investments	<u>58,522</u>	<u>6,906</u>
Total	<u>\$58,522</u>	<u>\$300,245</u>

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

<u>Year ended June 30:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2021	\$16,596	\$148,972
2022	16,596	148,972
2023	12,664	2,301
2024	12,666	0
2025	0	0
2026	0	0
2027	0	0
2028	0	0
2029	0	0

The average of expected remaining service lives was 2.983 as of the June 30, 2020 measurement date. This was rounded to 3.0 for purposes of determining annual expense and deferral amounts for bases created after June 30, 2019 other than earnings gains and losses, which are recognized over 5 years under GASB 75.

A detailed schedule of the components of the deferrals, including date of creation, initial balance, and outstanding balance for each base, is given on the next page.

**Schedule of Collective Deferred Inflows and Deferred Outflows
For the Year Ended June 30, 2020 (Continued)**

Deferred Outflows of Resources

<u>Year</u>	<u>Category</u>	<u>Initial Base</u>	<u>Initial Period</u>	<u>Annual Outflow</u>	<u>Current Balance</u>
2017-18	Net difference between projected and actual investment earnings	\$19,662	5.0	\$3,932	\$7,866
2019-20	Net difference between projected and actual investment earnings	63,320	5.0	<u>12,664</u>	<u>50,656</u>
	Total			\$16,596	\$58,522

Deferred Inflows of Resources

<u>Year</u>	<u>Category</u>	<u>Initial Base</u>	<u>Initial Period</u>	<u>Annual Inflow</u>	<u>Current Balance</u>
2018-19	Net difference between projected and actual investment earnings	\$11,508	5.0	\$2,302	\$6,906
2019-20	Difference between expected and actual experience	391,781	3.0	130,594	261,187
2019-20	Changes in assumptions	48,228	3.0	<u>16,076</u>	<u>32,152</u>
	Total			\$148,972	\$300,245

Annual OPEB Expense
For the Year Ended June 30, 2020

The annual OPEB Expense recognized by the Southern Marin Fire Protection 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 Net 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 Southern Marin Fire Protection District as of June 30, 2020 were as follows:

Net OPEB Liability as of June 30, 2019 (a)	\$6,668,195
Net OPEB Liability as of June 30, 2020 (b)	<u>6,153,386</u>
Change in Net OPEB Liability [(b)-(a)]	(\$514,809)
Change in Deferred Outflows	(46,724)
Change in Deferred Inflows	291,039
Employer Contributions*	<u>753,950</u>
OPEB Expense	\$483,456

*Actual pay-as-you-go of \$394,989, increased for implicit subsidy to \$500,056, plus \$253,894 contributed to PARS Trust.

Net OPEB Liability

The District's Net OPEB Liability of \$6,153,386 was based on an actuarial valuation as of June 30, 2020 and a measurement date of June 30, 2020.

Actuarial Assumptions. The Total OPEB Liability was determined using an actuarial valuation as of June 30, 2020, using the following actuarial assumptions:

Inflation	2.25%
Salary increases	3.00%, average, including inflation
Discount rate	6.00%, net of investment expense, including inflation
Healthcare cost trend rates	6.00% for 2020-21, decreasing to 4.50% for 2023-24 and after
Retirees' share of cost	Retirees pay excess of any premiums over the District contribution which varies based on years of service at retirement.

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.

The long-term expected rate of return (LTROR) on OPEB plan investments of 6.00% was determined by PARS and US Bank 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 discount rate of 6.00% is based on the long-term rate of return. It was determined that the LTROR was an appropriate basis for selection of the discount rate based on the results of a cross-over test performed by the plan's actuaries, PCA, as of the valuation date, which shows that plan assets, together with expected future contributions, will be sufficient to pay all expected future benefits.

Net OPEB Liability (continued)

All actuarial assumptions used in measuring the Total OPEB Liability are described beginning on page 18 of this report. The assumptions were based on plan experience through June 30, 2020. The actuarial cost method used for measuring the Total OPEB Liability for purposes of GASB 75 was Entry Age, Level Percent of Pay.

Sensitivity of the Net OPEB Liability to changes in the discount rate. The following presents the District's Net OPEB Liability as of June 30, 2020 calculated using the discount rate of 6.00%, as well as what the District's Net OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.00%) or 1 percentage point higher (7.00%) than the current rate:

	<u>1% Decrease (5.00%)</u>	<u>Current Rate (6.00%)</u>	<u>1% Increase (7.00%)</u>
Net OPEB Liability	\$7,554,235	\$6,153,386	\$5,001,018

Sensitivity of the Net OPEB Liability to changes in the healthcare trend rates. The following presents the District's Net OPEB Liability as of June 30, 2020, as well as what the District's Net OPEB Liability would be if it were calculated using healthcare trend rates that are 1 percentage point lower (5.0% grading down to 3.5%) or 1 percentage point higher (7.0% grading down to 5.5%) than the current healthcare cost trend rates:

	<u>1% Decrease (5.0% decreasing to 3.5%)</u>	<u>Current Rates (6.0% decreasing to 4.5%)</u>	<u>1% Increase (7.0% decreasing to 5.5%)</u>
Net OPEB Liability	\$4,925,843	\$6,153,386	\$7,652,820

Differences from Prior Valuation

The most recent prior valuation was completed as of July 1, 2018 by DFA. The AL (Accrued Liability) as of that date was \$10,190,992 compared to \$10,532,436 as of June 30, 2020. In this section, we provide a reconciliation between the two numbers so that it is possible to trace the AL from one actuarial report to the next.

Several factors have caused the AL to change since 2018. The AL increases with the passage of time as employees accrue more service and get closer to receiving benefits, and decreases as benefit obligations to current retirees are satisfied. There are actuarial gains/losses from one valuation to the next, and changes in actuarial assumptions and methodology for the current valuation. To summarize, the most important changes were as follows:

1. We changed the healthcare trend rates from 5% for all years to an initial increase of 6% decreasing to 4.5% over a period of three years. This decreased the AL by \$392,220.
2. We assumed projected mortality improvements in order to be compliant with recently revised actuarial standards. This increased the AL by \$343,992.
3. There was a net experience gain (a decrease in the AL) of \$391,781 from all other sources. Due to the change in actuarial firms it is difficult to provide a more detailed breakdown of the components of this gain. We believe that a large component of it may be MCERA premium increases (especially the Medicare supplement) less than expected.

The estimated changes to the AL from July 1, 2018 to June 30, 2020 may be summarized as follows:

Changes to AL	AL
AL as of 7/1/18	\$10,190,992
Passage of time	781,453
Change in healthcare trend rates	(392,220)
Change in mortality projections	343,992
(Gain) from all other sources	<u>(391,781)</u>
AL as of 6/30/20	\$10,532,436

This information is not required to be included in the District's GASB 75 disclosures.

Funding Schedules

There are many ways to approach the pre-funding of retiree healthcare benefits. In the *Financial Results* section, we determined the accrual expense for all District-paid benefits. The expense is an orderly methodology, developed by the GASB, to account for retiree healthcare benefits. However, the GASB 75 expense has no direct relation to amounts the District may set aside to pre-fund healthcare benefits.

The table on the next page provides the District with three alternative schedules for funding (as contrasted with expensing) retiree healthcare benefits. The schedules all assume that the retiree fund earns, or is otherwise credited with, 6.00% per annum on its investments, a starting trust balance of \$4,379,050 as of June 30, 2020, and that contributions and benefits are paid mid-year.

The schedules are:

1. A level contribution amount for the next 20 years.
2. A level percent of the Unfunded Accrued Liability.
3. A constant percentage increase (3%) for the next 20 years.

We provide these funding schedules to give the District a sense of the various alternatives available to it to pre-fund its retiree healthcare obligation. The three funding schedules are simply three different examples of how the District may choose to spread its costs.

By comparing the schedules, you can see the effect that early pre-funding has on the total amount the District will eventually have to pay. Because of investment earnings on fund assets, the earlier contributions are made, the less the District will have to pay in the long run. Of course, the advantages of pre-funding will have to be weighed against other uses of the money.

The table on the following page shows the required annual outlay under the pay-as-you-go method and each of the above schedules. **The three funding schedules include the "pay-as-you-go" costs; that is, they assume that the District's pay-as-you go costs are reimbursed from the fund each year.**

These numbers are computed on a closed group basis, assuming no new entrants, and using unadjusted premiums. We use unadjusted premiums for these funding schedules because we do not recommend that the District pre-fund for the full age-adjusted costs reflected in the GASB 75 liabilities shown in the first section of this report. If the District's premium structure changes in the future to explicitly charge under-age 65 retirees for the full actuarial cost of their benefits, this change will be offset by a lowering of the active employee rates (all else remaining equal), resulting in a direct reduction in District operating expenses on behalf of active employees from that point forward. For this reason among others, we believe that pre-funding of the full GASB liability would be redundant.

Southern Marin Fire Protection District

Sample Funding Schedules (Closed Group)

Starting Trust Balance of \$4,379,050 as of June 30, 2020

Fiscal Year	Pay-as-you-go*	Level Contribution for 20 years	Level % of Unfunded Liability	Constant Percentage Increase
2020	\$368,111	\$474,400	\$673,868	\$373,672
2021	406,524	474,400	627,996	384,882
2022	430,590	474,400	586,867	396,428
2023	464,859	474,400	549,715	408,321
2024	501,528	474,400	516,221	420,571
2025	539,258	474,400	485,958	433,188
2026	581,624	474,400	458,513	446,184
2027	601,981	474,400	433,537	459,569
2028	638,543	474,400	410,479	473,356
2029	657,969	474,400	389,200	487,557
2030	682,597	474,400	369,307	502,184
2031	721,674	474,400	350,626	517,249
2032	753,723	474,400	333,001	532,767
2033	783,248	474,400	316,176	548,750
2034	788,474	474,400	299,953	565,212
2035	793,936	474,400	281,824	582,169
2036	803,599	474,400	255,243	599,634
2037	805,145	474,400	231,176	617,623
2038	766,694	474,400	209,382	636,151
2039	770,289	474,400	189,646	655,236
2040	783,358	0	171,775	0
2041	771,710	0	155,594	0
2042	781,994	0	140,941	0
2043	752,483	0	127,673	0
2044	743,838	0	115,657	0
2045	736,727	0	104,776	0
2046	687,824	0	94,923	0
2047	686,480	0	85,998	0
2048	684,336	0	77,916	0
2049	658,752	0	70,598	0
2050	643,317	0	63,970	0
2051	641,127	0	57,967	0
2052	619,263	0	52,531	0
2053	610,439	0	47,607	0
2054	604,340	0	43,148	0
2055	592,835	0	39,111	0
2060	530,229	0	23,963	0
2065	420,133	0	14,720	0
2070	281,830	0	9,058	0

*Projected pay-as-you-go adjusted for implicit subsidy is \$473,257 for 2020-21 and \$515,348 for 2021-22.

Actuarial Assumptions

In order to perform the valuation, the actuary must make certain assumptions regarding such items as rates of employee turnover, retirement, and mortality, as well as economic assumptions regarding healthcare inflation and interest rates. Our assumptions are based on a standard set of assumptions we have used for similar valuations, modified as appropriate for the District. For example, turnover rates are taken from a standard actuarial table, T-5, reduced by 40% at all ages. This matches the District's historic turnover patterns. Retirement rates were also based on recent District retirement patterns. Both assumptions should be reviewed in the next valuation to see if they are tracking well with experience.

The discount rate of 6.00% is based on the PARS OPEB Trust rate of return, net of investment expenses. This is in accordance with the guidelines for the selection of this rate under GASB 75 for funded plans such as the District's. The healthcare trend rates are based on our analysis of recent District experience and our knowledge of the general healthcare environment.

In determining the cost of covering early retirees (those under the age of 65), we used an age-adjusted claims cost matrix fitted to an estimated equivalent single premium for active employees and early retirees, based on average plan selection of the current retiree group. A complete description of the actuarial assumptions used in the valuation is set forth in the "Actuarial Assumptions" section.

Projected Annual Pay-as-you go Costs

As part of the valuation, we prepared a projection of the expected annual cost to the District to pay benefits on behalf of its retirees on a pay-as-you-go basis. These numbers are computed on a closed group basis, using unadjusted premiums, assume no new entrants, and are net of retiree contributions. Projected pay-as-you-go costs for selected years are as follows:

FYB	Pay-as-you-go
2020	\$368,111
2021	406,524
2022	430,590
2023	464,859
2024	501,528
2025	539,258
2030	682,597
2035	793,936
2040	783,358
2045	736,727
2050	643,317
2055	592,835
2060	530,229
2065	420,133
2070	281,830

Breakdown by Employee/Retiree Group

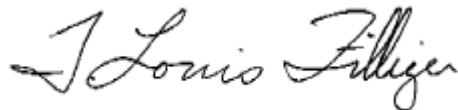
Exhibit I, attached at the end of the report, shows a breakdown of the GASB 75 components (PVFB, AL, and Service Cost) by bargaining unit (or non-represented group) and separately by active employees (future retirees) and current retirees, as of June 30, 2020. This schedule is provided for the District's information and is not a required part of the GASB 75 disclosures.

Certification

The actuarial certification, including a caveat regarding limitations of scope, if any, is contained in the "Actuarial Certification" section at the end of the report.

We have enjoyed working with the District on this report, and are available to answer any questions you may have concerning any information contained herein.

Sincerely,
PACIFIC CREST ACTUARIES

A handwritten signature in cursive script that reads "T. Louis Filliger".

T. Louis Filliger, FSA, EA, MAAA
Actuary

Benefit Plan Provisions

SMFPD provides health care for employees, and dependents (and also for retirees and their dependents) through the Marin County Employees' Retirement Association (MCERA). Employees may choose one of two medical options: Kaiser Plan L HMO and Teamsters Blue Cross PPO. SMFPD also offers dental and vision insurance through BRMS.

Retiree Coverage

Firefighters

Effective beginning with the 2011-12 fiscal year, Firefighters receive retiree health benefits pursuant to the terms of Section 7.1 of their Memorandum of Understanding (MOU), which states in relevant part that retired unit members with at least 20 years of service will receive a District contribution equal to 100% of the Kaiser Plan L retiree-only premium. Members with at least 10 but fewer than 20 years of service at retirement will receive a District contribution equal to the Kaiser L rate multiplied by 50% plus 5% per year of service in excess of 10 years. Members other than former Sausalito employees hired prior to July 1, 2010 with at least 30 years of service at retirement will also receive District-paid spousal coverage (up to 100% of the Kaiser "Plus 1" rate). Members hired on or after January 1, 2014 receive a Retiree Health Savings account, which is not within the scope of GASB 75.

Administrative Employees

Retired administrative employees (Non-Sworn Administrative Staff) hired prior to January 1, 2013 are eligible to receive an employer contribution equal to the retiree-only premium for the Kaiser Plan L rate (similar to Firefighters). Administrative employees hired on or after January 1, 2013 are not eligible for retiree health benefits.

Fire Chief Officers' Association (SMFCOA)

Retired Deputy Chief and Battalion Chiefs covered by IAFF Local 1775 are eligible to receive an employer contribution towards medical and dental insurance after the completion of 5 years of service and retirement from SMFPD through the Marin County Retirement System. Full-time employees of SMFCOA with 15 years of service qualify for continuation of District-paid spousal coverage. These provisions apply only to existing members of SMFCOA and Fire Chiefs who were employed and promoted prior to July 1, 2001. SMFCOA members hired or promoted after that date are subject to the same provisions as Firefighters, with the exception that SMFCOA retirees with at least 15 years of service are also eligible to receive District-paid dental insurance. Members hired on or after January 1, 2014 receive a Retiree Health Savings account, which is not within the scope of GASB 75.

Benefit Plan Provisions (Continued)

Reimbursements from City of Sausalito

There are fifteen Sausalito Firefighters who were subsumed into the District's plan in 2012. Of these fifteen, nine are covered under an agreement whereby the City of Sausalito agreed to pay the District \$58,000 per year for 30 years. The actuarial liabilities for the nine employees and retirees are included in this valuation because the District has set up a separate asset to account for the contributions from the City of Sausalito.

The remaining six have (or will have) their benefits paid directly by the City of Sausalito and have not been included in this valuation.

Medical and Dental Premiums

The following table shows January 1, 2020 premiums for retirees in MCERA:

	Kaiser HMO Plan L	Blue Cross Teamsters	Delta Dental
<u>Basic Plan</u>			
Retiree	\$854.99	\$782.20	\$65.19
Retiree + 1	1,709.98	1,564.40	123.37
<u>Medicare Coordinated</u>			
Retiree	\$380.05	N/A	\$65.19
Retiree + 1ME	760.10	N/A	123.37

Valuation Data

Active and Retiree Census

Age distribution of eligible retirees and surviving spouses

Age	Count
Under 50	0
50-54	3
55-59	4
60-64	7
65-69	7
70-74	4
75-79	7
80-84	2
85-89	0
90+	<u>0</u>
Total	34
Average Age	66.56

Age/Years of service distribution of active employees included in the valuation*

Years→	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
<u>Age</u>									
<25	0								0
25-29	0	0							1
30-34	0	1	0						5
35-39	0	1	4	0					6
40-44	0	1	3	2	0				10
45-49	0	0	1	6	2	1			5
50-54	0	0	1	1	3	0	0		4
55-59	0	0	0	1	2	0	1	0	0
60-64	0	0	0	0	0	0	0	0	0
65+	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
All Ages	0	3	9	10	7	1	1	0	31

*includes prior service credits with the City of Sausalito where applicable.

Average Age: 45.94
 Average Service: 16.52

Actuarial Assumptions

The liabilities set forth in this report are based on the actuarial assumptions described in this section.

Valuation Date:	June 30, 2020
Measurement Dates:	June 30, 2020 (and for June 30, 2021 roll-forward)
Discount Rate:	6.00% per annum
Salary Increases:	3.0% per annum (for normal cost and amortization of UAL)
Pre-retirement Turnover:	According to Crocker-Sarason Table T-5 less mortality, reduced by 40% at all ages. Sample rates are as follows:

Age	Turnover (%)
25	4.6%
30	4.3
35	3.8
40	3.4
45	2.1
50	1.5
55	0.6

Pre-retirement Mortality: RP-2014 Employee Mortality, projected. Sample baseline deaths per 1,000 employees are as follows:

Age	Males	Females
25	0.48	0.17
30	0.45	0.22
35	0.52	0.29
40	0.63	0.40
45	0.97	0.66
50	1.69	1.10
55	2.79	1.67
60	4.69	2.44

Post-retirement Mortality: RP-2014 Healthy Annuitant Mortality, projected. Sample baseline deaths per 1,000 retirees are as follows:

Age	Males	Females
55	5.74	3.62
60	7.78	5.19
65	11.01	8.05
70	16.77	12.87
75	26.83	20.94
80	44.72	34.84
85	77.50	60.50
90	135.91	107.13

Actuarial Assumptions (Continued)

Claim Cost per Retiree or Spouse (subject to eligibility and retiree contributions):

Age	Medical/Rx	Dental
45	\$9,542	\$782
50	11,062	782
55	12,824	782
60	14,867	782
64	16,733	782
65	4,695	782
70	4,695	782
75	4,695	782

Retirement Rates:

Age	Percent Retiring*
45-49	3.0%
50	15.0
51	20.0
52	25.0
53	30.0
54	40.0
55	50.0
56	60.0
57	70.0
58	80.0
59	90.0
60	100.0

* Of those having met eligibility to receive retirement benefits. The percentage refers to the probability that an active employee who has reached the stated age will retire within the following year.

Trend Rate:

Healthcare costs were assumed to increase according to the following schedule:

FYB	Medical/Rx	Dental
2020	6.0%	4.0%
2021	5.5	4.0
2022	5.0	4.0
2023+	4.5	4.0

Percent Married:

25% of spouses assumed to elect coverage. Male spouses assumed 3 years older than female spouses. For current retirees, actual spousal data was used.

**Actuarial Assumptions
(Continued)**

Percent Electing Coverage:	100% of eligible retirees.
Mortality Projection:	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.
"Cadillac Tax" under ACA:	Repealed December, 2019; not included.

Actuarial Certification

The results set forth in this report are based on our actuarial valuation of the health and welfare benefit plans of the Southern Marin Fire Protection District ("District") as of June 30, 2020.

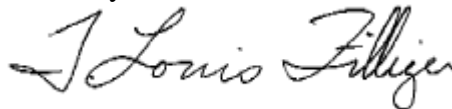
The valuation was performed in accordance with generally accepted actuarial principles and practices. We relied on census data for active employees and retirees provided to us by the District in June, 2020. We also made use of claims, premium, expense, and enrollment data, copies of relevant sections of healthcare documents provided to us by the District, and trust statements provided by the District and PARS.

The assumptions used in performing the valuation, as summarized in this report, and the results based thereupon, represent our best estimate of the actuarial costs of the program under GASB 75, and the Actuarial Standards of Practice for measuring post-retirement healthcare benefits. We have used a graded version of mortality improvement scale MP-2016, consistent with our belief that MP-2016 is overly optimistic in its long-term projection of mortality rate improvements.

Throughout the report, we have used unrounded numbers, because rounding and the reconciliation of the rounded results would add an additional, and in our opinion unnecessary, layer of complexity to the valuation process. By our publishing of unrounded results, no implication is made as to the degree of precision inherent in those results. Clients and their auditors should use their own judgment as to the desirability of rounding when transferring the results of this valuation report to the clients' financial statements.

The undersigned actuary meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

Certified by:



T. Louis Filliger, FSA, EA, MAAA Date: 7/24/2020
Actuary

Southern Marin Fire Protection District
GASB 75 Valuation Results By Employee Group

	6/30/2020 Valuation Results <u>Firefighters</u>	6/30/2020 Valuation Results <u>Chiefs</u>	6/30/2020 Valuation Results <u>Administrators</u>	6/30/2020 Valuation Results <u>Total All Groups</u>
Actuarial Present Value of Benefits:				
Active employees	\$ 6,589,923	\$ 548,963	\$ -	\$ 7,138,886
Inactive employees (retirees)	<u>2,898,268</u>	<u>1,720,609</u>	<u>131,242</u>	<u>4,750,119</u>
Total PVFB:	\$ 9,488,191	\$ 2,269,572	\$ 131,242	\$ 11,889,005
Actuarial Accrued Liability:				
Active employees	\$ 5,320,654	\$ 461,663	\$ -	\$ 5,782,317
Inactive employees (retirees)	<u>2,898,268</u>	<u>1,720,609</u>	<u>131,242</u>	<u>4,750,119</u>
Total AL	\$ 8,218,922	\$ 2,182,272	\$ 131,242	\$ 10,532,436
Less: Assets	<u>(3,417,166)</u>	<u>(907,319)</u>	<u>(54,566)</u>	<u>(4,379,051)</u>
Equals: Unfunded Accrued Liability	\$ 4,801,756	\$ 1,274,953	\$ 76,676	\$ 6,153,385
Service Cost (beginning of year)	\$ 195,925	\$ 14,283	\$ -	\$ 210,208

Amounts on this schedule are as of the valuation date. Amounts as of the measurement date(s), with appropriate accounting terminology, are shown in the body of the report.