Marin Community College District
June 30, 2013 GASB 45 Valuation

Presented By:
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Total Compensation Systems, Inc.
May 21, 2013
Goal:

• Provide information to allow Marin Community College District to understand the most recent GASB 45 valuation and make informed decisions about retiree health benefits
Background

- GASB 45 requires public agencies to account for retiree health benefits like pensions
  - Accrue benefits while people are working
  - Retiree premiums/costs taken from liability
- GASB standards apply to accrual basis financial statements
  - Used in Accreditation reviews
  - Used by bond-rating agencies
- Budgets based on amounts actually paid for retiree benefits
  - Amounts paid for retiree health premiums/costs
  - Contributions to a trust or reserves
Background

- GASB 45 has became effective for Marin in the 2008-09 fiscal year
- Marin had periodically evaluated the liabilities before GASB 45 became effective (first TCS valuation in 2005)
Assumptions and Methods: General

• Assumptions and methods must comply with GASB 45
• Assumptions and methods must comply with Actuarial Standards of Practice (ASOP)
Key Valuation Assumptions

• 7% interest rate (assumes full funding through CalPERS CERBT Strategy 1)
• 4% annual increase in retiree costs paid by Marin
• CalPERS and CalSTRS demographic tables (i.e. mortality, turnover and retirement)
Valuation Results at 6/30/13

• Expected 2013-14 retiree costs: $0.9 million
• Actuarial Accrued Liability (the present value of earned benefits): $5.1 million
• The above AAL does not reflect $2.1 million expected to be contributed to CERBT
Funding Option: No Future Contribs

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>CERBT Fund</th>
<th>AAL</th>
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<tr>
<td>6/30/2013</td>
<td>$2,100,000</td>
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<td>2013-14</td>
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<td>2016-17</td>
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<td>2017-18</td>
<td>$2,945,359</td>
<td>$2,908,402</td>
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• The College could begin funding retiree benefits entirely from CERBT beginning in the 2018-19 fiscal year
Looking Forward

• Unless limited by plan design or agreement, actual premium increases can be much different from assumed

• CalPERS and CalSTRS periodically update their demographic tables – can cause increase or decrease
Looking Forward – New GASB Standards

- Likely to take effect in 2017-18
- Will require immediate recognition of entire liability
- Will affect interest assumption for “unfunded” portion of liability – increasing liability for plans that are not “fully funded”
Looking Forward – New Legislation

- Original plan to pass pension and retiree health legislation at same time
- Retiree health legislation postponed to 2013
- New pension legislation will reduce retiree health costs and liabilities due to delayed retirement
Looking Forward: Accreditation

• Accreditation reviews now include making sure there is an “Institutional plan for funding the liability.”
THANK YOU