

**West Valley Mission Community College District
Actuarial Study of Retiree Health Liabilities**

PART I: EXECUTIVE SUMMARY

A. Introduction

West Valley Mission Community College District engaged Total Compensation Systems, Inc. (TCS) to

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$\frac{3}{4}$ the service cost (SC).

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C. Description of Retiree Benefits

Following is a description of the current retiree benefit plan. These benefits apply only to employees hired prior to 7/1/94.

	<u>Faculty</u>	<u>Classified</u>	<u>Management</u>
Benefit types provided	Medical and dental	Medical and dental	Medical and dental
Duration of Benefits	Lifetime	Lifetime	Lifetime
Required Service	10 Years*	10 Years*	10 Years*
Minimum Age	55	50	50
Dependent Coverage	Yes	Yes	Yes
District Contribution %	50% to 100%*	50% to 100%*	50% to 100%*
District Cap	None	None	None

* Retirees receive 50% paid benefit for 10 years of service + 10% per additional year of service to 100% for 15 years of service. Certain grandfathered employees were subject to a different vesting schedule, but these employees have now all qualified for 100% benefits.

D. Recommendations

It is outside the scope of this report to make specific recommendations of actions West Valley Mission CCD should take to manage the liability created by the current retiree health program. Total Compensation Systems, Inc. can assist in identifying and evaluating options once this report has been studied. The following recommendations are intended only to allow the District to get more information from this and future studies. Because we have not conducted a comprehensive administrative audit of West Valley Mission CCD's practices, it is possible that West Valley Mission CCD is already complying with some or all of our recommendations.

- ¾ We recommend that West Valley Mission CCD maintain an inventory of all benefits and services provided to retirees – whether contractually or not and whether retiree

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benefits, etc.

- ¾ Several assumptions were made in estimating costs and liabilities under West Valley Mission CCD's retiree health program. Further studies may be desired to validate any assumptions where there is any doubt that the assumption is appropriate. (See Appendices B and C for a list of assumptions and concerns.) For example, West Valley Mission CCD should maintain a retiree database that includes – in addition to date of birth, gender and employee classification – retirement date and (if applicable) dependent date of birth, relationship and gender. It will also be helpful for West Valley Mission CCD to maintain employment termination information – namely, the number of OPEB-eligible employees in each employee class that terminate employment each year for reasons other than death, disability or retirement.

E. Certification

The actuarial information in this report is intended solely to assist West Valley Mission CCD in complying with Governmental Accounting Standards Board Accounting Statements 74 and 75 and, unless otherwise stated, fully and fairly discloses actuarial information required for compliance. Nothing in this report should be construed as an accounting opinion, accounting advice or legal advice. TCS recommends that third parties retain their own actuary or other qualified professionals when reviewing this report. TCS's work is prepared solely for the use and benefit of West Valley Mission CCD. Release of this report may be subject to provisions of the Agreement between West Valley Mission CCD and TCS. No third party recipient of this report product should rely on the report for any purpose other than accounting compliance. Any other use of this report is unauthorized without first consulting with TCS.

This report is for fiscal year July 1, 2017 to June 30, 2018, using a measurement date of June 30, 2018. The calculations in this report have been made based on our understanding of plan provisions and actual practice at the time we were provided the required information. We relied on information provided by West Valley Mission CCD. Much or all of this information was unaudited at the time of our evaluation. We reviewed the information provided for reasonableness, but this review should not be viewed as fulfilling any audit requirements. Information we relied on is listed in Appendix A.

All costs, liabilities, and other estimates are based on actuarial assumptions and methods that comply with all applicable Actuarial Standards of Practice (ASOPs). Each assumption is deemed to be reasonable by itself, taking into account plan experience and reasonable future expectations.

This report contains estimates of the Plan's financial condition only as of a single date. It cannot predict the Plan's future condition nor guarantee its future financial soundness. Actuarial valuations do not affect the ultimate cost of Plan benefits, only the timing of Plan contributions. While the valuation is based on individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. Determining results using alternative assumptions (except for the alternate discount and trend rates shown in this report) is outside the scope of our engagement.

Future actuarial measurements may differ significantly from those presented in this report due to factors such as, but not limited to, the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the measurement methodology (such as the end of an amortization period or

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The signing actuary is independent of