San Dieguito Water District
GASB Actuarial Valuation
Retiree Health Program
As of June 30, 2015

March 2016

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SECTION I. EXECUTIVE SUMMARY

Background

The San Dieguito Water District (the "District") selected Nyhart to perform an updated actuarial valuation of its retiree health program. The purpose of the actuarial valuation is to measure the District's liability for retiree health benefits and to determine the District's accounting requirements for other post-employment benefits (OPEB) under Governmental Accounting Standards Board Statements No. 43 & 45 (GASB 43 and GASB 45). GASB 45 requires accrual accounting for the expensing of OPEB. The expense is generally accrued over the working career of employees. GASB 43 requires additional financial disclosure requirements for funded OPEB Plans.

To be eligible for retiree health benefits, an employee must retire from the District and commence pension benefits under PERS (typically on or after age 50 with at least 5 years of PERS eligible service). The District's financial obligation is to provide the CalPERS minimum required employee contribution ($122 per month in 2015, $125 per month in 2016, and in future years, indexed to medical CPI increases). The District currently has 23 active employees who are working and earning service credit for eligibility of retiree health benefits. The District currently provides a contribution towards retiree medical benefits which are provided through the CalPERS Health Program for 14 retirees. This information can be found on page 12 in the Valuation Data section.

The District participates in the CalPERS Health Program for its retiree medical coverage. In general, the premium rates charged to participating employers are the same for each medical plan within each region (or "community") and are the same for both active and retired employees covered under the same medical plan. An implicit rate subsidy can exist when the non-Medicare rates for retirees are the same as for active employees. Since non-Medicare eligible retirees are typically much older than active employees, their actual medical costs are typically higher than for active employees. GASB 45 requires that implicit rate subsidies be considered in the valuation of medical costs. In past valuations the liability for the implicit rate subsidy was excluded from the valuation as the GASB had provided for an exemption for community-rated plans. This valuation includes an estimate of the liability for inclusion of the implicit rate subsidy.

Results of the Retiree Health Valuation

The amount of the actuarial liability for the District's retiree health benefits program as of June 30, 2015, the measurement date, is $609,669 (including $452,491 for the District's explicit contribution and $157,178 for the implicit rate subsidy). This amount is based on a discount rate of 7.28% which assumes the District continues to pre-fund its annual required contribution in the California Employers' Retiree Benefit Trust (CERBT) under the CERBT's asset allocation strategy 1. The amount represents the present value of all contributions for retiree health benefits projected to be paid by the District for current and future retirees. If the District were to place this amount in a fund earning interest at the rate of 7.28% per year, and all other actuarial assumptions were met, the fund would have enough to pay all expected benefits. This includes contributions for retiree health benefits for the current retirees as well as the current active employees expected to retire in the future. The valuation does not consider employees not yet hired as of the valuation date.

If the amount of the actuarial liability is apportioned into past service, current service and future service components, the past service component (actuarial accrued liability) is $484,247 (including $374,078 for the District's explicit contribution and $110,169 for the implicit rate subsidy), the current service component (normal cost or current year accrual) is $14,807 (including $9,498 for the District's explicit contribution and $5,309 for the implicit rate subsidy) and the future service component (not yet accrued liability) is $110,615 (including $68,915 for the District's explicit contribution and $41,700 for the implicit rate subsidy).

Funding

The District's funding policy is to fund at least 100% of the annual required contribution as determined under GASB 45 through the CERBT. The market value of assets in the CERBT as of June 30, 2015 is $113,485. The actuarial value of assets at June 30, 2015 is $111,363. The actuarial value of asset method phases gains and losses in over five years subject to a 20% corridor around the market value of assets. Using the actuarial value of assets, the unfunded actuarial accrued liability at June 30, 2015 is $372,884 (including $262,715 for the explicit District contribution) and the plan's funded ratio is 23% (30% for the explicit District contribution).

The CERBT provides participating employers with the choice of three investment allocation strategies. The expected rate of return of assets is dependent on the funding strategy of a participating employer and which investment allocation strategy is selected. For employers fully funding their annual required contribution, strategy 1 has a CERBT published median yield of 7.28%, strategy 2 has a published median yield of 6.73% and strategy 3 has a published median yield of 6.12%. The valuation was performed using a 7.28% discount rate assuming the District remains in strategy 1 for the 2016/2017 and 2017/2018 fiscal years and assumes no additional margin for adverse deviation applied to the CERBT stated median discount rate. The results for alternative allocation strategies using a 6.73% and 6.12% discount rate are provided in Section II-I of the report

Annual Required Contribution

The District's annual required contribution (ARC) for the fiscal year ending June 30, 2017 is $52,780 (including $36,111 for the District's explicit contribution and $16,669 for the implicit rate subsidy). The annual required contribution is comprised of the present value of benefits accruing in the current fiscal year (normal cost with interest) plus a 24-year amortization (on a level-dollar basis) of the unfunded actuarial accrued liability. Thus, it represents a means to expense the plan's liabilities in an orderly manner. The change in the net OPEB obligation/(asset) at the end of the fiscal year will reflect any actual contributions made by the District during the period for retiree health benefits including any pre-funding and implicit rate subsidy amounts.

Changes from Prior Valuation

The valuation reflects updated plan, premiums and census information since the prior valuation. In addition, the valuation reflects several assumption changes as outlined in Section VI. A reconciliation of the approximate change in the actuarial accrued liability (AAL) and the annual required contribution (ARC) from the prior valuation is provided below:

	AAL	ARC
June 30, 2013 Valuation @7.61%	***$322,000***	***$29,000***
Increase due to passage of time (includes interest and normal costs less expected payments since June 30, 2013)	20,000	
Decrease due to net experience gain	(3,000)	
Increase due to method and program changes	2,000	
Increase due to demographic assumption and method changes	19,000	
Increase due to lowering the discount rate to 7.28%	14,000	
June 30, 2015 Valuation @7.28%	***$374,000***	***$36,000***
Increase due to implied subsidy	$110,000	$17,000
June 30, 2015 Valuation @7.28%	***$484,000***	***$52,000***

Actuarial Basis

The actuarial valuation is based on the assumptions and methods outlined in Section VI of the report. To the extent that a single or a combination of assumptions is not met the future liability may fluctuate significantly from its current measurement. As an example, the healthcare cost increase anticipates that the rate of increase in medical cost will be at moderate levels and decline over several years. Increases higher than assumed would bring larger liabilities and expensing requirements. A 1% increase in the healthcare trend rate for each future year would increase the annual required contribution by 16%.

Another key assumption used in the valuation is the discount (interest) rate which is based on the expected rate of return of plan assets. The valuation is based on a discount rate of 7.28%. A 0.5% decrease in the discount rate would increase the annual required contribution by 4%. A 0.5% increase in the discount rate would decrease the annual required contribution by 4%.

GASB 45 requires that implicit rate subsidies be considered in the valuation of medical costs. An implicit rate subsidy occurs when the rates for retirees are the same as for active employees. Since pre-Medicare retirees are typically much older than active employees, their actual medical costs are almost always higher than for active employees. The valuation results were determined using the higher expected costs associated with retired employees.

Scheduled to take effect in 2020, the "Cadillac Tax" is a 40% non-deductible excise tax on employer-sponsored health coverage that provides high-cost benefits. For insured plans, the insurance company is responsible for payment of the excise tax. For self-funded plans, the employer is responsible for payment of the excise tax. The valuation does not include any additional liability for the Cadillac Tax.

The valuation is based on the census, plan and rate information provided by the District. To the extent that the data provided lacks clarity in interpretation or is missing relevant information, this can result in liabilities different than those presented in the report. Often missing or unclear information is not identified until future valuations.

SECTION II. FINANCIAL RESULTS

A. Valuation Results

The table below presents the employer liabilities associated with the District's retiree health benefits program determined in accordance with GASB 43 & 45. The actuarial liability (AL) is the present value of all the District's contributions projected to be paid under the program. The actuarial accrued liability (AAL) reflects the amount attributable to the past service of current employees and retirees. The normal cost reflects the accrual attributable for the current period.

	Explicit	Implicit	Total
1. Actuarial Liability (AL)			
Actives	$168,207	$106,193	$274,400
Retirees	284,284	50,985	335,269
Total AL	$452,491	$157,178	$609,669
2. Actuarial Accrued Liability (AAL)			
Actives	$ 89,794	$ 59,184	$148,978
Retirees	284,284	50,985	335,269
Total AAL	$374,078	$110,169	$484,247
No. of Active Employees			23
Average Age			44.2
Average Past Service			9.7
No. of Retired Employees			14
Average Age			69.6
Average Retirement Age			58.8

B. Reconciliation of Market Value of Plan Assets

The reconciliation of Plan Assets for the last two fiscal years is presented below:

	6/30/2014	6/30/2015
1. Beginning Market Value of Assets	$73,398	$103,315
2. Contribution	31,268	28,597
3. Fund Earnings (gross)	18,214	(22)
4. Benefit Payments	(19,409)	(18,273)
5. Administrative Expenses	(156)	(132)
6. Ending Market Value of Assets	$103,315	$113,485
7. Estimated Rate of Return	23%	0%

C. Development of Actuarial Value of Assets

The actuarial value of assets is based on the expected market value appreciation. The actual market appreciation or depreciation, both realized and unrealized, is phased in over five years as the expected growth is phased out. The table below presents the development of the actuarial value of assets.

	6/30/2012	6/30/2013	6/30/2014	6/30/2015	
1. Market value of assets					$113,485
2. Actual gross rate of return	0.08%	17.08%	22.98%	(0.02%)	
3. Expected rate of return	7.61%	7.61%	7.61%	7.61%	
4. Actual fund earnings	36	9,859	18,214	(22)	28,087
5. Expected fund earnings	3,591	4,393	6,031	8,307	22,322
6. Gain(loss) [(4) - (5)]	(3,555)	5,466	12,183	(8,329)	
7. Percent of gain/(loss) recognized 6/30/2015	80%	60%	40%	20%	
8. Recognized gain/(loss) [(6) x (7)]	(2,844)	3,280	4,873	(1,666)	3,643
9. Blended value of assets at 6/30/2015 [(1) - (4) + (5) + (8)]					$111,363
10. Percent increase/(decrease) of (9) over (1)					(2%)
11. Actuarial value of assets, not more than 120% nor less than 80% of market value					$111,363

D. Unfunded Actuarial Accrued Liability (UAAL) at June 30, 2015

The table below presents the development of the unfunded actuarial accrued liability. The unfunded actuarial accrued liability is the excess of the actuarial accrued liability (AAL) over the actuarial value of eligible plan assets.

	Explicit	Implicit	Total
1. Actuarial Accrued Liability (AAL)	$374,078	$110,169	$484,247
2. Actuarial Value of Assets	(111,363)	(0)	(111,363)
3. Unfunded AAL	$262,715	$110,169	$372,884

E. Amortization of Unfunded Actuarial Accrued Liability

The amortization of the unfunded actuarial accrued liability component of the annual contribution (ARC) is being amortized over a period of 24 years on a level-dollar method. Under the level-dollar method, the amortization payment is scheduled to remain constant in future years.

1. Unfunded AAL (UAAL)	$262,715	$110,169	$372,884
2. Amortization Factor	10.43353	10.43353	10.43353
3. Amortization of UAAL	$ 25,180	$ 10,559	$ 35,739

F. Annual Required Contribution (ARC) or Actuarially Determined Contribution*

The table below presents the development of the annual required contribution (ARC) under GASB 45 for the fiscal year ending June 30, 2017 and an estimate of an actuarially determined contribution for the fiscal year ending June 30, 2018.

FY2016/2017	Explicit	Implicit	Total
1. Normal Cost at End of Fiscal Year	$ 10,931	$ 6,110	$ 17,041
2. Amortization of Surplus	25,180	10,559	35,739
3. Annual Required Contribution (ARC)	$ 36,111	$ 16,669	$ 52,780
4. Estimated Payroll	$1,835,000	$1,835,000	$1,835,000
5. ARC as % of Payroll	1.97%	0.91%	2.88%
FY2017/2018			
1. Normal Cost at End of Fiscal Year	$ 11,259	$ 6,293	$ 17,552
2. Amortization of Surplus	25,180	10,559	35,739
3. Actuarially Determined Contribution	$ 36,439	$ 16,852	$ 53,291

*GASB 74 will be effective for the fiscal year ending June 30, 2018

G. Required Supplementary Information (Funding Progress @6/30/2015)

The table below presents a sample disclosure of the funding progress as of the beginning of the fiscal year.

1. Actuarial Accrued Liability (AAL)	$ 374,078	$ 110,169	$ 484,247
2. Actuarial Valuation of Assets	(111,363)	(0)	(111,363)
3. Unfunded AAL	$ 262,715	$ 110,169	$ 372,884
4. Funded Ratio	30%	0%	23%
5. Current Payroll	$1,781,000	$1,781,000	$1,781,000
6. UAAL as % of Payroll	15%	6%	21%

H. Sensitivity Analysis:

The impact of a 0.5% decrease or increase in the discount (interest) rate and the impact of a 1% increase in future healthcare trend rates on the District's actuarial liability, actuarial accrued liability, unfunded actuarial accrued liability and the annual required contribution is provided below:

	Dollar ($) Increase/ (Decrease)	Percentage (%) Increase/ (Decrease)
0.5% Decrease in Discount Rate		
- Actuarial Liability	$ 43,606	7%
- Actuarial Accrued Liability	$ 26,480	5%
- Unfunded Actuarial Accrued Liability	$ 26,480	7%
- Annual Required Contribution	$ 2,120	4%
0.5% Increase in Discount Rate		
- Actuarial Liability	($ 38,931)	(6%)
- Actuarial Accrued Liability	($ 24,259)	(5%)
- Unfunded Actuarial Accrued Liability	($ 24,259)	(7%)
- Annual Required Contribution	($ 1,956)	(4%)
1% Increase in Future Healthcare Trend Rates		
- Actuarial Liability	$ 83,044	14%
- Actuarial Accrued Liability	$ 54,551	11%
- Unfunded Actuarial Accrued Liability	$ 54,551	15%
- Annual Required Contribution	$ 8,345	16%

I. Liabilities - Alternative Discount Rate

The results below present the impact of the liability and annual required contribution using a discount rate to reflect pre-funding the retiree health benefits through the California Employers' Retiree Benefit Trust (CERBT) alternative allocation strategies 2 and 3 with discount rates of 6.73% and 6.12%, respectively.

Investment Strategy 2

Liabilities	Explicit	Implicit	Total
1. Actuarial Liability (AL)			
Actives	$189,658	$114,620	$304,278
Retirees	301,504	52,027	353,531
Total AL	$491,162	$166,647	$657,809
2. Actuarial Accrued Liability (AAL)			
Actives	$ 98,270	$ 61,663	$159,933
Retirees	301,504	52,027	353,531
Total AAL	$399,774	$113,690	$513,464
3. Actuarial Value of Assets	(111,363)	(0)	(111,363)
4. Unfunded AAL (UAAL)	$288,411	$113,690	$ 402,101
5. Amortization Factor	11.00561	11.00561	11.00561
6. Amortization of UAAL	$ 26,206	$ 10,330	$ 36,536

FY2016/2017 Annual Required Contribution			
1. Normal Cost at End of Year	$ 12,086	$ 6,492	$ 18,578
2. Amortization of UAAL at End of Year	26,206	10,330	36,536
3. Annual Required Contribution	$ 38,292	$ 16,822	$ 55,114

FY2017/2018 Actuarially Determined Contribution			
1. Normal Cost at End of Year	$ 12,449	$ 6,687	$ 19,136
2. Amortization of UAAL at End of Year	26,206	10,330	36,536
3. Actuarially Determined Contribution	$ 38,655	$ 17,017	$ 55,672

Investment Strategy 3

Liabilities	Explicit	Implicit	Total
1. Actuarial Liability (AL)			
Actives	$217,968	$125,359	$343,327
Retirees	322,731	53,233	375,964
Total AL	$540,699	$178,592	$719,291
2. Actuarial Accrued Liability (AAL)			
Actives	$108,971	$ 64,616	$173,587
Retirees	322,731	53,233	375,964
Total AAL	$431,702	$117,849	$549,551
3. Actuarial Value of Assets	(111,363)	(0)	(111,363)
4. Unfunded AAL (UAAL)	$320,339	$117,849	$438,188
5. Amortization Factor	11.69655	11.69655	11.69655
6. Amortization of UAAL	$ 27,387	$ 10,076	$ 37,463

FY2016/2017 Annual Required Contribution			
1. Normal Cost at End of Year	$ 13,569	$ 6,960	$ 20,529
2. Amortization of UAAL at End of Year	27,387	10,076	37,463
3. Annual Required Contribution (ARC)	$ 40,956	$ 17,036	$ 57,992

FY2017/2018 Actuarially Determined Contribution			
1. Normal Cost at End of Year	$ 13,976	$ 7,169	$ 21,145
2. Amortization of UAAL at End of Year	27,387	10,076	37,463
3. Actuarially Determined Contribution	$ 41,363	$ 17,245	$ 58,608

SECTION III. PROJECTED CASH FLOWS

The valuation process includes the projection of the expected retiree benefits/contributions to be paid by the District under the Plan. This expected cash flow takes into account the likelihood of each employee reaching age for eligibility to retire and receive health benefits. The projection is performed by applying the turnover assumption to each active employee for the period between the valuation date and retirement date. Once the employees reach their retirement date, a certain percent are assumed to enter the retiree group each year. Employees already over the latest assumed retirement age as of the valuation date are assumed to retire immediately. The per capita cost as of the valuation date is projected to increase at the applicable healthcare trend rates both before and after the employee's assumed retirement. The projected per capita costs are multiplied by the number of expected future retirees in a given future year to arrive at the cash flow for that year. Also, a certain number of retirees will leave the group each year due to expected deaths and this group will cease to be included in the cash flow from that point forward. Because this is a <u>closed-group</u> valuation, the number of retirees dying each year will eventually exceed the number of new retirees, and the size of the cash flow will begin to decrease and eventually go to zero.

The expected employer cash flows for selected future years are provided in the following table:

Projected Employer Cash Flows: All District Retirees – Representative Years

Fiscal Year	Explicit	Implicit	District Total
2015/16	$ 19,925	$ 13,699	$ 33,624
2016/17	$ 21,060	$ 10,552	$ 31,612
2017/18	$ 22,238	$ 8,715	$ 30,953
2018/19	$ 23,538	$ 10,168	$ 33,706
2019/20	$ 24,846	$ 7,855	$ 32,701
2020/21	$ 26,128	$ 10,086	$ 36,214
2021/22	$ 27,465	$ 14,117	$ 41,582
2022/23	$ 28,864	$ 16,438	$ 45,302
2023/24	$ 30,227	$ 19,470	$ 49,697
2024/25	$ 31,547	$ 20,630	$ 52,177
2025/26	$ 32,816	$ 18,056	$ 50,872
2026/27	$ 34,352	$ 8,112	$ 42,464
2027/28	$ 35,493	$ 9,728	$ 45,221
2028/29	$ 36,658	$ 8,315	$ 44,973
2029/30	$ 37,903	$ 6,617	$ 44,520
2030/31	$ 39,065	$ 7,640	$ 46,705
2031/32	$ 40,232	$ 9,243	$ 49,475
2032/33	$ 41,465	$ 7,449	$ 48,914
2033/34	$ 42,706	$ 5,620	$ 48,326
2034/35	$ 43,834	$ 8,347	$ 52,181
2035/36	$ 44,902	$ 10,011	$ 54,913
2036/37	$ 45,947	$ 12,513	$ 58,460
2037/38	$ 47,013	$ 16,861	$ 63,874
2038/39	$ 47,881	$ 21,029	$ 68,910
2039/40	$ 48,444	$ 16,087	$ 64,531
2040/41	$ 48,744	$ 18,530	$ 67,274
2041/42	$ 48,795	$ 16,398	$ 65,193
2042/43	$ 48,619	$ 17,094	$ 65,713
2043/44	$ 48,242	$ 16,769	$ 65,011
2044/45	$ 47,682	$ 18,158	$ 65,840
2045/46	$ 46,949	$ 16,746	$ 63,695
2050/51	$ 41,915	$ 588	$ 42,503
2055/56	$ 36,266	$ 1,917	$ 38,183
2060/61	$ 30,291	$ 0	$ 30,291
2065/66	$ 24,826	$ 0	$ 24,826
2070/71	$ 19,187	$ 0	$ 19,187
2075/76	$ 12,250	$ 0	$ 12,250
2080/81	$ 5,571	$ 0	$ 5,571
2085/86	$ 1,710	$ 0	$ 1,710
2090/91	$ 391	$ 0	$ 391
2095/96	$ 0	$ 0	$ 0
2100/01	$ 0	$ 0	$ 0
All Years	$2,118,304	$435,419	$2,553,723

SECTION IV. BENEFIT PLAN PROVISIONS

This study analyzes the postretirement health benefit plan provided by the District. The District contributes to the retiree health coverage of eligible retirees and eligible surviving spouses. The District's financial obligation is as follows:

Except for former Encinitas Fire Protection District employees hired on or before March 15, 1995, the District provides the minimum required employer contribution under the CalPERS Health Plan for eligible retirees and surviving spouses in receipt of a pension benefit from PERS. An employee is eligible for this employer contribution provided they are vested in their PERS pension benefit and commence payment of their pension benefit when retiring from the District. The surviving spouse of an eligible retiree who elected spouse coverage under CalPERS is eligible for the employer contribution upon the death of the retiree.

The minimum required employer contributions is statutorily set under PEMHCA and is scheduled to increase in the future based on the medical portion of CPI. A history of the increases in past years and current amounts are as follows:

Calendar Year	Minimum Required Employer Contribution
2006	$64.60
2007	$80.80
2008	$97.00
2009	$101.00
2010	$105.00
2011	$108.00
2012	$112.00
2013	$115.00
2014	$119.00
2015	$122.00
2016	$125.00
2017+	Adjusted Annually to reflect Medical Portion of CPI

<u>Premium Rates</u>

The District participates in the CalPERS Health Program, a community-rated program, for medical coverage. The tables below summarize the calendar 2015 and 2016 monthly medical premiums for the primary medical plans in which the retirees are enrolled.

2015 Other So. Cal. Region	Kaiser	BS HMO	BS NVP HMO	PERS Care	PERS Choice	PERS Choice OOS
Retiree Only	$ 579.80	$ 598.66	$ 561.09	$ 657.32	$ 594.40	$ 653.58
Retiree Plus Spouse	$1,159.60	$1,197.32	$1,122.18	$1,314.64	$1,188.80	$1,307.16
Retiree Plus Family	$1,507.48	$1,556.52	$1,458.83	$1,709.03	$1,545.44	$1,699.31
Retiree Only- Medicare	$ 295.51	$ 352.63	$ 352.63	$ 368.76	$ 339.47	$ 339.47
Retiree Plus Spouse – Medicare	$ 591.02	$ 705.26	$ 705.26	$ 737.52	$ 678.94	$ 678.94

2015 Other So. Cal. Region (Continued)	Sharp HMO	UHC HMO	Anthem HMO Select	Anthem HMO Traditional	Health Net Salud y Mas	Health Net Smart Care
Retiree Only	$ 564.57	$ 449.10	$ 653.97	$ 743.12	$ 520.59	$ 579.88
Retiree Plus Spouse	$1,129.14	$ 898.20	$1,307.94	$1,486.24	$1,041.18	$1,159.76
Retiree Plus Family	$1,467.88	$1,167.66	$1,700.32	$1,932.11	$1,353.53	$1,507.69
Retiree Only- Medicare	$ 327.66	$ 267.41	$ 445.38	$ 445.38	$ 276.85	$ 276.85
Retiree Plus Spouse – Medicare	$ 655.32	$ 534.82	$ 890.76	$ 890.76	$ 553.70	$ 553.70

2016 Other So. Cal. Region	Kaiser	BS HMO	BS NVP HMO	PERS Care	PERS Choice	PERS Select
Retiree Only	$ 605.05	$ 654.87	$ 666.35	$ 761.50	$ 683.71	$ 625.20
Retiree Plus Spouse	$1,210.10	$1,309.74	$1,332.70	$1,523.00	$1,367.42	$1,250.40
Retiree Plus Family	$1,573.13	$1,702.66	$1,732.51	$1,979.90	$1,777.65	$1,625.52
Retiree Only- Medicare	$ 297.23	N/A	N/A	$ 408.04	$ 366.38	$ 366.38
Retiree Plus Spouse – Medicare	$ 594.46	N/A	N/A	$ 816.08	$ 732.76	$ 732.76

2016 Other So. Cal. Region (Continued)	Sharp HMO	UHC HMO	Anthem HMO Select	Anthem HMO Traditional	Health Net Salud	Health Net Smart Care
Retiree Only	$ 561.34	$ 493.99	$ 634.75	$ 710.79	$ 535.98	$ 596.98
Retiree Plus Spouse	$1,122.68	$ 987.98	$1,269.50	$1,421.58	$1,071.96	$1,193.96
Retiree Plus Family	$1,459.48	$1,284.37	$1,650.35	$1,848.05	$1,393.55	$1,552.15
Retiree Only- Medicare	N/A	$320.98	N/A	N/A	N/A	N/A
Retiree Plus Spouse – Medicare	N/A	$641.96	N/A	N/A	N/A	N/A

SECTION V. VALUATION DATA

The valuation was based on the census furnished to us by the District. The following tables display the age distribution for retirees and the age/service distribution for active employees as of the Measurement Date.

Age Distribution of Eligible Retired Participants & Beneficiaries

Age	Total
<55	1
55-59	0
60-64	5
65-69	2
70-74	2
75-79	2
80-84	1
85+	1
Total:	14
Average Age:	69.6
Average Retirement Age:	58.6

Age/Service Distribution of Active Benefit Eligible District Employees

					Service					
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	Total
20-24	1									1
25-29	0									0
30-34	4	1								5
35-39	1	3								4
40-44	0	1	1							2
45-49	0	0	1	0	1					2
50-54	0	2	1	1	0	1				5
55-59	1	0	0	0	0	0	1			2
60-64	1	1	0	0	0	0	0			2
65-69	0	0	0	0	0	0	0	0		0
70+	0	0	0	0	0	0	0	0	0	0
Total:	8	8	3	1	1	1	1	0	0	23

Average Age:	44.2
Average Service:	9.7
Average Pay:	$77,451

SECTION VI. ACTUARIAL ASSUMPTIONS AND METHODS

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

Fiscal Year: July 1st to June 30th

Measurement Date: June 30, 2015

Fiscal Years Covered: FY2016/2017 and FY2017/2018 (funding only)

Discount Rate: 7.28% per annum. This discount rate assumes the District continues to fully fund for its retiree health benefits through the California Employers' Retiree Benefit Trust (CERBT) under its investment allocation strategy 1. The 7.28% reflects the CERBT published median interest rate for strategy 1 without any additional margin for adverse deviation.

Sensitivity analysis showing a 0.5% increase or decrease in the discount rate is also provided.

Inflation: 2.8% per annum consistent with the most recent CalPERS pension plan study.

Payroll Increases: 3.0% per annum, in aggregate with the most recent CalPERS pension plan study.

Salary Increases: Merit increases from the most recent CalPERS pension plan study. The benefits are not payroll related but each individual's projected cost is allocated over their lifetime as a level-percentage of pay.

[The prior valuation used average pay increases based on the prior CalPERS pension plan study]

Pre-retirement Turnover: According to the termination rates under the CalPERS pension plan updated to reflect the most recent experience study. Sample rates for Miscellaneous employees are as follows:

	Entry Age			
Service	20	30	40	50
0	17.42%	16.06%	14.68%	13.32%
5	8.68%	7.11%	5.54%	0.97%
10	6.68%	5.07%	0.71%	0.38%
15	5.03%	3.47%	0.23%	0.04%
20	3.70%	0.21%	0.05%	0.01%
25	2.29%	0.05%	0.01%	0.01%
30	0.05%	0.01%	0.01%	0.01%

Pre-retirement Mortality: According to the pre-retirement mortality rates under the CalPERS pension plan updated to reflect the most recent experience study. Sample deaths per 1,000 employees applicable to employees are as follows:

Age	Males	Females
25	0.4	0.2
30	0.5	0.3
35	0.6	0.4
40	0.8	0.5
45	1.1	0.7
50	1.6	1.0
55	2.3	1.4
60	3.1	1.8

[The PERS mortality rates have been updated to reflect mortality improvements reported in the 2014 CalPERS Experience Study]

Post-retirement Mortality: According to the post-retirement mortality rates under the CalPERS pension plan updated to reflect the most recent experience study. Sample deaths per 1,000 employees applicable to Miscellaneous and Safety retirees are as follows:

Age	Males	Females
55	6.0	4.2
60	7.1	4.4
65	8.3	5.9
70	13.1	9.9
75	22.1	17.2
80	39.0	29.0
85	69.7	52.4
90	129.7	98.9

[The PERS mortality rates have been updated to reflect mortality improvements reported in the 2014 CalPERS Experience Study]

Retirement Age: According to the retirement rates under the most recent CalPERS pension plan experience study. According to the following retirement tables:

Miscellaneous Tier 1: 2.7% @ 55
Miscellaneous Tier 2: 2.0% @ 60
Miscellaneous Tier 3: 2.0% @ 62

[The PERS retirement rates have been updated to reflect the 2014 CalPERS Experience Study.]

Participation Rates: 50% of future retirees under age 65 at retirement are assumed to elect coverage at retirement.

Actual medical plan coverage is used for current retirees and for current active employees not waiving coverage. For active employees waiving coverage, a weighted average premium is assumed.

Spouse Coverage:	50% of future retirees are assumed to elect coverage for their spouse. Actual spousal coverage is used for current retirees. Male spouses are assumed to be 3 years older than female spouses. Actual spouse age is used for current retirees.
Dependent Coverage:	Not explicitly valued.
Claim Cost Development:	The valuation claim costs are based on the premiums paid for medical insurance coverage. The District participates in CalPERS, a community rated plan. Past valuations assumed the District was exempt from the valuation of any medical plan implicit rate subsidy. An implicit rate subsidy can exist when the non-Medicare rates for retirees are the same as for active employees. Since non-Medicare eligible retirees are typically much older than active employees, their actual medical costs are typically higher than for active employees. The current valuation contains an estimate of the implicit rate subsidy.
Medical Trend Rates:	Medical costs are adjusted in future years by the following trends:

Year	PPO	HMO
2016	Actual	Actual
2017	7.0%	6.5%
2018	6.5%	6.0%
2019	6.0%	5.5%
2020	5.5%	5.0%
2021+	5.0%	5.0%

[The prior valuation assumed 0.5% lower initial trend rates]

Medicare Participation:	100%
Minimum Contribution:	The CalPERS minimum required contribution is assumed to increase 4% per year.
CalPERS Service:	Actual CalPERS Service as reported by CERBT was included for purposes of applying the CalPERS demographic tables and determining eligibility for benefits.
Actuarial Cost Method:	The actuarial cost method used to determine the allocation of the retiree health actuarial liability to the past (accrued), current and future periods is the Entry Age Normal (EAN) cost method. The EAN cost method is a projected benefit cost method which means the “cost” is based on the projected benefit expected to be paid at retirement.

The EAN normal cost equals the level annual amount of contribution from the employee's date of hire (entry date) to their retirement date that is sufficient to fund the projected benefit. For plans unrelated to pay, the normal cost is calculated to remain level in dollars; for pay-related plans the normal cost is calculated to remain level as a percentage of pay. The District has elected to determine the EAN normal cost as a level percentage of pay. The EAN actuarial accrued liability equals the present value of all future benefits for retired and current employees and their beneficiaries less the portion expected to be funded by future normal costs.

All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the District were included in the valuation.

Actuarial Value of Assets: Asset gains and losses are recognized over 5 years subject to an 80% and 120% of market value corridor.

Amortization of UAAL: The unfunded actuarial accrued liability is being amortized over 24 years using the level-dollar method on a closed-basis.

SECTION VII. ACTUARIAL CERTIFICATION

This report summarizes the GASB actuarial valuation for the San Dieguito Water District (the "District") as of June 30, 2015. To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statements No. 43 (Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans) and No. 45 (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions). The valuation is also based upon our understanding of the plan provisions as summarized within the report.

The information presented herein is based on the actuarial assumptions and substantive plan provisions summarized in this report and participant information and asset information furnished to us by the Plan Sponsor. We have reviewed the employee census provided by the Plan Sponsor for reasonableness when compared to the prior information provided but have not audited the information at the source, and therefore do not accept responsibility for the accuracy or the completeness of the data on which the information is based. When relevant data may be missing, we may have made assumptions we feel are neutral or conservative to the purpose of the measurement. We are not aware of any significant issues with and have relied on the data provided.

The discount rate and other economic assumptions have been selected by the Plan Sponsor. Demographic assumptions have been selected by the Plan Sponsor with the concurrence of Nyhart. In our opinion, the actuarial assumptions are individually reasonable and in combination represent our estimate of anticipated experience of the Plan. All calculations have been made in accordance with generally accepted actuarial principles and practice.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as 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 methodology used for these measurements (such as the end of an amortization period); and
- changes in plan provisions or applicable law.

While some sensitivity analysis was provided in the report, we did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement.

To our knowledge, there have been no significant events prior to the current year's measurement date or as of the date of this report that could materially affect the results contained herein.

Neither Nyhart nor any of its employees has any relationship with the plan or its sponsor that could impair or appear to impair the objectivity of this report. Our professional work is in full compliance with the American Academy of Actuaries "Code of Professional Conduct" Precept 7 regarding conflict of interest. The undersigned meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. Should you have any questions please do not hesitate to contact me.

Certified by:

Marilyn K. Jones, ASA, EA, MAAA, FCA
Consulting Actuary

Date: March 20, 2016

SECTION VIII. DEFINITIONS

The definitions of the terms used in GASB actuarial valuations are noted below.

Actuarial Liability (also referred to as Present Value of Future Benefits) – Total projected benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of total projected benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.

Actuarial Accrued Liability – That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of plan benefits and expenses which is not provided for by the future Normal Costs.

Actuarial Assumptions – Assumptions as to the occurrence of future events affecting health care costs, such as: mortality, turnover, disablement and retirement; changes in compensation and Government provided health care benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.

Actuarial Cost Method – A procedure for determining the Actuarial Present Value of future benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

Actuarial Present Value – The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions.

Annual OPEB Cost – An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.

Annual Required Contribution (ARC) – The employer's periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the parameters.

Explicit Subsidy – The difference between (a) the amounts required to be contributed by the retirees based on the premium rates and (b) actual cash contribution made by the employer.

Funded Ratio – The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Healthcare Cost Trend Rate – The rate of change in the per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

Implicit Rate Subsidy – In an experience-rated healthcare plan that includes both active employees and retirees with blended premium rates for all plan members, the difference between (a) the age-adjusted premiums approximating claim costs for retirees in the group (which, because of the effect of age on claim costs, generally will be higher than the blended premium rates for all group members) and (b) the amounts required to be contributed by the retirees.

Net OPEB Obligation – The cumulative difference since the effective date of this Statement between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.

Normal Cost – The portion of the Actuarial Present Value of plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

Pay-as-you-go – A method of financing a benefit plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

Per Capita Costs – The current cost of providing postretirement health care benefits for one year at each age from the youngest age to the oldest age at which plan participants are expected to receive benefits under the plan.

Select and Ultimate Rates – Actuarial assumptions that contemplate different rates for successive years. Instead of a single assumed rate with respect to, for example, the healthcare trend rate assumption, the actuary may apply different rates for the early years of a projection and a single rate for all subsequent years. For example, if an actuary applies an assumed healthcare trend rate of 6.5% for year 20W0, 6.0% for 20W1, 5.5% for 20W2, then 5.0% for 20W3 and thereafter, then 6.5%, 6% and 5.5% are select rates, and 5% is the ultimate rate.

Substantive Plan – The terms of an OPEB plan as understood by the employer(s) and plan participant.