



GASB Statement No. 75 (and Statement No. 74, if applicable)

**Supplemental Schedules
for County of Butte**

Reporting Period: July 1, 2017 to June 30, 2018
Measurement Period: July 1, 2017 to June 30, 2018
Valuation Date: July 1, 2017

November 6, 2018

**County of Butte
Post-Employment Medical Benefits Plan**

GASB 74/75 Disclosure Information

**Notes to the Financial Statements
For the Year Ended June 30, 2018**

Plan Description

Plan administration and benefits provided. For all employees, except members represented by Teamsters Local 137, the County sponsors healthcare coverage under PEMHCA, commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options. Delta Dental (Premier and DPO), vision and life insurance are also available. The County also offers medical, dental and vision coverage (but not life insurance) to its retirees. The County also provides premium reimbursements according to agreements with its various employee groups (subject to benefit and eligibility changes that took effect in 2010).

For employees represented by Teamsters Local 137, the County provides healthcare coverage through the Northern California General Teamsters Security Fund Plan Select Plus (including a Kaiser option), or Plan E (a HDHP with an HSA). The County offers a Flexible Benefits Plan for employees who decline medical coverage. The County provides dental and/or vision programs for employees (regardless of medical participation) and basic group term life insurance (at County expense). For its retirees, the County offers medical, dental and vision coverage (but not life insurance) and provides premium reimbursements according to agreements with its various employee groups (subject to benefit and eligibility changes that took effect in 2010).

Plan membership. At July 1, 2017, membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	545
Active plan members	2,155

Contributions. Participation in PEMHCA is financed through employee/retiree contributions and County monthly, per-employee contributions to PEMHCA. For 2017, the monthly County contributions are \$128.00 for both active and retired members. For 2018, those amounts both increased to \$133.00, and will remain in lock-step for all future years.

For employees represented by Teamsters Local 137, coverage is funded through County and employee contributions.



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Net OPEB Liability

The District's Net OPEB Liability was measured as of June 30, 2018 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of July 1, 2017. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Actuarial assumptions. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.00 percent
Investment rate of return	4.50 percent, net of OPEB plan investment expense
Healthcare cost trend rate	6.00 percent for 2017; 5.00 percent for 2018; 5.00 percent for 2019; and 5.00 percent for 2020 and later years

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Actuarial assumptions used in the July 1, 2017 valuation were based on a review of plan experience during the period July 1, 2015 to June 30, 2017.

Discount rate. GASB 75 requires a discount rate that reflects the following:

- a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
- b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the District's Total OPEB liability is based on these requirements and the following information:

Reporting Date	Measurement Date	Long-Term Expected Return of Plan Investments (if any)	Municipal Bond 20-Year High Grade Rate Index	Discount Rate
July 1, 2017	July 1, 2017	4.50%	3.13%	3.76%
June 30, 2018	June 30, 2018	4.50%	3.62%	4.50%



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The components of the net OPEB liability were as follows:

Total OPEB liability	69,767,772
Plan fiduciary net position	4,447,401
Net OPEB liability	\$65,320,371
Measurement date	June 30, 2018
Reporting date	June 30, 2018
Covered payroll	\$137,970,100
Net OPEB liability (asset) as a percentage of covered payroll	47.34%
Plan fiduciary net position as a percentage of the total OPEB liability	6.37%

Schedule of Changes in Net OPEB Liability

Total OPEB Liability	
Service Cost	3,705,783
Interest	2,658,706
Changes of benefit terms	0
Difference between expected and actual experience	0
Changes of assumptions	(5,503,188)
Benefit payments ¹	(3,574,630)
Net change in total OPEB liability	(2,713,329)
Total OPEB liability – beginning (a)	\$72,481,101
Total OPEB liability – ending (b)	\$69,767,772
Plan fiduciary net position	
Contributions – employer ¹	5,536,614
Net investment income	103,079
Benefit payments ¹	(3,574,630)
Trustee fees	(1,137)
Administrative expense	(1,556)
Net change in plan fiduciary net position	2,062,370
Plan fiduciary net position – beginning (c)	\$2,385,031
Plan fiduciary net position – ending (d)	\$4,447,401
Net OPEB liability – beginning (c) – (a)	\$70,096,070
Net OPEB liability – ending (d) – (b)	\$65,320,371

¹ Amount includes implicit subsidy associated with benefits paid.



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Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.50 percent) or 1-percentage-point higher (5.50 percent) than the current discount rate:

	1% Decrease (3.50%)	Discount Rate (4.50%)	1% Increase (5.50%)
Net OPEB liability (asset)	72,913,741	65,320,371	58,804,668

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.00 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.00 percent decreasing to 6.00 percent) than the current healthcare cost trend rates:

	1% Decrease (5.00% decreasing to 4.00%)	Trend Rate (6.00% decreasing To 5.00%)	1% Increase (7.00% decreasing to 6.00%)
Net OPEB liability (asset)	57,161,157	65,320,371	75,105,389

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Statement of Fiduciary Net Position

Assets	
Cash, deposits, and cash equivalents	0
Receivables:	
Accrued Income	0
Total receivables	0
Investments:	
Managed account	4,447,401
Managed account	0
Asset Category	0
Asset Category	0
Total Investments	4,447,401
Total Assets	4,447,401
Liabilities	
Payables	0
Total Liabilities	0
Net position restricted for postemployment benefits other than pensions	\$4,447,401
Measurement date	June 30, 2018
Reporting date	June 30, 2018

Statement of Changes in Fiduciary Net Position

Additions	
Employer contributions ²	5,536,614
Investment income:	
Net increase in fair value of investments	103,079
Total additions	5,639,693
Deductions	
Trustee fees	1,137
Administrative expense	1,556
Benefit payments ²	3,574,630
Total deductions	3,577,323
Net increase in net position	2,062,370
Net position restricted for postemployment benefits other than pensions	
Beginning of year	\$2,385,031
End of year	\$4,447,401

² Includes \$1,628,933 of pay-as-you-go contributions made from sources outside of trust, plus an implicit subsidy amount of \$774,317 on benefit payments from sources outside of trust, and an implicit subsidy amount of \$377,414 on benefit disbursements from the trust.



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Investments

Investment policy. The District's policy regarding the allocation of the plan's invested assets is established and may be amended by District management. The District participates in the California Employers' Retiree Benefit Trust (CERBT), a Section 115 trust fund dedicated to prefunding Other Postemployment Benefits for all eligible California public agencies.

The District has adopted the CERBT Strategy 2 portfolio with an objective to seek returns that reflect the broad investment performance of the financial markets through capital appreciation and investment income. The portfolio is invested in various asset classes in percentages approved by the CalPERS Board.

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Target Range</i>	<i>Benchmark</i>
Global Equity	40%	± 2%	MSCI All Country World Index IMI (net)
Fixed Income	39%	± 2%	Bloomberg Barclays Long Liability Index
Treasury Inflation-Protected Securities	10%	± 2%	Bloomberg Barclays Barclays US TIPS Index
Real Estate Investment Trusts	8%	± 2%	FTSE EPRA/NAREIT Developed Liquid Index (net)
Commodities	3%	± 2%	S&P GSCI Total Return Index
Cash	-	+2%	91 Day Treasury Bill

Each employer choosing CERBT Strategy 2 owns a percentage of this portfolio, which invests in pooled asset classes managed by CalPERS and/or external advisors. Employers do not have direct ownership of the securities in the portfolio.

Rate of return. For the year ended on the measurement date, the annual money-weighted rate of return on investments, net of investment expense, was 3.54 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

Annual money-weighted rate of return, net of investment expense	3.54%
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Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District's deferred outflows of resources and deferred inflows of resources to OPEB from the following sources are:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience ^{3,4}	0	0
Changes in assumptions or other inputs ^{3,4}	0	4,779,084
Differences between projected and actual return investments ^{3,4}	23,562	0
Total	\$23,562	\$4,779,084

³ Measured at June 30, 2018.

⁴ See Schedule of Deferred Outflows and Inflows of Resources for additional information.

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

Fiscal Year ending June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	5,890	(724,104)
2020	5,890	(724,104)
2021	5,890	(724,104)
2022	5,890	(724,104)
2023	2	(724,104)
2024	0	(724,104)
2025	0	(434,460)
2026	0	0
2027	0	0
2028	0	0

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Schedule of Deferred Outflows and Inflows of Resources

Year	Type	Category	Initial Base	Amortization Period	Current Balance
2017	Deferred Outflow	Difference between expected and actual experience	0	0.0	0
2017	Deferred Outflow	Changes in assumptions	0	0.0	0
2017	Deferred Outflow	Net difference between projected and actual earnings on plan investments	0	0.0	0
2018	Deferred Outflow	Difference between expected and actual experience	0	7.6	0
2018	Deferred Outflow	Changes in assumptions	0	7.6	0
2018	Deferred Outflow	Net difference between projected and actual earnings on plan investments	29,452	5.0	23,562
Total					23,562

Year	Type	Category	Initial Base	Amortization Period	Current Balance
2017	Deferred Inflow	Difference between expected and actual experience	0	0.0	0
2017	Deferred Inflow	Changes in assumptions	0	0.0	0
2017	Deferred Inflow	Net difference between projected and actual earnings on plan investments	0	0.0	0
2018	Deferred Inflow	Difference between expected and actual experience	0	7.6	0
2018	Deferred Inflow	Changes in assumptions	5,503,188	7.6	4,779,084
2018	Deferred Inflow	Net difference between projected and actual earnings on plan investments	0	5.0	0
Total					4,779,084



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Net OPEB Expense

The District's Net OPEB expense was \$5,516,437.

Net OPEB Liability - beginning (a)	\$70,096,070
Net OPEB Liability – ending (b)	\$65,320,371
Change in Net OPEB Liability [(b)-(a)]	(4,775,699)
Change in Deferred Outflows	(23,562)
Change in Deferred Inflows	4,779,084
Employer Contributions	5,536,614
OPEB Expense	\$5,516,437

Service Cost	3,705,783
Interest Cost	2,658,706
Expected Return on Assets	(129,838)
Changes of benefit terms	0
Recognition of Deferred Outflows and Inflows	
Differences between expected and actual experience	0
Changes of assumptions	(724,104)
Differences between projected and actual investments	5,890
Total	(718,214)
Net OPEB Expense	\$5,516,437

Actuarially Determined Contribution

The following shows the actuarial determined contribution for year ending June 30, 2018:

Service Cost	3,242,512
Net OPEB Liability Amortization Payment (30-year)	2,760,807
Total	\$6,003,319

Valuation Date	July 1, 2017
Discount Rate	4.50%
Salary Increases	3.00%



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Actuarial Certification

The results set forth in this supplement are based on our actuarial valuation of the health and welfare benefit plans of the County of Butte as of July 1, 2017.

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. We also made use of claims, premium, expense, and enrollment data, and copies of relevant sections of healthcare documents provided to us by the District, and (when applicable) trust statements prepared by the trustee and provided to us by the District.

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 74 and GASB 75, and the existing and proposed Actuarial Standards of Practice for measuring post-retirement healthcare benefits.

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

Certified by:



Carlos Diaz, ASA, EA, MAAA
Actuary

David Houser
Auditor-Controller
County of Butte
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