



Contra  
Costa  
County

To: Board of Supervisors  
From: David Twa, County Administrator  
Date: November 6, 2018

Subject: Other Post Employment Benefits (OPEB) - Actuarial Valuation as of January 1, 2018 and GASB 74 75 Disclosures as of June 30, 2018

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**RECOMMENDATION(S):**

ACCEPT the 2018 Other Post Employment Benefits Valuation Report as of January 1, 2018 and GASB 74/75 disclosures as of June 30, 2018.

**FISCAL IMPACT:**

The attached 2018 Other Post Employment Benefit (OPEB) Valuation Report is required per Governmental Accounting Standards Board (GASB) Statements 74 and 75 to be completed, by a County the size of Contra Costa, every two years. The report presents a calculation of liability and has no specific fiscal impact on its own. The County's actions to reduce the liability have had a significant positive impact on the County's overall fiscal stability and ability to deliver services. As of June 30, 2018, the County's fiduciary net position as a percentage of total other post employment benefit liability was 28.9%. The total liability for benefits was \$932.2 million, and the actuarial value of assets was \$269.7 million, resulting in a net OPEB liability of \$662.5 million.

**BACKGROUND:**

In 2004, due to growing concern over the potential magnitude of government employer obligations for post-employment benefits, the Governmental Accounting Standards Board enacted Statement 45 (GASB 45). The main reason for the Statement was to establish uniform accrual accounting and reporting of these

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APPROVE  OTHER  
 RECOMMENDATION OF CNTY ADMINISTRATOR  RECOMMENDATION OF BOARD COMMITTEE

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Action of Board On: **11/06/2018**  APPROVED AS RECOMMENDED  OTHER

Clerks Notes:

**VOTE OF SUPERVISORS**

AYE: John Gioia, District I Supervisor  
Candace Andersen, District II Supervisor  
Diane Burgis, District III Supervisor  
Karen Mitchoff, District IV Supervisor  
Federal D. Glover, District V Supervisor

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: November 6, 2018

David J. Twa, County Administrator and Clerk of the Board of Supervisors

Contact: Lisa Driscoll, County Finance Director

By: June McHuen, Deputy

BACKGROUND: (CONT'D)

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 governmental liabilities much like under the Financial Accounting Standards Board (FASB) rules that already applied to the private sector for OPEBs (and GASB 25 and 27 statements that already applied to governmental pension liabilities). Accrual accounting was needed to report the cost of providing government services over the working lifetime of employees providing the services rather than just the "pay-as-you-go" (paygo) cost that was not realized until after those employees retired.

Pursuant to GASB 45 requirements, Contra Costa County ordered its initial actuarial report in 2006. The 2006 report valued the County's unfunded liability for retiree medical costs at \$2.6 billion based upon a cash discount rate. This outstanding liability, if fully amortized over the following 30 years, would have necessitated an Annual Required Contribution (ARC) of \$216 million. At that point in time, \$216 million would have been six times the amount that the County was paying toward retiree health care costs on a paygo basis.

In June, 2007, the County established a funding target of 100% of the potential liability for the retiree population. At that time, retirees accounted for approximately 40% of the liability population. That figure is now 43% and expected to continue to grow. Partial pre-funding began in 2008 with an annual County allocation of \$20 million. Although the County has made great strides towards reducing and funding the liability, the liability is still far from funded at 28.9%. Pursuant to County Ordinance No. 2014-04, the annual resources of \$20 million will be increased by \$47 million to \$67 million in FY 2022/23 when the County retires its current Pension Obligation Bond.

As is described in the previous reports and in the table below, the County has taken significant actions to address and to reduce its OPEB liability since the initial report of 2006. Interim valuation results have been presented to the Board of Supervisors, pursuant to California Government Code 7507, since the 2008 report. For comparison purposes, the table below compares bi-annual GASB 45 valuation results at fiscal year-end (FYE).

	FYE 2006	FYE 2008	FYE 2010	FYE 2012	FYE 2014	FYE 2016
Total Accrued Actuarial Liability	2,571,650,000	2,367,023,000	1,046,113,000	1,033,801,000	923,848,000	939,053,000
Assets	0	0	25,048,000	65,491,000	129,426,000	174,724,000
Unfunded Accrued Actuarial Liability (UAAL)	2,571,650,000	2,367,023,000	1,021,065,000	968,310,000	794,422,000	764,329,000
Normal Cost	130,604,000	116,079,000	29,754,000	27,493,000	28,666,000	29,032,000
Amortization of UAAL	85,721,000	139,058,000	74,000,000	72,242,000	59,872,000	60,138,000
Annual Required Contribution (ARC)	216,325,000	255,137,000	103,754,000	99,735,000	88,538,000	89,170,000
Actives	8,428	8,563	8,013	7,720	8,089	8,645
Retirees and Survivors	4,856	5,813	5,251	5,941	6,206	6,396
Total Counts	13,284	14,376	13,264	13,661	14,295	15,041
Discount Rate	4.5%	4.5%	6.32%	6.32%	5.70%	5.70%

In June 2015, the Governmental Accounting Standards Board (GASB) released new accounting standards for public sector postretirement benefit programs and the employers that sponsor them.

GASB Statements 74 and 75 overhaul the standards for accounting and financial reporting for postemployment benefits other than pensions (OPEB). They replace the current statements, GASB 43 and 45 and are intended to improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and enhance its value for assess accountability and interperiod equity by requiring recognition of the entire OPEB liability in the county's financial statements and a more comprehensive measure of OPEB expense. The new GASB statements require a liability for OPEB obligations, known as the net OPEB liability, to be recognized

on the balance sheet of the plan and the participating employers. In addition, an OPEB expense is recognized in the income statement of the participating employers

As of June 30, 2018, the County's position is as follows:

Total OPEB Liability	\$932,187,000
Fiduciary Net Position	269,670,000
Net OPEB Liability	662,517,000
Active	9,041
Retirees and Survivors	6,735
Total Counts	15,776
Discount Rate	6.15%

## Summary

Over the last ten years, the County has reduced its OPEB liability by 74%. Although the County's annual trust deposit of \$20 million combined with the annual paygo cost shows great progress, it does not meet the GASB definition of paying the total Annual Required Contribution for pre-funding (\$89.2 million). Additionally, a 28.9% funded level is still far from the targeted level of 43%. The Board of Supervisors, through the County Administrator's Office will continue to work towards a financial balance between the provision of necessary services to the public and provision of competitive health care benefits for employees and retirees. These efforts will not only help to ensure the County's overall fiscal stability and ability to deliver services, but will also increase the likelihood that health care benefits will be available to our employees and retirees in the future.

None of these reductions could have been achieved without the support and cooperation of our employees. Continued negotiations toward Countywide health care cost containment strategies and the redirection of designated future resources remain key to reducing the OPEB liability. The Board of Supervisors continues to make significant progress toward a solution for one of the biggest fiscal challenges the County has faced to date.

The results contained in this report are our best estimate; however, variation from these or any other estimates of future retiree medical costs is possible. Actual future costs may vary from the estimates in this report. Detailed information on the Board's actions, including all of the County's OPEB reports, is available on the County's web-site at [www.cccounty.us/1318/Other-Post-Employment-Benefits](http://www.cccounty.us/1318/Other-Post-Employment-Benefits).

### CONSEQUENCE OF NEGATIVE ACTION:

The County will be out of compliance with Governmental Accounting Standards Board Statements 74 and 75.

### ATTACHMENTS

OPEB Actuarial Valuation Report as of January 1, 2018