



MT. SAN JACINTO COLLEGE



Mt. San Jacinto College

Board of Trustees
Meeting

October 8, 2015

**Retiree Benefits Liability
Actuarial Study and
GASB 43/45 Update**

GASB Background

- The Governmental Accounting Standards Board (GASB) is a not-for-profit organization that formulates accounting standards for State and local governments.
- GASB standards are not law but are accounting principles to which government agencies subscribe voluntarily that improve the clarity of financial reporting.

GASB 43/45 Background

- GASB 43/45 is a recommendation from the Governmental Accounting Standards Board that requires public entities to study and identify the extent of unfunded liability for retiree health benefits.
- These are often referred to as Other Post Employment Benefits (OPEB) liabilities.

GASB 43/45 Background

- There are two major components to figuring the OPEB liability.
- Annual Required Contribution (ARC):
 - Consists of the normal cost plus an amortization component;
- Long Term Liability:
 - The cumulative difference between the amounts expensed and the amounts contributed to a plan.

GASB 43/45 Background

- GASB 45 requires that each entity establish a plan for how the OPEB cost will be addressed. The plan is important on three fronts:
 - Independent auditors will be looking for a plan
 - Lack of compliance could impact a districts rating for bonds (AA, etc.)
 - Accrediting commission will be looking for evidence of a plan

MSJC Actuarial Study

- MSJC selected Total Compensation Systems, Inc. (TCS) to analyze liabilities associated with its current retiree health program as of July 1, 2015 (the valuation date).

MSJC Actuarial Study

- TCS actuarial study is intended to serve the following purposes:
 - To provide information to manage the costs and liabilities associated with retiree health benefits.
 - To provide information to communicate the financial implications of retiree health benefits
 - To provide information needed to comply with GASB Accounting Standards 43 and 45 related OPEB.

MSJC Actuarial Study

- All cost and liability figures contained in this study are estimates of future results.
- Future results can vary dramatically and the accuracy of estimates contained in this report depends on the actuarial assumptions used.
- Normal costs and liabilities could easily vary by 10 - 20% or more from estimates contained in this report.

Pay as You Go

- Cost of current retirees health benefits
- MSJC estimated cost for 15/16: \$445,442
- Does not take current employee future benefits into consideration

Normal Cost

Normal Cost: Value of current employee accrued retirement health benefits for the 2015-2016 fiscal year. This will increase each year based on payroll increases.

Number of Employees	422
Pre 65 Benefits	\$227,878
Post 65 Benefits	\$206,763
Normal Cost Total:	\$434,641

Actuarial Accrued Liability (AAL)

AAL-The amount of benefits attributable to employees past service.

	Total
Active Employees Liability:	\$5,376,848
Retired Employees Liability:	<u>\$1,851,439</u>
Total Accrued Liability:	\$7,228,287
Initial Unfunded Actuarial Accrued Liability (UAAL)	\$3,284,969
Irrevocable Trust Assets (<i>at June 30, 2015</i>):	<u>\$2,915,987</u>
Residual UAAL (District's Unfunded Liability)	\$1,027,331

MSJC Actuarial - ARC

- ARC – Annual Required Contributions
 - The ARC is the sum of the normal cost and UAAL amortization cost
 - Is used as the basis for determining expenses and liabilities under GASB 43/45.
 - The ARC is used in lieu of (rather than in addition to) the “pay-as-you-go” cost.

	<i>Total</i>
Normal Cost	\$434,641
Initial UAAL Amortization*	\$236,619
Residual UAAL Amortization*	<u>\$72,019</u>
Annual Required Contributions:	\$743,279

**Based on a period of 22 years at 7% interest*

MSJC GASB 45 & 68

- Grand total retiree reporting requirements

GASB-68 PERS Net Pension Liability at 6/30/14	\$11,352,434,849
Mt. San Jacinto CCD	Employer Allocation Factor 0.001377
	\$15,632,302.79

GASB-68 STRS Net Pension Liability at 6/30/14	\$58,437,000,000
Mt. San Jacinto CCD	Employer Allocation Factor 0.00045
	\$26,296,650.00

GASB-45 Total Accrued Liability:	\$7,228,287
Initial Unfunded Actuarial Accrued Liability (UAAL)	\$3,284,969
Irrevocable Trust Assets (at June 30, 2015):	<u>\$2,915,987</u>
Residual UAAL (District's Unfunded Liability)	\$1,027,331

MSJC Actuarial Study

- The District's Irrevocable Trust is held with the California Employers Retiree Benefit Trust (CERBT); a not for profit organization
- The District budgeted \$500,000 in the 2015/16 Adopted Budget to contribute to the Irrevocable Trust
- Future Plan for OPEB is to entirely fund the UAAL in fiscal 2016/17



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Questions?

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*Source: Total Compensation Systems,
Inc. Actuarial Study of Retiree Health
Liabilities, dated September 15, 2015*
