



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

Supplemental Schedules

for Municipal Water District of Orange County

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

August 24, 2018

**Municipal Water District of Orange County
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. The District provides health insurance for its retired employees and their dependent spouses (if married and covered on the District's plan at time of retirement), or survivors in accordance with Board resolutions. The following parties are responsible for administration of the Health Plan:

- Public Agency Retirement Services (PARS) serves as Trust Administrator and Consultant
- US Bank serves as Trustee, and
- HighMark Capital Management (HighMark) serves as Investment Manager.

Benefits provided. Medical coverage is provided for retired employees who are age 55 or over and who have a minimum of 10 consecutive years of full-time service with the District. The District pays 100% of the premium for the lowest cost single retiree plan, plus 90% of the difference to the plan selected, plus 80% of the combined retiree and spouse's medical premium until age 65.

If a retiree in receipt of these benefits dies before reaching age 65, the surviving spouse will continue to receive coverage that the retiree would have been entitled to until age 65 only. When a retiree reaches age 65 and/or is eligible for Medicare, the District reimburses the retiree up to \$1,800 per calendar year for the cost of Supplemental Medical Insurance and Medicare Prescription Drug (Part D) Insurance for the lifetime of the retiree only. Retirees who complete at least 25 consecutive years of full-time service receive District-paid dental and vision benefits along with the above-mentioned medical coverage and post-age 65 coverage includes Medicare Part B premium reimbursements until the time of the retiree and spouse's death.

Employees hired on or after July 1, 2012 are ineligible for District-paid retiree health benefits.

Plan membership. At July 1, 2018, membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	12
Active plan members	14

Contributions. Plan benefits and contribution requirements of Health Plan members and the District are established, and may be amended, by the District's Board of Directors.



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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, 2018 (June 30, 2018). 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	6.00 percent, net of OPEB plan investment expense
Healthcare cost trend rate	6.00 percent for 2018; 5.00 percent for 2019; 5.00 percent for 2020; and 5.00 percent for 2021 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, 2018 (June 30, 2018) valuation were based on a review of plan experience during the period July 1, 2016 to June 30, 2018.

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 enough 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
June 30, 2018	June 30, 2018	6.00%	3.62%	6.00%



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The components of the net OPEB liability at June 30, 2018, were as follows:

Total OPEB liability	2,374,867
Plan fiduciary net position	2,077,720
Net OPEB liability	\$297,147
Covered payroll	\$275,382
Net OPEB liability (asset) as a percentage of covered payroll	107.90%
Plan fiduciary net position as a percentage of the total OPEB liability	87.49%

Schedule of Changes in Net OPEB Liability

Total OPEB Liability	
Service Cost	33,406
Interest	134,254
Changes of benefit terms	0
Difference between expected and actual experience	0
Changes of assumptions	0
Benefit payments ¹	(59,870)
Net change in total OPEB liability	107,790
Total OPEB liability – beginning (a)	\$2,267,077
Total OPEB liability – ending (b)	\$2,374,867
Plan fiduciary net position	
Contributions – employer ¹	59,870
Net investment income	128,809
Benefit payments ¹	(59,870)
Administrative expense	(11,456)
Net change in plan fiduciary net position	117,353
Plan fiduciary net position – beginning (c)	\$1,960,367
Plan fiduciary net position – ending (d)	\$2,077,720
Net OPEB liability – beginning (c) – (a)	\$306,710
Net OPEB liability – ending (d) – (b)	\$297,147

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 (5.00 percent) or 1-percentage-point higher (7.00 percent) than the current discount rate:

	1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)
Net OPEB liability (asset)	655,440	297,147	7,484

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)	10,262	297,147	652,316



**Municipal Water District of Orange County
Post-Employment Medical Benefits Plan**

GASB 74/75 Disclosure Information

Statement of Fiduciary Net Position – June 30, 2018

Assets	
Cash, deposits, and cash equivalents	0
Receivables:	
Accrued Income	0
Total receivables	0
Investments:	
Managed account	2,077,720
Asset Category	0
Asset Category	0
Asset Category	0
Total Investments	2,077,720
Total Assets	2,077,720
Liabilities	
Payables	0
Total Liabilities	0
Net position restricted for postemployment benefits other than pensions	\$2,077,720

**Statement of Changes in Fiduciary Net Position
for the Year Ended June 30, 2018**

Additions	
Employer contributions ¹	59,870
Investment income:	
Net increase in fair value of investments	128,809
Total additions	188,679
Deductions	
Trustee fees	0
Administrative expense	11,456
Benefit payments ¹	59,870
Total deductions	71,326
Net increase in net position	117,353
Net position restricted for postemployment benefits other than pensions	
Beginning of year	\$1,960,367
End of year	\$2,077,720

1. Includes \$53,623 of pay-as-you-go contributions made from sources outside of trust, plus an implicit subsidy amount of \$6,247.



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Investments

Rate of return. For the year ended June 30, 2018 the annual money-weighted rate of return on investments, net of investment expense, was 6.58 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	6.58%
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**Municipal Water District of Orange County
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GASB 74/75 Disclosure Information

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 ¹	0	0
Changes in assumptions or other inputs ¹	0	0
Differences between projected and actual return investments ¹	215	0
Total	\$215	\$0

(1) 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:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	54	0
2020	54	0
2021	54	0
2022	53	0
2023	0	0
2024	0	0

**Municipal Water District of Orange County
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Schedule of Deferred Outflows and Inflows of Resources

Year	Type	Category	Initial Base	Amortization Period	Current Balance
2018	Deferred Outflow	Difference between expected and actual experience	0	3.6	0
2018	Deferred Outflow	Changes in assumptions	0	3.6	0
2018	Deferred Outflow	Net difference between projected and actual earnings on pension plan investments	269	5.0	215
Total					215

Year	Type	Category	Initial Base	Amortization Period	Current Balance
2018	Deferred Inflow	Difference between expected and actual experience	0	3.6	0
2018	Deferred Inflow	Changes in assumptions	0	3.6	0
2018	Deferred Inflow	Net difference between projected and actual earnings on pension plan investments	0	5.0	0
Total					0

**Municipal Water District of Orange County
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Net OPEB Expense

For the year ended June 30, 2018, the District's OPEB expense was \$50,092.

Net OPEB Liability - beginning (a)	\$306,710
Net OPEB Liability – ending (b)	\$297,147
Change in Net OPEB Liability [(b)-(a)]	(9,563)
Change in Deferred Outflows	(215)
Change in Deferred Inflows	0
Employer Contributions	59,870
OPEB Expense	\$50,092

Service Cost	33,406
Interest Cost	134,254
Expected Return on Assets	(117,622)
Changes of benefit terms	0
Recognition of Deferred Outflows and Inflows	
Differences between expected and actual experience	0
Changes of assumptions	0
Differences between projected and actual investments	54
Total	54
Net OPEB Expense	\$50,092

Actuarially Determined Contribution

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

Service Cost	33,406
Net OPEB Liability Amortization Payment (30-year)	15,472
Total	\$48,878

Valuation Date	July 1, 2018
Discount Rate	6.00%
Salary Increases	3.00%



**Municipal Water District of Orange County
Post-Employment Medical Benefits Plan**

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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 Municipal Water District of Orange County as of July 1, 2018.

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