

Questions received in response to RFP – Actuarial Services

Addendum #1

1. Who is the current actuary for MWDOC?
 - a. Foster & Foster Actuaries and Consultants
2. How long has the current actuary been providing OPEB services to MWDOC?
 - a. 5 years (formerly DFA, LLC). We must do a new RFP every 5 years.
3. Can you please provide the annual actuarial fees paid to the current actuary for each of the last three years for services comparable to those included in the RFP?
 - a. 2024 - \$3,750; 2023 - \$750; 2022 \$3,750
4. Can you please provide the last two (2) OPEB Valuation Reports?
 - a. See attached
5. Please confirm how the evaluation committee will weight the proposal criteria (Completeness and Comprehensiveness, Experience of the Firm, Professional Qualifications, and Cost of Services Provided).
 - a. We have not determined the exact weight of each evaluation criteria, but I believe they will be relatively the same with a 5–10% variance



GASB Statement No. 75

Supplemental Schedules for Municipal Water District of Orange County

| | |
|----------------------------|--------------------------------------|
| <i>Reporting Period:</i> | <i>July 1, 2022 to June 30, 2023</i> |
| <i>Measurement Period:</i> | <i>July 1, 2022 to June 30, 2023</i> |
| <i>Valuation Date:</i> | <i>July 1, 2022</i> |

November 21, 2023

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

GASB 75 Disclosure Information

Note to Auditors

DFA, LLC (DFA) has prepared the following supplemental schedules to accompany the District's actuarial valuation as of July 1, 2022 to (1) facilitate preparation of GASB 75 reporting and (2) to provide information that (if applicable) was not determinable as of the valuation date. We have prepared this supplement based on the results of our actuarial valuation and (if applicable) subsequent projections. We are available to discuss and reconcile any differences between your records and our calculations.

Our actuarial valuation report is intended to comply with GASB 75's valuation requirements (at least one every two years); the following schedules are intended to provide the reporting information specific to the applicable reporting period (July 1, 2022 to June 30, 2023), with updates to the measurement date (June 30, 2023).

Notes to the Financial Statements for the Year Ended June 30, 2023

Plan Description

Plan administration. The District provides health insurance for its retired employees and their spouses (if married and covered on the District's plan at time of retirement), or domestic partner in accordance with Board policy. 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. The District provides health benefits for employees, retirees and their dependents with a choice of medical plans through the Association of California Water Agencies (ACWA) Joint Powers Insurance Authority. Employees and retirees select from the same plans. Retired employees (hired prior to July 1, 2012) who are at least 55 years of age are eligible for these health and welfare benefits based on their years of full-time accrued service. There are two benefit tiers for the years of accrued service:

Tier 1: Employees retiring with a minimum of 10 consecutive years of full-time service with the District, earn medical coverage on the following terms: The District will pay for Retiree only or couples coverage on the same basis as active employees. Retiree and spouse/domestic partner have the option to continue dental and vision benefits at their own cost and COBRA coverage is offered. Upon becoming Medicare eligible, the retiree must enroll and transition to Medicare coverage. The District will reimburse retiree only up to the annual cap of \$3,080.82 for a Medicare Advantage Plan, a supplemental Medigap insurance policy, Medicare Prescription Drug Insurance or Medicare Part B coverage. If a spouse or domestic partner survives a retiree, their coverage will continue until remarriage, enrollment in another plan or becoming Medicare eligible.

Tier 2: Employees retiring with a minimum of 25 consecutive years of full-time service with the District, earn medical, dental and vision benefits on the following terms: The District will pay for retiree only or couples coverage on the same basis as active employees. The District pays the following for dental and vision coverage: Dental for retiree only 90%; couples coverage 80%. Vision coverage for retiree only 100%; couples coverage 80%. Retirees and their spouses/domestic partner are required to enroll in Medicare Parts A and B upon eligibility. The District will reimburse for Medicare Part B for both retiree and their eligible spouse/domestic partner. If a spouse or domestic partner survives a retiree, their coverage will continue until remarriage or enrollment in another plan.



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

GASB 75 Disclosure Information

The following guidelines apply to both tiers:

1. The District does not make contributions to Health Savings Accounts on behalf of retirees.
2. Reenrollment is not permitted if a retiree discontinues medical coverage.
3. Annual open enrollment is not permitted for retirees.
4. Reimbursement requires proper verification and is made on a quarterly to yearly basis.

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

Plan membership. On July 1, 2022, the most recent valuation date, membership consisted of the following:

| | |
|---|----|
| Inactive plan members or beneficiaries currently receiving benefit payments | 13 |
| Active plan members | 9 |

Contributions. The contribution requirements of Health Plan members and the District are established, and may be amended, by the District's Board of Directors. The District has fully funded the OPEB obligation with the addition of an OPEB Designated Reserve account.



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

GASB 75 Disclosure Information

Net OPEB Liability

The District's Net OPEB Liability was measured as of June 30, 2023 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of July 1, 2022. 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:

| | |
|---|---|
| Actuarial cost method | Entry Age, Level Percent of Pay |
| Valuation of fiduciary net position | Fair value of assets. |
| Recognition of deferred inflows and outflows of resources | Closed period equal to the average of the expected remaining service lives of all employees provided with OPEB |
| Salary increases | 3.00 percent |
| Inflation rate | 3.00 percent |
| Investment rate of return | 6.00 percent, net of OPEB plan investment expense |
| Healthcare cost trend rate | 6.00 percent for 2023, 5.50 percent for 2024, 5.30 percent for 2025-2030, 5.50 percent for 2031-2040, 5.20 percent for 2041-2050, 5.10 for 2051-2060, 5.00 percent for 2061-2069, and 4.50 percent for 2070 and later years; Medicare ages: 4.50 percent for all years. |
| Preretirement Mortality | Preretirement Mortality Rates from CalPERS Experience Study (2000-2019). |
| Postretirement Mortality | Post-retirement Mortality Rates for Healthy Recipients from CalPERS Experience Study (2000-2019). |

Actuarial assumptions used in the July 1, 2022 valuation were based on a review of plan experience during the period July 1, 2020 to June 30, 2022.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected ten-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate). The table below provides the long-term expected real rates of return by asset class (based on published capital market assumptions).

| Asset Class | Assumed Asset Allocation | Real Rate of Return |
|-------------------|--------------------------|---------------------|
| Broad U.S. Equity | 50% | 4.4% |
| U.S. Fixed | 50% | 1.8% |

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

GASB 75 Disclosure Information

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 | Fidelity GO AA 20 Years Municipal Index | Discount Rate |
|----------------|------------------|---|---|---------------|
| June 30, 2022 | June 30, 2022 | 6.00% | 3.69% | 6.00% |
| June 30, 2023 | June 30, 2023 | 6.00% | 3.86% | 6.00% |

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

GASB 75 Disclosure Information

The components of the net OPEB liability were as follows:

| | |
|---|---------------|
| Total OPEB liability | 2,371,670 |
| Plan fiduciary net position | 2,574,618 |
| Net OPEB liability (asset) | \$(202,948) |
| Measurement date | June 30, 2023 |
| Reporting date | June 30, 2023 |
| Covered employee payroll | \$1,379,093 |
| Net OPEB liability (asset) as a percentage of covered payroll | -14.72% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 108.56% |

Schedule of Changes in Net OPEB Liability (June 30, 2022 to June 30, 2023)

| | |
|---|-------------|
| Total OPEB Liability | |
| Service Cost | 17,857 |
| Interest | 136,751 |
| Changes of benefit terms | 0 |
| Difference between expected and actual experience | 0 |
| Changes in assumptions or other inputs | 0 |
| Benefit payments ¹ | (87,253) |
| Net change in total OPEB liability | 67,355 |
| Total OPEB liability – June 30, 2022 (a) | \$2,304,315 |
| Total OPEB liability – June 30, 2023 (b) | \$2,371,670 |
| Plan fiduciary net position | |
| Contributions – employer ¹ | 87,253 |
| Other income – adjustment | 0 |
| Net investment income | 180,315 |
| Benefit payments ¹ | (87,253) |
| Administrative expenses | (14,296) |
| Other disbursements – reimbursement to employer | 0 |
| Net change in plan fiduciary net position | 166,019 |
| Plan fiduciary net position – June 30, 2022 (c) | \$2,408,599 |
| Plan fiduciary net position – June 30, 2023 (d) | \$2,574,618 |
| Net OPEB liability (asset) – June 30, 2022 (a) – (c) | \$(104,284) |
| Net OPEB liability (asset) – June 30, 2023 (b) – (d) | \$(202,948) |

¹ Amount includes any implicit subsidy associated with benefits paid (see Footnote 4).

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

GASB 75 Disclosure Information

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 or 1-percentage-point higher than the current discount rate:

| | 1% Decrease (5.00%) | Discount Rate (6.00%) | 1% Increase (7.00%) |
|----------------------------|------------------------|--------------------------|------------------------|
| Net OPEB liability (asset) | 84,429 | (202,948) | (441,650) |

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 or 1-percentage-point higher than the current healthcare cost trend rates:

| | 1% Decrease ² | Trend Rate | 1% Increase ³ |
|----------------------------|--------------------------|------------|--------------------------|
| Net OPEB liability (asset) | (436,002) | (202,948) | 79,435 |

² Trend rate for each future year reduced by 1.00%.

³ Trend rate for each future year increased by 1.00%.

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

GASB 75 Disclosure Information

Statement of Fiduciary Net Position

| | |
|--|--------------------|
| Assets | |
| Cash, deposits, and cash equivalents | 0 |
| Receivables: | |
| Accrued Income | 0 |
| Total receivables | 0 |
| Investments: | |
| Managed account | 2,574,618 |
| Total Investments | 2,574,618 |
| Total Assets | 2,574,618 |
| Liabilities | |
| Accrued Expenses | 0 |
| Total Liabilities | 0 |
| Net position restricted for postemployment benefits other than pensions | \$2,574,618 |
| Measurement date | June 30, 2023 |
| Reporting date | June 30, 2023 |

Statement of Changes in Fiduciary Net Position

| | |
|--|-------------|
| Additions | |
| Employer contributions ⁴ | 87,253 |
| Other income – adjustment | 0 |
| Net increase in fair value of investments | 180,315 |
| Total additions | 267,568 |
| Deductions | |
| Administrative expenses | 14,296 |
| Benefit payments ⁴ | 87,253 |
| Other disbursements – reimbursement to employer | 0 |
| Total deductions | 101,549 |
| Net increase in net position | 166,019 |
| Net position restricted for postemployment benefits other than pensions | |
| Beginning of year – June 30, 2022 | \$2,408,599 |
| End of year – June 30, 2023 | \$2,574,618 |

⁴ Includes an implicit subsidy credit as follows:

| | Trust | Non-Trust | Total |
|------------------------------|-------|-----------|----------|
| Employer contribution | \$0 | \$77,918 | \$77,918 |
| Implicit subsidy credit | 0 | 9,335 | 9,335 |
| Total employer contributions | \$0 | \$87,253 | \$87,253 |
| Benefit payments | \$0 | \$77,918 | \$77,918 |
| Implicit subsidy credit | 0 | 9,335 | 9,335 |
| Total benefit payments | \$0 | \$87,253 | \$87,253 |



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

GASB 75 Disclosure Information

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 current investment selection is the Moderate HighMark PLUS. The dual goals of the Moderate Strategy are growth of principal and income. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important. The portfolio will be allocated between equity and fixed income investments.

| <i>Strategic Asset Allocation Ranges</i> | | | |
|--|-------|--------------|---------|
| | Cash | Fixed Income | Equity |
| Stated Range | 0-20% | 40%-60% | 40%-60% |

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 7.51 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 | 7.51% |
|--|--------------|

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

GASB 75 Disclosure Information

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

On June 30, 2023, 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 ^{5,6} | 0 | (158,066) |
| Changes in assumptions or other inputs ^{5,6} | 40,211 | 0 |
| Net difference between projected and actual return on OPEB investments ^{5,6} | 163,277 | 0 |
| Total | \$203,488 | \$(158,066) |

⁵ Measured on June 30, 2023.

⁶ 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 |
|--------------------------------|--------------------------------|----------------------------------|
| 2024 | 81,046 | (158,066) |
| 2025 | 29,057 | 0 |
| 2026 | 100,631 | 0 |
| 2027 | (7,246) | 0 |
| 2028 | 0 | 0 |
| Thereafter+ | 0 | 0 |



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

GASB 75 Disclosure Information

Schedule of Deferred Outflows of Resources

| Year | Type | Category | Initial Base | Amortization Period | Current Recognition | Current Balance |
|-------|------------------|---|--------------|---------------------|---------------------|-----------------|
| 2017 | Deferred Outflow | Difference between expected and actual experience | 0 | 0.0 | 0 | 0 |
| 2018 | Deferred Outflow | Difference between expected and actual experience | 0 | 0.0 | 0 | 0 |
| 2019 | Deferred Outflow | Difference between expected and actual experience | 0 | 0.0 | 0 | 0 |
| 2020 | Deferred Outflow | Difference between expected and actual experience | 0 | 0.0 | 0 | 0 |
| 2021 | Deferred Outflow | Difference between expected and actual experience | 0 | 0.0 | 0 | 0 |
| 2022 | Deferred Outflow | Difference between expected and actual experience | 0 | 0.0 | 0 | 0 |
| 2023 | Deferred Outflow | Difference between expected and actual experience | 0 | 2.7 | 0 | 0 |
| Total | | | | | 0 | 0 |

| Year | Type | Category | Initial Base | Amortization Period | Current Recognition | Current Balance |
|-------|------------------|--|--------------|---------------------|---------------------|-----------------|
| 2017 | Deferred Outflow | Changes in assumptions or other inputs | 0 | 0.0 | 0 | 0 |
| 2018 | Deferred Outflow | Changes in assumptions or other inputs | 0 | 0.0 | 0 | 0 |
| 2019 | Deferred Outflow | Changes in assumptions or other inputs | 0 | 0.0 | 0 | 0 |
| 2020 | Deferred Outflow | Changes in assumptions or other inputs | 102,437 | 2.9 | 0 | 0 |
| 2021 | Deferred Outflow | Changes in assumptions or other inputs | 0 | 0.0 | 0 | 0 |
| 2022 | Deferred Outflow | Changes in assumptions or other inputs | 155,101 | 2.7 | 57,445 | 40,211 |
| 2023 | Deferred Outflow | Changes in assumptions or other inputs | 0 | 2.7 | 0 | 0 |
| Total | | | | | 57,445 | 40,211 |

| Year | Type | Category | Initial Base | Amortization Period | Current Recognition | Current Balance |
|-------|------------------|--|--------------|---------------------|---------------------|-----------------|
| 2017 | Deferred Outflow | Net difference between projected and actual earnings on plan investments | 0 | 0.0 | 0 | 0 |
| 2018 | Deferred Outflow | Net difference between projected and actual earnings on plan investments | 269 | 5.0 | 0 | 0 |
| 2019 | Deferred Outflow | Net difference between projected and actual earnings on plan investments | 0 | 0.0 | 0 | 0 |
| 2020 | Deferred Outflow | Net difference between projected and actual earnings on plan investments | 58,888 | 5.0 | 11,778 | 11,776 |
| 2021 | Deferred Outflow | Net difference between projected and actual earnings on plan investments | 0 | 0.0 | 0 | 0 |
| 2022 | Deferred Outflow | Net difference between projected and actual earnings on plan investments | 539,367 | 5.0 | 107,873 | 323,621 |
| 2023 | Deferred Outflow | Net difference between projected and actual earnings on plan investments | 0 | 5.0 | 0 | 0 |
| Total | | | | | 119,651 | 335,397 |



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

GASB 75 Disclosure Information

Schedule of Deferred Inflows of Resources

| Year | Type | Category | Initial Base | Amortization Period | Current Recognition | Current Balance |
|-------|-----------------|---|--------------|---------------------|---------------------|-----------------|
| 2017 | Deferred Inflow | Difference between expected and actual experience | 0 | 0.0 | 0 | 0 |
| 2018 | Deferred Inflow | Difference between expected and actual experience | 0 | 0.0 | 0 | 0 |
| 2019 | Deferred Inflow | Difference between expected and actual experience | 0 | 0.0 | 0 | 0 |
| 2020 | Deferred Inflow | Difference between expected and actual experience | (86,201) | 2.9 | 0 | 0 |
| 2021 | Deferred Inflow | Difference between expected and actual experience | 0 | 0.0 | 0 | 0 |
| 2022 | Deferred Inflow | Difference between expected and actual experience | (609,684) | 2.7 | (225,809) | (158,066) |
| 2023 | Deferred Inflow | Difference between expected and actual experience | 0 | 2.7 | 0 | 0 |
| Total | | | | | (225,809) | (158,066) |

| Year | Type | Category | Initial Base | Amortization Period | Current Recognition | Current Balance |
|-------|-----------------|--|--------------|---------------------|---------------------|-----------------|
| 2017 | Deferred Inflow | Changes in assumptions or other inputs | 0 | 0.0 | 0 | 0 |
| 2018 | Deferred Inflow | Changes in assumptions or other inputs | 0 | 0.0 | 0 | 0 |
| 2019 | Deferred Inflow | Changes in assumptions or other inputs | 0 | 0.0 | 0 | 0 |
| 2020 | Deferred Inflow | Changes in assumptions or other inputs | 0 | 0.0 | 0 | 0 |
| 2021 | Deferred Inflow | Changes in assumptions or other inputs | 0 | 0.0 | 0 | 0 |
| 2022 | Deferred Inflow | Changes in assumptions or other inputs | 0 | 0.0 | 0 | 0 |
| 2023 | Deferred Inflow | Changes in assumptions or other inputs | 0 | 2.7 | 0 | 0 |
| Total | | | | | 0 | 0 |

| Year | Type | Category | Initial Base | Amortization Period | Current Recognition | Current Balance |
|-------|-----------------|--|--------------|---------------------|---------------------|-----------------|
| 2017 | Deferred Inflow | Net difference between projected and actual earnings on plan investments | 0 | 0.0 | 0 | 0 |
| 2018 | Deferred Inflow | Net difference between projected and actual earnings on plan investments | 0 | 0.0 | 0 | 0 |
| 2019 | Deferred Inflow | Net difference between projected and actual earnings on plan investments | (9,854) | 5.0 | (1,970) | 0 |
| 2020 | Deferred Inflow | Net difference between projected and actual earnings on plan investments | 0 | 0.0 | 0 | 0 |
| 2021 | Deferred Inflow | Net difference between projected and actual earnings on plan investments | (357,852) | 5.0 | (71,570) | (143,142) |
| 2022 | Deferred Inflow | Net difference between projected and actual earnings on plan investments | 0 | 0.0 | 0 | 0 |
| 2023 | Deferred Inflow | Net difference between projected and actual earnings on plan investments | (36,222) | 5.0 | (7,244) | (28,978) |
| Total | | | | | (80,784) | (172,120) |



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

GASB 75 Disclosure Information

OPEB Expense

The District's OPEB expense (credit) was \$(104,686).

| | |
|--|-------------|
| Net OPEB Liability (Asset) – beginning (a) | \$(104,284) |
| Net OPEB Liability (Asset) – ending (b) | \$(202,948) |
| Change in Net OPEB Liability (Asset) [(b)-(a)] | (98,664) |
| Change in Deferred Outflows | 177,096 |
| Change in Deferred Inflows | (270,371) |
| Employer Contributions | 87,253 |
| Adjustment – Transfer In (Employer Reimbursement) | 0 |
| Adjustment – OPEB Expense | 0 |
| OPEB Expense (Credit) – June 30, 2022 to June 30, 2023 | \$(104,686) |

| | |
|--|-------------|
| Service Cost | 17,857 |
| Interest Cost | 136,751 |
| Expected Return on Assets | (144,093) |
| Changes of benefit terms | 0 |
| Administrative expenses | 14,296 |
| Recognition of Deferred Outflows and Inflows | |
| Differences between expected and actual experience | (225,809) |
| Changes of assumptions | 57,445 |
| Differences between projected and actual investments | 38,867 |
| Total | (129,497) |
| Adjustment | 0 |
| OPEB Expense (Credit) – June 30, 2022 to June 30, 2023 | \$(104,686) |

Actuarially Determined Contribution

The actuarially determined contributions from the most recent actuarial valuation are:

| | |
|---|----------|
| Actuarially Determined Contribution for year ending June 30, 2023 | \$13,122 |
| Actuarially Determined Contribution for year ending June 30, 2024 | 13,516 |

| | |
|---|--------------|
| Valuation Date | July 1, 2022 |
| Discount Rate (Expected Long-term Return on Assets) | 6.00% |
| Salary Increases | 3.00% |

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

GASB 75 Disclosure Information

Journal Entries⁷

OPEB Expense Journal Entries - June 30, 2023 Reporting Date

| | | Debit | Credit |
|--|-------------------|------------------|--------------------|
| Differences between Expected and Actual Experience | Deferred Outflows | \$0 | \$0 |
| | Deferred Inflows | 225,809 | 0 |
| Change in Assumptions and Other Inputs | Deferred Outflows | 0 | (57,445) |
| | Deferred Inflows | 0 | 0 |
| Differences between Projected and Actual Investment Earnings | Deferred Outflows | 0 | (75,089) |
| | Deferred Inflows | 0 | 0 |
| Net OPEB Liability/(Asset) | | 11,411 | 0 |
| OPEB Expense/(Credit) | | 0 | (104,686) |
| <i>Total</i> | | <i>\$237,220</i> | <i>\$(237,220)</i> |

Employer Contribution Journal Entries - June 30, 2023 Reporting Date

| | | Debit | Credit |
|--|-------------------------------------|-----------------|-------------------|
| Contributions paid July 1, 2022 to June 30, 2023 | Net OPEB Liability/(Asset) | \$87,253 | \$0 |
| | Other Healthcare (Implicit Subsidy) | 0 | (9,335) |
| | Contributions Expense | 0 | (77,918) |
| <i>Total</i> | | <i>\$87,253</i> | <i>\$(87,253)</i> |

⁷ Provided for illustrative purpose. Actual entries may differ. DFA is available to discuss any differences.



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

GASB 75 Disclosure Information

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, 2022.

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.

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

Certified by:

A handwritten signature in blue ink, appearing to read 'Carlos Diaz', is written over a horizontal line.

Carlos Diaz, ASA, EA, MAAA
Actuary

Hilary Chumpitazi
Accounting Manager
Municipal Water District of Orange County
P.O. Box 20895
Fountain Valley, CA 92728



GASB Statement No. 75

**Actuarial Valuation Report – Retiree Health Insurance Program
Municipal Water District of Orange County**

Valuation Date: June 30, 2024

Measurement Date: June 30, 2024

September 3, 2024



September 3, 2024

Hilary Chumpitazi
Director of Finance/IT
Municipal Water District of Orange County
P.O. Box 20895
Fountain Valley, CA 92728

Re: Municipal Water District of Orange County ("District") GASB 75 Valuation

Dear Hilary:

This report sets forth the results of our GASB 75 actuarial valuation of the District's retiree health insurance program as of June 30, 2024.

GASB 74 and GASB 75 require public employers such as the District to perform periodic actuarial valuations to measure and disclose their retiree healthcare liabilities for the financial statements of both the employer and the trust, if any, set aside to pre-fund these liabilities.

The District selected DFA, LLC (DFA)—acquired by Foster & Foster Consulting Actuaries, Inc. (Foster & Foster) as of January 1, 2024—to perform an actuarial valuation of the retiree health insurance program as of June 30, 2024. This report may be compared with the valuation performed by DFA, LLC as of July 1, 2022, to see how the liabilities have changed since the last valuation.

Basis for Actuarial Valuation

To perform the valuation, we relied on the following information provided by the District:

- Census data for active employees and retirees
- Claims, premium, expense, and enrollment data
- Copies of relevant sections of healthcare documents, and
- (If applicable) trust statements prepared by the trustee

We also made certain assumptions regarding rates of employee turnover, retirement, and mortality, as well as economic assumptions regarding healthcare inflation and interest rates. Our assumptions are based on a standard set of assumptions used for similar valuations, modified as appropriate for the District. A complete description of the actuarial assumptions used in the valuation is set forth in the Actuarial Assumptions section.



Certification

The actuarial certification, including a caveat regarding limitations of scope, if any, is contained in the Actuarial Certification section.

We have enjoyed working with the District on this project and are available to answer any questions you may have concerning any information contained herein.

Disclosure of Risk

It is important to call attention to external risk factors associated with actuarial projections. Certain trends and events have the potential to affect future measurements that would deviate from current long-term expectations. The following is a list of specific factors that impact OPEB liabilities:

- Census – retirement, turnover, and mortality experience different than expected.
- Medical coverage – premiums, participation, and level of coverage different than expected.
- Municipal bond rates – changes in applicable rates (rates are currently declining and may result in increased liabilities). Under GASB 75, the municipal rate may affect the discount rate. The quantitative effect of changes in the discount rate can be seen in the sensitivity results.
- Investment performance – (for funded plans) investment performance different than the long-term expected return. Investment performance may also affect the discount rate.

The current environment's impact on these factors will continue to unfold. We are available to discuss both the short-term and long-term impact upon request.

Sincerely,
Foster & Foster Consulting Actuaries, Inc.



Carlos Diaz, ASA, EA, MAAA
Senior Consulting Actuary



Financial Results

In this section, we present financial results based on a long-term expected return on plan investments of 6.00%. This rate is based on our best estimate of expected long-term plan experience for funded plans such as the District's. The results are intended to help (1) in comparing financial results from the previous valuation and (2) in long-term budget and strategic planning (without regard to short-term volatility in municipal bond indices). Results specific to GASB 75 reporting are presented in the next section.

We have determined that the present value of all benefits expected to be paid by the District for its current and future retirees is \$2,243,096 as of June 30, 2024. If the District were to place this amount in a fund earning interest at the rate of 6.00% per year, and all other actuarial assumptions were exactly met, the fund would have exactly enough to pay all expected benefits.



When we apportion the \$2,243,096 into past service and future service components under the Entry Age, Level Percent of Pay Cost Method, the Total OPEB Liability is \$2,064,826 as of June 30, 2024. This represents the present value of all benefits accrued through the valuation date if each employee's liability is expensed from hire date until retirement date as a level percentage of pay. The \$2,064,826 is comprised of liabilities of \$1,085,342 for active employees and \$979,484 for retirees.

The District has adopted an irrevocable trust for the pre-funding of retiree healthcare benefits. As of June 30, 2024, the trust balance, or Plan Fiduciary's Net Position (GASB 75) is \$2,861,970. The Net OPEB Liability (Asset), equal to the Total OPEB Liability over the Plan Fiduciary's Net Position, is \$(797,144).

In addition to the irrevocable trust, the District has a designated OPEB Reserve in the amount of \$297,147. The Plan's funded status is 153.0% considering the reserve and 138.6% without the reserve.

| | Irrevocable Trust Only | Irrevocable Trust and OPEB Reserve |
|--|------------------------|------------------------------------|
| 1. Total OPEB Liability | \$2,064,826 | \$2,064,826 |
| 2. Allocated Assets | 2,861,970 | 3,159,117 |
| 3. Funded Status: (2) ÷ (3) | 138.6% | 153.0% |
| 4. Amount Exceeding 100% Status: (2) – (1) | \$797,144 | \$1,094,291 |

This valuation includes benefits for 13 retirees and eight active employees who may become eligible to retire and receive benefits in the future. Employees hired on or after July 1, 2012 are ineligible for District-paid retiree health and welfare benefits and are not included in this valuation.



Financial Results (continued)

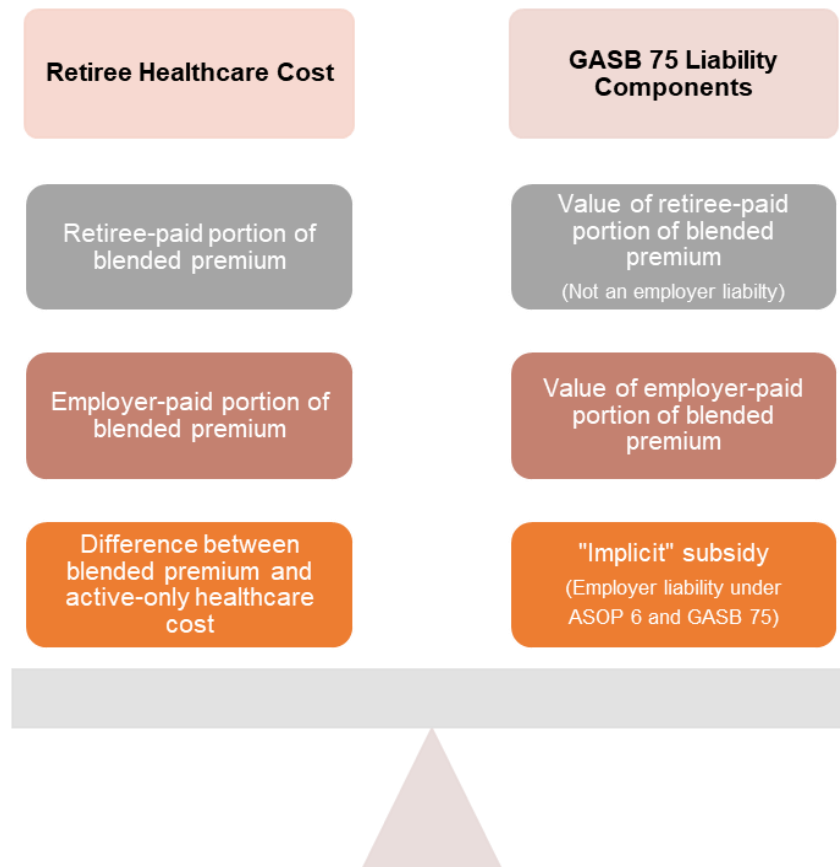
ASOP 6 – Age-Specific Costs and Implicit Subsidy

The valuation reflects the value of an implicit subsidy equal to \$233,490.

The implicit subsidy represents the value of age-specific claims over average premiums. To determine age-specific claims, we used an age-specific claim cost matrix fitted to the average premium charged by the District.

Actuarial Standard of Practice No. 6 (ASOP 6) provides guidance in measuring OPEB obligations and determining periodic costs or actuarially determined contributions. The standard specifies that (in almost all instances) the actuary should use age-specific costs in the development of the initial per capita costs and in the projection of future benefit plan costs.

When claims experience of both active employees and retirees are pooled in determining healthcare premiums, a retiree may pay an amount based on a blended pool of members that, on average, is younger and healthier. In a pooled environment, retiree claims are covered by premiums charged to the retiree plus an added cost included in active premiums. Blended premium charged represents an “explicit” cost, while the added cost represents an “implicit” cost.



Financial Results (continued)

Differences from Prior Valuation

The most recent prior valuation was completed as of July 1, 2022 by DFA, LLC. The Total OPEB Liability as of that date was \$2,304,315, compared to \$2,064,826 as of June 30, 2024 (determined using a discount rate of 6.00%).

Several factors have caused the Total OPEB Liability to change since 2022:

- An increase as employees accrue more service and get closer to receiving benefits.
- A decrease from a release of benefits.
- Changes in the plan census from new employees and differences between actual and expected retirement, terminations, and deaths.
- Changes in healthcare costs from differences between actual and expected healthcare trend; and
- Changes in actuarial assumptions and methodology for the current valuation.

To summarize, the most important changes were as follows:

1. An increase of \$137,526 from the passage of time (service and interest costs less benefits paid).
2. A decrease of \$367,972 resulting from population experience (terminations, retirements, and mortality) different than expected.
3. A decrease of \$21,537 from changes in healthcare premiums different than expected.
4. An increase of \$7,178 from changes in the healthcare trend rate.
5. An increase of \$5,316 from change in assumed termination of employment rates.

These changes from July 1, 2022 to June 30, 2024 are combined as follows:

| | |
|---|-------------|
| Total OPEB Liability as of July 1, 2022 | \$2,304,315 |
| Passage of time | 137,526 |
| Difference between expected/actual experience | (389,509) |
| Changes in assumptions or other inputs | 12,494 |
| Changes in plan provisions | 0 |
| Total OPEB Liability as of June 30, 2024 | \$2,064,826 |



GASB 75 Results

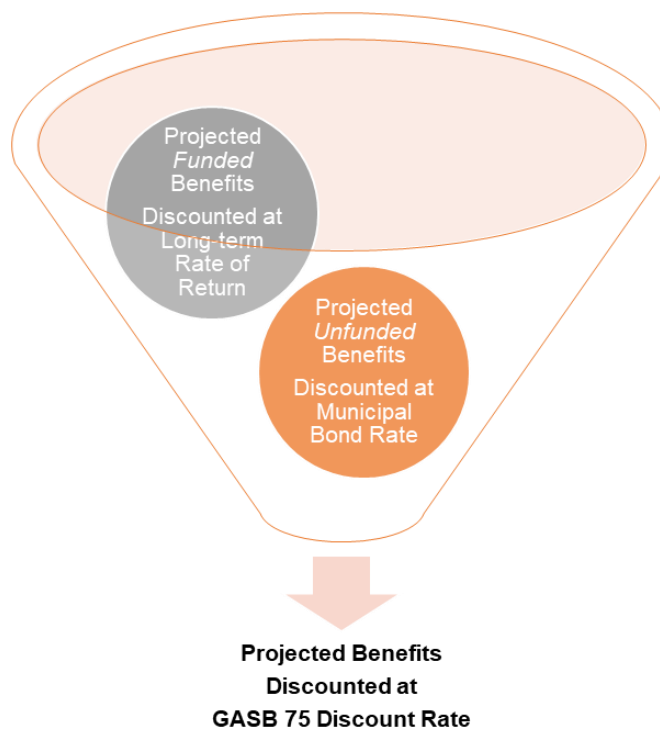
For financial reporting purposes, GASB 75 requires a discount rate that reflects the following:

- a. The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position 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.

The amount of the plan's projected fiduciary net position and the amount of projected benefit payments should be compared in each period of projected benefit payments.

Based on these requirements and the following information, we have determined a discount rate of 6.00% for GASB 75 reporting purposes:

| | |
|---|-------|
| Long-Term Expected Return on Assets | 6.00% |
| Fidelity General Obligations AA - 20 Years Index on June 30, 2024 | 3.97% |
| GASB 75 Discount Rate | 6.00% |



GASB 75 Results (continued)

Municipal Water District of Orange County Net OPEB Liabilities and Expense Under GASB 75 Accrual Accounting Standard

| | June 30, 2024 ¹ | | |
|--|----------------------------|----------------------|---------------|
| | Long-Term Return | Municipal Bond Index | GASB 75 Rate |
| Discount Rate | 6.00% | 3.97% | 6.00% |
| Present Value of Future Benefits | | | |
| Active | \$1,263,612 | \$1,787,208 | \$1,263,612 |
| Retired | 979,484 | 1,167,286 | 979,484 |
| Total | \$2,243,096 | \$2,954,494 | \$2,243,096 |
| Total OPEB Liability | | | |
| Active | \$1,085,342 | \$1,450,658 | \$1,085,342 |
| Retired | 979,484 | 1,167,286 | 979,484 |
| Total | \$2,064,826 | \$2,617,944 | \$2,064,826 |
| Plan Fiduciary Net Position | \$2,861,970 | \$2,861,970 | \$2,861,970 |
| Net OPEB Liability (Asset) | \$(797,144) | \$(244,026) | \$(797,144) |
| Sensitivity Analysis | | | |
| 1% Decrease in Discount Rate | 5.00% | 2.97% | 5.00% |
| Total OPEB Liability | \$2,311,398 | \$2,980,470 | \$2,311,398 |
| Net OPEB Liability (Asset) | \$(550,572) | \$118,500 | \$(550,572) |
| 1% Increase in Discount Rate | 7.00% | 4.97% | 7.00% |
| Total OPEB Liability | \$1,858,133 | \$2,319,512 | \$1,858,133 |
| Net OPEB Liability (Asset) | \$(1,003,837) | \$(542,458) | \$(1,003,837) |
| 1% Decrease in Trend Rate ² | | | |
| Total OPEB Liability | \$1,865,117 | \$2,324,873 | \$1,865,117 |
| Net OPEB Liability (Asset) | \$(996,853) | \$(537,097) | \$(996,853) |
| 1% Increase in Trend Rate ³ | | | |
| Total OPEB Liability | \$2,306,313 | \$2,979,921 | \$2,306,313 |
| Net OPEB Liability (Asset) | \$(555,657) | \$117,951 | \$(555,657) |

¹ For the District's financial statements, we will provide separate schedules with supplemental GASB 75 information.

² Trend rate for each future year reduced by 1.00%.

³ Trend rate for each future year increased by 1.00%.



GASB 75 Results (continued)

OPEB Expense

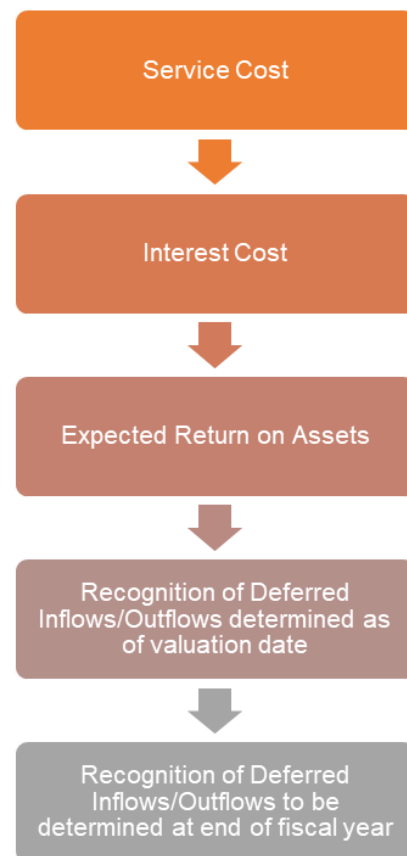
We have determined the following components of the District's OPEB Expense for the measurement year ending June 30, 2025: Service Cost, Interest Cost, Expected Return on Assets, and Deferred Outflows and Inflows (determined as of the valuation date).

- Service Cost represents the present value of benefits accruing in the current year.
- Interest Cost represents the interest on the Total OPEB Obligation and interest on the Service Cost.
- Expected Return on Assets is the expected return based on a 6.00% investment rate of return.
- Deferred Outflows and Inflows of Resources (determined as of the valuation date) are changes in the Net OPEB Liability resulting from differences between projected and actual plan experience, from differences between projected and actual OPEB plan investments, and from changes in assumptions.

The OPEB Expense will reflect additional Deferred Outflows and Inflows that will be determined based on the Net OPEB Obligation as of June 30, 2025.

We summarize results in the table on Page 10 of this report. For comparative purposes, we provide service cost and interest cost at three discount rates (the expected return on assets, the municipal bond index, and the GASB 75 rate, discussed above). We determine Deferred Outflows and Inflows solely on the applicable GASB 75 rate. All amounts are net of expected future retiree contributions, if any.

We will be available to assist the District and its auditors in preparing the footnotes and required supplemental information for compliance with GASB 75 (and GASB 74, if applicable). In the meantime, we are available to answer any questions the District may have concerning the report.



GASB 75 Results (continued)

Actuarially Determined Contribution and Pay-As-You-Go with Implied Subsidy

We have calculated an actuarially determined contribution representing the Service Cost and a 15-year amortization (as a level percent of pay) of the Net OPEB Liability. We include the results in the table on the next page. We provide results at three discount rates (the expected long-term expected return on assets, the municipal bond index, and the GASB 75 rate).

An actuarially determined contribution is a potential payment to the plan determined using a contribution allocation procedure. It is not a required contribution, but a measurement commonly used to prefund OPEB benefits. We provide the amounts for illustrative purposes.

The actuarially determined contribution may be compared to the pay-as-you-go payment. The table shows the pay-as-you-go payment along with the projected implied subsidy payment.

The Funding Schedules section provides additional prefunding alternatives.



GASB 75 Results (continued)

Municipal Water District of Orange County Net OPEB Liabilities and Expense Under GASB 75 Accrual Accounting Standard

| | July 1, 2024 | | |
|--|------------------|----------------------|--------------|
| | Long-Term Return | Municipal Bond Index | GASB 75 Rate |
| Discount Rate | 6.00% | 3.97% | 6.00% |
| Components of OPEB Expense for 2024-25 | | | |
| Service Cost (beginning of year) | \$28,194 | \$48,082 | \$28,194 |
| Interest Cost | 122,509 | 103,798 | 122,509 |
| Expected Return on Assets | (171,718) | (171,718) | (171,718) |
| Total ⁴ | \$(21,015) | \$(19,838) | \$(21,015) |
| Actuarially Determined Contribution | | | |
| Service Cost (mid-year) | \$29,027 | \$49,027 | \$29,027 |
| Amortization of Net OPEB Liability ⁵ | (66,381) | (17,699) | (66,381) |
| Total for 2024-25 | \$(37,354) | \$31,328 | \$(37,354) |
| Total for 2025-26 ⁶ | \$(38,474) | \$32,268 | \$(38,474) |
| Pay-As-You-Go Payment with Implied Subsidy for 2024-25 | | | |
| Projected Pay-As-You-Go | \$92,170 | \$92,170 | \$92,170 |
| Projected Implied Subsidy ⁷ | 11,752 | 11,752 | 11,752 |
| Total | \$103,922 | \$103,922 | \$103,922 |
| Projected Implied Subsidy Credit ⁷ | | | |
| 2024-25 | \$11,752 | \$11,752 | \$11,752 |
| 2025-26 | 13,713 | \$13,713 | \$13,713 |

⁴ Additional components are shown on the following pages. Deferred Outflows/Inflows of Resources will also include changes determined based on the Total OPEB Obligation and Plan Fiduciary Net Position on June 30, 2025.

⁵ 15-year amortization (as a level percent of pay).

⁶ Level percent of pay.

⁷ Adjustment for implicit subsidy. Adjustment equals District-paid premiums on behalf of retirees (from trust and non-trust) multiplied by a factor of 0.1275.



GASB 75 Results (continued)

Schedule of Changes in Net OPEB Liability (July 1, 2023 to June 30, 2024)

| | |
|--|-------------|
| 1. Total OPEB Liability | |
| a. Total OPEB Liability on July 1, 2023 ⁸ | \$2,371,670 |
| b. Service Cost ⁹ | 14,595 |
| c. Interest Cost | 140,661 |
| d. Benefit Payments ¹⁰ | (85,085) |
| e. Changes in plan provisions ¹¹ | 0 |
| f. Difference between expected and actual experience ¹² | (389,508) |
| g. Changes in assumptions and other inputs ¹² | 12,493 |
| h. Total OPEB Liability on June 30, 2024 | \$2,064,826 |
| 2. Plan Fiduciary Net Position | |
| a. Plan Fiduciary Net Position on July 1, 2023 ⁸ | \$2,574,618 |
| b. Contributions ¹⁰ | 85,085 |
| c. Expected Investment Income | 154,019 |
| d. Administrative Expenses | (15,504) |
| e. Benefit Payments ¹⁰ | (85,085) |
| f. Net Transfers | 0 |
| g. Difference between actual and expected return on assets ¹² | 148,837 |
| h. Plan Fiduciary Net Position on June 30, 2024 | \$2,861,970 |
| 3. Net OPEB Liability: (1h) - (2h) | (\$797,144) |
| 4. Discount Rate | |
| a. July 1, 2023 | 6.00% |
| b. June 30, 2024 | 6.00% |

⁸ From June 30, 2023 disclosure report, based on the July 1, 2022 actuarial valuation.

⁹ Discounted from June 30, 2024 valuation.

¹⁰ Includes credit toward implicit subsidy (if applicable).

¹¹ Included in OPEB Expense.

¹² Deferred (Outflow)/Inflow of Resources to be established during fiscal year end June 30, 2024.



GASB 75 Results (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

| Type | Initial Amount | Fiscal Year Established | Period (Years) | Annual Recognition ¹³ |
|---|----------------|-------------------------|----------------|----------------------------------|
| Difference between expected/actual experience | 0 | 2018 | 0.0 | 0 |
| Difference between expected/actual return on assets | 269 | 2018 | 5.0 | 0 |
| Changes in assumptions or other inputs | 0 | 2018 | 0.0 | 0 |
| Difference between expected/actual experience | 0 | 2019 | 0.0 | 0 |
| Difference between expected/actual return on assets | (9,854) | 2019 | 5.0 | 0 |
| Changes in assumptions or other inputs | 0 | 2019 | 0.0 | 0 |
| Difference between expected/actual experience | (86,201) | 2020 | 2.9 | 0 |
| Difference between expected/actual return on assets | 58,888 | 2020 | 5.0 | 11,776 |
| Changes in assumptions or other inputs | 102,437 | 2020 | 2.9 | 0 |
| Difference between expected/actual experience | 0 | 2021 | 0.0 | 0 |
| Difference between expected/actual return on assets | (357,852) | 2021 | 5.0 | (71,570) |
| Changes in assumptions or other inputs | 0 | 2021 | 0.0 | 0 |
| Difference between expected/actual experience | (609,684) | 2022 | 2.7 | (158,066) |
| Difference between expected/actual return on assets | 539,367 | 2022 | 5.0 | 107,873 |
| Changes in assumptions or other inputs | 155,101 | 2022 | 2.7 | 40,211 |
| Difference between expected/actual experience | 0 | 2023 | 0.0 | 0 |
| Difference between expected/actual return on assets | (36,222) | 2023 | 5.0 | (7,244) |
| Changes in assumptions or other inputs | 0 | 2023 | 0.0 | 0 |
| Difference between expected/actual experience | (389,508) | 2024 | 2.4 | (162,295) |
| Difference between expected/actual return on assets | (148,837) | 2024 | 5.0 | (29,767) |
| Changes in assumptions or other inputs | 12,493 | 2024 | 2.4 | 5,205 |
| | | | <i>Total</i> | <i>(263,877)</i> |

¹³ Charge/(Credit) included in OPEB Expense.



Funding Schedules

There are many ways to approach the pre-funding of retiree healthcare benefits. In the sections above, we determined the annual expense for all District-paid benefits. The expense is an orderly methodology, developed by the GASB, to account for retiree healthcare benefits. However, the GASB 75 expense has no direct relation to amounts the District may set aside to pre-fund healthcare benefits.

The table on the next page provides the District with three alternative schedules for funding (as contrasted with expensing) retiree healthcare benefits. The schedules all assume that the retiree fund earns, or is otherwise credited with, 6.00% per annum on its investments, a starting Fund value (trust plus OPEB reserve) of \$3,159,117 as of June 30, 2024, and that contributions and benefits are paid mid-year.

The schedules are:

1. A level contribution amount for the next 20 years.
2. A level percent of the Unfunded Accrued Liability.
3. A constant percentage (3.00%) increase for the next 20 years.

We provide these funding schedules to give the District a sense of the various alternatives available to it to pre-fund its retiree healthcare obligation. The three funding schedules are simply three different examples of how the District may choose to spread its costs.

By comparing the schedules, you can see the effect that early pre-funding has on the total amount the District will eventually have to pay. Because of investment earnings on fund assets, the earlier contributions are made, the less the District will have to pay in the long run. Of course, the advantages of pre-funding will have to be weighed against other uses of the money.

The table on the following page shows the required annual outlay under the pay-as-you-go method and each of the above schedules. **The three funding schedules include the "pay-as-you-go" costs; therefore, the amount of pre-funding is the excess over the "pay-as-you-go" amount.**

The current fund value is sufficient to meet all future estimated "pay-as-you-go" amounts for current members (closed group).

Treatment of Implicit Subsidy

We exclude any implicit subsidy from these funding schedules because we do not recommend that the District pre-fund for the full age-adjusted costs reflected in the liabilities shown in the first section of this report. If the District's premium structure changes in the future to explicitly charge under-age 65 retirees for the full actuarial cost of their benefits, this change will be offset by a lowering of the active employee rates (all else remaining equal), resulting in a direct reduction in District operating expenses on behalf of active employees from that point forward. For this reason, among others, we believe that pre-funding of the full GASB liability would be redundant.



Funding Schedules (continued)

Sample Funding Schedules (Closed Group) Starting Fund Value of \$3,159,117 as of June 30, 2024

| Year Beginning | Pay-as-you-go | Level Contribution For 20 years | Level % of Unfunded Liability | Constant Percentage Increase for 20 years |
|----------------|---------------|---------------------------------|-------------------------------|---|
| 2024 | \$92,170 | \$0 | \$0 | \$0 |
| 2025 | 107,552 | 0 | 0 | 0 |
| 2026 | 110,005 | 0 | 0 | 0 |
| 2027 | 120,879 | 0 | 0 | 0 |
| 2028 | 132,176 | 0 | 0 | 0 |
| 2029 | 132,464 | 0 | 0 | 0 |
| 2030 | 134,086 | 0 | 0 | 0 |
| 2031 | 141,296 | 0 | 0 | 0 |
| 2032 | 137,593 | 0 | 0 | 0 |
| 2033 | 139,461 | 0 | 0 | 0 |
| 2034 | 140,199 | 0 | 0 | 0 |
| 2035 | 146,745 | 0 | 0 | 0 |
| 2036 | 153,663 | 0 | 0 | 0 |
| 2037 | 145,345 | 0 | 0 | 0 |
| 2038 | 149,963 | 0 | 0 | 0 |
| 2039 | 141,192 | 0 | 0 | 0 |
| 2040 | 144,629 | 0 | 0 | 0 |
| 2041 | 147,975 | 0 | 0 | 0 |
| 2042 | 138,958 | 0 | 0 | 0 |
| 2043 | 140,242 | 0 | 0 | 0 |
| 2044 | 140,914 | 0 | 0 | 0 |
| 2045 | 128,139 | 0 | 0 | 0 |
| 2046 | 126,488 | 0 | 0 | 0 |
| 2047 | 124,324 | 0 | 0 | 0 |
| 2048 | 121,706 | 0 | 0 | 0 |
| 2049 | 118,736 | 0 | 0 | 0 |
| 2050 | 115,490 | 0 | 0 | 0 |
| 2055 | 96,730 | 0 | 0 | 0 |
| 2060 | 75,387 | 0 | 0 | 0 |
| 2065 | 54,445 | 0 | 0 | 0 |
| 2070 | 34,863 | 0 | 0 | 0 |
| 2075 | 17,415 | 0 | 0 | 0 |
| 2080 | 5,458 | 0 | 0 | 0 |
| 2085 | 868 | 0 | 0 | 0 |
| 2090 | 17 | 0 | 0 | 0 |
| 2095 | 0 | 0 | 0 | 0 |
| 2100 | 0 | 0 | 0 | 0 |



Plan Provisions

Plan administration. The District provides health insurance for its retired employees and their spouses (if married and covered on the District's plan at time of retirement), or domestic partner in accordance with Board policy. 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
- PFM Asset Management (PFMAM) as Investment Manager (as of January 1, 2024).

Benefits provided. The District provides health benefits for employees, retirees and their dependents with a choice of medical plans through the Association of California Water Agencies (ACWA) Joint Powers Insurance Authority. Employees and retirees select from the same plans. Retired employees (hired prior to July 1, 2012) who are at least 55 years of age are eligible for these health and welfare benefits based on their years of full-time accrued service. There are two benefit tiers for the years of accrued service:

Tier 1: Employees retiring with a minimum of 10 consecutive years of full-time service with the District, earn medical coverage on the following terms: The District will pay for Retiree only or couples coverage on the same basis as active employees. Retiree and spouse/domestic partner have the option to continue dental and vision benefits at their own cost and COBRA coverage is offered. Upon becoming Medicare eligible, the retiree must enroll and transition to Medicare coverage. The District will reimburse retiree only up to the annual cap of \$3,080.82 for a Medicare Advantage Plan, a supplemental Medigap insurance policy, Medicare Prescription Drug Insurance or Medicare Part B coverage. If a spouse or domestic partner survives a retiree, their coverage will continue until remarriage, enrollment in another plan or becoming Medicare eligible.

Tier 2: Employees retiring with a minimum of 25 consecutive years of full-time service with the District, earn medical, dental and vision benefits on the following terms: The District will pay for retiree only or couples coverage on the same basis as active employees. The District pays the following for dental and vision coverage: Dental for retiree only 90%; couples coverage 80%. Vision coverage for retiree only 100%; couples coverage 80%. Retirees and their spouses/domestic partner are required to enroll in Medicare Parts A and B upon eligibility. The District will reimburse for Medicare Part B for both retiree and their eligible spouse/domestic partner. If a spouse or domestic partner survives a retiree, their coverage will continue until remarriage or enrollment in another plan.

The following guidelines apply to both tiers:

1. The District does not make contributions to Health Savings Accounts on behalf of retirees.
2. Reenrollment is not permitted if a retiree discontinues medical coverage.
3. Annual open enrollment is not permitted for retirees.
4. Reimbursement requires proper verification and is made on a quarterly to yearly basis.

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



Plan Provisions (continued)

Contributions. The contribution requirements of the Health Plan members and the District are established, and may be amended, by the District's Board of Directors. The District has fully funded the OPEB obligation with the addition of an OPEB Designated Reserve account.

Premiums. The following tables summarize the total monthly premiums for selected healthcare coverages for the 2024 calendar year:

| Employees and Early Retirees | Anthem HMO | Anthem Classic PPO | Kaiser Traditional | Dental | Vision |
|------------------------------|------------|--------------------|--------------------|---------|---------|
| Single | \$1,029.75 | \$822.46 | \$740.13 | \$51.50 | \$23.66 |
| 2-Party | 2,059.50 | 1,644.92 | 1,480.26 | 86.73 | 23.66 |
| Family | 2,728.84 | 2,179.52 | 2,057.56 | 131.84 | 23.66 |

| Medicare-eligible Retirees | UHC Medicare Advantage | Kaiser Senior Advantage | Delta Dental PPO | Vision |
|----------------------------|------------------------|-------------------------|------------------|---------|
| Single | \$412.45 | \$184.04 | \$51.50 | \$14.76 |
| 2-Party | 824.90 | 368.08 | 86.73 | 23.46 |



Valuation Data

Retiree Census - Age distribution of retirees included in the valuation

| Age | Total |
|-------------|-------|
| Under 55 | 0 |
| 55-59 | 0 |
| 60-64 | 0 |
| 65-69 | 5 |
| 70-74 | 2 |
| 75-79 | 1 |
| 80-84 | 4 |
| 85+ | 1 |
| All Ages | 13 |
| Average Age | 74.6 |

Active Census - Age/service distribution of active employees included in the valuation

| Age | Years of Service | | | | | | | | Total |
|----------|------------------|-----|-------|-------|-------|-------|-------|-----|-------|
| | 0-4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30-34 | 35+ | |
| <25 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 25-29 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 30-34 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 35-39 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 40-44 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| 45-49 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| 50-54 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| 55-59 | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 2 |
| 60-64 | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 1 | 3 |
| 65+ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| All Ages | 0 | 0 | 1 | 2 | 2 | 0 | 2 | 1 | 8 |

Average Age: 56.0
Average Service: 23.7



Actuarial Assumptions

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

Valuation Date: June 30, 2024

Actuarial Cost Method: Entry Age, Level Percent of Pay

Discount Rate:

| | |
|---------------------------|-------|
| Long-term Expected Return | 6.00% |
| Municipal Bond Index | 3.97% |
| GASB 75 | 6.00% |

Salary Increases: 3.00%

Withdrawal: Terminated Refund and Terminated Vested Rates for Public Agency Miscellaneous from CalPERS Experience Study (2000-2019)

Pre-retirement Mortality: Preretirement Mortality Rates for Public Agency Miscellaneous from CalPERS Experience Study (2000-2019).

Post-retirement Mortality: Post-retirement Mortality Rates for Public Agency Miscellaneous from CalPERS Experience Study (2000-2019).

Retirement:

| Age | Rate |
|-----|--------|
| 55 | 7.0% |
| 56 | 8.0% |
| 57 | 9.0% |
| 58 | 10.0% |
| 59 | 15.0% |
| 60 | 20.0% |
| 61 | 25.0% |
| 62 | 30.0% |
| 63 | 35.0% |
| 64 | 40.0% |
| 65 | 50.0% |
| 66 | 60.0% |
| 67 | 70.0% |
| 68 | 80.0% |
| 69 | 90.0% |
| 70 | 100.0% |

Medical Claim Cost: Annual Per Retiree or Spouse

| Age | Medical | Dental and Vision |
|-----|----------|-------------------|
| 50 | \$10,655 | \$795 |
| 55 | 12,654 | 795 |
| 60 | 15,029 | 795 |
| 64 | 17,247 | 795 |
| 65 | 4,211 | 795 |
| 70 | 4,649 | 795 |
| 75 | 5,133 | 795 |



Actuarial Assumptions (continued)

Percent Electing Coverage: 100%

Spouse Coverage: Future retirees: 60%
Current retirees: Actual dependent data used.
Female spouses are assumed to be three years younger than male spouses.

Medical Trend:

| Year | Pre-Medicare | Medicare | Dental and Vision |
|-----------|--------------|----------|-------------------|
| 2024 | 7.50% | 4.50% | 3.00% |
| 2025 | 7.00% | 4.50% | 3.00% |
| 2026 | 6.20% | 4.50% | 3.00% |
| 2027 | 5.60% | 4.50% | 3.00% |
| 2028 | 5.50% | 4.50% | 3.00% |
| 2029 | 5.40% | 4.50% | 3.00% |
| 2030-2034 | 5.25% | 4.50% | 3.00% |
| 2035-2049 | 4.60% | 4.50% | 3.00% |
| 2050-2064 | 4.50% | 4.50% | 3.00% |
| 2065-2074 | 4.25% | 4.50% | 3.00% |
| 2075+ | 4.00% | 4.50% | 3.00% |



Actuarial Certification

The results set forth in this report are based on our actuarial valuation of the health and welfare benefit plans of the Municipal Water District of Orange County ("District") as of June 30, 2024.

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.

Throughout the report, we have used unrounded numbers, because rounding and the reconciliation of the rounded results would add an additional, and in our opinion unnecessary, layer of complexity to the valuation process. By our publishing of unrounded results, no implication is made as to the degree of precision inherent in those results. Clients and their auditors should use their own judgment as to the desirability of rounding when transferring the results of this valuation report to the clients' financial statements.

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

Certified by:

A handwritten signature in blue ink, appearing to read 'Carlos Diaz', is positioned above the printed name.

Carlos Diaz, ASA, EA, MAAA
Actuary

