

# MacLeod Watts

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OPEB and Pension Services for Public Agencies

## Beverly Hills Unified School District

Other Post-Employment Benefits (OPEB) Liability  
Overview of GASB 75 Report for FYE 2025  
Development of Recommended OPEB Funding Levels



## PRIMARY PURPOSE OF THIS REPORT

Valuation reports can be for many purposes, most commonly for

- A review of how the liability and assets have changed and why
- Accounting (audit)
- Plan funding

This report addresses all of the above.

## WHAT BENEFITS ARE BEING VALUED?

- Retiree medical, dental, and/or vision benefits.
- The amount paid by the District varies based on Employee Bargaining Group and age (before or after age 65).
- Benefits also include an “implicit subsidy” for future retirees expected to remain covered in the District’s health plans until age 65 because retiree premiums at those ages are not expected to cover their projected claims (about 31%).
- These benefits are detailed on pages 29 and 30 of the report.

FOR ACCOUNTING  
PURPOSES ....

- The OPEB measurement date (MD) is the last day of the current fiscal year.  
For FYE 2025, the MD is June 30, 2025

## THE OPEB ACTUARIAL VALUATION PROCESS

- We gather complete census information on current employees and current retirees receiving benefits. This includes birthdates, hire dates, and years of service. It also includes current health plan enrollment information.
- We confirm the eligibility requirements, benefit levels, and Medicare enrollment status or expected future Medicare eligibility.
- We collect the trust balance and activity in and out during each year, including the expected long-term annual return.
- We analyze prior employee activity, such as timing and age at retirement, separations before retirement, retiree coverage elections, dependent coverage and age at death.

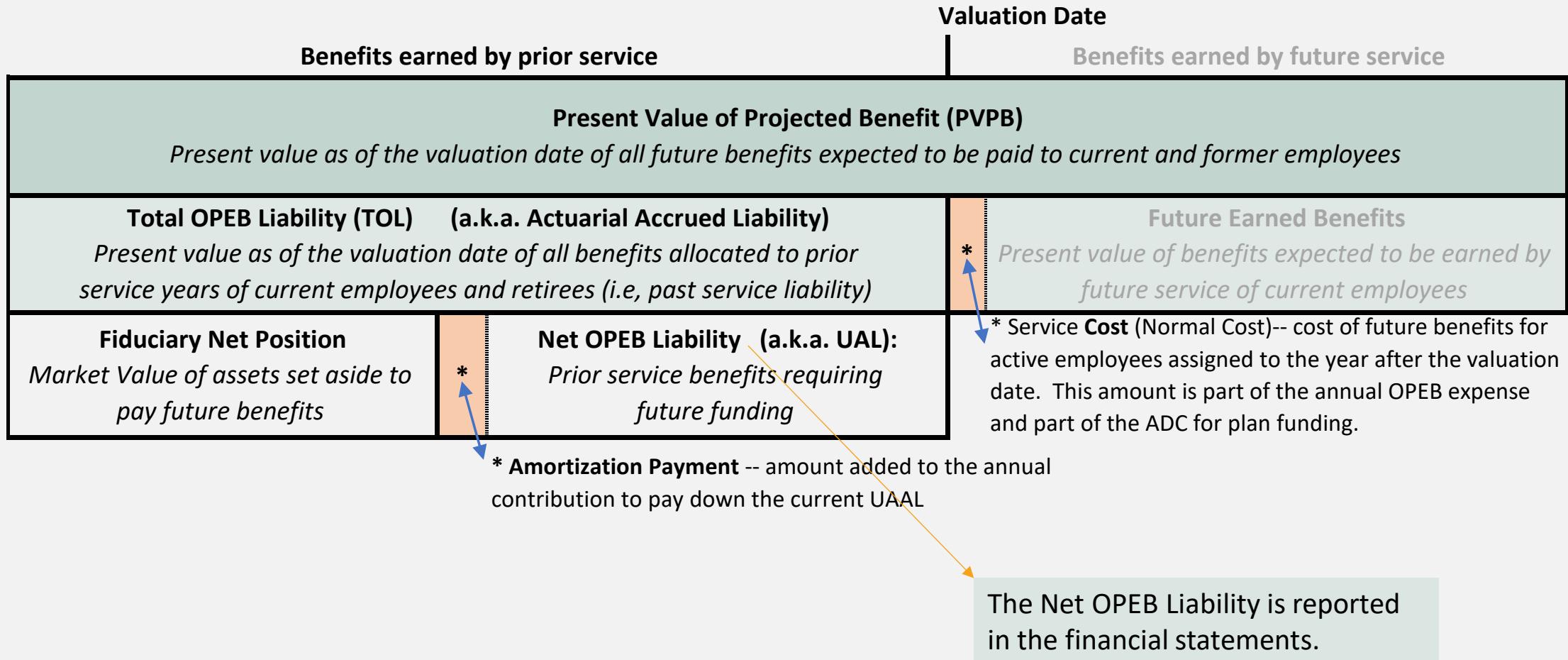
## THE OPEB ACTUARIAL VALUATION PROCESS

After collecting the data and reviewing the prior experience under the program, we set assumptions about we expect will happen in the future. In addition to the things described earlier, we also must project how much the benefits costs will increase each year.

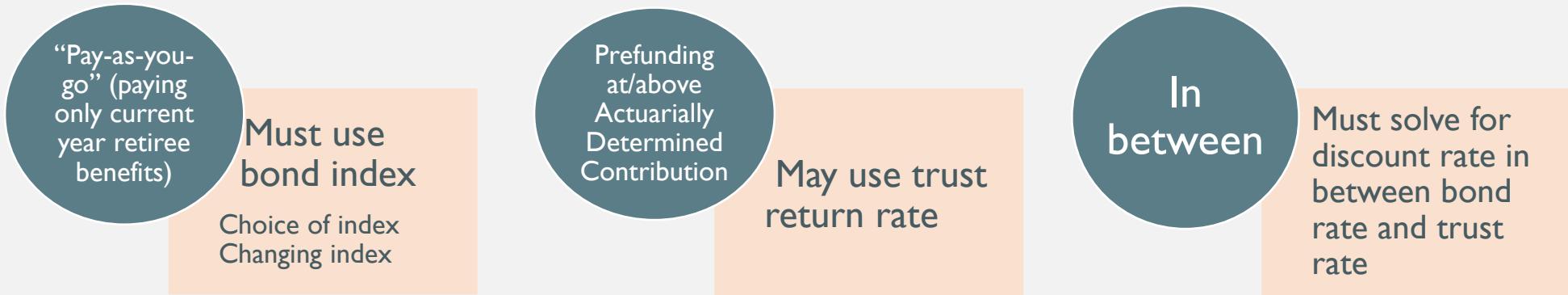
**To calculate the OPEB liability, we “discount” each estimated future benefit payment for each person from the future payment date back to the valuation date.**

Setting this discount rate is an important and complex part of the process.

## COMPONENTS OF THE ACTUARIAL LIABILITY AND COSTS ALLOCATIONS



## WHAT DISCOUNT RATE APPLIES?



The higher the discount rate, the lower the liability.

As of the June 30, 2025, measurement date, the District can use the full trust return rate (the highest discount rate possible) because the District's most recent 5-year average of OPEB contributions is greater than 100% of the average Actuarially Determined Contributions.

## ACCOUNTING INFORMATION

The primary information reported is the “Net OPEB Liability”

This is the difference between **past service** liability (called the Total OPEB Liability) and the market value of trust assets.

The full change in the Net OPEB Liability is not recognized each year. Differences between actual and expected values must be identified in 4 categories and those differences recognized gradually in future years.

The portions not currently recognized are carried as:

- deferral inflows (decreases in the NOL not yet recognized)
- deferral outflows (increases in the NOL not yet recognized).

# CHANGES REQUIRING DEFERRED RECOGNITION

There are 4 types of changes the actuary must identify and track:

		Years Recognized
<b>Benefit Changes</b>	A benefit change for OTBS was reflected during this measurement period, which increased the TOL by \$179,495..	1
<b>Assumption Changes</b>	We made two assumption changes: an update to healthcare trend and updated demographic assumptions for STRS members. Together, these changes increased the TOL by \$625,123.	9.04
<b>Plan Experience</b>	Differences between projected liabilities and actual from new census or other data higher or lower than expected. Plan experience from all sources increased the TOL by \$85,041	9.04
<b>Investment experience</b>	The difference between projected trust earnings (based on the assumed rate of return) and actual earnings during the period. Trust earnings were \$415,742 higher than expected during the measurement period.	5

See page 18 of the report for a list of all deferred bases on 6/30/2025.

## OPEB ACCOUNTING RESULTS FOR FYE 2025 (MEASURED JUNE 30, 2025)

For Reporting at Fiscal Year End	6/30/2024	6/30/2025	Change During Period
Measurement Date	6/30/2024	6/30/2025	
Total OPEB Liability	\$ 16,081,411	\$ 18,031,955	\$ 1,950,544
Fiduciary Net Position	<u>(7,633,957)</u>	<u>(10,541,638)</u>	<u>(2,907,681)</u>
Net OPEB Liability (Asset)	8,447,454	7,490,317	(957,137)
<i>Deferred (Outflows) Due to:</i>	(1,689,664)	(1,753,907)	(64,243)
<i>Deferred Inflows Due to:</i>	<u>7,459,749</u>	<u>5,921,697</u>	<u>(1,538,052)</u>
Impact on Statement of Net Position	<u><u>\$ 14,217,539</u></u>	<u><u>\$ 11,658,107</u></u>	<u><u>\$ (2,559,432)</u></u>

## BENEFITS OF PREFUNDING

- Higher discount rate, lower liability
- Can offset the (now lower) liability by the trust asset value
- Improved benefit security
- Cost of borrowing improved
- Taxpayer equity

## OPEB PREFUNDING

When we prepare a full actuarial valuation, we also develop Actuarially Determined Contributions (“ADCs”) to prefund the plan benefits.

The ADCs are determined by the actuary for the employer to pay:

- the full current year service costs and
- systematically pay off the unfunded actuarial accrued liability.

The ADC for FYE 2025 was developed from the 2023 valuation; ADCs for FYE 2026 and FYE 2027 were developed from the 2025 valuation.

**The ADCs are also used in the analysis to set the discount rate needed to calculate the OPEB liability to be reported in the financial statements.**

## CALCULATION OF ACTUARILY DETERMINED CONTRIBUTIONS

Discount Rate	6.00%	6.30%	6.30%
Actuarial Accrued Liability (projected)	\$ 17,554,970	18,031,955	19,297,823
Market Value of Assets (projected)	7,139,900	10,541,638	11,860,131
Unfunded Actuarial Accrued Liability (UAAL)	10,415,070	7,490,317	7,437,692
Amortization Factor*	17.5940	16.6162	16.1165
Amortization period (years)	24	23	22
<b>Actuarially Determined Contribution for FYE 2025</b>			
Normal Cost	818,092	903,067	930,159
Amortization of UAAL	591,967	450,783	461,494
Interest to Fiscal Year End	84,604	85,293	87,674
<b>Total ADC</b>	<b>\$ 1,494,663</b>	<b>\$ 1,439,143</b>	<b>\$ 1,479,327</b>

### *Funding of the ADC*

1 Implicit subsidy contribution	\$ 254,298	\$ 297,789	\$ 358,997
2 <i>Estimated District paid premiums for retirees</i>	463,724	506,967	602,905
3 <i>Estimated District contribution to OPEB trust</i>	1,941,246	634,387	517,425
<b>Total Expected District Contributions (1+2+3)</b>	<b>\$ 2,659,268</b>	<b>\$ 1,439,143</b>	<b>\$ 1,479,327</b>
<b>Expected shortfall (excess) relative to the ADC</b>	<b>\$ (1,164,605)</b>	<b>\$ -</b>	<b>\$ -</b>

## COMPARE ACTUAL TO RECOMMENDED OPEB CONTRIBUTIONS

To set the discount rate equal to the assumed trust return requires the employer to maintain a certain level of plan prefunding. Both the current ratio of trust assets to the liability (funded ratio) and the most recent 5-year average of the actual contributions compared to the Actuarially Determined Contribution level affect the results.

The chart to the right shows the Actuarially Determined Contribution (ADC), the District's contribution, and the excess or shortfall. The 5-year average from 2021 through 2025 was over 100%.

Fiscal Year Ending	Contribution History			
	Actuarially Determined Contribution (ADC)	Contribution	Percentage of ADC Contributed	Rolling 5-Year Average
2018	1,710,986	489,280	29%	29%
2019	1,202,760	1,316,747	109%	69%
2020	1,185,826	1,285,126	108%	82%
2021	1,693,919	1,333,771	79%	81%
2022	1,765,728	1,439,000	81%	81%
2023	1,837,324	1,510,697	82%	92%
2024	1,453,680	1,685,375	116%	93%
2025	1,494,663	2,659,268	178%	107%

**Note:** Rolling average based on latest 5 years, or maximum number available if less.

QUESTIONS?