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October 20, 2015

PRIVATE

Mr. Mark Heine
Fire Chief
Novato Fire Protection District
95 Rowland Way
Novato, CA 94945

Re: GASB Actuarial Valuation

Dear Mr. Heine:

We are presenting our report of the June 30, 2015 actuarial valuation conducted on behalf of Novato Fire Protection District (the "District") for its retiree health program.

The purpose of the valuation is to measure the District's liability for retiree health benefits and to determine the District's accounting requirements under the Government Accounting Standard Board Statements No. 43 & 45 (GASB 43 & 45) in regard to unfunded liabilities for retiree health benefits. The objective of GASB 45 is to improve the information in the financial reports of government entities regarding their post-employment benefits (OPEB) including retiree health benefits. The objective of GASB 43 is to establish uniform reporting for OPEB Plans.

The Nyhart Company is an employee owned actuarial, benefits and compensation consulting firm specializing in group health and retiree health and qualified pension plan valuations. We have set forth the results of our study in this report.

We have enjoyed working on this assignment and are available to answer any questions.

Sincerely,
NYHART

Marilyn K Jones, ASA, MAAA, EA, FCA
Consulting Actuary

MKJ:rl

Enclosure

Novato Fire Protection District
Actuarial Valuation
Retiree Health Program
As of June 30, 2015

October 2015

Prepared By:

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Novato Fire Protection District

Retiree Health Benefits Program

GASB Actuarial Valuation

As of June 30, 2015

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SECTION I. EXECUTIVE SUMMARY

Background

The Novato Fire Protection District (the "District") selected Nyhart to perform an updated actuarial valuation of its retiree health program. The purpose of the actuarial valuation is to measure the District's liability for retiree health benefits and to determine the District's accounting requirements for other post-employment benefits (OPEB) under Governmental Accounting Standards Board Statements No. 43 & 45 (GASB 43 and GASB 45). GASB 45 requires accrual accounting for the expensing of OPEB. The expense is generally accrued over the working career of employees. GASB 43 requires additional financial disclosure requirements for funded OPEB Plans.

The District currently provides a contribution towards retiree medical benefits which are offered through the CalPERS Health Program. Some retirees are also eligible for a District contribution towards dental and vision coverage which are available through separate plans. In general, to be eligible for retiree health benefits, an employee must retire from PERS on or after age 50 (age 55 for Miscellaneous employees) with at least ten years of District service. The District's contribution varies by employee group, date of hire and date of retirement. Section V of the report details the plan provisions that were included in the valuation and the current premium costs for coverage.

At June 30, 2015, the District had 89 retired employees receiving or eligible to receive a District contribution for retiree health benefits and 74 active employees earning service eligibility for retiree health benefits. Section VI of the report provides data statistics on the eligible population.

The District participates in the CalPERS Health Program for its retiree medical coverage. In general, the premium rates charged to participating employers are the same for each medical plan within each region (or "community") and are the same for both active and retired employees covered under the same medical plan. An implied rate subsidy can exist when the non-Medicare rates for retirees are the same as for active employees. Since non-Medicare eligible retirees are typically much older than active employees, their actual medical costs are typically higher than for active employees. GASB 45 requires that implied rate subsidies be considered in the valuation of medical costs. In past valuations the liability for the implicit rate subsidy was excluded from the valuation as the GASB had provided for an exemption for community-rated plans. This valuation includes an estimate of the liability for the implicit rate subsidy.

Results of the Retiree Health Valuation

The amount of the actuarial liability for the District's retiree health benefits program as of June 30, 2015, the measurement date, is $19,852,293 (including $17,319,749 for the District's explicit contribution and $2,532,544 for the implicit rate subsidy). This amount is based on a discount rate of 7.28%. The amount represents the present value of all contributions for retiree health benefits projected to be paid by the District for current and future retirees. If the District were to place this amount in a fund earning interest at the rate of 7.28% per year, and all other actuarial assumptions were met, the fund would have enough to pay all expected contributions for retiree health benefits. This includes contributions for retiree health benefits for the current retirees as well as the current active employees expected to retire in the future. The valuation does not consider employees not yet hired as of the valuation date.

If the amount of the actuarial liability is apportioned into past service, current service and future service components; the past service component (actuarial accrued liability) is $17,568,461 (including $15,457,081 for the District's explicit contribution and $2,111,380 for the implicit rate subsidy), the current service component (normal cost or current year accrual) is $303,882 (including $248,585 for the District's explicit contribution and $55,297 for the implicit rate subsidy) and the future service component (not yet accrued liability) is $1,979,950 (including $1,614,083 for the District's explicit contribution and $365,867 for the implicit rate subsidy).

Changes from Prior Valuation

The prior valuation was as of June 30, 2013. The June 30, 2015 valuation reflects updated plan, census and rate information. In addition, there were several assumption changes including updates to the demographic (mortality and retirement) assumptions, updates to the medical trend assumptions and a lowering of the discount rate to 7.28% for CERBT investment strategy 1. Also, commencing with this valuation, the liability for the implicit rate subsidy is included. Finally, the valuation reflects recent changes to the Tier 1 District contributions applicable to NSAS employees and contracted employees along with a plan clarification to the applicable District maximum (the Medicare Kaiser Supplemental Plan rate is used as the District contribution maximum once retirees reach age 65). A reconciliation of the approximate change in the liability from the prior valuation is provided below:

June 30, 2013 Valuation @7.61%	**$17.8 M**
Increase due to passage of time (interest less benefit payments)	0.9 M
Increase due to new hires since prior valuation & demographic experience loss	0.1 M
Net experience gain (primarily healthcare cost less than assumed)	(1.2 M)
Decrease due to plan clarification (use Medicare Kaiser Supplemental rate as maximum)	(1.7 M)
Net increase due to updated demographic and trend assumptions	1.2 M
Increase due to lowering of discount rate to 7.28%	0.8 M
Decrease to the change in Tier 1 contributions for NSAS and contracted employees	(0.6 M)
June 30, 2015 Valuation @7.28%	**$17.3 M**
Increase due to inclusion of the implicit rate subsidy	2.5 M
June 30, 2015 Valuation @7.28%	**$19.8 M**

Funding

In 2010, the District adopted a policy to pre-fund the annual required contribution determined under GASB 45 through the California Employers' Retiree Benefit Trust (CERBT). The District's contribution rate is based on the annual required contribution, and the amount that is actuarially determined in accordance with the parameters of GASB 45. The actuarial value of assets in the CERBT as of June 30, 2015 is $4,001,111. The unfunded actuarial accrued liability (UAAL) at June 30, 2015 is $13,567,350 ($11,455,970 for the District's explicit contribution). The funded ratio of the plan is 23% (25% for the District's explicit contribution). The UAAL as a percentage of payroll is 162%.

The CERBT provides participating employers with the choice of three investment allocation strategies. The expected rate of return of assets is dependent on the funding strategy of a participating employer and which investment allocation strategy is selected. For employers fully funding their annual required contribution, strategy 1 has a CERBT published median yield of 7.28%, strategy 2 has a published median yield of 6.73% and strategy 3 has a published median yield of 6.12%. The valuation was performed using a 7.28% discount rate assuming the District remains in strategy 1 for the 2015/2016 and 2016/2017 fiscal years and assumes no additional margin for adverse deviation applied to the CERBT stated median discount rate. The results for alternative allocation strategies using a 6.73% and 6.12% discount rate are also provided in Section II-J of the report.

Annual Required Contribution

The District's annual required contribution (accrual expense) for the 2015/2016 fiscal year is $1,596,565 or 19.1% of estimated payroll. This amount includes $1,339,515 (16.0% of estimated payroll) for the District's explicit contribution and $257,050 (3.1% of estimated payroll) for the implicit rate subsidy. The annual required contribution is comprised of the present value of benefits accruing in the current fiscal year (normal cost with interest) plus a 15-year amortization (on a level-percentage-of-pay basis) of the unfunded actuarial accrued liability. Thus, it represents a means to expense the plan's liabilities in an orderly manner. The net increase in OPEB obligation/(asset) at the end of the fiscal year will reflect any actual contributions made by the District during the period for retiree health benefits including any pre-funding amounts including payments for rate subsidies.

Actuarial Basis

The actuarial valuation is based on the assumptions and methods outlined in Section VII of the report. To the extent that a single or a combination of assumptions is not met the future liability may fluctuate significantly from its current measurement. As an example, the healthcare cost increase anticipates that the rate of increase in medical cost will be at moderate levels and decline over several years. Increases higher than assumed would bring larger liabilities and expensing requirements. A 1% increase in the healthcare trend rate for each future year would increase the annual required contribution by 22%.

Another key assumption used in the valuation is the discount (interest) rate which is based on the expected rate of return of plan assets. The valuation is based on a discount rate of 7.28%. A 0.5% decrease in the discount rate would increase the annual required contribution by 6%. A 0.5% increase in the discount rate would decrease the annual required contribution by 5%.

GASB 45 requires that implicit rate subsidies be considered in the valuation of medical costs. An implicit rate subsidy occurs when the rates for retirees are the same as for active employees. Since pre-Medicare retirees are typically much older than active employees, their actual medical costs are almost always higher than for active employees. The valuation results were determined using the higher expected costs associated with retired employees.

Scheduled to take effect in 2018, the "Cadillac Tax" is a 40% non-deductible excise tax on employer-sponsored health coverage that provides high-cost benefits. For pre-65 retirees and individuals in high-risk professions, the threshold amounts are currently $11,850 for individual coverage and $30,950 for family coverage. For insured plans, the insurance company is responsible for payment of the excise tax. For self-funded plans, the employer is responsible for payment of the excise tax. The valuation does not include any additional liability for the Cadillac Tax.

The valuation is based on the census, plan and rate information provided by the District. To the extent that the data provided lacks clarity in interpretation or is missing relevant information, this can result in liabilities different than those presented in the report. Often missing or unclear information is not identified until future valuations.

SECTION II. FINANCIAL RESULTS

A. Valuation Results

The table below presents the employer liabilities associated with the District's retiree health benefits program determined in accordance with GASB 43 & 45. The actuarial liability (AL) is the present value of all the District's contributions projected to be paid under the program. The actuarial accrued liability (AAL) reflects the amount attributable to the past service of current employees and retirees. The normal cost reflects the accrual attributable for the current period.

	Firefighters	Miscellaneous	Total
1. Actuarial Liability (AL)			
Actives	$ 6,506,204	$ 1,551,104	$ 8,057,308
Retirees	10,813,545	981,440	11,794,985
Total AL	$17,319,749	$ 2,532,544	$19,852,293
2. Actuarial Accrued Liability (AAL)			
Actives	$ 4,643,536	$ 1,129,940	$ 5,773,476
Retirees	10,813,545	981,440	11,794,985
Total AAL	$15,457,081	$ 2,111,380	$17,568,461
3. Normal Cost	$ 248,585	$ 55,297	$ 303,882
No. of Active Employees			74
Average Age			43.0
Average Past Service			13.3
Estimated Payroll			$ 8,354,000
No. of Retired Employees			89
Average Age			66.6

B. Reconciliation of Market Value of Plan Assets

The reconciliation of Plan Assets for the last two fiscal years is presented below:

	6/30/2014	6/30/2015
1. Beginning Market Value of Assets	$ 1,963,630	$ 3,154,566
2. Contribution including receivables	804,048	851,730
3. Fund Earnings (gross)	389,994	(1,747)
4. Benefit Payments	0	0
5. Administrative Expenses	(3,106)	(3,438)
6. Ending Market Value of Assets	$ 3,154,566	$ 4,001,111
7. Estimated Rate of Return	16%	0%

C. Development of Actuarial Value of Assets

The actuarial value of assets is based on the market value of assets plus and contribution receivable or benefits payable reported by the CERBT. The actuarial value of assets at June 30, 2015 is $4,001,111.

D. Development of Unfunded Actuarial Accrued Liability

The table below presents the development of the unfunded actuarial accrued liability. The unfunded actuarial accrued liability is the excess of the actuarial accrued liability (AAL) over the actuarial value of eligible plan assets

	Explicit	Implicit	Total
1. Actuarial Accrued Liability (AAL)	$15,457,081	$2,111,380	$17,568,461
2. Actuarial Value of Assets[1]	(4,001,111)	(0)	(4,001,111)
3. Unfunded AAL	$11,455,970	$2,111,380	$13,567,350

E. Amortization of Unfunded Actuarial Accrued Liability

The amortization of the UAAL component of the annual contribution (ARC) is being amortized over a period of 15 years on a level-percentage of pay basis. Under the level-percentage of pay method, the amortization payment is scheduled to increase in future years based on wage inflation.

1. Unfunded AAL (UAAL)	$11,455,970	$2,111,380	$13,567,350
2. Amortization Factor	10.678240	10.678240	10.678240
3. Amortization of UAAL	$ 1,072,833	$ 197,727	$ 1,270,560

F. Annual Required Contribution (ARC)

The table below presents the development of the annual required contribution (ARC) under GASB 45 for the fiscal year ending June 30, 2016 and estimated for the fiscal year ending June 30, 2017.

FY2015/2016			
1. Normal Cost at End of Fiscal Year	$ 266,682	$ 59,323	$ 326,005
2. Amortization of Surplus	1,072,833	197,727	1,270,560
3. Annual Required Contribution (ARC)	$ 1,339,515	$ 257,050	$ 1,596,565
FY2016/2017			
1. Normal Cost at End of Fiscal Year	$ 274,683	$ 61,102	$ 335,785
2. Amortization of Surplus	1,105,018	203,659	1,308,677
3. Annual Required Contribution (ARC)	$ 1,379,701	$ 264,761	$ 1,644,462

G. Required Supplementary Information (Funding Progress @6/30/2015)

The table below presents a sample disclosure of the funding progress as of the beginning of the fiscal year.

1. Actuarial Accrued Liability (AAL)	$15,457,081	$2,111,380	$17,568,461
2. Actuarial Valuation of Assets	(4,001,111)	(0)	(4,001,111)
3. Unfunded AAL	$11,455,970	$2,111,380	$13,567,350
4. Funded Ratio	26%	0%	23%
5. Current Payroll	$ 8,354,000	$8,354,000	$ 8,354,000
6. UAAL as % of Payroll	137%	25%	162%

H. Estimated Net OPEB Obligation @ June 30, 2016 and June 30, 2017.

The table below shows an estimate of the net OPEB obligation at the end of the 2015/2016 and 2016/2017 fiscal years assuming the District's net OPEB obligation at June 30, 2015 is $2,441,185 and that the District fully funds its annual required contribution.

	6/30/2016	6/30/2017
1. Annual Required Contribution (ARC)	$ 1,596,565	$ 1,644,462
2. Interest on Net OPEB Obligation	177,718	174,013
3. Adjustment to ARC	(228,613)	(235,471)
4. Annual OPEB Cost	$ 1,545,670	$ 1,583,004
5. Estimated Employer Contributions (Inclusive of Benefit Payments and rate subsidy)	(1,596,565)	(1,644,462)
6. Increase in Net OPEB Obligation	($ 50,895)	($ 61,458)
7. Net OPEB Obligation/(Asset) – Beginning of the fiscal year	2,441,185	2,390,290
8. Net OPEB Obligation/(Asset) – End of the fiscal year	$ 2,390,290	$ 2,328,832

I. Sensitivity Analysis:

The impact of a 0.5% decrease or increase in the discount (interest) rate and the impact of a 1% increase in future healthcare trend rates on the District's actuarial liability, actuarial accrued liability, unfunded actuarial accrued liability and the annual required contribution is provided below:

	Dollar ($) Increase/ (Decrease)	Percentage (%) Increase/ (Decrease)
0.5% Decrease in Discount Rate		
- Actuarial Liability	$ 1,388,739	7%
- Actuarial Accrued Liability	$ 1,050,877	6%
- Unfunded Actuarial Accrued Liability	$ 1,050,877	8%
- Annual Required Contribution	$ 89,005	6%
0.5% Increase in Discount Rate		
- Actuarial Liability	($1,243,035)	(6%)
- Actuarial Accrued Liability	($ 954,976)	(5%)
- Unfunded Actuarial Accrued Liability	($ 954,976)	(7%)
- Annual Required Contribution	($ 81,225)	(5%)
1% Increase in Future Healthcare Trend Rates		
- Actuarial Liability	$ 3,472,306	17%
- Actuarial Accrued Liability	$ 2,795,970	16%
- Unfunded Actuarial Accrued Liability	$ 2,795,970	21%
- Annual Required Contribution	$ 345,052	22%

J. Liabilities - Alternative Discount Rate

The results below present the impact of the liability and annual required contribution using a discount rate to reflect pre-funding the retiree health benefits through the California Employers' Retiree Benefit Trust (CERBT) alternative allocation strategies 2 and 3 with discount rates of 6.73% and 6.12%, respectively.

Investment Strategy 2

Liabilities	Explicit	Implicit	Total
1. Actuarial Liability (AL)			
Actives	$ 7,237,731	$ 1,689,256	$ 8,926,987
Retirees	11,453,178	1,008,616	12,461,794
Total AL	$18,690,909	$ 2,697,872	$ 21,388,781
2. Actuarial Accrued Liability (AAL)			
Actives	$ 5,064,116	$ 1,204,281	$ 6,268,397
Retirees	11,453,178	1,008,616	12,461,794
Total AAL	$16,517,294	$ 2,212,897	$ 18,730,191
3. Actuarial Value of Assets	(4,001,111)	(0)	(4,001,111)
4. Unfunded AAL (UAAL)	$12,516,183	$ 2,212,897	$ 14,729,080
5. Amortization Factor	11.08605	11.08605	11.08605
6. Amortization of UAAL	$ 1,129,002	$ 199,611	$ 1,328,613
FY2015/2016 Annual Required Contribution (ARC)			
1. Normal Cost at End of Year	$ 300,426	$ 65,903	$ 366,329
2. Amortization of UAAL at End of Year	1,129,002	199,611	1,328,613
3. Annual Required Contribution (ARC)	$ 1,429,428	$ 265,514	$ 1,694,942
FY2016/2017 Annual Required Contribution (ARC)			
1. Normal Cost at End of Year	$ 309,439	$ 67,880	$ 377,319
2. Amortization of UAAL at End of Year	1,162,873	205,599	1,68,472
3. Annual Required Contribution (ARC)	$ 1,472,312	$ 273,479	$ 1,745,791

Investment Strategy 3

Liabilities	Explicit	Implicit	Total
1. Actuarial Liability (AL)			
Actives	$ 8,190,589	$ 1,860,114	$10,050,703
Retirees	12,246,242	1,040,490	13,286,732
Total AL	$20,436,831	$ 2,900,604	$23,337,435
2. Actuarial Accrued Liability (AAL)			
Actives	$ 5,596,840	$ 1,292,472	$ 6,889,312
Retirees	12,246,242	1,040,490	13,286,732
Total AAL	$17,843,082	$ 2,332,962	$20,176,044
3. Actuarial Value of Assets	(4,001,111)	(0)	(4,001,111)
4. Unfunded AAL (UAAL)	$13,841,971	$ 2,332,962	$16,174,933
5. Amortization Factor	11.56585	11.56585	11.56585
6. Amortization of UAAL	$ 1,196,797	$ 201,711	$ 1,398,508
FY2015/2016 Annual Required Contribution (ARC)			
1. Normal Cost at End of Year	$ 344,411	$ 74,069	$ 418,480
2. Amortization of UAAL at End of Year	1,196,797	201,711	1,398,508
3. Annual Required Contribution (ARC)	$ 1,541,208	$ 275,780	$ 1,816,988
FY2016/2017 Annual Required Contribution (ARC)			
1. Normal Cost at End of Year	$ 354,744	$ 76,291	$ 431,035
2. Amortization of UAAL at End of Year	1,232,701	207,763	1,440,464
3. Annual Required Contribution (ARC)	$ 1,587,445	$ 284,504	$ 1,871,499

SECTION III. PROJECTED CASH FLOWS

The valuation process includes the projection of the expected benefits (including the explicit District contribution and the implicit rate subsidy) to be paid by the District under its retiree health benefits program. This expected cash flow takes into account the likelihood of each employee reaching age for eligibility to retire and receive health benefits. The projection is performed by applying the turnover assumption to each active employee for the period between the valuation date and the expected retirement date. Once the employees reach their retirement date, a certain percent are assumed to enter the retiree group each year. Employees already over the latest assumed retirement age as of the valuation date are assumed to retire immediately. The per capita cost as of the valuation date is projected to increase at the applicable healthcare trend rates both before and after the employee's assumed retirement. The projected per capita costs are multiplied by the number of expected future retirees in a given future year to arrive at the cash flow for that year. Also, a certain number of retirees will leave the group each year due to expected deaths or reaching a limit age and this group will cease to be included in the cash flow from that point forward. Because this is a closed-group valuation, the number of retirees dying each year will eventually exceed the number of new retirees, and the size of the cash flow will begin to decrease and eventually go to zero.

The expected employer cash flows for selected future years are provided in the following table:

Projected Employer Cash Flows – All Benefit Eligible

Fiscal Year	Explicit	Implicit	District Total
2015/16	$ 874,532	$ 164,155	$ 1,038,687
2016/17	$ 913,243	$ 161,779	$ 1,075,022
2017/18	$ 934,817	$ 144,084	$ 1,078,901
2018/19	$ 985,742	$ 150,157	$ 1,135,899
2019/20	$ 1,003,859	$ 131,800	$ 1,135,659
2020/21	$ 1,021,186	$ 120,782	$ 1,141,968
2021/22	$ 1,088,505	$ 139,839	$ 1,228,344
2022/23	$ 1,157,871	$ 154,992	$ 1,312,863
2023/24	$ 1,196,535	$ 153,942	$ 1,350,477
2024/25	$ 1,273,282	$ 173,634	$ 1,446,916
2025/26	$ 1,334,555	$ 184,811	$ 1,519,366
2026/27	$ 1,389,954	$ 207,403	$ 1,597,357
2027/28	$ 1,444,892	$ 227,491	$ 1,672,383
2028/29	$ 1,501,048	$ 247,475	$ 1,748,523
2029/30	$ 1,555,100	$ 272,265	$ 1,827,365
2030/31	$ 1,598,008	$ 299,254	$ 1,897,262
2031/32	$ 1,647,627	$ 343,321	$ 1,990,948
2032/33	$ 1,678,368	$ 359,991	$ 2,038,359
2033/34	$ 1,703,225	$ 382,056	$ 2,085,281
2034/35	$ 1,716,048	$ 385,934	$ 2,101,982
2035/36	$ 1,721,121	$ 393,081	$ 2,114,202
2036/37	$ 1,700,060	$ 377,993	$ 2,078,053
2037/38	$ 1,674,377	$ 360,157	$ 2,034,534
2038/39	$ 1,634,587	$ 311,993	$ 1,946,580
2039/40	$ 1,590,547	$ 270,153	$ 1,860,700
2040/41	$ 1,548,456	$ 230,496	$ 1,778,952
2041/42	$ 1,483,771	$ 162,260	$ 1,646,031
2042/43	$ 1,436,355	$ 117,810	$ 1,554,165
2043/44	$ 1,400,490	$ 79,010	$ 1,479,500
2044/45	$ 1,370,153	$ 53,747	$ 1,423,900
2045/46	$ 1,346,598	$ 35,891	$ 1,382,489
2050/51	$ 1,262,442	$ 10,618	$ 1,273,060
2055/56	$ 1,179,071	$ 4,231	$ 1,193,302
2060/61	$ 1,061,053	$ 0	$ 1,061,053
2065/66	$ 884,403	$ 0	$ 884,403
2070/71	$ 645,861	$ 0	$ 645,861
2075/76	$ 390,011	$ 0	$ 390,011
2080/81	$ 186,494	$ 0	$ 186,494
2085/86	$ 73,395	$ 0	$ 73,395
2090/91	$ 28,859	$ 0	$ 28,859
2095/96	$ 11,893	$ 0	$ 11,893
2100/01	$ 0	$ 0	$ 0
All Years	$74,211,679	$6,941,851	$81,153,530

SECTION IV. GASB 74 AND 75 STUDY

This study analyzes the impact of the recently issued GASB Statements No. 74 and 75 (GASB 74 and GASB 75) on plan and employer financial statements and comments on the increased disclosure requirements. GASB 74 is effective for fiscal years beginning after June 15, 2016. GASB 75 is effective for fiscal years beginning after June 15, 2017. Actuarial valuations are required to be performed at least once every two years to calculate the net OPEB liability. Plans with less than 100 active and inactive employees can utilize an alternative measurement method, instead of an actuarial valuation, to calculate the net OPEB liability.

GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, focuses on the accounting for OPEB within employers' financial statements and is similar to GASB 68 applicable to governments with defined benefit pension plans. GASB 75 will require the District to accrue the net OPEB liability on its financial statements. The net OPEB liability (NOL) is calculated as the actuarial accrued liability (AAL) using a specific cost method less OPEB plan's fiduciary net position (GASB eligible assets). The two major changes under the new accounting standards that we studied include:

1. The NOL is required to be determined using the Entry Age Normal Level % of Pay Cost Method (EAN) to determine the liability and the market value of assets (MVA). For most employers, this cost method yields a higher unfunded liability than the Projected Unit Credit (PUC) Cost Method.
2. The required discount rate may be lower if projected OPEB assets do not cover projected benefit payments – based on the employer's funding policy and current workforce. The projection of future benefit payments include discretionary ad hoc benefit changes and COLAs, to the extent such changes are made regularly, and certain taxes or other assessments expected to be imposed on the benefit payment.

The table below presents the impact on the determination of the unfunded actuarial accrued liability if GASB 75 were effective at June 30, 2015.

Assumptions	**Current**	**Change 1&2 Discount Rate****	**Change 1&2 Discount Rate*****
Discount Rate:	7.28%	7.28%	5.6%
Cost Method:	EAN % of Pay	Entry Age % of Pay	Entry Age % of Pay
Assumed Funding Policy:	Fund at least the ARC – Under EAN % of Pay	Fund at least the ARC – Under EAN % of Pay	Fund Explicit Portion of ARC – Under EAN % of Pay
Impact			
OPEB Liability (AAL):	$17,568,461	$17,568,461	$21,560,343
Net Fiduciary Position (MVA):	(4,001,111)	(4,001,111)	(4,001,111)
Net OPEB Liability(NOL):	$13,567,350	$13,567,350	$17,559,232
Current Net OPEB Obligation/(Asset)*:	$ 2,441,185	$ 2,441,185	$ 2,441,185
Impact on Financial Statement:		$11,126,165	$15,118,047

*Assumes current June 30, 2015 Net OPEB Obligation/(Asset) equals $2,441,185.

**Based on the District's current funding and investment policy using current assets, projected contributions and expected earnings, the trust is expected to remain positive in future years. Thus, the discount rate is not required to be blended with a 20–year municipal high quality bond rate.

***Assumes the District does not pre-fund for the implicit rate subsidy; reflects blended discount rate of 7.28% for portion of years trust is expected to remain positive and a 20-year municipal high quality bond rate (3.75%) for remaining years.

Under GASB 74 and 75, once the NOL is recognized on the District's financial statement, future annual OPEB expense determination requires a specified cost method, immediate recognition of the service cost and interest cost and any benefit changes and requires (shorter) amortization periods for assumptions changes and experience gain losses.

Both GASB 74 and 75 will require governmental employers to present much more extensive note disclosure and Required Supplementary Information (RSI) about their OPEB liabilities.

GASB 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," sets forth requirements for OPEB plan financial statements that are similar to the requirements set forth in GASB 67 for pension plan financial statements. GASB 74 does not require that the underfunded status of the plan be reported as a liability on the plan's financial statements. However, the actuarially determined OPEB liability is required to be disclosed in the footnotes to the financial statements and required supplementary information (RSI), as well as the actuarial assumptions utilized in calculating the liability and various other ratios and disclosures of the composition of the OPEB liability. Additionally, the RSI is to be presented for the past 10 years under GASB 74, as opposed to the past six years as currently required.

GASB 75 requires a statement of fiduciary net position and a statement of changes in fiduciary net position. In addition, GASB 75 requires various footnote disclosures and RSI, including a description of the benefits provided and classes of members covered, the significant assumptions and inputs utilized in calculating the net OPEB liability, the components of the net OPEB liability, and other related ratios. Similar to GASB 74, RSI is required for the past 10 years.

SECTION V. BENEFIT PLAN PROVISIONS

This study analyzes the retiree health benefits of the District. The retiree health benefits provided to retirees are basically a continuation of the medical plans for active employees.

Active employees are offered a choice of medical (including prescription drug coverage) plans through the CalPERS Health Program under the Public Employees' Medical and Hospital Care Act (PEMHCA). The District offers the same medical plans to eligible retirees except once a retiree is eligible for Medicare, the retiree must join a Medicare HMO or Supplement Plan with Medicare being the primary payer. Eligibility for continuation of coverage and a District contribution at retirement varies by employee group and date of hire and date of retirement.

<u>Management and Administrative Support Staff</u>

- <u>Retirement and Disability Requirements</u>

  Management and administrative support staff employees are categorized under the Miscellaneous CalPERS group. In order to be eligible for retirement benefits, these employees must attain age 55 with ten years of service. For eligibility to receive disability benefits, there is no minimum age requirement, but Miscellaneous employees must have worked at least five years for the District.

- <u>Tier 1</u>

  Eligibility for tier 1 retiree medical benefits requires an employee to have been hired prior to July 1, 2009 and to be enrolled in the healthcare plan upon retirement or disability. For employees retiring prior to April 1, 2015, the District will pay 100% of the premium for single coverage or 83.29% of the premium for two-person or family coverage.

  For employee retiring on or after April 1, 2015, the District will provide the Supplemental Retiree Benefit Allowance based on vesting service earned prior to June 1, 2015:

Years of Service prior to June 1, 2015	Base Percentage
0 – 5	55%
5 – 10	60%
10 – 15	65%
15 – 20	70%
20 – 25	75%
25 – 30	80%

  The employee will earn an additional 0.75% of benefit coverage for the number of total years of service. The sum of the base percentage from the table plus the additional piece will be the total percentage paid by the District for single/two-party/family coverage of the Kaiser HMO Premium. The maximum percentage paid by the District is 80% on January 1, 2011, 75% on April 1, 2023, and 70% on April 1, 2028.

- <u>Tier 2</u>

  Eligibility for tier 2 retiree medical benefits requires an employee to have been hired after January 1, 2015 and to be enrolled in the healthcare plan upon retirement or disability. The District will pay the PEMHCA minimum after the retiree buys medical insurance through the District.

- <u>Dental and vision benefits</u>

  All Management and Administrative Support Staff members must pay 100% of the premiums for dental and vision coverage.

Chief Officers Association

- Retirement and Disability Requirements

Chief Officer Association employees are categorized under the Safety CalPERS group. These employees can become eligible for retirement benefits by attaining age 50 with ten years of service, with no age requirement by attaining twenty years of service, or by continuing to work for the District until or beyond age 70. There are no age or service requirements for Safety group employees to be eligible to receive disability benefits.

- Tier 1

Eligibility for tier 1 retiree health benefits requires an employee to have retired prior to January 1, 2011 and to have been enrolled in the healthcare plan upon retirement or disability. The District will pay benefits as described in the following table:

	Medical Coverage	Dental Coverage	Vision Coverage
Fire Chief or Deputy Fire Chief (retired 1992 or later)	100% for retired member and dependents until the death of both parties	100% for retired member and spouse	100% for retired member and spouse
Fire Chief or Deputy Fire Chief (retired 1991 or earlier)	100% for retired member and dependents until the death of both parties	100% for retired member and spouse	0% of premium
Division Chief or Battalion Chief (retired 1992 or later)	100% of Kaiser-Family rate or 83.29% of higher premium	100% for retired member and spouse	100% for retired member and spouse
Division Chief or Battalion Chief (retired 1992 or later)	100% of Kaiser-Family rate or 83.29% of higher premium	100% for retired member and spouse	0% of premium

- Tier 2

Eligibility for tier 2 retiree medical benefits requires an employee to have been hired prior to July 1, 2009, retire after December 31, 2010 and to be enrolled in the healthcare plan upon retirement or disability. Beginning on January 1, 2012, the Supplemental Retirement Benefit Allowance the District provides will decrease by 2% per year until reaching 82% on January 1, 2020:

Year Beginning	% Paid by District
January 1, 2010	100%
January 1, 2011	100%
January 1, 2012	98%
January 1, 2013	96%
January 1, 2014	94%
January 1, 2015	92%
January 1, 2016	90%
January 1, 2017	88%
January 1, 2018	86%
January 1, 2019	84%
January 1, 2020	82%

The portion the District will pay for single/two-party/family coverage is determined by the fixed rate in effect the year the member retires. The retired member will be responsible for paying the difference between the premium and the District's portion.

- Tier 3

Eligibility for tier 3 retiree health benefits requires an employee to have been hired after June 30, 2009 and to be enrolled in the healthcare plan upon retirement or disability. The District will pay the PEMHCA minimum after the retiree buys medical insurance through the District.

- Dental and vision benefits

  All members in tier 2 or tier 3 must pay 100% of the premiums for dental and vision coverage.

Firefighters

- Retirement and Disability Requirements

  Firefighter employees are categorized under the Safety CalPERS group. These employees can become eligible for retirement benefits by attaining age 50 with ten years of service, with no age requirement by attaining twenty years of service, or by continuing to work for the District until or beyond age 70. There are no age or service requirements for Safety group employees to be eligible to receive disability benefits.

- Tier 1

  Eligibility for tier 1 retiree medical benefits requires an employee to have retired on or prior to December 31, 2010 and to have been enrolled in the healthcare plan upon retirement or disability. The District will pay 100% of the premium for single coverage or 83.29% of the premium for two-person or family coverage.

- Tier 2

  Eligibility for tier 2 retiree medical benefits requires an employee to have been hired prior to July 1, 2009, retire after December 31, 2010, and to be enrolled in the healthcare plan upon retirement or disability. The District provides the Supplemental Retiree Benefit Allowance based on vesting service as of July 1, 2010:

Years of Service prior to July 1, 2010	Base Percentage
0 – 5	55%
5 – 10	60%
10 – 15	65%
15 – 20	70%
20 – 25	75%
25 – 30	80%

  The employee will earn an additional 0.75% of benefit coverage for the number of total years of service. The sum of the base percentage from the table plus the additional piece will be the total percentage paid by the District for single/two-party/family coverage of the Kaiser HMO Premium. The maximum percentage paid by the District is 80% on January 1, 2011, 75% on April 1, 2023, and 70% on April 1, 2028.

- Tier 3

  Eligibility for tier 3 retiree health benefits requires an employee to have been hired after June 30, 2009 and to be enrolled in the healthcare plan upon retirement or disability. The District will pay the PEMHCA minimum after the retiree buys medical insurance through the District.

- Dental and vision benefits

  All Firefighter members must pay 100% of the premiums for dental and vision coverage.

Surviving spouses or domestic partners

A surviving spouse or domestic partner will be eligible to receive the same percentage of the medical premiums paid for by the District as the retiree was receiving at the time of death.

A surviving spouse or domestic partner of an active employee will be eligible to receive medical coverage paid for by the District only if the active employee had attained ten years of service and age 55 (if a Miscellaneous employee) or age 50 (if a Safety employee). The amount surviving spouse or domestic partner may receive equals the percentage that the active employee could have received if he or she had retired at the time of death.

PEMHCA Minimum Contribution

All employees who were hired after June 30, 2009 are only entitled to the PEMHCA minimum upon retirement regardless of coverage elected. For the calendar year 2015, the PEMHCA minimum is $122 per month and for 2016 is $125 per month.

Premium Costs

The District participates in the CalPERS Health Program, a community-rated program for its medical coverage. The following tables summarize the 2015 and 2016 monthly premiums for the primary medical plans in which the retirees are enrolled.

2015 Bay Area	Kaiser	BS HMO	BS NVP HMO	PERS Care	PERS Choice	PERS Select
Retiree Only	$ 714.45	$ 928.87	$ 870.60	$ 775.08	$ 700.84	$ 690.43
Retiree Plus Spouse	$1,428.90	$1,857.74	$1,741.20	$1,550.16	$1,401.68	$1,380.86
Retiree Plus Family	$1,857.57	$2,415.06	$2,263.56	$2,015.21	$1,822.18	$1,795.12
Retiree Only- Medicare	$ 295.51	$ 352.63	$ 352.63	$ 368.76	$ 339.47	$ 339.47
Retiree Plus Spouse – Medicare	$ 591.02	$ 705.26	$ 705.26	$ 737.52	$ 678.94	$ 678.94

2015 Bay Area (Continued)	UHC HMO	Anthem HMO Select	Anthem HMO Traditional
Retiree Only	$ 850.67	$ 662.41	$ 827.57
Retiree Plus Spouse	$ 1,701.34	$1,324.82	$1,655.14
Retiree Plus Family	$2,211.74	$1,722.27	$2,151.68
Retiree Only- Medicare	$ 267.41	$ 445.38	$ 445.38
Retiree Plus Spouse – Medicare	$ 534.82	$ 890.76	$ 890.76

2015 Out of State	Kaiser	PERS Care	PERS Choice
Retiree Only	$ 922.78	$ 722.74	$ 653.58
Retiree Plus Spouse	$1,845.56	$1,445.48	$1,307.16
Retiree Plus Family	$2,399.23	$1,879.12	$1,699.31
Retiree Only- Medicare	$ 390.47	NA	NA
Retiree Plus Spouse – Medicare	$ 780.94	NA	NA

2016 Bay Area	Kaiser	BS HMO	BS NVP HMO	PERS Care	PERS Choice	PERS Select
Retiree Only	$746.47	$1,016.18	$1,033.86	$889.27	$798.36	$730.07
Retiree Plus Spouse	$1,492.94	$2,032.36	$2,067.72	$1,778.54	$1,596.72	$1,450.14
Retiree Plus Family	$1,940.82	$2,642.07	$2,688.04	$2,312.10	$2,075.74	$1,898.18
Retiree Only- Medicare	$297.23	N/A	N/A	$408.04	$366.38	$366.38
Retiree Plus Spouse – Medicare	$594.46	N/A	N/A	$816.08	$732.76	$732.76

2016 Bay Area (Continued)	UHC HMO	Anthem HMO Select	Anthem HMO Traditional
Retiree Only	$955.44	$721.79	$855.42
Retiree Plus Spouse	$1,910.88	$1,443.58	$1,710.84
Retiree Plus Family	$2,484.14	$1,876.65	$2,224.09
Retiree Only- Medicare	$320.98	N/A	N/A
Retiree Plus Spouse – Medicare	$641.96	N/A	N/A

2016 Out of State	Kaiser	PERS Care	PERS Choice
Retiree Only	$930.29	$696.49	$625.31
Retiree Plus Spouse	$1,860.58	$1,392.98	$1,250.62
Retiree Plus Family	$2,418.75	$1,810.87	$1,625.81
Retiree Only- Medicare	$297.23	$408.04	$366.38
Retiree Plus Spouse – Medicare	$594.46	$816.08	$732.76

SECTION VI. VALUATION DATA

The valuation was based on the census furnished to us by the District. The following tables display the age distribution for retirees and the age/service distribution for active employees as of the Measurement Date.

Age Distribution of Eligible Retired Participants & Beneficiaries

Age	Total
<55	9
55-59	6
60-64	19
65-69	23
70-74	24
75-79	6
80-84	0
85+	2
Total:	89
Average Age:	66.6

Age/Service Distribution of All Active Employees

					Service					
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	Total
<25	3	0	0	0	0	0	0	0	0	3
25-29	1	0	0	0	0	0	0	0	0	1
30-34	0	1	0	0	0	0	0	0	0	1
35-39	2	2	10	1	0	0	0	0	0	15
40-44	0	4	17	6	0	0	0	0	0	27
45-49	0	1	5	7	3	1	0	0	0	17
50-54	0	0	2	1	0	3	0	0	0	6
55-59	0	0	2	2	0	0	0	0	0	4
60-64	0	0	0	0	0	0	0	0	0	0
65+	0	0	0	0	0	0	0	0	0	0
Total:	6	8	36	17	3	4	0	0	0	74
Average Age:			43.0							
Average Service:			13.3							

SECTION VII. ACTUARIAL ASSUMPTIONS AND METHODS

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

Fiscal Year: July 1st to June 30th

Measurement Date: June 30, 2015

Fiscal Years Covered: FY2015/16 and FY2016/17

Funding Policy: Fund the annual required contribution as determined under GASB 45.

Asset Return: 7.28% per year; assumes the District invests in the CERBT asset allocation Strategy 1

[The prior valuation assumed 7.61%]

Discount Rate: 7.28% per annum. This discount rate assumes the District pre-funds 100% of the annual required contribution using the California Employers' Retiree Benefit Trust (CERBT) asset allocation strategy 1. The 7.28% reflects the CERBT published median rate of return without any additional margin for adverse deviation.

Sensitivity analysis showing a 0.5% increase or decrease in the discount rate is also provided.

[The prior valuation assumed 7.61%]

Salary Increases: 3.5% per annum

Wage Inflation: 3.0% per annum, in aggregate, for purposes of cost allocation

Inflation: 3.0% per annum, in aggregate

Pre-retirement Turnover: Sample rates for Miscellaneous employees are as follows:

	Years of Service							
Age	0	1	2	3	4	5-9	10-14	15-19
20	15.0%	9.0%	7.0%	7.0%	7.0%	7.0%	5.3%	3.0%
25	15.0%	9.0%	7.0%	7.0%	7.0%	7.0%	5.3%	3.0%
30	15.0%	9.0%	7.0%	7.0%	7.0%	7.0%	5.3%	3.0%
35	15.0%	9.0%	7.0%	7.0%	7.0%	6.8%	4.5%	2.5%
40	15.0%	9.0%	7.0%	7.0%	7.0%	4.8%	3.2%	2.0%
45	15.0%	9.0%	7.0%	7.0%	7.0%	3.8%	2.5%	1.7%
50	15.0%	9.0%	7.0%	7.0%	7.0%	2.1%	0.0%	0.0%
55	15.0%	9.0%	7.0%	7.0%	7.0%	1.2%	0.0%	0.0%
60	15.0%	9.0%	7.0%	7.0%	7.0%	1.2%	0.0%	0.0%

Sample rates for Safety employees are as follows:

	Years of Service					
Age	0	1	2	3	4	5-19
20	8.0%	5.0%	4.0%	4.0%	4.0%	2.1%
30	8.0%	5.0%	4.0%	4.0%	4.0%	3.5%
40	8.0%	5.0%	4.0%	4.0%	4.0%	1.1%

[The prior valuation assumed the pre-retirement turnover rates shown in the Marin County Employees' Retirement Association Actuarial Review and Analysis as of June 30, 2012.]

Pre-retirement Mortality: The RPH-2014 Total Dataset Mortality Tables Projected Fully Generational using Scale MP-2014. Rates are assumed to have sufficient provisions to reasonably reflect future mortality improvements.

[The prior valuation used RP2000 Tables Projected 10 years using Projection Scale AA Combined Healthy Male and Female Tables set back three years.]

Post-retirement Mortality (Non-disabled Retirees): The RPH-2014 Total Dataset Mortality Tables Projected Fully Generational using Scale MP-2014. Rates are assumed to have sufficient provisions to reasonably reflect future mortality improvements.

[The prior valuation used RP2000 Tables Projected 10 years using Projection Scale AA Combined Healthy Male and Female Tables set back three years.]

Post-retirement Mortality: (Disabled Retirees) The RPH-2014 Disabled Retiree Mortality Tables Projected Fully Generational using Scale MP-2014. Rates are assumed to have sufficient provisions to reasonably reflect future mortality improvements.

[The prior valuation used RP-2000 Projected 10 Years using Projections Scale AA Combined Healthy Male and Female Tables, set forward three years.]

Industrial Disability Rates: Sample disabilities per 1,000 employees are as follows:

	Miscellaneous		Safety	
Age	Male	Female	Male	Female
25	0.8	0.8	1.7	1.7
30	1.3	1.3	4.0	4.0
35	1.6	1.6	6.1	6.1
40	2.1	2.1	13.0	13.0
45	2.6	2.6	12.5	12.5
50	3.1	3.1	14.1	14.1
55	3.3	3.3	42.9	42.9

Non-Industrial Disability Rate: Sample disabilities per 1,000 employees are as follows:

	Miscellaneous		Safety	
Age	Male	Female	Male	Female
25	0.1	0.1	0.3	0.3
30	0.1	0.1	0.5	0.5
35	0.2	0.2	0.7	0.7
40	0.3	0.3	1.6	1.6
45	0.5	0.5	2.6	2.6
50	0.9	0.9	3.6	3.6
55	1.6	1.6	4.6	4.6

Retirement Rates: Sample retirement rates for Miscellaneous employees are as follows:

	Years of Service		
Age	<20	20-29	30+
50-54	4.0%	4.0%	4.0%
55	8.0%	10.0%	25.0%
56	4.0%	4.0%	25.0%
57	4.0%	6.0%	25.0%
58	4.0%	8.0%	25.0%
59	8.0%	10.0%	25.0%
60-61	8.0%	10.0%	35.0%
62-74	20.0%	20.0%	35.0%
75-79	25.0%	25.0%	35.0%
80+	100.0%	100.0%	100.0%

Sample retirement rates for Safety employees are as follows:

	3% at 50			3% at 55		
	Service at Retirement					
Age	<20	20-29	30+	<20	20-29	30+
40-49	0.0%	3.0%	3.0%	0.0%	1.0%	1.0%
50	25.0%	25.0%	50.0%	5.0%	5.0%	30.0%
51-53	10.0%	10.0%	20.0%	5.0%	5.0%	30.0%
54	10.0%	10.0%	20.0%	5.0%	15.0%	30.0%
55	25.0%	25.0%	50.0%	20.0%	40.0%	50.0%
56	25.0%	25.0%	50.0%	10.0%	30.0%	50.0%
57-59	25.0%	25.0%	50.0%	10.0%	20.0%	50.0%
60-64	50.0%	50.0%	50.0%	30.0%	30.0%	50.0%
65+	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

For new employees subject to PEPRA, the retirement rates under the most recent CalPERS pension plan experience study. According to the retirement tables:

Miscellaneous: 2.0% @ 62
Safety Fire: 2.7% @ 57

[The prior valuation assumed the retirement rates shown in the Marin County Employees' Retirement Association Actuarial Review and Analysis as of June 30, 2012.]

Participation Rates: The probability of electing coverage at retirement is assumed to be the same as the percentage of premium provided by the District, with a 35% minimum participation rate for those only eligible for the PEMHCA minimum contribution.

[The prior valuation assumed a 20% minimum participation rate for those only eligible for the PEMHCA minimum contribution.]

Spouse Coverage: 65% of those electing coverage are assumed to elect coverage for themselves and their spouse. Female spouses are assumed to be three years younger than male spouses. Spouse coverage and spouse age for current retirees is based on actual coverage and actual spouse age.

Dependent Coverage: Not explicitly valued.

Plan Election: Of those who elect coverage, Tier 1 Administrators, Tier 1 and Tier 2 Chief Officers are assumed to elect coverage under the PERSCare plan. All other active members are assumed to elect the Blue Shield Access+ Plan. Retiree members are assumed to continue their current plan election.

Claim Cost Development: The valuation claim costs are based on the premiums paid for medical insurance coverage. The District participates in CalPERS, a community rated plan. Past valuations assumed the District was exempt from the valuation of any medical plan implicit rate subsidy. An implicit rate subsidy can exist when the non-Medicare rates for retirees are the same as for active employees. Since non-Medicare eligible retirees are typically much older than active employees, their actual medical costs are typically higher than for active employees. The current valuation contains an estimate of the implicit rate subsidy.

Medical Trend Rates: Medical costs are adjusted in future years by the following trends:

Year	PPO	HMO	Dental	Vision	PEMHCA Minimum
2017	7.0%	6.5%	3.5%	3.5%	4.0%
2018	6.5%	6.0%	3.5%	3.5%	4.0%
2019	6.0%	5.5%	3.5%	3.5%	4.0%
2020	5.5%	5.0%	3.5%	3.5%	4.0%
2021+	5.0%	5.0%	3.5%	3.5%	4.0%

[The prior valuation assumed initial medical rates are 0.5% lower for PPO plans and the ultimate trend rate was 0.5% lower. The PEMHCA Minimum rate is also lower by 0.5%.]

Actuarial Cost Method:	The actuarial cost method used to determine the allocation of the retiree health actuarial liability to the past (accrued), current and future periods is the Entry Age Normal (EAN) cost method. The EAN cost method is a projected benefit cost method which means the “cost” is based on the projected benefit expected to be paid at retirement. The EAN normal cost equals the level annual amount of contribution from the employee’s date of hire (entry date) to their retirement date that is sufficient to fund the projected benefit. For plans unrelated to pay, the normal cost is calculated to remain level in dollars; for pay-related plans the normal cost is calculated to remain level as a percentage of pay. The District has elected to determine the EAN normal cost as a level percentage of pay. The EAN actuarial accrued liability equals the present value of all future benefits for retired and current employees and their beneficiaries less the portion expected to be funded by future normal costs. All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the District were included in the valuation.
Actuarial Value of Assets:	The actuarial value of assets of the plan as of June 30, 2015 is set to equal the reported market value.
Amortization of UAAL:	The unfunded actuarial accrued liability is being amortized over 15 years using the level-percent-of-payroll method on a closed-basis.

SECTION VIII. ACTUARIAL CERTIFICATION

This report summarizes the GASB actuarial valuation for the Novato Fire Protection District (the "District") as of June 30, 2015. To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statements No. 43 (Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans) and No. 45 (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions). The valuation is also based upon our understanding of the plan provisions as summarized within the report.

The information presented herein is based on the actuarial assumptions and substantive plan provisions summarized in this report and participant information and asset information furnished to us by the Plan Sponsor. We have reviewed the employee census provided by the Plan Sponsor for reasonableness when compared to the prior information provided but have not audited the information at the source, and therefore do not accept responsibility for the accuracy or the completeness of the data on which the information is based. When relevant data may be missing, we may have made assumptions we feel are neutral or conservative to the purpose of the measurement. We are not aware of any significant issues with and have relied on the data provided.

The discount rate and other economic assumptions have been selected by the Plan Sponsor. Demographic assumptions have been selected by the Plan Sponsor with the concurrence of Nyhart. In our opinion, the actuarial assumptions are individually reasonable and in combination represent our estimate of anticipated experience of the Plan. All calculations have been made in accordance with generally accepted actuarial principles and practice.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following:

- plan experience differing from that anticipated by the economic or demographic assumptions;
- changes in economic or demographic assumptions;
- increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and
- changes in plan provisions or applicable law.

While some sensitivity analysis was provided in the report, we did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement.

To our knowledge, there have been no significant events prior to the current year's measurement date or as of the date of this report that could materially affect the results contained herein.

Neither Nyhart nor any of its employees has any relationship with the plan or its sponsor that could impair or appear to impair the objectivity of this report. Our professional work is in full compliance with the American Academy of Actuaries "Code of Professional Conduct" Precept 7 regarding conflict of interest. The undersigned meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Should you have any questions please do not hesitate to contact me.

Certified by:

Marilyn K. Jones, ASA, EA, MAAA, FCA
Consulting Actuary

Date: 10/20/2015

SECTION IX. DEFINITIONS

The definitions of the terms used in GASB actuarial valuations are noted below.

Actuarial Liability (also referred to as Present Value of Future Benefits) – Total projected benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of total projected benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.

Actuarial Accrued Liability – That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of plan benefits and expenses which is not provided for by the future Normal Costs.

Actuarial Assumptions – Assumptions as to the occurrence of future events affecting health care costs, such as: mortality, turnover, disablement and retirement; changes in compensation and Government provided health care benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.

Actuarial Cost Method – A procedure for determining the Actuarial Present Value of future benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

Actuarial Present Value – The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions.

Annual OPEB Cost – An accrual-basis measure of the periodic cost of an employer’s participation in a defined benefit OPEB plan.

Annual Required Contribution (ARC) – The employer’s periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the parameters.

Explicit Subsidy – The difference between (a) the amounts required to be contributed by the retirees based on the premium rates and (b) actual cash contribution made by the employer.

Funded Ratio – The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Healthcare Cost Trend Rate – The rate of change in the per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

Implicit Rate Subsidy – In an experience-rated healthcare plan that includes both active employees and retirees with blended premium rates for all plan members, the difference between (a) the age-adjusted premiums approximating claim costs for retirees in the group (which, because of the effect of age on claim costs, generally will be higher than the blended premium rates for all group members) and (b) the amounts required to be contributed by the retirees.

Net OPEB Obligation – The cumulative difference since the effective date of this Statement between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.

Normal Cost – The portion of the Actuarial Present Value of plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

Pay-as-you-go – A method of financing a benefit plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

Per Capita Costs – The current cost of providing postretirement health care benefits for one year at each age from the youngest age to the oldest age at which plan participants are expected to receive benefits under the plan.

Select and Ultimate Rates – Actuarial assumptions that contemplate different rates for successive years. Instead of a single assumed rate with respect to, for example, the healthcare trend rate assumption, the actuary may apply different rates for the early years of a projection and a single rate for all subsequent years. For example, if an actuary applies an assumed healthcare trend rate of 6.5% for year 20W0, 6.0% for 20W1, 5.5% for 20W2, then 5.0% for 20W3 and thereafter, then 6.5%, 6% and 5.5% are select rates, and 5% is the ultimate rate.

Substantive Plan – The terms of an OPEB plan as understood by the employer(s) and plan participant.