

THE SUPERIOR COURT OF CALIFORNIA
COUNTY OF LOS ANGELES

**Actuarial Valuation of
Other Postemployment Benefits (OPEB)
Under GASB Statement No. 75
For Fiscal Year Ending June 30, 2020
(Measured at June 30, 2019)**

April 30, 2020

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LOS ANGELES SUPERIOR COURT
 Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2020

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Introduction and Certification

Purposes of the valuation

This report includes OPEB financial reporting information determined under Governmental Accounting Standards Board Statement No. 75 (GASB 75) for Los Angeles Superior Court (the Court). GASB 75 standardizes OPEB disclosure requirements and requires plans and employers to provide additional details about their OPEB obligations. The information to be disclosed includes:

- Obligations and funded status of the plan,
- The annual GASB 75 accounting expense, and
- Other disclosure information.

The Important Notices section of this report discusses several considerations for this actuarial valuation and its results. We highly recommend that anyone relying on this valuation's content read the Important Notices so they understand the limitations of actuarial results.

The language of this report includes a number of technical terms which have special meanings. The glossary at the end of the report is provided to enhance understanding of these terms; many of them are defined there.

Significant dates

The Court has elected to use the GASB 75 "lookback" method where assets and liabilities are measured as of the prior fiscal year-end, but applied to the current fiscal year. The valuation, measurement and reporting dates are:

Valuation date (census)	June 30, 2019
Measurement date (assets and liabilities)	June 30, 2019
Measurement period	July 1, 2018 to June 30, 2019
Reporting date (fiscal year end)	June 30, 2020

We have not made any adjustments for events after the measurement date. The Court's final GASB 75 disclosures should reflect employer contributions between the measurement and reporting dates, as noted on page 7.

Changes from the prior valuation

The Court's net OPEB liability increased from \$1.085B as of 6/30/2019 to \$1.104B as of 6/30/2020. The net OPEB liability increase was primarily due to a combination of 1) the decrease in the discount rate, 2) normal accrual of plan benefits and 3) liability experience different than expected. This liability increase was partially offset by 1) changes in actuarial assumptions and methods and 2) changes in premiums and assumed claims costs. A detailed liability and asset reconciliation can be found on page 5.

Changes to the plan provisions and actuarial assumptions reflected in this valuation are described at the end of each of those sections in this report.

Introduction and Certification (continued)

Actuarial certification

To the best of our knowledge, this report is complete and accurate and all costs and liabilities under the plan were determined in accordance with generally accepted actuarial principles and practices. Upon receipt of the valuation report, the Court should notify us if you disagree with any information contained in the report or if you are aware of any information that would affect the results that has not been communicated to us. The report will be deemed final and acceptable to the Court unless you immediately notify us otherwise.

The actuarial assumptions and methods are the responsibility of the employer. We have reviewed the assumptions and believe that they are reasonable estimates of future plan experience, both individually and in the aggregate. The calculations reported herein are consistent with our understanding of GASB 75.

The undersigned credentialed actuaries are Members of the American Academy of Actuaries and meet the Academy's Qualification Standards to render the actuarial opinion contained herein. We are available to answer questions on the material contained in the report or to provide explanations or further detail, as may be appropriate. We are not aware of any material direct or indirect financial interest or relationship that could create a conflict of interest or impair the objectivity of our work.



Laura K. Pistotnik, ASA, MAAA
Consulting Actuary



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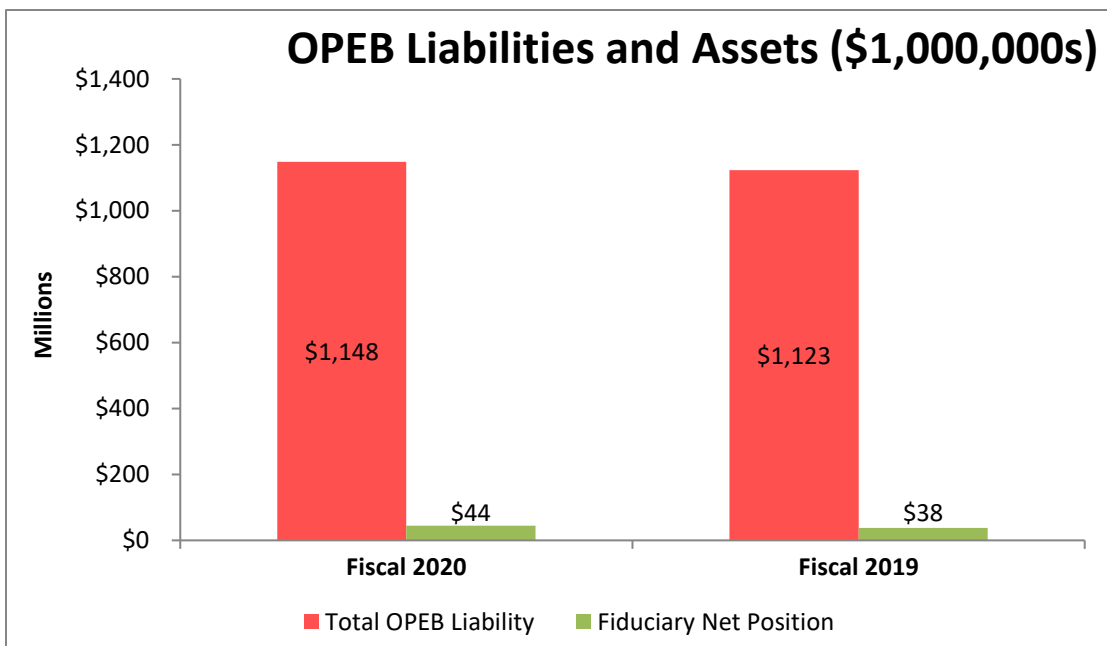
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LOS ANGELES SUPERIOR COURT

Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2020

Summary of Results

	Valuation Date	
	6/30/2019	6/30/2017
A. Participants eligible for OPEB		
1. Active employees electing coverage	4,526	4,431
2. Vested terminated	611	611
3. Retirees receiving benefits	3,188	2,961
4. Total	8,325	8,003
	Fiscal Year Ending ¹	
	6/30/2020	6/30/2019
B. Funded Status		
1. Total OPEB Liability	\$ 1,148,004,187	\$ 1,123,377,835
2. Plan Fiduciary Net Position (assets)	44,473,422	38,148,167
3. Net OPEB Liability (1. - 2.)	1,103,530,765	1,085,229,668
4. Funded Percent (2./1.)	3.9%	3.4%
5. Liability Discount Rate	3.27%	3.70%
C. Accounting Expense (see page 11)	\$ 53,668,698	\$ 55,978,945
D. Actuarially Determined Contribution (ADC)	N/A ²	N/A ²



¹ The Court has elected to use the GASB 75 "lookback" method where assets and liabilities are measured as of the prior fiscal year-end, but applied to the current fiscal year.

² The Court does not currently calculate an ADC.

LOS ANGELES SUPERIOR COURT

Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2020

Statement of Changes in Fiduciary Net Position

Measurement period	7/1/2018 - 6/30/2019	7/1/2017 - 6/30/2018
	<i>applied to the</i>	
	Fiscal Year Ending ¹	
	6/30/2020	6/30/2019
Additions		
Contributions		
Employee	-	-
Employer		
Cash contributions to OPEB trust	4,178,094	2,015,711
Benefits paid from employer assets ²	23,602,267	19,782,933
Total	27,780,361	21,798,644
Investment income		
Net appreciation in fair value of investments	1,994,287	722,638
Interest and dividends	254,157	2,864,336
Less investment expense	(29,511)	(21,628)
Net investment income	2,218,933	3,565,346
Other additions	-	-
Total additions	29,999,294	25,363,990
Deductions		
Benefit payments ²		
Explicit subsidy	(23,627,267)	(23,517,933)
Implicit subsidy	-	-
Total	(23,627,267)	(23,517,933)
Administrative expense	(46,772)	(44,984)
Other deductions	-	-
Total deductions	(23,674,039)	(23,562,917)
Net increase in net position	6,325,255	1,801,073
Net position restricted for OPEB		
Beginning of year	38,148,167	36,347,094
End of year	\$ 44,473,422	\$ 38,148,167
Investment return for the measurement year		
a. Net investment income	\$ 2,218,933	\$ 3,565,346
b. Beginning balance	38,148,167	36,347,094
c. Time-weighted cash flows	786,152	(847,869)
d. Investment return: a. / (b. + c.)	5.70%	10.04%

¹ The Court has elected to use the GASB 75 "lookback" method where assets and liabilities are measured as of the prior fiscal year-end, but applied to the current fiscal year.

² Although the OPEB plan is administered through a trust, a portion of the FY2020 OPEB payments were paid from the employer's general assets rather than from the trust assets. GASB 74 Q&A 4.52 specifies that this arrangement should be recognized as an offsetting contribution and benefit payment in the reconciliation of the plan's Fiduciary Net Position.

LOS ANGELES SUPERIOR COURT

Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2020

Changes in Net OPEB Liability

	Increase (Decrease) for the Measurement Year		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance for fiscal year ending 6/30/2019 ¹ (Measured at 6/30/2018)	\$ 1,123,377,835	\$ 38,148,167	\$ 1,085,229,668
Changes for the year:			
Service cost	38,573,937	-	38,573,937
Interest	42,555,111	-	42,555,111
Differences between expected and actual experience ²	(10,026,072)	-	(10,026,072)
Changes of assumptions	(22,849,357)	-	(22,849,357)
Changes of benefit terms	-	-	-
Employee contributions	-	-	-
Employer contributions ³	-	27,780,361	(27,780,361)
Net investment income	-	2,218,933	(2,218,933)
Other additions	-	-	-
Benefit payments ³	(23,627,267)	(23,627,267)	-
Administrative expense	-	(46,772)	46,772
Other deductions	-	-	-
Net changes	24,626,352	6,325,255	18,301,097
Balance for fiscal year ending 6/30/2020 ¹ (Measured at 6/30/2019)	\$ 1,148,004,187	\$ 44,473,422	\$ 1,103,530,765

¹ The Court has elected to use the GASB 75 "lookback" method where assets and liabilities are measured as of the prior fiscal year-end, but applied to the current fiscal year.

² Approximately (\$31.8M) of the increase/(decrease) is due to the change in premiums and assumed claims costs and \$21.8M is due to all other experience changes.

³ Benefit payments to retirees during the measurement period ending 6/30/2019.

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Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2020

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
1% decrease in Discount Rate (2.27%)	\$ 1,343,355,199	\$ 44,473,422	\$ 1,298,881,777
Current Discount Rate (3.27%)	1,148,004,187	44,473,422	1,103,530,765
1% increase in Discount Rate (4.27%)	988,469,743	44,473,422	943,996,321

Sensitivity of the Net OPEB Liability to Changes in the Trend Rates

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
1% decrease in Trend Rates	\$ 962,420,151	\$ 44,473,422	\$ 917,946,729
Current Trend Rates	1,148,004,187	44,473,422	1,103,530,765
1% increase in Trend Rates	1,386,853,602	44,473,422	1,342,380,180

Summary of Deferred Outflows and Deferred Inflows

	<u>Outflows</u>	<u>Inflows</u>
<u>Summary of Deferred Outflows/Inflows</u>		
A. Difference between expected and actual liability	\$ -	\$ 8,723,985
B. Change of assumptions	-	121,005,501
C. Net difference between projected and actual investment earnings ¹	-	818,437
D. Contributions between measurement date and reporting date ²	TBD	N/A
E. Total	<u>\$ -</u>	<u>\$ 130,547,923</u>

See page 13 for amortization schedules and development of deferred outflows/inflows.

Amounts reported as deferred (inflows) outflows of resources related to OPEBs will be recognized in OPEB expense as follows:

<u>Year ended</u>	<u>Future recognition</u>
2021	(24,914,096)
2022	(24,914,097)
2023	(24,715,568)
2024	(24,475,352)
2025	(21,008,506)
Thereafter	(10,520,304)
	<u>\$ (130,547,923)</u>

¹ Per GASB 75 paragraph 43.b., deferred inflows/outflows arising from differences between projected and actual OPEB plan investment earnings in different measurement periods should be aggregated and reported as a net deferred inflow or outflow of resources.

² Under GASB 75 paragraph 44, employer contributions made after the June 30, 2019 Measurement Date and on or before the June 30, 2020 Reporting Date must be disclosed as Deferred Outflows of Resources. If the contribution amount is not available at the time of this report, "TBD" is shown temporarily. The final amount should include employer trust contributions plus any unreimbursed benefits paid from general assets.

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Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2020

Significant Assumptions Used to Measure the Total OPEB Liability

Discount rate	3.27%
Long-term expected investment return	6.50%
Inflation rate	2.50%
Healthy Mortality	Based on assumptions for Public Agency Miscellaneous members published in the December 2017 CalPERS Experience Study. These tables include 15 years of static mortality improvement using 90% of scale MP-2016.
Health care cost trend rate	6.4% for FY2020, gradually decreasing over several decades to an ultimate rate of 4.0% in FY2076 and later years.

See pages 21 to 40 for more details on actuarial assumptions and methods.

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Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2020

Schedule of Changes in Net OPEB Liability and Related Ratios¹

Total OPEB Liability	Fiscal Year Ending ²	
	6/30/2020	6/30/2019
Service cost	\$ 38,573,937	\$ 38,224,498
Interest	42,555,111	40,793,090
Differences between expected and actual experience	(10,026,072)	-
Changes of assumptions	(22,849,357)	(32,537,232)
Changes of benefit terms	-	-
Benefit payments	(23,627,267)	(23,517,933)
Net change in total OPEB liability	24,626,352	22,962,423
Total OPEB Liability - beginning of year	1,123,377,835	1,100,415,412
Total OPEB Liability - end of year	\$ 1,148,004,187	\$ 1,123,377,835
Plan Fiduciary Net Position (FNP, assets)		
Employee contributions	\$ -	\$ -
Employer contributions	27,780,361	21,798,644
Net investment income	2,218,933	3,565,346
Other additions	-	-
Benefit payments	(23,627,267)	(23,517,933)
Administrative expense	(46,772)	(44,984)
Other deductions	-	-
Net change in plan fiduciary net position	6,325,255	1,801,073
Plan Fiduciary Net Position - beginning of year	38,148,167	36,347,094
Plan Fiduciary Net Position - end of year	\$ 44,473,422	\$ 38,148,167
Net OPEB Liability - end of year	\$ 1,103,530,765	\$ 1,085,229,668
FNP as a percentage of the Total OPEB Liability	3.9%	3.4%
OPEB-eligible payroll for the measurement period	\$ 337,021,930	\$ 322,320,444
Net OPEB Liability as a % of eligible payroll	327.4%	336.7%

¹ The employer must disclose a 10-year history of the schedule of changes in Net OPEB Liability and related ratios.

² The Court has elected to use the GASB 75 "lookback" method where assets and liabilities are measured as of the prior fiscal year-end, but applied to the current fiscal year.

Schedule of Contributions¹

	Fiscal Year Ending	
	6/30/2020	6/30/2019
Actuarially determined contribution (ADC) ²	N/A	N/A
Contributions in relation to the ADC	N/A	N/A
Contribution deficiency (excess)	N/A	N/A
OPEB-eligible payroll for reporting period (fiscal year)	N/A	N/A
Contributions as a percent of payroll	N/A	N/A

¹ The employer must disclose a 10-year history of the contribution and payroll schedules.

² Per GASB 75 paragraph 57c., these disclosures are only required if the employer calculates an Actuarially Determined Contribution (ADC). The Court does not currently calculate an ADC.

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Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2020

Calculation of OPEB Expense

	Fiscal Year Ending ¹	
	<u>6/30/2020</u>	<u>6/30/2019</u>
A. Service cost	\$ 38,573,937	\$ 38,224,498
B. Interest cost	42,555,111	40,793,090
C. Current period benefit changes	-	-
D. Employee contributions	-	-
E. Projected earnings on OPEB plan investments	(2,593,026)	(2,364,248)
F. Administrative expenses paid from the trust	46,772	44,984
G. Other changes in fiduciary net position	-	-
H. Recognition of expected vs. actual experience	(1,302,087)	-
I. Recognition of assumption changes	(23,248,082)	(20,280,633)
J. Recognition of net difference between projected and actual investment earnings	(363,927)	(438,746)
K. Total OPEB expense (sum of A. through J.)	<u>\$ 53,668,698</u>	<u>\$ 55,978,945</u>

¹ The Court has elected to use the GASB 75 "lookback" method where assets and liabilities are measured as of the prior fiscal year-end, but applied to the current fiscal year.

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Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2020

Calculation of Interest Cost and Investment (Gain) or Loss for OPEB Expense

	Fiscal Year Ending ¹	
	6/30/2020	6/30/2019
<u>Interest cost</u>		
A. Total OPEB Liability at beginning of measurement year	\$ 1,123,377,835	\$ 1,100,415,412
B. Service cost	38,573,937	38,224,498
C. Benefit payments	(23,627,267)	(23,517,933)
D. Discount rate at beginning of measurement year	3.70%	3.62%
E. Interest cost ((A. + B. + 1/2 x C.) x D.)	\$ 42,555,111	\$ 40,793,090
 <u>Projected OPEB plan investment earnings</u>		
A. Fiduciary Net Position at beginning of measurement year	\$ 38,148,167	\$ 36,347,094
B. Time-weighted cash flows	786,152	(847,869)
C. Expected investment return at beginning of measurement year	6.66%	6.66%
D. Projected OPEB plan investment earnings ((A. + B.) x C.)	\$ 2,593,026	\$ 2,364,248
 <u>Investment (gain) or loss</u>		
A. Projected OPEB plan investment earnings	\$ 2,593,026	\$ 2,364,248
B. Actual OPEB plan investment earnings	2,218,933	3,565,346
C. Investment (gain) or loss (A. - B.)	\$ 374,093	\$ (1,201,098)

¹ The Court has elected to use the GASB 75 "lookback" method where assets and liabilities are measured as of the prior fiscal year-end, but applied to the current fiscal year.

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Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2020

Schedule of Amortizations: Liability Experience (Gains) and Losses

Fiscal Year	Initial Deferred (Inflow)/Outflow	Initial Amortization Period	Unrecognized Amount	Remaining Amortization Period	Current Year Amortization
2018	\$ -	N/A	\$ -	N/A	\$ -
2019	\$ -	N/A	\$ -	N/A	\$ -
2020	\$ (10,026,072)	7.70	\$ (8,723,985)	6.70	\$ (1,302,087)
Subtotal			\$ (8,723,985)		\$ (1,302,087)

Schedule of Amortizations: Assumption Changes

Fiscal Year	Initial Deferred (Inflow)/Outflow	Initial Amortization Period	Unrecognized Amount	Remaining Amortization Period	Current Year Amortization
2018	\$ (125,246,097)	7.78	\$ (76,950,687)	4.78	\$ (16,098,470)
2019	\$ (32,537,232)	7.78	\$ (24,172,906)	5.78	\$ (4,182,163)
2020	\$ (22,849,357)	7.70	\$ (19,881,908)	6.70	\$ (2,967,449)
Subtotal			\$ (121,005,501)		\$ (23,248,082)

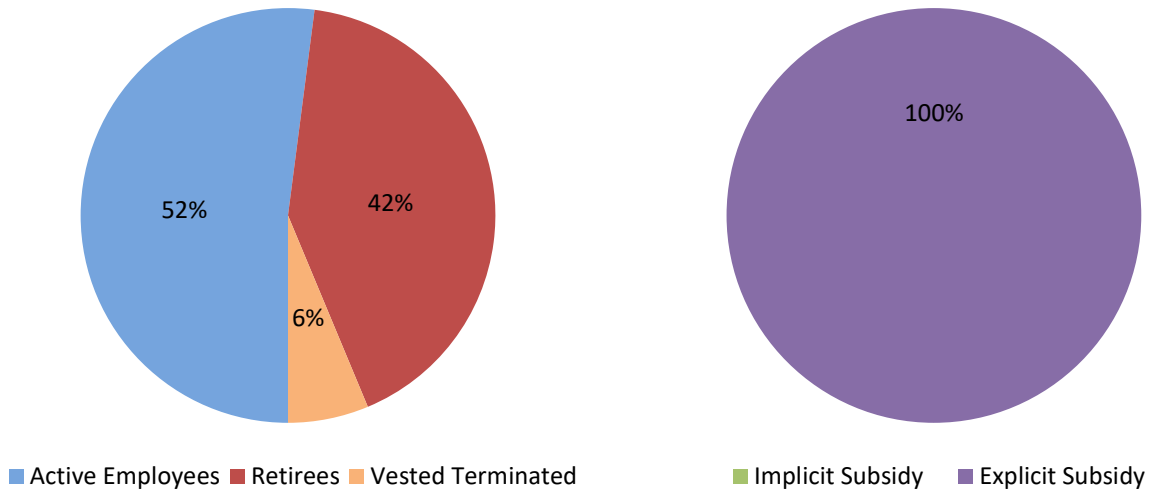
Schedule of Amortizations: Investment (Gains) and Losses

Fiscal Year	Initial Deferred (Inflow)/Outflow	Initial Amortization Period	Unrecognized Amount	Remaining Amortization Period	Current Year Amortization
2018	\$ (992,631)	5.00	\$ (397,053)	2.00	\$ (198,526)
2019	\$ (1,201,098)	5.00	\$ (720,658)	3.00	\$ (240,220)
2020	\$ 374,093	5.00	\$ 299,274	4.00	\$ 74,819
Subtotal			\$ (818,437)		\$ (363,927)

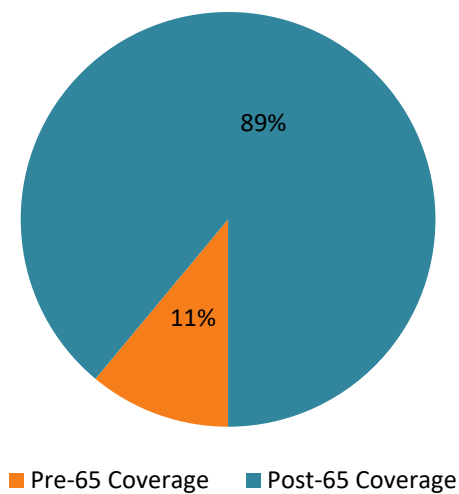
Total OPEB Liability Summary

	Fiscal Year Ending ¹	
	6/30/2020	6/30/2018
A. Benefit Liabilities		
1. Present value of benefits paid by employer	\$ 1,803,223,506	\$ 1,702,503,030
2. Present value of benefits attributed to future service	655,219,319	602,087,618
3. Total OPEB Liability (1. - 2.)	\$ 1,148,004,187	\$ 1,100,415,412

B. Total OPEB Liability by Status and Subsidy Type



C. Total OPEB Liability by Coverage Period



¹ The Court has elected to use the GASB 75 "lookback" method where assets and liabilities are measured as of the prior fiscal year-end, but applied to the current fiscal year.

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Projected Benefit Payments

Year Ending 6/30	Employer-Paid Premiums Explicit Subsidy		
	Current Retirees	Future Retirees	Total
2020	\$ 26,506,498	\$ 1,476,040	\$ 27,982,538
2021	26,740,573	3,064,777	29,805,350
2022	27,003,012	4,862,023	31,865,035
2023	27,323,219	6,827,221	34,150,440
2024	27,576,138	8,908,016	36,484,154
2025	27,817,360	11,255,638	39,072,998
2026	27,940,202	13,619,850	41,560,052
2027	28,191,574	16,362,381	44,553,955
2028	28,472,657	19,145,696	47,618,353
2029	28,901,600	21,950,287	50,851,887
2030	29,108,840	25,020,313	54,129,153
2031	29,272,841	28,160,053	57,432,894
2032	29,235,762	31,601,657	60,837,419
2033	29,122,273	34,850,217	63,972,490
2034	28,923,258	38,395,326	67,318,584
2035	28,670,404	41,769,792	70,440,196
2036	28,256,474	45,178,902	73,435,376
2037	27,731,346	48,671,571	76,402,917
2038	27,113,395	52,025,933	79,139,328
2039	26,428,473	55,634,051	82,062,524
2040	25,678,238	59,111,907	84,790,145
2041	24,807,967	62,581,556	87,389,523
2042	23,904,884	65,886,915	89,791,799
2043	22,852,547	69,358,285	92,210,832
2044	21,807,563	72,723,045	94,530,608
2045	20,676,647	75,914,344	96,590,991
2046	19,515,244	79,194,551	98,709,795
2047	18,280,336	82,221,767	100,502,103
2048	17,069,179	84,960,774	102,029,953
2049	15,869,584	87,649,773	103,519,357
2050	14,688,191	89,827,473	104,515,664

Notes: The projections are based on current participants and do not include any future entrants (closed group projections).

Summary of Plan Participants

This section presents the demographic information for the active employees and retired participants included in the OPEB valuation. The actuarial valuation was based on June 30, 2019 census data provided by the Court and LACERA. The following exhibits summarize the personnel characteristics of the data used for the valuation.

Medical¹

A. Benefits-eligible active employees

1. Total active employees	4,526
2. Average age	48.8
3. Average service	16.5

B. Benefits-eligible vested terminated 611

C. Benefits-eligible retirees

	Single	Single+1	Family	Total
1. Anthem Blue Cross I	44	11	1	56
2. Anthem Blue Cross II	130	75	27	232
3. Anthem Blue Cross Prudent Buyer	29	14	4	47
4. CIGNA Network Model Plan ²	18	8	0	26
5. Kaiser ²	182	3	82	267
6. UnitedHealthcare	50	19	9	78
7. Anthem Blue Cross III	405	216	13	634
8. SCAN Health Plan	22	7	0	29
9. Kaiser Senior Advantage	444	0	270	714
10. UnitedHealthcare Medicare Advantage (HMO)	118	82	4	204
11. Total with coverage	1,442	435	410	2,287
12. Total with only dental, vision or life insurance coverage				901
13. Total retirees				3,188
14. Average age with coverage				73.2

¹ Participant count summaries only include medical plans available as of June 30, 2019.

² Includes participants electing out-of-state coverage

Summary of Plan Provisions

A. Plans Available

Medical (Not Medicare Eligible)

Anthem Blue Cross I
 Anthem Blue Cross II
 Anthem Blue Cross Prudent Buyer
 CIGNA Network Model Plan
 Kaiser
 UnitedHealthcare

Medical (Medicare Eligible)

Anthem Blue Cross III
 SCAN Health Plan
 Kaiser Senior Advantage
 UnitedHealthcare Medicare Advantage (HMO)

Dental

CIGNA Dental HMO/Vision
 CIGNA Indemnity Dental/Vision

Life Insurance

Life Insurance (\$5,000 provided to designated beneficiary) for lifetime of retiree.

B. Benefits Valued

Medical, dental, vision and life insurance coverage

C. Covered Groups

All Court employees, excluding Judges.

D. Implicit Subsidy

Eligibility

Not applicable.

Amount

The non-Medicare health plans above are retiree-only LACERA health plans. According to LACERA, the premium rates are based on retiree experience only and are developed separately from the active employee premium rates. Therefore, there is no implicit subsidy.

Duration

Not applicable.

Summary of Plan Provisions (continued)

E. Explicit Subsidy

Eligibility

The retiree must be receiving benefits from LACERA (Los Angeles County Employees' Retirement Association). Eligibility for General members under LACERA is as follows:

1) Service Retirement

- Plans A-D: Age 50 with 10 years of service, at any age with 30 years of service, or at age 70 regardless of service
- Plan E: Age 65 with 10 years of service. Reduced benefit available at age 55 with 10 years of service.
- Plan G: Age 52 with 5 years of service

2) Disability Retirement

- Plans A-D and G: Any age and service for service connected disability. 5 years of service for non-service connected disability.
- Plan E: Not eligible for disability

3) Vested Terminated Retirement

- Plans A-D: Age 50 with 5 years of service. Vested members can retire when they would have had 10 years of service and satisfy the age requirements for retirement, provided they have not elected to receive a refund of their account balance.
- Plan E: Age 55 with 10 years of service
- Plan G: Age 52 with 5 years of service

4) Vested Status

- Plans A-D and G: 5 years of credited service
- Plan E: 10 years of credited service

Amount

The amount provided by the Court is determined as follows:

The Court-provided contribution is equal to a percentage of the premium rate of the plan elected or the benchmark plan (if lower). The benchmark plans for medical are Anthem Blue Cross Plans I and II, which have identical premium rates. The benchmark plan for dental/vision care is CIGNA Indemnity Dental/Vision.

<u>LACERA Service at Retirement</u>	<u>Percentage</u>
< 10 years	0%
10	40%
each additional year	+4%
25 or more	100%

The above table pertains to service retirements and non-service-connected disabilities. For service-connected disability, the percentage of the premium rate will be equal to the percentage from the above table, or 50% if greater.

Tier 1 participants (employees hired before 7/1/2014):

If single party coverage is elected, the percentage of the premium rate from the above table applies to the rate for single party coverage. If dependent coverage is elected, the percentage of the premium rate also includes the additional premiums required for dependent coverage.

Summary of Plan Provisions (continued)

E. Explicit Subsidy

Amount (continued)

Tier 2 participants (employees hired after 6/30/2014):

Regardless of coverage level elected, the percentage of the premium rate from the above table applies to the rate for single party coverage only.

All tiers:

Medicare Part B reimbursement is also provided for retirees and dependents who are Medicare eligible provided the retiree is enrolled in Medicare Parts A and B, is enrolled in a LACERA Medicare Advantage plan or Medicare supplemental plan, is paying the Medicare Part B premium(s), and is not reimbursed by any other agency. This reimbursement is not subject to the percentage adjustment from the above table.

Postretirement life insurance in the amount of \$5,000 of coverage is provided on the life of the retiree only. There is no life insurance coverage on any dependents.

Duration

For lifetime of the retiree. Upon death of the retiree, the surviving spouse may continue the explicit subsidy benefits for medical, dental, and vision coverage provided they are in receipt of a contingent pension benefit.

F. Retiree Premiums

The monthly premiums for health coverage in effect for July 1, 2019 through June 30, 2020, before reflecting any reduction due to subsidies are as follows:

	Retiree	Retiree plus Spouse
<u>Medical (Not Medicare Eligible)</u>		
Anthem Blue Cross I	\$ 1,170.28	\$ 2,108.71
Anthem Blue Cross II	1,170.28	2,108.71
Anthem Blue Cross Prudent Buyer	1,016.48	1,999.73
CIGNA Network Model Plan	1,624.26	2,932.02
Kaiser	1,032.28	2,056.56
UnitedHealthcare	1,193.57	2,178.97
<u>Medical (Medicare Eligible)</u>		
Anthem Blue Cross III	477.73	948.80
SCAN Health Plan	267.00	526.00
Kaiser Senior Advantage	280.80	553.60
UnitedHealthcare Medicare Advantage (HMO)	356.76	705.52
Medicare Part B ¹	144.60	289.20
<u>Dental</u>		
CIGNA Dental HMO/Vision	\$ 46.19	\$ 94.52
CIGNA Indemnity Dental/Vision	52.16	108.60

¹ Medicare Part B premium is as of January 1, 2020.

Summary of Plan Provisions (continued)

- | | |
|---|--|
| G. Retiree Contributions | Retirees are required to pay the applicable retiree premiums, less any explicit subsidies provided by the Court. |
| H. Coverage Following Active Employee's Death | <p>The surviving spouse/partner of a deceased active employee in Plans A-D and G will be eligible to receive the Court contribution, provided:</p> <ol style="list-style-type: none"> 1) The active member is eligible for retirement at the date of death; and 2) the spouse/partner is in receipt of a contingent pension benefit. <p>A pre-retirement death benefit is not available to active employees in Plan E.</p> |
| I. Additional Other Postemployment Benefits (OPEB) | The Court does not offer any additional other postemployment benefits (OPEB) required for inclusion in the valuation. |
| J. Valuation Changes | <p>Since the last valuation the following changes have been made:</p> <ul style="list-style-type: none"> • Retiree premiums were updated to current levels. |

Summary of Actuarial Methods

- A. Liability Measurement Method**
- GASB 75 requires that "The total OPEB liability should be determined by (a) an actuarial valuation as of the measurement date or (b) the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end."
- Liabilities in this report were calculated as of the current measurement date per GASB 75 option (a) above.
- | | |
|---|-------------------------------|
| Valuation date (census) | June 30, 2019 |
| Measurement date (assets and liabilities) | June 30, 2019 |
| Measurement period | July 1, 2018 to June 30, 2019 |
| Reporting date (fiscal year end) | June 30, 2020 |
- B. Actuarial Cost Method**
- Liabilities are based on the Entry Age Normal level percent of pay cost method. In this method, the actuarial Present Value of Benefits (PVB) for each individual is allocated as a level percent of pay from entry age (hire age, for most employees) to the last age with any future benefits. The portion of the PVB allocated to the valuation year is called the Normal Cost (NC). The portion of the PVB allocated to past years is called the Actuarial Accrued Liability (AAL) or the Total OPEB Liability (TOL).
- C. Amortization Method**
- Investment Gains and Losses:
Each year's gain or loss is straight-line amortized over 5 years.
- Effects of Assumption Changes and Experience Gains and Losses:
Each change is straight-line amortized over a period equal to the average of the expected remaining service lives of all members (i.e., active employees and terminated/retired members) that are provided with OPEB through the plan.
- D. Funding Policy**
- The Court has assets designated for OPEB. These assets are in a qualified irrevocable trust, administered and invested through LACERA. Additional trust contributions will be made on an ad-hoc basis as funds are available.

Summary of Actuarial Methods (continued)**E. Data Methods**

The Court and LACERA provided census and financial information for the valuation and we have relied on this data in preparing the results in this report. The data was reviewed for reasonableness and consistency, but we have not performed a complete audit. If any of the information is inaccurate or incomplete, then the results may be materially different and the calculations may need to be revised.

To the extent that census data was collected as of a date later than June 30, 2019, we have assumed that it is reasonably representative of the plan census on the valuation date and used it with only minor adjustments.

As instructed by the Court, participants terminating employment or retiring before January 1, 2001 are included in the valuation because the Court is financing these retirees' medical, dental, vision and life insurance benefits.

F. Covered Payroll

Covered OPEB-eligible payroll information for the measurement year ending June 30, 2019 was provided by the Court.

Summary of Healthcare Assumptions and Methods

A. Per Capita Claims Costs

Non-Medicare Eligible	The Court's non-Medicare health plans are retiree-only LACERA health plans. According to LACERA, the premium rates are based on retiree experience only and are developed separately from the active employee premium rates. Therefore, there is no implicit subsidy and age-based claims costs were not calculated.
Medicare Eligible	We have assumed that premiums for Medicare eligible retirees are based on Medicare eligible retiree experience and equal the expected true cost of retiree coverage. As a result, there is no implicit subsidy for these benefits.
Dental and vision	We have assumed that retiree dental and vision premiums are self-supporting at all ages and that there is no implicit subsidy for these benefits.

B. Healthcare Cost Trend

Trend is a forecast of per capita claims cost increases due to factors such as price inflation, per capita income growth (GDP), and new technology. We developed our trend assumption using the “Getzen” model published by the Society of Actuaries (v2020_b). This model produces a long-term estimate of medical cost trends based on an analysis of historical US healthcare expenditures and industry experts. It assumes that healthcare costs will continue to grow at their historical trends until the economy (GDP) can no longer support the excess growth. At that time, rates revert to an ultimate trend rate which is projected to be supportable by GDP growth rates.

The trend assumption is comprised of three elements: (1) initial short-term rates (up to 5 years), (2) a multi-decade transition period of medium-term rates until projected health care costs reach GDP capacity, and (3) a transition to the ultimate trend rate supported by the GDP assumptions. When applicable, we’ve adjusted the Getzen model’s default inputs to align with our other economic assumptions.

Actual plan sponsor healthcare costs will differ from the trend assumption since we cannot precisely predict the factors affecting trend and annual plan costs in the future. This assumption is merely one estimate among a wide range of possibilities.

Summary of Actuarial Assumptions

A. Economic Assumptions

	Measurement Date	
	June 30, 2019	June 30, 2018
Discount Rate (See page 39 for rationale)	3.27%	3.70%
Long-term expected rate of return on OPEB plan investments	6.50%	6.66%
Index rate for 20-year, tax-exempt municipal bonds (Fidelity 20-Year Municipal GO AA Index) used in discount rate determination	3.13%	3.62%
General Inflation (CPI-U)	2.50%	2.75%
CPI Medical Care	3.75%	4.00%
Payroll Growth Rate	2.75%	3.00%

Healthcare Trend Rates Annual increases in per capita claims costs and plan premiums are as follows:

Fiscal Year Ending	Medical Coverage	
	Not Medicare Eligible	Medicare Eligible
2020	6.4%	5.1%
2021	6.2%	5.1%
2022	5.9%	5.1%
2023	5.5%	5.2%
2024-2051	5.2%	5.2%
2052-2075	Transition to ultimate rate	Transition to ultimate rate
2076+	4.0%	4.0%

- Medicare Part B premiums are assumed to increase 5.0% annually through fiscal year ending 2055 and 4.0% annually thereafter.
- Dental and vision premiums are assumed to increase 3.75% and 2.75% annually, respectively.

Increases in Explicit Subsidy Assumed to increase with healthcare trend rates. Life Insurance is assumed to remain at \$5,000 for all future years.

Summary of Actuarial Assumptions (continued)

B. Medical Dental, Vision and Life Insurance Elections

Current Retirees

- Participation 100% of current retirees are assumed to continue medical, dental, vision, and life insurance coverage for life.
- Coverage Level Current retirees are assumed to elect dependent coverage based on their current elections.
- Medical Plan Election¹ Current retirees over age 65 are assumed to continue coverage in their current plan. Current retirees under age 65 are assumed to elect coverage based on the following table:

<u>Pre-65 Medical Plan</u>	<u>Post-65 Medical Plan</u>	<u>Tier 1</u>	<u>Tier 2</u>
Anthem Blue Cross Plans	Anthem Blue Cross II	45%	0%
	Anthem Blue Cross III	55%	100%
CIGNA Network Model	SCAN Health Plan	100%	100%
Kaiser	Kaiser Senior Advantage	100%	100%
UnitedHealthcare	UnitedHealthcare Medicare Advantage	100%	100%

- Medicare Part B Plan Election All Medicare eligible retirees are assumed to be covered by Medicare Part B. See page 28 for Medicare eligibility assumptions.
- Dental & Vision Plan Election Current retirees are assumed to continue coverage in their current plan.

Future Retirees

- Participation Future eligible retirees are assumed to enroll in medical, dental and vision coverage based upon years of service at retirement and continue coverage for life. Rates are as follows:

<u>Years of Service at Retirement</u>	<u>Percent Electing Coverage</u>
< 10 years	6%
10 - 14	42%
15 - 19	61%
20 - 24	76%
25+	96%
Disabled	95%

100% of future eligible retirees are assumed to enroll in life insurance coverage at retirement.

¹ Plan election rates only include medical plans available as of the June 30, 2019 valuation date. Any new plans added after the valuation date are excluded from this valuation, but will be included in the next valuation.

Summary of Actuarial Assumptions (continued)

B. Medical, Dental, Vision and Life Insurance Elections (continued)

Future Retirees (continued)

- Coverage Level 50% of future retirees electing coverage are assumed to cover a spouse at retirement.

- Plan Election¹ The following table provides the assumed percent electing each plan:

Medical Plan	Pre-65	Post-65	
		Tier 1	Tier 2
Anthem Blue Cross I	1%	n/a	n/a
Anthem Blue Cross II	22%	3%	0%
Anthem Blue Cross Prudent Buyer	2%	n/a	n/a
CIGNA Network Model Plan	0%	n/a	n/a
Kaiser	56%	n/a	n/a
UnitedHealthcare	19%	n/a	n/a
Anthem Blue Cross III	n/a	18%	22%
SCAN Health Plan	n/a	1%	1%
Kaiser Senior Advantage	n/a	64%	63%
UnitedHealthcare Medicare Advantage (HMO)	n/a	14%	14%

- Medicare Part B Plan Election Of those future retirees electing coverage, all Medicare eligible retirees are assumed to be covered by Medicare Part B. See page 28 for Medicare eligibility assumptions.

- Dental & Vision Plan Election The following table provides the assumed percent electing each plan:

Dental & Vision	
CIGNA Dental HMO/Vision	15%
CIGNA Indemnity Dental/Vision	85%

¹ Plan election rates only include medical plans available as of the June 30, 2019 valuation date. Any new plans added after the valuation date are excluded from this valuation, but will be included in the next valuation.

Summary of Actuarial Assumptions (continued)

C. Demographic Assumptions

Withdrawal	Based on assumptions for General members used in the June 30, 2019 LACERA actuarial valuation.
Retirement	<p>Based on assumptions for General members used in the June 30, 2019 LACERA actuarial valuation. The Court uses the following retirement rates based on the following pension plans:</p> <ul style="list-style-type: none"> • General Plan A, B & C • General Plan D & G • General Plan E <p>Current and future terminated vested members of Plans A, B, C, and E are assumed to commence benefits at age 62; terminated vested members of Plan D are assumed to commence benefits at age 59 and members of Plan G are assumed to commence benefits at age 57.</p>
Mortality	<p>Based on assumptions for Public Agency Miscellaneous members published in the December 2017 CalPERS Experience Study. These tables include 15 years of static mortality improvement using 90% of scale MP-2016.</p> <ul style="list-style-type: none"> • Healthy: Non-Industrial rates. • Disabled: Non-Industrial rates.
Disability	Based on assumptions for General members used in the June 30, 2019 LACERA actuarial valuation.
Salary Scale	Based on assumptions for General members used in the June 30, 2019 LACERA actuarial valuation. Rates are based on an inflation rate of 2.50% plus across the board wage inflation of 0.75%, multiplied by merit and promotion increases.
Spouse Age Difference	
<ul style="list-style-type: none"> • Future retirees 	Future male retirees are assumed to be four years older than their female spouses. Future female retirees are assumed to be two years younger than their male spouses.
<ul style="list-style-type: none"> • Current retirees 	Actual spouse date of birth, if provided. Otherwise, male retirees are assumed to be four years older than their female spouses and female retirees are assumed to be two years younger than their male spouses.

Summary of Actuarial Assumptions (continued)

C. Demographic Assumptions (continued)

Medicare Eligibility

- Future retirees Future Tier 1 retirees electing the Anthem Blue Cross II post-65 plan are assumed to not be eligible for Medicare. All other future retirees are assumed to be Medicare-eligible.

- Current retirees Retirees currently under age 65
 We have assumed that 55% of Tier 1 members currently electing the Anthem Blue Cross plans will be Medicare-eligible at age 65. The remaining 45% are assumed to be ineligible for Medicare. All other Tier 1 members and 100% of Tier 2 members are assumed to be Medicare eligible at age 65.
 Retirees currently over age 65
 Actual data was used.

- Pension Benefit Form For surviving spouse coverage requiring a contingent pension benefit, we have assumed 100% of such spouses have a contingent pension benefit.

D. Per Capita Claims Costs

Medical

The Court's non-Medicare health plans are retiree-only LACERA health plans. According to LACERA, the premium rates are based on retiree experience only and are developed separately from the active employee premium rates. Therefore, there is no implicit subsidy and age-based claims costs were not calculated.

Dental and Vision

We have assumed that retiree dental and vision premiums are self-supporting at all ages and that there is no implicit subsidy for these benefits.

Aging Factors

Aging factors do not apply since per capita claims costs were not calculated.

Summary of Actuarial Assumptions (continued)

E. Assumption Changes Since the last valuation, the following changes have been made:

- The discount rate was changed from 3.70% to 3.27% based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates.
- Healthcare, vision, and dental trend rates were reset to reflect updated cost increase expectations, including the repeal of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Withdrawal, retirement, disability and salary increase rates were updated from the General member rates used in the 6/30/2017 LACERA pension valuation to the rates used in the 6/30/2019 LACERA pension valuation.
- Mortality rates were updated from the RP-2014 headcount-weighted White Collar adjustment table to the rates based on Public Agency Miscellaneous members of the 2017 CalPERS experience study.
- The service-based participation assumptions for future retirees were updated based on the new election rates published in the 7/1/2018 LACERA OPEB valuation. The following table provides the changes for the assumed percent electing coverage at retirement:

Years of Service at Retirement	6/30/2019 Valuation	6/30/2017 Valuation
< 10 years	6%	8%
10 - 14	42%	44%
15 - 19	61%	61%
20 - 24	76%	81%
25+	96%	95%
Disabled	95%	95%

- The percent of future pre-65 retirees electing each medical plan changed to reflect recent plan experience and the 7/1/2018 LACERA OPEB valuation assumptions. The following table provides the changes for the assumed percent electing each plan:

Medical Plan	6/30/2019 Valuation	6/30/2017 Valuation
Anthem Blue Cross I	1%	1%
Anthem Blue Cross II	22%	22%
Anthem Blue Cross Prudent Buyer	2%	2%
CIGNA Network Model Plan	0%	0%
Kaiser	56%	58%
UnitedHealthcare	19%	17%

Summary of Actuarial Assumptions (continued)

E. Assumption Changes (continued)

- The percent of future Tier 1 post-65 retirees electing each medical plan changed to reflect recent plan experience and the 7/1/2018 LACERA OPEB valuation assumptions. The following table provides the changes for the assumed percent electing each plan:

Medical Plan	6/30/2019 Valuation	6/30/2017 Valuation
Anthem Blue Cross II	3%	4%
Anthem Blue Cross III	18%	17%
SCAN Health Plan	1%	1%
Kaiser Senior Advantage	64%	64%
UnitedHealthcare Medicare Advantage	14%	14%

- The percent of future Tier 2 post-65 retirees electing each medical plan changed to reflect recent plan experience and the 7/1/2018 LACERA OPEB valuation assumptions. The following table provides the changes for the assumed percent electing each plan:

Medical Plan	6/30/2019 Valuation	6/30/2017 Valuation
Anthem Blue Cross II	0%	0%
Anthem Blue Cross III	22%	21%
SCAN Health Plan	1%	1%
Kaiser Senior Advantage	63%	64%
UnitedHealthcare Medicare Advantage	14%	14%

- The percent of future Tier 1 retirees assumed to be non-Medicare eligible changed from 4% to 3% based on the 7/1/2018 LACERA OPEB valuation assumptions.
- The spouse age assumption changed from assuming female retirees are one year younger than their male spouses to assuming female retirees are two years younger than their male spouses. This change was based on the 7/1/2018 LACERA OPEB valuation assumptions.
- The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.
- The CPI Medical Care assumption was changed from 4.00% to 3.75% based on the decreased inflation assumption and recent survey information.
- The payroll growth assumption was changed from 3.00% to 2.75% based on a uniform payroll growth assumption for all California superior court OPEB actuarial valuations.

Long-Term Expected Rate of Return on OPEB Plan Investments

GASB 75 requires the development of an assumption regarding the long-term expected rate of return on OPEB plan investments. The process utilized for this actuarial valuation is described below.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. The weighted asset class estimates are combined with the inflation and investment expense assumptions to produce the portfolio long-term expected rate of return.

The assumed asset weighting is based on target allocations in the plan’s investment policy statement.

Expected future asset class returns were published in the 2019 Survey of Capital Market Assumptions produced by Horizon Actuarial Services. These expected returns, along with expected asset class standard deviations and correlation coefficients, are based on Horizon’s annual survey of investment advisory firms. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

Estimated geometric real and nominal rates of return for each major asset class included in the OPEB plan’s asset allocation as of the measurement date are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation at Measurement Date</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Nominal Rate of Return¹</u>
Domestic Equity	50.00%	4.76%	7.26%
Core fixed income	10.00%	2.01%	4.51%
High yield fixed income	6.00%	3.53%	6.03%
Emerging Debt	4.00%	3.77%	6.27%
Cash and equivalents	10.00%	0.74%	3.24%
TIPS	6.00%	1.20%	3.70%
REITs	10.00%	4.53%	7.03%
Commodities	4.00%	0.60%	3.10%
Total ²	100.00%		6.55%
Reduction for assumed investment expense ³			(0.07%)
Net long-term expected investment return (rounded to ¼%)			6.50%

¹ Nominal rates of return are equal to real rates of return plus the assumed inflation rate.

² Portfolio total expected return is weighted average of arithmetic asset class returns, with adjustment to reflect geometric averages. It is not equal to the weighted average of the asset class geometric returns shown above.

³ Assumed investment expenses include investment management fees.

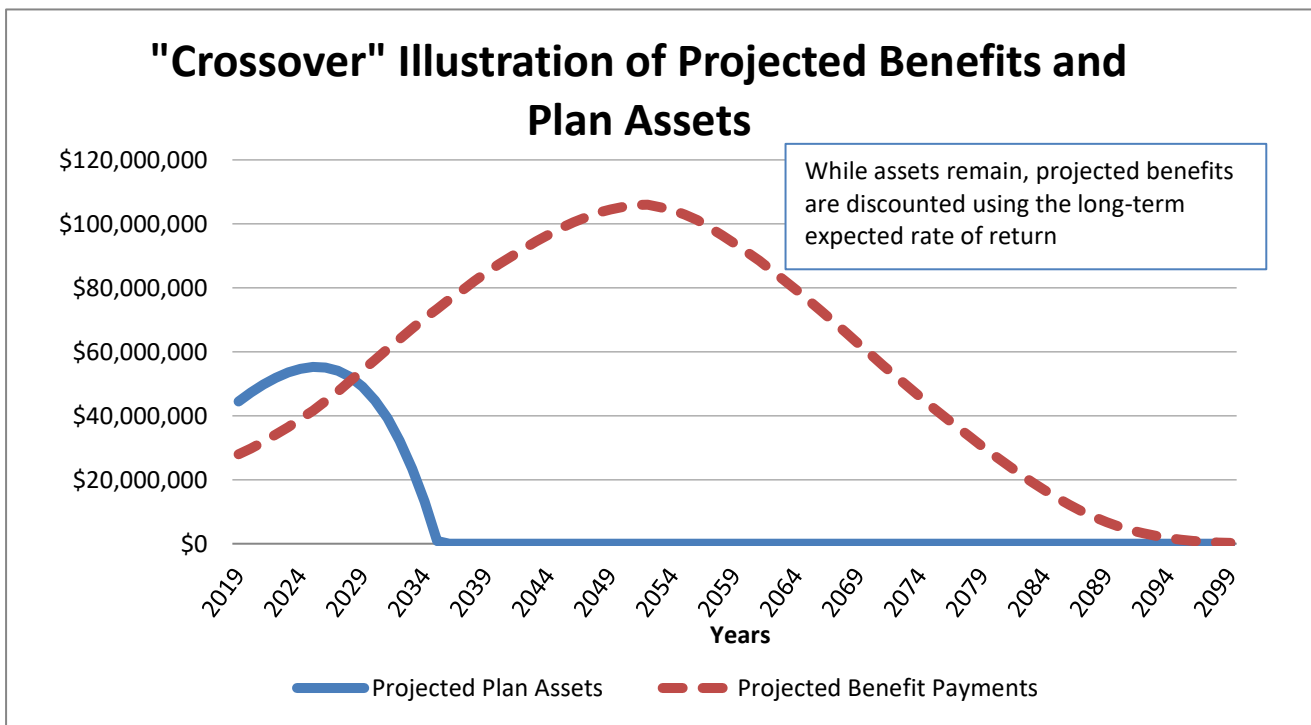
Discount Rate Development

GASB 75 requires that the liability discount rate be the single rate that reflects the following:

- A. The long-term expected rate of return on OPEB plan investments used to finance the payment of benefits, to the extent that (1) the OPEB plan’s fiduciary net position is projected to be sufficient to make projected benefit payments and (2) OPEB plan assets are expected to be invested using a strategy to achieve that return; and
- B. A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), to the extent that the conditions in A. are not met.

GASB 75 has very specific rules regarding the projection of benefit payments, contributions, and Fiduciary Net Position used to determine the discount rate. Regardless of an employer’s actual funding policy, we must assume that (1) benefits are paid out of the OPEB trust until assets are depleted, and (2) projected employer contributions are first applied to employee service costs in each period (including future employees) before paying for current accrued benefit costs.

Below is an illustration of the GASB 75 "crossover" discount rate projections for your plan. A detailed summary of the discount rate calculations is presented on the following pages.



- Projected plan assets include projected funding policy contributions, investment earnings, and benefit payments. They do not include anticipated future ad-hoc contributions.
- Projected benefit payments include only current members (i.e., no new lives) per GASB rules.

LOS ANGELES SUPERIOR COURT

Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2020

Discount Rate Development: Projected Contributions for Current Participants

Year	OPEB-Eligible Projected Payroll			Projected Contributions		
	Payroll for Current Employees (a)	Payroll for Future Employees (b) = (c) - (a)	Total Payroll (c)	Total Employer Contributions ¹ (d)	Employer Contributions Related to Payroll of Future Employees (e) = (b) x 4.67% ²	Employer Contributions for Current Participants (f) = (d) - (e)
1	331,407,472	-	331,407,472	27,982,538	-	27,982,538
2	328,728,343	11,792,834	340,521,177	29,805,350	550,725	29,254,625
3	327,556,788	22,328,721	349,885,509	31,865,035	1,042,751	30,822,284
4	325,461,718	34,045,642	359,507,360	34,150,440	1,589,931	32,560,509
5	322,416,372	46,977,440	369,393,812	36,484,154	2,193,846	34,290,308
6	318,487,905	61,064,237	379,552,142	39,072,998	2,851,700	36,221,298
7	313,258,726	76,731,100	389,989,826	41,560,052	3,583,342	37,976,710
8	306,539,149	94,175,397	400,714,546	44,553,955	4,397,991	40,155,964
9	299,273,897	112,460,299	411,734,196	47,618,353	5,251,896	42,366,457
10	290,518,085	132,538,801	423,056,886	50,851,887	6,189,562	44,662,325
11	281,237,859	153,453,091	434,690,950	54,129,153	7,166,259	46,962,894
12	271,283,863	175,361,088	446,644,951	57,432,894	8,189,363	49,243,531
13	260,683,097	198,244,590	458,927,687	60,837,419	9,258,022	51,579,397
14	249,844,820	221,703,378	471,548,198	63,972,490	10,353,548	53,618,942
15	238,653,341	245,862,432	484,515,773	67,318,584	11,481,776	55,836,808
16	227,523,006	270,316,951	497,839,957	70,440,196	12,623,802	57,816,394
17	216,487,622	295,042,934	511,530,556	73,435,376	13,778,505	59,656,871
18	205,158,832	320,438,814	525,597,646	76,402,917	14,964,493	61,438,424
19	194,495,082	345,556,499	540,051,581	79,139,328	16,137,489	63,001,839
20	183,958,668	370,944,331	554,902,999	82,062,524	17,323,100	64,739,424
21	173,674,270	396,488,561	570,162,831	84,790,145	18,516,016	66,274,129
22	163,978,381	421,863,928	585,842,309	87,389,523	19,701,045	67,688,478
23	154,374,605	447,578,367	601,952,972	89,791,799	20,901,910	68,889,889
24	145,049,064	473,457,615	618,506,679	92,210,832	22,110,471	70,100,361
25	136,005,423	499,510,190	635,515,613	94,530,608	23,327,126	71,203,482
26	127,279,839	525,712,453	652,992,292	96,590,991	24,550,772	72,040,219
27	118,845,057	552,104,523	670,949,580	98,709,795	25,783,281	72,926,514
28	110,690,573	578,710,120	689,400,693	100,502,103	27,025,763	73,476,340
29	102,618,082	605,741,130	708,359,212	102,029,953	28,288,111	73,741,842
30	94,820,519	633,018,571	727,839,090	103,519,357	29,561,967	73,957,390
31	87,273,233	660,581,432	747,854,665	104,515,664	30,849,153	73,666,511
32	79,769,863	688,650,805	768,420,668	105,299,651	32,159,993	73,139,658
33	72,364,874	717,187,362	789,552,236	105,905,672	33,492,650	72,413,022
34	64,694,847	746,570,075	811,264,922	106,001,903	34,864,823	71,137,080
35	57,218,047	776,356,660	833,574,707	105,241,391	36,255,856	68,985,535
36	49,892,675	806,605,336	856,498,011	104,354,611	37,668,469	66,686,142
37	42,715,991	837,335,715	880,051,706	102,929,240	39,103,578	63,825,662
38	36,155,606	868,097,522	904,253,128	101,200,356	40,540,154	60,660,202
39	30,024,847	899,095,242	929,120,089	98,836,728	41,987,748	56,848,980
40	24,480,452	930,190,439	954,670,891	96,368,021	43,439,894	52,928,127
41	19,817,698	961,106,643	980,924,341	93,907,819	44,883,680	49,024,139
42	15,590,581	992,309,179	1,007,899,760	91,245,728	46,340,839	44,904,889
43	12,220,030	1,023,396,973	1,035,617,003	88,461,137	47,792,639	40,668,498
44	9,546,580	1,054,549,891	1,064,096,471	85,444,653	49,247,480	36,197,173
45	7,212,510	1,086,146,614	1,093,359,124	82,424,256	50,723,047	31,701,209
46	5,258,483	1,118,168,017	1,123,426,500	79,248,869	52,218,446	27,030,423
47	3,710,005	1,150,610,724	1,154,320,729	76,023,379	53,733,521	22,289,858

¹ Total employer contributions are equal to expected benefit payments.

² Service cost based on the OPEB trust's long-term expected investment return.

LOS ANGELES SUPERIOR COURT

Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2020

Discount Rate Development: Projected Contributions for Current Participants (continued)

Year	OPEB-Eligible Projected Payroll			Projected Contributions		
	Payroll for Current Employees	Payroll for Future Employees	Total Payroll	Total Employer Contributions ¹	Employer Contributions Related to Payroll of Future Employees	Employer Contributions for Current Participants
	(a)	(b) = (c) - (a)	(c)	(d)	(e) = (b) x 4.67% ²	(f) = (d) - (e)
48	2,534,481	1,183,530,068	1,186,064,549	72,729,522	55,270,854	17,458,668
49	1,644,455	1,217,036,869	1,218,681,324	69,374,228	56,835,622	12,538,606
50	938,403	1,251,256,657	1,252,195,060	65,959,057	58,433,686	7,525,371
51	503,428	1,286,126,996	1,286,630,424	62,512,615	60,062,131	2,450,484
52	260,476	1,321,752,285	1,322,012,761	59,111,914	61,725,832	-
53	122,917	1,358,245,195	1,358,368,112	55,724,302	63,430,051	-
54	74,954	1,395,648,281	1,395,723,235	52,375,858	65,176,775	-
55	9,950	1,434,095,674	1,434,105,624	49,059,217	66,972,268	-
56	8,142	1,473,535,387	1,473,543,529	45,818,972	68,814,103	-
57	-	1,514,065,976	1,514,065,976	42,617,337	70,706,881	-
58	-	1,555,702,790	1,555,702,790	39,456,426	72,651,320	-
59	-	1,598,484,617	1,598,484,617	36,361,429	74,649,232	-
60	-	1,642,442,944	1,642,442,944	33,329,096	76,702,085	-
61	-	1,687,610,125	1,687,610,125	30,359,452	78,811,393	-
62	-	1,734,019,403	1,734,019,403	27,456,259	80,978,706	-
63	-	1,781,704,937	1,781,704,937	24,627,714	83,205,621	-
64	-	1,830,701,823	1,830,701,823	21,886,991	85,493,775	-
65	-	1,881,046,123	1,881,046,123	19,251,759	87,844,854	-
66	-	1,932,774,891	1,932,774,891	16,742,175	90,260,587	-
67	-	1,985,926,201	1,985,926,201	14,379,647	92,742,754	-
68	-	2,040,539,172	2,040,539,172	12,185,154	95,293,179	-
69	-	2,096,653,999	2,096,653,999	10,176,701	97,913,742	-
70	-	2,154,311,984	2,154,311,984	8,368,284	100,606,370	-
71	-	2,213,555,564	2,213,555,564	6,768,494	103,373,045	-
72	-	2,274,428,342	2,274,428,342	5,379,572	106,215,804	-
73	-	2,336,975,121	2,336,975,121	4,197,420	109,136,738	-
74	-	2,401,241,937	2,401,241,937	3,212,057	112,137,998	-
75	-	2,467,276,090	2,467,276,090	2,407,928	115,221,793	-
76	-	2,535,126,182	2,535,126,182	1,765,790	118,390,393	-
77	-	2,604,842,152	2,604,842,152	1,264,971	121,646,128	-
78	-	2,676,475,311	2,676,475,311	883,918	124,991,397	-
79	-	2,750,078,382	2,750,078,382	601,282	128,428,660	-
80	-	2,825,705,538	2,825,705,538	397,174	131,960,449	-
81	-	2,903,412,440	2,903,412,440	254,062	135,589,361	-
82	-	2,983,256,282	2,983,256,282	157,020	139,318,068	-
83	-	3,065,295,830	3,065,295,830	93,647	143,149,315	-
84	-	3,149,591,465	3,149,591,465	53,820	147,085,921	-
85	-	3,236,205,230	3,236,205,230	29,693	151,130,784	-
86	-	3,325,200,874	3,325,200,874	15,603	155,286,881	-
87	-	3,416,643,898	3,416,643,898	7,710	159,557,270	-
88	-	3,510,601,605	3,510,601,605	3,537	163,945,095	-
89	-	3,607,143,149	3,607,143,149	1,471	168,453,585	-
90	-	3,706,339,586	3,706,339,586	543	173,086,059	-
91	-	3,808,263,925	3,808,263,925	172	177,845,925	-
92	-	3,912,991,183	3,912,991,183	44	182,736,688	-
93	-	4,020,598,441	4,020,598,441	8	187,761,947	-

¹ Total employer contributions are equal to expected benefit payments.

² Service cost based on the OPEB trust's long-term expected investment return.

LOS ANGELES SUPERIOR COURT

Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2020

Discount Rate Development: Projection of Fiduciary Net Position (FNP)

Year	Projected Beginning FNP (a)	Employer Contributions for Current Participants (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings @ 6.50% (e)	Projected Ending FNP (a)+(b)-(c)-(d)+(e)
1	44,473,422	27,982,538	27,982,538	47,941	2,889,214	47,314,695
2	47,314,695	29,254,625	29,805,350	48,553	3,055,978	49,771,395
3	49,771,395	30,822,284	31,865,035	49,224	3,199,651	51,879,071
4	51,879,071	32,560,509	34,150,440	49,956	3,318,844	53,558,028
5	53,558,028	34,290,308	36,484,154	50,719	3,408,324	54,721,787
6	54,721,787	36,221,298	39,072,998	51,503	3,462,562	55,281,146
7	55,281,146	37,976,710	41,560,052	52,301	3,475,115	55,120,618
8	55,120,618	40,155,964	44,553,955	53,106	3,438,179	54,107,700
9	54,107,700	42,366,457	47,618,353	53,896	3,344,563	52,146,471
10	52,146,471	44,662,325	50,851,887	54,679	3,186,584	49,088,814
11	49,088,814	46,962,894	54,129,153	55,434	2,956,068	44,823,189
12	44,823,189	49,243,531	57,432,894	56,156	2,645,528	39,223,198
13	39,223,198	51,579,397	60,837,419	56,838	2,246,775	32,155,113
14	32,155,113	53,618,942	63,972,490	57,469	1,751,724	23,495,820
15	23,495,820	55,836,808	67,318,584	58,043	1,152,184	13,108,185
16	13,108,185	57,816,394	70,440,196	58,548	439,856	865,691
17	865,691	59,656,871	73,435,376	58,975	-	-
18	-	61,438,424	76,402,917	-	-	-
19	-	63,001,839	79,139,328	-	-	-
20	-	64,739,424	82,062,524	-	-	-
21	-	66,274,129	84,790,145	-	-	-
22	-	67,688,478	87,389,523	-	-	-
23	-	68,889,889	89,791,799	-	-	-
24	-	70,100,361	92,210,832	-	-	-
25	-	71,203,482	94,530,608	-	-	-
26	-	72,040,219	96,590,991	-	-	-
27	-	72,926,514	98,709,795	-	-	-
28	-	73,476,340	100,502,103	-	-	-
29	-	73,741,842	102,029,953	-	-	-
30	-	73,957,390	103,519,357	-	-	-
31	-	73,666,511	104,515,664	-	-	-
32	-	73,139,658	105,299,651	-	-	-
33	-	72,413,022	105,905,672	-	-	-
34	-	71,137,080	106,001,903	-	-	-
35	-	68,985,535	105,241,391	-	-	-
36	-	66,686,142	104,354,611	-	-	-
37	-	63,825,662	102,929,240	-	-	-
38	-	60,660,202	101,200,356	-	-	-
39	-	56,848,980	98,836,728	-	-	-
40	-	52,928,127	96,368,021	-	-	-
41	-	49,024,139	93,907,819	-	-	-
42	-	44,904,889	91,245,728	-	-	-
43	-	40,668,498	88,461,137	-	-	-
44	-	36,197,173	85,444,653	-	-	-
45	-	31,701,209	82,424,256	-	-	-
46	-	27,030,423	79,248,869	-	-	-
47	-	22,289,858	76,023,379	-	-	-

Note: Projected contributions, benefit payments, and administrative expenses are assumed to occur mid-year.

LOS ANGELES SUPERIOR COURT

Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2020

Discount Rate Development: Projection of Fiduciary Net Position (FNP) (continued)

Year	Projected Beginning FNP (a)	Employer Contributions for Current Participants (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings @ 6.50% (e)	Projected Ending FNP (a)+(b)-(c)-(d)+(e)
48	-	17,458,668	72,729,522	-	-	-
49	-	12,538,606	69,374,228	-	-	-
50	-	7,525,371	65,959,057	-	-	-
51	-	2,450,484	62,512,615	-	-	-
52	-	-	59,111,914	-	-	-
53	-	-	55,724,302	-	-	-
54	-	-	52,375,858	-	-	-
55	-	-	49,059,217	-	-	-
56	-	-	45,818,972	-	-	-
57	-	-	42,617,337	-	-	-
58	-	-	39,456,426	-	-	-
59	-	-	36,361,429	-	-	-
60	-	-	33,329,096	-	-	-
61	-	-	30,359,452	-	-	-
62	-	-	27,456,259	-	-	-
63	-	-	24,627,714	-	-	-
64	-	-	21,886,991	-	-	-
65	-	-	19,251,759	-	-	-
66	-	-	16,742,175	-	-	-
67	-	-	14,379,647	-	-	-
68	-	-	12,185,154	-	-	-
69	-	-	10,176,701	-	-	-
70	-	-	8,368,284	-	-	-
71	-	-	6,768,494	-	-	-
72	-	-	5,379,572	-	-	-
73	-	-	4,197,420	-	-	-
74	-	-	3,212,057	-	-	-
75	-	-	2,407,928	-	-	-
76	-	-	1,765,790	-	-	-
77	-	-	1,264,971	-	-	-
78	-	-	883,918	-	-	-
79	-	-	601,282	-	-	-
80	-	-	397,174	-	-	-
81	-	-	254,062	-	-	-
82	-	-	157,020	-	-	-
83	-	-	93,647	-	-	-
84	-	-	53,820	-	-	-
85	-	-	29,693	-	-	-
86	-	-	15,603	-	-	-
87	-	-	7,710	-	-	-
88	-	-	3,537	-	-	-
89	-	-	1,471	-	-	-
90	-	-	543	-	-	-
91	-	-	172	-	-	-
92	-	-	44	-	-	-
93	-	-	8	-	-	-

Note: Projected contributions, benefit payments, and administrative expenses are assumed to occur mid-year.

LOS ANGELES SUPERIOR COURT

Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2020

Discount Rate Development: Present Value of Projected Benefit Payments

Year	Projected Beginning FNP	Total Projected Benefit Payments	"Funded" Portion of Benefit Payments	"Unfunded" Portion of Benefit Payments	Present Value of "Funded" Benefit Payments ¹	Present Value of "Unfunded" Benefit Payments ²	Present Value of Benefit Payments Using Single Discount Rate
1	44,473,422	27,982,538	27,982,538	-	27,115,168	-	27,535,651
2	47,314,695	29,805,350	29,805,350	-	27,118,759	-	28,400,042
3	49,771,395	31,865,035	31,865,035	-	27,223,276	-	29,400,563
4	51,879,071	34,150,440	34,150,440	-	27,395,087	-	30,510,832
5	53,558,028	36,484,154	36,484,154	-	27,480,906	-	31,563,019
6	54,721,787	39,072,998	39,072,998	-	27,634,645	-	32,731,619
7	55,281,146	41,560,052	41,560,052	-	27,599,654	-	33,711,908
8	55,120,618	44,553,955	44,553,955	-	27,782,045	-	34,995,324
9	54,107,700	47,618,353	47,618,353	-	27,880,638	-	36,217,179
10	52,146,471	50,851,887	50,851,887	-	27,956,693	-	37,451,035
11	49,088,814	54,129,153	7,166,259	46,962,894	3,699,318	33,979,123	38,601,527
12	44,823,189	57,432,894	8,189,363	49,243,531	3,969,444	34,547,886	39,659,794
13	39,223,198	60,837,419	9,258,022	51,579,397	4,213,550	35,088,398	40,679,634
14	32,155,113	63,972,490	10,353,548	53,618,942	4,424,554	35,368,814	41,420,564
15	23,495,820	67,318,584	11,481,776	55,836,808	4,607,229	35,713,945	42,206,003
16	13,108,185	70,440,196	12,623,802	57,816,394	4,756,322	35,857,766	42,763,802
17	865,691	73,435,376	806,716	72,628,660	285,399	43,677,245	43,169,555
18	-	76,402,917	-	76,402,917	-	44,552,505	43,490,930
19	-	79,139,328	-	79,139,328	-	44,747,578	43,621,200
20	-	82,062,524	-	82,062,524	-	44,992,179	43,799,245
21	-	84,790,145	-	84,790,145	-	45,076,741	43,821,136
22	-	87,389,523	-	87,389,523	-	45,048,620	43,733,489
23	-	89,791,799	-	89,791,799	-	44,882,162	43,511,888
24	-	92,210,832	-	92,210,832	-	44,692,436	43,268,286
25	-	94,530,608	-	94,530,608	-	44,426,236	42,951,339
26	-	96,590,991	-	96,590,991	-	44,016,821	42,496,912
27	-	98,709,795	-	98,709,795	-	43,617,149	42,053,050
28	-	100,502,103	-	100,502,103	-	43,061,302	41,459,962
29	-	102,029,953	-	102,029,953	-	42,389,147	40,756,599
30	-	103,519,357	-	103,519,357	-	41,702,639	40,041,314
31	-	104,515,664	-	104,515,664	-	40,826,142	39,145,752
32	-	105,299,651	-	105,299,651	-	39,884,015	38,189,739
33	-	105,905,672	-	105,905,672	-	38,896,108	37,192,509
34	-	106,001,903	-	106,001,903	-	37,749,879	36,046,775
35	-	105,241,391	-	105,241,391	-	36,341,552	34,654,197
36	-	104,354,611	-	104,354,611	-	34,941,658	33,273,417
37	-	102,929,240	-	102,929,240	-	33,418,397	31,779,058
38	-	101,200,356	-	101,200,356	-	31,859,861	30,255,254
39	-	98,836,728	-	98,836,728	-	30,171,380	28,612,356
40	-	96,368,021	-	96,368,021	-	28,524,940	27,013,739
41	-	93,907,819	-	93,907,819	-	26,953,088	25,490,010
42	-	91,245,728	-	91,245,728	-	25,394,186	23,982,657
43	-	88,461,137	-	88,461,137	-	23,872,025	22,514,058
44	-	85,444,653	-	85,444,653	-	22,358,189	21,057,298
45	-	82,424,256	-	82,424,256	-	20,913,260	19,669,318
46	-	79,248,869	-	79,248,869	-	19,497,313	18,312,339
47	-	76,023,379	-	76,023,379	-	18,136,101	17,010,396

¹ Funded benefit payments discounted using the expected 6.50% long-term investment return.

² Unfunded benefit payments discounted using the expected 3.13% municipal bond index rate.

LOS ANGELES SUPERIOR COURT

Actuarial Valuation of Other Postemployment Benefits (OPEB) for Fiscal 2020

Discount Rate Development: Present Value of Projected Benefit Payments (continued)

Year	Projected Beginning FNP	Total Projected Benefit Payments	"Funded" Portion of Benefit Payments	"Unfunded" Portion of Benefit Payments	Present Value of "Funded" Benefit Payments ¹	Present Value of "Unfunded" Benefit Payments ²	Present Value of Benefit Payments Using Single Discount Rate
48	-	72,729,522	-	72,729,522	-	16,823,734	15,757,760
49	-	69,374,228	-	69,374,228	-	15,560,545	14,554,538
50	-	65,959,057	-	65,959,057	-	14,345,512	13,399,580
51	-	62,512,615	-	62,512,615	-	13,183,304	12,297,050
52	-	59,111,914	-	59,111,914	-	12,087,782	11,259,647
53	-	55,724,302	-	55,724,302	-	11,049,209	10,278,054
54	-	52,375,858	-	52,375,858	-	10,070,075	9,354,356
55	-	49,059,217	-	49,059,217	-	9,146,125	8,484,375
56	-	45,818,972	-	45,818,972	-	8,282,794	7,672,928
57	-	42,617,337	-	42,617,337	-	7,470,210	6,910,645
58	-	39,456,426	-	39,456,426	-	6,706,242	6,195,359
59	-	36,361,429	-	36,361,429	-	5,992,629	5,528,486
60	-	33,329,096	-	33,329,096	-	5,326,169	4,906,878
61	-	30,359,452	-	30,359,452	-	4,704,358	4,328,049
62	-	27,456,259	-	27,456,259	-	4,125,369	3,790,148
63	-	24,627,714	-	24,627,714	-	3,588,067	3,291,966
64	-	21,886,991	-	21,886,991	-	3,091,985	2,832,917
65	-	19,251,759	-	19,251,759	-	2,637,162	2,412,874
66	-	16,742,175	-	16,742,175	-	2,223,787	2,031,855
67	-	14,379,647	-	14,379,647	-	1,852,015	1,689,840
68	-	12,185,154	-	12,185,154	-	1,521,747	1,386,580
69	-	10,176,701	-	10,176,701	-	1,232,348	1,121,340
70	-	8,368,284	-	8,368,284	-	982,602	892,860
71	-	6,768,494	-	6,768,494	-	770,634	699,287
72	-	5,379,572	-	5,379,572	-	593,908	538,180
73	-	4,197,420	-	4,197,420	-	449,333	406,611
74	-	3,212,057	-	3,212,057	-	333,414	301,298
75	-	2,407,928	-	2,407,928	-	242,359	218,712
76	-	1,765,790	-	1,765,790	-	172,334	155,305
77	-	1,264,971	-	1,264,971	-	119,709	107,732
78	-	883,918	-	883,918	-	81,110	72,894
79	-	601,282	-	601,282	-	53,500	48,015
80	-	397,174	-	397,174	-	34,267	30,711
81	-	254,062	-	254,062	-	21,254	19,023
82	-	157,020	-	157,020	-	12,737	11,384
83	-	93,647	-	93,647	-	7,366	6,574
84	-	53,820	-	53,820	-	4,105	3,659
85	-	29,693	-	29,693	-	2,196	1,955
86	-	15,603	-	15,603	-	1,119	995
87	-	7,710	-	7,710	-	536	476
88	-	3,537	-	3,537	-	238	211
89	-	1,471	-	1,471	-	96	85
90	-	543	-	543	-	34	30
91	-	172	-	172	-	11	9
92	-	44	-	44	-	3	2
93	-	8	-	8	-	-	-
					\$ 301,142,687	\$1,502,080,819	\$1,803,223,506

¹ Funded benefit payments discounted using the expected 6.50% long-term investment return.

² Unfunded benefit payments discounted using the expected 3.13% municipal bond index rate.

Selection of Economic Assumptions

The Actuarial Standards Board (ASB) provides coordinated guidance for measuring pension and retiree group benefit obligations through a series of Actuarial Standards of Practice (ASOPs). ASOP No. 27, Selection of Economic Assumptions for Measuring Pension Obligations, requires that the actuary disclose the rationale used in selecting each non-prescribed economic assumption and any changes to non-prescribed economic assumptions.¹

The table below summarizes the rationale for selecting the non-prescribed economic assumptions. The rationale for assumption changes, along with a description of the assumptions themselves, is included in the Actuarial Assumption and Methods section of the report. As of the report date, there were no known changes in circumstances occurring after the measurement date that would have affected economic assumptions selected as of the measurement date.

Economic Assumptions (non-prescribed)	
Assumption	Rationale for Selecting Assumption
Discount rate	Per GASB guidance, the single rate that produces the same present value of expected benefit payments as (1) the expected long-term rate of return on plan assets during the period when projected assets are sufficient to pay future retiree benefits, and (2) the 20-year municipal bond rate after assets are projected to be exhausted. We use the Fidelity 20-Year Municipal GO AA Index because it meets the GASB requirements and is based on a large amount of municipal security data.
Long-term expected investment return	The long-term expected rate of return on OPEB plan investments is based on expected long-term asset class returns and the Court's target asset allocation.
General inflation (CPI-U)	Based on analysis of historical CPI-U and 30-year TIPS data, the Federal Open Market Committee target inflation rate, and the 2019 Survey of Capital Market Assumptions produced by Horizon Actuarial Services.
CPI medical care	Based on a 25-year historical analysis of CPI medical component increases and forward looking expectations.
Medicare Part B	Based on a 20-year historical analysis of Medicare Part B premium increases.
Annual salary increases	Based on the most recently disclosed assumption for the pension plan in which the employee participates.
Annual payroll growth rate	Based on uniform payroll growth assumption for all California superior court OPEB actuarial valuations.

¹ ASOP No.6, Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions, specifies that actuaries should comply with ASOP 27 when selecting economic assumptions not covered by ASOP 6.

Selection of Non-Economic Assumptions

The Actuarial Standards Board (ASB) provides coordinated guidance for measuring pension and retiree group benefit obligations through a series of Actuarial Standards of Practice (ASOPs). ASOP No. 35, Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations, requires that the actuary disclose the rationale used in selecting each non-prescribed non-economic assumption and any changes to non-prescribed non-economic assumptions.¹

The table below summarizes the rationale for selecting the non-prescribed non-economic assumptions. The rationale for assumption changes, along with a description of the assumptions themselves, is included in the Actuarial Assumption and Methods section of the report. As of the report date, there were no known changes in circumstances occurring after the measurement date that would have affected non-economic assumptions selected as of the measurement date.

Non-Economic Assumptions (non-prescribed)	
Assumption	Rationale for Selecting Assumption
Healthcare trend rates	Developed using the Society of Actuaries "Getzen" model, with short term rates set annually based on review of recent healthcare trend surveys and relevant client-specific experience. Additional details can be found in the Healthcare Assumptions and Methods section.
Plan participation, plan election, and spouse coverage	Based on review of the Court's historical experience, current participant elections and the 7/1/2018 LACERA OPEB valuation assumptions.
Withdrawal and retirement	Based on the current actuarial assumptions for the pension plan in which the current or future retiree participates.
Disability incidence	Not applicable for retirees who do not receive a disability retirement benefit or OPEB plans that do not provide disability benefits. Otherwise, based on the current actuarial assumptions for the pension plan in which the current or future retiree participates.
Mortality	Uses a recently published mortality table that we uniformly apply to all California superior court OPEB valuations.
Spouse ages	Based on the 7/1/2018 LACERA OPEB valuation and review of current retiree data.
Medicare eligibility	Based on the 7/1/2018 LACERA OPEB valuation and review of current retiree data. Additional details are on page 28.
Per capita claims costs	Our understanding is that this plan sets premiums for non-Medicare retirees based only on medical experience for that group. Therefore, there is no implicit subsidy for non-Medicare retiree coverage and we did not calculate per capita claims cost.

¹ ASOP No.6, Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions, specifies that actuaries should comply with ASOP 35 when selecting economic assumptions not covered by ASOP 6.

Important Notices

Purpose and Scope of the Valuation

This valuation has been prepared exclusively for the Court and solely to provide GASB 75 accounting information. It is important to recognize that calculations performed for other purposes (such as benefit design, investment policy, or plan funding) may yield significantly different results. This report may not be used for any other purpose, and Van Iwaarden Associates is not responsible for the consequences of any unauthorized use. Its content may not be modified, incorporated into or used in other material, or otherwise provided, in whole or in part, to any other person or entity, without our permission.

Assumptions and Methods

Since modeling all possible future outcomes is not possible or practical, the valuation is based on a single set of data, assumptions, methods, and plan provisions which satisfy current GASB 75 accounting requirements. We may also use estimates or simplifications to model future events in an efficient and cost-effective manner, so long as we believe that these simplifying techniques do not affect the reasonableness of the valuation results.

The Court is responsible for the assumptions, methods, and funding policies used to prepare the valuation. The assumptions used in this report are among a wide range of possibilities (each of which may be considered reasonable), but have been chosen as a single “best estimate”. A different set of reasonable assumptions would produce different results. This report does not include analysis of the effect of alternative assumptions because that is beyond the limited scope of our engagement. If the Court is interested in analyzing the effect of different assumption sets on the valuation results, then we suggest a sensitivity analysis to be performed at a later date.

Actuarial Measurement Changes

An actuarial valuation is only a snapshot of a plan’s estimated financial condition at a single point in time. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: retiree group benefits program experience differing from that anticipated by the assumptions; changes in 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 retiree group benefits program provisions or applicable law. Retiree group benefits models necessarily rely on the use of approximations and estimates, and are sensitive to changes in these approximations and estimates. Small variations in these approximations and estimates may lead to significant changes in actuarial measurements.

Actuarial valuations are extremely complex and it’s possible that data, computer coding, and mathematical errors could occur during the valuation process. Errors in a valuation discovered after its preparation may be corrected by revising the current valuation or in a subsequent year’s valuation.

Important Notices (continued)**Accuracy of Substantive Plan Information and Census Data**

For purposes of this valuation, we have assumed that the Court has validated our summary of the substantive plan provisions and has provided us with any relevant information on interpretation of the plan provisions and changes to the plan terms since the prior valuation.

The Court is solely responsible for the validity, accuracy and comprehensiveness of this information. If any data or plan provisions supplied are not accurate and complete, the valuation results may differ significantly.

Impact of Legislative Changes

The legislative and regulatory environments have many implications for OPEB plans. Changes to current rules and implementation of new legislation are difficult to predict but could have a dramatic impact on the value of future plan benefits. These include changes to government medical programs, such as Medicare and the Affordable Care Act. Future changes to these programs will be reflected if/when they become law.

Glossary of Selected Terms

This section provides the definitions of applicable terminology in the actuarial valuation, with references to the Governmental Accounting Standards (GASB) No. 75.

Actuarial Cost Method - the method used to allocate OPEB liability costs between past, current, and future years.

Actuarial Present Value of Benefits - the amount of money needed today to cover the promised benefits for the current participant group, if all actuarial assumptions are exactly met.

Discount Rate - the interest rate used to adjust liabilities and obligations for the time value of money.

Explicit Subsidy - OPEB expressly provided by employer.

Fiduciary Net Position - The value of assets reported by the plan/employer.

GASB Statement No. 75 - the Governmental Accounting Standards Board Statement Number 75 Accounting and Financial Reporting for OPEB Plans.

Implicit Subsidy or Implicit Rate Subsidy - the difference between the actual and apparent cost of OPEB coverage. The actual cost for early retirees is higher than the average per-person premium for the active/retiree group. Plans in which retirees pay the average active/retiree rate (the apparent cost) give rise to an implicit rate subsidy: the employer pays the difference between the actual and apparent cost.

Long-Term Expected Investment Return - the assumed long-term asset return expected to be earned by the OPEB investments.

Measurement Date - the date as of which the Total OPEB Liability and Fiduciary Net Position (assets) are measured.

Net OPEB Liability - the difference between the actuarial accrued liability (Total OPEB Liability) and OPEB assets (Fiduciary Net Position).

Net Position Restricted for OPEB - accounting terminology for OPEB plan assets.

Reporting Date - the plan's or employer's fiscal year end.

Service Cost - the portion of the actuarial present value which is allocated to the current year by the actuarial cost method.

Total OPEB Liability - the portion of the actuarial present value which is not attributable to future service costs, determined under the actuarial cost method.

Valuation Date - the date as of which liabilities are calculated. Liabilities may be "rolled forward" from the Valuation Date to the Measurement Date.