

Metropolitan Water District of Southern California Retiree Healthcare Plan



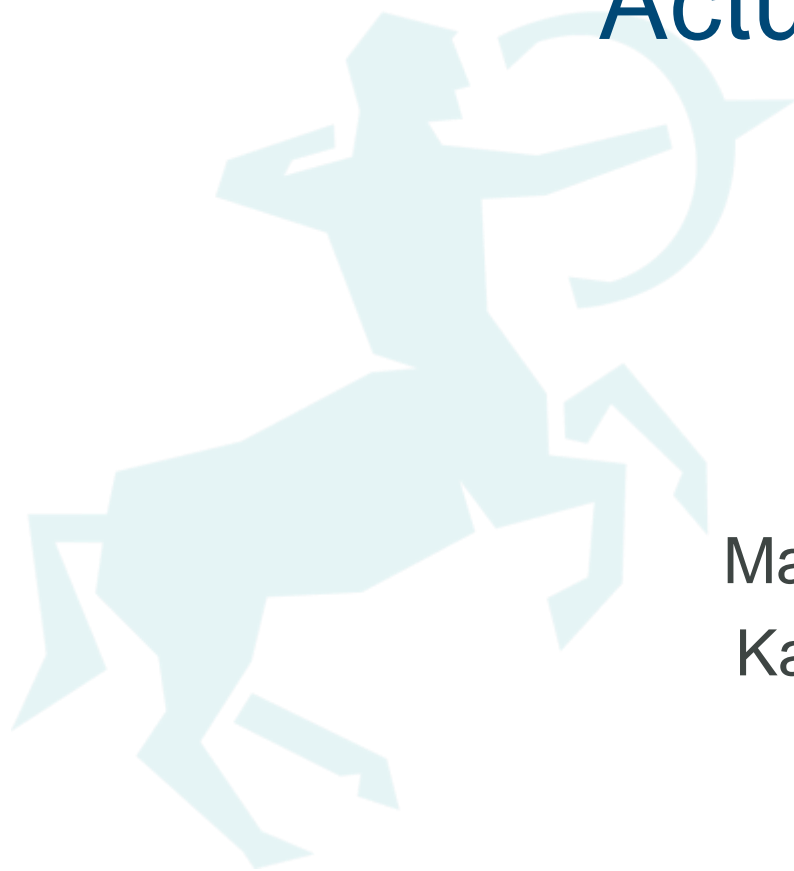
Actuarial Valuation Results July 1, 2023

June 11, 2024

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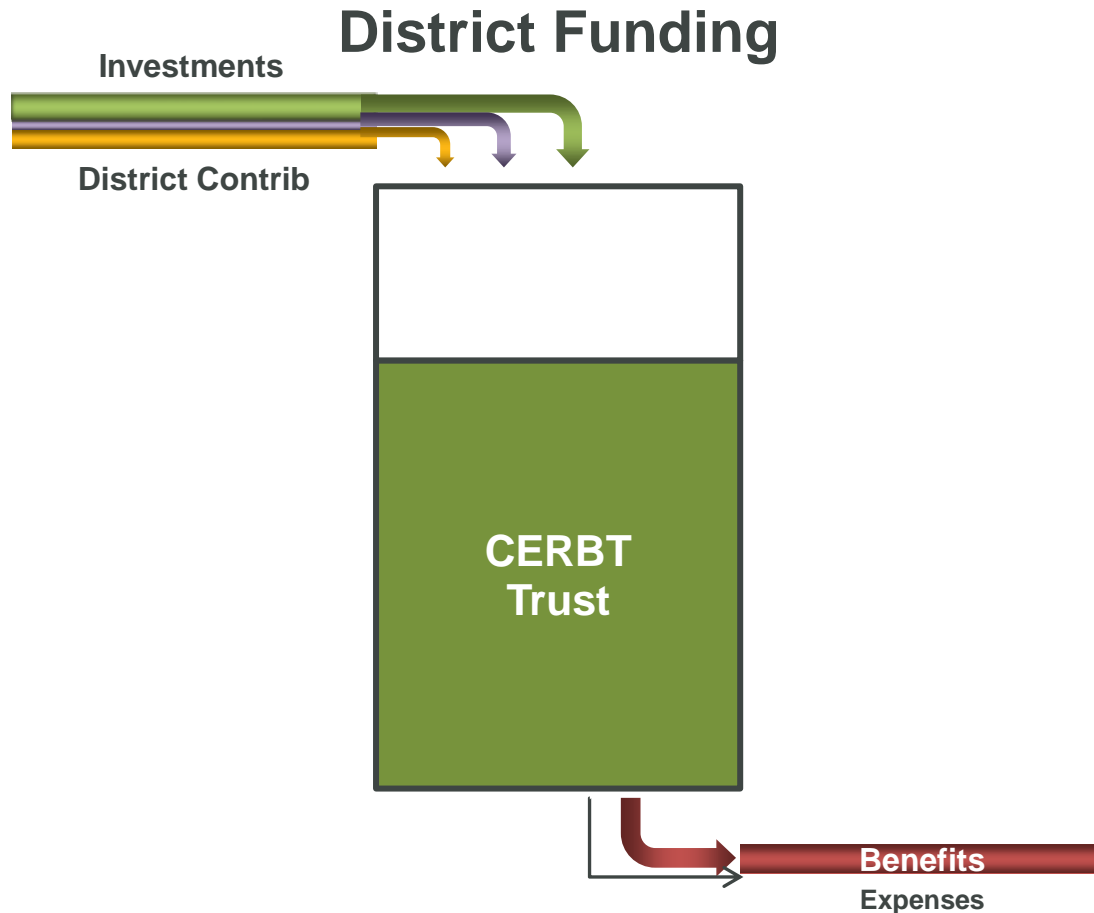


Agenda



- Background
- Valuation Results
 - Membership
 - Funded Status
 - Changes in UAL
 - Contributions
 - Projections

A Dynamic System



- Primary purpose of valuation is to set District contributions
 - 2023 valuation develops contributions for FYE 2025 and FYE 2026
- Project future benefit payments
 - Plan provisions, census data, and actuarial assumptions
- Determine funding target
 - Actuarial cost method and assumptions
- Set District contributions
 - Plan provisions, actuarial methods, and discount rate

Membership



Valuation Date	June 30, 2021	June 30, 2023	% Change
Active Employees			
Active Employees	1,856	1,824	-1.7%
Average Age	48.3	48.0	-0.7%
Average Service	13.3	12.6	-5.6%
Covered Payroll	\$ 235,294	\$ 249,812	6.2%
Inactive with Medical Coverage			
Retired participants & Surviving Spouses	1,921	1,996	3.9%
Spouses	1,000	1,044	4.4%
Total	2,921	3,040	4.1%

- Active population decreased by 1.7%
- Retired population increased by 4.1%
 - Retirees and surviving spouses increased by 3.9%
 - Covered spouses increased by 4.4%



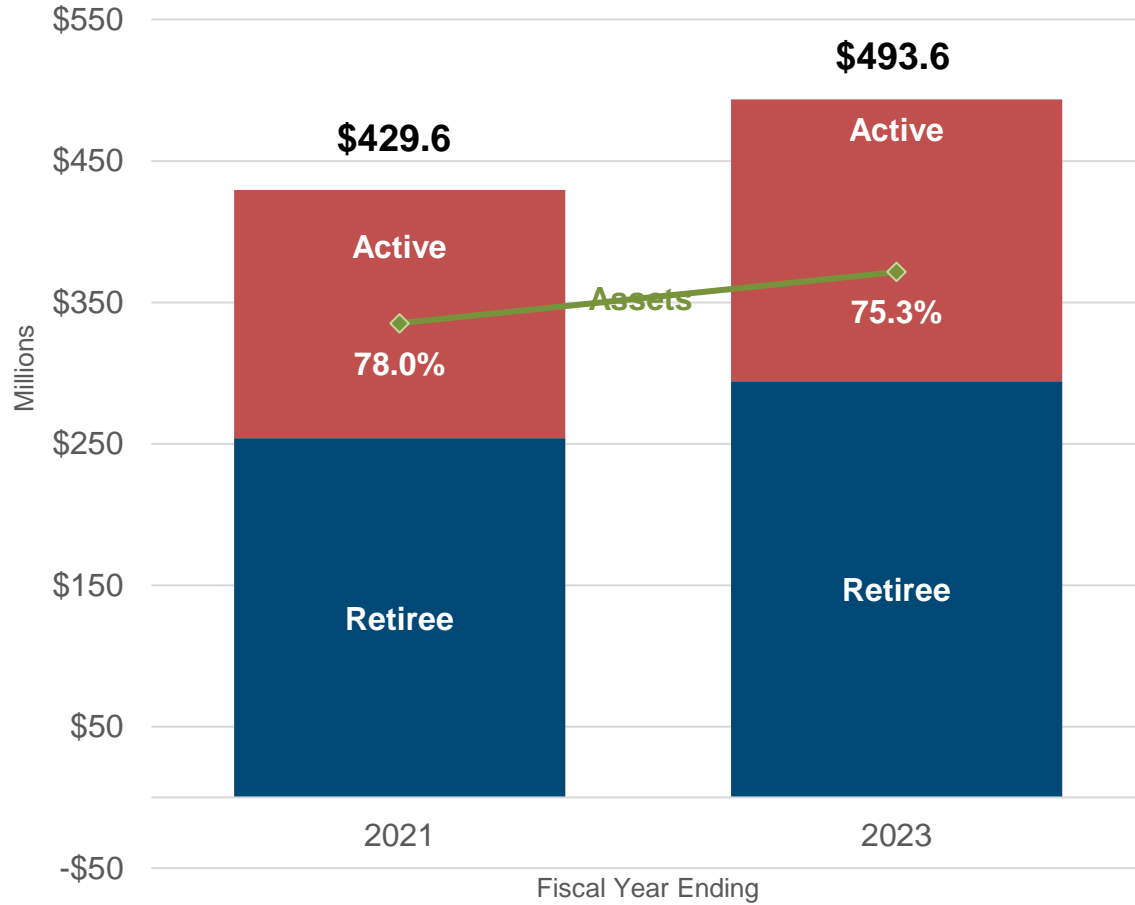
Unfunded Actuarial Liability (UAL)		
	June 30, 2021	June 30, 2023
Actuarial Liability (AL)	\$429,603,000	\$493,593,000
Actuarial Value of Assets	<u>335,254,000</u>	<u>371,530,000</u>
Unfunded Actuarial Liability (UAL)	\$ 94,349,000	\$122,063,000
% Funded	78.04%	75.27%

- Liability grew while assets under performed expectations, decreasing the funded status from 78% to 75%
- Assets return between 2021 and 2022 dropped 13.4%
- Asset return between 2022 and 2023 grew at 6.2%

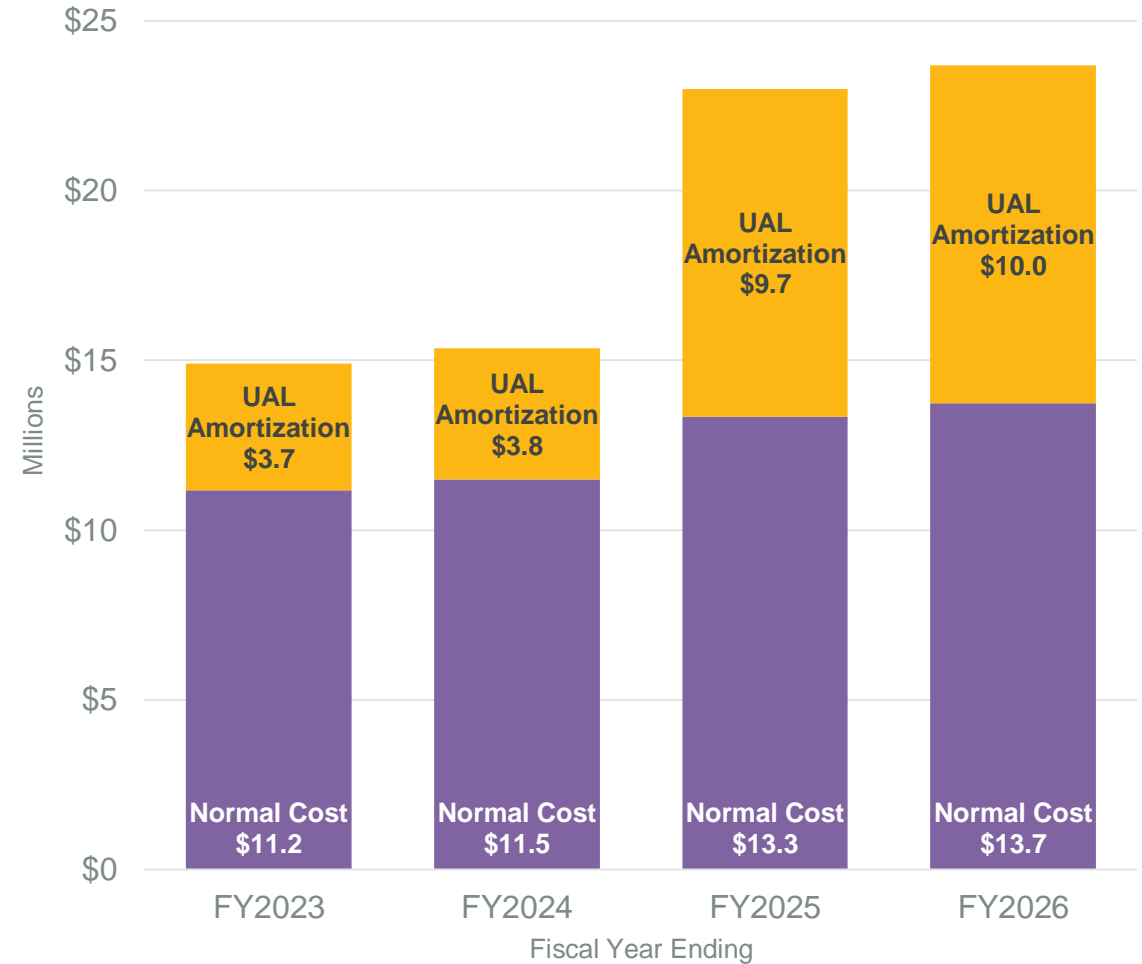
Valuation Results



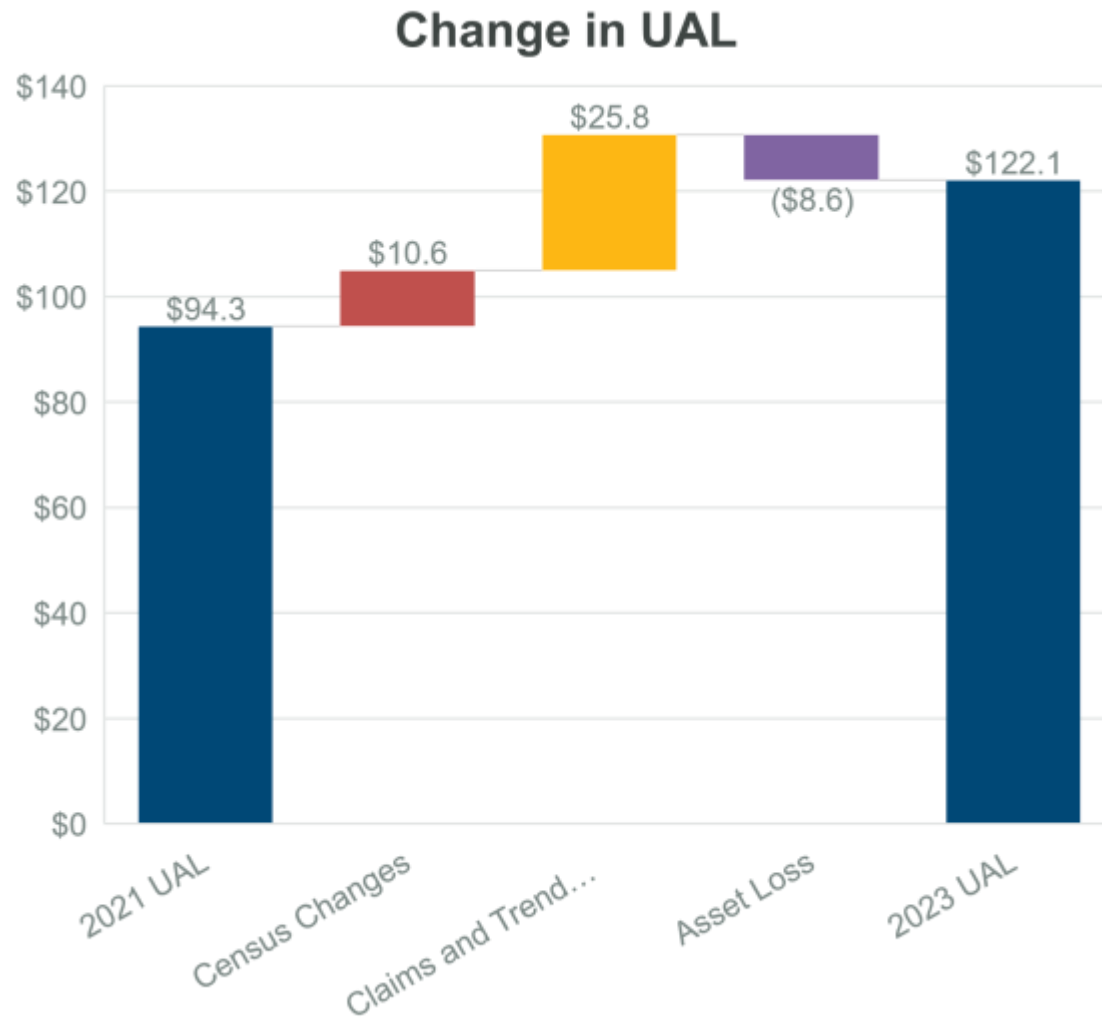
Funded Status



Actuarial Determined Contributions



Changes in UAL



- UAL increased \$27.7 million
- Increases
 - \$10.6 million due to census changes
 - \$25.8 million due to claims experience and trend assumptions
- Decreases
 - \$8.6 million due to investment gains and losses factored into the AVA

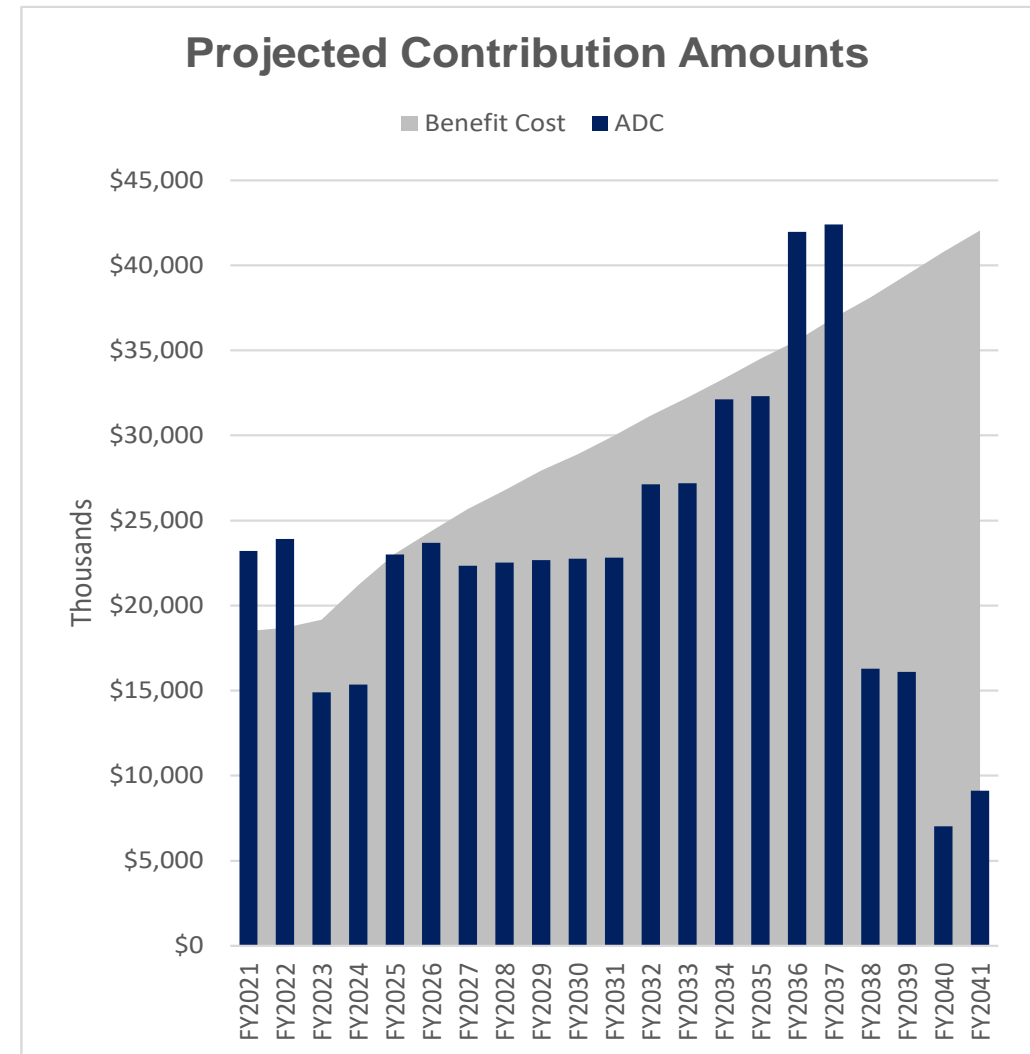
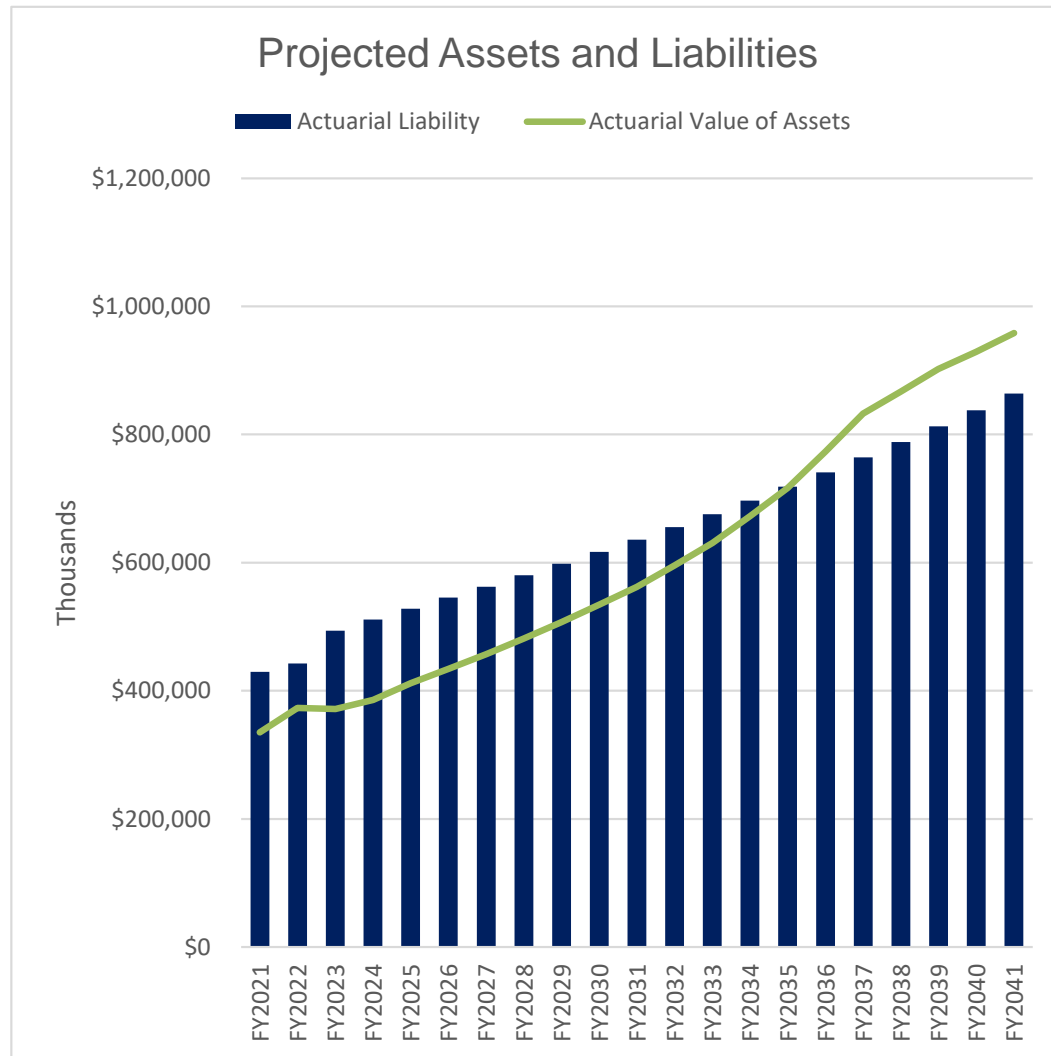
Contributions



	Actuarial Determined Contribution			
	FY2023	FY2024	FY2025	FY2026
Normal Cost	\$11,166,000	\$11,501,000	\$13,336,000	\$13,736,000
UAL Amortization	<u>\$3,737,000</u>	<u>\$3,848,000</u>	<u>\$9,664,000</u>	<u>\$9,955,000</u>
Total	\$14,903,000	\$15,349,000	\$23,000,000	\$23,691,000

- District's FY2023 and FY 2024 contribution declined due to significant reduction in UAL
- District's FY2025 and FY 2026 contributions increase due to loss on investments during 2021 to 2022
- The normal cost portion has increase as expected

Projections – Explicit Subsidy Paid Through Trust



Questions/Comments





- The purpose of this presentation is to present the preliminary results of the June 30, 2023, Actuarial Valuation for the Metropolitan Water District of Southern California Retiree Healthcare Plan (the District).
- This presentation was prepared exclusively for the District for the purpose described herein. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.
- In preparing our presentation, we relied on information (some oral and some written) supplied by the Plan. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.
- Cheiron utilizes ProVal actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have a basic understanding of ProVal and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this valuation.
- Health care trends for this valuation were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of the SOA Project Oversight Group.

Certification (continued)



- We have relied on the Society of Actuaries as the developer of the Model. We have reviewed the Model and have a basic understanding of the Model and have used the Model in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of the Model that would affect this valuation.
- This presentation has been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

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