



**Metropolitan Water District
of Southern California
Retiree Healthcare Plan**

**Actuarial Valuation Report
as of July 1, 2023**

**Produced by Cheiron
April 2024**

TABLE OF CONTENTS

<i>Section</i>	<i>Page</i>
Letter of Transmittal	i
Section I Summary	1
Section II Assets	3
Section III Valuation Results	4
Section IV Sensitivity	8
Section V Projections.....	9
Section VI Accounting Disclosures	12
 <i>Appendices</i>	
Appendix A Participant Data, Assumptions and Methods	13
Appendix B Substantive Plan Provisions.....	33
Appendix C Glossary of Terms.....	38
Appendix D Abbreviation List	40

April 19, 2024

Ms. Katano Kasaine, Assistant General Manager
Metropolitan Water District of Southern California
Finance & Administration
Post Office Box 54153
Los Angeles, California 90054-0153

Re: Postretirement Health Insurance Plan July 1, 2023 Actuarial Valuation Results

Dear Katano:

As requested by the District, we have performed an actuarial valuation of the postretirement benefits provided by the Metropolitan Water District of Southern California Postretirement Health Insurance Plan (Plan). This report is for the use of the Metropolitan Water District of Southern California and its auditors in setting its contributions and preparing financial reports in accordance with applicable law and accounting requirements. The results of this report are only applicable to the District's contribution for the plan year ending June 30, 2025 and rely on future Plan experience conforming to the underlying assumptions. To the extent that actual Plan experience deviates from the underlying assumptions, the results would vary accordingly. Actuarial computations are calculated based on our understanding of the Plan in effect as of June 30, 2023.

For this Plan, valuations are conducted every other year, and each valuation is used as the basis for two years of reporting and disclosure of the Total OPEB Liability under GASB 74 and 75. Additional accounting disclosures for the fiscal year ending June 30, 2024 related to GASB Statements 74 and 75 will be provided in a separate report after the close of the fiscal year end. However, this report contains financial disclosures to be included in the District's Annual Comprehensive Financial Report (ACFR) in order to receive recognition for excellence in financial reporting. Please see Section V for this information.

Appendix A describes the participant data, assumptions, and methods used in calculating the figures throughout the report. In preparing our report, we relied on information (some oral and some written) supplied by the Plan's staff. 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.

Appendix B contains our understanding of the substantive Plan provisions based on the information provided by your office.

Future results may differ significantly from the current results presented in this valuation report due to such factors as the following: plan experience differing from that anticipated by the assumptions; changes in assumptions; and changes in plan provisions or applicable law.

Ms. Katano Kasaine
Metropolitan Water District of Southern California
April 19, 2024

This actuarial valuation reflects a full valuation of the updated census, claims, and premiums. This report reflects several changes as highlighted below:

- The claim cost curves were updated based on the experience of the entire CalPERS population participating in the Public Employees' Medical & Hospital Care Act (PEMHCA), using data provided by CalPERS. This data can be found on the CalPERS website in the file entitled "pemhca-implicit-subsidy-data.xls." The data provided claim experience for all covered members (employees/retirees, covered spouses, and covered children) by age, PEMHCA rating area, and benefit plan.
- Economic assumptions were based on the CERBT Strategy 1 and the discount rate used for the valuation was based the past actuarial valuation assumption of 6.75%.
- Medical Trend assumptions used were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The SOA model was originally released in December 2007, and version 2023_1f was used for this valuation.

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.

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 report does not contain any adjustment for the long-term potential impact of COVID-19.

This report does not include any impact of the Inflation Reduction Act of 2022 (the Act). The Inflation Reduction Act of 2022 contains provisions that may impact the cost of benefits provided to Medicare Eligible retirees. The Act provides for changes that could reduce costs and changes that could increase costs. Implementing the regulations and market responses are likely to have a net impact on future costs.

Ms. Katano Kasaine
Metropolitan Water District of Southern California
April 19, 2024

This actuarial valuation report and its contents have 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, including the use of assumptions and methods for funding purposes that comply with the Actuarial Standards of Practice. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

This actuarial valuation report was prepared exclusively for the Metropolitan Water District of Southern California for the purpose described herein. Other users of this valuation report are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

Sincerely,
Cheiron, Inc.



Margaret Tempkin, FSA, EA, MAAA
Principal Consulting Actuary



Kathleen Weaver, FSA, EA, MAAA, FCA
Consulting Actuary

SECTION I – SUMMARY

The Metropolitan Water District of Southern California (the District) engaged Cheiron to provide an analysis of the Retiree Healthcare Plan’s liabilities as of July 1, 2023. The primary purposes of performing this actuarial valuation are to:

- **Estimate** the Actuarially Determined Contribution (ADC) and the Actuarial Liability (AL) to be used to calculate the Total OPEB Liability (TOL) using GASB 74/75 methodology under the current funding strategy;
- **Provide projections** for the actuarial liabilities, the ADC, and the assets;
- **Reconciliation** of the Assets and Actuarial Liability from the prior to the current valuation;
- **Provide sensitivities** for the actuarial liabilities and the ADC; and
- **Provide disclosures** for financial statements.

We have determined costs, liabilities, and trends for the substantive Plan using actuarial assumptions and methods that we consider reasonable.

GASB’s OPEB Requirements

GASB’s Statement 74 refers to the financial reporting for postemployment benefit plans other than pension plans and Statement 75 refers to the employer accounting for these plans. Statement 74 is generally applicable where an entity has a separate trust or fund for OPEB benefits. We understand that the District has a trust used to fund future OPEB obligations. Statement 75, which was adopted in the fiscal year ending (FYE) June 30, 2018, requires the plan sponsor to book the Net OPEB Liability on the balance sheet. The employer’s OPEB Expense is based upon the change in the Net OPEB Liability adjusted for unrecognized portions of gains and losses. Additional disclosures include a description of the substantive plan, summary of significant accounting policies (not included in this report), contributions, and a statement of funding progress, along with the methods and assumptions used for those disclosures. Additional accounting disclosures for fiscal year ending June 30, 2024 related to GASB Statements 74 and 75 will be provided in a separate report after the close of the fiscal year end.

SECTION I – SUMMARY

Funding Policy

Contribution requirements are established by Memorandum of Understandings negotiated between the District and its various bargaining units. During fiscal years 2023 and 2022, the District contributed up to 100 percent of the Anthem HMO Traditional Region 2 basic plan rate for all employees and retirees. During fiscal years 2023 and 2022, the District contributed the full actuarially determined contribution rate. During the valuation process, it is assumed that the District will contribute the ADC into the future. Should the funding not occur as assumed, the District’s discount rate may be adjusted downwards towards the 20-year Bond Buyer rates.

Valuation Results

The table below presents the key results of the July 1, 2023 valuation compared to those of the last actuarial valuation as of July 1, 2021.

Table I-1		
Summary of Key Valuation Results		
	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
Fiscal Year Ending	June 30, 2023	June 30, 2025
Actuarially Determined Contribution	\$ 14,903,000	\$ 23,000,000
Actual / <i>Expected</i> Contribution	\$ 14,903,000	\$ 23,000,000
Expected Net Explicit Benefit Payments	\$ 19,461,000	\$ 23,041,000
Expected Net Implicit Benefit Payments	<u>6,516,000</u>	<u>7,064,000</u>
Expected Net Total Benefit Payments	\$ 25,977,000	\$ 30,105,000
Discount Rate	6.75%	6.75%

This report reflects claims, premiums, and expenses determined as of July 1, 2023. There was an increase in inactive population since the last valuation generating a loss of \$10.4 million. The assumption changes resulted in slightly lower claim curves and higher initial and ultimate medical trends. These assumption changes resulted in an additional increase in actuarial liability of approximately \$25.8 million compared to the expected liability. The total increase in the actuarial liability above expected was \$36.2 million. More detail on the causes of these changes can be found in the valuation results section of this report

The figures provided in this report are highly sensitive to the assumptions used.

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
JULY 1, 2023 RETIREE HEALTHCARE PLAN VALUATION

SECTION II – ASSETS

The Plan’s preceding valuation of liabilities was performed as of July 1, 2021. Table II-1 below shows the reconciliation of assets for the fiscal year ending July 1, 2023 that were used to develop the FYE 2024 Actuarially Determined Contribution (ADC).

The District invests the Plan’s OPEB assets through the CERBT Strategy I. The Plan’s market value of assets returned -13.4% during the fiscal year ending June 30, 2022 and 6.2% during the fiscal year ending June 30, 2023. Explicit benefit payments are net of the retiree contributions payable for coverage which are initially paid outside of the District’s OPEB Trust and later reimbursed by the OPEB Trust in July. The projected June 30, 2024 assets assume a 6.75% return on assets over the year.

Table II-1				
Reconciliation of Assets				
	2021 / 2022		2022 / 2023	2023 / 2024
	Projected			
	6/30/21 Val	Actual	Actual	Projected*
Market Value of Assets (Beginning of Year)	\$ 377,321,000	\$ 377,321,000	\$ 328,536,000	\$ 345,288,000
Contributions - to CERBT	23,922,000	23,922,000	14,903,000	15,349,000
Net Explicit Benefit Payments	(19,042,000)	(18,696,000)	(19,173,000)	(21,204,000)
Investment Earnings	27,252,000	(53,675,000)	21,318,000	24,474,000
Administrative Expenses	(179,000)	(194,000)	(171,000)	(176,000)
Investment Expenses	(168,000)	(142,000)	(125,000)	(131,000)
Market Value of Assets (End of Year)	\$ 409,106,000	\$ 328,536,000	\$ 345,288,000	\$ 363,600,000
Approximate Annual Return	6.75%	-13.4%	6.2%	6.75%

Table II-2			
Development of Actuarial Value of Plan Assets (AVA)			
Fiscal Year Ending	June 30, 2022	June 30, 2023	June 30, 2024
Actuarial Value at Beginning of Year (AVA)	\$ 335,254,000	\$ 357,366,000	\$ 371,530,000
Contributions BOY	23,922,000	14,903,000	\$ 15,349,000
Explicit Benefit Payments EOY	(18,696,000)	(19,173,000)	\$ (21,204,000)
Investment Expenses BOY	(142,000)	(125,000)	(131,000)
Expected Earnings (Net of Expenses)	24,235,000	25,120,000	26,105,000
Expected AVA at End of Year	\$ 364,573,000	\$ 378,091,000	\$ 391,649,000
Market Value of Assets at End of Year (MVA)	328,536,000	345,288,000	\$ 363,600,000
MVA - Expected AVA	\$ (36,037,000)	\$ (32,803,000)	\$ (28,049,000)
1/5 of [MVA - Expected AVA]	(7,207,000)	(6,561,000)	(5,610,000)
Preliminary AVA (Exp AVA + 1/5 of [MVA - Exp AVA])	\$ 357,366,000	\$ 371,530,000	\$ 386,039,000
Minimum AVA (80% of MVA)	\$ 262,829,000	\$ 276,230,000	\$ 290,880,000
Maximum AVA (120% of MVA)	\$ 394,243,000	\$ 414,346,000	\$ 436,320,000
Actuarial Value at End of Year (AVA)	\$ 357,366,000	\$ 371,530,000	\$ 386,039,000
Approximate Annual Return	4.7%	5.0%	5.3%

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
JULY 1, 2023 RETIREE HEALTHCARE PLAN VALUATION

SECTION III – VALUATION RESULTS

This section of the report calculates the current and expected future contribution requirements under the District’s funding policy. Table III-1 below shows the actuarial liabilities for the Plan as of July 1, 2021 and July 1, 2023, as well as projected amounts as of July 1, 2024. The projected results were calculated using standard roll-forward techniques. Asset projections were calculated based on an assumed 6.75% rate of return and assuming expected benefits will be paid in the year ending June 30, 2024.

Table III-1				
Unfunded Actuarial Liability				
	June 30, 2021 Valuation		June 30, 2023 Valuation	
	June 30, 2021	<i>Projected to June 30, 2022</i>	June 30, 2023	<i>Projected to June 30, 2024</i>
Present Value of Future Benefits				
Active Employees	\$ 277,583,000	\$ 296,320,000	\$ 325,576,000	\$ 347,552,000
Retirees and Beneficiaries	253,995,000	244,563,000	294,370,000	285,476,000
Total	<u>\$ 531,578,000</u>	<u>\$ 540,883,000</u>	<u>\$ 619,946,000</u>	<u>\$ 633,028,000</u>
Actuarial Liability				
Active Employees	\$ 175,608,000	\$ 198,269,000	\$ 199,223,000	\$ 225,578,000
Retirees and Beneficiaries	253,995,000	244,563,000	294,370,000	285,476,000
Total	<u>\$ 429,603,000</u>	<u>\$ 442,832,000</u>	<u>\$ 493,593,000</u>	<u>\$ 511,054,000</u>
Actuarial Value of Assets	<u>335,254,000</u>	<u>373,180,000</u>	<u>371,530,000</u>	<u>386,039,000</u>
Unfunded Actuarial Liability (UAL)	\$ 94,349,000	\$ 69,652,000	\$ 122,063,000	\$ 125,015,000
Pay-As-You-Go	\$ 25,723,000	\$ 25,977,000	\$ 27,840,000	\$ 30,105,000
Funded Ratio	78.0%	84.3%	75.3%	75.5%
Discount Rate	6.75%	6.75%	6.75%	6.75%
Covered Payroll	\$ 235,294,000	\$ 242,353,000	\$ 249,812,000	\$ 257,306,000
UAL as percentage of Covered Payroll	40%	29%	49%	49%

The above liability is shown for funding purposes only, the GASB 74/75 liability will be a roll forward of the June 30, 2023 liability to June 30, 2024 using actual benefit payments and actual assets as of that date and will be provided in a separate report.

SECTION III – VALUATION RESULTS

Reconciliation

Table III-2 provides an estimate of the major factors contributing to the change in liability since the last actuarial valuation.

Table III-2	
Reconciliation of Actuarial Liability	
Actuarial Liability at June 30, 2021	\$ 429,603,000
Normal Cost	10,460,000
Expected Benefit Payments paid throughout the year	(25,723,000)
Interest	28,492,000
Expected Actuarial Liability at June 30, 2022	\$ 442,832,000
Normal Cost	11,166,000
Expected Benefit Payments paid throughout the year	(25,977,000)
Interest	29,400,000
Expected Actuarial Liability at June 30, 2023	\$ 457,421,000
Actuarial Liability at June 30, 2023	493,593,000
Gain or (Loss)	\$ (36,172,000)
Gain or (Loss) due to:	
Census changes	\$ (10,411,000)
Change in claims and trend assumptions	(25,761,000)
Total changes	\$ (36,172,000)

Below is a brief description of each of the above components:

- *Expected Values* refer to the change that would have occurred had experience matched all the assumptions between July 1, 2021 and July 1, 2023.
- *Census Changes* refer to the impact of population changes between July 1, 2021 and July 1, 2023. There was an increase in the inactive population over this period.
- *Change in Claims and Trend Assumptions* refers to the change in expected current and future healthcare claims and expense costs. The claim curves were updated to reflect the current market experience. This resulted in lower claims than previously used. The medical trends were updated as well. These trends were higher for the period 2023-2024 due to the large increase in premiums for calendar year 2024 under PEMHCA as well as higher ultimate trends due to the large increase in medical inflation.

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
JULY 1, 2023 RETIREE HEALTHCARE PLAN VALUATION

SECTION III – VALUATION RESULTS

Table III-3 below shows the actuarial gains and losses used to develop the amortization bases for the unfunded liability payment.

Table III-3 Actuarial Gains and Losses			
	AL	AVA	UAL
06/30/2021 Actual	\$ 429,603,000	\$ (335,254,000)	\$ 94,349,000
06/30/2022 Projected	\$ 442,832,000	\$ (373,180,000)	\$ 69,652,000
06/30/2024 Expected	\$ 471,682,000	\$ (409,766,000)	\$ 61,916,000
Experience (Gain)/Loss			
Demographic & Other	10,599,000		10,599,000
Asset (Gain)/Loss		23,727,000	23,727,000
Assumption (Gain)/Loss			
Changes in Future Medical Plans	28,773,000		28,773,000
Total (Gain)/Loss	\$ 39,372,000	\$ 23,727,000	\$ 63,099,000
06/30/2024 Projected	\$ 511,054,000	\$ (386,039,000)	\$ 125,015,000

Table III-4 below shows the schedule of amortization bases and payments for the unfunded liability payments. Every valuation will produce a new liability base. The initial base was set to be amortized over a 23-year period and has 13 years remaining. All new bases will be amortized over a 15-year period as a percentage of pay.

Table III-4 Unfunded Actuarial Liability Balances (\$ In Thousands)							
Amortization Bases	Original Amortization Bases			Balance on 06/30/2024		Amortization Payments	
	Date	Years	Amount	Years	Balance	2024/25	2025/26
6/30/14 Initial (Gains)/Losses	6/30/2014	23	\$ 290,903	13	\$ 261,047	\$ 26,330	\$ 27,120
6/30/15 AVR	6/30/2016	15	(30,548)	7	(20,721)	(3,509)	(3,614)
6/30/17 AVR	6/30/2018	15	(34,723)	9	(27,482)	(3,745)	(3,857)
6/30/19 AVR	6/30/2020	15	(67,441)	11	(59,461)	(6,856)	(7,062)
6/30/21 AVR	6/30/2022	15	(86,147)	13	(81,848)	(8,255)	(8,503)
6/30/23 AVR	6/30/2024	15	63,099	15	63,099	5,700	5,871
Total					\$ 134,634	\$ 9,664	\$ 9,955

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
JULY 1, 2023 RETIREE HEALTHCARE PLAN VALUATION

SECTION III – VALUATION RESULTS

In Table III-5 below, we show the FYE 2023, FYE 2024, FYE 2025 and the expected FYE 2026 Actuarially Determined Contribution (ADC) under the District’s funding policy. The ADC consists of two parts: (1) the *normal cost*, which represents the annual cost attributable to service earned in a given year and (2) the layered amortization of the UAL as a level percentage of payroll.

Table III-5				
ADC				
Fiscal Year Ending	June 30, 2021 Valuation		June 30, 2023 Valuation	
	June 30, 2023	June 30, 2024	June 30, 2025	June 30, 2026
Normal Cost	\$ 11,166,000	\$ 11,501,000	\$ 13,336,000	\$ 13,736,000
UAL Amortization	3,737,000	3,848,000	9,664,000	9,955,000
Total ADC	\$ 14,903,000	\$ 15,349,000	\$ 23,000,000	\$ 23,691,000

Table III-6 shows the expected benefit payments through the fiscal year ending June 30, 2033. In calculating the liabilities, we project these figures for the life of each existing participant. This projects the anticipated eligible retirees and the change in both claims and premiums. These benefit payments include the explicit and implicit benefit payments and exclude payments made by retiree contributions towards their premiums, if applicable.

Table III-6			
Fiscal Year	Expected Net	Expected Net	Total Expected
Ending June 30,	Implicit Benefit	Explicit Benefit	Net Benefit
	Payments	Payments	Payments
2024	\$ 6,636,000	\$ 21,204,000	\$ 27,840,000
2025	7,064,000	23,041,000	30,105,000
2026	7,297,000	24,367,000	31,664,000
2027	7,448,000	25,682,000	33,130,000
2028	7,422,000	26,781,000	34,203,000
2029	7,604,000	27,938,000	35,542,000
2030	7,572,000	28,895,000	36,467,000
2031	7,661,000	29,989,000	37,650,000
2032	7,894,000	31,170,000	39,064,000
2033	7,857,000	32,233,000	40,090,000

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
JULY 1, 2023 RETIREE HEALTHCARE PLAN VALUATION

SECTION IV – SENSITIVITIES

The liabilities and ADC produced in this report are sensitive to the assumptions used. The tables below show the impact of lowering the discount rate from 6.75% to either 6.50% or 5.50% on the actuarial liability and the ADC to provide some measure of sensitivity.

Table IV-1 Sensitivity to Discount Rates - Unfunded Actuarial Liability			
Discount Rate	6.75%	6.50%	5.50%
Actuarial Liability at June 30, 2023			
Active Employees	\$ 199,223,000	\$ 206,209,000	\$ 237,877,000
Retirees and Beneficiaries	<u>294,370,000</u>	<u>301,189,000</u>	<u>331,586,000</u>
Total	\$ 493,593,000	\$ 507,398,000	\$ 569,463,000
Actuarial Value of Assets	<u>371,530,000</u>	<u>371,530,000</u>	<u>371,530,000</u>
Unfunded Actuarial Liability	\$ 122,063,000	\$ 135,868,000	\$ 197,933,000

Table IV-2 Unfunded Actuarial Liability Balances at Discount Sensitivities (\$ In Thousands)									
Amortization Bases	Bases at 6.75%			Bases at 6.5%			Bases at 5.5%		
	Original Amortization Bases			Balance on 06/30/2024		Payment	Balance on 06/30/2024		Payment
	Date	Years	Amount	Years	Balance	2024/25	Years	Balance	2024/25
6/30/14 Initial	6/30/2014	23	\$ 290,903	13	\$ 261,047	\$ 25,930	13	\$ 261,047	\$ 24,365
(Gains)/Losses									
6/30/15 AVR	6/30/2016	15	\$ (30,548)	7	\$ (20,721)	\$ (3,477)	7	\$ (20,721)	\$ (3,352)
6/30/17 AVR	6/30/2018	15	\$ (34,723)	9	\$ (27,482)	\$ (3,703)	9	\$ (27,482)	\$ (3,539)
6/30/19 AVR	6/30/2020	15	\$ (67,441)	11	\$ (59,461)	\$ (6,766)	11	\$ (59,461)	\$ (6,411)
6/30/21 AVR	6/30/2022	15	\$ (86,147)	13	\$ (81,848)	\$ (8,130)	13	\$ (81,848)	\$ (7,639)
6/30/23 AVR	6/30/2024	15	\$ 63,099	15	<u>78,218</u>	<u>6,944</u>	15	<u>142,258</u>	<u>11,771</u>
Total					\$ 149,753	\$ 10,798		\$ 213,793	\$ 15,195

Table IV-3 Sensitivity to Discount Rates - ADC for FYE 2025			
Discount Rate	6.75%	6.50%	5.50%
Normal Cost	\$ 13,336,000	\$ 14,988,000	\$ 18,513,000
UAL Amortization	<u>9,664,000</u>	<u>10,798,000</u>	<u>15,195,000</u>
Total ADC	\$ 23,000,000	\$ 25,786,000	\$ 33,708,000

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
JULY 1, 2023 RETIREE HEALTHCARE PLAN VALUATION

SECTION V – PROJECTIONS

Table V-1 below shows the projection of the actuarial liability including implicit and explicit expected benefit payments and the actuarial value of assets assuming both implicit and explicit expected benefits payments are paid from the Trust. The market value of assets is projected assuming the District contributes the expected ADC with an expected return of 6.75% net of investment expenses. The projected ADC is recalculated by setting up additional 15-year amortization bases. Under this scenario, the unfunded liability is expected to reduce to zero by the end of 2038, if all assumptions are met.

Projection Year	Table V-1 Projected Liability and Assets			ADC YEAR + 2		
	AL	AVA	UAL	NC	UAL PMT	ADC
06/30/2025 Projected	\$ 528,224	\$ (404,512)	\$ 123,712	\$ 14,148	\$ 9,540	\$ 23,688
06/30/2026 Projected	545,356	(419,566)	125,790	14,572	10,003	24,575
06/30/2027 Projected	562,554	(435,839)	126,715	15,009	10,422	25,431
06/30/2028 Projected	580,244	(453,662)	126,582	15,459	10,800	26,259
06/30/2029 Projected	598,196	(472,755)	125,441	15,923	11,147	27,070
06/30/2030 Projected	616,869	(493,514)	123,355	16,401	15,778	32,179
06/30/2031 Projected	636,059	(515,712)	120,347	16,893	16,171	33,064
06/30/2032 Projected	655,578	(543,752)	111,826	17,400	21,435	38,835
06/30/2033 Projected	675,862	(573,859)	102,003	17,922	21,917	39,839
06/30/2034 Projected	696,839	(611,215)	85,624	18,460	31,886	50,346
06/30/2035 Projected	718,437	(651,056)	67,381	19,014	32,591	51,605
06/30/2036 Projected	741,047	(703,987)	37,060	19,584	6,765	26,349
06/30/2037 Projected	764,151	(760,410)	3,741	20,172	6,858	27,030
06/30/2038 Projected	788,087	(792,513)	-	20,777	(1,942)	18,835
06/30/2039 Projected	812,707	(826,119)	-	21,400	(622)	20,778
06/30/2040 Projected	837,967	(851,734)	-	22,042	(1,124)	20,918
06/30/2041 Projected	864,058	(879,757)	-	22,703	(3,974)	18,729

All values are in \$ thousands.

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
JULY 1, 2023 RETIREE HEALTHCARE PLAN VALUATION

SECTION V – PROJECTIONS

Table V-2 below shows the projection of the actuarial liability including implicit and explicit expected benefit payments and the actuarial value of assets assuming only the explicit expected benefits payments are paid from the Trust (which is the current method used by the District), and the expected implicit benefit payments are paid from the general account. The market value of assets is projected assuming the District contributes the expected ADC with an expected return of 6.75% net of investment expenses. The projected ADC is recalculated by setting up additional 15-year amortization bases. Under this scenario, the unfunded liability is expected to reduce to zero by the end of 2036, if all assumptions are met.

	Table V-2 Projected Liability and Assets			ADC YEAR + 2		
	AL	AVA	UAL	NC	UAL PMT	ADC
06/30/2025 Projected	\$ 528,224	\$ (412,053)	\$ 116,171	\$ 14,148	\$ 8,193	\$ 22,341
06/30/2026 Projected	545,356	(434,081)	111,275	14,572	7,960	22,532
06/30/2027 Projected	562,554	(457,254)	105,300	15,009	7,667	22,676
06/30/2028 Projected	580,244	(481,683)	98,561	15,459	7,299	22,758
06/30/2029 Projected	598,196	(507,260)	90,936	15,923	6,884	22,807
06/30/2030 Projected	616,869	(534,120)	82,749	16,401	10,727	27,128
06/30/2031 Projected	636,059	(562,116)	73,943	16,893	10,291	27,184
06/30/2032 Projected	655,578	(595,744)	59,834	17,400	14,729	32,129
06/30/2033 Projected	675,862	(630,901)	44,961	17,922	14,383	32,305
06/30/2034 Projected	696,839	(672,812)	24,027	18,460	23,510	41,970
06/30/2035 Projected	718,437	(716,775)	1,662	19,014	23,381	42,395
06/30/2036 Projected	741,047	(773,102)	-	19,584	(3,306)	16,278
06/30/2037 Projected	764,151	(832,500)	-	20,172	(4,081)	16,091
06/30/2038 Projected	788,087	(866,934)	-	20,777	(13,759)	7,018
06/30/2039 Projected	812,707	(902,274)	-	21,400	(12,285)	9,115
06/30/2040 Projected	837,967	(929,042)	-	22,042	(12,678)	9,364
06/30/2041 Projected	864,058	(958,658)	-	22,703	(15,392)	7,311

All values are in \$ thousands.

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
JULY 1, 2023 RETIREE HEALTHCARE PLAN VALUATION

SECTION V – PROJECTIONS

Table V-3 below shows the projection of the actuarial liability including implicit and explicit expected benefit payments, the actuarial value of assets assuming no expected benefits payments are paid from the Trust, and the expected implicit benefit payments are paid from the general account. The market value of assets is projected assuming the District contributes the expected ADC with an expected return of 6.75% net of investment expenses. The projected ADC is recalculated by setting up additional 15-year amortization bases. Under this scenario, the unfunded liability is expected to reduce to zero by the end of 2029, if all assumptions are met.

	Table V-3 Projected Liability and Assets			ADC YEAR + 2		
	AL	AVA	UAL	NC	UAL PMT	ADC
06/30/2025 Projected	\$ 528,224	\$ (436,649)	\$ 91,575	\$ 14,148	\$ 3,747	\$ 17,895
06/30/2026 Projected	545,356	(481,993)	63,363	14,572	1,114	15,686
06/30/2027 Projected	562,554	(529,039)	33,515	15,009	(1,739)	13,270
06/30/2028 Projected	580,244	(577,527)	2,717	15,459	(4,834)	10,625
06/30/2029 Projected	598,196	(627,241)	-	15,923	(8,131)	7,792
06/30/2030 Projected	616,869	(677,942)	-	16,401	(7,340)	9,061
06/30/2031 Projected	636,059	(729,430)	-	16,893	(11,011)	5,882
06/30/2032 Projected	655,578	(786,080)	-	17,400	(9,900)	7,500
06/30/2033 Projected	675,862	(843,440)	-	17,922	(13,672)	4,250
06/30/2034 Projected	696,839	(906,640)	-	18,460	(8,071)	10,389
06/30/2035 Projected	718,437	(970,840)	-	19,014	(11,825)	7,189
06/30/2036 Projected	741,047	(1,046,099)	-	19,584	(42,250)	-
06/30/2037 Projected	764,151	(1,123,166)	-	20,172	(46,871)	-
06/30/2038 Projected	788,087	(1,173,687)	-	20,777	(60,511)	-
06/30/2039 Projected	812,707	(1,223,426)	-	21,400	(59,649)	-
06/30/2040 Projected	837,967	(1,262,704)	-	22,042	(60,789)	-
06/30/2041 Projected	864,058	(1,306,304)	-	22,703	(64,119)	-

All values are in \$ thousands.

SECTION VI – ACCOUNTING DISCLOSURES

The Government Finance Officers Association (GFOA) maintains a checklist of items to be included in the Annual Comprehensive Financial Report (ACFR) in order to receive recognition for excellence in financial reporting. In accordance with those statements, we have prepared the following disclosure. Relevant disclosures under GASB 74/75 will be provided in a separate report.

Schedule of Funding Progress

The schedule of funding progress compares the assets used for funding purposes to the comparable liabilities to determine how well the Plan is funded and how this status has changed over the past several years. The actuarial liability is compared to the actuarial value of assets to determine the funding ratio. The actuarial liability under GASB is determined assuming that the Plan is ongoing and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions.

Table VI-1 Schedule of Funding Progress * (\$ In Thousands)							
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (b)	Unfunded Actuarial Liability (UAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAL as Percentage of Covered Payroll ((b-a)/c)	
6/30/2023	\$ 371,530	\$ 493,593	\$ 122,063	75%	\$ 249,812	48.9%	
6/30/2021	335,254	429,603	94,349	78%	235,294	40.1%	
6/30/2019	270,457	434,759	164,302	62%	218,935	75.0%	
6/30/2017	212,612	448,095	235,483	47%	187,185	125.8%	
6/30/2015	164,669	423,420	258,751	39%	186,009	139.1%	
6/30/2013	0	315,326	315,326	0%	182,937	172.4%	
6/30/2011	0	367,719	367,719	0%	179,242	205.2%	
1/1/2011	0	545,476	545,476	0%	187,368	291.1%	
1/1/2009	0	404,172	404,172	0%	192,816	209.6%	

* Figures prior to June 30, 2019 calculated by prior actuary

Methods and Assumptions used to set ADC

Actuarial Cost Method	Entry Age Normal, level percent of payroll
Amortization Method / Period	Level percentage of payroll over 23-year closed period from 6/30/2014 plus 15-year closed layers of future gains/losses/assumption changes/plan changes
Asset Valuation Method	Gains/losses on the AVA spread over five-year rolling periods with corridor of 80% and 120% of market value
Discount Rate	6.75%
Inflation	2.80%
Mortality, Disability, Termination, Retirement	CalPERS Assumptions set in 2021
Medical Trend	Pre-Medicare: 12.72% in 2023, grading to 4.14% in 2076 Medicare: 8.45% in 2023, grading to 4.14% in 2076
Mortality Improvement	MP 2021

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
JULY 1, 2023 RETIREE HEALTHCARE PLAN VALUATION

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Member Data

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%

Eligible Active Employees as of June 30, 2023									
Age Group	Years of Service								Total
	< 5	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 +	
Under 25	6	0	0	0	0	0	0	0	6
25 to 30	40	13	0	0	0	0	0	0	53
30 to 35	71	84	27	0	0	0	0	0	182
35 to 40	72	113	43	22	0	0	0	0	250
40 to 45	62	91	57	66	8	1	0	0	285
45 to 50	42	70	36	68	37	15	3	0	271
50 to 55	31	45	25	59	33	25	29	1	248
55 to 60	21	27	23	47	31	29	42	14	234
60 to 65	9	17	12	27	27	35	45	21	193
Over 65	6	9	6	13	12	20	27	9	102
Total	360	469	229	302	148	125	146	45	1,824

Status Reconciliation					
	Active	Retired	Disabled	Survivor	Total
Members on June 30, 2021	1,856	1,427	104	281	3,668
New Hires	205				205
Retired	(171)	171	0	0	0
Terminated	(58)	0	0	0	(58)
Became Disabled	(2)	0	2	0	0
Death	(6)	(29)	(1)	36	0
Dropped Coverage	0	(120)	(10)	(40)	(170)
Show ups		50	0	13	63
Members on June 30, 2023	1,824	1,499	95	290	3,708

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
JULY 1, 2023 RETIREE HEALTHCARE PLAN VALUATION

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Current Active Medical Coverage					
Medical Plan	Region	Single	2-Party	Family	Total
Anthem Select	Region 1	0	0	0	0
Anthem Select	Region 2	0	0	0	0
Anthem Select	Region 3	1	1	2	4
Anthem Traditional	Region 2	5	9	12	26
Anthem Traditional	Region 3	27	27	84	138
Blue Shield	Region 1	1	2	1	4
Blue Shield	Region 2	6	9	43	58
Blue Shield	Region 3	32	50	130	212
Blue Shield Trio	Region 3	1	0	3	4
Health Net SmartCare	Region 2	0	1	0	1
Health Net SmartCare	Region 3	1	4	2	7
Kaiser	Region 1	2	0	5	7
Kaiser	Region 2	11	13	29	53
Kaiser	Region 3	115	106	314	535
PERS Gold	Region 1	0	0	1	1
PERS Gold	Region 2	9	5	9	23
PERS Gold	Region 3	26	23	61	110
PERS Gold	Out of State	0	0	0	0
PERS Platinum	Region 1	1	0	4	5
PERS Platinum	Region 2	7	18	14	39
PERS Platinum	Region 3	86	92	193	371
PERS Platinum	Out of State	19	33	69	121
Sharp	Region 2	1	0	1	2
UnitedHealthcare	Region 2	1	0	3	4
UnitedHealthcare	Region 3	3	2	4	9
Waived		0	0	0	96
Total		355	395	984	1830

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
JULY 1, 2023 RETIREE HEALTHCARE PLAN VALUATION

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Current Retiree Medical Coverage - Pre 65					
Medical Plan	Region	Single	2-Party	Family	Total
Anthem Traditional	Region 1	0	1	1	2
Anthem Traditional	Region 2	1	2	1	4
Anthem Traditional	Region 3	2	7	5	14
Blue Shield	Region 1	0	0	0	0
Blue Shield	Region 2	4	5	1	10
Blue Shield	Region 3	16	40	15	71
Blue Shield	Out of State	0	0	0	0
Blue Shield Trio	Region 1	0	0	1	1
Kaiser	Region 1	2	2	2	6
Kaiser	Region 2	4	15	7	26
Kaiser	Region 3	46	69	27	142
Kaiser	Georgia	0	0	0	0
Kaiser	Hawaii	0	2	0	2
Kaiser	Northwest	0	2	0	2
PERS Gold	Region 1	0	0	0	0
PERS Gold	Region 2	0	0	0	0
PERS Gold	Region 3	1	6	0	7
PERS Gold	Out of State	0	0	0	0
PERS Platinum	Region 1	0	4	0	4
PERS Platinum	Region 2	9	18	8	35
PERS Platinum	Region 3	24	105	24	153
PERS Platinum	Out of State	57	104	26	187
PERS Select	Region 3	0	0	0	0
Sharp	Region 2	1	1	0	2
UnitedHealthcare	Region 1	0	0	0	0
UnitedHealthcare	Region 2	0	1	0	1
UnitedHealthcare	Region 3	0	6	1	7
UnitedHealthcare	Out of State	0	0	0	0
Waived		0	0	0	161
Total		167	390	119	837

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
JULY 1, 2023 RETIREE HEALTHCARE PLAN VALUATION

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Current Retiree Medical Coverage - Post 65					
Medical Plan	Region	Single	2-Party	Family	Total
Anthem Traditional	Region 1	0	0	0	0
Anthem Traditional	Region 2	1	0	0	1
Anthem Traditional	Region 3	4	11	0	15
Blue Shield	Region 1	1	0	0	1
Blue Shield	Region 2	0	0	0	0
Blue Shield	Region 3	7	4	0	11
Blue Shield	Out of State	2	1	0	3
Blue Shield Trio	Region 1	0	0	0	0
Kaiser	Region 1	5	4	0	9
Kaiser	Region 2	35	24	0	59
Kaiser	Region 3	138	120	0	258
Kaiser	Georgia	0	1	0	1
Kaiser	Hawaii	1	2	0	3
Kaiser	Northwest	5	2	0	7
PERS Gold	Region 1	0	0	0	0
PERS Gold	Region 2	0	0	0	0
PERS Gold	Region 3	3	1	0	4
PERS Gold	Out of State	0	0	0	0
PERS Platinum	Region 1	13	6	0	19
PERS Platinum	Region 2	51	44	0	95
PERS Platinum	Region 3	138	160	0	298
PERS Platinum	Out of State	172	159	0	331
PERS Select	Region 3	0	0	0	0
Sharp	Region 2	0	0	0	0
UnitedHealthcare	Region 1	1	2	0	3
UnitedHealthcare	Region 2	5	6	0	11
UnitedHealthcare	Region 3	33	31	0	64
UnitedHealthcare	Out of State	9	6	0	15
Waived		0	0	0	0
Total		624	584	0	1,208

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Economic Assumptions

1. **Measurement Date:** July 1, 2023
2. **Expected Return on Plan Assets:** 6.00% per year for funds invested with the CERBT Strategy 1
3. **Expected Return on District Assets:** 6.75% per year
4. **Consumer Price Index (CPI):** 2.80%
5. **CERBT Administrative Fee:** Actual 2023 set to \$171,000 with 3.0% annual growth
6. **PEMHCA Administrative Fee:** Included in claim curves
7. **Investment Expenses:** Actual 2023 set to \$125,000 with proportional increase based on MV
8. **Annual Rate of Payroll Growth:** For purposes of amortizing the Unfunded Actuarial Liability as a level percent of payroll, a 3.00% annual rate of pay growth is assumed.
9. **Salary Increase:** Representative values of the assumed annual salary increases are shown below. All agencies are assumed to have an underlying 2.80% annual rate of pay growth in addition to the service rates below.

Public Agency Miscellaneous Salary	
Service	Increase Rates
0	7.637%
1	6.634%
2	5.762%
3	5.006%
4	4.348%
5	3.777%
10	2.011%
15	1.546%
20	1.188%
25	0.913%
30	0.701%

10. **Changes Since Prior Valuation:** None

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

11. Rationale for Economic Actuarial Assumptions: The salary increase rates are the assumptions used for participants in CalPERS and are based on the most recent CalPERS Experience Study completed in 2021 and approved by the CalPERS Board in November 2021. The other economic assumptions are based on our review of the current economic environment.

Demographic Assumptions

Metropolitan Water District of Southern California employees participate in the California Public Employers' Retirement System (CalPERS). CalPERS determined the assumed rates of retirement, withdrawal, disabled retirement, and mortality for use in their actuarial valuations. Periodically, CalPERS will review these assumptions through an experience study, the most recent of which was completed in 2021 and adopted by the CalPERS Board in November 2021. These assumptions will also be used by the Metropolitan Water District of Southern California in relation to when their employees will receive benefits under their pension plan.

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
 JULY 1, 2023 RETIREE HEALTHCARE PLAN VALUATION

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

- 1. Rates of Retirement:** Rate of eligible active members retiring within the next year, based on CalPERS assumptions adopted in November 2021.

Attained Age	Public Agency Miscellaneous 2% @ 55 Sample Retirement Rates at each Service						
	5	10	15	20	25	30	35
50	0.0140	0.0140	0.0170	0.0210	0.0230	0.0240	0.0240
51	0.0130	0.0170	0.0170	0.0180	0.0180	0.0190	0.0190
52	0.0130	0.0180	0.0180	0.0200	0.0200	0.0210	0.0210
53	0.0130	0.0190	0.0210	0.0240	0.0250	0.0260	0.0260
54	0.0170	0.0250	0.0280	0.0320	0.0330	0.0350	0.0350
55	0.0450	0.0420	0.0530	0.0860	0.0980	0.1230	0.1640
56	0.0180	0.0360	0.0560	0.0860	0.1020	0.1190	0.1360
57	0.0410	0.0460	0.0560	0.0760	0.0940	0.1200	0.1470
58	0.0520	0.0440	0.0480	0.0740	0.1060	0.1230	0.1410
59	0.0430	0.0580	0.0730	0.0920	0.1050	0.1260	0.1550
60	0.0590	0.0640	0.0830	0.1150	0.1540	0.1700	0.1860
61	0.0870	0.0740	0.0870	0.1070	0.1470	0.1680	0.1830
62	0.1150	0.1230	0.1510	0.1800	0.2270	0.2370	0.2420
63	0.1160	0.1270	0.1640	0.2020	0.2520	0.2610	0.2820
64	0.0840	0.1380	0.1530	0.1900	0.2270	0.2280	0.2310
65	0.1670	0.1870	0.2100	0.2620	0.2880	0.2910	0.2910
66	0.1870	0.2580	0.2800	0.3080	0.3180	0.3190	0.3260
67	0.1950	0.2350	0.2440	0.2770	0.2690	0.2800	0.2800
68	0.2280	0.2480	0.2500	0.2410	0.2450	0.2450	0.2450
69	0.1880	0.2010	0.2090	0.2190	0.2310	0.2310	0.2310
70	0.2290	0.2290	0.2290	0.2290	0.2290	0.2290	0.2290
71	0.2290	0.2290	0.2290	0.2290	0.2290	0.2290	0.2290
72	0.2290	0.2290	0.2290	0.2290	0.2290	0.2290	0.2290
73	0.2290	0.2290	0.2290	0.2290	0.2290	0.2290	0.2290
74	0.2290	0.2290	0.2290	0.2290	0.2290	0.2290	0.2290
75	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
 JULY 1, 2023 RETIREE HEALTHCARE PLAN VALUATION

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Retirement (continued):

Public Agency Miscellaneous 2% @ 62							
Attained	Sample Retirement Rates at each Service						
Age	5	10	15	20	25	30	35
52	0.0050	0.0080	0.0120	0.0150	0.0190	0.0310	0.0380
53	0.0070	0.0110	0.0140	0.0180	0.0210	0.0320	0.0480
54	0.0070	0.0110	0.0150	0.0190	0.0230	0.0340	0.0540
55	0.0100	0.0190	0.0280	0.0360	0.0610	0.0960	0.1520
56	0.0140	0.0260	0.0380	0.0500	0.0750	0.1080	0.1670
57	0.0180	0.0290	0.0390	0.0500	0.0740	0.1070	0.1430
58	0.0230	0.0350	0.0480	0.0600	0.0730	0.0990	0.1350
59	0.0250	0.0380	0.0510	0.0650	0.0920	0.1280	0.1750
60	0.0310	0.0510	0.0710	0.0910	0.1110	0.1380	0.1830
61	0.0380	0.0580	0.0790	0.1000	0.1210	0.1670	0.2320
62	0.0440	0.0740	0.1040	0.1340	0.1640	0.2140	0.2710
63	0.0770	0.1050	0.1340	0.1630	0.1920	0.2370	0.2660
64	0.0720	0.1010	0.1290	0.1580	0.1870	0.2420	0.2760
65	0.1080	0.1410	0.1730	0.2060	0.2390	0.3000	0.3480
66	0.1320	0.1720	0.2120	0.2520	0.2920	0.3660	0.4260
67	0.1320	0.1720	0.2120	0.2520	0.2920	0.3660	0.4050
68	0.1200	0.1560	0.1930	0.2290	0.2650	0.3330	0.3870
69	0.1200	0.1560	0.1930	0.2290	0.2650	0.3330	0.3680
70	0.1200	0.1560	0.1930	0.2290	0.2650	0.3330	0.3870
71	0.1200	0.1560	0.1930	0.2290	0.2650	0.3330	0.3870
72	0.1200	0.1560	0.1930	0.2290	0.2650	0.3330	0.3870
73	0.1200	0.1560	0.1930	0.2290	0.2650	0.3330	0.3870
74	0.1200	0.1560	0.1930	0.2290	0.2650	0.3330	0.3870
75	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
JULY 1, 2023 RETIREE HEALTHCARE PLAN VALUATION

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

- 2. Rates of Withdrawal:** Rate of eligible active members terminating employment (not due to retirement, death, or disability) within the next year, based on CalPERS assumptions adopted in November 2021.

Attained Age	Public Agency Miscellaneous - Males Sample Termination Rates at each Service							
	0	5	10	15	20	25	30	35
20	0.18514	0.08433						
21	0.18514	0.08433						
22	0.18514	0.08433						
23	0.18238	0.08433						
24	0.17962	0.08433						
25	0.17686	0.08433	0.03770					
26	0.17410	0.08433	0.03770					
27	0.17134	0.08433	0.03770					
28	0.16858	0.08302	0.03770					
29	0.16582	0.08171	0.03770					
30	0.16306	0.08040	0.03770	0.01804				
31	0.16031	0.07862	0.03770	0.01804				
32	0.15755	0.07685	0.03770	0.01804				
33	0.15479	0.07508	0.03733	0.01804				
34	0.15203	0.07329	0.03696	0.01804				
35	0.14927	0.07152	0.03659	0.01804	0.01410			
36	0.14921	0.06974	0.03602	0.01804	0.01410			
37	0.14916	0.06797	0.03544	0.01804	0.01410			
38	0.14910	0.06620	0.03487	0.01804	0.01410			
39	0.14905	0.06442	0.03429	0.01804	0.01410			
40	0.14899	0.06265	0.03372	0.01804	0.01410	0.00844		
41	0.14894	0.06136	0.03314	0.01775	0.01410	0.00844		
42	0.14888	0.06006	0.03258	0.01746	0.01410	0.00844		
43	0.14882	0.05877	0.03200	0.01717	0.01410	0.00844		
44	0.14877	0.05748	0.03143	0.01689	0.01410	0.00844		
45	0.14871	0.05618	0.03085	0.01660	0.01410	0.00844	0.00471	
46	0.14914	0.05489	0.02958	0.01631	0.01347	0.00844	0.00471	
47	0.14957	0.05360	0.02831	0.01602	0.01285	0.00844	0.00471	
48	0.15000	0.05230	0.02704	0.01573	0.01222	0.00844	0.00471	
49	0.15043	0.05101	0.02577	0.01544	0.01160	0.00844	0.00471	
50	0.15086	0.04971	0.02449	0.01515	0.01097	0.00844	0.00471	0.00378
51	0.15129	0.04898	0.02322	0.01450	0.01035	0.00804	0.00471	0.00378
52	0.15172	0.04825	0.02196	0.01385	0.00972	0.00764	0.00471	0.00378
53	0.15215	0.04753	0.02069	0.01320	0.00910	0.00723	0.00471	0.00378
54	0.15258	0.04680	0.01942	0.01255	0.00847	0.00683	0.00471	0.00378

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
 JULY 1, 2023 RETIREE HEALTHCARE PLAN VALUATION

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Attained Age	Public Agency Miscellaneous - Females Sample Termination Rates at each Service							
	0	5	10	15	20	25	30	35
20	0.19443	0.10744						
21	0.19443	0.10744						
22	0.19443	0.10744						
23	0.19292	0.10744						
24	0.19142	0.10744						
25	0.18991	0.10744	0.05018					
26	0.18841	0.10744	0.05018					
27	0.18690	0.10744	0.05018					
28	0.18539	0.10631	0.05018					
29	0.18389	0.10519	0.05018					
30	0.18238	0.10406	0.05018	0.02516				
31	0.18088	0.10175	0.05018	0.02516				
32	0.17937	0.09944	0.05018	0.02516				
33	0.17787	0.09712	0.04983	0.02516				
34	0.17636	0.09480	0.04947	0.02516				
35	0.17485	0.09249	0.04911	0.02516	0.01745			
36	0.17450	0.09018	0.04820	0.02516	0.01745			
37	0.17415	0.08786	0.04730	0.02516	0.01745			
38	0.17380	0.08554	0.04639	0.02516	0.01745			
39	0.17344	0.08324	0.04548	0.02516	0.01745			
40	0.17309	0.08092	0.04459	0.02516	0.01745	0.01077		
41	0.17274	0.07933	0.04368	0.02439	0.01745	0.01077		
42	0.17239	0.07773	0.04277	0.02361	0.01745	0.01077		
43	0.17203	0.07615	0.04186	0.02283	0.01745	0.01077		
44	0.17168	0.07456	0.04096	0.02205	0.01745	0.01077		
45	0.17133	0.07298	0.04005	0.02127	0.01745	0.01077	0.00561	
46	0.17189	0.07138	0.03819	0.02049	0.01657	0.01077	0.00561	
47	0.17245	0.06979	0.03633	0.01971	0.01569	0.01077	0.00561	
48	0.17300	0.06821	0.03447	0.01894	0.01481	0.01077	0.00561	
49	0.17356	0.06662	0.03262	0.01816	0.01393	0.01077	0.00561	
50	0.17412	0.06502	0.03076	0.01738	0.01306	0.01077	0.00561	0.00406
51	0.17468	0.06363	0.02890	0.01655	0.01218	0.01013	0.00561	0.00406
52	0.17524	0.06223	0.02704	0.01572	0.01130	0.00950	0.00561	0.00406
53	0.17580	0.06083	0.02518	0.01489	0.01042	0.00887	0.00561	0.00406
54	0.17635	0.05944	0.02332	0.01406	0.00954	0.00823	0.00561	0.00406

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

- 3. Rates of Disability Retirement:** Rate of eligible active members becoming disabled within the next year, based on CalPERS assumptions adopted in November 2021.

Attained Age	Public Agency Miscellaneous			
	Non-Duty		Duty Related	
	Male	Female	Male	Female
20	0.00007	0.00004	0.0000	0.0000
25	0.00007	0.00009	0.0000	0.0000
30	0.00017	0.00033	0.0000	0.0000
35	0.00035	0.00065	0.0000	0.0000
40	0.00091	0.00119	0.0000	0.0000
45	0.00149	0.00185	0.0000	0.0000
50	0.00154	0.00193	0.0000	0.0000
55	0.00139	0.00129	0.0000	0.0000
60	0.00124	0.00094	0.0000	0.0000
65	0.00109	0.00083	0.0000	0.0000
70	0.00097	0.00054	0.0000	0.0000
75	0.00097	0.00035	0.0000	0.0000

- 4. Rates of Mortality:** Based on CalPERS assumptions adopted in 2021.

Pre-Retirement: CalPERS 2021 Public Agency Miscellaneous Mortality Table

Healthy Annuitants: CalPERS 2021 Public Agency Miscellaneous Mortality Table with MP 2021 Mortality improvement table, base year 2017

Disabled Annuitants: CalPERS 2021 Public Agency Miscellaneous Non Industrial Disabled Mortality Table with MP 2021 Mortality improvement table, base year 2017

- 5. Participation at Retirement:** Currently covered: 100%; Currently waived: 90%

- 6. Plan Election at Retirement:**

Plan	Pre 65	Post 65
Blue Shield/UnitedHealthcare	15%	10%
Kaiser	30%	30%
PERS Gold	0%	0%
PERS Platinum	55%	60%

Plan	HMO	PPO
Region 2	15%	15%
Region 3	85%	50%
Out of State	0%	35%

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

7. Medicare Eligible Rate:

	Pre 4/1/1986 Hires	Post 4/1/1986 Hires
Medicare Election	90%	100%

- 8. Family Composition:** Actives who currently cover a spouse are assumed to continue covering their spouse in the future. Actives who have not enrolled in coverage, 80% are assumed to cover a spouse in the future. Retirees who currently cover a spouse are assumed to continue covering their spouse in the future.
- 9. Dependents:** 20% will elect family coverage at retirement until age 65.
- 10. Medical Coverage for Children:** Retirees who have children coverage are assumed to cover their children until the youngest child is 26.
- 11. Dependent Age:** For current active employees, males are assumed to be three-years older than their spouses. For current retirees, actual spouse date of birth was used, if known.
- 12. Surviving Spouse Participation:** 100%
- 13. Waived Retiree Re-Election:** 20% of Pre-65 retirees are assumed to re-elect at age 65.
- 14. Data Assumption:** Active annual pay was estimated based on age and service criteria. All region 1 participants were grouped with the out of state medical plans.
- 15. Changes since Prior Valuation:** None
- 16. Rationale for Demographic Actuarial Assumptions:** The rates of retirement, withdrawal, disability retirement, and mortality are the assumptions used for participants in CalPERS and are based on the most recent CalPERS Experience Study completed 2021 and approved by the CalPERS Board in November 2021. The other demographic assumptions are from the July 1, 2019 report and believed to be reasonable based on our review.

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Claim and Expense Assumptions

1. **Average Annual Claims and Expense Assumptions:** The following claim and expense assumptions are applicable from July 1, 2023 to June 30, 2024 for Retirees and Spouses. Active employees assumed to retire will use a blended curve based on the plan elections shown in the demographic section. Subsequent years’ costs are based on the first year’s cost adjusted with trend.

2023 Active Annual Claim Curves Non-Medicare		
Age	Male	Female
20	\$ 3,578	\$ 5,474
25	3,794	6,497
30	4,144	7,575
35	4,737	7,843
40	5,842	8,330
45	7,642	9,542
50	10,176	11,111
55	13,369	12,911
60	16,848	15,112
64	19,891	17,204
65	22,126	18,964
70	22,126	18,964
75	22,126	18,964
Medicare		
Age	Male	Female
65	3,360	2,916
70	3,718	3,277
75	4,177	3,662
80	4,640	3,993
85	4,857	4,144
90	4,932	4,199

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
JULY 1, 2023 RETIREE HEALTHCARE PLAN VALUATION

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

2023 Region 3 Annual Claim Curves									
Age	Blue Shield		Kaiser		PERS Select/Gold		PERS Care/Platinum		
	Non-Medicare		Non-Medicare		Non-Medicare		Non-Medicare		
	Male	Female	Male	Female	Male	Female	Male	Female	
20	\$ 3,124	\$ 4,779	\$ 3,573	\$ 5,466	\$ 2,499	\$ 3,823	\$ 3,646	\$ 5,577	
25	3,312	5,672	3,788	6,487	2,649	4,537	3,865	6,619	
30	3,618	6,614	4,138	7,564	2,894	5,291	4,222	7,719	
35	4,136	6,847	4,730	7,831	3,308	5,477	4,827	7,991	
40	5,101	7,273	5,834	8,318	4,080	5,818	5,953	8,487	
45	6,672	8,331	7,631	9,528	5,337	6,665	7,787	9,723	
50	8,884	9,701	10,161	11,095	7,107	7,760	10,368	11,321	
55	11,672	11,272	13,350	12,892	9,337	9,017	13,622	13,155	
60	14,709	13,193	16,823	15,090	11,767	10,554	17,166	15,397	
64	17,365	15,020	19,862	17,179	13,891	12,015	20,266	17,529	
65	19,317	16,557	22,094	18,936	15,452	13,245	22,544	19,322	
70	19,317	16,557	22,094	18,936	15,452	13,245	22,544	19,322	
75	19,317	16,557	22,094	18,936	15,452	13,245	22,544	19,322	

2023 Region 3 Annual Claim Curves									
Age	Blue Shield		Kaiser		PERS Select/Gold		PERS Care/Platinum		
	Medicare		Medicare		Medicare		Medicare		
	Male	Female	Male	Female	Male	Female	Male	Female	
65	4,158	3,609	3,439	2,985	3,064	2,660	3,277	2,845	
70	4,601	4,056	3,806	3,355	3,391	2,989	3,627	3,197	
75	5,169	4,532	4,275	3,749	3,809	3,340	4,074	3,572	
80	5,742	4,942	4,749	4,087	4,232	3,642	4,526	3,895	
85	6,010	5,128	4,971	4,242	4,430	3,779	4,737	4,042	
90	6,103	5,197	5,048	4,298	4,498	3,830	4,811	4,096	

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
JULY 1, 2023 RETIREE HEALTHCARE PLAN VALUATION

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

2023 Region 2 Annual Claim Curves									
Age	Blue Shield		Kaiser		PERS Select/Gold		PERS Care/Platinum		
	Non-Medicare		Non-Medicare		Non-Medicare		Non-Medicare		
	Male	Female	Male	Female	Male	Female	Male	Female	
20	\$ 3,588	\$ 5,489	\$ 3,736	\$ 5,715	\$ 2,556	\$ 3,910	\$ 3,727	\$ 5,702	
25	3,804	6,515	3,961	6,784	2,710	4,641	3,952	6,768	
30	4,155	7,597	4,327	7,910	2,960	5,412	4,316	7,891	
35	4,751	7,865	4,946	8,189	3,384	5,603	4,935	8,170	
40	5,859	8,354	6,101	8,698	4,174	5,951	6,086	8,677	
45	7,664	9,570	7,980	9,964	5,459	6,817	7,961	9,940	
50	10,205	11,143	10,625	11,602	7,269	7,938	10,600	11,574	
55	13,407	12,947	13,960	13,481	9,551	9,223	13,927	13,449	
60	16,896	15,155	17,592	15,779	12,036	10,795	17,550	15,742	
64	19,947	17,253	20,769	17,963	14,209	12,290	20,720	17,921	
65	22,189	19,018	23,103	19,801	15,806	13,547	23,049	19,755	
70	22,189	19,018	23,103	19,801	15,806	13,547	23,049	19,755	
75	22,189	19,018	23,103	19,801	15,806	13,547	23,049	19,755	
2023 Region 2 Annual Claim Curves									
Age	Blue Shield		Kaiser		PERS Select/Gold		PERS Care/Platinum		
	Medicare		Medicare		Medicare		Medicare		
	Male	Female	Male	Female	Male	Female	Male	Female	
65	4,158	3,609	3,439	2,985	3,064	2,660	3,277	2,845	
70	4,601	4,056	3,806	3,355	3,391	2,989	3,627	3,197	
75	5,169	4,532	4,275	3,749	3,809	3,340	4,074	3,572	
80	5,742	4,942	4,749	4,087	4,232	3,642	4,526	3,895	
85	6,010	5,128	4,971	4,242	4,430	3,779	4,737	4,042	
90	6,103	5,197	5,048	4,298	4,498	3,830	4,811	4,096	

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
 JULY 1, 2023 RETIREE HEALTHCARE PLAN VALUATION

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

2023 Out of State Annual Claim Curves									
Age	Blue Shield		Kaiser		PERS Select/Gold		PERS Care/Platinum		
	Non-Medicare		Non-Medicare		Non-Medicare		Non-Medicare		
	Male	Female	Male	Female	Male	Female	Male	Female	
20	\$ 3,685	\$ 5,637	\$ 5,418	\$ 8,289	\$ 2,814	\$ 4,305	\$ 3,687	\$ 5,641	
25	3,907	6,690	5,745	9,838	2,983	5,109	3,909	6,695	
30	4,267	7,801	6,275	11,472	3,259	5,957	4,270	7,806	
35	4,878	8,076	7,174	11,877	3,726	6,168	4,882	8,082	
40	6,016	8,578	8,847	12,615	4,595	6,551	6,021	8,584	
45	7,870	9,826	11,573	14,451	6,010	7,504	7,875	9,833	
50	10,479	11,442	15,410	16,826	8,002	8,738	10,486	11,450	
55	13,767	13,295	20,246	19,551	10,514	10,153	13,777	13,305	
60	17,349	15,562	25,513	22,884	13,249	11,884	17,362	15,573	
64	20,483	17,716	30,121	26,053	15,642	13,529	20,498	17,729	
65	22,785	19,529	33,506	28,718	17,400	14,913	22,802	19,543	
70	22,785	19,529	33,506	28,718	17,400	14,913	22,802	19,543	
75	22,785	19,529	33,506	28,718	17,400	14,913	22,802	19,543	

2023 Out of State Annual Claim Curves									
Age	Blue Shield		Kaiser		PERS Select/Gold		PERS Care/Platinum		
	Medicare		Medicare		Medicare		Medicare		
	Male	Female	Male	Female	Male	Female	Male	Female	
65	4,158	3,609	2,902	2,519	3,064	2,660	3,277	2,845	
70	4,601	4,056	3,211	2,830	3,391	2,989	3,627	3,197	
75	5,169	4,532	3,607	3,163	3,809	3,340	4,074	3,572	
80	5,742	4,942	4,007	3,449	4,232	3,642	4,526	3,895	
85	6,010	5,128	4,194	3,579	4,430	3,779	4,737	4,042	
90	6,103	5,197	4,259	3,627	4,498	3,830	4,811	4,096	

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

2. **Annual Trend:** Medical Trend assumptions used were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The SOA model was released in December 2007, and version 2023_1f was used for this valuation and the prior valuation. The following assumptions were used as input variables into this model:

Trend Assumption Inputs	
Variable	Rate
Rate of Inflation	2.70%
Rate of Growth in Real Income/GDP per capita 2033+	1.40%
Extra Trend due to Taste/Technology 2033+	0.80%
Expected Health Share of GDP 2033	19.80%
Health Share of GDP Resistance Point	19.00%
Year for Limiting Cost Growth to GDP Growth	2075

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.

Beginning January 1,	Pre-Medicare Trend	Medicare Eligible Trend	Beginning January 1,	Pre-Medicare Trend	Medicare Eligible Trend
2023	12.72%	8.45%	2051	4.65%	4.65%
2024	7.20%	5.50%	2052	4.65%	4.65%
2025	6.80%	5.40%	2053	4.64%	4.64%
2026	6.40%	5.30%	2054	4.63%	4.63%
2027	6.00%	5.20%	2055	4.63%	4.63%
2028	5.83%	5.16%	2056	4.62%	4.62%
2029	5.66%	5.12%	2057	4.62%	4.62%
2030	5.49%	5.09%	2058	4.61%	4.61%
2031	5.31%	5.05%	2059	4.61%	4.61%
2032	5.14%	5.01%	2060	4.60%	4.60%
2033	4.97%	4.97%	2061	4.60%	4.60%
2034	4.80%	4.80%	2062	4.59%	4.59%
2035	4.79%	4.79%	2063	4.59%	4.59%
2036	4.78%	4.78%	2064	4.58%	4.58%
2037	4.76%	4.76%	2065	4.58%	4.58%
2038	4.75%	4.75%	2066	4.57%	4.57%
2039	4.74%	4.74%	2067	4.53%	4.53%
2040	4.73%	4.73%	2068	4.48%	4.48%
2041	4.73%	4.73%	2069	4.43%	4.43%
2042	4.72%	4.72%	2070	4.39%	4.39%
2043	4.71%	4.71%	2071	4.35%	4.35%
2044	4.70%	4.70%	2072	4.30%	4.30%
2045	4.69%	4.69%	2073	4.26%	4.26%
2046	4.69%	4.69%	2074	4.22%	4.22%
2047	4.68%	4.68%	2075	4.18%	4.18%
2048	4.67%	4.67%	2076	4.14%	4.14%
2049	4.67%	4.67%	2077	4.14%	4.14%
2050	4.66%	4.66%	2078+	4.14%	4.14%

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

3. **Annual Limits:** Assumed to increase at the same rate as medical trend.
4. **Lifetime Maximums:** Unlimited.
5. **Medicare:** All participants are assumed to enroll in Medicare at age 65.
6. **Geography:** Implicitly assumed to remain the same as current retirees.
7. **Changes since Last Valuation:** The annual claim curves were updated to reflect the most recent claim experience; medical trends were updated to reflect current expectations.

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Methodology

Actuarial Cost Method: The Entry Age Normal Actuarial Cost method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for each active plan member and then summed to produce the total normal cost for the District.

The actuarial liability is that portion of the present value of projected benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and funds accumulated as of the same date is referred to as the unfunded actuarial liability.

The portion of the actuarial liability in excess of OPEB Trust's assets is amortized to develop an additional cost or saving which is added to each year's employer normal cost. Under this cost method, actuarial gains and losses are directly reflected in the size of the unfunded actuarial liability. A closed 23-year amortization period as of the June 30, 2014 unfunded liability plus 15-year closed layers of future gains/losses, assumption changes, or plan changes was used under the Actuarial funding scenario. The amortization method is a level percent of expected pay amortization method, assuming a 3.0% annual increase in pay due to inflation.

Asset Valuation Method: For purposes of determining the Plan's contribution requirement, we use an Actuarial Value of Assets. The asset adjustment method dampens the volatility in asset values that could occur because of fluctuations in market conditions. Use of an asset smoothing method is consistent with the long-term nature of the actuarial valuation process.

In developing the actuarial value using the discrete recognition method, we first develop the expected Actuarial Value of Assets by rolling forward the prior year's actuarial value with contributions made, benefits paid out and interest that would have been earned had the 6.75% assumption been met. The expected value is compared to the actual market value, and the difference reflects a one-year gain or loss on investments. To make the adjustment from the expected actuarial value to the actual actuarial value in this method, each year's gain/loss element is recognized in five equal installments. The actuarial value is subject to a corridor of 80% to 120% of market value.

Claims Method: The claim cost curves were developed based on the experience of the entire CalPERS population, using data provided by CalPERS. This data can be found on the CalPERS website in the file entitled "pemhca-implicit-subsidy-data.xls." The data provided claim experience for all covered members (employees/retirees, covered spouses, and covered children) by age, PEMHCA rating area, and benefit plan. We used this data to develop the expected cost by age for the covered membership for the specific benefit plans and PEMHCA rating areas used by the covered Metropolitan Water District of Southern California population.

APPENDIX A – PARTICIPANT DATA, ASSUMPTIONS AND METHODS

We have reflected the “true” cost of coverage for retirees. The “true” cost of coverage for retirees age 55-64 is greater than the cost of the same coverage for the typical group of active employees. Employers who treat the cost as being the same often are providing implicit subsidies for retirees. The cost difference, known as the implicit subsidy, is equal to the “true” cost of providing retiree medical coverage minus the average active/retiree cost.

Changes since Last Valuation: There were no changes to actuarial methods since the prior valuation.

APPENDIX B – SUBSTANTIVE PLAN PROVISIONS

A summary of the Post-Retirement Health Plan benefits and contribution provisions are as follows.

Eligibility

Full-time active employees are automatically eligible to receive postretirement medical coverage with CalPERS after retiring directly from the District.

The following summarizes eligibility for a pension benefit from the Metropolitan Water District of Southern California:

Miscellaneous

- Classic Formula 2% @ age 55
 - Employees are eligible to retire at age 50
- PEPRA Formula 2% @ age 62
 - Employees are eligible to retire at age 52
- *Disability*: At least five years of service for non-duty disability, and no requirement for duty disability
- *Death*: At least five years of service for non-duty death, and no requirement for duty death

Active members are vested after five years of service, however, must retire directly from the District to be eligible for a post-retirement health benefit.

An employee who becomes disabled outside of work and has completed five years of CalPERS credited service will be provided health insurance coverage upon disablement.

Spouse and Dependent Coverage

If a retiree is eligible for health insurance coverage, the Plan will also provide health coverage for the retiree's spouse and/or dependent children. This coverage will continue for as long as the spouse is alive.

If an active employee who has met the requirements to retire with health insurance coverage dies before retiring, the Plan will provide health coverage for the spouse and/or dependent children for as long as the spouse is alive.

Benefits

The Metropolitan Water District of Southern California Plan is a single employer plan that provides retirees and dependents the same medical benefits that are available to active employees for participants under age 65. Once a participant turns age 65, the Plan provides benefits that coordinate with Medicare. Participants that are eligible for premium free Medicare Part A must sign up for Medicare Part B as soon as they become eligible or CalPERS coverage will be cancelled. The District participates in the CalPERS health program, referred to as PEMHCA (Public Employees' Medical and Hospital Care Act).

APPENDIX B – SUBSTANTIVE PLAN PROVISIONS

Participant Cost Sharing Contributions

The District pays the PEMHCA medical premiums for retirees and eligible dependents up to 100% of the highest cost HMO basic rate in either Region 2 or Region 3.

2023 Cap: 100% of Anthem Traditional Basic – Region 3

2024 Cap: 100% of Anthem Traditional Basic – Region 2

2023 and 2024 Monthly Caps		
Medical Coverage	2023	2024
Single	\$ 942.73	\$ 1,034.38
2-Party	1,885.46	2,068.76
Family	2,451.10	2,689.39

State Vesting Schedule Government Code Section 22893:

Applies to employees hired on or after January 1, 2012 or to employees who were hired prior to January 1, 2012 and elect to be covered by the 10/20 State Vesting Schedule. Vesting applies to the maximum of the District Cap or State 100/90 premiums, but not more than 100% of the premiums for the plan elected by the retiree.

To qualify for District paid retiree medical under the vesting schedule, an employee must meet the following eligibility criteria:

- A minimum of 10 years of CalPERS service credit,
- A minimum of five of those 10 years of CalPERS service credit must be performed at Metropolitan, and
- Must retire from Metropolitan within 120 days from date of separation.

Exceptions to the vesting requirements for those who are eligible for the full employer contribution are:

- An employee who retires on disability retirement.
- An employee who performs 20 or more years of CalPERS service credit solely with Metropolitan, even if they do not retire directly from the District.

2023 and 2024 Monthly 100/90 Premiums		
Medical Coverage	2023	2024
Single	\$ 883	\$ 983
2-Party	1,699	1,890
Family	2,124	2,366

APPENDIX B – SUBSTANTIVE PLAN PROVISIONS

Vesting schedule percentage is based on CalPERS service, with a minimum of five years of District service. Members are 100% vested for disability retirements or with 20 years of District service.

CalPERS Service	Vesting %	CalPERS Service	Vesting %
<10	0%	15	75%
10	50%	16	80%
11	55%	17	85%
12	60%	18	90%
13	65%	19	95%
14	70%	20+	100%

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
 JULY 1, 2023 RETIREE HEALTHCARE PLAN VALUATION

APPENDIX B – SUBSTANTIVE PLAN PROVISIONS

Medical Premiums: Initial premiums for this valuation as of July 1, 2023 are based on 2023 PEMHCA premium rates shown below:

Medical Plan	Region	2023 Premiums					
		Non Medicare Eligible			Medicare Eligible		
		Single	2-Party	Family	Single	2-Party	Family
Anthem Select	Region 1	\$1,128.83	\$2,257.66	\$2,934.96	\$413.59	\$827.18	\$1,240.77
Anthem Select	Region 2	765.37	1,530.74	1,989.96	413.59	827.18	1,240.77
Anthem Select	Region 3	737.91	1,475.82	1,918.57	413.59	827.18	1,240.77
Anthem Traditional	Region 2	935.12	1,870.24	2,431.31	413.59	827.18	1,240.77
Anthem Traditional	Region 3	942.73	1,885.46	2,451.10	413.59	827.18	1,240.77
Blue Shield	Region 1	1,035.21	2,070.42	2,691.55	361.90	723.80	1,085.70
Blue Shield	Region 2	842.61	1,685.22	2,190.79	361.90	723.80	1,085.70
Blue Shield	Region 3	738.29	1,476.58	1,919.55	361.90	723.80	1,085.70
Blue Shield Trio	Region 3	661.49	1,322.98	1,719.87	361.90	723.80	1,085.70
Health Net SmartCare	Region 2	834.65	1,669.30	2,170.09	0.00	0.00	0.00
Health Net SmartCare	Region 3	755.29	1,510.58	1,963.75	0.00	0.00	0.00
Kaiser	Region 1	913.74	1,827.48	2,375.72	283.25	566.50	849.75
Kaiser	Region 2	756.21	1,512.42	1,966.15	283.25	566.50	849.75
Kaiser	Region 3	754.64	1,509.28	1,962.06	283.25	566.50	849.75
Kaiser	Out of State	1,155.43	2,310.86	3,004.12	274.03	548.06	822.09
PERS Gold	Region 1	825.61	1,651.22	2,146.59	392.71	785.42	1,178.13
PERS Gold	Region 2	695.93	1,391.86	1,809.42	392.71	785.42	1,178.13
PERS Gold	Region 3	680.37	1,360.74	1,768.96	392.71	785.42	1,178.13
PERS Platinum	Region 1	1,200.12	2,400.24	3,120.31	420.02	840.04	1,260.06
PERS Platinum	Region 2	1,014.80	2,029.60	2,638.48	420.02	840.04	1,260.06
PERS Platinum	Region 3	992.59	1,985.18	2,580.73	420.02	840.04	1,260.06
PERS Platinum	Out of State	1,003.90	2,007.80	2,610.14	420.02	840.04	1,260.06
Sharp	Region 2	764.96	1,529.92	1,988.90	249.79	499.58	749.37
UnitedHealthcare	Region 1	1,044.07	2,088.14	2,714.58	299.68	599.36	899.04
UnitedHealthcare	Region 2	793.63	1,587.26	2,063.44	299.68	599.36	899.04
UnitedHealthcare	Region 3	790.46	1,580.92	2,055.20	299.68	599.36	899.04

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
 JULY 1, 2023 RETIREE HEALTHCARE PLAN VALUATION

APPENDIX B – SUBSTANTIVE PLAN PROVISIONS

Medical Plan	Region	2024 Premiums					
		Non Medicare Eligible			Medicare Eligible		
		Single	2-Party	Family	Single	2-Party	Family
Anthem Select	Region 1	\$1,138.86	\$2,277.72	\$2,961.04	\$405.83	\$811.66	\$1,217.49
Anthem Select	Region 2	807.71	1,615.42	2,100.05	405.83	811.66	1,217.49
Anthem Select	Region 3	841.13	1,682.26	2,186.94	405.83	811.66	1,217.49
Anthem Traditional	Region 2	1,034.38	2,068.76	2,689.39	405.83	811.66	1,217.49
Anthem Traditional	Region 3	1,012.67	2,025.34	2,632.94	405.83	811.66	1,217.49
Blue Shield	Region 1	1,076.84	2,153.68	2,799.78	392.68	785.36	1,178.04
Blue Shield	Region 2	869.14	1,738.28	2,259.76	392.68	785.36	1,178.04
Blue Shield	Region 3	756.65	1,513.30	1,967.29	392.68	785.36	1,178.04
Blue Shield Trio	Region 3	704.69	1,409.38	1,832.19	392.68	785.36	1,178.04
Health Net SmartCare	Region 2	0.00	0.00	0.00	0.00	0.00	0.00
Health Net SmartCare	Region 3	0.00	0.00	0.00	0.00	0.00	0.00
Kaiser	Region 1	1,021.41	2,042.82	2,655.67	324.79	649.58	974.37
Kaiser	Region 2	904.95	1,809.90	2,352.87	324.79	649.58	974.37
Kaiser	Region 3	865.41	1,730.82	2,250.07	324.79	649.58	974.37
Kaiser	Out of State	1,312.45	2,624.90	3,412.37	274.03	548.06	822.09
PERS Gold	Region 1	914.82	1,829.64	2,378.53	406.60	813.20	1,219.80
PERS Gold	Region 2	799.44	1,598.88	2,078.54	406.60	813.20	1,219.80
PERS Gold	Region 3	785.28	1,570.56	2,041.73	406.60	813.20	1,219.80
PERS Platinum	Region 1	1,314.27	2,628.54	3,417.10	448.15	896.30	1,344.45
PERS Platinum	Region 2	1,151.50	2,303.00	2,993.90	448.15	896.30	1,344.45
PERS Platinum	Region 3	1,131.47	2,262.94	2,941.82	448.15	896.30	1,344.45
PERS Platinum	Out of State	1,146.86	2,293.72	2,981.84	448.15	896.30	1,344.45
Sharp	Region 2	833.24	1,666.48	2,166.42	256.53	513.06	769.59
UnitedHealthcare	Region 1	1,091.13	2,182.26	2,836.94	341.72	683.44	1,025.16
UnitedHealthcare	Region 2	837.88	1,675.76	2,178.49	341.72	683.44	1,025.16
UnitedHealthcare	Region 3	826.44	1,652.88	2,148.74	341.72	683.44	1,025.16

Changes since Last Valuation

Premiums were updated to reflect current CalPERS premiums.

APPENDIX C – GLOSSARY OF TERMS

1. Actuarial Assumptions

Assumptions as to the occurrence of future events affecting costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided 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.

2. Actuarial Cost Method

A procedure for determining the Actuarial Present Value of Plan 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 Liability.

3. Actuarial Gain (Loss) (Called Actuarial Experience Gain and Loss)

A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.

4. Actuarial Liability

That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of projected benefits which will not be paid by future Normal Costs.

5. Actuarial Present Value (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. For purposes of this standard, each such amount or series of amounts is:

- a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, Social Security, marital status, etc.),
- b. multiplied by the probability of the occurrence of the event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and
- c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.

As a simple example: assume you owe \$100 to a friend one year from now. Also, assume there is a 1% probability of your friend dying over the next year, in which case you will not be obligated to pay him. If the assumed investment return is 10%, the actuarial present value is:

Amount		Probability of Payment		$\frac{1}{(1+\text{Discount Rate})}$	
\$100	x	(1 - .01)	x	1/(1+.1)	= \$90

APPENDIX C – GLOSSARY OF TERMS

6. Actuarial Valuation

The determination as of a valuation date of the Normal Cost, Actuarial Liability, Actuarial Value of Assets, and related Actuarial Present Values for the Plan.

7. Actuarial Value of Assets

The value of cash, investments and other property belonging to a Plan, as used by the actuary for the purpose of an Actuarial Valuation. The purpose of an Actuarial Value of Assets is to smooth out fluctuations in market values. This way, long-term costs are not distorted by short-term fluctuations in the market.

8. Amortization

The portion of the Plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Liability.

9. Discount Rate

The estimated long-term interest yield on the investments that are expected to be used to finance the payment of benefits, with consideration given to the nature and mix of current and expected investments and the basis used to determine the Actuarial Value of Assets.

10. Funded Ratio

The Actuarial Value of Assets expressed as a percentage of the Actuarial Liability.

11. Normal Cost

That portion of the Actuarial Present Value of the Plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

12. Per Person Cost Trend, i.e., Healthcare Cost Trend Rate

The rate of change in 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.

13. Projected Unit Credit Actuarial Cost Method

A method under which the benefits (projected or un-projected) of each individual included in an actuarial valuation are allocated by a consistent formula to valuation years.

14. Unfunded Actuarial Liability

The excess of the Actuarial Liability over the Actuarial Value of Assets.

APPENDIX D – ABBREVIATION LIST

Actuarial Liability (AL)
Actuarial Valuation Report (AVR)
Actuarially Determined Contribution (ADC)
Coordination of Benefits (COB)
Deductible and Coinsurance (DC)
Durable Medical Equipment (DME)
Employee Assistance Program (EAP)
Employee Benefits Division (EBD)
Fiscal Year Ending (FYE)
Governmental Accounting Standards Board (GASB)
Hospital Emergency Room (ER)
In-Network (INN)
Inpatient (IP)
Line of Duty Act (LODA)
Medicare Eligible (ME)
Net Other Postemployment Benefit (NOO)
Non-Medicare Eligible (NME)
Not Applicable (NA)
Office Visit (OV)
Other Postemployment Benefit (OPEB)
Out-of-Network (OON)
Out-of-Pocket (OOP)
Outpatient (OP)
Pay-as-you-go (PAYGo)
Per Person Per Month (PPPM)
Pharmacy (Rx)
Preferred Provider Organization (PPO)
Primary Care Physician (PCP)
Specialist Care Provider (SCP)
Summary Plan Description (SPD)
Unfunded Actuarial Liability (UAL)
Urgent Care (UC)



Classic Values, Innovative Advice