



GASB 74/75 ACTUARIAL VALUATION

Fiscal Year Ending June 30, 2022

CITY OF NEWPORT BEACH

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April 6, 2022

Scott Catlett
City of Newport Beach
100 Civic Center Drive
Newport Beach, CA 92660

This report summarizes the GASB actuarial valuation for the City of Newport Beach 2021/22 fiscal year. To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statement No. 74 (Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans) and GASB Statement No. 75 (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions). This report may not be appropriate for other purposes. Please contact Nyhart prior to disclosing this report to any other party or relying on its content for any purpose other than that explained above. Failure to do so may result in misrepresentation or misinterpretation of this report.

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

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

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

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

We did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement.

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

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

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



Sandy DeKalb ASA, EA, MAAA
Actuary



John Mallows, FSA, MAAA
Actuary

Executive Summary

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

Summary of Results

Presented below is the summary of GASB 75 results for the fiscal year ending June 30, 2022 compared to the prior fiscal year as shown in the City's Notes to Financial Statement.

	FYE June 30, 2021	FYE June 30, 2022
Total OPEB Liability	\$ 46,093,712	\$ 51,603,833
Actuarial Value of Assets	\$ (25,796,272)	\$ (34,969,715)
Net OPEB Liability	\$ 20,297,440	\$ 16,634,118
Funded Ratio	56.0%	67.8%

	FY 2020/21	FY 2021/22
OPEB Expense	\$ 2,206,286	\$ 1,588,845
Annual Employer Contributions	\$ 4,674,814	\$ 5,785,342
Actuarially Determined Contribution	\$ 4,108,719	\$ 4,124,923

	FYE June 30, 2021	FYE June 30, 2022
Discount Rate	6.50%	6.50%
Expected Return on Assets	6.50%	6.50%

	FYE June 30, 2022
Total Active Participants	821
Total Retiree Participants	777

The active participants' number above may include active employees who currently have no health care coverage. Refer to Summary of Participants section for an accurate breakdown of active employees with and without coverage.

Executive Summary

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

Summary of Results

Below is a breakdown of total GASB 75 liabilities allocated to past and current service compared to the prior year. The table below also provides a breakdown of the Total OPEB Liability allocated to pre- and post- Medicare eligibility. The liability shown below includes explicit (if any) and implicit subsidies. Refer to the Substantive Plan Provisions section for complete information on the Plan Sponsor's GASB subsidies.

Present Value of Future Benefits	FYE June 30, 2021	FYE June 30, 2022
Active Employees	\$ 16,204,487	\$ 14,788,083
Retired Employees	35,048,585	41,919,817
Total Present Value of Future Benefits	\$ 51,253,072	\$ 56,707,900

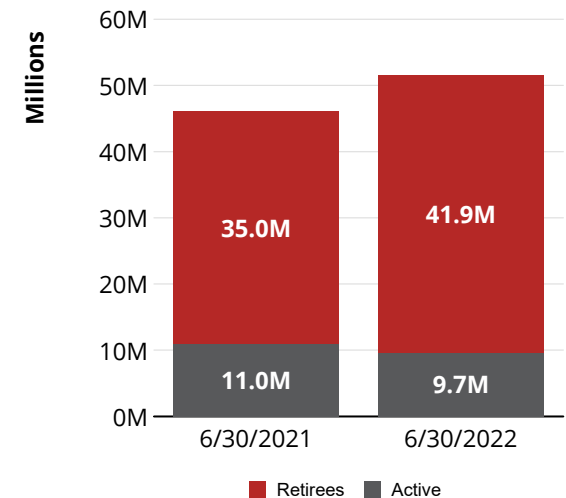
Total OPEB Liability	FYE June 30, 2021	FYE June 30, 2022
Active Pre-Medicare	\$ 6,581,220	\$ 6,035,416
Active Post-Medicare	4,463,907	3,648,600
Active Liability	\$ 11,045,127	\$ 9,684,016

Retiree Pre-Medicare	\$ 7,978,541	\$ 10,974,637
Retiree Post-Medicare	27,070,044	30,945,180
Retiree Liability	\$ 35,048,585	\$ 41,919,817

Total OPEB Liability	\$ 46,093,712	\$ 51,603,833
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	FYE June 30, 2021	FYE June 30, 2022
Discount Rate	6.50%	6.50%

Changes In Total OPEB Liability



Present Value of Future Benefits (PVFB) is the amount needed as of June 30, 2022 and June 30, 2021, to fully fund the City's retiree health care subsidies for existing and future retirees and their dependents assuming all actuarial assumptions are met.

Total OPEB Liability is the portion of PVFB considered to be accrued or earned as of June 30, 2022 and June 30, 2021. This amount is a required disclosure in the Required Supplementary Information section.

GASB Disclosures

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

Schedule of Changes in Net OPEB Liability and Related Ratios

OPEB Liability	FY 2021/22	FY 2020/21	FY 2019/20	FY 2018/19	FY 2017/18
Total OPEB Liability					
Total OPEB Liability - beginning of year	\$ 46,093,712	\$ 46,635,812	\$ 44,296,670	\$ 44,614,266	\$ 44,819,178
Service cost	529,600	521,285	524,717	509,434	478,341
Interest	2,909,400	2,944,050	2,795,490	2,814,685	2,830,153
Change of benefit terms	0	0	0	0	0
Changes in assumptions	(302,512)	0	114,311	0	0
Differences between expected and actual experience	6,159,865	(219,772)	2,532,319	0	0
Benefit payments	(3,786,232)	(3,787,663)	(3,627,695)	(3,641,715)	(3,513,406)
Net change in total OPEB liability	\$ 5,510,121	\$ (542,100)	\$ 2,339,142	\$ (317,596)	\$ (204,912)
Total OPEB Liability - end of year	\$ 51,603,833	\$ 46,093,712	\$ 46,635,812	\$ 44,296,670	\$ 44,614,266
Plan Fiduciary Net Position					
Plan fiduciary net position - beginning of year	\$ 25,796,272	\$ 24,021,071	\$ 21,696,948	\$ 19,094,690	\$ 16,147,240
Contributions - employer	5,785,342	4,674,814	4,460,937	4,675,193	4,594,772
Contributions - active employees	0	0	0	0	0
Net investment income	7,184,241	900,087	1,495,861	1,605,114	1,875,536
Benefit payments	(3,786,232)	(3,787,663)	(3,627,695)	(3,641,715)	(3,513,406)
Trust administrative expenses	(9,908)	(12,037)	(4,980)	(36,334)	(9,452)
Net change in plan fiduciary net position	\$ 9,173,443	\$ 1,775,201	\$ 2,324,123	\$ 2,602,258	\$ 2,947,450
Plan fiduciary net position - end of year	\$ 34,969,715	\$ 25,796,272	\$ 24,021,071	\$ 21,696,948	\$ 19,094,690
Net OPEB Liability - end of year	\$ 16,634,118	\$ 20,297,440	\$ 22,614,741	\$ 22,599,722	\$ 25,519,576
Plan fiduciary net position as % of total OPEB liability	67.8%	56.0%	51.5%	49.0%	42.8%
Covered employee payroll	\$ 79,484,098	\$ 74,023,505	\$ 72,042,341	\$ 74,484,613	\$ 74,484,613
Net OPEB liability as % of covered payroll	20.9%	27.4%	31.4%	30.3%	34.3%

GASB Disclosures

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

Schedule of Employer Contributions

The Actuarially Determined Contributions (ADC) shown below are based on the Annual Required Contribution (ARC) calculated in prior GASB 45 actuarial valuations as shown in the City's financial statements.

	FY 2021/22		FY 2020/21		FY 2019/20		FY 2018/19		FY 2017/18	
Actuarially Determined Contribution (ADC)	\$	4,124,923	\$	4,108,719	\$	3,834,916	\$	3,827,337	\$	4,497,835
Contributions in relation to the ADC		5,785,342		4,674,814		4,460,937		4,675,193		4,594,772
Contribution deficiency/(excess)	\$	(1,660,419)	\$	(566,095)	\$	(626,021)	\$	(847,856)	\$	(96,937)
Covered employee payroll	\$	79,484,098	\$	74,023,505	\$	72,042,341	\$	74,484,613	\$	74,484,613
Contribution as a % of covered payroll		7.3%		6.3%		6.2%		6.3%		6.2%

GASB Disclosures

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

OPEB Expense

OPEB Expense	FY 2021/22		FY 2020/21	
Discount Rate				
Beginning of year		6.50%		6.50%
End of year		6.50%		6.50%
Service cost	\$	529,600	\$	521,285
Interest		2,909,400		2,944,050
Change of benefit terms		0		0
Projected earnings on OPEB plan investments		(1,740,389)		(1,589,363)
Reduction for contributions from active employees		0		0
OPEB plan administrative expenses		9,908		12,037
Current period recognition of deferred outflows / (inflows) of resources				
Differences between expected and actual experience	\$	1,082,063	\$	397,634
Changes in assumptions		(14,560)		19,052
Net difference between projected and actual earnings on OPEB plan investments		(1,187,177)		(98,409)
Total current period recognition	\$	(119,674)	\$	318,277
Total OPEB expense	\$	1,588,845	\$	2,206,286

GASB Disclosures

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

Deferred Outflows / (Inflows) of Resources

Deferred Outflows / (Inflows) of Resources represents the following items that have not been recognized in the OPEB Expense:

1. Differences between expected and actual experience of the OPEB plan
2. Changes of assumptions
3. Differences between projected and actual earnings in OPEB plan investments (for funded plans only)

The initial amortization period for the first two items noted above is based on expected future service lives while the difference between the projected and actual earnings in OPEB plan investment is amortized over five years. All balances are amortized linearly on a principal only basis and new bases will be created annually for each of the items above.

Differences between expected and actual experience for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2022
June 30, 2018	\$ 0	N/A	\$ 0	\$ 0
June 30, 2019	\$ 0	N/A	\$ 0	\$ 0
June 30, 2020	\$ 2,532,319	6	\$ 422,053	\$ 1,266,160
June 30, 2021	\$ (219,772)	9	\$ (24,419)	\$ (170,934)
June 30, 2022	\$ 6,159,865	9	\$ 684,429	\$ 5,475,436

Changes in assumptions for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2022
June 30, 2018	\$ 0	N/A	\$ 0	\$ 0
June 30, 2019	\$ 0	N/A	\$ 0	\$ 0
June 30, 2020	\$ 114,311	6	\$ 19,052	\$ 57,155
June 30, 2021	\$ 0	N/A	\$ 0	\$ 0
June 30, 2022	\$ (302,512)	9	\$ (33,612)	\$ (268,900)

GASB Disclosures

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

Deferred Outflows / (Inflows) of Resources (Continued)

Net Difference between projected and actual earnings in OPEB plan investments for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2022
June 30, 2018	\$ (791,128)	5	\$ (158,224)	\$ 0
June 30, 2019	\$ (331,552)	5	\$ (66,310)	\$ (66,312)
June 30, 2020	\$ (58,641)	5	\$ (11,728)	\$ (23,457)
June 30, 2021	\$ 689,276	5	\$ 137,855	\$ 413,566
June 30, 2022	\$ (5,443,852)	5	\$ (1,088,770)	\$ (4,355,082)

As of fiscal year ending June 30, 2022	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 6,741,596	\$ (170,934)
Changes in assumptions	57,155	(268,900)
Net difference between projected and actual earnings in OPEB plan investments	0	(4,031,285)
Contributions subsequent to the measurement date	4,359,593	N/A
Total	\$ 11,158,344	\$ (4,471,119)

Annual Amortization of Deferred Outflows / (Inflows)

The balances as of fiscal year ending June 30, 2022 of the deferred outflows / (inflows) of resources will be recognized in OPEB expense in the future fiscal years as noted below. Balances shown below do not include the recognition of any deferred outflows for contributions subsequent to the measurement date.

FYE	Balance
2023	\$ 38,548
2024	\$ 104,859
2025	\$ 116,589
2026	\$ (462,374)
2027	\$ 626,398
Thereafter	\$ 1,903,612

GASB Disclosures

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

Sensitivity Results

The following presents the Net OPEB Liability as of June 30, 2022, calculated using the discount rate assumed and what it would be using a 1% higher and 1% lower discount rate.

- The current discount rate is 6.50%.
- The 1% decrease in discount rate would be 5.50%.
- The 1% increase in discount rate would be 7.50%.

As of June 30, 2022	Net OPEB Liability	
1% Decrease	\$	21,822,821
Current Discount Rate	\$	16,634,118
1% Increase	\$	12,247,235

The following presents the Net OPEB Liability as of June 30, 2022, using the health care trend rates assumed and what it would be using 1% higher and 1% lower health care trend rates.

- The current health care trend rate starts at an initial rate of 6.00%, decreasing to an ultimate rate of 4.50%.
- The 1% decrease in health care trend rates would assume an initial rate of 5.00%, decreasing to an ultimate rate of 3.50%.
- The 1% increase in health care trend rates would assume an initial rate of 7.00%, decreasing to an ultimate rate of 5.50%.

As of June 30, 2022	Net OPEB Liability	
1% Decrease	\$	14,440,203
Current Trend Rates	\$	16,634,118
1% Increase	\$	19,707,865

GASB Disclosures

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

Asset Information

Asset Breakdown	FY 2020/21		FY 2021/22	
Assets				
Cash and deposits	\$	0	\$	0
Securities lending cash collateral		0		0
Total cash	\$	0	\$	0
Receivables				
Contributions	\$	0	\$	0
Accrued interest		0		0
Total receivables	\$	0	\$	0
Investments				
Fixed income	\$	0	\$	0
Equities		0		0
Mutual Funds		25,796,272		34,969,715
Total investments	\$	25,796,272	\$	34,969,715
Total Assets	\$	25,796,272	\$	34,969,715
Liabilities				
Payables				
Investment management fees	\$	0	\$	0
Securities lending expense		0		0
Total liabilities	\$	0	\$	0
Net Position Restricted to OPEB	\$	25,796,272	\$	34,969,715

GASB Disclosures

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

Asset Information (Continued)

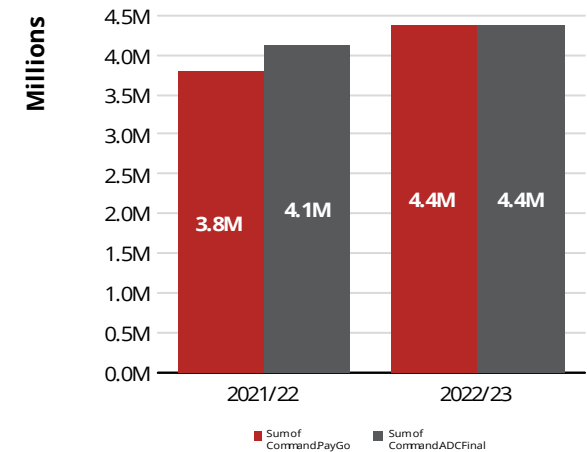
Asset Reconciliation	FY 2020/21	FY 2021/22
Additions		
Contributions Received		
Employer	\$ 4,674,814	\$ 5,785,342
Active employees	0	0
Total contributions	\$ 4,674,814	\$ 5,785,342
Investment Income		
Net increase in fair value of investments	\$ 900,087	\$ 7,184,241
Interest and dividends	0	0
Investment expense, other than from securities lending	0	0
Securities lending income	0	0
Securities lending expense	0	0
Net investment income	\$ 900,087	\$ 7,184,241
Total additions	\$ 5,574,901	\$ 12,969,583
Deductions		
Benefit payments	\$ 3,787,663	\$ 3,786,232
Administrative expenses	12,037	9,908
Other	0	0
Total deductions	\$ 3,799,700	\$ 3,796,140
Net increase in net position	\$ 1,775,201	\$ 9,173,443
Net position restricted to OPEB		
Beginning of year	\$ 24,021,071	\$ 25,796,272
End of year	\$ 25,796,272	\$ 34,969,715

Actuarially Determined Contributions

City of Newport Beach GASB 74/75 Valuation For Fiscal Year Ending June 30, 2022

	FY 2021/22		FY 2022/23	
Discount rate (Funding)	6.50%		6.50%	
Payroll growth factor used for amortization	3.00%		3.00%	
Actuarial cost method	Entry Age Normal Level % of Salary		Entry Age Normal Level % of Salary	
Amortization type	Level Dollar		Level Dollar	
Amortization period (years)	10		10	
Actuarial Accrued Liability (AAL) - beginning of year	\$	46,093,712	\$	51,603,833
Actuarial Value of Assets (AVA) - beginning of year		(25,796,272)		(34,969,715)
Unfunded AAL - beginning of year	\$	20,297,440	\$	16,634,118
Normal Cost	\$	568,478	\$	584,111
Amortization of Unfunded AAL		3,304,689		2,676,984
Total normal cost plus amortization	\$	3,873,167	\$	3,261,095
Interest to end of year		251,756		211,971
Actuarially Determined Contribution - Preliminary	\$	4,124,923	\$	3,473,066
Expected Benefit Payments		3,786,232		4,359,593
Actuarially Determined Contribution - Final	\$	4,124,923	\$	4,359,593

Cash Vs Accrual Accounting



Actuarially Determined Contribution (ADC) is the target or recommended contribution to a defined benefit OPEB plan, which if paid on an ongoing basis, will provide sufficient resources to fund future costs for services to be earned and liabilities attributed to past services. This is typically higher than the pay-as-you-go cost because it includes recognition of employer costs expected to be paid in future accounting periods.

* The ADC for FY 2021/22 is consistent with the June 30, 20219 Actuarial Valuation.

Projection of GASB Disclosures

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

The Total OPEB Liability (TOL) is expected to change on an annual basis as a result of expected and unexpected events. Under normal circumstances, it is generally expected to have a net increase each year. Below is a list of the most common events affecting the total OPEB liability and whether they increase or decrease the liability.

Expected Events

- Increases in TOL due to additional benefit accruals as employees continue to earn service each year
- Increases in TOL due to interest as the employees and retirees age
- Decreases in TOL due to benefit payments

Unexpected Events

- Increases in TOL when actual premium rates increase more than expected. A liability decrease occurs when the reverse happens.
- Increases in TOL when more new retirements occur than expected or fewer terminations occur than anticipated. Liability decreases occur when the opposite outcomes happen.
- Increases or decreases in TOL depending on whether benefits are improved or reduced.

Projection of Total OPEB Liability (TOL)	FY 2021/22	FY 2022/23
TOL as of beginning of year	\$ 46,093,712	\$ 51,603,833
Normal cost as of beginning of year	529,600	530,843
Exp. benefit payments during the year	(3,786,232)	(4,359,593)
Interest adjustment to end of year	2,909,400	3,249,298
Exp. TOL as of end of year	\$ 45,746,480	\$ 51,024,381
Actuarial Loss / (Gain)	5,857,353	TBD
Actual TOL as of end of year	\$ 51,603,833	\$ TBD

Discount rate as of beginning of year	6.50%	6.50%
Discount rate as of end of year	6.50%	TBD

Projection of Actuarial Value of Assets (AVA)	FY 2021/22	FY 2022/23
AVA as of beginning of year	\$ 25,796,272	\$ 34,969,715
Exp. employer contributions during the year	3,786,232	4,359,593
Exp. benefit payments during the year	(3,786,232)	(4,359,593)
Expected investment income	1,676,441	2,272,715
Exp. Trust administrative expenses	(9,908)	(9,908)
Exp. AVA as of end of year	\$ 27,462,805	\$ 37,232,522
Differences between expected and actual experience	7,506,910	TBD

AVA as of end of year	\$ 34,969,715	\$ TBD
Expected asset return as of beginning of year	6.50%	6.50%
Expected asset return as of end of year	6.50%	TBD

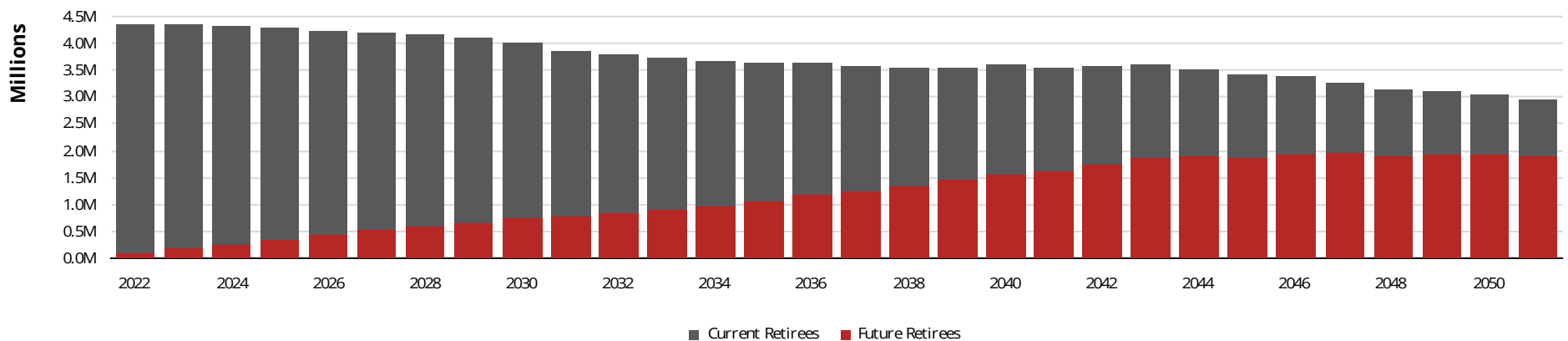
Cash Flow Projections

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

The below projections show the actuarially estimated employer-paid contributions for retiree health benefits for the next thirty years. Results are shown separately for a closed group of current/future retirees. These projections include explicit and implicit subsidies.

FYE	Current Retirees	Future Retirees*	Total	FYE	Current Retirees	Future Retirees*	Total	FYE	Current Retirees	Future Retirees*	Total
2022	\$ 4,271,213	\$ 88,380	\$ 4,359,593	2032	\$ 2,965,309	\$ 832,736	\$ 3,798,045	2042	\$ 1,833,653	\$ 1,738,641	\$ 3,572,294
2023	\$ 4,156,293	\$ 175,330	\$ 4,331,623	2033	\$ 2,836,850	\$ 900,427	\$ 3,737,277	2043	\$ 1,739,910	\$ 1,851,420	\$ 3,591,330
2024	\$ 4,035,811	\$ 263,542	\$ 4,299,353	2034	\$ 2,706,347	\$ 966,684	\$ 3,673,031	2044	\$ 1,636,099	\$ 1,881,975	\$ 3,518,074
2025	\$ 3,934,256	\$ 342,596	\$ 4,276,852	2035	\$ 2,585,502	\$ 1,053,235	\$ 3,638,737	2045	\$ 1,527,446	\$ 1,873,192	\$ 3,400,638
2026	\$ 3,790,414	\$ 437,617	\$ 4,228,031	2036	\$ 2,458,093	\$ 1,167,179	\$ 3,625,272	2046	\$ 1,434,205	\$ 1,934,175	\$ 3,368,380
2027	\$ 3,681,126	\$ 522,773	\$ 4,203,899	2037	\$ 2,324,321	\$ 1,238,570	\$ 3,562,891	2047	\$ 1,324,614	\$ 1,944,532	\$ 3,269,146
2028	\$ 3,551,974	\$ 592,669	\$ 4,144,643	2038	\$ 2,205,464	\$ 1,328,666	\$ 3,534,130	2048	\$ 1,242,018	\$ 1,893,672	\$ 3,135,690
2029	\$ 3,439,786	\$ 665,627	\$ 4,105,413	2039	\$ 2,107,121	\$ 1,445,571	\$ 3,552,692	2049	\$ 1,178,042	\$ 1,937,468	\$ 3,115,510
2030	\$ 3,278,395	\$ 737,660	\$ 4,016,055	2040	\$ 2,021,517	\$ 1,563,802	\$ 3,585,319	2050	\$ 1,111,985	\$ 1,935,705	\$ 3,047,690
2031	\$ 3,078,852	\$ 779,190	\$ 3,858,042	2041	\$ 1,919,958	\$ 1,627,862	\$ 3,547,820	2051	\$ 1,046,157	\$ 1,908,561	\$ 2,954,718

Projected Employer Pay-go Cost



* Projections for future retirees do not take into account future new hires.

Discussion of Discount Rates

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

Under GASB 74, the discount rate used in valuing OPEB liabilities for funded plans as of the Measurement Date must be based on the long-term expected rate of return on OPEB plan investments that are expected to be used to finance future benefit payments to the extent that (a) they are sufficient to pay for the projected benefit payments and (b) the OPEB plan assets are invested using a strategy that will achieve that return. When the OPEB plan investments are insufficient to cover future benefit payments, a yield 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) must be used.

For the current valuation:

1. The City participates in the CERBT investment strategy 3. The long-term expected rate of return on OPEB plan investment is assumed to be 6.50%. This was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation percentage and adding in expected inflation (2.75%). The best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of June 30, 2021 are summarized in the following table.

Asset Class - CERBT Strategy 1	Target Allocation	L/T Expected Real ROR
Global Equities	59.00%	N/A
Fixed Income	25.00%	N/A
TIPS	5.00%	N/A
REITS	8.00%	N/A
Commodities	3.00%	N/A
Total	100.00%	6.50%

2. The discount rate used when the OPEB plan investments are insufficient to pay for future benefit payments are selected from the range of indices as shown in the table below, where the range is given as the spread between the lowest and highest rate shown.

Yield as of	July 1, 2020	June 30, 2021
Bond Buyer Go 20-Bond Municipal Bond Index	2.21%	2.16%
S&P Municipal Bond 20-Year High Grade Rate Index	2.66%	2.19%
Fidelity 20-Year Go Municipal Bond Index	2.45%	1.94%
Bond Index Range	2.21% – 2.66%	1.94% – 2.19%

3. The final equivalent single discount rate used for this year's valuation is 6.50%. This discount rate assumes the City continues to fund for its retiree health benefits through the California Employers' Retiree Benefits Trust (CERBT) under its investment allocation strategy 1.

Summary of Plan Participants

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

Active Employees

Actives Employees	Total	Avg. Age	Avg. Svc	Salary
Hybrid Plan	37	59.2	30.4	\$ 3,893,973
RHS Plan	630	42.0	11.9	\$ 66,533,228
Part Time	154	39.0	7.9	\$ 9,056,897
Total	821	42.2	11.9	\$ 79,484,098

70% of part-time active employees meeting eligibility requirements are assumed to elect retiree health coverage at retirement.

Enrollment information above is for full-time employees who are eligible for retiree health care benefits only.

Summary of Plan Participants

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

Active Age-Service Distribution

Age	Years of Service										Total
	< 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25	5	20	3								28
25 to 29	9	51	24	4							88
30 to 34	11	54	34	18	4						121
35 to 39	8	18	36	38	23	5					128
40 to 44	5	12	17	33	58	13	5				143
45 to 49	3	13	13	14	32	21	6	2			104
50 to 54	4	12	9	14	18	22	8	8	1		96
55 to 59	3	10	5	4	12	12	12	9	6		73
60 to 64	1	1	1	3	6	2	4	4	1		23
65 to 69		3	3	2	1	3	1				13
70 & up		1	1	1	1						4
Total	49	195	146	131	155	78	36	23	8	0	821

Summary of Plan Participants

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

Retirees

Retirees with coverage	Single	Non-Single	Total	Avg. Age
Miscellaneous	135	93	228	71.9
Safety	59	119	178	68.9
MRC Only			44	61.9
Waives			327	68.1
Total retirees with coverage	194	212	777	69.1

Retiree Age Distribution

Age	Retirees
< 45	10
45 to 49	8
50 to 54	38
55 to 59	88
60 to 64	129
65 to 69	149
70 to 74	154
75 to 79	85
80 to 84	62
85 to 89	31
90 & up	23
Total	777

Substantive Plan Provisions

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

This study analyzes the post-retirement health benefits provided by the City. Currently, eligible active employees are offered a choice of medical (including prescription drug coverage) plans through the CalPERS Health Program under the Public Employees' Medical and Hospital Care Act (PEMHCA). The City offers the same medical plans to eligible retirees except once a retiree is eligible for Medicare, the retiree must join a Medicare HMO or Supplement Plan with Medicare being the primary payer.

Prior to January 1, 2006, the City sponsored a defined benefit healthcare plan which provided a fixed dollar contribution towards the cost of medical coverage for eligible employees continuing medical coverage through PEMHCA at retirement. The City's contribution varied by employee group (up to a maximum of \$450 per month for Police employees and \$400 for all other employees).

Effective January 1, 2006, the City implemented a Retiree Health Savings program (RHS) for all new full-time employees (Category 1) and for full-time employees whose age plus service as of January 1, 2006 was less than 46 for public safety employees and 50 for all other employees (Category 2). Full-time active employees whose age plus service as of January 1, 2006 was 46 or more for public safety employees and 50 or more for all other employees (Category 3) continued to be eligible to receive the City's fixed dollar contribution under the prior defined benefit plan at retirement but the contribution is paid into the employee's RHS account. Employees already retired and eligible for a City contribution at January 1, 2006 (Category 4) continued to receive the City's contribution under the prior defined benefit plan but instead of being applied towards medical coverage, the fixed dollar contribution amount less the minimum required employer PEMHCA contribution for those continuing coverage through PEMHCA is made to an RHS account established for the retiree. Employees in Category 3 could make a one-time election to be treated similarly to Category 2 employee with those not electing remaining in a Hybrid Plan (includes both the City's fixed dollar contribution but also some components of the RHS Plan). A description of the funding components is outlined in the chart on the following page.

The RHS is a Health Reimbursement Arrangement (HRA) sponsored by the City which reimburses a participant for post-employment medical (PEMHCA plan) dental, vision, long-term care, miscellaneous medical expenses, and the PEMHCA minimum. In general, the RHS is a defined contribution program sponsored by the City with several funding components as outlined in the table on the following page. Any balance in the employee's RHS account after the death of the employee and eligible spouse and dependents will be forfeited.

Part-time employees can continue medical coverage through PEMHCA and receive the PEMHCA minimum required contribution from the City which is scheduled to increase in the future based on the medical portion of CPI. A 10-year history of the increases and current amounts are as follows.

Calendar Year	Minimum Required Employer Contribution
2013	\$115.00
2014	\$119.00
2015	\$122.00
2016	\$125.00
2017	\$128.00
2018	\$133.00
2019	\$136.00
2020	\$139.00
2021	\$143.00
2022	\$149.00
2023+	Adjusted Annually to reflect Medical Portion of CPI

Substantive Plan Provisions

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

In general, the RHS is a defined contribution program sponsored by the City with the following funding components:

	Category 1	Category 2	Category 3*	Category 4
Part A – Pre-Retirement Employee Contributions	<ul style="list-style-type: none"> 1% of base pay mandatory contribution effective immediately upon employment 	<ul style="list-style-type: none"> 1% of base pay mandatory contribution effective January 1, 2006 	<ul style="list-style-type: none"> 1% of base pay mandatory contribution effective January 1, 2006 	None
Part B – Pre-Retirement City Contributions:	<ul style="list-style-type: none"> City contributes \$2.50 per month for each year of age plus service during employment effective upon 5 years of vesting service; immediate vesting for industrial disability retroactively deposited; biweekly thereafter 	<ul style="list-style-type: none"> City contributes \$2.50 per month for each year of age plus service during employment effective upon 5 years of vesting service; immediate vesting for industrial disability retroactively deposited; biweekly thereafter 	None	None
Part C – Leave Conversion:	<ul style="list-style-type: none"> mandatory transfer of a portion of accumulated leave during any leave buyout amount of leave conversion varies by bargaining unit & subject to negotiation not payable in cash 	<ul style="list-style-type: none"> mandatory transfer of a portion of accumulated leave during any leave buyout amount of leave conversion varies by bargaining unit & subject to negotiation not payable in cash 	<ul style="list-style-type: none"> mandatory transfer of a portion of accumulated leave during any leave buyout amount of leave conversion varies by bargaining unit & subject to negotiation not payable in cash 	
Part D – Conversion Contribution:	None	<ul style="list-style-type: none"> For fully converted employees who retire from the plan only City will make a one-time contribution of \$100 per month the employee contributed to the plan prior to January 1, 2006 with a cap of \$18,000 	<ul style="list-style-type: none"> City will make a one-time contribution of \$75 per month the employee contributed to the plan January 1, 2006 with a cap of \$13,500 	
Part E – Post Retirement Contribution	<ul style="list-style-type: none"> City will provide the PEMHCA minimum contribution when a retiree's RHS account value has been exhausted 	<ul style="list-style-type: none"> City will provide the PEMHCA minimum contribution when a retiree's RHS account value has been exhausted 	<ul style="list-style-type: none"> City will contribute \$400 per month (\$450 for Police employees retiring prior to January 1, 2006) 	<ul style="list-style-type: none"> City will contribute \$400 per month (\$450 for Police employees) to retiree's or surviving spouse's RHS account
Part F – Other Pre-Retirement Employee Contributions:	None	None	<ul style="list-style-type: none"> Active full-time employees are required to make a contribution of \$100 per month 	None

*Employees making a one-time election into the RHS Plan are treated as Category 2 employees.

Substantive Plan Provisions

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

Premium Rates

The City participates in the CalPERS Health Program, a community-rated program, for medical coverage. The tables below summarize the calendar 2021 and 2022 monthly medical premiums for the primary medical plans in which the retirees are enrolled and used in this valuation.

2021 CalPERS Premiums - Region 2	Kaiser	BS Access+	BS Trio	PERS Care	PERS Choice	PERS Select
Retiree Only	\$ 669.77	\$ 938.96	\$ 722.56	\$ 1,115.68	\$ 783.19	\$ 476.92
Retiree plus Spouse	\$ 1,339.54	\$ 1,877.92	\$ 1,445.12	\$ 2,231.36	\$ 1,566.38	\$ 953.84
Retiree Only – Medicare	\$ 324.48	N/A	N/A	\$ 381.25	\$ 349.97	\$ 349.97

2021 CalPERS Premiums - Region 2	UHC HMO	Anthem HMO Select	Anthem HMO Traditional	Health Net SmartCare	Health Net Salud
Retiree Only	\$ 723.84	\$ 674.69	\$ 1,046.04	\$ 769.11	\$ 458.66
Retiree plus Spouse	\$ 1,447.68	\$ 1,349.38	\$ 2,092.08	\$ 1,538.22	\$ 917.32
Retiree Only – Medicare	\$ 311.56	\$ 383.37	\$ 383.37	N/A	N/A

2021 CalPERS Premiums - Region 3	Kaiser	BS Access+	BS Trio	PERS Care	PERS Choice	PERS Select
Retiree Only	\$ 669.84	\$ 834.88	\$ 660.49	\$ 1,036.07	\$ 761.23	\$ 459.94
Retiree plus Spouse	\$ 1,339.68	\$ 1,669.76	\$ 1,320.98	\$ 2,072.14	\$ 1,522.46	\$ 919.88
Retiree Only – Medicare	\$ 324.48	N/A	N/A	\$ 381.25	\$ 349.97	\$ 349.97

2021 CalPERS Premiums - Region 3	UHC HMO	Anthem HMO Select	Anthem HMO Traditional	Health Net SmartCare	Health Net Salud
Retiree Only	\$ 720.89	\$ 639.10	\$ 984.21	\$ 691.48	\$ 412.88
Retiree plus Spouse	\$ 1,441.78	\$ 1,278.20	\$ 1,968.42	\$ 1,382.96	\$ 825.76
Retiree Only – Medicare	\$ 311.56	\$ 383.37	\$ 383.37	N/A	N/A

Substantive Plan Provisions

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

Premium Rates Continued

2022 CalPERS Premiums - Region 2	Kaiser	BS Access+	BS Trio	PERS Gold	PERS Platinum	Sharp
Retiree Only	\$ 706.02	\$ 900.22	\$ 742.70	\$ 587.78	\$ 882.18	\$ 699.21
Retiree plus Spouse	\$ 1,412.04	\$ 1,800.44	\$ 1,485.40	\$ 1,175.56	\$ 1,764.36	\$ 1,398.42
Retiree Only – Medicare	\$ 302.53	\$ 353.11	\$ 353.11	\$ 377.41	\$ 381.94	\$ 263.85

2022 CalPERS Premiums - Region 2	UHC Alliance	Anthem HMO Select	Anthem HMO Traditional	Health Net SmartCare	Health Net Salud	PORAC
Retiree Only	\$ 775.09	\$ 712.43	\$ 1,007.13	\$ 845.69	\$ 548.26	\$ 775.00
Retiree plus Spouse	\$ 1,550.18	\$ 1,424.86	\$ 2,014.26	\$ 1,691.38	\$ 1,096.52	\$ 1,550.00
Retiree Only – Medicare	\$ 294.65	\$ 360.19	\$ 360.19	N/A	N/A	\$ 461.00

2022 CalPERS Premiums - Region 3	Kaiser	BS Access+	BS Trio	PERS Gold	PERS Platinum	PORAC
Retiree Only	\$ 719.78	\$ 779.87	\$ 668.13	\$ 575.56	\$ 863.37	\$ 775.00
Retiree plus Spouse	\$ 1,439.56	\$ 1,559.74	\$ 1,336.26	\$ 1,151.12	\$ 1,726.74	\$ 1,475.00
Retiree Only – Medicare	\$ 302.53	\$ 353.11	\$ 353.11	\$ 377.41	\$ 349.97	\$ 461.00

2022 CalPERS Premiums - Region 3	UHC Alliance	Anthem HMO Select	Anthem HMO Traditional	Health Net SmartCare	Health Net Salud
Retiree Only	\$ 771.85	\$ 676.48	\$ 935.57	\$ 764.96	\$ 463.87
Retiree plus Spouse	\$ 1,543.70	\$ 1,352.96	\$ 1,871.14	\$ 1,529.92	\$ 927.74
Retiree Only – Medicare	\$ 294.65	\$ 360.19	\$ 360.19	N/A	N/A

Actuarial Methods and Assumptions

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

The actuarial assumptions used in this report represent a reasonable long-term expectation of future OPEB outcomes. As national economic and City experience change over time, the assumptions will be tested for ongoing reasonableness and, if necessary, updated.

There are changes to the actuarial methods and assumptions since the last GASB valuation, which was for the fiscal year ending June 30, 2020. Refer to Actuary's Notes section for complete information on these changes. For the current year GASB valuation, we have also updated the per capita costs. We expect to update discount rate, health care trend rates, mortality table, and per capita costs again in the next full GASB valuation, which will be for the fiscal year ending June 30, 2024.

Measurement Date	For the fiscal year ending June 30, 2022, a June 30, 2021 measurement date was used.
Actuarial Valuation Date	June 30, 2021 with no adjustments to get to the June 30, 2021 measurement date. Liabilities as of July 1, 2020 are based on an actuarial valuation date of June 30, 2019 projected to June 30, 2020 on a "no loss / no gain" basis.
Benefit Payments	OPEB plan benefit payments made subsequent the measurement date of June 30, 2021 are recognized as a deferred outflow of resources in the fiscal year ending June 30, 2022 financial reporting period. An offsetting cash credit adjustment for benefits paid during the fiscal year is made in the Plan Sponsor's journal entries. This adjustment is not explicitly shown in the GASB 75 report. The OPEB benefit payments subsequent the measurement date of June 30, 2021 will be reflected in the Plan Sponsor's Schedule of Changes in Net OPEB Liability disclosure in the FY 2022/23 reporting period.
Discount Rate	6.50% as of July 1, 2020 and 6.50% June 30, 2021 for accounting disclosure purposes. Refer to the Discussion of Discount Rates section for more information on selection of the discount rate.
Merit Increases	Merit increases from the most recent CalPERS pension plan experiences study. The benefits are not payroll related but each individual's projected cost is allocated over their lifetime as a level-percentage of pay.
Inflation Rate	2.75% per year.
Wage Inflation	3.00% per annum, in aggregate.
Salary Increases	For cost method purposes the merit increases from the CalPERS pension plan are used.

Actuarial Methods and Assumptions

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

Cost Method

Allocation of Actuarial Present Value of Future Benefits for services prior and after the Measurement Date was determined using Entry Age Normal Level % of Salary method where:

- Service Cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant's benefit at retirement; and
- Annual Service Cost is a constant percentage of the participant's salary that is assumed to increase according to the Payroll Growth.

Employer Funding Policy

The actuarially determined contribution (ADC) assuming the City's funding strategy is to fund the normal cost (current accrual for benefits being earned) plus an amortization of the net (unfunded accrued) OPEB liability over 10 years.

Census Data

Census information was provided by the City as of June 30, 2021. We have reviewed it for reasonableness and no material modifications were made to the census data.

Participation Rate

100% of eligible full-time employees under the Hybrid Plan are assumed to participate at retirement with 65% assumed to continue coverage through PEMHCA. 18% of eligible part-time employees are assumed to elect to continue coverage under PEMHCA at retirement. For employees in the RHS Plan, the City is responsible for the PEMHCA minimum required contribution but may be eligible for reimbursement by the retiree from their individual RHS account. For purposes of the valuation, 35% of employees in the RHS Plan are assumed to continue coverage under PEMHCA at retirement with the City paying the full PEMHCA minimum required contribution.

Spousal Coverage

60% of future retirees are assumed to cover their spouse. Male spouses are assumed to be 3 years older than female spouses. Actual spouse coverage and spouse ages are used for current retirees.

Waived Retiree Re-election

20% of the current retiree population currently under 65 re-elect PEMHCA plan at age 65; 0% of those currently over age 65 re-elect.

Medicare Participation

Assume 100% participation.

Mortality

Employees and retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021.

Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021.

Actuarial Methods and Assumptions

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

Mortality Continued	Disabled Retirees: SOA Pub-2010 Safety Headcount Weighted Mortality Table fully generational using Scale MP-2021.
Disability	According to the disability rates under the 2017 experience study for the CalPERS pension plan.
Turnover Rate	According to the termination rates under the 2017 experience study for the CalPERS pension plan.
Retirement Rate	According to the retirement rates under the 2017 experience study for the CalPERS pension plan: Miscellaneous Employees Tier 1 – 2.5%@ Age 55 Tier 2 – 2.0%@ Age 60 Tier 3 – 2.0%@ Age 62 Fire Employees Tier 1 – 3.0%@ Age 50 Tier 2 – 2.0%@ Age 50 Tier 3 – 2.7%@ Age 57 Safety Employees Tier 1 – 3.0%@ Age 50 Tier 2 – 3.0%@ Age 55 Tier 3 – 2.7%@ Age 57
Amortization of Unfunded Actuarial Liability	A new unfunded amortization bases is established each year, reflecting the updated unfunded liability, reduced by the balances of the prior amortization bases, and then amortized over a 10 year period.

Actuarial Methods and Assumptions

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

Health Care Trend Rates

FYE	Medical/Rx	FYE	Medical/Rx
2023	6.50%	2028	5.25%
2024	6.25%	2029	5.00%
2025	6.00%	2030	4.75%
2026	5.75%	2031+	4.50%
2027	5.50%		

The initial trend rate was based on a combination of employer history, national trend surveys, and professional judgment.

The ultimate trend rate was selected based on historical medical CPI information.

Minimum Contribution

The CalPERS minimum required contribution is assumed to increase 4% per year.

Fixed Dollar Contribution

Assumed to remain constant in future years.

Per Capita Costs

Annual per capita costs were calculated based on the 2021 funding rates, actuarially increased using health index factors and current enrollment. The costs are assumed to increase with health care trend rates.

Annual per capita costs are as shown below:

Age	PERS Choice	PERS Select	PERSCare	Anthem HMO Select	Anthem HMO Trad.	Blue Shield Access+
<45	\$ 6,400	\$ 4,500	\$ 8,400	\$ 5,900	\$ 8,700	\$ 7,800
45 – 49	\$ 8,000	\$ 5,600	\$10,600	\$ 7,300	\$10,900	\$ 9,700
50 – 54	\$ 9,700	\$ 6,800	\$12,800	\$ 8,900	\$13,100	\$11,800
55 – 59	\$11,800	\$ 8,300	\$15,500	\$10,800	\$16,000	\$14,300
60 – 64	\$14,600	\$10,200	\$19,200	\$13,300	\$19,900	\$17,700

Age	Kaiser	UHC	Health Net Salud	Health Net SmartCare	PORAC
<45	\$ 5,800	\$ 6,300	\$ 4,300	\$ 6,800	\$ 6,400
45 – 49	\$ 7,300	\$ 7,900	\$ 5,300	\$ 8,600	\$ 8,100
50 – 54	\$ 8,800	\$ 9,600	\$ 6,400	\$10,300	\$ 9,700
55 – 59	\$10,700	\$11,600	\$ 7,800	\$12,600	\$11,800
60 – 64	\$13,200	\$14,400	\$ 9,700	\$15,500	\$14,700

The per capita costs represent the cost of coverage for a retiree-only population.

Actuarial standards require the recognition of higher inherent costs for a retired population versus an active population.

Actuarial Methods and Assumptions

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

Explicit Subsidy

The difference between (a) the premium rate and (b) the retiree contribution. Below is an example of the monthly explicit subsidies for a category 3 retiree who is enrolled in Kaiser Region 2 in 2021.

	Premium Rate	Retiree Contribution	Explicit Subsidy
	A	B	C = A - B
Retiree	\$ 669.77	\$ 269.77	\$ 400.00
Spouse	\$ 669.77	\$ 669.77	\$ 0.00

Implicit Subsidy

The difference between (a) the per capita cost and (b) the premium rate. Below is an example of the monthly implicit subsidies for a category 3 retiree age 60 with a same age spouse enrolled in Kaiser Region 2 in 2021.

	Per Capita Cost	Premium Rate	Implicit Subsidy
	A	B	C = A - B
Retiree	\$ 1,100.00	\$ 669.77	\$ 430.23
Spouse	\$ 1,100.00	\$ 669.77	\$ 430.23

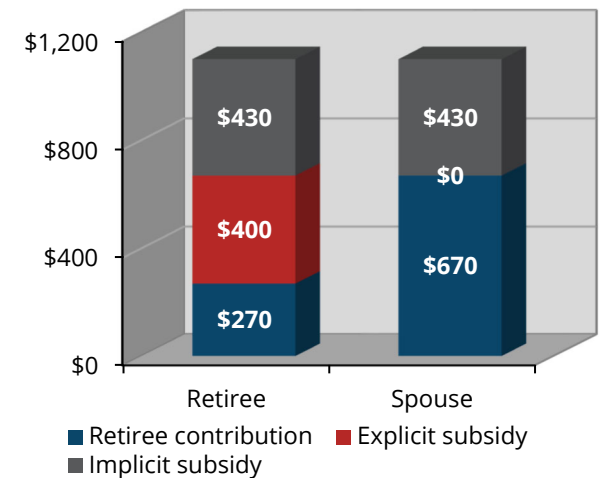
All employers that utilize premium rates based on blended active/retiree claims experience will have an implicit subsidy. There is an exception for Medicare plans using a true community-rated premium rate.

GASB Subsidy Breakdown

Below is a breakdown of the GASB 75 monthly total cost for a category 3 retiree age 60 with a same age spouse enrolled in Kaiser Region 2 in 2021.

	Retiree	Spouse
Retiree contribution	\$ 269.77	\$ 669.77
Explicit subsidy	\$ 400.00	\$ 0.00
Implicit subsidy	\$ 430.23	\$ 430.23
Total monthly cost	\$ 1,100.00	\$ 1,100.00

GASB Subsidy Breakdown



APPENDIX

The background of the slide is composed of several overlapping geometric shapes, primarily triangles. A large, solid grey triangle occupies the upper half of the frame. Below it, there are several overlapping triangles in white and light grey, some of which are semi-transparent, creating a layered effect. A prominent, solid red triangle is located in the lower right corner, extending towards the bottom edge. The overall design is minimalist and modern.

Appendix

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

Comparison of Participant Demographic Information

The active participants' number below may include active employees who currently have no health care coverage. Refer to Summary of Participants section for an accurate breakdown of active employees with and without coverage.

	As of July 1, 2019	As of July 1, 2021
Active Participants	790	821
Retired Participants	730	777
Averages for Active		
Age	42.1	42.2
Service	12.1	11.9
Averages for Inactive		
Age	68.1	69.1

Appendix

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

Detailed Actuary's Notes

There have been no substantive plan provision changes since the last full valuation, which was for the fiscal year ending June 30, 2020.

The following assumptions have been updated in accordance with GASB 75:

1. The mortality table has been updated from the 2017 CalPERS Public Agency Misc. Mortality to the following:
 - a. Employees and retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021
 - b. Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021
 - c. Disabled Retirees: SOA Pub-2010 Safety Headcount Weighted Mortality Table fully generational using Scale MP-2021

This change caused a decrease in liabilities.

2. Health care trend rates have been reset to an initial rate of 6.50% decreasing by 0.50% annually to an ultimate rate of 4.50% as shown below.

This change caused an increase in liabilities.

FYE	Prior	Current	FYE	Prior	Current
2023	5.50%	6.50%	2028	5.00%	5.25%
2024	5.00%	6.25%	2029	5.00%	5.00%
2025	5.00%	6.00%	2030	5.00%	4.75%
2026	5.00%	5.75%	2031+	5.00%	4.50%
2027	5.00%	5.50%			

Appendix

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

Valuation Results Summary

Below is the summary of the GASB results for fiscal year ending June 30, 2022 based on the Entry Age Normal Level % of Pay cost method with a discount rate of 6.50%.

Present Value of Employer Contributions	Explicit		Implicit		Total
Active	\$	7,466,362	\$	7,321,721	\$ 14,788,083
Retirees	\$	36,158,023	\$	5,761,794	\$ 41,919,817
Total	\$	43,624,385	\$	13,083,515	\$ 56,707,900

Total (Accrued) OPEB Liability	Explicit		Implicit		Total
Active	\$	5,054,852	\$	4,629,164	\$ 9,684,016
Retirees	\$	36,158,023	\$	5,761,794	\$ 41,919,817
Total	\$	41,212,875	\$	10,390,958	\$ 51,603,833

Projected Employer Contributions	Explicit		Implicit		Total
2022	\$	3,372,124	\$	987,469	\$ 4,359,593
2023	\$	3,364,487	\$	967,136	\$ 4,331,623
2024	\$	3,348,295	\$	951,059	\$ 4,299,354
2025	\$	3,324,617	\$	952,236	\$ 4,276,853
2026	\$	3,293,587	\$	934,445	\$ 4,228,032
2027	\$	3,259,004	\$	944,895	\$ 4,203,899
2028	\$	3,219,964	\$	924,679	\$ 4,144,643
2029	\$	3,177,800	\$	927,613	\$ 4,105,413
2030	\$	3,133,144	\$	882,911	\$ 4,016,055
2031	\$	3,086,501	\$	771,541	\$ 3,858,042

GLOSSARY

The background of the slide is composed of several overlapping geometric shapes, primarily triangles. The top half is a solid dark gray. The bottom half is divided into several sections: a large white triangle on the left, a medium gray triangle in the center, and a large red triangle on the right. There are also some lighter gray and white triangular shapes interspersed, creating a layered, architectural effect.

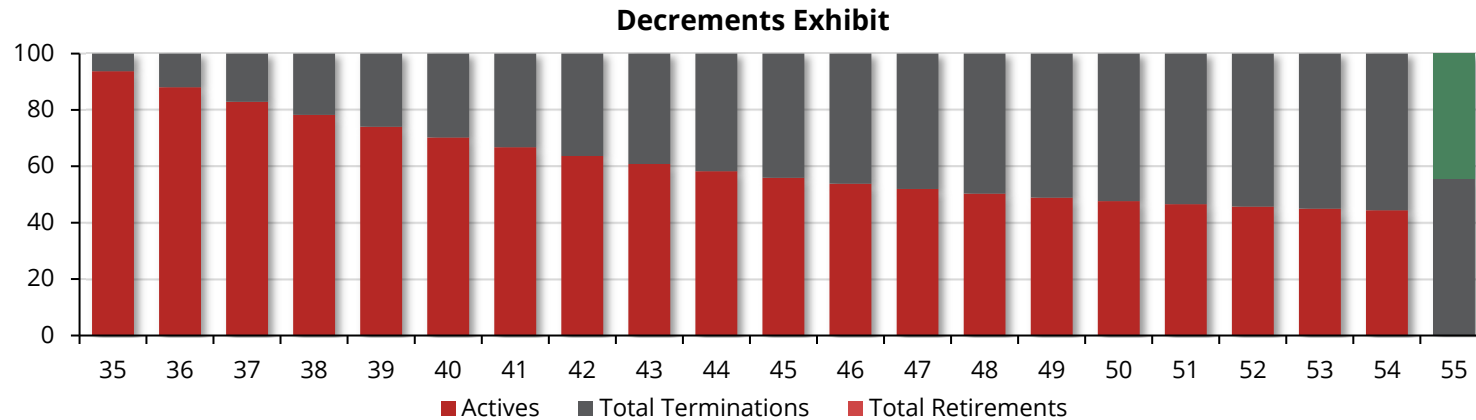
Glossary – Decrements Exhibit

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. Starting with 100 employees at age 35, the illustrated actuarial assumptions show that 44.43 employees out of the original 100 are expected to retire and could elect retiree health benefits at age 55.

Age	# Remaining Employees	# of Terminations per Year ¹	# of Retirements per Year	Total Decrements
35	100.000	6.276	0.000	6.276
36	93.724	5.677	0.000	5.677
37	88.047	5.136	0.000	5.136
38	82.911	4.648	0.000	4.648
39	78.262	4.209	0.000	4.209
40	74.053	3.814	0.000	3.814
41	70.239	3.456	0.000	3.456
42	66.783	3.131	0.000	3.131
43	63.652	2.835	0.000	2.835
44	60.817	2.564	0.000	2.564
45	58.253	2.316	0.000	2.316

Age	# Remaining Employees	# of Terminations per Year	# of Retirements per Year	Total Decrements
46	55.938	2.085	0.000	2.085
47	53.853	1.866	0.000	1.866
48	51.987	1.656	0.000	1.656
49	50.331	1.452	0.000	1.452
50	48.880	1.253	0.000	1.253
51	47.627	1.060	0.000	1.060
52	46.567	0.877	0.000	0.877
53	45.690	0.707	0.000	0.707
54	44.983	0.553	0.000	0.553
55	44.430	0.000	44.430	44.430



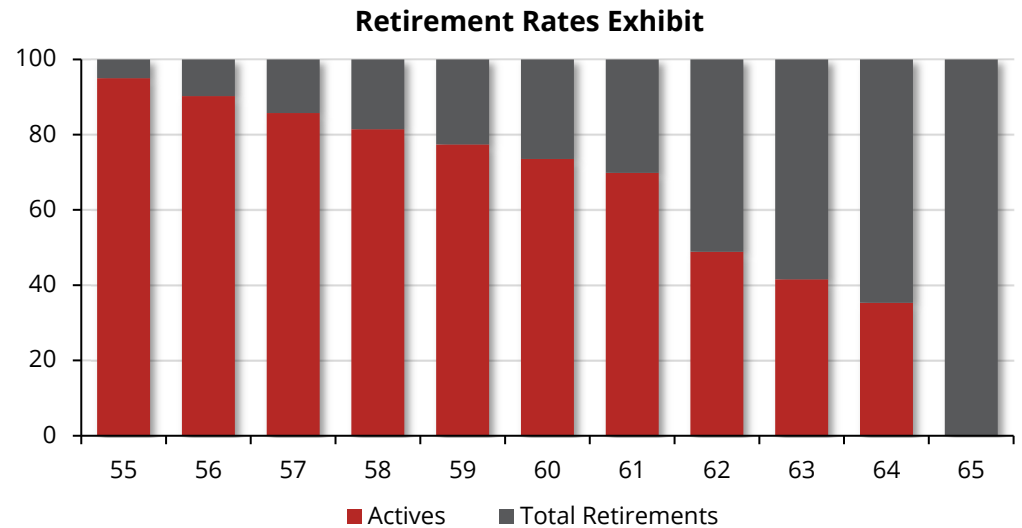
¹ The above rates are illustrative rates and are not used in our GASB calculations.

Glossary – Retirement Rates Exhibit

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. The illustrated retirement rates show the number of employees who are assumed to retire annually based on 100 employees age 55 who are eligible for retiree health care coverage. The average age at retirement is 62.0.

Age	Active Employees BOY	Annual Retirement Rates*	# Retirements per Year	Active Employees EOY
55	100.000	5.0%	5.000	95.000
56	95.000	5.0%	4.750	90.250
57	90.250	5.0%	4.513	85.738
58	85.738	5.0%	4.287	81.451
59	81.451	5.0%	4.073	77.378
60	77.378	5.0%	3.869	73.509
61	73.509	5.0%	3.675	69.834
62	69.834	30.0%	20.950	48.884
63	48.884	15.0%	7.333	41.551
64	41.551	15.0%	6.233	35.318
65	35.318	100.0%	35.318	0.000



* The above rates are illustrative rates and are not used in our GASB calculations.

Glossary – Definitions

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

GASB 75 defines several unique terms not commonly employed in the funding of pension and retiree health plans. The definitions of the terms used in the GASB actuarial valuations are noted below.

1. **Actuarial Assumptions** – Assumptions as to the occurrence of future events affecting health care costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided health care benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.
2. **Actuarial Cost Method** – A procedure for determining the Actuarial Present Value of Future Benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Service Cost and a Total OPEB Liability.
3. **Actuarially Determined Contribution** - A target or recommended contribution to a defined benefit OPEB plan for the reporting period, determined in accordance with the parameters and in conformity with Actuarial Standards of Practice.
4. **Actuarial Present Value** – The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. 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 an 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.
5. **Deferred Outflow / (Inflow) of Resources** – represents the following items that have not been recognized in the OPEB Expense:
 - a. Differences between expected and actual experience of the OPEB plan
 - b. Changes in assumptions
 - c. Differences between projected and actual earnings in OPEB plan investments (for funded plans only)
6. **Explicit Subsidy** – The difference between (a) the amounts required to be contributed by the retirees based on the premium rates and (b) actual cash contribution made by the employer.
7. **Funded Ratio** – The actuarial value of assets expressed as a percentage of the Total OPEB Liability.

Glossary – Definitions

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

8. **Healthcare Cost Trend Rate** – The rate of change in the per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.
9. **Implicit Subsidy** – In an experience-rated healthcare plan that includes both active employees and retirees with blended premium rates for all plan members, the difference between (a) the age-adjusted premiums approximating claim costs for retirees in the group (which, because of the effect of age on claim costs, generally will be higher than the blended premium rates for all group members) and (b) the amounts required to be contributed by the retirees.
10. **OPEB** – Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.
11. **OPEB Expense** – Changes in the Net OPEB Liability in the current reporting period, which includes Service Cost, interest cost, changes of benefit terms, expected earnings on OPEB Plan investments, reduction of active employees' contributions, OPEB plan administrative expenses, and current period recognition of Deferred Outflows / (Inflows) of Resources.
12. **Pay-as-you-go** – A method of financing a benefit plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.
13. **Per Capita Costs** – The current cost of providing postretirement health care benefits for one year at each age from the youngest age to the oldest age at which plan participants are expected to receive benefits under the plan.
14. **Present Value of Future Benefits** – Total projected benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of total projected benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.
15. **Real Rate of Return** – the rate of return on an investment after adjustment to eliminate inflation.

Glossary – Definitions

City of Newport Beach GASB 74/75 Valuation for Fiscal Year Ending June 30, 2022

16. **Select and Ultimate Rates** – Actuarial assumptions that contemplate different rates for successive years. Instead of a single assumed rate with respect to, for example, the investment return assumption, the actuary may apply different rates for the early years of a projection and a single rate for all subsequent years. For example, if an actuary applies an assumed investment return of 8% for year 20W0, then 7.5% for 20W1, and 7% for 20W2 and thereafter, then 8% and 7.5% select rates, and 7% is the ultimate rate.
17. **Service Cost** – The portion of the Actuarial Present Value of projected benefit payments that are attributed to a valuation year by the Actuarial Cost Method.
18. **Substantive Plan** – The terms of an OPEB plan as understood by the employer(s) and plan members.
19. **Total OPEB Liability** – That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Benefits which is attributed to past periods of employee service (or not provided for by the future Service Costs).