

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

Sensitivity of Actuarial Assumptions – The following tables indicate how much the net OPEB liability varies if the discount rate and healthcare trend rate used to calculate the liability are increased or decreased by one percentage point.

| <u>Discount Rate</u> | 1% Decrease <u>(5.75%)</u> | Current Rate <u>(6.75%)</u> | 1% Increase <u>(7.75%)</u> |
|-------------------------|-------------------------------|--------------------------------|-------------------------------|
| Net OPEB Liability | \$ 12,103,433 | \$ 8,495,214 | \$ 5,503,087 |
| | | | |
| <u>Healthcare Trend</u> | 1% Decrease | Current Trend | 1% Increase |
| Net OPEB Liability | \$ 5,682,510 | \$ 8,495,214 | \$ 11,413,048 |

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Partial amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss. Investment gains and losses are spread evenly over a 5-year period. All other deferred outflows and inflows created during the measurement period are recognized over a 5.9-year period. The total OPEB expense recognized in the fiscal year ending June 30, 2021 was \$1,668,119 and the Town reported deferrals from the following sources:

| | <u>OPEB</u> | |
|--|---|--|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| • Employer contributions made subsequent to the measurement date | \$ 2,096,847 | \$ - |
| • Changes in assumptions | - | 702,915 |
| • Difference between expected and actual experiences | - | 98,687 |
| • Net difference between projected and actual earnings on plan investments | <u>381,722</u> | <u>-</u> |
| Totals | <u>\$ 2,478,569</u> | <u>\$ 801,602</u> |