



**TOWN OF LOS GATOS**  
**TOWN PENSION AND OPEB TRUSTS**  
**OVERSIGHT COMMITTEE REPORT**

MEETING DATE: 09/20/2022

ITEM NO: 5

---

DATE: September 1, 2022  
TO: Town Pension and OPEB Trusts Oversight Committee  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Receive the Town of Los Gatos Retiree Healthcare Plan June 30, 2021 Actuarial Valuation and Adopt its Assumptions as Prepared and Recommended by Bartel Associates, LLC.

**RECOMMENDATION:**

Staff recommends that the Oversight Committee receive the Town of Los Gatos Retiree Healthcare Plan June 30, 2021 actuarial valuation and adopt its assumptions as prepared and recommended by Bartel Associates, LLC.

**BACKGROUND:**

The Town's healthcare plan pays all, or a portion of, health insurance premiums for qualified retirees and their survivors and dependents. Healthcare benefits are also referred to as Other Post-Employment Benefits or OPEB. The Town's healthcare plan is an Internal Revenue Code Section 115 Trust which is administered by the Town Pension and OPEB Trusts Oversight Committee. The Oversight Committee consists of the five Town Council Members. The Oversight Committee is responsible for the management and control of the healthcare assets. The healthcare assets are maintained at CalPERS and invested in the CalPERS managed California Employers' Retiree Benefit Trust (CERBT) Strategy 1.

In 2009, the Town proactively opted to transition from a "pay-as-you-go" (PayGo) funding policy for OPEB benefits and adopted a ten-year phase-in approach to prefunding the OPEB obligations. Since implementation of the ten-year phase-in of prefunding, the healthcare plan has gone from zero percent funded to the current 81.0% funding ratio.

As part of adoption of the Fiscal Year (FY) 2022/23 Operating Budget, Council approved the use of \$902,579 from available OPEB 115 Trust assets for retiree PayGo expenses in FY 2022/23.

**PREPARED BY:** Arn Andrews  
Assistant Town Manager

---

Reviewed by: Town Manager, Town Attorney, and Interim Finance Director

---

BACKGROUND (continued):

This was possible based upon the most recent valuation projections of the Town's annually actuarially required contributions.

DISCUSSION:

For the healthcare plan, the Town Pension and OPEB Trusts Oversight Committee retain the services of Bartel and Associates, LLC to analyze the respective assets and liabilities of the Healthcare Plan. In order for the Town to understand the value of future healthcare benefit payments, an actuarial valuation is performed every other year for the healthcare plan with the last valuation occurring in 2019.

Attachment 1 to this staff report presents the June 30, 2021 Actuarial Valuation Final Results from the Town's actuary, Bartel and Associates. Since the 2019 valuation, the total OPEB Actuarial Accrued Liability increased from \$27.0 million to \$28.7 million as of June 30, 2021. The Unfunded Actuarial Accrued Liability decreased from approximately \$8.7 million as of June 30, 2019 to \$5.5 million as of the June 30, 2021. The decrease in the Unfunded Actuarial Accrued Liability since 2019 was primarily the result of positive investment and demographic experience. The net result is an increase in the funded status for the OPEB plan as of June 30, 2021 to 81.0% from 67.9%.

	June 30, 2021	June 30, 2019
Actuarial Value of Plan Assets	\$23,252,000	\$18,341,000
Actuarial Accrued Liability	28,720,000	27,017,000
Unfunded Actuarial Accrued Liability	5,468,000	8,676,000
Funded Status	81.0%	67.9%

In addition, the development of the actuarial valuation includes assumption recommendations by the Town's actuary. The table on the following page provides the primary actuarial assumptions recommended for the Oversight Committee's consideration and adoption.

DISCUSSION (continued):

Assumption	June 30, 2021	June 30, 2019
General Inflation	2.50%	2.75%
Discount Rate	6.25%	6.75%
Payroll Increases	3.00%	2.75%
Amortization UAL	16 Years	18 Years

CONCLUSION:

Receive the Town of Los Gatos Retiree Healthcare Plan June 30, 2021 actuarial valuation and adopt its assumptions as prepared and recommended by Bartel Associates, LLC.

COORDINATION:

This staff report was coordinated with the Town Manager, Town Attorney, and the Interim Director of Finance.

FISCAL IMPACT:

There is no fiscal impact related reviewing the OPEB actuarial report.

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.

Attachments:

1. June 30, 2021 OPEB Actuarial Valuation Final Results