



Agenda Item No. (6)

To: OPEB Retirement Investment Trust Board
Meeting of March 21, 2024

From: Alice Ng, Director of Fiscal Resources
Joseph M. Wire, Auditor-Controller

Subject: **RECEIVE THE OPEB TRUST'S AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Recommendation

Staff recommends that the Trust Board adopt a motion to receive the OPEB Trust's Financial Statements for the Fiscal Year Ended June 30, 2023, as submitted by the Golden Gate Bridge, Highway and Transportation District's (District) independent auditor, Eide Bailly, LLP, as part of the District's Annual Comprehensive Financial Report.

Summary

The District's independent auditors, Eide Bailly, LLP ("EB"), includes the audit of the OPEB financial statements as part of the District's Annual Comprehensive Financial Report ("ACFR"). The Auditor's opinion given on the District's ACFR for the fiscal year ended June 30, 2023, which included the financial statements of the OPEB Trust, was an unqualified opinion. The ACFR was received by the District Board in December 2023. Attached are the redacted pertinent pages relative to the OPEB Trust from the District's ACFR for the Trust Board's review.

Fiscal Impact

There is no fiscal impact related to this report.

Attachment: Redacted pertinent pages relative to the OPEB Trust from the District's ACFR for the Trust Board's review

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**GOLDEN GATE BRIDGE,
HIGHWAY AND TRANSPORTATION DISTRICT
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2023 AND 2022 (IN THOUSANDS)**

	<u>2023</u>	<u>2022</u>
Assets:		
Cash and cash equivalents	\$ 1,277	\$ 8,514
Mutual funds	101,885	91,511
Real asset funds	12,514	7,964
Accounts Receivable	5	28
Total Assets	<u>115,681</u>	<u>108,017</u>
Liabilities:		
Accounts payable	<u>180</u>	<u>93</u>
Total Liabilities	<u>180</u>	<u>93</u>
Net position restricted for post-employment benefits other than pensions	<u><u>\$ 115,501</u></u>	<u><u>\$ 107,924</u></u>

See accompanying notes to the financial statements.

**GOLDEN GATE BRIDGE,
HIGHWAY AND TRANSPORTATION DISTRICT
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED JUNE 30, 2023 AND 2022 (IN THOUSANDS)**

	<u>2023</u>	<u>2022</u>
Additions:		
Employer contributions	\$ 8,130	\$ 12,033
Net investment income:		
Net increase in fair value of investments	7,045	(26,575)
Investment earnings	2,517	11,434
Investment-related expenses	(195)	(224)
Total net investment income	<u>9,367</u>	<u>(15,365)</u>
Total additions	<u>17,497</u>	<u>(3,332)</u>
Deductions:		
Benefits paid to participants	9,874	9,596
Administrative expenses	46	74
Total deductions	<u>9,920</u>	<u>9,670</u>
Increase in Net Position	7,577	(13,002)
Restricted Net Position for post-employment benefits:		
Beginning of year	107,924	120,926
End of year	<u><u>\$ 115,501</u></u>	<u><u>\$ 107,924</u></u>

See accompanying notes to the financial statements.

(13) POST-EMPLOYMENT HEALTH CARE PLAN

Plan Description – In August 2007, the District’s Board of Directors adopted the Golden Gate Bridge Highway and Transportation District Other Post-Employment Benefits (OPEB) Trust (Trust) and created the Golden Gate Bridge, Highway and Transportation OPEB Retirement Investment Trust Board to oversee the assets of the Trust. The Trust, single employer defined benefit plan, is irrevocable and is exempt from federal and state income taxes under Internal Revenue Code Section 115. The sole purpose of the Trust is to provide funds to pay post-employment benefits to qualified retirees and their surviving spouse/domestic partner. Benefit allowance provisions are established through employment agreements and memoranda of understanding (MOUs) between the District and its employees. As a separate legal entity from the District, the Trust’s assets are not available to any District’s creditors.

Benefits Provided – For employees (other than Bus Operators) hired on or after August 9, 1991, the benefits are provided to retiree and dependent coverage based on age plus years of services as follow: 1) the District does not contribute toward the cost of post-employment health benefits for retirees whose combination of age and number of years of service amounts to less than 70 points; 2) the retiree contributes the normal contribution paid by all retirees plus 30% of the COBRA rates for the coverage they select if their combination of age and number of years of service falls within 70-74 points; 3) the retiree contributes the normal contribution paid by all retirees plus 20% of the COBRA rates for the coverage if their combination of age and number of years of service falls within 75-79 points; and 4) the retiree contributes the normal contribution paid by all retirees if their combination of age and number of years of service is equal to or over 80 points. To qualify for coverage, a minimum of 10 years of service for retiree coverage and 15 years of service for retiree and dependent coverage is required.

Benefit terms are established and may be amended by the District.

The benefits are provided to all employees (other than Bus Operators) hired between July 1, 1983, through August 8, 1991, who retire from the District on or after attaining age 55 with at least 10 years of service. For those employees age 55 with at least 15 years of service, survivor and dependent care benefits are also received. If the employee began employment at the District prior to January 1, 1983, the benefits are provided on or after attaining age 50 with at least 5 years of service. Currently 536 retirees meet the eligibility requirements.

The Bus Operator retiree medical benefits plan is governed by separate provisions in the MOU between the District and the Amalgamated Transit Union and the Union pension plan document. Currently, 376 retirees meet the eligibility requirements for Bus Operator retirees.

For Bus Operator employees hired on January 1, 2003, or before, retirees, with a combination of the minimum retirement age of 52 or more and number of years of service amounting to 70 or less, the retiree receives only the minimum required contribution, implemented in steps over a 20-year period, starting at \$1 for the first year. If the minimum retirement age at 52 years or more plus years of service is equal to; 1) 75 or more, the retiree receives health benefits at the same levels as active employees; and 2) 70-74 points, the retiree pays 20% of the health benefits paid for active employees.

For Bus Operator employees hired after January 1, 2003 with a combination of the minimum retirement age of 55 or more and number of years of service amounting to less than 70, the retiree receives only the minimum required contribution, implemented in steps over a 20-year period, starting at \$1 for the first year. If the minimum retirement age is 55 years plus years of service is between; 1) 70 to 74 points, the retiree pays 30% of the health benefits amount paid for active employees; 2) 75 to 80 points, the retiree pays 20% of the health benefits amount paid for active employees and 3) 80 points or higher, the District pays the same amount that it pays for active employees.

Employees Covered – At the July 1, 2021 and July 1, 2019 valuation dates, the following employees were covered by the benefit terms for the OPEB Plan:

Valuation as of July 1,	<u>2021</u>	<u>2019</u>
Retired employees	860	869
Active employees	643	729
Total	<u>1,503</u>	<u>1,598</u>

Net OPEB Liability – The District’s net OPEB liability was measured as of June 30, 2023 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated July 1, 2021 that was rolled forward to determine the June 30, 2023 total OPEB liability, based on the following actuarial methods and assumptions:

Fiscal year	<u>2023</u>	<u>2022</u>
Valuation Date	July 1, 2021	July 1, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	6.75%	6.75%
Inflation	2.50%	2.50%
Healthcare Cost Trend	Non-Medicare - 6.50% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Medicare - 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Dental at 3% and Vision at 3%	Non-Medicare - 6.50% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Medicare - 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Dental at 3% and Vision at 3%
Mortality	CalPERS 1997-2015 Experience Study for CalPERS members. All Other Members: RP 2014 Blue Collar	CalPERS 1997-2015 Experience Study for CalPERS members. All Other Members: RP 2014 Blue Collar

Contributions – The District’s contributions to the plan are based on the actuarial valuation that provides an estimate of an actuarially determined contribution (ADC) to be used by the District to fully fund the Trust. It is the District’s intent to fully fund each year’s ADC and the current year’s contributions to the plan were \$9,343,000 and \$13,125,000 for fiscal years ended June 30, 2023 and June 30, 2022.

Discount Rate – The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>
Growth	
Domestic Equity	36.00%
International Equity	19.00%
Private Equity	6.70%
Private Debt	6.70%
Real Assets	6.60%
Income	
Fixed Income	25.00%
	<u>100.00%</u>

The District's change in net OPEB liability is as follows (in thousands):

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2022	\$ 161,272	\$ 107,247	\$ 54,025
Changes for the year:			
Service cost	3,300	-	3,300
Interest	11,419	-	11,419
Changes in benefit terms	(1,861)	-	(1,861)
Contribution - employer	-	9,343	(9,343)
Contribution - member	-	677	(677)
Net investment income	-	9,562	(9,562)
Benefit payments	(11,036)	(11,036)	-
Administrative expense	-	(292)	292
Net changes	1,822	8,254	(6,432)
Balance at June 30, 2023	\$ 163,094	\$ 115,501	\$ 47,593

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2021	\$ 171,620	\$ 120,926	\$ 50,694
Changes for the year:			
Service cost	4,000	-	4,000
Interest	11,474	-	11,474
Differences between actual and expected experience	(5,329)	-	(5,329)
Changes in assumptions	(9,229)	-	(9,229)
Contribution - employer	-	13,125	(13,125)
Net investment income	-	(15,141)	15,141
Benefit payments	(11,264)	(11,264)	-
Administrative expense	-	(399)	399
Net changes	(10,348)	(13,679)	3,331
Balance at June 30, 2022	\$ 161,272	\$ 107,247	\$ 54,025

Sensitivity of the net OPEB liability to change in discount rate – The following presents the net OPEB liability of the District's, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher, than the current discount rate (in thousands):

	<u>2023</u>	<u>2022</u>
Net OPEB Liability at 1% increase	\$ 31,903	\$ 38,403
Net OPEB Liability at current rate	47,593	54,025
Net OPEB Liability at 1% decrease	66,285	72,654

Sensitivity of the net OPEB liability to change in healthcare costs – The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower, or one percentage point higher, than the current healthcare cost trend rates (in thousands):

	<u>2023</u>	<u>2022</u>
Net OPEB Liability at 1% increase	\$ 70,772	\$ 75,369
Net OPEB Liability at current rate	47,593	54,025
Net OPEB Liability at 1% decrease	31,055	36,364

Recognition of Deferred Outflows and Deferred Inflows of Resources – Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. 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. The net difference between projected and actual earnings on OPEB plan investments is amortized over a five year period. All other amounts are amortized over the expected average remaining service lifetime (EARSL) of 4.5 years.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the fiscal years ended June 30, 2023 and June 30, 2022, the District recognized negative OPEB expense of \$(1,440,000) and an expense of \$1,393,000, respectively. As of fiscal years ended June 30, 2023 and June 30, 2022, the District reported deferred outflows of resources related to OPEB from the following sources:

	<u>2023</u>		<u>2022</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ 6	\$ 7,154	\$ 156	\$ 13,203
Changes in assumptions	1,621	5,173	2,633	7,319
Net differences between projected and actual earnings on plan investments	4,104	-	6,730	-
Total	\$ 5,731	\$ 12,327	\$ 9,519	\$ 20,522

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
(Dollar Amounts in Thousands)

OTHER POST-EMPLOYMENT EMPLOYEE BENEFITS

	Fiscal Year 2023	Fiscal Year 2022
TOTAL OPEB LIABILITY		
Service cost	\$ 3,300	\$ 4,000
Interest on Total OPEB Liability	11,419	11,474
Changes of benefit terms	(1,861)	-
Changes of Assumptions	-	(9,229)
Difference Between Expected and Actual Experience	-	(5,329)
Benefit Payments, Including Refunds of Employee Contributions	(11,036)	(11,264)
Net Change in Total OPEB Liability	<u>1,822</u>	<u>(10,348)</u>
Total OPEB Liability - Beginning	<u>161,272</u>	<u>171,620</u>
Total OPEB Liability - Ending (a)	<u>\$ 163,094</u>	<u>\$ 161,272</u>
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ 9,343	\$ 13,125
Contributions - Employee	677	-
Net Investment Income	9,562	(15,141)
Other Miscellaneous Income	-	-
Benefit Payments, Including Refunds of Employee Contributions	(11,036)	(11,264)
Administrative Expense	(292)	(399)
Net Change in Fiduciary Net Position	<u>8,254</u>	<u>(13,679)</u>
Plan Fiduciary Net Position - Beginning	<u>107,247</u>	<u>120,926</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 115,501</u>	<u>\$ 107,247</u>
Plan Net OPEB Liability - Ending (a) - (b)	<u>\$ 47,593</u>	<u>\$ 54,025</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	70.82%	66.50%
Covered-Employee Payroll	\$ 74,528	\$ 67,833
Plan Net OPEB Liability as a Percentage of Covered-Employee Payroll	63.86%	79.64%
Discount rate used	6.75%	6.75%
Measurement Date	6/30/2023	6/30/2022

Schedule of OPEB Contributions (in Thousands)

	Fiscal Year 2023	Fiscal Year 2022
Actuarially Determined Contribution	\$ 9,343	\$ 13,125
Contributions in Relation to the Actuarially Determined Contribution	(9,343)	(13,125)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll	\$ 74,528	\$ 67,833
Contributions as a Percentage of Covered-Employee Payroll	12.54%	19.35%
Average money weighted return	6.75%	6.75%

* Historical information is not available prior to the implementation of the OPEB standards.

Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017*
\$ 4,472	\$ 5,051	\$ 4,892	\$ 4,508	\$ 4,155
12,169	12,911	12,423	12,275	12,122
(7,462)	-	-	372	-
4,660	(350)	-	(3,452)	4,661
(5,867)	(16,508)	915	(97)	220
(11,445)	(10,823)	(11,982)	(11,783)	(10,129)
(3,473)	(9,719)	6,248	1,823	11,029
175,093	184,812	178,564	176,741	165,712
\$ 171,620	\$ 175,093	\$ 184,812	\$ 178,564	\$ 176,741
\$ 12,363	\$ 13,722	\$ 14,313	\$ 13,810	\$ 11,649
-	-	-	-	-
27,369	5,264	4,376	6,429	7,083
-	-	-	-	-
(11,445)	(10,823)	(11,982)	(11,783)	(10,129)
(307)	(278)	(238)	(249)	(191)
27,980	7,885	6,469	8,207	8,412
92,946	85,061	78,592	70,385	61,973
\$ 120,926	\$ 92,946	\$ 85,061	\$ 78,592	\$ 70,385
\$ 50,694	\$ 82,147	\$ 99,751	\$ 99,972	\$ 106,356
70.46%	53.08%	46.03%	44.01%	39.82%
\$ 67,141	\$ 87,840	\$ 78,000	\$ 76,850	\$ 61,759
75.50%	93.52%	127.89%	130.09%	172.21%
7.00%	7.00%	7.00%	7.00%	7.00%
6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017

Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017*
\$ 12,363	\$ 13,722	\$ 14,313	\$ 13,810	\$ 11,649
(12,363)	(13,722)	(14,313)	(13,810)	(11,649)
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 67,141	\$ 87,840	\$ 78,000	\$ 76,850	\$ 61,759
18.41%	15.62%	18.35%	17.97%	18.86%
6.75%	7.00%	5.50%	9.00%	11.00%