

BUTLER PUBLIC POWER DISTRICT

**Valuation of
Other Postemployment Benefits (OPEB)
Under GASB Statement No. 75
Alternative Measurement Method
For Fiscal Years Ending December 31, 2020 and December 31, 2021**

Valuation Date: December 31, 2019

Measurement Date: December 31, 2019

Reporting Date: December 31, 2020

Measurement Date: December 31, 2020

Reporting Date: December 31, 2021

May 10, 2022

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BUTLER PUBLIC POWER DISTRICT

GASB 75 Valuation Report for Fiscal Years Ending December 31, 2020 and December 31, 2021

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Introduction

Purposes of the valuation

This report includes OPEB financial reporting information determined under Governmental Accounting Standards Board Statement No. 75 (GASB 75) for Butler Public Power District (the District). GASB 75 requires employers to provide details about their OPEB obligations.

The Important Notices section of this report discusses several considerations for this valuation and its results. We highly recommend that anyone relying on this valuation's content read the Important Notices so they understand the limitations of its results.

The language of this report includes a number of technical terms which have special meanings. The glossary at the end of the report is provided to enhance understanding of these terms; many of them are defined there.

All fiscal 2019 results shown in this report were taken from the District's financial statements.

Changes from the prior valuation

For the fiscal year ending 12/31/2020, the District's net OPEB liability increased from \$1.39M as of 12/31/2019 to \$2.15M as of 12/31/2020. The net OPEB liability increase was primarily due to inclusion of the implicit subsidy liability, as required under GASB 75, and changes in actuarial assumptions, including lowering the discount rate from 3.25% to 2.75%.

For the fiscal year ending 12/31/2021, the District's net OPEB liability increased from \$2.15M as of 12/31/2020 to \$2.39M as of 12/31/2021. The net OPEB liability increase was primarily due to changes in actuarial assumptions, including a change in the discount rate from 2.75% to 2.00%.

Changes to the plan provisions and assumptions reflected in this valuation are described at the end of each of those sections in this report.

Additional Information

To the best of our knowledge, this report is complete and accurate and all costs and liabilities under the plan were determined in accordance with the Alternative Measurement Method (AMM) prescribed by GASB 75 for employers with under 100 plan participants. Upon receipt of the valuation report, the District should notify us if you disagree with any information contained in the report or if you are aware of any information that would affect the results that has not been communicated to us. The report will be deemed final and acceptable to the District unless you immediately notify us otherwise.

The assumptions and methods are the responsibility of the employer. We have reviewed the assumptions and believe that they are reasonable estimates of future plan experience, both individually and in the aggregate.

For questions on the contents of this report, please contact Emily Knutson at (612) 596-5966 or emilyk@vaniwaarden.com.

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May 10, 2022

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Schedule of Changes in Total OPEB Liability and Related Ratios¹

	Fiscal Year Ending	
	12/31/2021	12/31/2020
Total OPEB Liability		
Service cost	\$ 25,593	\$ 16,856
Interest	58,780	44,900
Differences between expected and actual experience and changes of assumptions ²	233,481	745,677
Benefit payments ³	(78,945)	(41,565)
Net change in total OPEB liability	238,909	765,868
Total OPEB Liability - beginning of year	2,151,325	1,385,457
Total OPEB Liability - end of year	\$ 2,390,234	\$ 2,151,325
Total OPEB Liability - end of year	\$ 2,390,234	\$ 2,151,325
OPEB-eligible payroll for the measurement period	\$ 2,171,522	\$ 2,207,059
Total OPEB Liability as a % of eligible payroll	110.1%	97.5%

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

	Fiscal Year Ending			
		12/31/2021		12/31/2020
1% decrease in Discount Rate	1.00%	2,759,039	1.75%	2,471,489
Current Discount Rate	2.00%	2,390,234	2.75%	2,151,325
1% increase in Discount Rate	3.00%	2,091,765	3.75%	1,890,310

Sensitivity of the Total OPEB Liability to Changes in the Trend Rates

1% decrease in Trend Rates	2,055,673	1,875,319
Current Trend Rates	2,390,234	2,151,325
1% increase in Trend Rates	2,808,367	2,492,875

Participant Summary

	Valuation Date 12/31/2019
Participants eligible for OPEB	
1. Active employees electing coverage	23
2. Active employees waiving coverage	1
3. Retirees electing coverage or with post-65 HRA payments	9
4. Total	33

¹ The employer must disclose a 10-year history of the schedule of changes in Net OPEB Liability and related ratios.

² This includes the addition of implicit subsidy for fiscal year ending 12/31/2020.

³ Benefit payments equal \$51,520 explicit subsidy payments to retirees and \$27,425 implicit subsidy costs incurred during the measurement period ending 12/31/2020. Benefit payments equal \$41,565 explicit subsidy payments to retirees during the measurement period ending 12/31/2019.

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Calculation of OPEB Expense

	Fiscal Year Ending	
	12/31/2021	12/31/2020
A. Service cost	\$ 25,593	\$ 16,856
B. Interest cost	58,780	44,900
C. Current period benefit changes	-	-
D. Employee contributions	-	-
E. Recognition of expected vs. actual experience and assumption changes	233,481	2,054,240
F. Total OPEB expense (sum of A. through E.)	\$ 317,854	\$ 2,115,996

The prior GASB 75 results amortized experience changes; the aggregate remaining balance of \$1,308,563 has been recognized immediately and is included in the FYE2020 OPEB Expense.

Summary of Deferred Outflows and Deferred Inflows

The GASB 75 Alternative Measurement Method requires immediate expense recognition of changes due to experience and assumptions. Only investment gains and losses are amortized, and this does not apply to unfunded plans. The only applicable deferred outflow for this plan is contributions between the measurement date and reporting date.

Under GASB 75 paragraph 44, employer contributions made after the December 31, 2020 Measurement Date and on or before the December 31, 2021 Reporting Date must be disclosed as Deferred Outflows of Resources (both explicit and implicit subsidies). We estimate that this will include \$30,025 implicit subsidy costs incurred between the December 31, 2020 Measurement Date and the December 31, 2021 Reporting Date.

Projected Benefit Payments

Year Ending December 31	Implicit Subsidy	Explicit Subsidy	Total
2021	\$ 30,025	\$ 46,701	\$ 76,726
2022	18,349	43,136	61,485
2023	49,659	61,458	111,117
2024	50,657	63,349	114,006
2025	34,962	59,496	94,458
2026	18,901	54,766	73,667
2027	54,521	78,491	133,012
2028	58,733	80,352	139,085
2029	41,722	74,848	116,570
2030	22,563	68,408	90,971

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Summary of Plan Provisions

- A. Eligibility** At retirement, employees of the District may continue to participate in the District's group insurance plan.
- B. Benefits Valued** Medical coverage
- C. Plan Premiums** Eligible participants and their dependents are allowed access to the health plan and contribute the following plan premiums. Participants meeting additional requirements are eligible for an explicit subsidy of the premium paid by the District as described below.

Medical (Not Medicare Eligible)	Single	Family
HDHP PPO, effective January 1, 2020	\$ 971.00	\$ 1,977.00
HDHP PPO, effective January 1, 2021	971.00	1,977.00
HDHP PPO, effective January 1, 2022	1,019.00	2,063.00

D. Explicit Subsidy

Group	Premium Paid by District
Employees hired before May 10, 1994	The District contributes 2% per each full year of employment, not to exceed 90% (maximum is 70% if retired prior to January 1, 2012) toward single or family premiums. At Medicare eligibility, retirees purchase their own coverage and are reimbursed for Medicare premiums at the same percentage up to a maximum (\$420 per month per person in 2020 and 2021, increasing to \$435 in 2022).
Employees hired after May 10, 1994	The district does not contribute toward the premium. The retiree is responsible for paying the entire premium amount. Retirees have access to the medical plan until age 65.

- E. Valuation Changes** Since the last valuation the following changes have been made:
- Retiree premiums and Medicare reimbursement maximums were updated to current levels.

Summary of Valuation Methods

A. Liability Measurement Dates GASB 75 requires that the total OPEB liability should be determined by (a) an AMM valuation as of the measurement date or (b) the use of update procedures to roll forward to the measurement date amounts from an AMM valuation as of a date no more than 30 months and 1 day earlier than the employer’s most recent fiscal year-end. Liabilities in this report were calculated as of the valuation date under option (a) above for fiscal year end December 31, 2020, and then for fiscal year end December 31, 2021, recalculated as of the valuation date using new assumptions and rolled forward to the December 31, 2020 measurement date using standard actuarial roll-forward techniques per GASB 75 option (b) above.

Valuation date (census)	December 31, 2019
Measurement date (assets and liabilities)	December 31, 2019
Reporting date (fiscal year end)	December 31, 2020
Measurement date (assets and liabilities)	December 31, 2020
Reporting date (fiscal year end)	December 31, 2021

We have not made any adjustments for events occurring between the measurement dates and reporting dates.

B. Cost Method Liabilities are based on the Entry Age Normal level percent of pay cost method.

C. Amortization Methods Investment Gains and Losses:
 Each year’s gain or loss is straight-line amortized over 5 years.
Effects of Assumption Changes and Experience Gains and Losses:
 The GASB 75 AMM rules require that Net OPEB Liability changes resulting from demographic experience and assumption changes be recognized immediately in OPEB expense.

D. Funding Policy Pay-as-you-go method.

E. Data Methods The District provided census and financial information for the valuation and we have relied on this data in preparing the results in this report. The data was reviewed for reasonableness and consistency, but we have not performed a complete audit. If any of the information is inaccurate or incomplete, then the results may be materially different and the calculations may need to be revised.

To the extent that census data was collected as of a date later than December 31, 2019, we have assumed that it is reasonably representative of the plan census on the valuation date and used it with only minor adjustments.

F. Covered Payroll Covered OPEB-eligible payroll information for the measurement years ending December 31, 2019 and December 31, 2020 was provided by the District.

Summary of Healthcare Assumptions and Methods

A. Per Capita Claims Costs

Pre-65 To develop the pre-65 retiree medical per capita claims costs for the plan(s), we adjusted the single premium for (1) increases in medical costs due to aging and (2) the difference between the premium plan month and the valuation month, if applicable. The age-adjustment factors are prescribed by GASB 74/75 and reflect the difference between the current average age of all participants (employees and pre-65 retirees) and their expected average age while receiving retiree medical coverage.

Post-65 Per capita claims costs for post-65 retirees are not applicable because there currently are no post-65 retirees on the District's group medical plan and future retirees are assumed to waive coverage at age 65.

B. Healthcare Cost Trend

Trend is a forecast of cost increases due to factors such as price inflation, per capita income growth (GDP), and new technology. We developed our trend assumption using the 2022 "Getzen" model published by the Society of Actuaries.

Actual plan sponsor healthcare costs will differ from the trend assumption since we cannot precisely predict the factors affecting trend and annual plan costs in the future. This assumption is merely one estimate among a wide range of possibilities.

Summary of Valuation Assumptions

Discount rate	2.00%
Long-term expected investment return	N/A
Inflation rate	2.25%
Mortality	Pub-2010 General Members (Above Median) Mortality Table (100% of male rates, 95% of female rates), both male and female rates set back one year, projected generationally using MP-2019 modified to 75% of the ultimate rates.
Healthcare cost trend rate	Actual premium increase rates for FY2020 and FY2021. For FY2022, 6.2% pre-65, 4.7% post-65. All rates gradually decreasing over several decades to an ultimate rate of 3.7% in FY2074 and later years.

A. Economic Assumptions

	Measurement Date	
	December 31, 2020	December 31, 2019
Discount Rate (Fidelity 20-Year Municipal GO AA Index rate for 20-year, tax-exempt municipal bonds)	2.00%	2.75%
Increases in Explicit Subsidy	Assumed to increase with healthcare trend rates.	

B. Coverage Elections

- 100% of the employees currently electing coverage and eligible for an explicit subsidy are assumed to elect coverage in the same plan and coverage level at retirement, continue coverage to age 65 and then purchase a Medicare coordinated plan.
- 10% of the employees currently electing coverage and not eligible for an explicit subsidy are assumed to elect coverage in the same plan and coverage level at retirement, continue coverage to age 65 and then waive coverage.
- Employees currently waiving coverage are assumed to waive coverage at retirement.
- Post-65 retirees are assumed to elect a Medicare plan with premiums lower than the maximum reimbursement. It is assumed post-65 retirees will receive 90% of the annual maximum reimbursement and forfeit the remainder.

C. Demographic Assumptions

Withdrawal, Mortality, and Salary Scale	Based on the rates from the Nebraska Public Employees Retirement Systems 1/1/2021 Actuarial Valuation.
Disability	
• Future retirees	It is assumed that employees will not become disabled.
• Retirees	Actual disability status was used.

Summary of Valuation Assumptions (continued)

C. Demographic Assumptions (continued)

Retirement Age	Latest of age 62, plan eligibility or current age
Spouse Age Difference	
• Future retirees	Males are assumed to be 3 years older than females.
• Retirees	Actual spouse date of birth is used, if provided. Otherwise, males are assumed to be 3 years older than females.
Medicare Eligibility	100% of current and future retirees under age 65 are assumed to become Medicare eligible at the later of age 65 or retirement. Actual Medicare status was used for retired members, if provided.

D. Per Capita Claims Costs

Medical	Estimated monthly retiree medical claims costs as of the 12/31/2019 valuation date were \$2,134 for the HDHP PPO.
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E. Assumption Changes Since the Prior Valuation

- The discount rate was changed to 2.75% as of 12/31/2019 and to 2.00% as of 12/31/2020 based on updated 20-year municipal bond rates as of each measurement date.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Withdrawal, mortality, and salary increase rates were updated to the rates from the Nebraska Public Employees Retirement Systems 1/1/2021 Actuarial Valuation.
- The percent of future retirees not eligible for an explicit subsidy assumed to elect coverage at retirement changed from 0% to 10% to reflect recent plan experience.
- The inflation assumption was changed to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.

Important Notices

Purpose and Scope of the Valuation

This valuation has been prepared exclusively for the District and solely to provide GASB 75 accounting information. It is important to recognize that calculations performed for other purposes (such as benefit design, investment policy, or plan funding) may yield significantly different results. This report may not be used for any other purpose, and Van Iwaarden Associates is not responsible for the consequences of any unauthorized use. Its content may not be modified, incorporated into or used in other material, or otherwise provided, in whole or in part, to any other person or entity, without our permission.

Assumptions and Methods

Since modeling all possible future outcomes is not possible or practical, the valuation is based on a single set of data, assumptions, methods, and plan provisions which satisfy current GASB 75 accounting requirements. We may also use estimates or simplifications to model future events in an efficient and cost-effective manner, so long as we believe that these simplifying techniques do not affect the reasonableness of the valuation results.

The District is responsible for the assumptions, methods, and funding policies used to prepare the valuation. The assumptions used in this report are based on the Alternative Measurement Method assumptions and methods as outlined in paragraphs 224 - 226 of GASB 75. The liabilities in this report were prepared using actuarial valuation software programmed to follow the GASB AMM calculation methods. If the District is interested in analyzing the effect of different assumption sets on the valuation results, then we suggest a sensitivity analysis to be performed at a later date.

Measurement Changes

A valuation is only a snapshot of a plan's estimated financial condition at a single point in time. Future measurements may differ significantly from the current measurements presented in this report due to such factors as the following: retiree group benefits program experience differing from that anticipated by the assumptions; changes in 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 retiree group benefits program provisions or applicable law. Retiree group benefits models necessarily rely on the use of approximations and estimates, and are sensitive to changes in these approximations and estimates. Small variations in these approximations and estimates may lead to significant changes in measurements.

Valuations are extremely complex and it's possible that data, computer coding, and mathematical errors could occur during the valuation process. Errors in a valuation discovered after its preparation may be corrected by revising the current valuation or in a subsequent year's valuation.

Important Notices (continued)**Accuracy of Substantive Plan Information and Census Data**

For purposes of this valuation, we have assumed that the District has validated our summary of the substantive plan provisions and has provided us with any relevant information on interpretation of the plan provisions and changes to the plan terms since the prior valuation.

The District is solely responsible for the validity, accuracy and comprehensiveness of this information. If any data or plan provisions supplied are not accurate and complete, the valuation results may differ significantly.

Impact of Legislative Changes

The legislative and regulatory environments have many implications for OPEB plans. Changes to current rules and implementation of new legislation are difficult to predict but could have a dramatic impact on the value of future plan benefits. These include changes to government medical programs, such as Medicare and the Affordable Care Act. Future changes to these programs will be reflected if/when they become law.

Glossary of Selected Terms

This section provides the definitions of applicable terminology in the valuation, with references to the Governmental Accounting Standards (GASB) No. 75.

Cost Method - the method used to allocate OPEB liability costs between past, current, and future years.

Discount Rate - the interest rate used to adjust liabilities and obligations for the time value of money.

Explicit Subsidy - OPEB expressly provided by employer.

Fiduciary Net Position - The value of assets reported by the plan/employer.

GASB Statement No. 16 - the Governmental Accounting Standards Board Statement Number 16 Accounting for Compensated Absences.

GASB Statement No. 75 - the Governmental Accounting Standards Board Statement Number 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

Implicit Subsidy or Implicit Rate Subsidy - the difference between the actual and apparent cost of OPEB coverage. The actual cost for retirees is different than the average per-person premium for a blended active/retiree group or a retiree group in a pooled health plan. Plans in which retirees pay the average rate (the apparent cost) may give rise to an implicit rate subsidy: the employer pays the difference between the actual and apparent cost.

Long-Term Expected Investment Return - the assumed long-term return expected to be earned by the OPEB investments.

Measurement Date - the date as of which the Total OPEB Liability and Fiduciary Net Position (assets) are measured.

Net OPEB Liability - the difference between the accrued liability (Total OPEB Liability) and OPEB assets (Fiduciary Net Position).

Net Position Restricted for OPEBs - accounting terminology for OPEB plan assets.

Present Value of Benefits - the present value of all future projected benefits for the current participant group, if all assumptions are exactly met.

Reporting Date - the plan's or employer's fiscal year end.

Service Cost - the portion of the Present Value of Benefits which is allocated to the current year by the cost method.

Total OPEB Liability - the portion of the Present Value of Benefits which is not attributable to future service costs, i.e. the accrued liability.

Valuation Date - the date as of which liabilities are calculated. Liabilities may be "rolled forward" from the Valuation Date to the Measurement Date.