ACTUARIAL VALUATION UPDATE

Board of Trustees Meeting

01/12/2021

Actuarial Valuation has been completed

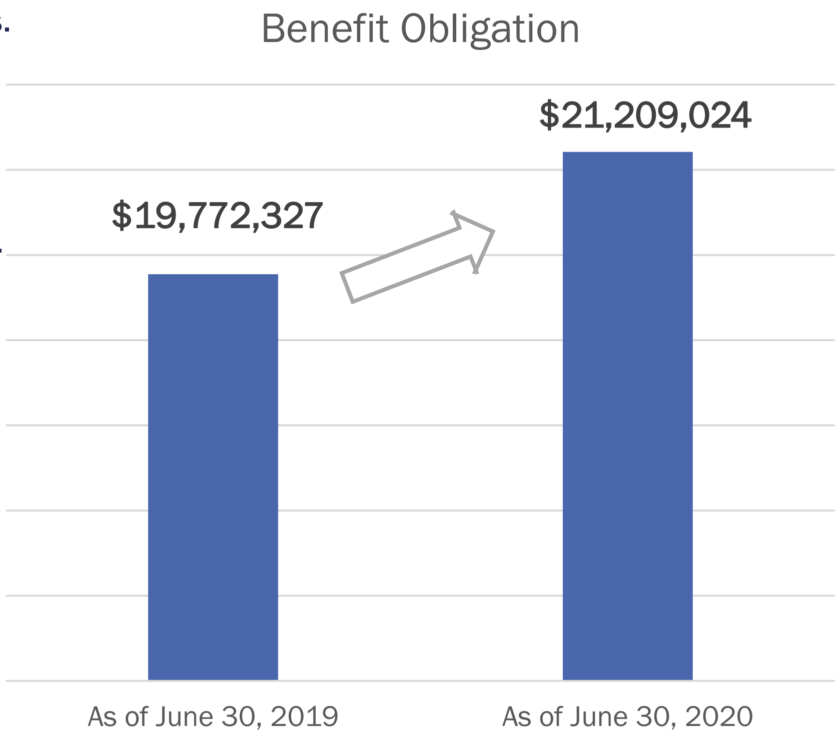
- At our 12/4 LTHB committee meeting, we accomplished the following:
  - *Reviewed the topline results*
  - *Discussed the assumptions and methodology used*
  - *Held Q&A with actuary team*
  - *Ensured alignment before moving forward*
- The actuarial valuation will now be marked as final and sent to our auditor
- Phase 2 of the project has now been initiated: scenario projections
  - *Evaluating options for expanding benefits to all*
  - *Evaluating options for dissolving the benefit*

2020-21 Actuarial Valuation has been completed

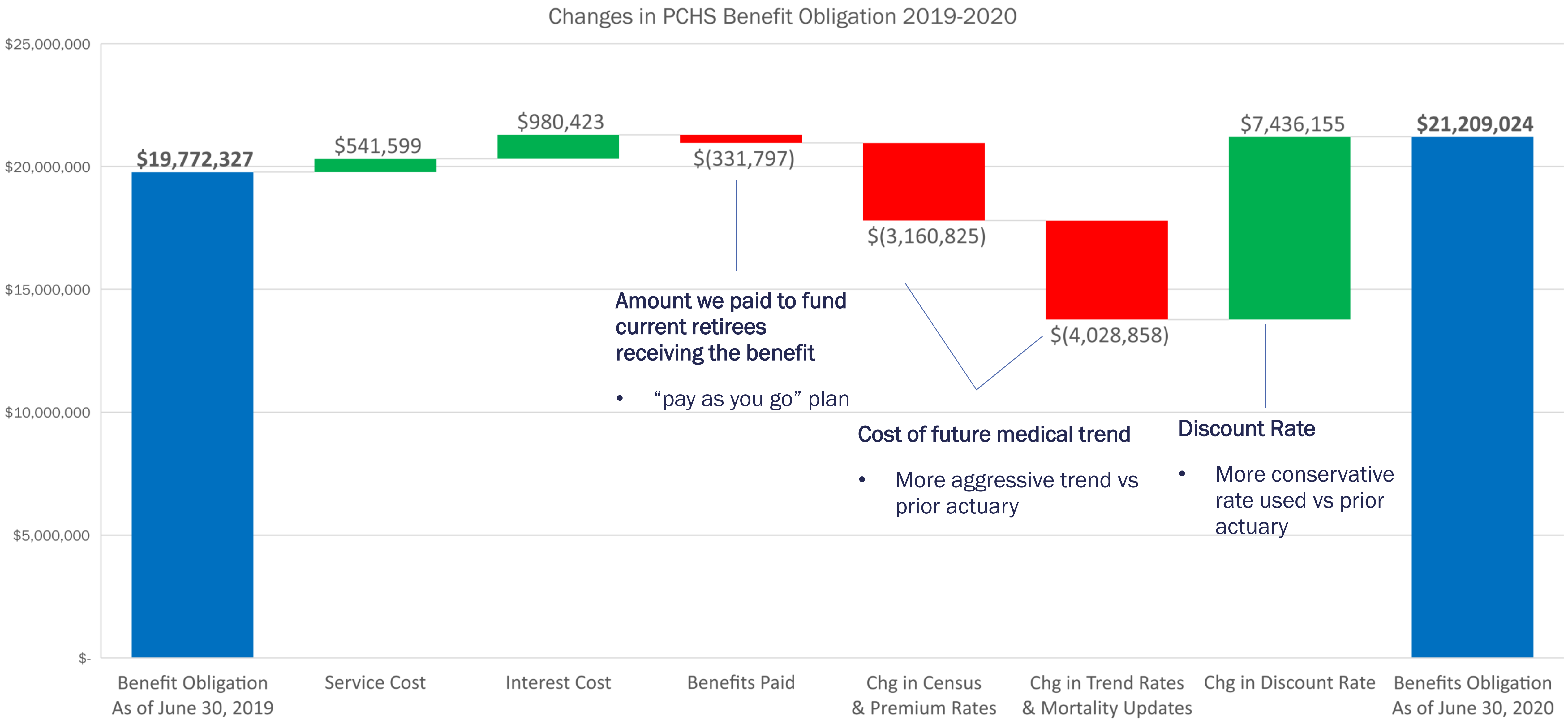
- The Accumulated Postretirement Benefit Obligation (APBO) increased by approximately 7.3% compared to the amount reported in PCHS's June 30, 2019 financial statement.

- The reason for the increase is mainly attributed to increases in Service Cost & Interest Cost
  - Service cost is an increase in obligation due to an additional year of service by employees. We must set this aside.
  - Interest cost is an increase in the present value of the liability. Our obligation increased because the benefit date is now one year closer.
  - Keep in mind, we paid the minimum this past year, which is why our obligation has grown.

- The report also makes different assumptions regarding the (1) discount rate and (2) the future medical cost trend.
  - These are the 2 biggest assumptions that can impact our obligation amount
  - The report recommends a discount rate of 2.67% (vs 5% from last report). Also recommends a future medical cost trend of 4% (vs 5% from last report)
  - The impact of these new assumptions is a $246k increase to our obligation. We need to discuss and align on these assumptions.



The chart below shows the change in Benefit Obligation from 2019 to 2020 and quantifies the impact of each assumption our actuary made



APPENDIX

About our Actuarial Firm: Demsey Filliger & Associates (DF&A)

- DF&A is a highly respected actuarial firm, working with 400+ clients on over 2,000 actuarial valuations. Actuary of choice for SISC.
- Carlos Diaz, ASA, EA, MAA: Has over 32 years of actuarial consulting experience and led our report/valuation.

Discount Rate

- After reviewing the SOA (Society for Actuaries) ACOPA (College of Pension Actuaries) and FASB (Financial Accounting Standards Board), the discount rate recommended in the current report is accurate.
- PCHS operates under FASB, which states that we must peg against high quality bonds.
- The actuary used the most common discount curve from FTSE (Citigroup) with is used industry wide