



# **RIVERSIDE COMMUNITY COLLEGE DISTRICT**

## **GASB 75 ACTUARIAL VALUATION REPORT**

FOR POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

July 1, 2022 – June 30, 2023 Fiscal Year

Based on information received for the July 1, 2021 – June 30, 2022 Fiscal Year

# CONTENTS

|  | Page |
|--|------|
| <b>EXECUTIVE SUMMARY</b> .....   | 2    |
| <b>A. PLAN OVERVIEW</b> .....  | 2    |
| <b>B. SUMMARY OF KEY RESULTS</b> .....                                       | 2    |
| <b>C. DEMOGRAPHIC INFORMATION</b> .....                                      | 3    |
| <b>D. ASSETS</b> .....   | 3    |
| <b>E. DISCOUNT RATE</b> .....  | 3    |
| <b>ACTUARIAL CERTIFICATION</b> .....   | 4    |
| <b>ACCOUNTING &amp; ACTUARIAL INFORMATION</b> .....                          | 5    |
| <b>A. RECONCILIATION OF TOTAL OPEB LIABILITY</b> .....                       | 5    |
| <b>B. DEVELOPMENT OF OPEB EXPENSE</b> .....                                  | 5    |
| <b>C. SCHEDULE OF DEFERRED INFLOWS &amp; OUTFLOWS</b> .....                  | 6    |
| <b>D. SENSITIVITY OF NOL TO CHANGES IN DISCOUNT RATE</b> .....               | 6    |
| <b>E. SENSITIVITY OF NOL TO CHANGES IN HEALTHCARE COST TREND RATES</b> ..... | 6    |
| <b>F. SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION</b> .....               | 7    |
| <b>CENSUS INFORMATION</b> .....  | 8    |
| <b>SCHEDULE OF ACTIVE PARTICIPANT DATA</b> .....                             | 9    |
| <b>ASSUMPTIONS &amp; ACTUARIAL METHODS</b> .....                             | 10   |
| <b>PLAN PROVISIONS</b> .....   | 17   |
| <b>GLOSSARY OF TERMS</b> .....   | 18   |
| <b>APPENDIX – EXPECTED BENEFIT PAYMENTS</b> .....                            | 20   |

## EXECUTIVE SUMMARY

### A. PLAN OVERVIEW

Riverside Community College District (*District*) provides post-employment benefits other than pensions (OPEB) to employees who meet certain criteria. As a result of offering such benefits, the District is required to report the value of such benefits and the associated costs according to the accounting requirements of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75). The purpose of this report is to provide measurements of the OPEB obligations, annual expense, and other required disclosure items in accordance with GASB 75. The information contained in this report may not be suitable for other purposes.

The District provides post-employment healthcare benefits to eligible retirees and their covered eligible dependents and pays a portion of the cost. All active employees who retire directly from the District and meet the eligibility criteria may participate.

### B. SUMMARY OF KEY RESULTS

The summary below identifies the key results of the costs related to the July 1, 2022 – June 30, 2023 Fiscal Year, according to the accounting requirements of GASB 75. Note that implicit rate subsidies, as required by GASB, are factored into all relevant values in this report.

Note that the District elects to perform actuarial valuations on a biennial basis, therefore this valuation represents a rollforward of results prepared for the July 1, 2021 – June 30, 2022 Fiscal Year, with certain adjustments made to reflect the healthcare trend and the discount rate at the end of the year.

| Valuation Date  | July 1, 2022         |
|---|----------------------|
| Measurement Date  | June 30, 2023        |
| Reporting Date  | June 30, 2023        |
| <b>Present Value of Future Benefits (PVFB)</b>                                    |                      |
| Actives   | \$132,539,782        |
| Retirees  | <u>11,449,333</u>    |
| <b>Total</b>  | <b>\$143,989,115</b> |
| <b>Total OPEB Liability (TOL)</b>   |                      |
| Actives   | \$79,881,535         |
| Retirees  | <u>11,449,333</u>    |
| <b>Total</b>  | <b>\$91,330,868</b>  |
| Plan Assets   | <u>3,837,751</u>     |
| <b>Net OPEB Liability (NOL)</b>   | <b>\$87,493,117</b>  |
| <b>GASB 75 Measures for the Period Ending</b>                                     | <b>June 30, 2023</b> |
| <b>OPEB Expense</b>   | <b>\$12,426,041</b>  |
| <b>Actual Benefit Payments (Pay-As-You-Go)<sup>1</sup></b>                        | <b>\$2,330,000</b>   |
| <b>Expected Benefit Payments, reflecting implicit rate subsidies<sup>2</sup></b>  | <b>\$4,003,106</b>   |
| <b>Estimated Benefit Payments, reflecting implicit rate subsidies<sup>3</sup></b> | <b>\$4,116,590</b>   |

<sup>1</sup> Actual annual benefit payments based on information received from the District.

<sup>2</sup> Expected annual benefit payments based on prior valuation results.

<sup>3</sup> Estimated annual benefit payments based on actual benefit payments received from the District and expected implicit rate subsidy benefit payments based on prior valuation results.

**C. DEMOGRAPHIC INFORMATION**

| Demographic Information          | 2021/2022 FY |
|----------------------------------|--------------|
| Active Participants <sup>4</sup> | 1,219        |
| <u>Retired Participants</u>      | <u>87</u>    |
| <b>Total</b>                     | <b>1,306</b> |

**D. ASSETS**

As of the valuation date, the District has set aside assets in an irrevocable trust to pay for future benefits. According to GASB, an employer has contributed to pay for future benefits if it meets one of the following criteria:

- The employer has made benefit payments directly to or on behalf of a retiree or beneficiary.
- The employer has made premium payments to an insurer.
- The employer has made contributions to an OPEB plan to fund payments of benefits as they come due in the future, and all the following apply:
  - The employer no longer has ownership or control of the assets.
  - The plan is effectively a legally separate entity under the stewardship of a board of trustees.
  - The plan assets provide benefits to retirees and their beneficiaries in accordance to the terms stated in the plan.
  - The plan assets are legally protected from creditors of the employer.

| Assets                                       | June 30, 2023 |
|--|---------------|
| Market Value of Assets                       | \$3,837,751   |
| Actuarial Value of Assets                    | \$3,837,751   |
| Money-Weighted Rate of Return (2022/2023 FY) | TBD           |

**E. DISCOUNT RATE**

The discount rate under GASB 75 is required to be a blend of the long-term expected rate of return (ROR) to the extent funded and the 20 year municipal bond rate. Specifically, an initial projection is made using the ROR on irrevocable OPEB plan assets and, as long as the plan’s net position and projected contributions associated with current participants are expected to fully cover projected benefit payments (including expenses), this long-term rate may be used. For years in which the net position is not projected to cover projected benefit payments, the discount rate used is equal to the 20 year municipal bond yield. A single discount rate is then determined as a blend of the two rates, which produces the same discounted present value of benefits as the dual rate calculation. Based on the District’s current net position and anticipated future contributions, the District’s net position is anticipated to deplete quickly. Therefore, as described in paragraph 39 of GASB 75, an alternative method was used where no depletion analysis was performed and only the 20 year municipal bond rate of 4.13% was considered for the June 30, 2023 measurement.

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<sup>4</sup> Counts reflect the exclusion of 43 terminated employees and 299 part-time active employees. These employees are assumed to continue active employment at their current part-time status, and therefore would not be eligible for District provided healthcare benefits upon retirement.

## ACTUARIAL CERTIFICATION

Riverside Community College District (*District*) retained Grant Thornton to perform a valuation of its post-employment healthcare benefits plan for the purpose of determining its annual cost and disclosures in accordance with GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75).

The undersigned consulting actuaries are members of the Society of Actuaries and other professional actuarial organizations, and meet the “Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States” relating to post-employment healthcare plans.


In preparing the results presented in this report, we have relied upon information provided to us regarding plan provisions, plan participants, and plan assets. We have reviewed this information for overall reasonableness and consistency, but have neither audited nor independently verified this information. The accuracy of the results presented in this report is dependent upon the accuracy and completeness of the underlying information.

Where reasonable, the actuarial assumptions and the accounting policies and methods employed in the development of the post-employment healthcare cost have been selected by the District, which relied upon actuarial audits and experience studies conducted for the California State Teachers Retirement System (CalSTRS) and the California Public Employees Retirement System (CalPERS). We did not independently study historical information to develop assumptions. As prescribed under GASB 75, the Entry Age Normal cost method was used, where normal costs are computed as a level annual percentage of salary.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices. In our opinion, the actuarial assumptions and methods represent reasonable expectations of anticipated plan experience. To fulfill the applicable accounting requirements, each actuarial assumption should be management's "best estimate solely with respect to that individual assumption."

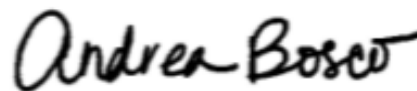
The information contained in this report was prepared for the internal use of the District and its auditors in connection with the actuarial valuation of the post-employment healthcare plan. It is neither intended nor necessarily suitable for other purposes. The District may also distribute this actuarial valuation report to parties which have a legal right to require the District to provide them with this report, in which case they will provide this report in its entirety including all assumptions, caveats, and limitations.

We are available to answer questions on the material contained in the report or to provide explanations or further detail, as may be appropriate.



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Andrew Etheridge, FSA, FCA, EA, MAAA  
Senior Manager, Human Capital Services  
Grant Thornton, LLP  
October 6, 2023



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Andrea Bosco, ASA  
Experienced Manager, Human Capital Services  
Grant Thornton, LLP  
October 6, 2023

## ACCOUNTING & ACTUARIAL INFORMATION

### A. RECONCILIATION OF TOTAL OPEB LIABILITY

The Total OPEB Liability (TOL) is the liability or obligation for benefits earned through the valuation date, based on certain actuarial methods and assumptions. The following represents a reconciliation of the TOL from the beginning of the Fiscal Year (July 1, 2022) to the end of the Fiscal Year (June 30, 2023). The TOL as of June 30, 2023 is \$91,330,868.

| Reconciliation of Total OPEB Liability             |  | 2022/2023 FY        |
|--|--|---------------------|
| <b>Beginning of Year TOL</b>                       |  | <b>\$85,579,066</b> |
| Service Cost                                       |  | 4,344,808           |
| Interest Cost                                      |  | 3,594,546           |
| Changes of Benefit Terms                           |  | 0                   |
| Differences Between Expected and Actual Experience |  | 115,781             |
| Changes in Assumptions                             |  | 1,813,257           |
| <u>Estimated Benefit Payments</u>                  |  | <u>(4,116,590)</u>  |
| <b>End of Year TOL</b>                             |  | <b>\$91,330,868</b> |
| <b>Discount Rate:</b>                              |  |                     |
| Beginning of Year                                  |  | 4.09%               |
| End of Year  |  | 4.13%               |

### B. DEVELOPMENT OF OPEB EXPENSE

The OPEB Expense related to the July 1, 2022 – June 30, 2023 period is \$12,426,041. Deferred inflows and outflows of resources are amortized over the following periods depending on source.

- Differences between expected/actual experience and assumption changes are amortized over the average working lifetime (active and inactive participants).
- The difference between projected and actual earnings on any applicable OPEB plan investments is recognized over a 5-year period.
- Any plan changes are fully recognized.

| OPEB Expense                                       |  | 2022/2023 FY        |
|--|--|---------------------|
| Service Cost                                       |  | \$4,344,808         |
| Interest Cost                                      |  | 3,594,546           |
| Expected Return on Assets                          |  | (312,017)           |
| Recognition of:                                    |  |                     |
| Changes of Benefit Terms                           |  | 0                   |
| Differences Between Expected and Actual Experience |  | (753,686)           |
| Differences Between Projected and Actual Earnings  |  | 84,260              |
| <u>Changes in Assumptions</u>                      |  | <u>5,468,130</u>    |
| <b>OPEB Expense</b>                                |  | <b>\$12,426,041</b> |
| <b>Beginning of Year:</b>                          |  |                     |
| Discount Rate                                      |  | 4.09%               |
| Expected Rate of Return                            |  | 7.01%               |
| Average Expected Service Life                      |  | 8.67                |
| <u>Expected Benefit Payments</u>                   |  | <u>\$4,003,106</u>  |

**C. SCHEDULE OF DEFERRED INFLOWS & OUTFLOWS**

Differences between expected and actual experience, assumption changes, and projected and actual earnings, are amortized over their respective periods as discussed in the prior section. The amounts left to be amortized in the future are reported as deferred inflows and outflows of resources.

The table below summarizes the current balances of collective deferred inflows and outflows of resources along with the net recognition through annual expense over future years.

| Schedule of Deferred Inflows/Outflows                          |                     | June 30, 2023       |  |
|--|---------------------|---------------------|--|
|  | Deferred Inflows    | Deferred Outflows   |  |
| Differences Between Expected and Actual Experience             | \$7,096,667         | \$1,321,873         |  |
| Differences Between Projected and Actual Earnings <sup>5</sup> | 0                   | 386,352             |  |
| <u>Changes in Assumptions</u>                                  | <u>10,131,603</u>   | <u>28,453,978</u>   |  |
| <b>Total</b>   | <b>\$17,228,270</b> | <b>\$30,162,203</b> |  |

Amounts reported as deferred inflows and outflows of resources will be recognized in the OPEB expense as follows:

| Fiscal Year Ending June 30: | Recognition   |
|-----------------------------|---------------|
| 2024                        | \$4,802,984   |
| 2025                        | 4,804,432     |
| 2026                        | 4,926,848     |
| 2027                        | 3,316,190     |
| 2028                        | (1,985,573)   |
| Thereafter                  | (\$2,930,948) |

**D. SENSITIVITY OF NOL TO CHANGES IN DISCOUNT RATE**

Changes in the discount rate affect the measurement of the NOL. Lower discount rates produce a higher NOL, while higher discount rates produce a lower NOL.

|                           | 1% Decrease  | Current Rate | 1% Increase  |
|---------------------------|--------------|--------------|--------------|
| <b>Net OPEB Liability</b> | \$94,957,874 | \$87,493,117 | \$80,478,144 |

**E. SENSITIVITY OF NOL TO CHANGES IN HEALTHCARE COST TREND RATES**

Changes in the healthcare trend rate affect the measurement of the NOL. Lower healthcare trend rates produce a lower NOL, while higher healthcare trend rates produce a higher NOL.

|                           | 1% Decrease  | Current Trend | 1% Increase  |
|---------------------------|--------------|---------------|--------------|
| <b>Net OPEB Liability</b> | \$77,330,534 | \$87,493,117  | \$99,502,032 |

<sup>5</sup> GASB 75 requires deferred inflows and outflows arising from asset experience to be aggregated and shown as a net number for reporting purposes. The June 30, 2023 deferred inflow is \$264,600, while the June 30, 2023 deferred outflow is \$650,952.

**F. SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION**

The following schedule is intended to show information for a period of 10 years. This information will be included prospectively as the District continues to perform actuarial valuations and report under GASB 75.

|   | 2022/2023 FY         | 2021/2022 FY          | 2020/2021 FY         | 2019/2020 FY         | 2018/2019 FY        | 2017/2018 FY                   |
|---|----------------------|-----------------------|----------------------|----------------------|---------------------|--------------------------------|
| <b>Total OPEB Liability</b>                                   |                      |                       |                      |                      |                     |                                |
| Service Cost  | \$4,344,808          | \$5,504,586           | \$5,302,858          | \$1,621,345          | \$1,723,506         | \$1,751,284                    |
| Interest Cost   | 3,594,546            | 2,351,137             | 2,695,924            | 3,144,666            | 2,976,284           | 2,928,661                      |
| Changes of Benefit Terms                                      | 0                    | 0                     | 0                    | 0                    | 0                   | 0                              |
| Differences Between Expected and Actual Experience            | 115,781              | (9,193,626)           | (129,893)            | 1,960,004            | 701,697             | 0                              |
| Changes in Assumptions  | 1,813,257            | (12,862,377)          | 3,612,704            | 50,373,442           | (846,693)           | 0                              |
| <u>Estimated Benefit Payments</u>                             | <u>(4,116,590)</u>   | <u>(5,105,272)</u>    | <u>(5,254,816)</u>   | <u>(3,304,004)</u>   | <u>(4,315,779)</u>  | <u>(3,585,234)</u>             |
| <b>Net Change in Total OPEB Liability</b>                     | <b>\$5,751,802</b>   | <b>(\$19,305,552)</b> | <b>\$6,226,777</b>   | <b>\$53,795,453</b>  | <b>\$239,015</b>    | <b>\$1,094,711</b>             |
| <b>Total OPEB Liability – Beginning of Year</b>               | <b>\$85,579,066</b>  | <b>\$104,884,618</b>  | <b>\$98,657,841</b>  | <b>\$44,862,388</b>  | <b>\$44,623,373</b> | <b>\$43,528,662</b>            |
| <b>Total OPEB Liability – End of Year (a)</b>                 | <b>\$91,330,868</b>  | <b>\$85,579,066</b>   | <b>\$104,884,618</b> | <b>\$98,657,841</b>  | <b>\$44,862,388</b> | <b>\$44,623,373</b>            |
| <b>Plan Fiduciary Net Position</b>                            |                      |                       |                      |                      |                     |                                |
| <i>Estimated</i> Employer Contributions                       | \$2,725,558          | \$3,156,426           | \$3,455,849          | \$5,546,232          | \$4,679,405         | \$6,209,619                    |
| Net Investment Income   | 334,917              | (732,902)             | 887,627              | 205,072              | 191,351             | 116,869                        |
| <i>Estimated</i> Benefit Payments                             | (2,330,000)          | (2,780,000)           | (3,100,644)          | (5,235,658)          | (4,315,779)         | (5,968,234)                    |
| <u>Administrative Expenses</u>                                | <u>(4,058)</u>       | <u>(4,664)</u>        | <u>(4,629)</u>       | <u>(3,040)</u>       | <u>(2,718)</u>      | <u>(2,197)</u>                 |
| <b>Net Change in Plan Fiduciary Net Position</b>              | <b>\$726,418</b>     | <b>(\$361,140)</b>    | <b>\$1,238,203</b>   | <b>\$512,606</b>     | <b>\$552,259</b>    | <b>\$356,057</b>               |
| <b>Plan Fiduciary Net Position – Beginning of Year</b>        | <b>\$3,111,333</b>   | <b>\$3,472,473</b>    | <b>\$2,234,270</b>   | <b>\$1,721,664</b>   | <b>\$1,169,405</b>  | <b>\$813,348</b>               |
| <b>Plan Fiduciary Net Position – End of Year (b)</b>          | <b>\$3,837,751</b>   | <b>\$3,111,333</b>    | <b>\$3,472,473</b>   | <b>\$2,234,270</b>   | <b>\$1,721,664</b>  | <b>\$1,169,405<sup>6</sup></b> |
| <b>Net OPEB Liability – End of Year (a) – (b)</b>             | <b>\$87,493,117</b>  | <b>\$82,467,733</b>   | <b>\$101,412,145</b> | <b>\$96,423,571</b>  | <b>\$43,140,724</b> | <b>\$43,453,968</b>            |
| <b>Plan Fiduciary Net Position as a percentage of the TOL</b> | <b>4.20%</b>         | <b>3.64%</b>          | <b>3.31%</b>         | <b>2.26%</b>         | <b>3.84%</b>        | <b>2.62%</b>                   |
| <b>Covered Payroll</b>  | <b>\$130,339,328</b> | <b>\$134,621,361</b>  | <b>\$110,528,602</b> | <b>\$115,037,704</b> | <b>\$84,110,182</b> | <b>\$85,823,805</b>            |
| <b>Net OPEB Liability as a percentage of Covered Payroll</b>  | <b>67.13%</b>        | <b>61.26%</b>         | <b>91.75%</b>        | <b>83.82%</b>        | <b>51.29%</b>       | <b>50.63%</b>                  |
| <b>Municipal Bond Rate:</b>                                   |                      |                       |                      |                      |                     |                                |
| Beginning of Year   | 4.09%                | 2.18%                 | 2.66%                | 7.01%                | 6.73%               | 6.73%                          |
| End of Year   | 4.13%                | 4.09%                 | 2.18%                | 2.66%                | 7.01%               | 6.73%                          |

<sup>6</sup> Value was updated from \$1,147,433 to match June 30, 2018 audited financial statements.



## CENSUS INFORMATION<sup>7</sup>

The following table summarizes active and retiree demographic information:

| Participants                            | July 1, 2022 |
|---|--------------|
| <b>Actives<sup>8</sup></b>              |              |
| Fully Eligible to Receive Plan Benefits | 219          |
| <u>Not Fully Eligible</u>               | <u>1,000</u> |
| <i>Total</i>                            | <i>1,219</i> |
| <b>Retirees</b>                         |              |
| Under Age 65                            | 84           |
| <u>Age 65 or over</u>                   | <u>3</u>     |
| <i>Total Receiving Plan Benefits</i>    | <i>87</i>    |
| <b>Total</b>                            | <b>1,306</b> |

|                 | Actives | Retirees | Total |
|-----------------|---------|----------|-------|
| Average Age     | 46.88   | 62.69    | 47.93 |
| Average Service | 12.93   | N/A      | N/A   |

There were no material modifications to the data as provided by the District.

<sup>7</sup> Census information used for July 1, 2022 valuation.

<sup>8</sup> Counts reflect the exclusion of 43 terminated employees and 299 part-time active employees. These employees are assumed to continue active employment at their current part-time status, and therefore would not be eligible for District provided healthcare benefits upon retirement.

SCHEDULE OF ACTIVE PARTICIPANT DATA<sup>910</sup>

| Attained Age | Attained Service |            |            |            |            |            |           |           |          |          | Total        |
|--------------|------------------|------------|------------|------------|------------|------------|-----------|-----------|----------|----------|--------------|
|              | Under 1          | 1 to 4     | 5 to 9     | 10 to 14   | 15 to 19   | 20 to 24   | 25 to 29  | 30 to 34  | 35 to 39 | 40 & Up  |              |
| Under 25     | 3                | 5          | -          | -          | -          | -          | -         | -         | -        | -        | 8            |
| 25 to 29     | 2                | 21         | 19         | 2          | -          | -          | -         | -         | -        | -        | 44           |
| 30 to 34     | 13               | 43         | 41         | 16         | 4          | -          | -         | -         | -        | -        | 117          |
| 35 to 39     | 9                | 58         | 47         | 23         | 26         | 7          | -         | -         | -        | -        | 170          |
| 40 to 44     | 10               | 44         | 45         | 30         | 38         | 19         | -         | -         | -        | -        | 186          |
| 45 to 49     | 7                | 44         | 46         | 31         | 37         | 42         | 11        | -         | -        | -        | 218          |
| 50 to 54     | 8                | 23         | 24         | 24         | 45         | 56         | 19        | 5         | -        | -        | 204          |
| 55 to 59     | 1                | 16         | 15         | 15         | 21         | 34         | 21        | 18        | 3        | -        | 144          |
| 60 to 64     | -                | 3          | 6          | 6          | 14         | 23         | 10        | 13        | -        | -        | 81           |
| 65 to 69     | -                | 1          | 2          | 2          | 7          | 4          | 11        | 2         | 1        | -        | 30           |
| 70 & up      | -                | 1          | 1          | 1          | 2          | 3          | 2         | 3         | 1        | 2        | 17           |
| <b>Total</b> | <b>53</b>        | <b>259</b> | <b>150</b> | <b>150</b> | <b>194</b> | <b>188</b> | <b>74</b> | <b>41</b> | <b>5</b> | <b>2</b> | <b>1,219</b> |

<sup>9</sup> Census information used for the July 1, 2022 valuation.

<sup>10</sup> Employees who never meet eligibility requirements prior to retirement are included in the valuation with zero actuarial liability.

## ASSUMPTIONS & ACTUARIAL METHODS

The assumptions and methods displayed in this section were selected from the complete set of assumptions used to calculate liabilities for the plan. The District has reviewed the assumptions and recommended to the actuary that they be used. For certificated participants, it is assumed that their termination and retirement rates follow that prescribed by the CalSTRS experience study and actuarial assumptions. Non-certificated participants are assumed to follow termination and retirement behaviors exhibited in the CalPERS experience study and actuarial assumptions.

### A. DISCOUNT RATE

In accordance with GASB 75, the discount rate as of June 30, 2022 and June 30, 2023 is the 20 year municipal bond yield. As of June 30, 2022, a rate of 4.09% was used. As of June 30, 2023, a rate of 4.13% was used.

*Rationale:* The District's funding policy is to contribute pay as you go benefit payments to the trust as well as an additional discretionary amount related to future retiree benefits. Based on the District's June 30, 2023 asset level, historical funding experience, expected future funding policy and the application of paragraph 38 of GASB 75 related to judgment on contributions considering the most recent five-year contribution history, the District's net position is expected to be quickly depleted. Therefore, the discount rate was developed using the 20-year municipal bond yield. The S&P Municipal Bond 20 Year High Grade Rate Index was used for this purpose.

### B. LONG TERM EXPECTED RATE OF RETURN

The expected long-term rate of return assumption is 7.01% as of June 30, 2022 and 5.50% as of June 30, 2023.

*Rationale:* This assumption was selected at the direction of the District. The District participates in the California Employers' Retiree Benefit Trust (CERBT) fund and has elected Asset Allocation Strategy 2. Various asset strategies and corresponding long-term expected returns are developed by the CERBT and presented to the District for selection. Grant Thornton evaluated these assumptions and believes they do not significantly conflict with what would be reasonable. It is our understanding that this assumption reflects the District's estimate of future experience for trust asset returns, reflecting the trust's current asset allocation and any expected changes during the current year, current market conditions, and the District's expectations for future market conditions. Consistent with paragraph 40 of GASB 75, this rate is not adjusted for administrative expenses assumed to be paid from the trust.

### C. SALARY SCALE

Benefits are not salary based and therefore a wage inflation assumption of 2.75% was used. This assumption is only used for the application of the actuarial cost method.

*Rationale:* This assumption is based on the expectation that future experience under the plan will be materially consistent with the assumptions utilized in the CalSTRS and CalPERS valuations. The specific wage inflation assumption considers the CalSTRS 2020 and CalPERS 2021 experience studies. This assumption continues to be reasonable for the June 30, 2023 measurement.

**D. HEALTHCARE TREND RATE**

The healthcare trend assumption reflects healthcare cost inflation expected to impact the plan based on forecast information in published papers from industry experts (actuaries, health economists, etc.). This research, combined with the District’s historical premium rate experience, suggests a 7.00% medical cost increase for the 2023/2024 fiscal year grading down to an ultimate rate of 4.14% in the 2075/2076 fiscal year and beyond. In addition, dental costs are assumed to increase at 4.00% per fiscal year.

| Fiscal Year Beginning July 1 | Medical Trend | Fiscal Year Beginning July 1 | Medical Trend |
|------------------------------|---------------|------------------------------|---------------|
| 2023                         | 7.00%         | 2050                         | 4.65%         |
| 2024                         | 6.50%         | 2051                         | 4.65%         |
| 2025                         | 6.20%         | 2052                         | 4.64%         |
| 2026                         | 5.60%         | 2053                         | 4.64%         |
| 2027                         | 5.50%         | 2054                         | 4.63%         |
| 2028                         | 5.39%         | 2055                         | 4.62%         |
| 2029                         | 5.29%         | 2056                         | 4.62%         |
| 2030                         | 5.18%         | 2057                         | 4.61%         |
| 2031                         | 5.08%         | 2058                         | 4.61%         |
| 2032                         | 4.97%         | 2059                         | 4.60%         |
| 2033                         | 4.80%         | 2060                         | 4.60%         |
| 2034                         | 4.79%         | 2061                         | 4.59%         |
| 2035                         | 4.78%         | 2062                         | 4.59%         |
| 2036                         | 4.76%         | 2063                         | 4.58%         |
| 2037                         | 4.75%         | 2064                         | 4.58%         |
| 2038                         | 4.74%         | 2065                         | 4.57%         |
| 2039                         | 4.73%         | 2066                         | 4.53%         |
| 2040                         | 4.73%         | 2067                         | 4.48%         |
| 2041                         | 4.72%         | 2068                         | 4.44%         |
| 2042                         | 4.71%         | 2069                         | 4.39%         |
| 2043                         | 4.70%         | 2070                         | 4.35%         |
| 2044                         | 4.69%         | 2071                         | 4.30%         |
| 2045                         | 4.69%         | 2072                         | 4.26%         |
| 2046                         | 4.68%         | 2073                         | 4.22%         |
| 2047                         | 4.67%         | 2074                         | 4.18%         |
| 2048                         | 4.67%         | 2075 and beyond              | 4.14%         |
| 2049                         | 4.66%         |                              |               |

*Rationale:* This assumption is based on the 2023 Getzen Model, with long term inflation of 2.70%, with consideration for the CalSTRS 2020 and CalPERS 2021 experience studies. The short-term rates are based on anticipated short-term experience, the ultimate rate is based on expectations of future general inflation and excess growth of healthcare costs over general inflation.

**E. MORBIDITY**

Based on the June 2013 Society of Actuaries Study entitled “Health Care Costs – From Birth to Death”. Pre-age 65 morbidity rates were based on the HMO and PPO costs from Chart 3. For those surviving spouses with lifetime benefits on the active healthcare plan, post-age 65 morbidity is assumed to be consistent with pre-65 morbidity through age 64.

*Rationale:* Due to the size of the covered population, this assumption was based on industry tables with consideration for the current demographics of the covered population. This assumption continues to be reasonable for the June 30, 2023 measurement.

**F. MEDICAL PER CAPITA CLAIMS COST**

Sample annual per capita claims costs:

| Age | Healthnet<br>HMO<br>Single | Healthnet<br>HMO<br>Spouse | Kaiser<br>HMO<br>Single | Kaiser<br>HMO<br>Spouse | RCCD<br>PPO<br>Composite |
|-----|----------------------------|----------------------------|-------------------------|-------------------------|--------------------------|
| 55  | \$13,633                   | \$15,678                   | \$12,746                | \$12,746                | \$39,239                 |
| 60  | \$16,846                   | \$19,373                   | \$15,751                | \$15,751                | \$47,517                 |
| 64  | \$20,449                   | \$23,517                   | \$19,119                | \$19,119                | \$56,713                 |

*Rationale:* Based on premium equivalent rates provided by the District, for use in the July 1, 2022 valuation. Per Capita claims costs were developed based on premium equivalent rates, adjusted for age and gender based on current demographics (average age 47 for HMO and 49 for PPO), and the morbidity factors described above.

**G. COVID-19 PANDEMIC**

No explicit adjustment.

*Rationale:* The potential impact of the COVID-19 pandemic on costs and liabilities related to the plan was considered, but no explicit adjustment to the calculations were made at this time due to the lack of credible experience data and uncertainty around the long-term ramifications for the plan.

**H. MARRIAGE**

Spouses were assumed where current benefit elections indicated spousal coverage. If spouse date of birth was not provided, males were assumed to be the same age as their female counterparts.

*Rationale:* This assumption is based on anticipated future experience under the plan. This assumption continues to be reasonable for the June 30, 2023 measurement.

**I. PARTICIPATION**

It is assumed that new retirees select coverage, consistent with their active election, and participate in Medicare. It is further assumed that employees will continue active employment at their current full-time or part-time status. In addition, it is assumed that new retirees will not have any covered dependent children under age 26 in retirement.

*Rationale:* This assumption is based on anticipated future experience under the plan. This assumption continues to be reasonable for the June 30, 2023 measurement.

**J. LAPSE**

All participants currently electing coverage under the plan are assumed to maintain coverage in the future.

*Rationale:* This assumption is based on anticipated future experience under the plan. This assumption continues to be reasonable for the June 30, 2023 measurement.

**K. MORTALITY RATES**

Select mortality rates are listed below.

| CalSTRS* |         |         |         |         |
|----------|---------|---------|---------|---------|
| Age      | Male    |         | Female  |         |
|          | Active  | Retired | Active  | Retired |
| 25       | 0.00012 | 0.00080 | 0.00007 | 0.00029 |
| 30       | 0.00017 | 0.00069 | 0.00011 | 0.00032 |
| 35       | 0.00023 | 0.00079 | 0.00015 | 0.00041 |
| 40       | 0.00032 | 0.00092 | 0.00024 | 0.00054 |
| 45       | 0.00052 | 0.00136 | 0.00037 | 0.00077 |
| 50       | 0.00085 | 0.00235 | 0.00056 | 0.00131 |
| 55       | 0.00132 | 0.00346 | 0.00082 | 0.00206 |
| 60       | 0.00203 | 0.00464 | 0.00124 | 0.00274 |
| 65       | 0.00335 | 0.00659 | 0.00208 | 0.00413 |
| 70       | 0.00546 | 0.01056 | 0.00373 | 0.00681 |
| 75       | 0.00829 | 0.01894 | 0.00709 | 0.01252 |
| 80       | 0.01639 | 0.03475 | 0.01405 | 0.02401 |
| 85       | 0.00000 | 0.06682 | 0.00000 | 0.04788 |
| 90       | 0.00000 | 0.12893 | 0.00000 | 0.09746 |
| 95       | 0.00000 | 0.22038 | 0.00000 | 0.18269 |
| 100      | 0.00000 | 0.32276 | 0.00000 | 0.28094 |
| 105      | 0.00000 | 0.42085 | 0.00000 | 0.38268 |
| 110      | 0.00000 | 0.49425 | 0.00000 | 0.47310 |
| 115      | 0.00000 | 0.50000 | 0.00000 | 0.50000 |
| >=120    | 0.00000 | 1.00000 | 0.00000 | 1.00000 |

\*Base year 2019 sample rates. Base rates projected generationally from 2019 using 110% of the SOA Scale MP-2019.

| CalPERS* |         |         |         |         |
|----------|---------|---------|---------|---------|
| Age      | Male    |         | Female  |         |
|          | Active  | Retired | Active  | Retired |
| 25       | 0.00033 | 0.00033 | 0.00013 | 0.00013 |
| 30       | 0.00044 | 0.00044 | 0.00019 | 0.00019 |
| 35       | 0.00058 | 0.00058 | 0.00029 | 0.00029 |
| 40       | 0.00075 | 0.00075 | 0.00039 | 0.00039 |
| 45       | 0.00093 | 0.00093 | 0.00054 | 0.00054 |
| 50       | 0.00134 | 0.00266 | 0.00081 | 0.00199 |
| 55       | 0.00198 | 0.00390 | 0.00123 | 0.00325 |
| 60       | 0.00287 | 0.00578 | 0.00179 | 0.00455 |
| 65       | 0.00403 | 0.00857 | 0.00250 | 0.00612 |
| 70       | 0.00594 | 0.01333 | 0.00404 | 0.00996 |
| 75       | 0.00933 | 0.02391 | 0.00688 | 0.01783 |
| 80       | 0.01515 | 0.04371 | 0.01149 | 0.03403 |
| 85       | 0.00000 | 0.08274 | 0.00000 | 0.06166 |
| 90       | 0.00000 | 0.14539 | 0.00000 | 0.11086 |
| 95       | 0.00000 | 0.24664 | 0.00000 | 0.20364 |
| 100      | 0.00000 | 0.36198 | 0.00000 | 0.31582 |
| 105      | 0.00000 | 0.52229 | 0.00000 | 0.44679 |
| >=110    | 0.00000 | 1.00000 | 0.00000 | 1.00000 |

\*Base year 2017 sample rates. Base rates projected generationally from 2017 using 80% of the SOA Scale MP-2020.

*Rationale:* This assumption is based on the expectation that future experience under the plan will be materially consistent with the assumptions utilized in the CalSTRS and CalPERS valuations. CalSTRS mortality rates are from the 2020 experience study and the CalPERS mortality rates are from the 2021 experience study. This assumption continues to be reasonable for the June 30, 2023 measurement.

L. RETIREMENT RATES

Select retirements per 100 employees are listed below.

| CalSTRS – pre 1/1/2013 Date of Hire |                          |       |       |       |       |       |       |                            |       |       |       |       |       |       |
|-------------------------------------|--------------------------|-------|-------|-------|-------|-------|-------|----------------------------|-------|-------|-------|-------|-------|-------|
| Age                                 | Male<br>Years of Service |       |       |       |       |       |       | Female<br>Years of Service |       |       |       |       |       |       |
|                                     | 5                        | 10    | 15    | 20    | 25    | 30    | >=31  | 5                          | 10    | 15    | 20    | 25    | 30    | >=31  |
| 50                                  | 0.0                      | 0.0   | 0.0   | 0.0   | 0.0   | 6.0   | 4.5   | 0.0                        | 0.0   | 0.0   | 0.0   | 0.0   | 6.0   | 4.5   |
| 55                                  | 2.0                      | 2.5   | 3.0   | 4.0   | 6.0   | 7.5   | 5.5   | 2.0                        | 3.0   | 3.5   | 4.5   | 6.0   | 8.5   | 6.5   |
| 60                                  | 4.0                      | 5.0   | 6.5   | 8.0   | 11.5  | 28.0  | 20.5  | 4.0                        | 5.5   | 7.5   | 9.5   | 15.5  | 30.5  | 23.0  |
| 65                                  | 11.0                     | 13.0  | 17.0  | 21.0  | 32.0  | 32.5  | 32.5  | 10.0                       | 14.5  | 19.0  | 24.5  | 39.0  | 38.0  | 38.0  |
| 70                                  | 10.0                     | 11.0  | 14.5  | 18.0  | 27.5  | 25.0  | 25.0  | 9.0                        | 13.0  | 17.0  | 21.5  | 36.0  | 30.0  | 30.0  |
| 75                                  | 100.0                    | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0                      | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

| CalSTRS – post 1/1/2013 Date of Hire |                          |       |       |       |       |       |                            |       |       |       |       |       |     |
|--------------------------------------|--------------------------|-------|-------|-------|-------|-------|----------------------------|-------|-------|-------|-------|-------|-----|
| Age                                  | Male<br>Years of Service |       |       |       |       |       | Female<br>Years of Service |       |       |       |       |       |     |
|                                      | 5                        | 10    | 15    | 20    | 25    | >=30  | 5                          | 10    | 15    | 20    | 25    | >=30  |     |
| 50                                   | 0.0                      | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0                        | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0 |
| 55                                   | 1.5                      | 2.0   | 2.5   | 3.0   | 4.0   | 5.0   | 1.5                        | 2.5   | 2.5   | 3.5   | 4.0   | 5.0   |     |
| 60                                   | 3.0                      | 4.0   | 5.0   | 6.0   | 7.5   | 9.0   | 3.0                        | 4.0   | 5.5   | 7.0   | 10.0  | 12.0  |     |
| 65                                   | 11.0                     | 13.0  | 17.0  | 21.0  | 28.0  | 28.0  | 10.0                       | 14.5  | 19.0  | 24.5  | 32.5  | 32.5  |     |
| 70                                   | 10.0                     | 11.0  | 14.5  | 18.0  | 24.0  | 24.0  | 9.0                        | 13.0  | 17.0  | 21.5  | 30.0  | 30.0  |     |
| 75                                   | 100.0                    | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0                      | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |     |

| CalPERS |                  |       |       |       |       |       |       |
|---------|------------------|-------|-------|-------|-------|-------|-------|
| Age     | Years of Service |       |       |       |       |       |       |
|         | 5                | 10    | 15    | 20    | 25    | 30    | 35    |
| 50      | 0.3              | 0.4   | 0.6   | 0.7   | 1.0   | 1.0   | 1.1   |
| 55      | 1.1              | 2.3   | 3.4   | 5.7   | 7.0   | 9.0   | 11.7  |
| 60      | 2.2              | 4.3   | 6.2   | 9.5   | 11.3  | 14.1  | 16.6  |
| 65      | 16.3             | 16.4  | 19.7  | 23.2  | 25.0  | 27.1  | 28.9  |
| 70      | 19.1             | 19.0  | 23.7  | 25.0  | 24.6  | 25.4  | 25.8  |
| 75      | 100.0            | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

*Rationale:* This assumption is based on the expectation that future experience under the plan will be materially consistent with the assumptions utilized in the CalSTRS and CalPERS valuations. CalSTRS retirement rates are from the 2020 experience study and the CalPERS retirement rates are from the 2021 experience study. This assumption continues to be reasonable for the June 30, 2023 measurement.

**M. TERMINATION RATES**

Select terminations per 100 employees are listed below:

| CalSTRS          |       |        |
|------------------|-------|--------|
| Years of Service | Male  | Female |
| 0                | 12.25 | 11.25  |
| 1                | 8.50  | 7.00   |
| 2                | 6.75  | 5.50   |
| 3                | 5.40  | 4.25   |
| 4                | 3.75  | 3.25   |
| 5                | 3.10  | 2.70   |
| 10               | 1.65  | 1.50   |
| 15               | 1.05  | 1.05   |
| 20               | 0.75  | 0.75   |
| 25               | 0.50  | 0.50   |
| 30               | 0.45  | 0.40   |

| CalPERS          |                 |      |      |                   |      |      |
|------------------|-----------------|------|------|-------------------|------|------|
| Years of Service | Male Entry Ages |      |      | Female Entry Ages |      |      |
|                  | 20              | 30   | 40   | 20                | 30   | 40   |
|                  | 0               | 20.5 | 17.3 | 14.2              | 21.2 | 16.7 |
| 5                | 8.2             | 5.9  | 3.8  | 9.9               | 7.1  | 4.8  |
| 10               | 2.2             | 1.6  | 0.9  | 2.2               | 1.7  | 1.0  |
| 15               | 1.1             | 0.8  | 0.4  | 1.3               | 0.8  | 0.4  |
| 20               | 0.6             | 0.4  | 0.1  | 0.6               | 0.4  | 0.1  |
| 25               | 0.3             | 0.2  | 0.1  | 0.3               | 0.2  | 0.1  |
| 30               | 0.1             | 0.1  | 0.1  | 0.1               | 0.1  | 0.0  |

*Rationale:* This assumption is based on the expectation that future experience under the plan will be materially consistent with the assumptions utilized in the CalSTRS and CalPERS valuations. CalSTRS termination rates are from the 2020 experience study and the CalPERS termination rates are from the 2021 experience study. This assumption continues to be reasonable for the June 30, 2023 measurement.

**N. ACTUARIAL COST METHOD**

The Entry Age Normal cost method was applied for actively employed participants, where the normal cost is computed as a level annual percentage of salary from the date of hire to assumed retirement, but no later than when benefit eligibility ceases. The actuarial liability is the difference between the present value of future benefits and the present value of future normal costs. This cost method is required under GASB 75.

*Rationale:* GASB 75 prescribes this method.

**O. ACTUARIAL VALUATION MODEL**

A valuation model was used to develop the liabilities for the June 30, 2023 measurement. The valuation model relies on ProVal software, which was developed by Winklevoss Technologies, LLC. This software has been reviewed and deemed appropriate for actuarial valuations of retirement programs. We coded and reviewed this software to reflect the plan provisions, data and actuarial assumptions and methods disclosed within this report.



### CHANGES IN ASSUMPTIONS SINCE THE PRIOR MEASUREMENT

- The discount rate as of the end of the fiscal year changed from 4.09% to 4.13% based on the change in 20-year municipal bond yields.
- The healthcare cost trend was updated to a graded scale beginning with 7.00% in 2023/2024 fiscal year grading down to an ultimate rate of 4.14%, based on the 2023 Getzen Model.

## PLAN PROVISIONS

The following summary of plan provisions represents our understanding of the Riverside Community College District (*District*) substantive plan, which is a single-employer defined benefit OPEB plan.

Employees who retire from the District are eligible for post-employment medical and dental benefits pursuant to the provisions below.

### ELIGIBILITY

- Age 50 or 55, depending on service
- Coverage ceases at age 65
- Retire from active service
- Full time employee or full time equivalent at retirement

### DEPENDENT ELIGIBILITY

Yes

### SURVIVOR ELIGIBILITY

Yes

### BENEFITS

#### All Employees

- Retirees age 55 with 10 years of service will receive District paid health benefits up to age 65 for themselves and their covered dependent.
- Retirees that meet one of the following criteria are allowed to purchase District offered medical coverage with no subsidy from the District:
  - age 50 or older with 10 years of service, or
  - age 55 or older with less than 10 years of service,
  - Benefits cease at age 65.
- Spouses and/or eligible dependents of a deceased retiree may purchase District offered medical coverage with no subsidy from the District. Certain surviving spouses may be allowed to continue on the District paid health benefits if they qualify under certain arrangements. The valuation does not consider the potential for such surviving spouses other than those listed directly below as the impact on the valuation is limited.
- Post age 65 retirees must purchase medical benefits at their expense as a supplement to Medicare A and B.

#### Special Arrangements

- Charles Kane, John Matulich, and Gordon Woolley receive medical, dental, and life insurance benefits for life per the June 18, 1991 contract agreements. All of these participants are now deceased. Medical and dental coverage continues for their surviving spouses: Marilyn Kane, Carol Matulich, and Sue Woolley. In addition, the District reimburses Medicare Part B premiums for these participants.

### CHANGES IN PLAN PROVISIONS SINCE THE PRIOR MEASUREMENT

- None.

## GLOSSARY OF TERMS

### Actuarial Valuation Date

The date as of which an actuarial valuation is performed. This date may be up to 24 months prior to the measurement date and up to 30 months prior to the employer's reporting date.

### Deferred Inflow of Resources

An acquisition of net assets by a government employer that is applicable to a future reporting period. In the context of GASB 75, these are experience gains on the Total OPEB Liability, assumption changes reducing the Total OPEB Liability, or investment gains that are recognized in future reporting periods.

### Deferred Outflow of Resources

A consumption of net assets by a government employer that is applicable to a future reporting period. In the context of GASB 75, these are experience losses on the Total OPEB Liability, assumption changes increasing the Total OPEB Liability, or investment losses that are recognized in future reporting periods.

### Entry Age Actuarial Cost Method

The actuarial cost method required for GASB 75 calculations. Under this method, the actuarial present value of the projected benefits of each individual, included in an actuarial valuation, is allocated on a level basis over the earnings of the individual between entry age and assumed exit ages. The portion of this actuarial present value allocated to a valuation year is called the Service Cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future service costs is called the Total OPEB Liability.

### Implicit Rate Subsidy

It is a common practice for employers to permit retired employees (and their spouses or dependents) to continue in the employer's group health insurance plan (which also covers active employees) by paying the group premium charged to active employees. This practice creates an OPEB liability based on the theory that retirees have higher utilization of health care benefits than active employees. Unless the premium rate for retirees is set to fully recover their health costs, the premium for active employees is implicitly overstated to subsidize utilization by retirees. Similarly, unless the premium rate for retirees is set to fully recover their health costs, the premium for retirees is understated. This difference creates an implicit rate subsidy.

### Measurement Date

The date as of which the Total OPEB Liability and Plan Fiduciary Net Position are measured. The Total OPEB Liability may be projected from the Actuarial Valuation Date to the Measurement Date. The Measurement Date must be the same as the Reporting Date for the plan.

### Net OPEB Liability

The liability of employers and non-employer contributing entities for benefits provided through a defined benefit OPEB plan. It is calculated as the Total OPEB Liability less the Plan Fiduciary Net Position.

**Plan Fiduciary Net Position**

The fair or market value of assets.

**Reporting Date**

The last day of the OPEB plan or employer's fiscal year.

**Service Cost**

The portion of the actuarial present value of projected benefit payments that is attributed to the current period of employee service in conformity with the requirements of GASB 75. The Service Cost is the normal cost calculated under the entry age actuarial cost method.

**Total OPEB Liability**

The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of GASB 75. The Total OPEB Liability is the actuarial liability calculated under the entry age actuarial cost method.

## APPENDIX – EXPECTED BENEFIT PAYMENTS

The below table shows the expected benefit payments for the plan for the next four fiscal periods. This information is used in the California Employers' Retiree Benefit Trust (CERBT) Fund Valuation Packet.

| <b>Fiscal Year Ending<br/>June 30:</b> | <b>Employer Paid Retiree<br/>Premiums Payments</b> | <b>Implicit Rate Subsidy<br/>Payments</b> | <b>Total</b>       |
|--|--|---|--------------------|
| 2024                                   | \$2,392,886  | \$1,943,519                               | <b>\$4,336,405</b> |
| 2025                                   | 2,451,634  | 1,963,423                                 | <b>4,415,057</b>   |
| 2026                                   | 2,724,936  | 2,207,465                                 | <b>4,932,401</b>   |
| 2027                                   | 2,894,330  | 2,348,204                                 | <b>5,242,534</b>   |



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