

PERALTA COMMUNITY COLLEGE DISTRICT
Board of Trustees Agenda Report
For the Trustee Meeting Date of March 29, 2011

ITEM # 20

ITEM TITLE:

Actuarial Study of Retiree Health Benefit Liabilities

SPECIFIC BOARD ACTION REQUESTED:

Receive and file.

ITEM SUMMARY:

The Governmental Accounting Standards Board issued Accounting Standard 45 that requires public agencies to accrue the cost of retiree health benefits provided to employees and to record this liability on their financial statements. To this end, the District commissioned Bartel and Associates LLC, to conduct an actuarial study for the period ending June 30, 2010 that provides the liability valuation through fiscal year ending June 30, 2012. The Actuarial Accrued Liability for the fiscal years ending June 30, 2011 and 2012 respectively are \$213,864 and \$221,198.

BACKGROUND/ANALYSIS:

ALTERNATIVES/OPTIONS:

N/A

EVALUATION AND RECOMMENDED ACTION:

Receive and File.

SOURCE OF FUNDS (AND FISCAL/BUDGETARY IMPACT):

OTHER DEPARTMENTS IMPACTED BY THIS ACTION (E.G. INFORMATION TECHNOLOGY):

YES _____ No X

COMMENTS:

WHO WILL BE PRESENTING THIS ITEM AT THE BOARD MEETING?

RONALD GERHARD

DID A BOARD STANDING COMMITTEE RECOMMEND THE ITEM? YES X NO _____

_____ IF "YES", PLEASE INCLUDE THAT INFORMATION IN YOUR SUMMARY.

(*****Board contract approval is subject to negotiation and execution by the Chancellor.)

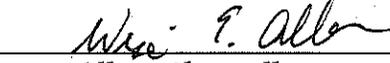
PLEASE ACQUIRE SIGNATURES IN THIS ORDER:

DOCUMENT PREPARED BY:
Prepared by:  Date: 3/22/11
Ronald P. Gerhard,
Vice Chancellor for Finance & Administration

DOCUMENT PRESENTED AND APPROVED BY:
Presented and approved by:  Date: 3/22/11
Ronald P. Gerhard,
Vice Chancellor for Finance & Administration

FINANCE DEPARTMENT REVIEW
 Finance review required Finance review *not* required
If Finance review is required, determination is: Approved Not Approved
If not approved, please give reason: _____
Signature:  Date: 3/22/11
Ronald P. Gerhard,
Vice Chancellor for Finance & Administration

GENERAL COUNSEL (Legality and Format/adherence to Education Codes):
 Legal review required Legal review *not* required
If Legal review is required, determination is: Approved Not Approved
Signature: _____ Date: _____
Thuy T. Nguyen, General Counsel

CHANCELLOR'S OFFICE APPROVAL
 Approved, and Place on Agenda Not Approved, but Place on Agenda
Signature:  Date: 3/23/11
Wise Allen, Chancellor



**PERALTA COMMUNITY COLLEGE DISTRICT
RETIREE HEALTHCARE PLAN**

BARTEL
ASSOCIATES, LLC

June 30, 2010 GASB 45 Actuarial Valuation
Final Results

John Bartel and Doug Pryor
Bartel Associates, LLC

March 21, 2011

AGENDA

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BENEFIT SUMMARY

	Peralta Federation of Teachers (PFT)	Local 39 & SEIU	Non Union
■ Eligibility	■ STRS retirement ■ Age 55 with: <ul style="list-style-type: none"> • Hired < 7/1/04: 5 YOS • Hired ≥ 7/1/04: 10 YOS 	■ PERS retirement (Service or Disability) ■ Age 50 w/ 10 YOS	■ STRS retirement: <ul style="list-style-type: none"> • Age 55 w/ 10 YOS ■ PERS retirement (Service or Disability): <ul style="list-style-type: none"> • Age 50 w/ 10 YOS ■ Trustees are eligible for Retiree Healthcare Benefits
■ Medical Benefit	■ Hired < 7/1/04: District paid full coverage for lifetime of retiree ■ Hired ≥ 7/1/04: District paid full coverage for lifetime of retiree but not past participant age 65 ■ Includes prescription drug benefit		
■ Surviving Spouse	■ Self paid participation available for the following periods: <ul style="list-style-type: none"> • Hired < 7/1/04: for life • Hired > 7/1/04: until age 65 		



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BENEFIT SUMMARY

	Peralta Federation of Teachers (PFT)	Local 39 & SEIU	Non Union												
■ Medicare Premiums	■ District covers Medicare Part A & B premiums if eligible for District paid benefit ¹														
■ Life Insurance	■ Coverage: Age 50 through age 65 ■ Amount: 1.5 x Pay, \$100,000 maximum														
■ Dental / Vision	■ None ■ Certain medical coverage includes dental and/or vision coverage (see Premiums Section for details)														
■ Pay-As-You-Go Costs	<table border="1"> <thead> <tr> <th>Fiscal Year</th> <th>CAFR</th> <th>Revised</th> </tr> </thead> <tbody> <tr> <td>2009/10</td> <td>\$ 9.0 million</td> <td>\$ 9.7 million</td> </tr> <tr> <td>2008/09</td> <td>5.7 million</td> <td>9.3 million</td> </tr> <tr> <td>2007/08</td> <td>5.4 million</td> <td>n/a</td> </tr> </tbody> </table>			Fiscal Year	CAFR	Revised	2009/10	\$ 9.0 million	\$ 9.7 million	2008/09	5.7 million	9.3 million	2007/08	5.4 million	n/a
Fiscal Year	CAFR	Revised													
2009/10	\$ 9.0 million	\$ 9.7 million													
2008/09	5.7 million	9.3 million													
2007/08	5.4 million	n/a													

¹ Effective March 31, 2012 District will require Medicare enrollment (currently not required).



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DATA SUMMARY

Participant Statistics

June 30, 2010

	PFT	Local 39	SEIU	Non Union	Total
■ Actives					
• Count	312	85	298	86	781
• Avg age	53.8	48.4	47.9	52.7	50.8
• Avg service	11.4	9.7	10.3	6.6	10.3
• Avg pay	\$ 80,520	\$ 44,980	\$ 49,394	\$ 107,244	\$ 67,718
• Total payroll (000's)	25,122	3,823	14,720	9,223	52,888
■ Retirees					
• Counts					
> Under 65	23	13	61	21	118
> Over 65	<u>394</u>	<u>47</u>	<u>126</u>	<u>42</u>	<u>609</u>
> Total	417	60	187	63	727
• Avg age	76.5	71.7	71.4	70.6	74.3
• Avg retirement age ²	63.5	61.0	60.0	61.0	62.2

² Excludes 56 surviving spouses.



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DATA SUMMARY

Participant Statistics

June 30, 2008

	PFT	Local 39	SEIU	Non Union ³	Total
■ Actives					
• Count	323	83	313	79	798
• Avg age	53.4	49.2	47.9	53.9	50.9
• Avg service	11.2	10.4	10.3	7.3	10.4
• Avg pay	\$ 80,500	\$ 43,900	\$ 48,600	\$ 101,600	\$ 66,300
• Total payroll (000's)	26,004	3,645	15,209	8,029	52,887
■ Retirees					
• Counts					
> Under 65	19	10	46	11	86
> Over 65	<u>370</u>	<u>44</u>	<u>103</u>	<u>33</u>	<u>550</u>
> Total	389	54	149	44	636
• Avg age	76.2	72.3	71.2	71.8	74.4
• Avg retirement age	63.5	61.7	60.0	60.5	62.3

³ Includes 26 actives with "MGR" union code and 12 with "CONF" union code.



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CLAIMS

CoreSource Claims Information

(Amounts in 000's)

	Actives	Retirees	Total
■ 2010/11 Rate Development from CoreSource			
• Claims	\$ 6,604	\$ 3,097	\$ 9,701
• Fixed Costs	<u>607</u>	<u>500</u>	<u>1,107</u>
• Total	7,211	3,597	10,808
• Retirees	435	370	805
■ 2009/10 Update from CoreSource			
• Claims	\$ 5,388	\$ 5,382	\$ 10,770
• Fixed Costs	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
• Total	n/a	n/a	n/a
• Retirees	373	458	831
■ 2009/10 Peralta			
• Claims	n/a	\$ 5,555	n/a
• Fixed Costs	<u>n/a</u>	<u>53</u>	<u>n/a</u>
• Total	n/a	6,208	n/a
• Retirees	328	413	741



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CLAIMS

**CoreSource
2010/11 Expected Claims/Expense Cost Development**

(Amounts in 000's)

	Total
■ 2009/10 Retiree Claims	\$ 5,382
■ Expenses (10%)	<u>538</u>
■ Subtotal for 2009/10	5,920
■ Trend Factor for 2010/11	<u>x 1.12</u>
■ 2010/11 Projected Retiree Claims/Expenses ⁴	6,630

⁴ Assumes no increase in retiree counts during 2010/11.



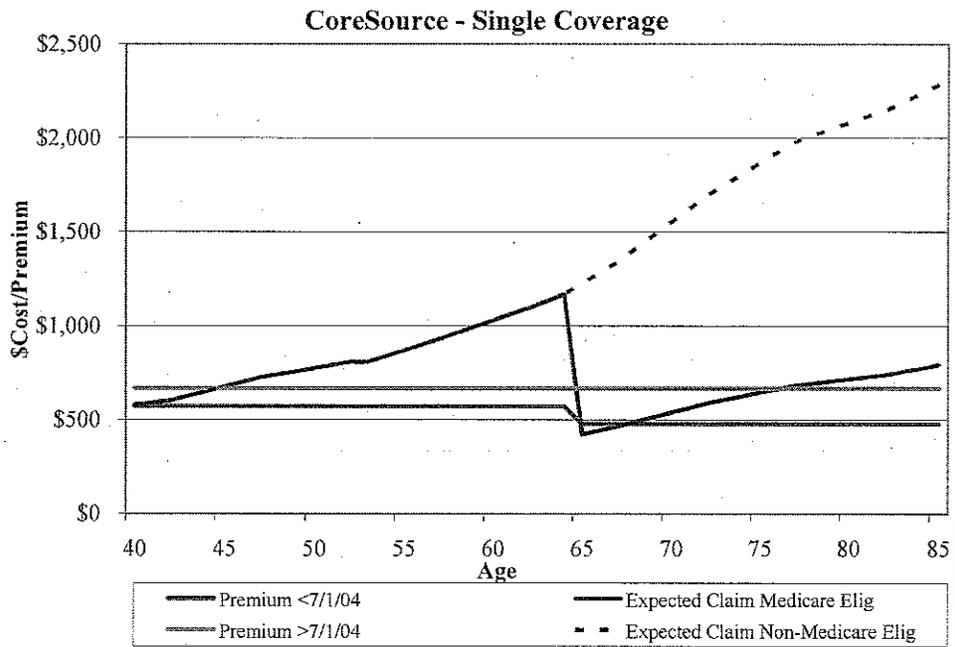
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CLAIMS

CoreSource Claims Illustration



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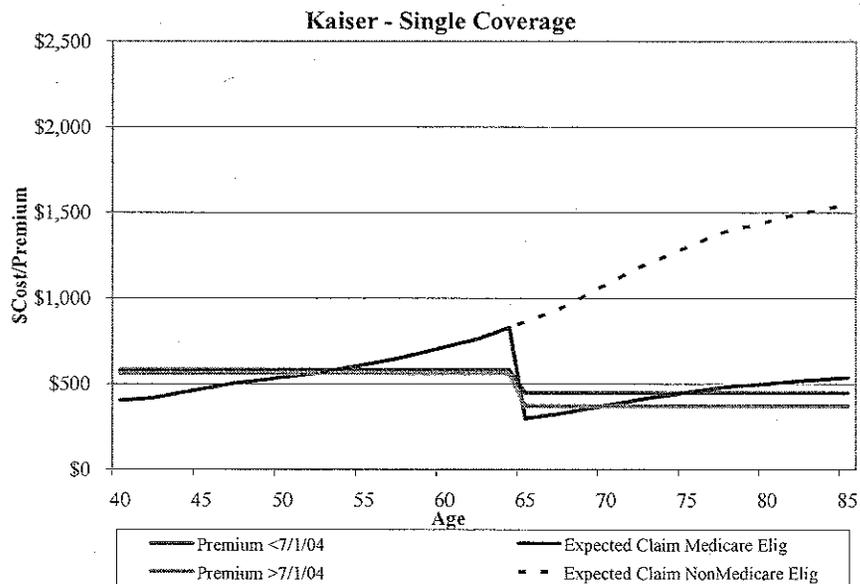
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CLAIMS

Kaiser Implied Subsidy

- Non-Medicare eligible retirees pay active rates instead of actual cost
- Active employee premiums subsidize retiree cost
- GASB 45 includes active "implied subsidy" of retiree costs



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ACTUARIAL ASSUMPTIONS HIGHLIGHTS

	June 30, 2008 Valuation	June 30, 2010 Valuation
■ Valuation Date	<ul style="list-style-type: none"> ■ June 30, 2008 ■ Fiscal Years 2009/10 & 2010/11 	<ul style="list-style-type: none"> ■ June 30, 2010 ■ Fiscal Years 2011/12 & 2012/13
■ Discount Rate	<ul style="list-style-type: none"> ■ 7.0% Assets invested in Retiree Health Benefit Program Fund 	<ul style="list-style-type: none"> ■ Same ■ Based on District intent to collect Annual Required Contribution from employees, then contribute to the Fund.
■ Aggregate Payroll	<ul style="list-style-type: none"> ■ 3.25% <ul style="list-style-type: none"> • CalPERS assumes 3.25% • CalSTRS assumes 4.25% 	<ul style="list-style-type: none"> ■ Same



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ACTUARIAL ASSUMPTIONS HIGHLIGHTS

	June 30, 2008 Valuation	June 30, 2010 Valuation																																																																
■ Medical Trend	<p align="center"><u>Increase from Prior Year</u></p> <table border="0"> <tr> <td></td> <td align="center" colspan="2"><u>Non-Medicare</u></td> <td align="center" colspan="2"><u>Medicare</u></td> </tr> <tr> <td><u>FYE</u></td> <td><u>HMO</u></td> <td><u>PPO</u></td> <td><u>HMO</u></td> <td><u>PPO</u></td> </tr> <tr> <td>2009</td> <td align="center" colspan="4">Actual Premiums</td> </tr> <tr> <td>2010</td> <td align="center">9.7%</td> <td align="center">10.5%</td> <td align="center">10.1%</td> <td align="center">10.9%</td> </tr> <tr> <td>2011</td> <td align="center">9.1%</td> <td align="center">9.8%</td> <td align="center">9.4%</td> <td align="center">10.1%</td> </tr> <tr> <td>2012</td> <td align="center">8.4%</td> <td align="center">9.0%</td> <td align="center">8.7%</td> <td align="center">9.3%</td> </tr> <tr> <td></td> <td align="center">↓</td> <td align="center">↓</td> <td align="center">↓</td> <td align="center">↓</td> </tr> <tr> <td>2018+</td> <td align="center">4.5%</td> <td align="center">4.5%</td> <td align="center">4.5%</td> <td align="center">4.5%</td> </tr> </table>		<u>Non-Medicare</u>		<u>Medicare</u>		<u>FYE</u>	<u>HMO</u>	<u>PPO</u>	<u>HMO</u>	<u>PPO</u>	2009	Actual Premiums				2010	9.7%	10.5%	10.1%	10.9%	2011	9.1%	9.8%	9.4%	10.1%	2012	8.4%	9.0%	8.7%	9.3%		↓	↓	↓	↓	2018+	4.5%	4.5%	4.5%	4.5%	<p align="center"><u>Increase from Prior Year</u></p> <table border="0"> <tr> <td></td> <td align="center"><u>Non-Medicare</u></td> <td align="center"><u>Medicare</u></td> </tr> <tr> <td><u>FYE</u></td> <td><u>HMO & PPO</u></td> <td><u>HMO & PPO</u></td> </tr> <tr> <td>2011</td> <td align="center" colspan="2">Actual Premiums</td> </tr> <tr> <td>2012</td> <td align="center">9.5%</td> <td align="center">10.0%</td> </tr> <tr> <td>2013</td> <td align="center">9.0%</td> <td align="center">9.4%</td> </tr> <tr> <td>2014</td> <td align="center">8.5%</td> <td align="center">8.9%</td> </tr> <tr> <td></td> <td align="center">↓</td> <td align="center">↓</td> </tr> <tr> <td>2020+</td> <td align="center">5.0%</td> <td align="center">5.0%</td> </tr> </table>		<u>Non-Medicare</u>	<u>Medicare</u>	<u>FYE</u>	<u>HMO & PPO</u>	<u>HMO & PPO</u>	2011	Actual Premiums		2012	9.5%	10.0%	2013	9.0%	9.4%	2014	8.5%	8.9%		↓	↓	2020+	5.0%	5.0%
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	↓	↓																																																																
2020+	5.0%	5.0%																																																																
■ Data Adjustment	<ul style="list-style-type: none"> ■ n/a 	<ul style="list-style-type: none"> ■ Liability for CoreSource retirees loaded 10% to reflect missing data. 																																																																
■ Mortality, Withdrawal, Disability, Retirement	<ul style="list-style-type: none"> ■ CalPERS 1997-2002 Experience Study ■ CalSTRS 2007 Experience Study 	<ul style="list-style-type: none"> ■ CalPERS 1997-2007 Experience Study ■ Same 																																																																



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ACTUARIAL ASSUMPTIONS HIGHLIGHTS

	June 30, 2008 Valuation	June 30, 2010 Valuation
<p>■ Medicare Participation</p>	<p>■ 100%</p> <p>■ Everyone will elect Part B coverage</p>	<p>■ Current actives:</p> <ul style="list-style-type: none"> • 100% • Assumes District always contributed to Medicare and retirees required to enroll when eligible. <p>■ Current retirees:</p> <ul style="list-style-type: none"> • Approximately 10%⁵ of current retirees are not covered by Medicare • 100% assumed to be enrolled in future

⁵ Medicare enrollment not directly provided by District. Medicare enrollment based on retirees with current Medicare reimbursement or premium reported which reflects enrollment.



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ACTUARIAL METHODS

	June 30, 2008 Valuation	June 30, 2010 Valuation
<p>■ Cost Method</p>	<ul style="list-style-type: none"> • Entry Age Normal 	<ul style="list-style-type: none"> • Same
<p>■ Amortization Method</p>	<ul style="list-style-type: none"> • Level percent of payroll 	<ul style="list-style-type: none"> • Same
<p>■ Actuarial Value of Assets</p>	<ul style="list-style-type: none"> • None (pay-as-you-go funding policy) 	<ul style="list-style-type: none"> • Same
<p>■ Amortization Period</p>	<ul style="list-style-type: none"> • Initial UAAL – Fixed 30 years from 2007/08 • Benefit Changes – Fixed 30 years • Assumption Changes - Fixed 20 years • Gains/Losses – Fixed 15 years • Total payment not less than 30 year combined payment. 	<ul style="list-style-type: none"> • Same



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ASSET INFORMATION

**Retiree Health Benefit Program Fund Asset Reconciliation
January 2006 through June 2010**

(000's Omitted)

	2005/06	2006/07	2007/08	2008/09	2009/10
■ MVA (BoY)	\$ -	\$ 150,475	\$ 176,154	\$ 160,571	\$ 123,982
• Employer Contribution	150,307 ⁶	2,015	-	-	-
• Benefit Payments	(1,000)	-	(5,800)	-	-
• Expenses					
> Fees/Commissions	(391)	(745)	(828)	(769)	(736)
> District Paid	161	360	381	345	361
• Investment Return ⁷	<u>1,398</u>	<u>24,049</u>	<u>(9,335)</u>	<u>(36,165)</u>	<u>20,909</u>
■ MVA (EoY)	150,475	176,154	160,571	123,982	144,517
■ Approx. Net Return	1%	15%	-6%	-23%	16%

⁶ Initial contributions in January 2006.

⁷ Balancing item based on other entries provided by Neuberger Berman.



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ASSET INFORMATION

Investment Policy

Asset Class	Strategic Target	Tactical Range	Benchmark
Fixed Income ⁸	35%	30% - 40%	Lehman Aggregate Index
Large Cap Equity	30%	25% - 35%	S&P 500 Index
International Equity	20%	15% - 25%	MSCI EAFE Index
Small Cap Equity	10%	5% - 15%	Russell 2000 Index
Real Estate	5%	0% - 10%	NAREIT Equity REIT Index

⁸ Includes cash.



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ASSET INFORMATION

Asset Allocation

	District Fund	CalPERS
■ Domestic Equity (6.5%)	40%	24.5%
■ International Equity (7.0%)	20%	24.5%
■ Real Estate (4.75%)	5%	10%
■ Alternative Investments (4.0%)	0%	14%
■ Fixed Income (2.5%)	30%	20%
■ Inflation Linked Securities (0.0%)	0%	5%
■ Cash (-1.5%)	<u>5%⁹</u>	<u>2%</u>
■ Total	100.0%	100.0%

⁹ Overall District Fund cash assumed to be 5%.



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ASSET INFORMATION

Expected Asset Returns

	District Fund	CalPERS
■ Real return	4.91%	4.81%
■ Inflation	<u>3.00%</u>	<u>3.00%</u>
■ Total Return	7.91%	7.81%
■ Expenses ¹⁰	<u>-0.75%</u>	<u>-0.30%</u>
■ Net Return	7.13%	7.51%
■ Assumption	7.00%	7.75%

¹⁰ 40 basis points investment management fees, 10 for transaction fees, and 25 for plan administrative fees.



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RESULTS

Actuarial Obligations

(Amounts in 000's)

	6/30/2008	Proj. 6/30/2009	6/30/2010	Proj. 6/30/2011
■ Present Value of Benefits				
• Actives	\$ 82,349		\$ 96,525	
• Retirees	<u>70,681</u>		<u>147,637</u>	
• Total	153,031		244,162	
■ Actuarial Accrued Liability				
• Actives	53,323		66,227	
• Retirees	<u>70,681</u>		<u>147,637</u>	
• Total	124,005	\$ 130,503	213,864	\$ 221,198
■ Actuarial Value of Assets	-	-	-	-
■ UAAL	124,005	130,503	213,864 ¹¹	221,198
■ Normal Cost¹²		4,246		4,341
■ Pay-As-You-Go Cost¹²		6,803		11,446

¹¹ For primary sources of increase since 6/30/2008 valuation, see slide 27.

¹² 6/30/2009 column is for 2009/10.

6/30/2011 column is for 2011/12.



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RESULTS

Annual Required Contributions (ARC)

June 30, 2010 Valuation

(Amounts in 000's)

	6/30/08 Valuation		6/30/2010 Valuation	
	2009/10	2010/11	2011/12	2012/13
■ ARC - \$				
• Normal Cost	\$ 4,246	\$ 4,384	\$ 4,341	\$ 4,482
• UAAL Amortization	<u>8,162</u>	<u>8,428</u>	<u>16,023</u>	<u>17,331</u>
• Total	12,408	12,812	20,364	21,813
■ Projected Payroll	54,606	56,381	54,607	56,382
■ ARC - %				
• Normal Cost	7.8%	7.8%	7.9%	7.9%
• UAAL Amortization	<u>14.9%</u>	<u>14.9%</u>	<u>29.3%</u>	<u>30.7%</u>
• Total	22.7%	22.7%	37.3%	38.7%



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RESULTS

Actuarial Obligations and Assets (Amounts in 000's)

	July 1, 2005	June 30, 2008	June 30, 2010
■ Present Value of Benefits	\$ 133,821	\$ 153,031	\$ 244,162
■ Actuarial Accrued Liability	103,236	124,005	213,864
■ Non-GASB 45 Assets	(150,307) ¹³	(160,571)	(144,517)
■ AAL Less Non-GASB 45 Assets	(47,071)	(36,566)	69,347

¹³ Includes initial contributions made in January 2006.



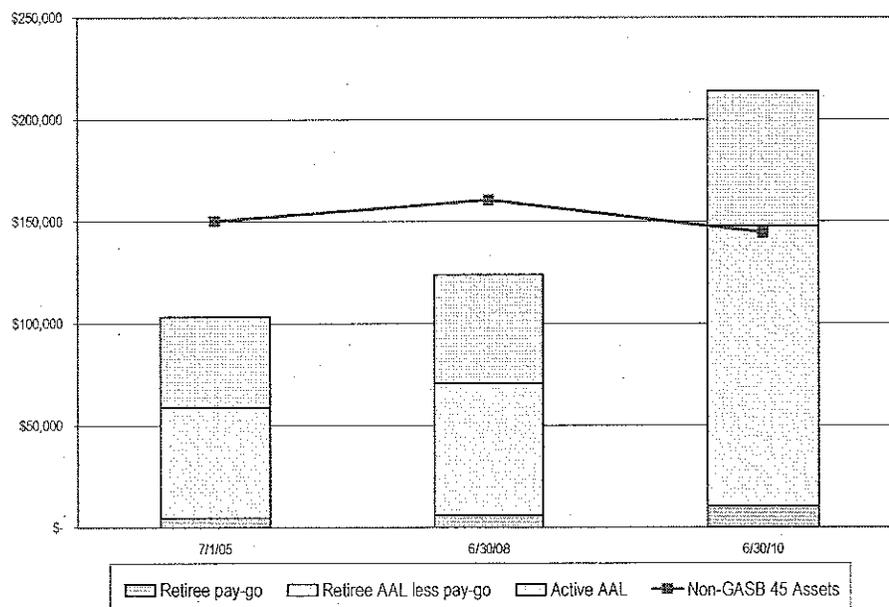
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RESULTS

Actuarial Obligations and Non-GASB 45 Assets (Amounts in 000's)



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RESULTS

Annual Required Contributions (ARC) with Non-GASB 45 Assets
June 30, 2010 Valuation
(Amounts in 000's)

	2011/12	2012/13
■ ARC - \$		
• Normal Cost	\$ 4,341	\$ 4,482
• UAAL Amortization ¹⁴	<u>4,894</u>	<u>5,053</u>
• Total	9,234	9,534
■ Projected Payroll	54,607	56,382
■ ARC - %		
• Normal Cost	7.9%	7.9%
• UAAL Amortization	<u>9.0%</u>	<u>9.0%</u>
• Total	16.9%	16.9%

¹⁴ UAAL amortized over 20 year period (same period as aggregate GASB 45 ARC amortization period). No adjustment to projected 6/30/2011 assets for contributions or benefit payments during 2010/11.



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RESULTS

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RESULTS

Amortization Base Balances

(Amounts in 000's)

	6/30/08 Valuation		6/30/2010 Valuation	
	6/30/2009	6/30/2010	6/30/2011	6/30/2012
■ June 30, 2005 Valuation				
• Initial UAAL	\$ 117,666	\$ 118,918	\$ 120,030	\$ 120,986
■ June 30, 2008 Valuation				
• (Gain)/Loss	15,401	15,085	14,702	14,246
• Assumption Changes	(4,251)	(4,236)	(4,209)	(4,171)
• Plan Amendment	1,686	1,708	1,728	1,746
■ June 30, 2010 Valuation				
• (Gain)/Loss	-	-	46,109	54,082
• Assumption Changes	-	-	<u>42,838</u>	<u>42,687</u>
■ Total	130,503	131,475	221,198 ¹⁵	229,577

¹⁵ For primary sources of increase since 6/30/2008 valuation, see slide 27.



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RESULTS

Amortization Base Payments

(Amounts in 000's)

	6/30/08 Valuation		6/30/2010 Valuation	
	2009/10	2010/11	2011/12	2012/13
■ June 30, 2005 Valuation				
• Initial UAAL	\$ 6,985	\$ 7,212	\$ 7,446	\$ 7,688
■ June 30, 2008 Valuation				
• (Gain)/Loss	1,394	1,439	1,486	1,534
• Assumption Changes	(312)	(323)	(333)	(344)
• Plan Amendment	96	99	103	106
■ June 30, 2010 Valuation				
• (Gain)/Loss	-	-	4,172	5,095
• Assumption Changes	-	-	<u>3,149</u>	<u>3,252</u>
■ Total	8,162	8,428	16,023	17,331



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RESULTS

Estimated Net OPEB Obligation (NOO) Illustration

No Pre-Funding Projection

(Amounts in 000's)

	CAFR 2009/10	2010/11 ¹⁶	Estimate 2011/12	Estimate 2012/13
■ Estimated NOO at Beginning of Year	\$ 9,851	\$13,243	\$16,586	\$25,165
■ Annual OPEB Cost				
• Annual Required Contribution	12,408	12,812	20,364	21,813
• Interest on NOO	-	927	1,161	1,762
• Amortization of NOO	-	-	(1,501)	(2,337)
• Annual OPEB Cost	12,408	13,738	20,024	21,237
■ Contributions				
• Benefit Payments	9,016	10,395	11,446	12,467
• Trust Pre-Funding	-	-	-	-
• Total Contribution	9,016	10,395	11,446	12,467
■ Estimated NOO at End of Year	13,243	16,586	25,165	33,935

¹⁶ Uses June 30, 2008 valuation ARC. District may consider adjustment and/or ARC based on June 30, 2010 valuation.



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RESULTS

Projection

7.00% Discount Rate

(Amounts in 000's)

Fiscal Year	Begin Year NOO	Contribution			Annual OPEB Cost (AOC)	Payroll	Contrib % of Payroll
		Ben Pmts	Pre Funding	Total Contrib			
2011/12	\$ 16,586	\$11,446	\$ -	\$ 11,446	\$ 20,024	\$ 54,607	21.0%
2012/13	25,165	12,467	-	12,467	21,237	56,382	22.1%
2013/14	33,935	13,485	-	13,485	22,484	58,214	23.2%
2014/15	42,934	14,651	-	14,651	23,768	60,106	24.4%
2015/16	52,050	15,860	-	15,860	25,081	62,059	25.6%
2016/17	61,271	17,070	-	17,070	26,423	64,076	26.6%
2017/18	70,625	18,195	-	18,195	27,797	66,159	27.5%
2018/19	80,226	19,311	-	19,311	29,212	68,309	28.3%
2019/20	90,127	20,469	-	20,469	30,672	70,529	29.0%
2020/21	100,330	21,555	-	21,555	32,178	72,821	29.6%



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RESULTS

Actuarial Gain/Loss Analysis
(Amounts in millions)

	Estimated (Gain)/Loss
■ Experience (Gain)/Loss	
• CoreSource claims adjustment	\$ 49.4
• Kaiser Medicare premium < expected	(7.1)
• Contribution loss	16.6
• Other experience	<u>(12.8)</u>
• Subtotal	46.1
■ Assumption Changes	
• Change in trend	37.0
• Change in decrement tables	<u>5.8</u>
• Subtotal	42.8
■ Total	88.9



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RESULTS

Actuarial Obligations
(Amounts in 000's)

	Cash Subsidy	Implied Subsidy ¹⁷	Total
■ Actuarial Accrued Liability	\$ 209,247	\$ 4,618	\$ 213,864
■ Actuarial Value of Assets	-	-	-
■ UAAL	209,247	4,618	213,864
■ 2011/12 Pay-As-You-Go Cost	11,131	315	11,446

¹⁷ Implied subsidy for Kaiser only.



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OTHER ISSUES

- GASB Preliminary Views for pension accounting changes (issued on 6/16/10)
 - Background:
 - Seeks comments on current GASB thinking
 - Not a final accounting standard - followed by an Exposure Draft
 - Similar views expected for OPEB
 - 9/17/10 comment deadline
 - Major issues:
 - Unfunded liability (based on market value) on balance sheet
 - Amortization of active AAL changes over future working lifetime
 - Immediate recognition for retiree AAL changes
 - Deferral of investment gains/losses within 15% of expected return
 - Immediate recognition of accumulated deferred investment gains/losses outside 15% corridor



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OTHER ISSUES

- National Health Care Reform
 - Too early to know impact
- Timing:
 - Present preliminary draft results February 8, 2011
 - Provide revised results March 4, 2011
 - Provide revised results March 18, 2011
 - Provide final results March 21, 2011



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EXHIBITS

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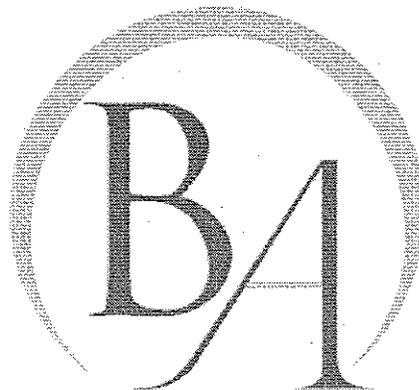


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EXHIBITS

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PREMIUMS

Monthly Retiree Premiums / Premium Equivalents¹⁸

2010/11							
Plan	Retirement Date	Non-Medicare Coordination			Medicare Coordination		
		EE	EE+1	Family	EE	EE+1	Family
CoreSource ¹⁹	< 7/1/04	\$572.43	\$1,623.73	\$2,279.88	\$478.71	\$957.36	\$1,906.42
	≥ 7/1/04 ²⁰	666.42	1,488.96	2,236.90	666.42	1,488.96	2,236.90
Kaiser	< 9/1/04 ²¹	582.30	1,164.60	1,647.91	447.48	894.96	1,378.27
	> 9/1/04 ²²	560.93	1,121.86	1,587.43	370.13	740.26	1,205.83
Kaiser OOA	< 9/1/04 ²³	n/a	n/a	n/a	847.98	1,695.96	2,179.21

¹⁸ September 1, 2010 through August 31, 2011 rates.

¹⁹ As provided by CoreSource, self insured plan.

²⁰ Premium includes vision coverage.

²¹ Medicare premium includes dental and vision coverage.

²² Premium includes vision coverage, Medicare premium includes dental coverage.

²³ Medicare premium includes vision coverage.



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PREMIUMS

Monthly Active Premiums / Premium Equivalents¹⁸

2010/11			
Plan ²⁴	EE	EE+1	Family
CoreSource	\$666.42	\$1,488.96	\$2,236.90
Kaiser	560.93	1,121.86	1,587.43

²⁴ Plans include vision coverage.



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DATA SUMMARY

Medical Plan Participation
Non-Waived Participants

Medical Plan	Retirement Date	Actives	Retirees	
			< 65	≥ 65
CoreSource	Before 7/1/04	n/a	20%	45%
	After 7/1/04	n/a	40%	13%
	Total	43%	60%	58%
Kaiser	Before 9/1/04	n/a	11%	32%
	After 9/1/04	n/a	29%	10%
	Total	57%	40%	42%
Total		100%	100%	100%



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DATA SUMMARY

Active Medical Coverage

Medical Plan	Single	2-Party	Family	Waived	Total
CoreSource	113	101	114	-	328
Kaiser	168	126	137	-	431
Waived	-	-	-	22	22
Total	281	227	251	22	781



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DATA SUMMARY

Retiree Medical Coverage
Under Age 65

Medical Plan	Retirement Date	Single	2-Party	Family	Waived	Total
CoreSource	Before 7/1/04	6	12	5	-	23
	After 7/1/04	15	22	10	-	47
Kaiser	Before 9/1/04	5	7	1	-	13
	After 9/1/04	19	12	3	-	34
Waived		-	-	-	1	1
Total		45	53	19	1	118



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DATA SUMMARY

Retiree Medical Coverage
Over Age 65

Medical Plan	Retirement Date	Single	2-Party	Family	Waived	Total
CoreSource	Before 7/1/04	130	129	7	-	266
	After 7/1/04	32	42	3	-	77
Kaiser	Before 9/1/04	107	79	2	-	188
	After 9/1/04	30	26	3	-	59
Waived		-	-	-	19	19
Total		299	276	15	19	609



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DATA SUMMARY

Retiree Medical Coverage by Age Group
Certificated

Age	Single	2-Party	Family	Waived	Total
Under 50	-	-	-	-	-
50-54	1	-	-	-	1
55-59	-	2	-	-	2
60-64	10	11	3	-	24
65-69	37	36	5	1	79
70-74	28	53	2	-	83
75-79	45	50	2	-	97
80-84	37	31	3	3	74
Over 85	37	22	-	6	65
Total	195	205	15	10	425
Average Age	77.4	75.3	71.8	84.8	76.4



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DATA SUMMARY

Retiree Medical Coverage by Age Group
Non-Certificated

Age	Single	2-Party	Family	Waived	Total
Under 50	1	-	-	-	1
50-54	2	5	2	-	9
55-59	9	11	6	-	26
60-64	22	24	8	1	55
65-69	21	35	2	2	60
70-74	27	18	-	2	47
75-79	20	11	-	2	33
80-84	25	11	1	-	37
Over 85	22	9	-	3	34
Total	149	124	19	10	302
Average Age	73.7	69.7	61.1	75.8	71.4



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DATA SUMMARY

Actives by Age and District Service
Certificated

Age	District Service							Total
	<1	1-4	5-9	10-14	15-19	20-24	≥25	
<25	-	-	-	-	-	-	-	-
25-29	-	-	-	-	-	-	-	-
30-34	2	5	2	-	-	-	-	9
35-39	1	12	15	2	-	-	-	30
40-44	-	11	21	6	-	-	-	38
45-49	1	6	15	10	1	2	-	35
50-54	1	9	21	11	5	3	-	50
55-59	2	8	17	20	10	4	4	65
60-64	1	10	17	15	8	7	16	74
≥65	-	3	9	7	3	3	11	36
Total	8	64	117	71	27	19	31	337



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DATA SUMMARY

Actives by Age and District Service
Non-Certificated

Age	District Service							Total
	<1	1-4	5-9	10-14	15-19	20-24	≥25	
<25	2	2	-	-	-	-	-	4
25-29	1	16	2	-	-	-	-	19
30-34	3	24	6	3	-	-	-	36
35-39	5	32	20	4	1	-	-	62
40-44	1	19	11	9	3	2	-	45
45-49	5	21	13	12	6	7	1	65
50-54	2	23	9	8	13	7	6	68
55-59	1	13	11	11	8	5	20	69
60-64	10	9	6	10	7	4	7	53
≥65	-	6	5	4	2	3	3	23
Total	30	165	83	61	40	28	37	444



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DATA SUMMARY

Actives by Age and District Service
Total

Age	District Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25	2	2	-	-	-	-	-	4
25-29	1	16	2	-	-	-	-	19
30-34	5	29	8	3	-	-	-	45
35-39	5	45	35	6	1	-	-	92
40-44	1	30	32	15	3	2	-	83
45-49	6	27	28	22	7	9	1	100
50-54	3	32	30	19	18	10	6	118
55-59	3	21	27	32	18	9	24	134
60-64	10	20	23	25	15	11	23	127
≥ 65	-	9	14	11	5	6	14	59
Total	36	231	199	133	67	47	68	781



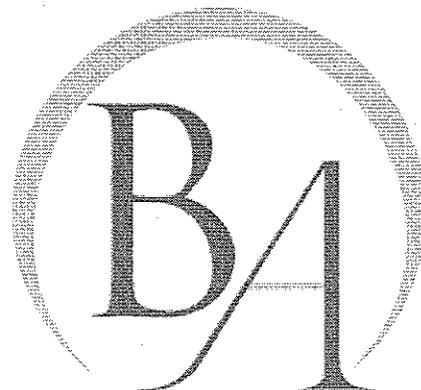
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DATA SUMMARY

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ACTUARIAL ASSUMPTIONS

	June 30, 2008 Valuation	June 30, 2010 Valuation
■ Medicare Part B	■ HMO trend	■ Same
■ Participation at Retirement	■ Medical: > Currently covered: 100% > Not currently covered: 80% ■ Life: 100%	■ Same
■ Retirement	■ CalPERS 1997-2002 Experience Study Benefit Misc 2% @ 55 (School) ERA 61.4 ■ CalSTRS 2007 Experience Study Benefit Defined Benefit ERA 64.6	■ CalPERS 1997-2007 Experience Study Benefit Misc 2% @ 55 (School) ERA 60.7 ■ CalSTRS 2007 Experience Study Benefit Defined Benefit ERA 64.5



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ACTUARIAL ASSUMPTIONS

	June 30, 2008 Valuation	June 30, 2010 Valuation
■ Medical Plan at Retirement	■ Currently covered: same as current election ■ Not currently covered: weighted average of active premium	■ Same
■ Marital Status	■ Actives: > Currently covered: actual marital status > Not currently covered: 80% married ■ Retirees: Actual marital status	■ Same
■ Spouse Age	■ Males 3 years older than females if spouse birth date not available	■ Same



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ACTUARIAL ASSUMPTIONS

	June 30, 2008 Valuation	June 30, 2010 Valuation
■ Dependents	■ Actives: ➢ Certificated: 10% pre-65 ➢ Non-Certificated: 20% pre-65 ■ Retirees: same as current coverage	■ Same
■ Medicare D	■ Part D reduction reflected in current premiums / premium equivalents	■ Same
■ Future New Participants	■ None – Closed Group	■ Same



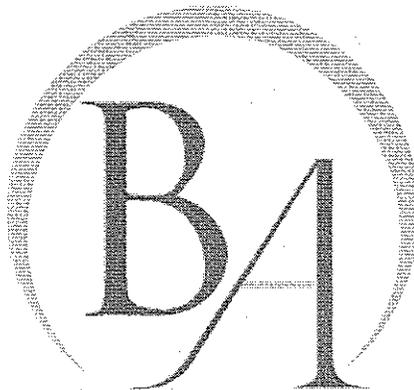
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ACTUARIAL ASSUMPTIONS

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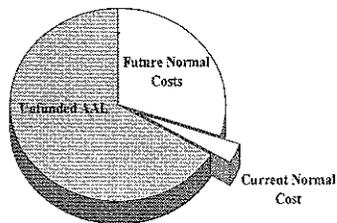
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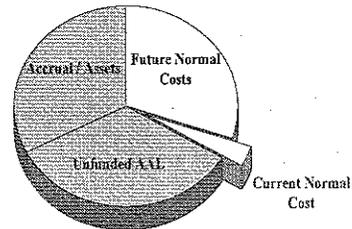
DEFINITIONS

Present Value of Projected Benefits (PVPB)

Without Assets



With Assets



■ PVPB - Present Value of all Projected Benefits

- Discounted value, at measurement date (June 30, 2010) of all future expected benefit payments
- Expected benefit payments based on various actuarial assumptions



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DEFINITIONS

■ AAL – Actuarial Accrued Liability / Actuarial Obligation

- Discounted value at measurement date (June 30, 2010) of benefits “earned” through measurement date based on actuarial cost method
- Portion of PVPB “earned” at measurement

■ UAAL – Unfunded Actuarial Accrued Liability

- AAL not funded by assets (AAL minus assets)

■ NC - Normal Cost

- Value of benefits “earned” during current year
- Portion of PVPB allocated to current year

■ Actuarial Cost Method

- Determines how benefits are “earned” or allocated to each year of service
- Has no effect on PVPB
- Has significant effect on Actuarial Obligations and Normal Cost

■ Pay-As-You-Go Cost (PayGo)

- Cash Subsidy – Actual cash benefit payments to retirees
- Implied Subsidy – Difference between cost of retiree benefits and retiree premiums
- PayGo is the expected retiree benefit payments for the year while Normal Cost is the expense for benefits accrued by active employees during the year



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