

**WEST CONTRA COSTA
UNIFIED SCHOOL DISTRICT**

**Actuarial Valuation of
Postemployment Health Benefits**

Valuation Date: July 1, 2006



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September 19, 2006

Mr. Martin Coyne
Director, Internal Audit
West Contra Costa Unified School District
1108 Bissell Avenue
Richmond, CA 94801-3135

Dear Mr. Coyne:

Re: Actuarial Valuation of Postemployment Healthcare Plans

The Nicolay Consulting Group is pleased to present the results of the July 1, 2006 actuarial valuation of the West Contra Costa Unified School District postemployment health insurance plans. In preparing the report, we relied on employee data and plan information supplied by the District. On the basis of that information, this report has been prepared in accordance with generally accepted actuarial principles and methods. It is our opinion that the actuarial assumptions used are reasonably related to the actual experience of the plan and to anticipated future experience.

The financial projections presented in this letter are intended for the District's internal use in evaluating the potential cost of the retiree health programs. Because future events frequently do not occur as expected, it should be recognized that there are usually differences between anticipated and actual results. These differences may be material. Consequently, we can express no assurance that the projected values will occur. We recommend that the District obtain an updated actuarial valuation on a periodic basis.

Questions about the report should be directed to Dennis Daugherty at (510) 567-0610 x221

Sincerely,

Nicolay Consulting

By: A handwritten signature in cursive script, reading "Dennis Daugherty".

Dennis Daugherty, F.S.A.

Member, American Academy of Actuaries

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

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SECTION II

Valuation Results

Tables 2-1 through 2-3 contain our estimate of the present value of the future cost of postemployment healthcare benefits for the current group of employees and retirees. The estimate was determined as of July 1, 2006.

Table 2-4 contains a ten-year projection of the District's pay-as-you-go cost to provide postemployment benefits to current and future retirees.

Table 2-1
West Contra Costa Unified School District
Present Value of Future Postemployment Healthcare Benefits
Based on a 4.50% discount rate
as of July 1, 2006

Total Present Value Attributable to Past Service (GASB 45)

	Certificated UTR	Certificated WCCAA	Classified Local #1	Classified SSA	Unrep. Mgt., Confidential, Cabinet, Retired Board	Total
Medical						
Actives	\$117,704,372	\$9,739,636	\$52,165,319	\$6,471,254	\$4,737,527	\$190,818,108
Retirees	\$136,919,156	\$0	\$69,216,392	\$3,080,541	\$16,095,288	\$225,311,377
Total	\$254,623,528	\$9,739,636	\$121,381,711	\$9,551,795	\$20,832,815	\$416,129,485
Dental						
Actives	\$11,987,979	\$937,460	\$5,191,404	\$636,343	\$480,620	\$19,233,806
Retirees	\$16,402,685	\$0	\$7,636,406	\$410,865	\$1,898,699	\$26,348,655
Total	\$28,390,664	\$937,460	\$12,827,810	\$1,047,208	\$2,379,319	\$45,582,461
Total						
Actives	\$129,692,351	\$10,677,096	\$57,356,723	\$7,107,597	\$5,218,147	\$210,051,914
Retirees	\$153,321,841	\$0	\$76,852,798	\$3,491,406	\$17,993,987	\$251,660,032
Total	\$283,014,192	\$10,677,096	\$134,209,521	\$10,599,003	\$23,212,134	\$461,711,946

Table 2-2
West Contra Costa Unified School District
Present Value of Future Postemployment Healthcare Benefits
Based on a 4.50% discount rate
as of July 1, 2006

Total Present Value Attributable to Future Service

	Certificated <u>UTR</u>	Certificated <u>WCCAA</u>	Classified <u>Local #1</u>	Classified <u>SSA</u>	Unrep. Mgt., Confidential, Cabinet, Retired Board	<u>Total</u>
Medical						
Actives	\$155,849,951	\$7,903,200	\$49,861,409	\$5,772,236	\$3,517,491	\$222,904,287
Retirees	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	\$155,849,951	\$7,903,200	\$49,861,409	45,772,236	\$3,517,491	\$222,904,287
Dental						
Actives	\$14,473,720	\$647,865	\$4,708,064	\$541,232	\$343,952	\$20,714,833
Retirees	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	\$14,473,720	\$647,865	\$4,708,064	\$541,232	\$343,952	\$20,714,833
Total						
Actives	\$170,323,671	\$8,551,065	\$54,569,473	\$6,313,468	\$3,861,443	\$243,619,120
Retirees	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	\$170,323,671	\$8,551,065	\$54,569,473	\$6,313,468	\$3,861,443	\$243,619,120

Table 2-3
West Contra Costa Unified School District
Present Value of Future Postemployment Healthcare Benefits
 Based on a 4.50% discount rate
 as of July 1, 2006

Total Present Value

	Certificated <u>UTR</u>	Certificated <u>WCCAA</u>	Classified <u>Local #1</u>	Classified <u>SSA</u>	Unrep. Mgt., Confidential, Cabinet, <u>Retired Board</u>	<u>Total</u>
Medical						
Actives	\$273,554,323	\$17,642,836	\$102,026,728	\$12,243,490	\$8,255,018	\$413,722,395
Retirees	\$136,919,156	\$0	\$69,216,392	\$3,080,541	\$16,095,288	\$225,311,377
Total	\$410,473,479	\$17,642,836	\$171,243,120	\$15,324,031	\$24,350,306	\$639,033,772
Dental						
Actives	\$26,461,699	\$1,585,325	\$9,899,468	\$1,177,575	\$824,572	\$39,948,639
Retirees	\$16,402,685	\$0	\$7,636,406	\$410,865	\$1,898,699	\$26,348,655
Total	\$42,864,384	\$1,585,325	\$17,535,874	\$1,588,440	\$2,723,271	\$66,297,294
Total						
Actives	\$300,016,022	\$19,228,161	\$111,926,196	\$13,421,065	\$9,079,590	\$453,671,034
Retirees	\$153,321,841	\$0	\$76,852,798	\$3,491,406	\$17,993,987	\$251,660,032
Total	\$453,337,863	\$19,228,161	\$188,778,994	\$16,912,471	\$27,073,577	\$705,331,066

Table 2-4
West Contra Costa Unified School District
Estimated Annual Postemployment Pay-as-you-go Cost

	Certificated <u>UTR</u>	Certificated <u>WCCAA</u>	Classified <u>Local #1</u>	Classified <u>SSA</u>	Unrep. Mgt., Confidential, Cabinet, <u>Retired Board</u>	<u>Total</u>
2006/2007	\$7,965,760	\$38,399	\$4,177,299	\$267,046	\$1,063,900	\$13,512,404
2007/2008	\$9,066,560	\$87,939	\$4,676,985	\$312,408	\$1,161,022	\$15,304,914
2008/2009	\$10,062,507	\$143,812	\$5,137,225	\$357,153	\$1,245,030	\$16,945,727
2009/2010	\$11,110,526	\$209,199	\$5,629,459	\$394,968	\$1,334,158	\$18,678,310
2010/2011	\$12,199,748	\$281,078	\$6,124,267	\$434,805	\$1,409,322	\$20,449,220
2011/2012	\$13,256,538	\$349,940	\$6,575,777	\$484,485	\$1,478,056	\$22,144,796
2012/2013	\$14,253,970	\$419,360	\$6,967,882	\$526,218	\$1,518,768	\$23,686,198
2013/2014	\$15,196,723	\$489,834	\$7,371,550	\$564,671	\$1,558,125	\$25,180,903
2014/2015	\$16,048,080	\$550,528	\$7,735,891	\$609,133	\$1,581,170	\$26,524,802
2015/2016	\$16,936,316	\$610,704	\$8,096,479	\$648,477	\$1,603,374	\$27,895,350

Illustrative Health Benefit Costs Under GASB 45

The following Tables provide illustrations of the liability and financial statement expense that would appear in the District's financial statement if GASB 45 was effective as of July 1, 2006.

The first year Annual Required Contribution (ARC) consists of the Normal Cost plus the portion of the Unfunded Actuarial Accrued Liability that is to be amortized in the current period.

Normal Cost is the portion of the actuarial present value of future benefits that is allocated to a particular year. Another interpretation is that the Normal Cost is the present value of future benefits that are "earned" by employees for service rendered during the current year. This valuation is based on the Projected Unit Credit attribution method and an attribution period that runs from date of hire until the expected retirement date.

In the year the new accounting rules become effective an employer is allowed to commence amortization of the Unfunded Actuarial Accrued Liability, over a period not to exceed 30 years. The following Tables are based on a level dollar amortization over a closed 30-year period. Note: Statement 45 also allows amortization based on a level percentage of projected payroll.

Table 2-5 presents the District's 2006/07 GASB 45 ARC assuming the District were to adopt GASB 45 in the 2006/07 fiscal year. For this illustration we assumed that the \$7,500,000 the District has designated for this obligation satisfies the requirements of GASB 45 that the funds be segregated and restricted in an irrevocable trust, or equivalent arrangement. For comparison we have shown the District's estimated 2006/07 pay-as-you-go expense.

Table 2-5
**Development of Illustrative 2006/2007 Fiscal Year
 OPEB Annual Required Contribution – based on a 4.50% discount rate**

Actuarial Accrued Liability	\$461,711,946
Actuarial Value of Assets	<u>\$7,500,000</u>
Unfunded Actuarial Accrued Liability	\$454,211,946
Illustrative Amortization Period	30 years
Amortization Factor (based on 4.50% Discount Rate)	16.289
Annual Level Dollar Amortization of Unfunded AAL	\$27,884,772
Normal Cost (based on Projected Unit Credit Method)	<u>\$20,988,839</u>
Annual Required Contribution	\$48,873,611
Estimated 2006/2007 pay-as-you-go Expense	\$13,512,404

Table 2-6a presents a five-year projection under the assumptions the District contributes the expected retiree claim costs, the discount rate remains 4.50% and the Normal Cost component of the ARC increases by 5.50% per year.

<p>Table 2-6a</p> <p>West Contra Costa Unified School District</p> <p>Five-year Projection of Annual OPEB Cost and Net OPEB Obligation</p> <p>Based on a 4.50% discount rate and</p> <p>assuming funding equal to projected retiree claim costs</p>					
	2006/07	2007/08	2008/09	2009/10	2010/11
Actuarial Accrued Liability (AAL)	\$461,711,946	\$489,664,735	\$518,197,388	\$547,554,562	\$577,746,533
Actuarial Value of Assets at beginning of year	\$0	\$0	\$0	\$0	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$461,711,946	\$489,664,735	\$518,197,388	\$547,554,562	\$577,746,533
Remaining Amortization Period	30	29	28	27	26
Normal Cost	\$20,988,839	\$22,143,225	\$23,361,102	\$24,645,963	\$26,001,491
Amortization of UAAL	\$28,345,209	\$30,562,236	\$32,916,316	\$35,437,437	\$38,143,617
Annual Required Contribution (ARC)	\$49,334,048	\$52,705,461	\$56,277,418	\$60,083,400	\$64,145,108
Annual Required Contribution (ARC)	\$49,334,048	\$52,705,461	\$56,277,418	\$60,083,400	\$64,145,108
Interest on net OPEB Obligation	\$0	\$1,611,974	\$3,266,927	\$4,976,347	\$6,741,445
Adjustment to ARC	\$0	(\$2,235,794)	(\$4,611,507)	(\$7,157,033)	(\$9,890,654)
Annual OPEB Cost	\$49,334,048	\$52,081,641	\$54,932,838	\$57,902,714	\$60,995,899
Projected Net Retiree Claim Costs	(\$13,512,404)	(\$15,304,914)	(\$16,945,727)	(\$18,678,310)	(\$20,449,220)
Increase in net OPEB Obligation	\$35,821,644	\$36,776,727	\$37,987,111	\$39,224,404	\$40,546,679
Net OPEB Obligation – Beginning of Year	\$0	\$35,821,644	\$72,598,371	\$110,585,482	\$149,809,886
Net OPEB Obligation – End of Year	\$35,821,644	\$72,598,371	\$110,585,482	\$149,809,886	\$190,356,565

Note: the ARC adjustment is calculated by dividing the beginning of year net OPEB obligation by the same amortization factor used to amortize the Unfunded Actuarial Accrued Liability.

Table 2-6b presents a five-year projection under the assumptions that the District **contributes the full Annual Required Contribution to a Trust**, the discount rate remains 4.50% and the Normal Cost component of the ARC increases by 5.5% per year. We assumed mid-year additions to and subtractions from the Trust.

<p>Table 2-6b</p> <p>West Contra Costa Unified School District</p> <p>Five-year Projection of Annual OPEB Cost and Net OPEB Obligation</p> <p>Based on a 4.50% discount rate and assuming full ARC funding</p>					
	2006/07	2007/08	2008/09	2009/10	2010/11
Actuarial Accrued Liability (AAL)	\$461,711,946	\$489,664,735	\$518,197,388	\$547,554,562	\$577,746,533
Actuarial Value of Assets at beginning of year	\$7,500,000	\$43,994,334	\$81,408,467	\$120,001,021	\$159,796,625
Unfunded Actuarial Accrued Liability (UAAL)	\$454,211,946	\$445,670,401	\$436,788,921	\$427,553,542	\$417,949,908
Remaining Amortization Period	30	29	28	27	26
Normal Cost	\$20,988,839	\$22,143,225	\$23,361,102	\$24,645,963	\$26,001,491
Amortization of UAAL	\$27,884,772	\$27,816,347	\$27,745,184	\$27,671,035	\$27,593,625
Annual Required Contribution (ARC)	\$48,873,611	\$49,959,572	\$51,106,287	\$52,316,998	\$53,595,116
Annual Required Contribution (ARC)	\$48,873,611	\$49,959,572	\$51,106,287	\$52,316,998	\$53,595,116
Interest on net OPEB Obligation	\$0	\$0	\$0	\$0	\$0
Adjustment to ARC	\$0	\$0	\$0	\$0	\$0
Annual OPEB Cost	\$48,873,611	\$49,959,572	\$51,106,287	\$52,316,998	\$53,595,116
Contributions to the Trust	(\$48,873,611)	(\$49,959,572)	(\$51,106,287)	(\$52,316,998)	(\$53,595,116)
Increase in net OPEB Obligation	\$0	\$0	\$0	\$0	\$0
Net OPEB Obligation – Beginning of Year	\$0	\$0	\$0	\$0	\$0
Net OPEB Obligation – End of Year	\$0	\$0	\$0	\$0	\$0
Projected Net Retiree Claim Costs	\$13,512,404	\$15,304,914	\$16,945,727	\$18,678,310	\$20,449,220

SECTION III

Plan Description and Demographic Summary

Eligibility and Benefits

Employees hired prior to January 1, 2007 who have a minimum of 5 years of continuous service with the District are eligible for postemployment medical benefits. District employees who have a minimum of 10 years of service are eligible for postemployment dental benefits when their age plus years of service is at least 75.

Employees hired after December 31, 2006 (July 1, 2006 for UTR employees) must have ten years of continuous service with the District in order to qualify for postemployment medical benefits. However, because this valuation is based on the District's employee and retiree population as of July 1, 2006 this new eligibility provision does not apply to this valuation.

Employees can enroll in any plan offered through the CalPERS medical program. Dental benefits are provided by Delta Dental.

Retirees who are eligible must enroll in Medicare Part B coverage in order for their coverage to continue beyond age 65.

Duration of Benefits

District provided medical benefits continue throughout the lifetime of the retiree and surviving spouse. Dental benefits continue throughout the lifetime of the retiree. However, surviving spouses are not eligible for postemployment dental coverage.

Contributions

For **employees who retire prior to January 1, 2007** the District pays the cost of medical and dental coverage for retirees and their spouses up to a specified cap. The District contributes up to the greater of the cost of CalPERS Kaiser coverage or the cost of CalPERS Northern California Blue Shield HMO coverage.

Retirees who enroll in a more expensive plan must pay the difference. The only exception to this rule is for retirees who live out-of-area and only have the PERSCare or

PERS Choice options. For those retirees the District will contribute the cost of the PERS Choice plan.

For **UTR employees who retire after December 31, 2006** the District will contribute the 100% of the cost of CalPERS Kaiser coverage.

For **all other (i.e., non-UTR employees) who retire after December 31, 2006** the District will contribute the greater of 100% of the cost of CalPERS Kaiser coverage or the cost of CalPERS Northern California Blue Shield HMO coverage. In future years the District will continue to contribute 100% of the cost of CalPERS Kaiser coverage. However, the annual increase in the District's contribution toward the cost of CalPERS Northern California Blue Shield HMO coverage will not exceed 10%.

There is no cap on the District's contribution to the postemployment dental plan.

Demographic Data

The District provided demographic information on all current active and retired employees. Tables 3-1 to 3-8 contain summaries of the demographic information used in the valuation.

Table 3-1
**Age and Service Table for
 Active Certificated UTR Employees**
 as of July 1, 2006

<u>Age</u>	<u>Years of Service</u>							<u>Total</u>
	<u>0-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30+</u>	
Under 25	16	0	0	0	0	0	0	16
25-29	127	6	0	0	0	0	0	153
30-34	122	48	0	0	0	0	0	170
35-39	93	68	10	0	0	0	0	171
40-44	70	54	22	16	1	0	0	163
45-49	80	60	22	28	10	0	0	200
50-54	65	79	43	25	20	18	2	252
55-59	56	88	52	42	46	32	46	362
60-64	26	55	26	34	11	12	39	203
65-69	7	18	7	9	2	2	3	48
70 +	<u>3</u>	<u>4</u>	<u>1</u>	<u>3</u>	<u>1</u>	<u>1</u>	<u>3</u>	<u>16</u>
Total	665	480	183	158	91	65	93	1,735

Table 3-2
**Age and Service Table for
 Active Certificated Administrators (WCCAA) Employees**
 as of July 1, 2006

<u>Age</u>	<u>Years of Service</u>							<u>Total</u>
	<u>0-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30+</u>	
Under 25	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0
30-34	3	1	0	0	0	0	0	4
35-39	6	3	0	0	0	0	0	9
40-44	6	1	3	0	0	0	0	10
45-49	3	5	2	2	0	0	0	12
50-54	6	2	3	4	2	2	0	19
55-59	3	5	1	3	12	4	7	35
60-64	3	2	0	1	1	1	6	14
65-69	0	0	0	1	0	0	0	1
70 +	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	30	19	9	11	15	7	13	104

Table 3-3
Age and Service Table for
Active Classified Local #1 Employees
as of July 1, 2006

<u>Age</u>	<u>Years of Service</u>							<u>Total</u>
	<u>0-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30+</u>	
Under 25	6	0	0	0	0	0	0	6
25-29	21	4	0	0	0	0	0	25
30-34	15	20	3	0	0	0	0	38
35-39	28	25	12	5	0	0	0	70
40-44	28	31	11	14	5	0	0	89
45-49	24	41	18	20	9	8	0	120
50-54	26	38	19	18	12	10	7	130
55-59	10	22	22	14	19	17	14	118
60-64	5	15	9	6	8	10	4	57
65-69	1	4	2	2	5	2	6	22
70 +	<u>2</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>3</u>	<u>2</u>	<u>10</u>
Total	166	201	97	79	59	50	33	685

Table 3-4
Age and Service Table for
Active Classified Supervisors (SSA) Employees
as of July 1, 2006

<u>Age</u>	<u>Years of Service</u>							<u>Total</u>
	<u>0-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30+</u>	
Under 25	0	0	0	0	0	0	0	0
25-29	4	1	0	0	0	0	0	5
30-34	2	2	0	0	0	0	0	4
35-39	0	5	2	0	0	0	0	7
40-44	0	5	0	1	1	0	0	7
45-49	6	1	1	3	0	4	0	15
50-54	4	5	0	0	2	4	0	15
55-59	4	4	3	1	2	2	2	18
60-64	0	0	2	0	1	1	3	7
65-69	0	0	2	0	0	0	0	2
70 +	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>
Total	20	23	10	5	6	11	6	81

Table 3-5
Age and Service Table for
Active Unrepresented Management, Confidential,
Superintendent's Cabinet and Board Members
as of July 1, 2006

		Years of Service							Total
Age		0-4	5-9	10-14	15-19	20-24	25-29	30+	
Under 25	6	0	0	0	0	0	0	0	0
25-29	25	1	0	0	0	0	0	0	1
30-34	38	2	0	0	0	0	0	0	2
35-39	70	3	0	0	0	0	0	0	3
40-44	89	1	1	1	0	1	0	0	4
45-49	120	1	0	1	0	0	1	0	3
50-54	130	5	3	1	3	0	1	1	14
55-59	118	6	1	1	2	2	3	5	20
60-64	57	2	0	2	1	0	1	1	7
65-69	22	0	0	0	0	0	0	0	0
70 +	10	0	1	0	0	0	0	0	1
Total	585	21	6	6	6	3	6	7	55

Table 3-6
Age and Service Table for
All Active Employees
as of July 1, 2006

		Years of Service							Total
Age		0-4	5-9	10-14	15-19	20-24	25-29	30+	
Under 25	0	22	0	0	0	0	0	0	22
25-29	5	153	11	0	0	0	0	0	164
30-34	4	144	71	3	0	0	0	0	218
35-39	7	130	101	24	5	0	0	0	260
40-44	7	105	92	37	31	8	0	0	273
45-49	5	114	107	44	53	19	13	0	350
50-54	5	106	127	66	50	36	35	10	430
55-59	8	79	120	79	62	81	58	74	553
60-64	7	36	72	39	42	21	25	53	288
65-69	2	8	22	11	12	7	4	9	73
70 +	1	5	6	2	4	2	4	6	29
Total	1	902	729	305	259	174	139	152	2,660

Table 3-7
Age and Sex Table for Retirees and Surviving Spouses
Currently Receiving Medical Benefits
as of July 1, 2006

<u>Age</u>	<u>Female</u>	<u>Male</u>	<u>Total</u>
Under 50	2	2	4
50-54	9	7	16
55-59	80	34	114
60-64	242	75	317
65-69	261	101	362
70-74	255	94	349
75-79	206	72	278
80-84	189	68	257
85+	217	79	296
Total	1,461	532	1,993*

* In addition, 792 dependent spouses of retirees are receiving postemployment medical benefits.

Table 3-8
Retiree Enrollment by Plan
as of July 1, 2006

<u>Medical Plan</u>	<u>Total</u>
Blue Shield	762
Kaiser	919
PERSCare	90
PERS Choice	222
Total	1,993

Note: 1,821 retirees are receiving dental benefits

SECTION IV

Actuarial Method and Assumptions

In order to project the District's liabilities into the future, a number of economic, demographic, and baseline cost assumptions are necessary. We used assumptions that match those used in the most recent California PERS and STRS pension valuations.

Valuation Date

The valuation date is July 1, 2006. This date is the starting point from which current health premium costs are increased according to the assumed annual rates of health care cost trend. The District census is projected from the valuation date to the date of the last benefit payment for each employee and retiree on the census. After calculating future costs for the projected retiree and dependent population, all liabilities are discounted back to the valuation date to obtain the present value of future costs.

Economic Assumptions

Health Care Trend

We used the annual trend rates shown in Table 4-1. These rates represent our best estimate of the future annual increases in CalPERS and dental plan premium rates.

Table 4-1

**Projected Annual Health Care Premium
Rate Increases**

Calendar Year Beginning	Medical	Dental
2008	12.0%	4.0%
2009	11.0%	4.0%
2010	10.0%	4.0%
2011	9.0%	4.0%
2012	8.0%	4.0%
2013	7.0%	4.0%
2014	6.0%	4.0%
2015	5.5%	4.0%

Discount Rate

The District elected to use a 4.5% discount rate. We believe this rate reasonably represents the long term rate of return the District could obtain on investments.

Baseline Cost

Estimates of retiree health benefit obligations are normally based on current costs for a one year period. We refer to this as the *baseline cost*. The components of baseline cost, such as average per capita cost, and the current plan population are projected into the future to estimate the cost of future benefits.

GASB 45 allows employers who participate in community-rated plans to use unadjusted premium rates as the basis for the projection of retiree benefits. We believe the CalPERS medical program can be considered to be a community-rated plan.

Table 4-2 contains 2006 and 2007 CalPERS program premium rates and the 2005/06 Delta Dental funding rate.

The dental rate is a blending of the 2005-06 composite rate and an assumed 4% rate increase on October 1, 2006.

Table 4-2

CalPERS Bay Area/Sacramento and Delta Dental Monthly Rates

	Calendar Year	
	2006	2007
Rate per Early Retiree or Dependent		
Blue Shield	\$425.50	\$484.21
Kaiser	\$389.38	\$431.17
PERSCare	\$680.43	\$769.50
PERS Choice	\$404.59	\$455.18
Rate per Medicare Eligible Retiree or Dependent		
Blue Shield	\$286.49	\$318.95
Kaiser	\$218.59	\$289.68
PERSCare	\$347.20	\$371.68
PERS Choice	\$322.03	\$341.75
Delta Dental Composite Rate October 2005 through September 2006:		
	\$80.16	

The rates in Table 4-3 are a composite of the 2006 and 2007 CalPERS program premium rates, weighted by retiree enrollment in the various plans. The baseline costs take into account the limit on District contributions (i.e., the higher of Kaiser and Blue Shield rates).

The dental rate is a blending of the 2005/06 composite rate and an assumed 4% rate increase on October 1, 2006.

Table 4-3

**Baseline Cost for the Plan Year
Beginning July 1, 2006**

Medical - Annual Cost per Retiree or Dependent

Current and Future Retirees and Dependents

who are younger than age 65 and/or enrolled in Medicare

Younger than age 65	\$5,187
Age 65 and older	\$3,358

Retirees and dependents who are age 65
or older and not enrolled in Medicare

\$5,187

Future UTR Retirees and Dependents

Younger than age 65	\$4,923
Age 65 and older	\$3,050

Dental - Annual Composite Cost per Retiree

\$991

Administrative Expenses

We understand that CalPERS assesses an administrative charge equal to .44% of premium. We included this charge in the medical valuations.

Plan Assets

We understand that as of July 1, 2006 the District was holding an asset of \$7,500,000. The illustrations in this report assume that these funds will be segregated and restricted in an irrevocable trust.

Demographic Assumptions

In estimating this obligation, a number of demographic assumptions are needed. In most cases, the same demographic assumptions used in valuing an employer's pension obligation can be used in projecting retiree health care obligations. We propose the same demographic assumptions as those used in the most recent California PERS (for Classified employees) and STRS (for Certificated employees) pension valuations.

Census Data

The District provided census data as of July 1, 2006.

Health Plan Participation

100% of eligible employees will enroll in the postemployment medical and dental plans. We assumed that employees will not change their health plan enrollment when they retire, although we understand that those who re-locate are likely to change their enrollment.

Dependents

Dependents of retirees can be covered under this plan and the District contributes to their cost. Based on the enrollment pattern of retirees who are younger than age 65, we assume that 50% of future retirees will enroll a spouse. Female spouses are assumed to be three years younger than male spouses.

Medicare Coverage

We assumed that all classified employees and retirees and their spouses will qualify for Medicare coverage and enroll in Part A and Part B when they reach age 65.

We assumed that all certificated employees and retirees and their spouses who are currently younger than age 65 will either qualify for Medicare coverage and enroll in Part A and Part B when they reach age 65, or if they are not qualified for coverage they will pay the required Medicare Part B premium and enroll.

We assumed that any certificated retirees who are age 65 or older and not enrolled in Medicare will not enroll in Medicare in the future.

Retirement Rates

The rates shown in Table 4-4 and Table 4-5 match rates used by PERS and STRS in the most recent pension valuations.

Table 4-4
PERS School Employees - Annual Rates of Retirement

Age	Years of Service						
	5	10	15	20	25	30	35
50	0.00360	0.00710	0.01000	0.01180	0.01310	0.01470	0.01720
51	0.00350	0.00690	0.00960	0.01140	0.01270	0.01420	0.01660
52	0.00350	0.00690	0.00960	0.01140	0.01270	0.01420	0.01670
53	0.00460	0.00920	0.01290	0.01520	0.01700	0.01900	0.02230
54	0.00600	0.01180	0.01650	0.01960	0.02180	0.02440	0.02860
55	0.01940	0.03840	0.05370	0.06350	0.07070	0.07920	0.09290
56	0.01580	0.03140	0.04390	0.05190	0.05780	0.06470	0.07600
57	0.01700	0.03370	0.04710	0.05570	0.06200	0.06940	0.08150
58	0.02020	0.04020	0.05620	0.06630	0.07390	0.08270	0.09710
59	0.02310	0.04570	0.06400	0.07560	0.08420	0.09420	0.11060
60	0.03680	0.07290	0.10200	0.12050	0.13420	0.15020	0.17630
61	0.03640	0.07210	0.10090	0.11920	0.13280	0.14860	0.17440
62	0.07620	0.15120	0.21150	0.24980	0.27840	0.31140	0.36570
63	0.06870	0.13630	0.19060	0.22520	0.25100	0.28080	0.32970
64	0.05340	0.10600	0.14820	0.17510	0.19510	0.21830	0.25630
65	0.09060	0.17970	0.25130	0.29690	0.33080	0.37010	0.43450
66	0.05780	0.11460	0.16030	0.18940	0.21110	0.23610	0.27720
67	0.05330	0.10560	0.14770	0.17450	0.19440	0.21750	0.25540
68	0.04760	0.09440	0.13210	0.15600	0.17380	0.19450	0.22840
69	0.04480	0.08890	0.12440	0.14690	0.16370	0.18320	0.21500
70	0.06600	0.13080	0.18300	0.21620	0.24080	0.26950	0.31640
71	0.05140	0.10190	0.14250	0.16830	0.18760	0.20990	0.24640
72	0.04530	0.08990	0.12580	0.14860	0.16550	0.18520	0.21750
73	0.04410	0.08750	0.12230	0.14450	0.16100	0.18020	0.21150
74	0.05510	0.10920	0.15270	0.18040	0.20110	0.22490	0.26410
75	0.05460	0.10820	0.15130	0.17880	0.19920	0.22290	0.26170
76	0.04360	0.08640	0.12109	0.14280	0.15910	0.17800	0.20900
77	0.04950	0.09820	0.13740	0.16230	0.18090	0.20240	0.23760
78	0.05040	0.10000	0.13990	0.16530	0.18410	0.20600	0.24190
79	0.09310	0.18470	0.25820	0.30510	0.33990	0.38030	0.44660
80	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000

Table 4-5
STRS Employees - Annual Rates of Retirement

<u>Age</u>	Male		Female	
	Years of Service		Years of Service	
	0-29	30+	0-29	30+
50	0.00000	0.01500	0.00000	0.01500
51	0.00000	0.01500	0.00000	0.01500
52	0.00000	0.01500	0.00000	0.01500
53	0.00000	0.02000	0.00000	0.01500
54	0.00000	0.02000	0.00000	0.02000
55	0.03000	0.06000	0.05000	0.08000
56	0.02000	0.06000	0.03500	0.08000
57	0.02000	0.08000	0.03500	0.10000
58	0.03000	0.12000	0.04600	0.15000
59	0.05000	0.16000	0.06000	0.18000
60	0.07000	0.25000	0.10000	0.30000
61	0.07000	0.40000	0.10000	0.35000
62	0.09000	0.35000	0.12000	0.32000
63	0.13000	0.27000	0.18000	0.30000
64	0.12000	0.27000	0.15000	0.27000
65	0.14000	0.27000	0.16000	0.27000
66	0.10000	0.27000	0.15000	0.27000
67	0.10000	0.27000	0.15000	0.27000
68	0.10000	0.27000	0.15000	0.27000
69	0.10000	0.27000	0.15000	0.27000
70	1.00000	1.00000	1.00000	1.00000

Mortality

Table 4-6 and Table 4-7 contain samples of mortality rates used in the valuation. These rates match rates used by PERS and STRS in the most recent pension valuations.

Table 4-6
Sample PERS Mortality Rates

Age	Preretirement		Postemployment	
	Male	Female	Male	Female
25	0.034%	0.021%		
30	0.048%	0.031%		
35	0.067%	0.044%		
40	0.094%	0.063%		
45	0.130%	0.088%		
50	0.179%	0.125%	0.245%	0.136%
55	0.248%	0.179%	0.429%	0.253%
60	0.344%	0.256%	0.721%	0.442%
65	0.480%	0.369%	1.302%	0.795%
70	0.671%	0.537%	2.135%	1.276%
75			3.716%	2.156%
80			6.256%	3.883%
85			10.195%	7.219%
90			17.379%	12.592%

Table 4-7
Sample STRS Mortality Rates

Age	Preretirement		Postemployment	
	Male	Female	Male	Female
25	0.051%	0.029%		
30	0.066%	0.029%		
35	0.080%	0.037%		
40	0.085%	0.051%		
45	0.107%	0.077%		
50	0.158%	0.103%	0.190%	0.121%
55	0.258%	0.157%	0.321%	0.191%
60	0.443%	0.256%	0.558%	0.336%
65	0.798%	0.509%	1.015%	0.668%
70			1.803%	1.176%
75			2.848%	1.702%
80			5.021%	3.778%
85			9.419%	6.503%
90			14.754%	11.627%

Termination

Sample termination rates are shown below. They match rates used by PERS and STRS in the most recent pension valuations.

Table 4-8
PERS School Employees - Annual Withdrawal Rates

Service	Entry Age						
	20	25	30	35	40	45	50
0	0.16170	0.15210	0.14250	0.13290	0.12330	0.06870	0.01410
1	0.14810	0.13850	0.12890	0.11930	0.10970	0.10010	0.09050
2	0.13460	0.12495	0.11530	0.10570	0.09610	0.08650	0.07690
3	0.12100	0.11140	0.10180	0.09220	0.08260	0.07295	0.06330
4	0.10740	0.09780	0.08820	0.07860	0.06900	0.05940	0.04980
5	0.09380	0.08425	0.07460	0.06505	0.05540	0.03440	0.01340
6	0.08850	0.07885	0.06930	0.05965	0.05010	0.03060	0.01110
7	0.08310	0.07355	0.06390	0.05435	0.04470	0.02680	0.00890
8	0.07780	0.06820	0.05860	0.03985	0.03940	0.02315	0.00690
9	0.07250	0.06295	0.05330	0.04370	0.03410	0.01950	0.00490
10	0.06710	0.05750	0.04790	0.03825	0.00920	0.00615	0.00310
15	0.05330	0.04370	0.03410	0.00660	0.00400	0.00215	0.00030
20	0.03950	0.02990	0.00470	0.00250	0.00030	0.00025	0.00020
25	0.02570	0.00290	0.00120	0.00070	0.00020	0.00020	0.00020
30	0.00190	0.00105	0.00020	0.00020	0.00020	0.00020	0.00020
35+	0.00020	0.00020	0.00020	0.00020	0.00020	0.00010	0.00000

Table 4-9
STRS Employees - Annual Withdrawal Rates

Service	Male				Female			
	Entry Age				Entry Age			
	27	32	37	42	27	32	37	42
0	0.125	0.125	0.125	0.125	0.100	0.100	0.100	0.100
1	0.077	0.077	0.077	0.077	0.072	0.072	0.072	0.072
2	0.054	0.054	0.054	0.054	0.063	0.060	0.053	0.049
3	0.044	0.044	0.044	0.044	0.058	0.052	0.043	0.039
4	0.030	0.030	0.030	0.030	0.058	0.042	0.031	0.025
10	0.020	0.020	0.020	0.020	0.020	0.017	0.014	0.016
15	0.011	0.011	0.012		0.009	0.010	0.009	
20	0.006	0.006			0.007	0.009		
25+	0.005				0.006			

SECTION V

Glossary

- Accrual Accounting – A method of matching the cost of an employee's service, including long term obligations such as OPEB, to that employee's period of active service.
- Actuarial Accrued Liability (AAL) – The Actuarial Present Value of all postemployment benefits attributable to past service. Note: the AAL is sometimes referred to as the Past Service Liability.
- Actuarial Cost Method – A procedure for allocating the actuarial present value of benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.
- Actuarial Present Value – The value of an amount or series of amounts payable or receivable at various times. Each such amount or series of amounts is:
 - a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, Social Security, marital status, etc.)
 - b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and
 - c. discounted according to an assumed rate (or rates) of return to reflect the time value of money
- Actuarial Valuation – The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets and related Actuarial Present Values.
- Actuarial Value of Assets – The value of cash, investments and other property belonging to a plan. These are amounts that may be applied to fund the Actuarial Accrued Liability. Note: assets must be segregated and placed in a Trust in order to be considered OPEB assets
- Amortization Payment – That portion of the Annual OPEB cost which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

In the year that Statement 45 becomes effective an employer is allowed to commence amortization of the Unfunded Actuarial Accrued Liability, over a period not to exceed 30 years.

- Annual Other Postemployment Benefit (OPEB) Cost - An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan. The annual OPEB cost is the amount that must be calculated and reported as an expense.

When an employer has no net OPEB obligation (e.g., in the year of implementation) the annual OPEB cost is equal to the Annual Required Contribution (ARC).

In subsequent years the Annual OPEB cost will include:

- the ARC (equal to the Normal Cost plus one year's amortization of the Unfunded Actuarial Accrued Liability);
 - one year's interest on the net OPEB obligation at the beginning of the year using the valuation discount rate; and
 - an adjustment to the ARC. This adjustment is intended to provide a reasonable approximation of that portion of the ARC that consists of interest associated with past contribution deficiencies. GASB Statement No. 45 specifies that this adjustment should be equal to an amortization of the discounted present value of the net OPEB obligation at the beginning of the year. The amortization should be calculated using the same amortization method and period used in determining the ARC for that year. If the net OPEB obligation is positive the adjustment should be deducted from the ARC.
 - Note: As long as the net OPEB obligation is zero, there will not be any interest charge or adjustment to the ARC. However, if an employer does not contribute the full amount of the ARC, a net OPEB obligation will emerge.
- Annual required contributions of the employer (ARC) - The employer's periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the parameters.
 - Defined benefit OPEB plan - An OPEB plan having terms that specify the *benefits* to be provided at or after separation from employment. The benefits may be specified in dollars (for example, a flat dollar payment or an amount based on one or more factors, such as age, years of service, and compensation), or as a type or level of coverage (for example, prescription drugs or a percentage of healthcare insurance premiums).

- Defined contribution plan - A pension or OPEB plan having terms that (a) provide an individual account for each plan member and (b) specify how contributions to an active plan member's account are to be determined, rather than the income or other benefits the member or his beneficiaries are to receive at or after separation from employment. Those benefits will depend only on the amounts contributed to the member's account, earnings on investments of those contributions, and forfeitures of contributions made for other members that may be allocated to the member's account. For example, an employer may contribute a specified amount to each active member's postemployment healthcare account each month. At or after separation from employment, the balance of the account may be used by the member or on the member's behalf for the purchase of health insurance or other healthcare benefits.
- Employer's contributions - Contributions made in relation to the annual required contributions of the employer (ARC). An employer has made a contribution in relation to the ARC if the employer has (a) made payments of benefits directly to or on behalf of a retiree or beneficiary, (b) made premium payments to an insurer, or (c) irrevocably transferred assets to a trust, or an equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) or plan administrator.
- Healthcare cost trend rate - The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.
- Investment return assumption (discount rate) - The rate used to adjust a series of future payments to reflect the time value of money.
- Net OPEB obligation - The cumulative difference since the effective date of GASB Statement 45 between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.

Most employers will have no net OPEB obligation at the beginning of the year in which Statement 45 is implemented.

If an employer contributes the annual OPEB cost to the plan each year, and there are no actuarial or investment gains or losses then the net OPEB Obligation will remain zero.

- Normal Cost - That portion of the Actuarial Present Value of benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. Another

interpretation is that the Normal Cost is the present value of future benefits that are "earned" by employees for service rendered during the current year.

- OPEB assets - The amount recognized by an employer for contributions to an OPEB plan greater than OPEB expenses.
- OPEB expense - The amount recognized by an employer in each accounting period for contributions to an OPEB plan on the accrual basis of accounting.
- Other postemployment benefits (OPEB) - Postemployment benefits other than pension benefits. Other postemployment benefits (OPEB) include postemployment healthcare benefits, regardless of the type of plan that provides them, and all postemployment benefits provided separately from a pension plan, except benefits defined as special termination benefits.
- Plan assets - Resources, usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, or in an equivalent arrangement, in which (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employer(s) or plan administrator, for the payment of benefits in accordance with the terms of the plan.
- Present Value – See Actuarial Present Value.
- Projected Unit Credit Cost Method – An actuarial cost method under which the projected benefits of each individual included in an Actuarial Valuation are separately calculated and allocated to each year service by a consistent formula.
- Substantive plan - The terms of an OPEB plan as understood by the employer(s) and plan members.
- Unfunded Actuarial Accrued Liability (UAAL) – The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.
- Valuation date – The date as of which the postemployment benefit obligation is determined.