WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

Actuarial Valuation of
Postemployment Health Benefits
Valuation Date: October 1, 2010
With results rolled back to July 1, 2010

NICOLAY CONSULTING

NICOLAY CONSULTING GROUP

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January 25, 2011

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

Dear Mr. Coyne:

Re: <u>Actuarial Valuation of Postemployment Healthcare Plans</u>

The Nicolay Consulting Group is pleased to present the results of the July 1, 2010 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 (415) 512-5300 x221

The undersigned meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,

Nicolay Consulting Group

Dennis Daugherty

Dennis Daugherty, F.S.A.
Member, American Academy of Actuaries

WEST CONTRA COSTA
UNIFIED SCHOOL DISTRICT

Table of Contents

SECTION I
Introduction

The West Contra Costa Unified School District provides postemployment health benefits to retirees who meet plan eligibility requirements. This report provides an estimate of the District's obligation as of July 1, 2010, an illustration of GASB 45 accrual accounting requirements and a ten-year projection of the pay-as-you-go cost to provide the benefits. **Section II** contains valuation results. **Section III** describes the plans and presents a demographic summary. **Section IV** lists the actuarial assumptions used to complete the valuation.

Accounting Requirements

In July 2004 the Governmental Accounting Standards Board issued **Statement 45,** *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* This statement requires governmental entities to account for postemployment benefits on an accrual basis rather than pay-as-you-go accounting. Each employee's benefit will "accrue" throughout their working lifetime and employers are now required to show the annual accruals as a current year expense.

The District adopted Statement 45 in the fiscal year ending June 30, 2008.

SECTION II

Valuation Results

The District's prior actuarial valuation was as of July 1, 2007. Between that time and now the District has made substantial amendments to its Postemployment Health Benefits Program. The amendments placed certain upper limits on the amount the District will contribute toward the cost of postemployment healthcare benefits. These limits vary by bargaining unit and are generally related to the date an employee was hired, years of service with the District and retirement date. Retirees will be required to pay any premiums exceeding these limits. Generally, the amendments do not affect employees who retired prior to January 1, 2007. These amendments have resulted in a significant reduction in the Program's Actuarial Accrued Liability (AAL) and annual OPEB cost, primarily with respect to current active employees.

For most current employees, the limits on retiree medical premiums that the District will pay are stated as a fixed dollar amount per month. We have been informed by District management that the District does not intend to increase these dollar limits in the future. Accordingly, at the District's request this valuation assumes that no such future increases will occur. If increases in these limits do in fact occur in the future, this assumption may need to be revisited in future valuations.

The amended program is summarized in **Section III** of this report.

Tables 2-1 through 2-3 contain July 1, 2010 estimates of the present value of the District's future cost of postemployment healthcare benefits. The valuation results presented in this report are based on a 4.50% discount rate.

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, 2010

Total Present Value Attributable to Past Service (i.e., GASB 45 Actuarial Accrued Liability)

	Certificated UTR	Certificated WCCAA	Classified Local #1	Classified SSA	Unrep. Mgt., Confidential, Cabinet, Retired Board	Total
Medical						
Actives	$34,651,285	$2,753,223	$13,562,512	$1,870,401	$1,268,234	$54,105,655
Retirees	$160,899,111	$6,205,276	$88,439,090	$9,353,193	$16,925,539	$281,822,208
Total	$195,550,396	$8,958,498	$102,001,602	$11,223,594	$18,193,773	**$335,927,863**
Dental						
Actives	$11,281,686	$720,063	$4,627,503	$675,480	$291,845	$17,596,578
Retirees	$19,751,742	$626,734	$8,715,362	$871,345	$2,031,138	$31,996,321
Total	$31,033,428	$1,346,797	$13,342,866	$1,546,825	$2,322,984	**$49,592,899**
Total						
Actives	$45,932,971	$3,473,286	$18,190,015	$2,545,881	$1,560,079	$71,702,233
Retirees	$180,650,853	$6,832,009	$97,154,452	$10,224,538	$18,956,677	$313,818,529
Total	$226,583,824	$10,305,295	$115,344,467	$12,770,419	$20,516,756	**$385,520,762**

NOTE: Based on the 2007 valuation rolled forward to 2010, the Actuarial Accrued Liability is estimated to have been approximately $550 million if the Program had not been amended, rather than the $385 million shown here.

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, 2010

Total Present Value Attributable to Future Service

	Certificated UTR	Certificated WCCAA	Classified Local #1	Classified SSA	Unrep. Mgt., Confidential, Cabinet, Retired Board	Total
Medical						
Actives	$30,354,051	$2,307,924	$10,453,825	$1,451,032	$1,145,829	$45,712,662
Retirees	$0	$0	$0	$0	$0	$0
Total	$30,354,051	$2,307,924	$10,453,825	$1,451,032	$1,145,829	$45,712,662
Dental						
Actives	$13,820,197	$793,200	$4,188,018	$604,776	$289,992	$19,696,182
Retirees	$0	$0	$0	$0	$0	$0
Total	$13,820,197	$793,200	$4,188,018	$604,776	$289,992	$19,696,182
Total						
Actives	$44,174,248	$3,101,123	$14,641,843	$2,055,809	$1,435,821	$65,408,844
Retirees	$0	$0	$0	$0	$0	$0
Total	$44,174,248	$3,101,123	$14,641,843	$2,055,809	$1,435,821	$65,408,844

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, 2010

Total Present Value

	Certificated UTR	Certificated WCCAA	Classified Local #1	Classified SSA	Unrep. Mgt., Confidential, Cabinet, Retired Board	Total
Medical						
Actives	$65,005,336	$5,061,147	$24,016,337	$3,321,434	$2,414,063	$99,818,317
Retirees	$160,899,111	$6,205,276	$88,439,090	$9,353,193	$16,925,539	$281,822,208
Total	$225,904,448	$11,266,422	$112,455,427	$12,674,626	$19,339,602	$381,640,525
Dental						
Actives	$25,101,883	$1,513,263	$8,815,521	$1,280,256	$581,837	$37,292,760
Retirees	$19,751,742	$626,734	$8,715,362	$871,345	$2,031,138	$31,996,321
Total	$44,853,625	$2,139,996	$17,530,884	$2,151,601	$2,612,975	$69,289,081
Total						
Actives	$90,107,219	$6,574,410	$32,831,858	$4,601,690	$2,995,900	$137,111,077
Retirees	$180,650,853	$6,832,009	$97,154,452	$10,224,538	$18,956,677	$313,818,529
Total	$270,758,073	$13,406,419	$129,986,310	$14,826,227	$21,952,577	$450,929,606

GASB 45 Benefit Cost

The District adopted GASB 45 in the 2007/08 fiscal year. Table 2-4 illustrates the District's GASB 45 Actuarial Accrued Liability (AAL) and 2010/11 financial statement expense assuming continuation of pay-as-you-go funding.

The Annual Required Contribution (ARC) consists of the Normal Cost plus the current year amortization of the Unfunded Actuarial Accrued Liability (UAAL). The amortization method used in this valuation is the level percentage of projected payroll method. The District elected to amortize the UAAL over a closed 30-year period. Three years of amortization have occurred; 27 years remain.

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 Entry Age Normal actuarial cost method. Under the Entry Age Normal cost method the actuarial present value of projected benefits is allocated on a level basis over the earnings or service (in this case earnings) of individuals between entry age and the assumed exit age(s). In this valuation each individual's attribution period extends from hire date to estimated retirement date. The valuation attributes the benefit assuming a 3.25% annual increase in payroll.

Table 2-4

2010/2011 Fiscal Year
OPEB Annual Required Contribution – based on a 4.50% discount rate

Actuarial Accrued Liability as of July 1, 2010	$385,520,762
Assumed Actuarial Value of Assets at July 1, 2010	$0
Unfunded Actuarial Accrued Liability	$385,520,762
Remaining Amortization Period	27 years
Level percent of pay Amortization Factor (based on a 4.50% discount rate and a 3.25% annual increase in payroll)	22.193
Annual Level Percentage of Pay Amort. of Unfunded AAL	$17,371,417
Normal Cost (based on the Entry Age Normal Method)	$6,239,401
Annual Required Contribution	$23,610,818

Table 2-5 contains a ten-year projection of the District's pay-as-you-go cost to provide postemployment medical and dental benefits to current and future retirees.

Table 2-5

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

	Certificated UTR	Certificated WCCAA	Classified Local #1	Classified SSA	Unrep. Mgt., Confidential, Cabinet, Retired Board	Total
2010/2011	$10,228,280	$374,701	$5,865,219	$624,588	$1,316,965	$18,409,754
2011/2012	$10,553,349	$372,227	$6,043,486	$649,293	$1,325,574	$18,943,929
2012/2013	$10,932,220	$390,215	$6,207,651	$662,428	$1,336,327	$19,528,841
2013/2014	$11,306,540	$414,388	$6,358,990	$677,229	$1,357,831	$20,114,977
2014/2015	$11,703,420	$422,214	$6,481,727	$693,078	$1,369,625	$20,670,065
2015/2016	$12,125,566	$443,348	$6,619,328	$695,664	$1,381,182	$21,265,088
2016/2017	$12,540,762	$483,380	$6,750,161	$700,845	$1,375,454	$21,850,602
2017/2018	$12,980,280	$509,323	$6,854,669	$722,473	$1,382,352	$22,449,097
2018/2019	$13,434,564	$542,126	$6,952,316	$735,381	$1,385,686	$23,050,072
2019/2020	$13,854,404	$577,624	$7,053,051	$732,789	$1,366,192	$23,584,062

Table 2-6 presents a five-year projection under the assumptions that the District **continues pay-as-you-go funding**, the discount rate remains 4.50% and the Normal Cost component of the ARC increases by 4.50% per year.

Table 2-6

West Contra Costa Unified School District

Five-year Projection of Annual OPEB Cost and Net OPEB Obligation
Based on a 4.50% discount rate and
assuming funding equal to projected retiree premium costs

	2010/11	**2011/12**	**2012/13**	**2013/14**	**2014/15**
Actuarial Accrued Liability (AAL)	**$385,520,762**	**$390,289,182**	**$395,006,892**	**$399,632,379**	**$404,173,445**
Actuarial Value of Assets at beginning of year	**$0**	**$0**	**$0**	**$0**	**$0**
Unfunded Actuarial Accrued Liability (UAAL)	**$385,520,762**	**$390,289,182**	**$395,006,892**	**$399,632,379**	**$404,173,445**
Remaining Amortization Period	**27**	**26**	**25**	**24**	**23**
Normal Cost	$6,239,401	$6,520,174	$6,813,582	$7,120,193	$7,440,602
Amortization of UAAL	$17,371,417	$18,158,917	$19,004,733	$19,914,144	$20,895,946
Annual Required Contribution (ARC)	$23,610,818	$24,679,091	$25,818,315	$27,034,337	$28,336,548
Annual Required Contribution (ARC)	$23,610,818	$24,679,091	$25,818,315	$27,034,337	$28,336,548
Interest on net OPEB Obligation	$3,551,186	$3,785,022	$4,037,326	$4,307,786	$4,598,346
Adjustment to ARC	($3,555,891)	($3,913,446)	($4,316,566)	($4,770,266)	($5,283,033)
Annual OPEB Cost	$23,606,113	$24,550,667	$25,539,075	$26,571,857	$27,651,861
District Contribution	($18,409,754)	($18,943,929)	($19,528,841)	($20,114,977)	($20,670,065)
Increase in net OPEB Obligation	$5,196,359	$5,606,738	$6,010,234	$6,456,880	$6,981,796
Net OPEB Obligation – Beginning of Year	**$78,915,248**	**$84,111,607**	**$89,718,345**	**$95,728,579**	**$102,185,459**
Net OPEB Obligation – End of Year	**$84,111,607**	**$89,718,345**	**$95,728,579**	**$102,185,459**	**$109,167,255**
Projected pay-as-you-go Retiree Cost	$18,409,754	$18,943,929	$19,528,841	$20,114,977	$20,670,065

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.

SECTION III

Plan Description and Demographic Summary

Retiree Coverage

Medical

Eligible retirees may enroll in any plan offered through the CalPERS medical program. Retirees who are eligible must enroll in Medicare Part B coverage in order for their coverage to continue beyond age 65.

District provided medical benefits continue throughout the lifetime of the retiree and surviving spouse.

Dental

Dental benefits are provided by Delta Dental. District employees who have a minimum of 10 years of service with the District, and whose age plus years of service is 75 or more, retire from the District and begin receiving a PERS or STRS pension are eligible for postemployment dental benefits.

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

The District contributes 100% of the composite cost of retiree dental coverage.

Eligibility and Benefits - Medical

Described on the following pages.

United Teachers of Richmond (UTR)

UTR employees who retired prior to January 1, 2007

The District pays the cost of medical coverage for retirees, spouses and surviving spouses up to the CalPERS Bay Area Blue Shield Access+ rates.

UTR employees who retired between January 1, 2007 and June 30, 2010

The District pays the cost of medical coverage for retirees, their spouses and surviving spouse up to a specified cap on the District's contribution.

The District will contribute up to 100% of the cost of CalPERS Bay Area Kaiser coverage based on each retiree's enrollment category. Retirees who enroll in a more expensive plan must pay the difference.

UTR employees hired prior to January 1, 2007 who retire after June 30, 2010

The District contributes up the following maximum annual contributions to eligible retirees:

Continuous years of service with the District	Maximum monthly District contribution
0 through 9	$0
10 through 19	$450
Exception: if 20 or more years of service as of June 30, 2010	$750

UTR employees hired on, or after, January 1, 2007

Year of Service under CalPERS rules	Maximum monthly District contribution
0 through 9	$0
10 or more	The CalPERS Health Benefits Program Minimum Employer Contribution

School Supervisors Association (SSA)

SSA employees who retired prior to January 1, 2007

The District pays the cost of medical coverage for retirees, spouses and surviving spouses up to the CalPERS Bay Area Blue Shield Access+ rates.

SSA employees who retired between January 1, 2007 and June 30, 2010

The District pays the cost of medical coverage for retirees, their spouses and surviving spouse up to a specified cap on the District's contribution.

The District will contribute up to 110% of the cost of CalPERS Bay Area Blue Shield coverage based on each retiree's enrollment category. Retirees who enroll in a more expensive plan must pay the difference.

SSA employees hired prior to January 1, 2007 who retire after June 30, 2010

The District contributes up the following maximum annual contributions to eligible retirees:

Continuous years of service with the District	Maximum monthly District contribution
0 through 4	$0
5 or more	$450
Exception: if 20 or more years of service as of June 30, 2010	$550

SSA employees hired after January 1, 2007 but prior to July 15, 2009

Continuous years of service with the District	Maximum monthly District contribution
0 through 9	$0
10 or more	$450

SSA employees hired on, or after, July 15, 2009

Year of Service under CalPERS rules	Maximum monthly District contribution
0 through 4	$0
5 through 24	The CalPERS Health Benefits Program Minimum Employer Contribution
25 or more	$450 per month until the retiree reaches age 65. Thereafter, the CalPERS Health Benefits Program Minimum Employer Contribution

West Contra Costa Administrators Association (WCCAA)

WCCAA employees who retired prior to January 1, 2007

The District pays the cost of medical coverage for retirees, spouses and surviving spouses up to the CalPERS Bay Area Blue Shield Access+ rates.

WCCAA employees who retired between January 1, 2007 and June 30, 2010

The District pays the cost of medical coverage for retirees, their spouses and surviving spouse up to a specified cap on the District's contribution.

The District will contribute up to 110% of the cost of CalPERS Bay Area Blue Shield coverage based on each retiree's enrollment category. Retirees who enroll in a more expensive plan must pay the difference.

WCCAA employees hired prior to January 1, 2007 who retire after June 30, 2010

The District contributes up the following maximum annual contributions:

Continuous years of service with the District	Maximum monthly District contribution
0 through 4	$0
5 through 9	$250
10 or more	$450
Exceptions: if 20 or more years of service as of June 30, 2010	$550
if 25 or more years of service as of June 30, 2010	$750

WCCAA employees hired on, or after, January 1, 2007

Year of Service under CalPERS rules	Maximum monthly District contribution
0 through 4	$0
5 through 24	The CalPERS Health Benefits Program Minimum Employer Contribution
25 or more	$450 per month until the retiree reaches age 65. Thereafter, the CalPERS Health Benefits Program Minimum Employer Contribution

Public Employees, Local 1

Local 1 employees who retired prior to January 1, 2007

The District pays the cost of medical coverage for retirees, spouses and surviving spouses up to the CalPERS Bay Area Blue Shield Access+ rates.

Local 1 employees who retired between January 1, 2007 and June 30, 2010

The District pays the cost of medical coverage for retirees, their spouses and surviving spouse up to a specified cap on the District's contribution.

The District will contribute up to 110% of the cost of CalPERS Bay Area Blue Shield coverage based on each retiree's enrollment category. Retirees who enroll in a more expensive plan must pay the difference.

Local 1 employees hired prior to January 1, 2007 who retire after June 30, 2010

The District contributes up the following maximum annual contributions to eligible retirees:

Continuous years of service with the District	Maximum monthly District contribution
0 through 4	$0
5 or more	$450
Exception: if 20 or more years of service as of June 30, 2010	$550

Local 1 employees hired after January 1, 2007 but prior to July 15, 2009

Continuous years of service with the District	Maximum monthly District contribution
0 through 9	$0
10 or more	$450

Local 1 employees hired on, or after, July 15, 2009

Year of Service under CalPERS rules	Maximum monthly District contribution
0 through 4	$0
5 through 24	The CalPERS Health Benefits Program Minimum Employer Contribution
25 or more	$450 per month until the retiree reaches age 65. Thereafter, the CalPERS Health Benefits Program Minimum Employer Contribution

Unrepresented Certificated Employees

Unrepresented Certificated employees who retired prior to January 1, 2007

The District pays the cost of medical coverage for retirees, spouses and surviving spouses up to the CalPERS Bay Area Blue Shield Access+ rates.

Unrepresented Certificated employees who retired between January 1, 2007 and December 31, 2007

The District pays the cost of medical coverage for retirees, their spouses and surviving spouse up to a specified cap on the District's contribution.

The District will contribute up to 110% of the cost of CalPERS Bay Area Blue Shield coverage based on each retiree's enrollment category. Retirees who enroll in a more expensive plan must pay the difference.

Unrepresented Certificated employees who retired between January 1, 2008 and July 1, 2010

The District pays the cost of medical coverage for retirees, their spouses and surviving spouse up to a specified cap on the District's contribution.

The District will contribute a maximum annual contribution of $5,400 for a single retiree, $11,040 for a retiree and spouse and $14,400 for a retiree and family.

Unrepresented Certificated employees hired prior to July 1, 2009 who retire after June 30, 2010

The District contributes up the following maximum annual contributions to eligible retirees:

Continuous years of service with the District	Maximum monthly District contribution
0 through 4	$0
5 through 9	$250
10 or more	$450
Exception: if 20 or more years of service as of June 30, 2010	$550
Exception: if 25 or more years of service as of June 30, 2010	$750

Unrepresented Certificated employees hired on, or after, July 1, 2009

Year of Service under CalPERS rules	Maximum monthly District contribution
0 through 4	$0
5 through 24	The CalPERS Health Benefits Program Minimum Employer Contribution
25 or more	$450 per month until the retiree reaches age 65. Thereafter, the CalPERS Health Benefits Program Minimum Employer Contribution

Unrepresented Classified Employees

Unrepresented Classified employees who retired prior to January 1, 2007

The District pays the cost of medical coverage for retirees, spouses and surviving spouses up to the CalPERS Bay Area Blue Shield Access+ rates.

Unrepresented Classified employees who retired between January 1, 2007 and December 31, 2007

The District pays the cost of medical coverage for retirees, their spouses and surviving spouse up to a specified cap on the District's contribution.

The District will contribute up to 110% of the cost of CalPERS Bay Area Blue Shield coverage based on each retiree's enrollment category. Retirees who enroll in a more expensive plan must pay the difference.

Unrepresented Classified employees who retired between January 1, 2008 and July 1, 2010

The District pays the cost of medical coverage for retirees, their spouses and surviving spouse up to a specified cap on the District's contribution.

The District will contribute a maximum annual contribution of $5,400 for a single retiree, $11,040 for a retiree and spouse and $14,400 for a retiree and family.

Unrepresented Classified employees hired prior to July 1, 2009 who retire after June 30, 2010

The District contributes up the following maximum annual contributions to eligible retirees:

Continuous years of service with the District	Maximum monthly District contribution
0 through 4	$0
5 or more	$450
Exception: if 20 or more years of service as of June 30, 2010	$550

Unrepresented Classified employees hired on, or after, July 1, 2009

Year of Service under CalPERS rules	Maximum monthly District contribution
0 through 4	$0
5 through 24	The CalPERS Health Benefits Program Minimum Employer Contribution
25 or more	$450 per month until the retiree reaches age 65. Thereafter, the CalPERS Health Benefits Program Minimum Employer Contribution

Confidential Employees

Confidential employees who retired prior to January 1, 2007

The District pays the cost of medical coverage for retirees, spouses and surviving spouses up to the CalPERS Bay Area Blue Shield Access+ rates.

Confidential employees who retired between January 1, 2007 and June 30, 2010

The District pays the cost of medical coverage for retirees, their spouses and surviving spouse up to a specified cap on the District's contribution.

The District will contribute up to 110% of the cost of CalPERS Bay Area Blue Shield coverage based on each retiree's enrollment category. Retirees who enroll in a more expensive plan must pay the difference.

Confidential employees hired prior to January 1, 2007 who retire after June 30, 2010

The District contributes up the following maximum annual contributions to eligible retirees:

Continuous years of service with the District	Maximum monthly District contribution
0 through 4	$0
5 or more	$450
Exception: if 20 or more years of service as of June 30, 2010	$550

Confidential employees hired after January 1, 2007 but prior to July 1, 2009

Continuous years of service with the District	Maximum monthly District contribution
0 through 9	$0
10 or more	$450

Confidential employees hired on, or after, July 1, 2009

Year of Service under CalPERS rules	Maximum monthly District contribution
0 through 4	$0
5 or more	The CalPERS Health Benefits Program Minimum Employer Contribution
25 or more	$450 per month until the retiree reaches age 65. Thereafter, the CalPERS Health Benefits Program Minimum Employer Contribution

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
Active Certificated UTR Employees
as of October 1, 2010

	Years of Service							
Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total
Under 25	72	0	0	0	0	0	0	**72**
25-29	120	9	0	0	0	0	0	**129**
30-34	108	65	5	0	0	0	0	**178**
35-39	71	72	36	1	0	0	0	**180**
40-44	56	50	55	9	0	0	0	**170**
45-49	51	55	50	25	18	1	0	**200**
50-54	41	52	53	16	24	9	1	**196**
55-59	40	48	63	29	26	16	18	**240**
60-64	20	26	53	20	19	13	12	**163**
65-69	6	13	18	6	9	2	3	**57**
70 +	0	2	7	2	1	0	3	**15**
Total	**585**	**392**	**340**	**108**	**97**	**41**	**37**	**1,600**

Table 3-2
Age and Service Table
Active Certificated Administrators (WCCAA) Employees
as of October 1, 2010

	Years of Service							
Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total
Under 25	0	0	0	0	0	0	0	**0**
25-29	0	0	0	0	0	0	0	**0**
30-34	6	3	0	0	0	0	0	**9**
35-39	8	6	3	0	0	0	0	**17**
40-44	4	4	1	0	0	0	0	**9**
45-49	5	3	1	3	1	0	0	**13**
50-54	4	2	3	0	2	1	0	**12**
55-59	5	4	2	4	2	3	1	**21**
60-64	1	0	4	1	2	3	1	**12**
65-69	1	1	0	0	0	0	0	**2**
70 +	0	0	0	0	0	0	0	**0**
Total	**34**	**23**	**14**	**8**	**7**	**7**	**2**	**95**

Table 3-3
Age and Service Table for
Active Classified Local #1 Employees
as of October 1, 2010

Years of Service

Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total
Under 25	6	0	0	0	0	0	0	**6**
25-29	24	3	0	0	0	0	0	**27**
30-34	22	14	3	0	0	0	0	**39**
35-39	28	21	12	4	0	0	0	**65**
40-44	27	30	10	7	9	0	0	**83**
45-49	31	35	25	6	10	4	0	**111**
50-54	30	34	27	11	13	13	1	**129**
55-59	17	26	15	5	8	5	5	**81**
60-64	15	11	9	6	3	4	3	**51**
65-69	1	4	3	2	1	1	3	**15**
70 +	2	1	0	0	0	2	0	**5**
Total	**203**	**179**	**104**	**41**	**44**	**29**	**12**	**612**

Table 3-4
Age and Service Table for
Active Classified Supervisors (SSA) Employees
as of October 1, 2010

Years of Service

Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total
Under 25	0	0	0	0	0	0	0	**0**
25-29	6	0	0	0	0	0	0	**6**
30-34	7	1	2	0	0	0	0	**10**
35-39	5	1	1	0	0	0	0	**7**
40-44	0	4	8	3	0	0	0	**15**
45-49	3	4	2	0	2	2	0	**13**
50-54	1	8	3	3	2	1	1	**19**
55-59	3	5	3	1	0	0	2	**14**
60-64	0	2	1	1	0	0	0	**4**
65-69	0	0	0	0	0	0	0	**0**
70 +	0	0	0	1	0	0	0	**1**
Total	**25**	**25**	**20**	**9**	**4**	**3**	**3**	**89**

Table 3-5

Age and Service Table for

Active Unrepresented Management, Confidential,

Superintendent's Cabinet and Board Members

as of October 1, 2010

Years of Service

Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total
Under 25	0	0	0	0	0	0	0	**0**
25-29	0	0	0	0	0	0	0	**0**
30-34	1	0	0	0	0	0	0	**1**
35-39	1	1	0	0	0	0	0	**2**
40-44	2	1	0	0	0	0	0	**3**
45-49	3	0	2	1	0	0	0	**6**
50-54	5	2	2	1	1	0	0	**11**
55-59	5	1	0	1	0	1	4	**12**
60-64	4	1	0	0	0	0	1	**6**
65-69	0	0	0	0	0	0	0	**0**
70 +	1	0	0	0	0	0	0	**1**
Total	**22**	**6**	**4**	**3**	**1**	**1**	**5**	**42**

Table 3-6

Age and Service Table for

All Active Employees

as of October 1, 2010

Years of Service

Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total
Under 25	78	0	0	0	0	0	0	**78**
25-29	150	12	0	0	0	0	0	**162**
30-34	144	83	10	0	0	0	0	**237**
35-39	113	101	52	5	0	0	0	**271**
40-44	89	89	74	19	9	0	0	**280**
45-49	93	97	80	35	31	7	0	**343**
50-54	81	98	88	31	42	24	3	**367**
55-59	70	84	83	40	36	25	30	**368**
60-64	40	40	67	28	24	20	17	**236**
65-69	8	18	21	8	10	3	6	**74**
70 +	3	3	7	3	1	2	3	**22**
Total	**869**	**625**	**482**	**169**	**153**	**81**	**59**	**2,438**

Table 3-7

Age and Sex Table for Retirees and Surviving Spouses

Currently Receiving Medical Benefits

as of October 1, 2010

Age	Female	Male	Total
Under 50	3	2	**5**
50-54	30	9	**39**
55-59	100	42	**142**
60-64	322	141	**463**
65-69	385	114	**499**
70-74	266	101	**367**
75-79	224	93	**317**
80-84	189	63	**252**
85-89	138	52	**190**
90-94	82	29	**111**
95+	24	5	**29**
Total	**1,763**	**651**	**2,414***

* In addition, 1,100 spouses of retirees are receiving postemployment medical benefits.

Table 3-8

Retiree Enrollment by Plan

as of October 1, 2010

Medical Plan	Total
Blue Shield	884
Kaiser	1,184
PERSCare	82
PERS Choice	263
PERS Select	1
Total	**2,414**

Note: 2,039 retirees and surviving spouses 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.

Actuarial Cost Method

The valuation was completed using the Entry Age Normal Cost Method. An Actuarial Cost Method is 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. The Entry Age Normal cost method allocates the present value of future benefits on a level basis over the earnings or service (in this case earnings) of each employee between the hire date and assumed retirement age. The portion of the present value of future benefits allocated to a valuation year is called the Normal Cost. The portion allocated to all prior years is called the Actuarial Accrued Liability.

Amortization Methodology

The amortization of the Unfunded Actuarial Accrued Liability was developed as a level percentage of payroll assuming a 3.25% annual increase in payroll.

Valuation Date

The valuation date is October 1, 2010. 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 final 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. The October 1, 2010 valuation results were rolled back to July 1, 2010 (slight downward adjustment). The rolled back results serve as the basis for determining the District's 2010/11 GASB 45 Annual Required Contribution.

Economic Assumptions

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.

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 Cost Increases

Plan Year Beginning	CalPERS Medical	CalPERS Minimum Employer Contribution	Dental
2011	7.9%	5.0%	4.0%
2012	7.6%	5.0%	4.0%
2013	7.3%	5.0%	4.0%
2014	7.0%	5.0%	4.0%
2015	6.7%	5.0%	4.0%
2016	6.4%	5.0%	4.0%
2017	6.1%	5.0%	4.0%
2018	5.8%	5.0%	4.0%
2019 & thereafter	5.5%	5.0%	4.0%

Employer Caps

Based on input from the District we have assumed that the fixed dollar caps described in **Section III** will not increase in future years.

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 2010 and 2011 CalPERS program premium rates and the 2010/11 Delta Dental funding rate.

Table 4-2

2010 and 2011 Bay Area CalPERS monthly premium rates per Retiree, Spouse or Surviving Spouse

	Younger than 65	Medicare Supplement
2010		
Blue Shield Access+	$577.33	$299.53
Blue Shield Net Value	$500.35	$299.53
Kaiser	$532.56	$298.36
PERS Choice	$508.74	$356.09
PERS Select	$474.93	$356.09
PERS Care	$868.17	$410.60
CalPERS Minimum Employer Contribution:	$105.00	$105.00
2011		
Blue Shield Access+	$675.51	$337.88
Blue Shield Net Value	$581.24	$337.88
Kaiser	$568.99	$282.30
PERS Choice	$563.40	$375.88
PERS Select	$492.68	$375.88
PERS Care	$893.95	$433.66
CalPERS Minimum Employer Contribution:	$108.00	$108.00
Delta Dental Composite Rate:		$83.00

Retirees, spouses and surviving spouses were valued based on their current enrollment. We assumed they will continue their enrollment in those plans. Future retirees were valued based on the following composite annual costs. These costs were developed from the rates in Table 4-2 and the assumed enrollment distribution of future retirees. We assumed that 75% of future retirees will enroll in Kaiser, 22% will enroll in the Blue Shield Access plan and 3% will enroll in PERS Choice.

Table 4-3

Baseline Premium Cost for the plan year beginning July 1, 2010

Medical - Annual Cost per Future Retiree or Dependent	
Younger than age 65	$6,955
Age 65 and older	$3,577
Dental – Annual Composite Cost per Retiree	$1,026

Administrative Expenses

We understand that CalPERS assesses an administrative charge equal to .43% of premium. We included this charge in the medical valuations.

Plan Assets

The District has not prefunded any portion of this obligation in a Trust that satisfies the requirements necessary to be considered a GASB 45 asset.

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 used 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 October 2010.

Health Plan Participation

We assumed that 100% of eligible employees will enroll in the postemployment medical and dental plans.

Dependents

Eligible retirees are allowed to enroll their dependents. The District contributes some, or all, of the cost of dependent coverage. Based on the enrollment pattern of retirees who are younger than age 65, we assumed that 60% 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 PERS 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 STRS 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 Medicare coverage they will pay the required Medicare Part B premium and enroll.

Retirement Rates

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

Table 4-4

PERS School Employees - Annual Rates of Retirement

	Years of Service						
Age	**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

	Male		Female	
	Years of Service		**Years of Service**	
Age	**0-29**	**30+**	**0-29**	**30+**
50	0.00000	0.01500	0.00000	0.02500
51	0.00000	0.01500	0.00000	0.02500
52	0.00000	0.01500	0.00000	0.02500
53	0.00000	0.02000	0.00000	0.02500
54	0.00000	0.02000	0.00000	0.03000
55	0.02700	0.08000	0.04500	0.09000
56	0.01800	0.08000	0.03200	0.09000
57	0.01800	0.10000	0.03200	0.11000
58	0.02700	0.14000	0.04100	0.16000
59	0.04500	0.18000	0.05400	0.19000
60	0.06300	0.27000	0.09000	0.31000
61	0.06300	0.43000	0.09000	0.40000
62	0.10800	0.38000	0.10800	0.37000
63	0.11700	0.30000	0.16200	0.35000
64	0.10800	0.30000	0.13500	0.32000
65	0.13500	0.30000	0.14400	0.32000
66	0.10800	0.30000	0.13500	0.32000
67	0.10800	0.30000	0.13500	0.32000
68	0.10800	0.30000	0.13500	0.32000
69	0.10800	0.30000	0.13500	0.32000
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

	Preretirement		**Postemployment**	
Age	**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%	0.178%	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

	Preretirement		**Postretirement**	
Age	**Male**	**Female**	**Male**	**Female**
25	0.032%	0.019%		
30	0.037%	0.020%		
35	0.039%	0.024%		
40	0.063%	0.039%		
45	0.096%	0.060%		
50	0.130%	0.094%	0.151%	0.112%
55	0.186%	0.143%	0.214%	0.168%
60	0.292%	0.221%	0.362%	0.272%
65	0.527%	0.392%	0.675%	0.506%
70			1.274%	0.971%
75			2.384%	1.674%
80			4.355%	3.257%
85			7.958%	6.164%
90			14.262%	11.915%

Termination

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

Table 4-8

PERS School Employees - Annual Withdrawal Rates

	Entry Age						
Service	**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

	Male				Female			
	Entry Age				Entry Age			
Service	**27**	**32**	**37**	**42**	**27**	**32**	**37**	**42**
0	0.153	0.153	0.153	0.153	0.153	0.153	0.153	0.153
1	0.130	0.130	0.130	0.130	0.110	0.110	0.110	0.105
2	0.090	0.090	0.090	0.090	0.085	0.085	0.075	0.070
3	0.065	0.065	0.065	0.065	0.070	0.065	0.060	0.055
4	0.050	0.050	0.050	0.050	0.060	0.055	0.045	0.040
5	0.030	0.030	0.030	0.030	0.053	0.045	0.038	0.033
10	0.020	0.020	0.020	0.020	0.018	0.016	0.013	0.013
15	0.011	0.011	0.011	0.011	0.009	0.009	0.009	0.009
20	0.006	0.006	0.006	0.006	0.005	0.005	0.005	0.005
25+	0.005	0.005	0.005	0.005	0.004	0.004	0.004	0.004

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 Cost (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.

- Entry Age Normal Actuarial Cost Method – An actuarial cost method under which the Actuarial Present Value of the Projected Benefits of each individual included in the valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion allocated to prior years of service is called the Actuarial Accrued Liability.

- 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.