WEST CONTRA COSTA
UNIFIED SCHOOL DISTRICT

Actuarial Valuation of
Postemployment Health Benefits
Valuation Date: July 1, 2014

NICOLAY CONSULTING

NICOLAY CONSULTING GROUP

NICOLAY CONSULTING

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September 2, 2015

Ms. Sheri Gamba
Associate Superintendent for Business Services
West Contra Costa Unified School District
1108 Bissell Avenue
Richmond, CA 94801-3135

Dear Ms. Gamba:

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

The Nicolay Consulting Group is pleased to present the results of the July 1, 2014 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 report 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 Doug Tokerud at (415) 512-5300 x220.

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

Sincerely,

Nicolay Consulting Group

Douglas R Tokerud

Douglas R. Tokerud, 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, 2014, 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 "accrues" 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, 2012.

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 only exception is the assumption that the PEMHCA Minimum benefit, which some employees will receive at retirement, will increase at 4% per year.

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

Tables 2-1 through 2-3 contain July 1, 2014 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.

Important Changes in GASB Accounting Coming Soon

Two important changes in GASB accounting are on the horizon for the District.

First, effective for the fiscal year 2016/2017, CalPERS Medical Plan premium rates will need to be "age-graded." This means that, even though CalPERS charges the same premium rates at all ages before 65, the actuaries will be required to reallocate premiums with higher rates allocated to the older ages. This will result in a substantial increase in the District's OPEB liabilities, which **we roughly estimate to be 25% or more.** This change is the result of recently amended Actuarial Standard of Practice 6.

Second, The Government Accounting Standards Board just issued GASB 75 in June. This new accounting standard substantially overhauls the current GASB rules (GASB 45.) Most importantly, starting with the fiscal year ending June 30, 2018, the District will be required to show **on its balance sheet** the entire actuarial accrued liability (about $353 million as of 7/1/14) less any Plan assets held in an irrevocable trust. Also, the calculation of annual accounting expense will be quite different from the current rules, starting with FY 2017/18. It is unknown at this time whether the new expense will be more or less than under the old rules.

Table 2-1

West Contra Costa Unified School District
Present Value of Future Postemployment Healthcare Benefits
Attributable to Past Service
Based on a 4.50% discount rate
as of July 1, 2014

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	$43,734,214	$1,449,943	$20,686,251	$3,145,229	$1,852,246	$70,867,883
Retirees	$126,639,313	$5,770,525	$79,168,429	$8,382,872	$14,288,535	$234,249,672
Total	$170,373,527	$7,220,467	$99,854,679	$11,528,101	$16,140,781	$305,117,555
Dental						
Actives	$12,388,254	$366,689	$6,246,614	$1,002,793	$432,409	$20,436,759
Retirees	$16,484,613	$746,886	$7,760,171	$754,606	$1,522,256	$27,268,532
Total	$28,872,867	$1,113,575	$14,006,786	$1,757,398	$1,954,665	$47,705,292
Total						
Actives	$56,122,468	$1,816,632	$26,932,865	$4,148,022	$2,284,655	$91,304,642
Retirees	$143,123,926	$6,517,411	$86,928,600	$9,137,477	$15,810,790	$261,518,204
Total	$199,246,394	$8,334,042	$113,861,465	$13,285,499	$18,095,446	$352,822,846

Table 2-2

West Contra Costa Unified School District
Present Value of Future Postemployment Healthcare Benefits
Attributable to Future Service
Based on a 4.50% discount rate
as of July 1, 2014

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	$14,515,281	$1,013,579	$10,095,267	$1,155,150	$914,527	$27,693,804
Retirees	$0	$0	$0	$0	$0	$0
Total	$14,515,281	$1,013,579	$10,095,267	$1,155,150	$914,527	$27,693,804
Dental						
Actives	$3,791,276	$176,544	$2,615,351	$327,347	$110,907	$7,021,426
Retirees	$0	$0	$0	$0	$0	$0
Total	$3,791,276	$176,544	$2,615,351	$327,347	$110,907	$7,021,426
Total						
Actives	$18,306,557	$1,190,123	$12,710,618	$1,482,497	$1,025,434	$34,715,230
Retirees	$0	$0	$0	$0	$0	$0
Total	$18,306,557	$1,190,123	$12,710,618	$1,482,497	$1,025,434	$34,715,230

Table 2-3

West Contra Costa Unified School District
Total Present Value of Future Postemployment Healthcare Benefits
Based on a 4.50% discount rate
as of July 1, 2014

Total Present Value

	Certificated UTR	Certificated WCCAA	Classified Local #1	Classified SSA	Unrep. Mgt., Confidential, Cabinet, Retired Board	Total
Medical						
Actives	$58,249,496	$2,463,522	$30,781,517	$4,300,379	$2,766,773	$98,561,687
Retirees	$126,639,313	$5,770,525	$79,168,429	$8,382,872	$14,288,535	$234,249,672
Total	$184,888,808	$8,234,047	$109,949,946	$12,683,250	$17,055,308	$332,811,359
Dental						
Actives	$16,179,529	$543,233	$8,861,966	$1,330,140	$543,317	$27,458,185
Retirees	$16,484,613	$746,886	$7,760,171	$754,606	$1,522,256	$27,268,532
Total	$32,664,143	$1,290,119	$16,622,137	$2,084,746	$2,065,572	$54,726,717
Total						
Actives	$74,429,025	$3,006,755	$39,643,483	$5,630,519	$3,310,090	$126,019,872
Retirees	$143,123,926	$6,517,411	$86,928,600	$9,137,477	$15,810,790	$261,518,204
Total	$217,552,951	$9,524,166	$126,572,083	$14,767,996	$19,120,880	$387,538,076

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 2014/15 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. Seven years of amortization have occurred; 23 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

2014/2015 Fiscal Year

OPEB Annual Required Contribution – based on a 4.50% discount rate

Actuarial Accrued Liability as of July 1, 2014	$352,822,847
Actuarial Value of Assets at July 1, 2014	$0
Unfunded Actuarial Accrued Liability	$352,822,847
Remaining Amortization Period	23 years
Level percent of pay Amortization Factor (based on a 4.50% discount rate and a 3.25% annual increase in payroll)	19.342
Annual Level Percentage of Pay Amort. of Unfunded AAL	$18,241,097
Normal Cost (based on the Entry Age Normal Method)	$4,114,946
Annual Required Contribution	$22,356,043
Interest on Net OPEB Obligation	$4,586,008
Adjustment to ARC	($5,268,858)
Annual OPEB Cost	$21,673,193
Net OPEB Obligation as of June 30, 2015	**$106,486,901**

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
2014/2015	$9,461,832	$392,765	$5,576,310	$575,639	$1,091,029	$17,097,575
2015/2016	$9,854,586	$371,517	$5,757,662	$626,506	$1,113,827	$17,724,098
2016/2017	$10,239,345	$383,755	$5,899,026	$620,619	$1,108,911	$18,251,657
2017/2018	$10,524,954	$394,059	$5,991,886	$653,635	$1,124,598	$18,689,133
2018/2019	$10,858,964	$407,807	$6,120,327	$665,052	$1,126,938	$19,179,088
2019/2020	$11,226,493	$420,280	$6,158,917	$638,482	$1,095,332	$19,539,505
2020/2021	$11,563,713	$434,300	$6,313,954	$660,180	$1,105,522	$20,077,670
2021/2022	$11,927,481	$454,322	$6,359,364	$684,351	$1,104,551	$20,530,068
2022/2023	$12,198,169	$475,945	$6,491,290	$697,172	$1,101,389	$20,963,966
2023/2024	$12,481,490	$494,395	$6,599,212	$720,778	$1,101,039	$21,396,914

Table 2-6 presents a 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 3.00% per year.

Table 2-6
West Contra Costa Unified School District
Annual OPEB Cost and Net OPEB Obligation
Based on a 4.50% discount rate and
assuming funding equal to projected retiree premium costs

	2014/15	2015/16	2016/17	2017/18	2018/19
Actuarial Accrued Liability (AAL)	**$352,822,846**	**$355,336,783**			
Actuarial Value of Assets at beginning of year	**$0**	**$0**			
Unfunded Actuarial Accrued Liability (UAAL)	**$352,822,846**	**$355,336,783**			
Remaining Amortization Period	**23**	**22**			
Normal Cost	$4,114,946	$4,238,394			
Amortization of UAAL	$18,241,097	$19,096,081			
Annual Required Contribution (ARC)	$22,356,043	$23,334,475			
Annual Required Contribution (ARC)	$22,356,043	$23,334,475			
Interest on net OPEB Obligation	$4,586,008	$4,791,911			
Adjustment to ARC	($5,268,858)	($5,722,691)			
Annual OPEB Cost	$21,673,192	$22,403,695			
Pay-as-you-go Cost	($17,097,575)	($17,724,098)			
Increase in net OPEB Obligation	$4,575,618	$4,679,597			
Net OPEB Obligation - Beginning of Year	**$101,911,283**	**$106,486,901**			
Net OPEB Obligation - End of Year	**$106,486,901**	**$111,166,497**			
Projected pay-as-you-go Retiree Cost	$17,097,575	$17,724,098			

Important Note: The Actuarial Standards Board recently issued a major restatement of ASOP 6. Perhaps the most important change will be the prohibition of using "community rated accounting," which is described at the bottom of page 27. This may result in an as yet unknown, significant increase in accounting costs, probably starting in the 2016/17 fiscal year.

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 eligible 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.

UTR members hired after January 1, 2007 are not eligible or entitled to dental retiree coverage.

SSA members, Confidential, and Classified Management hired on or after July 15, 2009 are not eligible or entitled to dental retiree coverage.

Local 1 members hired after July 15, 2009 are not eligible or entitled to dental retiree coverage.

WCCAA and Certificated Management hired on or after January 1, 2007 are not eligible or entitled to dental retiree coverage.

Dental benefits continue throughout the lifetime of the eligible 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 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 or more	$450
Exception: if 20 or more years of service as of June 30, 2010	$750

UTR employees hired between January 1, 2007 and July 1, 2016

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

UTR employees hired on, or after, July 1, 2016

Year of Service under CalPERS rules	Maximum monthly District contribution
0 through 14	$0
15 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 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 contributes a capped amount based upon a rolling formula calculated on 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 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 contributes a capped amount based upon a rolling formula calculated on 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 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 contributes a capped amount based upon a rolling formula calculated on 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 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 contributes a capped amount based upon a rolling formula calculated on 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 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 contributes a capped amount based upon a rolling formula calculated on 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 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 contributes a capped amount based upon a rolling formula calculated on 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 July 1, 2014

	Years of Service							
Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total
Under 25	51	0	1	0	0	0	0	**52**
25 - 29	103	9	25	0	0	0	0	**137**
30 - 34	73	52	17	0	0	0	0	**142**
35 - 39	40	64	54	0	0	0	0	**158**
40 - 44	40	46	65	25	0	0	0	**176**
45 - 49	31	40	33	37	8	0	0	**149**
50 - 54	29	30	66	44	26	19	0	**214**
55 - 59	19	42	53	37	16	21	9	**197**
60 - 64	14	34	34	34	20	21	17	**174**
65 - 69	9	3	26	21	9	7	8	**83**
70 +	0	3	6	4	2	2	1	**18**
Total	**409**	**323**	**380**	**202**	**81**	**70**	**35**	**1,500**

Table 3-2
Age and Service Table
Active Certificated Administrators (WCCAA) Employees
as of July 1, 2014

	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	1	2	0	0	0	0	0	**3**
30 - 34	3	5	0	0	0	0	0	**8**
35 - 39	4	7	4	0	0	0	0	**15**
40 - 44	5	9	2	0	0	0	0	**16**
45 - 49	6	0	5	0	0	0	0	**11**
50 - 54	9	5	1	1	0	0	0	**16**
55 - 59	4	1	1	1	1	0	0	**8**
60 - 64	1	3	2	1	0	0	0	**7**
65 - 69	1	2	0	1	0	0	0	**4**
70 +	1	0	0	0	0	0	0	**1**
Total	**35**	**34**	**15**	**4**	**1**	**0**	**0**	**89**

Table 3-3

Age and Service Table for

Active Classified Local #1 Employees

as of July 1, 2014

	Years of Service							
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30+**	**Total**
Under 25	12	0	0	0	0	0	0	**12**
25 - 29	28	1	0	0	0	0	0	**29**
30 - 34	22	18	2	0	0	0	0	**42**
35 - 39	27	22	11	1	0	0	0	**61**
40 - 44	26	26	17	8	3	0	0	**80**
45 - 49	21	39	27	11	10	4	1	**113**
50 - 54	22	34	21	18	10	11	2	**118**
55 - 59	24	32	21	17	8	6	9	**117**
60 - 64	13	13	22	10	5	6	4	**73**
65 - 69	3	7	4	4	3	0	6	**27**
70 +	0	3	2	2	0	0	1	**8**
Total	**198**	**195**	**127**	**71**	**39**	**27**	**23**	**680**

Table 3-4

Age and Service Table for

Active Classified Supervisors (SSA) Employees

as of July 1, 2014

	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	4	0	0	0	0	0	0	**4**
30 - 34	3	1	0	0	0	0	0	**4**
35 - 39	3	1	1	2	0	0	0	**7**
40 - 44	2	3	0	5	0	0	0	**10**
45 - 49	0	2	4	4	3	1	1	**15**
50 - 54	3	4	4	1	3	0	1	**16**
55 - 59	2	4	5	3	2	0	2	**18**
60 - 64	1	1	4	2	0	0	1	**9**
65 - 69	0	0	0	2	0	0	0	**2**
70 +	0	0	0	0	0	0	0	**0**
Total	**18**	**16**	**18**	**19**	**8**	**1**	**5**	**85**

Table 3-5

Age and Service Table for

Active Unrepresented Management, Confidential,

Superintendent's Cabinet and Board Members

as of July 1, 2014

Age	Years of Service 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	0	0	0	1	0	0	0	**1**
40 - 44	7	1	0	0	0	0	0	**8**
45 - 49	3	0	2	1	0	0	0	**6**
50 - 54	6	3	2	2	1	1	0	**15**
55 - 59	4	2	1	2	2	0	0	**11**
60 - 64	2	0	1	0	1	0	3	**7**
65 - 69	2	2	1	0	1	0	1	**7**
70 +	0	0	0	0	0	0	0	**0**
Total	**25**	**8**	**7**	**6**	**5**	**1**	**4**	**56**

Table 3-6

Age and Service Table for

All Active Employees

as of July 1, 2014

Age	Years of Service 0-4	5-9	10-14	15-19	20-24	25-29	30+	Total
Under 25	63	0	1	0	0	0	0	64
25 - 29	136	12	25	0	0	0	0	173
30 - 34	102	76	19	0	0	0	0	197
35 - 39	74	94	70	4	0	0	0	242
40 - 44	80	85	84	38	3	0	0	290
45 - 49	61	81	71	53	21	5	2	294
50 - 54	69	76	94	66	40	31	3	379
55 - 59	53	81	81	60	29	27	20	351
60 - 64	31	51	63	47	26	27	25	270
65 - 69	15	14	31	28	13	7	15	123
70 +	1	6	8	6	2	2	2	27
Total	**685**	**576**	**547**	**302**	**134**	**99**	**67**	**2,410**

Table 3-7

Age and Sex Table for Retirees and Surviving Spouses

Currently Receiving Medical and/or Dental Benefits

as of July 1, 2014

Age	Female	Male	Total
Under 50	3	1	**4**
50-54	8	6	**14**
55-59	49	18	**67**
60-64	184	79	**263**
65-69	395	148	**543**
70-74	380	124	**504**
75-79	264	90	**354**
80-84	210	75	**285**
85-89	134	54	**188**
90-94	103	30	**133**
95+	41	11	52
Total	**1,771**	**636**	**2,407***

* 1,860 retirees and surviving spouses are enrolled in medical and dental plans, 453 are enrolled in medical but not dental and 94 are enrolled in dental but not medical.

* In addition, 934 spouses of retirees are receiving postemployment medical and/or dental benefits.

Table 3-8

Retiree Enrollment by Medical Plan

as of July 1, 2014

Medical Plan	Total
Anthem Blue Cross	2
Blue Shield	787
Kaiser	1,143
PERSCare	85
PERS Choice	272
PERS Select	4
Total	**2,293**

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 July 1, 2014. 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.

Economic Assumptions

Discount Rate

The District elected to use a 4.5% discount rate. The District believes this rate reasonably represents the long term rate of return the District can obtain on its 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
2016	6.4%	4.0%	4.0%
2017	6.1%	4.0%	4.0%
2018	5.8%	4.0%	4.0%
2019	5.5%	4.0%	4.0%
2020	5.2%	4.0%	4.0%
2021 & thereafter	5.0%	4.0%	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.

Table 4-2 contains 2014 and 2015 CalPERS Bay Area premium rates, the 2014 Delta Dental composite premium rate and the estimated 2015 Delta Dental composite premium rate.

CalPERS has indicated that its medical program is a “community rated” plan as described in GASB 45. This means that all participating employers located in the same region pay the same premium rates even though older employees and early retirees generally have higher medical costs than younger employees. If CalPERS changes its present practice and at a future date decides to modify the premium structure so that it charges more on average for non-Medicare retirees than for active employees, then higher costs would need to be allocated to retirees, and this could result in a substantial increase in the District's Actuarial Accrued Liability and Annual Required Contribution. This potential increase could also occur if there ever is a ruling that CalPERS should not be treated as a "community rated" plan. **This has happened. See "important changes" on page 2.**

Table 4-2

2014 and 2015 Bay Area CalPERS monthly premium rates per Retiree, Spouse or Surviving Spouse

2014

	Younger than 65	Medicare Supplement
Blue Shield Access+	$836.59	$298.21
Blue Shield Net Value	$704.01	$298.21
Kaiser	$742.72	$294.97
PERS Choice	$690.77	$307.23
PERS Select	$661.52	$307.23
PERS Care	$720.04	$327.36
CalPERS Minimum Employer Contribution:	$119.00	$119.00
Delta Dental Composite Retiree Rate:		$74.57

2015

	Younger than 65	Medicare Supplement
Blue Shield Access+	$928.87	$352.63
Blue Shield Net Value	$870.60	$352.63
Kaiser	$714.45	$295.51
PERS Choice	$700.84	$339.47
PERS Select	$690.43	$339.47
PERS Care	$775.08	$368.76
CalPERS Minimum Employer Contribution:	$122.00	$122.00
Estimated Delta Dental Composite Retiree Rate:		$82.00

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 50% of future retirees will enroll in Kaiser, 34% will enroll in the Blue Shield Access plan and 16% will enroll in PERS Choice.

Table 4-3

Baseline Premium Cost for the plan year beginning July 1, 2014

Medical - Annual Cost per Future Retiree or Dependent	
Younger than age 65	$9,309
Age 65 and older	$3,720
Dental – Annual Composite Cost per Retiree	$939

Administrative Expenses

We understand that CalPERS assesses an administrative charge equal to .37% 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 July 2014.

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.

Withdrawal

Sample withdrawal rates are shown below. These rates are based on a withdrawal study over the interval from July 1, 2008, to July 1, 2014. We compared the expected number of withdrawals, from one valuation to the next, with the actual number of withdrawals, based on the census files for all the valuations from 2008 to 2014, and on prior withdrawal rates. PERS school employees' withdrawal rates have been increased by 50% for employees with more than 10 years of service; STRS rates have been given separate multipliers for 5 years of service or less, 6 to 10 years of service, and more than 10 years of service, to match with the actual experience of the District.

Table 4-4

PERS School Employees - Annual Withdrawal Rates

	Entry Age						
Service	**20**	**25**	**30**	**35**	**40**	**45**	**50**
0	0.1730	0.1627	0.1525	0.1422	0.1319	0.1217	0.1114
1	0.1585	0.1482	0.1379	0.1277	0.1174	0.1071	0.0968
2	0.1440	0.1336	0.1234	0.1131	0.1028	0.0926	0.0823
3	0.1295	0.1192	0.1089	0.0987	0.0884	0.0781	0.0677
4	0.1149	0.1046	0.0944	0.0841	0.0738	0.0636	0.0533
5	0.1094	0.0982	0.0870	0.0758	0.0646	0.0135	0.0107
6	0.1036	0.0924	0.0812	0.0699	0.0587	0.0117	0.0089
7	0.0978	0.0866	0.0752	0.0639	0.0526	0.0098	0.0071
8	0.0920	0.0807	0.0693	0.0580	0.0466	0.0081	0.0055
9	0.0862	0.0748	0.0634	0.0519	0.0406	0.0065	0.0039
10	0.1202	0.1031	0.0858	0.0686	0.0111	0.0074	0.0038
15	0.0978	0.0801	0.0627	0.0080	0.0048	0.0017	0.0003
20	0.0740	0.0558	0.0057	0.0030	0.0003	0.0003	0.0003
25	0.0492	0.0035	0.0015	0.0003	0.0003	0.0003	0.0003
30	0.0023	0.0005	0.0003	0.0003	0.0003	0.0003	0.0003
35+	0.0003	0.0003	0.0003	0.0003	0.0003	0.0003	0.0000

Table 4-5

STRS Employees - Annual Withdrawal Rates

Service	Male	Female
0	0.305	0.286
1	0.248	0.229
2	0.171	0.162
3	0.122	0.122
4	0.088	0.088
5	0.074	0.074
10	0.043	0.043
15	0.03	0.03
20	0.017	0.017
25	0.01	0.01
30	0.007	0.007

Retirement Rates

The rates shown in Table 4-6 match those used by PERS in the most recent California PERS pension valuation. Our retirement study showed no significant differences between PERS school employee retirement rates and actual experience for the District.

Table 4-6

PERS School Employees - Annual Rates of Retirement

	Years of Service						
Age	**5**	**10**	**15**	**20**	**25**	**30**	**35**
50	0.0050	0.0090	0.0130	0.0150	0.0160	0.0180	0.0220
51	0.0050	0.0100	0.0140	0.0170	0.0190	0.0210	0.0250
52	0.0060	0.0120	0.0170	0.0200	0.0220	0.0250	0.0290
53	0.0070	0.0140	0.0190	0.0230	0.0260	0.0290	0.0330
54	0.0120	0.0240	0.0330	0.0390	0.0440	0.0490	0.0570
55	0.0240	0.0480	0.0670	0.0790	0.0880	0.0990	0.1160
56	0.0200	0.0390	0.0550	0.0650	0.0720	0.0810	0.0950
57	0.0210	0.0420	0.0590	0.0700	0.0780	0.0870	0.1020
58	0.0250	0.0500	0.0700	0.0830	0.0920	0.1030	0.1210
59	0.0290	0.0570	0.0800	0.0950	0.1050	0.1180	0.1380
60	0.0370	0.0730	0.1020	0.1210	0.1340	0.1500	0.1760
61	0.0460	0.0900	0.1260	0.1490	0.1660	0.1860	0.2180
62	0.0760	0.1510	0.2120	0.2500	0.2780	0.3110	0.3660
63	0.0690	0.1360	0.1910	0.2250	0.2510	0.2810	0.3300
64	0.0670	0.1330	0.1850	0.2190	0.2440	0.2730	0.3200
65	0.0910	0.1800	0.2510	0.2970	0.3310	0.3700	0.4350
66	0.0720	0.1430	0.2000	0.2370	0.2640	0.2950	0.3470
67	0.0670	0.1320	0.1850	0.2180	0.2430	0.2720	0.3190
68	0.0600	0.1180	0.1650	0.1950	0.2170	0.2430	0.2860
69	0.0670	0.1330	0.1870	0.2200	0.2460	0.2750	0.3230
70	0.0660	0.1310	0.1830	0.2160	0.2410	0.2700	0.3160
71	0.0510	0.1020	0.1430	0.1680	0.1880	0.2100	0.2460
72	0.0450	0.0900	0.1260	0.1490	0.1660	0.1850	0.2180
73	0.0440	0.0880	0.1220	0.1450	0.1610	0.1800	0.2120
74	0.0550	0.1090	0.1530	0.1800	0.2010	0.2250	0.2640
75	0.0550	0.1080	0.1510	0.1790	0.1990	0.2230	0.2620
76	0.0440	0.0860	0.1210	0.1430	0.1590	0.1780	0.2090
77	0.0500	0.0980	0.1370	0.1620	0.1810	0.2020	0.2380
78	0.0500	0.1000	0.1400	0.1650	0.1840	0.2060	0.2420
79	0.0930	0.1850	0.2580	0.3050	0.3400	0.3800	0.4470
80	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

The rates shown in Table 4-7 are based on a retirement study over the interval from July 1, 2008, to July 1, 2014. We compared the expected number of retirements, from one valuation to the next, with the actual number of retirements, based on the census files for all the valuations from 2008 to 2014. As a result, we multiplied all CalSTRS assumed retirement rates by 1.127 to match the actual experience of the District.

Table 4-7

STRS Employees - Annual Rates of Retirement

	Male Years of Service		**Female Years of Service**		
Age	**0-29**	**30+**	**0-29**	**30**	**31+**
50	0.00000	0.01690	0.00000	0.02820	0.02820
51	0.00000	0.01690	0.00000	0.02820	0.02820
52	0.00000	0.01690	0.00000	0.02820	0.02820
53	0.00000	0.02250	0.00000	0.02820	0.02820
54	0.00000	0.02250	0.00000	0.03380	0.03380
55	0.03040	0.09020	0.05070	0.10140	0.10140
56	0.02030	0.09020	0.03610	0.10140	0.10140
57	0.02030	0.11270	0.03610	0.12400	0.12400
58	0.03040	0.15780	0.04620	0.18030	0.18030
59	0.05070	0.20290	0.06090	0.20290	0.21410
60	0.07100	0.30430	0.10140	0.30430	0.34940
61	0.07100	0.53530	0.10140	0.53530	0.53530
62	0.12170	0.47900	0.12170	0.47900	0.50720
63	0.13190	0.39450	0.18260	0.39450	0.45080
64	0.12170	0.33810	0.15210	0.33810	0.39450
65	0.15210	0.36630	0.16230	0.36630	0.42260
66	0.12170	0.33810	0.15210	0.33810	0.36060
67	0.12170	0.33810	0.15210	0.33810	0.36060
68	0.12170	0.33810	0.15210	0.33810	0.36060
69	0.12170	0.33810	0.15210	0.33810	0.36060
70	0.12170	0.33810	0.15210	0.33810	0.39450
71	0.12170	0.33810	0.15210	0.33810	0.39450
72	0.12170	0.33810	0.15210	0.33810	0.39450
73	0.12170	0.33810	0.15210	0.33810	0.39450
74	0.12170	0.33810	0.15210	0.33810	0.39450
75	1.00000	1.00000	1.00000	1.00000	1.00000

Note: The rates shown above are doubled for employees who retire with at least 25 but fewer than 28 years of service.

Mortality Rates

Table 4-8 and Table 4-9 contain samples of mortality rates used in the valuation. These rates match rates used by in recent PERS and STRS pension valuations.

The PERS mortality rates used in this valuation are based on the most recent California PERS pension valuations. These rates provide a starting point for the projection of future mortality rates. The mortality rates for each future year were determined based on a generational mortality projection using Projection Scale MP-2014. This scale consists of a set of Annual Mortality improvement factors as a function of age and sex. The resulting projected mortality rates were applied to each employee and retiree.

Table 4-8

Sample California PERS Mortality Rates

(prior to the application of Scale MP-2014)

	Active Employees		**Retired Employees**	
Age	**Male**	**Female**	**Male**	**Female**
55	0.228%	0.138%	0.599%	0.416%
60	0.308%	0.182%	0.710%	0.436%
65	0.400%	0.257%	0.829%	0.588%
70	0.524%	0.367%	1.305%	0.993%
75			2.205%	1.722%
80			3.899%	2.902%
85			6.969%	5.243%
90			12.974%	9.887%

The STRS mortality rates used in this valuation are those used in the most recent California STRS pension valuations.

The rates for healthy retirees are the RP2000 rates, projected to the year 2025; with a 2 year setback for males until age 70 and a 4 year setback for females until age 75. For ages higher than 70 for males and 75 for females the setbacks were then graduated and smoothed to a 0 year setback for males at age 90 and a 1 year setback for females at age 90.

The rates for active employees are equal to the rates for healthy retirees with an additional 2 year setback to account for future mortality improvements.

Table 4-9

Sample California STRS Mortality Rates

	Preretirement		Postemployment	
Age	**Male**	**Female**	**Male**	**Female**
25	0.023%	0.013%		
30	0.033%	0.014%		
35	0.034%	0.018%		
40	0.057%	0.034%		
45	0.076%	0.041%		
50	0.103%	0.063%	0.114%	0.073%
55	0.143%	0.093%	0.164%	0.118%
60	0.238%	0.179%	0.300%	0.254%
65	0.435%	0.368%	0.596%	0.468%
70			1.095%	0.864%
75			1.886%	1.451%
80			3.772%	2.759%
85			7.619%	5.596%
90			14.212%	11.702%
95			22.860%	17.780%

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.