Tamalpais Union High School District
Retiree Healthcare Plan

Actuarial Valuation as of June 30, 2011
For Fiscal Years 2011/12 and 2012/13
GASB 45 Information

December 2011

Bartel Associates, LLC
411 Borel Avenue, Suite 101
San Mateo, California 94402
Phone: 650/377-1618
Fax: 650/345-8057
Email: moliver@bartel-associates.com

ACTUARIAL VALUATION CERTIFICATION

This report presents the June 30, 2011 actuarial valuation for the Tamalpais Union High School District Retiree Healthcare Plan ("Plan"). The purpose of this valuation is to:

- determine the Plan benefit obligations as of June 30, 2011 pursuant to Governmental Accounting Standards Board Statement No. 45 (GASB 45),
- calculate the District's 2011/12 and 2012/13 fiscal years Annual Required Contribution for the Plan.

Use of this valuation for other purposes may not be appropriate.

This report includes the following sections:

- Section 1 presents a staff summary of the GASB 45 valuation results.
- Section 2 provides financial accounting information, including the 2011/12 and 2012/13 Annual Required Contributions.
- Section 3 provides the results of the actuarial valuation.
- Sections 4, 5, and 6 summarize the census data, plan provisions, funding method, and actuarial assumptions that form the basis for this valuation.
- Section 7 includes a summary of GASB OPEB.

This report presents Bartel Associates' valuation of the District's Retiree Healthcare Plan in accordance with accepted actuarial principles and our understanding of GASB 45. Future valuations may differ significantly if Plan's experience differs from our assumptions or if there are changes in plan design, actuarial methods or actuarial assumptions. The project scope did not include an analysis of this potential variation.

We have relied on demographic and premium information supplied by the District, which has been reviewed for general reasonableness, but not audited.

411 Borel Avenue, Suite 101 • San Mateo, California 94402
main: 650/377-1600 • *fax:* 650/345-8057 • *web:* www.bartel-associates.com

The undersigned are members of the American Academy of Actuaries and meet Academy Qualification Standards to render the actuarial results and opinions in this report.

Respectfully submitted,
Bartel Associates, LLC

Marilyn Oliver

Marilyn Oliver, FSA, MAAA
Vice President and Actuary

Bianca Lin

Bianca Lin, FSA, MAAA
Assistant Vice President and Actuary

December, 2011

TABLE OF CONTENTS

Section		Page
1	Staff Summary	1
2	Accounting Information	4
3	Actuarial Valuation Results	6
4	Demographic Information	14
5	Plan Provisions	20
6	Actuarial Methods and Assumptions and Data	22
7	GASB OPEB Summary	28

Actuarial and Accounting Terminology Used in this Report

- AAL – Actuarial Accrued Liability
- AOC – Annual OPEB Cost
- ARC – Annual Required Contribution
- EAN – Entry Age Normal Cost Method
- GASB 45 – Governmental Accounting Standards Board Statement No. 45
- NC – Normal Cost
- NOO – Net OPEB Obligation
- OPEB – Other (than pensions) Post Employment Benefits
- PVPB – Present Value of all Projected Benefits
- UAAL – Unfunded Actuarial Accrued Liability

Introduction

On June 21, 2004, the Governmental Accounting Standards Board approved Statement No. 45 (GASB 45), Accounting Standards for Other (than Pensions) Post Employment Benefits (OPEB). The information presented in this report is based on the financial reporting standards established under GASB 45. The District became subject to GASB 45 for the 2008/09 fiscal year.

Plan Provisions

Under the current practice, the District allows eligible service and disability retirees and their dependents to continue health coverage in the District's medical, dental, and vision plans. The District pays a portion of the premiums until age 65 based on date of hire and group. Those age 65 or over may continue coverage under the District's plans by paying the full premiums.

	Certificated & Management	Classified & Confidential
Age and service criteria	• Hired before 1/18/2000: 5 years of District service and eligible for retirement • Hired 1/18/2000 or later: 10 years of District service and eligible for retirement • Eligibility for retirement: ➢ CalSTRS – age 55 & 5 years of service or age 50 & 30 years of service ➢ CalPERS – age 50 & 5 years of service • Retired after 2011/12 school year: ➢ Certificated – District contributions for age 60 through 65 only	• Age 55 and 10 years of District service
Employer-paid portion of premiums: Full-time	• Up to composite rates for employees for Kaiser, Delta Dental and Vision Service[1]	• Up to composite rates for employees for Kaiser, Delta Dental, and Vision Service
Employer-paid portion of premiums: Part-time	• .6 FTE or more: Same as full-time • Less than .6 FTE: Composites prorated based on FTE	• Over .725 FTE: Same as full-time • Over .6 FTE, but less than .725 FTE: Up to 75% of composite • At least .5 FTE, but less than .6 FTE: Up to 50% of composite • Under .5 FTE: Ineligible

[1] 2011/12 monthly employee composite rates for Kaiser, Delta Dental, and Vision Service are $1,082.00, $144.44, and $24.83 respectively.

Medical coverage is provided through Kaiser, Health Net HMO, Health Net POS, and Health Net Medicare (COB) through the 2010/11 school year. Starting 2011/12 school year, Medical coverage will be provided through Kaiser and Blue Shield under Self-Insured Schools of California (SISC). Dental coverage is provided through Delta Dental, and vision coverage is provided through Vision Service.

Results

The June 30, 2011 benefit obligations and the 2011/12 Plan costs are as follows using a 7.50% discount rate. The 7.50% discount rate is based on the assumption that the District continues to pre-fund the full ARC through the CalPERS Internal Revenue Code Section 115 Trust electing asset strategy option #1. (Amounts are shown in 000's)

	June 30, 2011
■ **Present Value of Projected Benefits (PVPB)** The Present Value of Benefits is a measure of the total District obligation for expected retiree healthcare benefits due to both past and future service for current employees and retirees.	$ 10,888
■ **Actuarial Accrued Liability (AAL)** The Actuarial Accrued Liability is a measure of the District obligation for benefits earned or allocated to past service.	6,540
■ **Plan Assets** Plan Assets include funds that have been segregated and restricted in a trust so that they can only be used to pay plan benefits.	1,263
■ **Unfunded Actuarial Accrued Liability (UAAL)** The Unfunded Actuarial Accrued Liability is the excess of the AAL over Plan Assets. This represents the amount of the Actuarial Accrued Liability at the valuation date that must still be funded.	5,277

	2011/12 Plan Cost
■ **Normal Cost (NC)** The Normal Cost is the value of benefits expected to be earned or allocated to the 2011/12 fiscal year.	$ 460
■ **Annual Required Contribution (ARC)** The Annual Required Contribution is the sum of the Normal Cost plus a 27-year level percent of pay amortization of the Unfunded Actuarial Accrued Liability assuming contribution as of the end of the 2011/12 fiscal year.	798
■ **Annual OPEB Cost (AOC)** The Annual OPEB Cost is the expense recognized on the District's income statement for providing post-retirement healthcare benefits. The AOC will equal the ARC, adjusted for prior differences between the ARC and actual contributions after GASB 45 became effective for the District.	798

The District is subject to GASB 45 for its 2011/12 and 2012/13 fiscal years and will pre-fund its post-retirement health benefits by funding the full ARC. Based on these assumptions, following are the 2011/12 and 2012/13 ARC, AOC, and the estimated June 30, 2012 and June 30, 2013 Net OPEB Obligation (NOO).

Annual Required Contribution (ARC)

The 2011/12 Annual Required Contribution determined by this valuation includes the Normal Cost and a 27-year amortization (2011/12) and a 26-year amortization (2012/13) of the Unfunded Actuarial Accrued Liability (UAAL) Results are shown both as a level percentage of payroll and in dollars, assuming payment as of the end of the fiscal year (amounts in 000's):

	October 1, 2008		June 30, 2011	
	2009/10	2010/11	2011/12	2012/13
■ Normal Cost	$ 439	$ 453	$ 460	$ 475
■ UAAL Amortization	324	335	338	349
■ Total ARC	763	788	798	824
■ Projected Payroll[2]	35,915	37,082	30,859	31,862
■ ARC as a % of Payroll	2.1%	2.1%	2.6%	2.6%

Annual OPEB Cost (AOC)

The AOC is equal to the ARC, except when the District has a Net OPEB Obligation (NOO) at the beginning of the year. When that happens, the AOC will equal the ARC adjusted for expected interest on the NOO and reduced by an amortization of the NOO. The end of year AOC for fiscal years 2011/12 and 2012/13 are determined as follows (amounts in 000's):

	October 1, 2008		June 30, 2011	
	2009/10	2010/11	2011/12	2012/13
■ ARC	$ 763	$ 788	$ 798	$ 824
■ Interest on NOO	(1)	(2)	(2)	(2)
■ Amortization of NOO	1	1	1	2
■ Total AOC	763	787	798	824
■ AOC as a % of Payroll	2.1%	2.1%	2.6%	2.6%

2 Payroll projected using total payroll increase assumption.

Net OPEB Obligation (NOO)

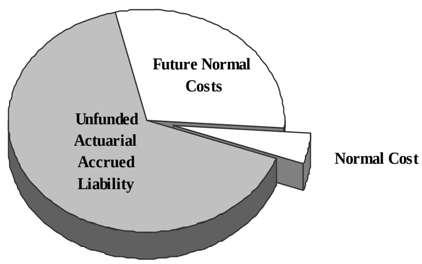
The NOO is the historical difference between the ARC and actual contributions. If an agency has always contributed the ARC, then the NOO equals zero. However, contributions have not been "made" for purposes of GASB 45 unless they have been segregated in an irrevocable trust for the sole purpose of paying plan benefits or used to pay premiums or benefits for the current year.

Based on the AOC developed above, the June 30, 2012 NOO and the June 30, 2013 NOO are calculated at year end as shown below (amounts in 000's).

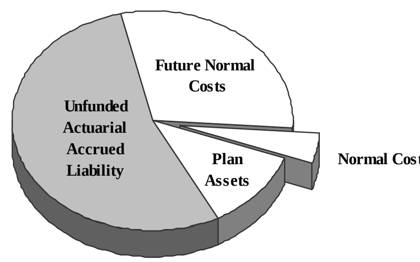
	Actual 2009/10	Estimated 2010/11	Estimated 2011/12	Estimated 2012/13
■ NOO at Beginning of Year	$ (19)	$ (22)	$ (23)	$ (24)
■ *Plus* AOC	763	787	798	824
■ *minus* Contributions	(766)	(788)	(798)	(824)
■ Estimated NOO at End of Year	(22)	(23)	(24)	(24)

Actuarial Obligations

This report develops the AAL and Normal Cost using the Entry Age Normal actuarial cost method. It is designed to produce a Normal Cost that, if all assumptions are met, will generally be a level percent of payroll. The following charts illustrate a sample PVPB, both with and without plan assets, with the shaded area representing the unfunded AAL:



Present Value of Projected Benefits (Without Plan Assets)



Present Value of Projected Benefits (With Plan Assets)

- **The Present Value of Projected Benefits (PVPB)** is a measure of the total District obligation for expected retiree healthcare benefits due to both past and future service for current employees and retirees.

- **The Actuarial Accrued Liability (AAL)** is a measure of the District obligation for benefits earned or allocated to past service.

- **The Normal Cost (NC)** is the value of District-provided benefits expected to be earned or allocated to the current fiscal year determined as of the end of the fiscal year.

- **Plan Assets** must be segregated in a trust for the sole purpose of paying Plan benefits in order to be considered Plan Assets for GASB 45.

- **The Unfunded Actuarial Accrued Liability (UAAL)** is the difference between the AAL and the Plan Assets.

- **Expected Benefit Payments** are the District-paid retiree healthcare benefit payments for the current fiscal year. It includes payments for current retirees and active employees expected to retire during the year.

- **The Annual Required Contribution** is the sum of the Normal Cost plus a 27-year level percent of pay amortization of the Unfunded Actuarial Accrued Liability (or less an amortization of excess assets) determined as of the end of the fiscal year.

- GASB45 requires that the **Implied Subsidy** for retirees be included in the AAL and the ARC for plans that are not community rated. An Implied Subsidy exists when the premium for a group of employees is determined by aggregating the experience of the group. In the case of the District it has been assumed that the premiums for early retirees are sufficient to cover estimated claims and thus no implied subsidy exists.

Asset Reconciliation – Market Value of Assets

(amounts in 000's)

	2008/09[3]	2009/10	2010/11
■ Market Value of Assets at Beginning of Year	$ 105	$ 311	$ 777
• Contributions	555	762	788
• Disbursements	(347)	(345)	(400)
• Expenses	(0)	(1)	(1)
• Investment Earnings	(2)	49	222
■ Market Value of Assets at End of Year	311	777	1,385

Assets Reconciliation – Actuarial Value of Assets

(amounts in 000's)

	2009/10	2010/11
(1) Actuarial Value of Assets at Beginning of Year[4]	$ 311	$ 772
Contributions	762	788
Disbursements	(345)	(400)
Expected Investment Earnings	42	73
(2) Expected Actuarial Value of Assets	770	1,233
(3) Market Value of Assets at End of Year	777	1,385
(4) Difference between Market Value and Expected Actuarial Value	7	152
(5) Preliminary Actuarial Value of Assets: = (2) + 20%[(4)]	772	1,263
(6) Ratio of Preliminary Actuarial Value to Market Value	99%	91%
(7) 80% of Market Value	622	1,108
(8) 120% of Market Value	932	1,662
(9) Actuarial Value of Assets at End of Year: = (5) but not less than (7) or over (8)	772	1,263

[3] 10/1/08-6/30/09 shown.
[4] 6/30/09 actuarial value of assets set equal to 6/30/09 market value assets.

Benefit Obligations as of June 30, 2011

7.50% Discount Rate
(amounts in 000's)

	Certificated[5]	Classified[6]	Total
Present Value of Benefits			
• Actives	$ 6,294	$ 2,946	$ 9,239
• Retirees	1,025	624	1,649
• Total	7,319	3,570	10,888
Actuarial Accrued Liability			
• Actives	3,056	1,835	4,891
• Retirees	1,025	624	1,649
• Total	4,081	2,459	6,540
Actuarial Value of Assets[7]	788	475	1,263
Unfunded AAL @ 6/30/2011	3,293	1,984	5,277

5 Certificated category also includes Management.
6 Classified category also includes Confidential.
7 Assets allocated in proportion to Actuarial Accrued Liability.

Annual Required Contribution (ARC) for 2011/12[8]

7.50% Discount Rate
(amounts in 000's)

	Certificated[9]	Classified[10]	Total
■ **ARC - $**			
• Normal Cost	$ 296	$ 164	$ 460
• UAAL Amortization[11]	211	127	338
• ARC	507	292	798
■ **Projected 2011/12 Payroll**[12]	23,476	7,382	30,859
■ **ARC - %**			
• Normal Cost	1.3%	2.2%	1.5%
• UAAL Amortization	0.9%	1.7%	1.1%
• ARC	2.2%	3.9%	2.6%

Annual Required Contribution (ARC) for 2012/13[8]

7.50% Discount Rate
(amounts in 000's)

	Certificated[9]	Classified[10]	Total
■ **ARC - $**			
• Normal Cost	$ 305	$ 170	$ 475
• UAAL Amortization[13]	218	131	349
• ARC	523	301	824
■ **Projected 2012/13 Payroll**[12]	24,239	7,622	31,862
■ **ARC - %**			
• Normal Cost	1.3%	2.2%	1.5%
• UAAL Amortization	0.9%	1.7%	1.1%
• ARC	2.2%	3.9%	2.6%

8 Payable at end of fiscal year.
9 Certificated category also includes Management.
10 Classified category also includes Confidential.
11 Amortized as a level percent of payroll over 27 years.
12 Payroll projected using total payroll increase assumption.
13 Amortized as a level percent of payroll over 26 years.

Comparison of October 1, 2008 and June 30, 2011 Valuations

(amounts in 000's)

	Benefit Obligations	
	October 1, 2008	**June 30, 2011**
■ **Discount Rate**	**7.75%**	**7.50%**
■ **Present Value of Benefits**		
• Actives	$ 8,437	$ 9,239
• Retirees	1,185	1,649
• Total	9,622	10,888
■ **Actuarial Accrued Liability**		
• Actives	3,902	4,891
• Retirees	1,185	1,649
• Total	5,087	6,540
■ **Assets**	87	1,263
■ **Unfunded AAL**	5,000	5,277

	Annual Required Contribution (ARC)[14]	
■ **ARC - $**	**FY 2009/10**	**FY 2011/12**
• Normal Cost	$ 439	$ 460
• UAAL Amortization	324 [15]	338 [16]
• ARC	763	798
■ **Projected Payroll**[17]	35,915	30,859
■ **ARC - %**		
• Normal Cost	1.2%	1.5%
• UAAL Amortization	0.9%	1.1%
• ARC	2.1%	2.6%

14 Payable at end of fiscal year.
15 Amortized as a level percent of payroll over 29 years.
16 Amortized as a level percent of payroll over 27 years.
17 Payroll projected using total payroll increase assumption.

Gains/Losses
(amounts in 000's)

Changes since the October 1, 2008 valuation are noted below.

Economic Assumptions
- The CalPERS California Employers' Retiree Benefit Trust Fund (CERBT) has changed its asset allocation policy and now offers 3 different asset allocation choices. The discount rate was lowered from 7.75% to 7.50% to reflect the District's election of the Option 1 asset allocation[18].
- The assumption regarding the rate of future increases in the medical premiums (medical trend) was increased. [19]

Demographic Assumptions
- Assumptions were updated to reflect the results of the new CalPERS experience study.
- An assumption regarding future post-retirement mortality improvement beyond 2010 was added for participants covered by CalPERS in order to provide for long-term anticipated decreases in mortality rates.
- Based on a review of current data, the assumption regarding Kaiser medical plan elections by future retirees was increased from 80% to 95% and the number of future retirees assumed to elect two-party coverage was increased from 25% to 35%.
- For participants covered by CalPERS, an assumption regarding CalPERS service at prior employers was added for application of probabilities of retirement and termination for CalPERS members.

Method Changes
- Assets are now valued using an actuarial smoothing method.

Plan Changes
- Reflecting the results of recent negotiations, certificated benefits were changed to provide benefits from age 60 to age 65 starting with the 2012/13 school year.

Gains and Losses
- Medical premiums and the composite premiums were lower than expected producing actuarial gains.
- Investment earnings were higher than expected producing actuarial gains.
- Demographic losses were experienced due to higher numbers of retirements and retirements at earlier ages than anticipated. These losses were partially offset by gains due to higher numbers of terminations than anticipated.

---

[18] 66% global equities, 8% global real estate, 3% commodities, 5% inflation linked bonds, 18% U.S. nominal bonds

[19] Previous rates shown in Section 6.

The impact of these changes is shown below (amounts in 000's):

■ **UAAL at 10/1/2008**		$ 5,000
■ **Expected UAAL at 6/30/2011**		5,253
• Assumption Changes		
➢ Discount Rate	$ 102	
➢ Healthcare Trend	201	
➢ Demographic Assumptions	324	
• Method Change		
➢ Smoothing for Actuarial Value of Assets	122	
• Plan Change		
➢ Excluding age 54-59 for Certificated	(501)	
• Experience (Gain)/Loss		
➢ Premiums Less than Expected	(469)	
➢ Investment Return	(228)	
➢ Demographic and Other	473	
• Total (Gain)/Loss		24
■ **Actual UAAL at 6/30/2011**		5,277

Benefit Payment Projection

(amounts in 000's)

Year	Certificated[20]	Classified[21]	Total
2011/12	$ 258	$ 193	$ 451
2012/13	276	238	514
2013/14	301	252	553
2014/15	333	283	616
2015/16	343	304	647
2016/17	343	339	682
2017/18	324	360	684
2018/19	429	357	786
2019/20	402	399	801
2020/21	451	436	887

20 Certificated category also includes Management.
21 Classified category also includes Confidential.

Participant Statistics – June 30, 2011

	Certificated[22]	Classified[23]	Total
■ **Actives**			
• Count	261	145	406
• Average Age	46.4	54.2	49.2
• Average Service with CalSTRS	13.3	N/A	N/A
• Average Service with District	10.1	9.8	10.0
• Average Pay[24]	$ 87,788	$ 49,313	$ 73,979
• Total Pay (000's)	22,737	7,150	29,888
■ **Retirees**[25]			
• Count	20	14	34
• Average Age	61.5	61.4	61.5

Participant Statistics – October 1, 2008

	Certificated	Classified	Total
■ **Actives**			
• Count	300	173	473
• Average Age	45.6	52.0	47.9
• Average Service with CalSTRS	11.4	N/A	N/A
• Average Service with District	7.8	7.7	7.8
• Average Pay	$ 88,008	$ 50,064	$ 74,130
• Total Pay (000's)	26,402	8,661	35,063
■ **Retirees**[25]			
• Count	19	10	29
• Average Age	61.8	60.5	61.4

22 Certificated category also includes Management.
23 Classified category also includes Confidential.
24 Excludes 2 Certificated actives on leave.
25 Does not include 65 and over self-paid retirees.

Participant Reconciliation – June 30, 2011

	Actives	Retirees under age 65[26]	Total
■ **October 1, 2008 Valuation Count**	473	29	502
• New Entrants	30	-	30
• New Retirees	(18)	18	-
• Adjustments	1[27]	-	1
• Terminations other than retirement	(79)	(13)[28]	(92)
■ **June 30, 2011 Valuation Count**	407	34	441

26 Includes 1 retiree over 65 who is receiving special benefits.
27 One active was omitted from the prior valuation.
28 For retirees, due to attainment of age 65 when district no longer pays towards premiums.

Active Medical Coverage – June 30, 2011[29]

Medical Plan	Single	2-Party	Family	Total
Kaiser	92	87	184	363
Health Net	-	2	2	4
In Spouse's Plan	-	-	-	8
Waived	-	-	-	31
Total	92	89	186	406

Retiree Medical Coverage – June 30, 2011[29]

Medical Plan	Single	2-Party	Family	Total
Kaiser	21	11	-	32
Health Net	-	-	-	-
Other	-	2	-	2
Total	21	13	-	34

[29] Medical coverage provided through Kaiser and Blue Shield under Self-Insured Schools of California (SISC) beginning 2011/12.

Age & Service Distribution
Certificated Employees
June 30, 2011

Age	District Service							
	Under 1	1-4	5-9	10-14	15-19	20-24	25 & Over	Total
Under 25	-	-	-	-	-	-	-	-
25-29	1	4	2	-	-	-	-	7
30-34	5	11	10	2	-	-	-	28
35-39	1	8	17	7	-	-	-	33
40-44	3	5	20	25	3	-	-	56
45-49	1	8	13	11	12	1	-	46
50-54	-	3	9	10	8	2	1	33
55-59	1	4	9	6	10	2	1	33
60-64	-	1	5	4	4	1	3	18
65 & Over	-	-	2	2	2	-	1	7
Total	12	44	87	67	39	6	6	261

Age & Service Distribution
Classified Employees
June 30, 2011

Age	District Service							
	Under 1	1-4	5-9	10-14	15-19	20-24	25 & Over	Total
Under 25	-	-	-	-	-	-	-	-
25-29	1	5	-	-	-	-	-	6
30-34	-	1	1	-	-	-	-	2
35-39	-	-	4	2	-	-	-	6
40-44	-	-	3	-	-	-	-	3
45-49	3	6	4	5	-	3	-	21
50-54	1	9	6	10	5	1	1	33
55-59	-	7	11	10	3	2	1	34
60-64	1	3	11	7	3	1	1	27
65 & Over	-	2	2	6	-	3	-	13
Total	6	33	42	40	11	10	3	145

Age & Service Distribution
All Employees
June 30, 2011

Age	District Service							
	Under 1	1-4	5-9	10-14	15-19	20-24	25 & Over	Total
Under 25	-	-	-	-	-	-	-	-
25-29	2	9	2	-	-	-	-	13
30-34	5	12	11	2	-	-	-	30
35-39	1	8	21	9	-	-	-	39
40-44	3	5	23	25	3	-	-	59
45-49	4	14	17	16	12	4	-	67
50-54	1	12	15	20	13	3	2	66
55-59	1	11	20	16	13	4	2	67
60-64	1	4	16	11	7	2	4	45
65 & Over	-	2	4	8	2	3	1	20
Total	18	77	129	107	50	16	9	406

Benefits
Upon service or disability retirement from the District, employees of the District who meet certain eligibility requirements may continue (during their lifetime) health coverage under the District's medical, dental, and vision plans for themselves and their eligible dependents. Medical plans that District retirees are eligible for include HMO's (Kaiser and Health Net) and Health Net POS through 2010/11 school year, and Kaiser and Blue Shield starting with the 2011/12 school year. Retirees may change their medical plan elections annually during open enrollment.

The District pays portions of retiree medical, dental, and vision premiums until age 65 as outlined below.

	Certificated & Management	Classified & Confidential
Age and service criteria	• Hired before 1/18/2000: 5 years of District service and eligible for retirement • Hired 1/18/2000 or later: 10 years of District service and eligible for retirement • Eligibility for retirement: ➢ CalSTRS – age 55 & 5 years of service or age 50 & 30 years of service ➢ CalPERS – age 50 & 5 years of service • Retired after 2011/12 school year: ➢ Certificated – District contributions from age 60 to age 65 only	• Age 55 and 10 years of District service
Employer-paid portion of premiums: Full-time	• Up to composite rates for employees for Kaiser, Delta Dental and Vision Service[30]	• Up to composite rates for employees for Kaiser, Delta Dental, and Vision Service
Employer-paid portion of premiums: Part-time	• .6 FTE or more: Same as full-time • Less than .6 FTE: Composites prorated based on FTE	• Over .725 FTE: Same as full-time • Over .6 FTE, but less than .725 FTE: Up to 75% of composite • At least .5 FTE, but less than .6 FTE: Up to 50% of composite • Under .5 FTE: Ineligible

[30] 2011/12 monthly employee composite rates for Kaiser, Delta Dental, and Vision Service are $1,082.00, $144.44, and $24.83 respectively.

2011/12 Monthly Premium Rates

Category	Kaiser	Blue Shield
Employees		
Composite	$ 1,082.00	$ 2,603.00
Early Retirees		
Single	817.00	1,861.00
2-Party	1,757.00	2,592.00
Family	2,411.00	3,301.00
Medicare Eligible		
Single	326.00	540.00
2-Party	652.00	1,080.00

Dental / Vision coverage

Composite monthly premiums effective October 1, 2011 are $144.44 per month for Delta Dental and $24.83 per month for Vision Service for retirees.

Data
Results were based on the demographic data used in the June 30, 2011 actuarial valuation of the Tamalpais Union High School District. Data regarding medical plan elections for current District employees, retirees and beneficiaries was provided by the District.

Actuarial Methods
The actuarial cost method used for this valuation is the Entry Age Normal (EAN) cost method. Under the EAN cost method, the plan's Normal Cost is developed as a level percent of payroll throughout the participants' working lifetime. The Actuarial Accrued Liability (AAL) is the cumulative value, on the valuation date, of prior Normal Costs. For retirees, the AAL is the present value of all projected benefits.

The unfunded AAL is amortized over a closed 30 year period as a level percent of payroll starting at for the 2008/09 ARC. Thus the amortization period for the 2011/12 ARC is 27 years and the amortization period for the 2012/13 ARC is 26 years.

Actuarial value of assets: Smoothed based on market results over a period of years. 1/5 of the difference between market value and an expected actuarial value of assets recognized each year. 120% & 80% market value corridor also applied.

Exit timing: Middle of the year

Actuarial Assumptions

- **Interest rate:**
  7.50%, assuming that the District will prefund the full ARC through CERBT and elect asset allocation Option #1.

- **Inflation:**
  Assumed to increase 3% per annum.

- **Total Payroll:**
  Assumed to increase 3.25% per annum. (Used to amortize unfunded AAL.)

Medical Care Cost Trend Rates: (All Medical Plans)

Year	Previous Assumption	New Assumption
2011[31]	10.0%	10.0%
2012	9.5%	9.5%
2013	8.8%	9.0%
2014	8.0%	8.5%
2015	7.3%	8.0%
2016	6.5%	7.5%
2017	5.8%	7.0%
2018	5.0%	6.5%
2019	5.0%	6.0%
2020	5.0%	5.5%
2021+	5.0%	5.0%

- **Dental Care Cost Trend Rate:**
  4.00% per year

- **Vision Care Cost Trend Rate:**
  3.50% per year

- **Pre-Retirement Disability, Mortality, Termination, and Retirement Probabilities:**
  For California State Teachers Retirement System members, based on California STRS 2007 Experience Study. For California PERS members, based on California PERS 1997-2007 Experience Study for school employees.

  1. Members of California STRS

  - **Probabilities of Death in Next Year**

Attained Age	Ordinary Death (Males)	Ordinary Death (Females)
25	0.00032	0.00019
30	0.00037	0.00020
40	0.00063	0.00039
50	0.00130	0.00094
60	0.00292	0.00221

[31] Increase from October 1, 2011 to October 1, 2012.

■ **Probabilities of Disability in Next Year**

Attained Age	Ordinary Disability (Males) Entry Age Under 40	Ordinary Disability (Males) Entry Age 40 and Up	Ordinary Disability (Females) Entry Age Under 40	Ordinary Disability (Females) Entry Age 40 and Up
25	0.00012	n/a	0.00021	n/a
30	0.00018	n/a	0.00021	n/a
40	0.00090	n/a	0.00078	n/a
50	0.00171	0.00202	0.00219	0.00252
60	0.00204	0.00477	0.00243	0.00529

- **Probabilities of Termination of Employment in Next Year (Males)**

Entry Age	Years of Service						
	0	2	5	10	15	20	25
22	15.3%	9.0%	3.9%	2.0%	1.1%	0.6%	0.4%
27	15.3%	7.7%	3.6%	2.0%	1.1%	0.6%	0.5%
32	15.3%	9.0%	3.0%	2.0%	1.1%	0.6%	0.5%
37	15.3%	9.0%	3.0%	2.0%	1.1%	0.6%	0.5%
42	15.3%	9.0%	3.0%	2.0%	1.1%	0.6%	0.5%
47	18.0%	10.0%	3.0%	1.0%	0.3%	0.3%	0.3%

- **Probabilities of Termination of Employment in Next Year (Females)**

Entry Age	Years of Service						
	0	2	5	10	15	20	25
22	15.3%	7.2%	5.5%	2.3%	1.0%	0.5%	0.3%
27	15.3%	8.5%	5.3%	1.8%	0.9%	0.5%	0.4%
32	15.3%	8.5%	4.5%	1.6%	0.9%	0.5%	0.4%
37	15.3%	7.5%	3.8%	1.3%	0.9%	0.6%	0.4%
42	15.3%	7.0%	3.3%	1.3%	0.8%	0.4%	0.4%
47	15.3%	7.0%	2.5%	0.4%	0.4%	0.4%	0.4%

- **Probabilities of Retirement**

Attained Age	Less than 30 Years Service (Males)	Less than 30 Years Service (Females)	At Least 30 Years Service (Males)	At Least 30 Years Service (Females)
50	0.0%	0.0%	1.5%	2.5%
55	2.7%	4.5%	8.0%	9.0%
60	6.3%	9.0%	27.0%	31.0%
62	10.8%	10.8%	38.0%	37.0%
65	13.5%	14.4%	30.0%	32.0%

* If service is equal to or greater than 25 but less than 28 years, the assumed retirement rates shown above for members with less than 30 years of service are increased by 50%. For members with 28 but less than 30 years, the assumed retirement rates shown above for members with less than 30 years of service are increased by 10%.

2. Members of California PERS

- **Probabilities of Death and Disability in Next Year**

Attained Age	Ordinary Death (Males)	Ordinary Death (Females)	Ordinary Disability (Males)	Ordinary Disability (Females)
20	0.00047	0.00016	0.00010	0.00010
30	0.00053	0.00036	0.00018	0.00010
40	0.00087	0.00065	0.00136	0.00094
50	0.00176	0.00126	0.00439	0.00299
60	0.00395	0.00266	0.00425	0.00239

- **Probabilities of Termination of Employment in Next Year**

	Years of Service						
Entry Age	0	2	5	10	15	20	25
22	16.9%	14.0%	10.5%	7.6%	6.1%	4.5%	2.8%
27	15.9%	13.0%	9.4%	6.4%	4.9%	3.3%	0.2%
32	14.8%	11.9%	8.2%	5.3%	3.7%	0.3%	0.0%
37	13.8%	10.9%	7.1%	4.1%	0.5%	0.1%	0.0%
42	12.8%	9.9%	6.0%	0.6%	0.2%	0.0%	0.0%
47	11.8%	8.9%	1.2%	0.4%	0.0%	0.0%	0.0%

- **Probabilities of Retirement in Next Year**

Years of Service	Attained Age				
	50	55	60	62	65
5	0.5%	2.4%	3.7%	7.6%	9.1%
10	0.9%	4.8%	7.3%	15.1%	18.0%
20	1.5%	7.9%	12.1%	25.0%	29.7%
30	1.8%	9.9%	15.0%	31.1%	37.0%

- **Post-Retirement Mortality Probabilities:**
  For California State Teachers Retirement System members, based on California STRS 2007 Experience Study. For California PERS members, based on California PERS 1997-2007 Experience Study for school employees, projected fully generational with Scale AA from 2010. Life expectancies are shown below.

1. **Expected Future Lifetime: Members of California STRS**

Future Service Retirees

Attained Age	Males	Females
50	36.4	38.7
55	31.6	33.9
60	27.0	29.1
65	22.4	24.5
75	14.1	15.9
85	7.7	8.9
95	3.7	4.6

Current Service Retirees and Beneficiaries

Attained Age	Males	Females
50	34.5	36.7
55	29.8	32.0
60	25.1	27.3
65	20.7	22.7
75	12.7	14.4
85	6.6	7.7
95	3.2	4.2

Ordinary Disability Retirees

Attained Age	Males	Females
40	26.9	30.6
45	25.2	28.5
50	23.2	26.3
55	21.0	23.9
60	18.5	21.1
65	15.7	18.1
75	9.4	11.5
85	4.8	6.2
95	2.6	3.7

2. **Expected Future Lifetime: Members of California PERS**

Service Retirees and Beneficiaries

Attained Age 6/30/2011	Males	Females
50	34.0	36.2
55	29.0	31.3
60	24.3	26.5
65	19.8	22.0
75	11.8	13.8
85	6.0	7.2
95	2.9	3.3

Ordinary Disability Retirees

Attained Age 6/30/2011	Males	Females
40	32.6	36.4
45	29.3	32.2
50	25.7	28.3
55	22.0	24.9
60	18.5	21.5
65	15.2	17.9
75	9.2	11.6
85	4.7	6.2
95	2.3	3.0

- **Participation in Medical Plan before Age 65:**
All retirees eligible for District payments will participate, including those electing out of the medical plans while employed (i.e. Waived)
  * Actual experience since the last valuation reviewed

- **Medical Plan Elections before Age 65 by Future Retirees Eligible for District Payments:**
95% elect Kaiser, 5% elect Blue Shield

- **Coverage of Spouses / Domestic Partners by Future Retirees Eligible for District Payments:**
35% cover spouse at retirement; female spouse 3 years younger than male spouse

- **Medical Plan Elections and Coverage of Spouses at Retirement for Current Retirees:**
Based on actual data

- **Pre-District PERS Service:**
½ service between age 30 and District hire date if hired after age 30, 0 if hired before age 30

- **Salary Merit and Longevity Increases**

1. Members of California STRS

	Years of Service						
Entry Age	**0**	**2**	**5**	**10**	**15**	**20**	**25**
22	5.7%	5.6%	5.5%	3.2%	1.5%	1.3%	1.1%
27	5.4%	5.2%	4.8%	3.0%	1.5%	1.2%	1.0%
32	5.1%	4.9%	4.5%	2.7%	1.4%	1.1%	0.9%
37	4.9%	4.7%	3.8%	2.3%	1.1%	0.8%	0.6%
42	4.9%	4.7%	3.8%	2.2%	1.1%	0.8%	0.6%
47	3.6%	3.3%	2.6%	1.6%	0.8%	0.6%	0.6%

2. Members of California PERS

	Years of Service						
Entry Age	**0**	**2**	**5**	**10**	**15**	**20**	**25**
22	7.8%	5.4%	3.3%	1.5%	0.9%	0.6%	0.4%
27	7.3%	5.1%	3.1%	1.5%	0.9%	0.6%	0.4%
32	6.1%	4.4%	2.8%	1.4%	0.7%	0.5%	0.3%
37	5.3%	3.9%	2.5%	1.2%	0.6%	0.3%	0.3%
42	5.2%	3.6%	2.2%	1.0%	0.4%	0.2%	0.2%
47	5.0%	3.5%	2.1%	0.8%	0.3%	0.1%	0.1%

On June 21, 2004, the Governmental Accounting Standards Board approved Statement No. 45 (GASB 45), accounting standards for *other* (than pensions) *post employment benefits* (OPEB). Accounting for these benefits – primarily postretirement medical – can have significant impact on state and local government financial statements. This section summarizes GASB 45.

Background

Historically, most public sector entities have accounted for OPEB using a "pay-as-you-go" approach; very few have prefunded or even accrued for these benefits. This means OPEB costs are ignored while an employee renders service and recognized only after an employee retires. GASB argues this delayed recognition shifts "costs" from one taxpaying generation to another. The GASB position is that OPEB, like pension benefits, are a form of deferred compensation. Accordingly, GASB 45 requires recognizing OPEB (in the financial statement) *as employees render service* (and consequently earn the benefit), rather than when paid.

Effective Dates

GASB 45 effective dates are phased in similar to GASB Statement No. 34:

- Fiscal years beginning after December 15, 2006 for GASB 34 phase 1 governments (total annual revenue of $100 million or more)
- Fiscal years beginning after December 15, 2007 for GASB 34 phase 2 governments (total annual revenue of $10 million to $100 million)
- Fiscal years beginning after December 15, 2008 for GASB 34 Phase 3 governments (total annual revenue less than $10 million).

What Benefits are OPEB?

OPEB includes most post employment benefits, other than pensions, that employees are entitled to after leaving employment:

- Retiree medical
- Dental
- Prescription drug
- Vision
- Life insurance
- Outside group legal
- Long-term care
- Disability benefits outside a pension plan

OPEB does not include vacation, sick leave, COBRA, or ad hoc early retirement incentives, which fall under other GASB accounting statements.

Accounting Standards

Under GASB 45, pay-as-you-go accounting is replaced with accrual accounting. This is virtually identical to GASB's approach under Statement No. 27, with the key financial statement components being an Annual Required Contribution, an Annual OPEB Cost, and a Net OPEB Obligation.

- **Annual Required Contribution (ARC)**: GASB 45 doesn't require an agency to make up any shortfall (unfunded Actuarial Liability) immediately, nor does it allow an immediate credit for any excess Plan Assets. Instead, the difference is amortized over time. An agency's ARC is nothing more than the employer current Normal Cost (value of benefits being "earned" during a year), plus the amortized unfunded Actuarial Liability (or less the amortized excess Plan Assets). Simply put, the ARC is the value of benefits earned during the year plus (or minus) something to move the plan toward being on track for funding. GASB 45 allows actuaries to amortize the unfunded Actuarial Liability (or excess Plan Assets) on a level dollar or level percent of payroll basis. We believe most agencies will want to use a level percent of payroll amortization because it's more consistent with the budget process and how pension contributions are usually calculated. The ARC must be based on the underlying OPEB promise (as understood by the plan sponsor and employees).
- **Annual OPEB Cost (AOC)**: The first year an agency complies with the new standards, the AOC equals the ARC. In subsequent years, the AOC will equal the ARC, adjusted for prior differences between the ARC and AOC.
- **Net OPEB Obligation (NOO)**: An agency's NOO is the historical difference between actual contributions made and the ARC. If an agency has always contributed the ARC, the NOO equals zero. However, an agency has not "made" the contribution unless it has been set aside *and* cannot legally be used for any other purpose.

Implementation Process

The implementation process will be relatively straightforward: An agency will hire an actuary to calculate the ARC. The first time an agency does this, their AOC equals their ARC. The agency then decides whether to contribute all, none, or part of the ARC into a Trust that cannot legally be used for any purpose other than paying OPEB.

If an agency always contributes the ARC, then each subsequent year's AOC equals their ARC – and the NOO is zero. The first year an agency does *not* contribute the ARC; they must establish an NOO equal to the difference between their actual contribution and the ARC. The subsequent year's AOC equals the ARC, adjusted for interest and amortization of the NOO.

Disclosure Requirements

This may be the most important aspect of GASB 45. When disclosed, some agencies will show large OPEB unfunded liabilities, while others will show small or no unfunded liabilities. These differences *may* require an adjustment in an agency's bond rating.

Plan sponsors must disclose in their financial statement footnotes:

- Basic plan information
  - Plan type
  - Benefits provided
  - Authority under which benefits were established
- Plan funding/contribution policy information:
  - Required contribution rates for active members and employers shown in dollars or as a percent of payroll
- Plan Funded Status information:
  - AOC and the dollar contributions actually made
  - If the employer has a NOO, also
    - Components of the AOC
    - NOO increase or decrease during the year
    - End of year NOO
  - 3-year history of
    - AOC
    - Percent of AOC contributed during the year
    - End of year NOO

  Most recent year's plan Funded Status

  Actuarial methods and assumptions used to determine the ARC, AOC, and Funded Status.

In addition, plan sponsors must provide 3 years of historical required supplementary information:

- Valuation dates
- Actuarial asset values
- Actuarial Liability
- Unfunded Actuarial Liability (excess Plan Assets)
- Plan funded ratio
- Annual covered payroll
- Ratio of unfunded Actuarial Liability (excess Plan Assets) to annual covered payroll
- Factors that significantly affect comparing the above information across the years.

Defining the Plan

GASB 45 refers to the *substantive plan* as the basis for accounting. It may differ from the *written plan* in that it reflects the employer's cost sharing policy based on:

- Past practice or communication of intended changes to a plan's cost sharing provisions, or
- Past practice of cost increases in monetary benefits.

The substantive plan is the basis for allowing recognition of potential future plan changes.

What if retirees participate in the active healthcare plan, but are charged a rate based on composite active and retiree experience? (This was a contentious issue during the statement drafting, with one of the seven board members dissenting from Board adoption of the final statement.) In general, GASB 45 requires recognition of the implied subsidy. However, if benefits are provided through a community rated plan (premium rates based on experience of multiple employers rather than a single employer), and the same premium is charged for active and retired participants, it is appropriate to value unadjusted premiums.

Actuarial Assumptions and Discount Rate Requirements

Under GASB 45, the actuary must follow current actuarial standards of practice, which generally call for explicit assumptions – meaning each individual assumption represents the actuary's best estimate.

GASB 45 also requires basing the discount rate on the source of funds used to pay the benefits. This means the underlying expected long-term rate of return on Plan Assets for funded plans. Since the source of funds for unfunded plans is usually an agency's general fund, and California and most other state law restricts what investments agencies can have in their general fund, unfunded plans will need to use a low (for example, 4% to 5%) discount rate. If an agency sets up a Trust and diversifies Trust Plan Assets, however, the discount rate might be much higher depending on the Trust fund's expected long-term investment return.

Transition Issues

Typically, new accounting standards allow transition from old to new requirements. Because historical ARC calculations will rarely be available, GASB 45 takes a prospective transition approach: there is no requirement for an initial transition obligation. But if AOCs, before transition, were calculated consistently with the standard, a NOO at transition can be established at an agency's discretion.

Valuation Frequency Requirements and Small Plans

GASB 45 requires an actuarial valuation at least every two years for plans with more than 200 (active, inactive, and retired) members. Plans with fewer than 200 members will need a valuation every 3 years. In a significant departure from prior standards, though, GASB 45 allows plans with fewer than 100 members to elect a simplified measurement method not requiring an actuarial certification.