



BARTEL
ASSOCIATES, LLC

**Tamalpais Union High School District
Retiree Healthcare Plan**

**Actuarial Valuation as of June 30, 2013
For Fiscal Years 2013/14 and 2014/15
GASB 45 Information**

April 2014

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ACTUARIAL VALUATION CERTIFICATION

This report presents the June 30, 2013 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, 2013 pursuant to Governmental Accounting Standards Board Statement No. 45 (GASB 45),
- calculate the District’s 2013/14 and 2014/15 fiscal year Annual Required Contributions 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 2013/14 and 2014/15 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.

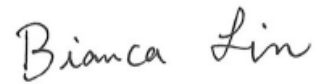
We have relied on demographic and premium information supplied by the District, which has been reviewed for general reasonableness, but not audited.

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



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April, 2014

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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

SECTION 1 STAFF SUMMARY

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 & Management¹	Classified & Confidential
Age and service criteria	<ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> ➢ 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: <ul style="list-style-type: none"> ➢ Certificated – District contributions for age 60 through 65 only 	<ul style="list-style-type: none"> • Age 50 and 15 years of District service by 6/30/2016: Age 55 and 10 years of District service • Others: Age 60 and 10 years of District service
Employer-paid portion of premiums: Full-time	<ul style="list-style-type: none"> • Up to composite rates for employees for Kaiser, Delta Dental and Vision Service² 	<ul style="list-style-type: none"> • Up to composite rates for employees for Kaiser, Delta Dental, and Vision Service
Employer-paid portion of premiums: Part-time	<ul style="list-style-type: none"> • .6 FTE or more: Same as full-time • Less than .6 FTE: Composites prorated based on FTE 	<ul style="list-style-type: none"> • 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 Management negotiate individual contracts. Valuation assumes they receive same benefits as Certificated.

² 2013/14 monthly employee composite rates for Kaiser, Delta Dental, and Vision Service are \$1,202.00, \$137.91, and \$29.27 respectively.



SECTION 1 STAFF SUMMARY

Medical coverage is 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 Plan (VSP).

Plan Changes since the Prior Valuation

Reflecting the results of recent negotiations, Classified benefits were changed to provide benefits from age 60 to age 65 unless the retiree meets the eligibility for a Block Incentive by June 30, 2016.

Subsidy for Retiree Premiums

An implied subsidy exists when the medical premium charged for retirees who are not yet eligible for Medicare is insufficient to cover the estimated cost of their coverage and this under-payment is subsidized by the employer's payment of higher premiums than necessary for active employees. When this occurs the subsidization through employer-paid employee premiums is considered a post-retirement healthcare cost as illustrated below for 2013/14 using estimated numbers.

Implied Subsidy Transfer Illustration (000s)

■ Before Implied Subsidy Valued	Actives	Retirees	Total
• Total Estimated Medical Premiums 2013/14	\$ 5,863	\$ 447	\$ 6,310
• Member Paid ³	<u> -</u>	<u> (18)</u>	<u> (18)</u>
• Employer Paid	5,863	429	6,292
■ After Implied Subsidy Valued	Actives	Retirees	Total
• Total Estimated Medical Premiums 2013/14	\$ 5,863	\$ 447	\$ 6,310
• Member Paid	-	(18)	(18)
• Implied Subsidy Transfer	<u> (144)</u>	<u> 144</u>	-
• Employer Paid	5,719	573	6,292

This implied subsidy is being included for the first time in the Plan's ARC and liability calculations due to changes in the medical plan premium structure and in anticipation of changes in actuarial standards of practice in this area – as reflected in the second exposure draft of Actuarial Standard of Practice #6 which calls for its inclusion in the calculation of actuarial accrued liabilities of pooled plans (such as those provided by SISC).

³ Since they do not impact the illustration, assumes no contributions are made by actives

SECTION 1
STAFF SUMMARY

Like other benefit payments, the District may wish to obtain reimbursement from its CERBT account for the amount of the implied subsidy benefit payments. Alternatively the District may reduce the amount of its contributions to the CERBT by the implied subsidy benefit payments calculated in this valuation as follows.

2013/14 CERBT Contribution (000s)

■ 2013/14 ARC	\$ 982
■ 2013/14 Implied Subsidy Benefit Payments	<u>(144)</u>
■ Contribution to CERBT	838

Assumption Changes

- The discount rate was lowered from 7.50% to 7.25% to increase the margin for adverse deviation.
- Assumptions for Certificated were updated to reflect the results of the new CalSTRS experience study.
- The percentage of future retirees electing spouse coverage was increased from 35% to 50%.

SECTION 1
STAFF SUMMARY

Results

The June 30, 2013 benefit obligations and the 2013/14 Plan costs are as follows using a 7.25% discount rate. The 7.25% 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, 2013
■ Present Value of Projected Benefits (PVPB)	\$ 14,069
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.	
■ Actuarial Accrued Liability (AAL)	8,427
The Actuarial Accrued Liability is a measure of the District obligation for benefits earned or allocated to past service.	
■ Plan Assets	2,241
Plan Assets include funds that have been segregated and restricted in a trust so that they can only be used to pay plan benefits.	
■ Unfunded Actuarial Accrued Liability (UAAL)	6,186
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.	
	2013/14
	Plan Cost
■ Normal Cost (NC)	\$ 579
The Normal Cost is the value of benefits expected to be earned or allocated to the 2013/14 fiscal year.	
■ Annual Required Contribution (ARC)	982
The Annual Required Contribution is the sum of the Normal Cost plus a 25-year level percent of pay amortization of the Unfunded Actuarial Accrued Liability assuming contribution as of the end of the 2013/14 fiscal year.	
■ Annual OPEB Cost (AOC)	982
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.	

SECTION 2
ACCOUNTING INFORMATION

The District is subject to GASB 45 for its 2013/14 and 2014/15 fiscal years and will pre-fund its post-retirement health benefits by funding the full ARC. Based on these assumptions, following are the 2013/14 and 2014/15 ARCs, AOCs, and estimated June 30, 2014 and June 30, 2015 Net OPEB Obligations (NOO).

Annual Required Contribution (ARC)

The 2013/14 Annual Required Contribution determined by this valuation includes the Normal Cost and a 25-year amortization (2013/14) and a 24-year amortization (2014/15) 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):

	<u>June 30, 2011</u>		<u>June 30, 2013</u>	
	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>
■ Normal Cost	\$ 460	\$ 475	\$ 579	\$ 598
■ UAAL Amortization	<u>338</u>	<u>349</u>	<u>403</u>	<u>417</u>
■ Total ARC	798	824	982	1,015
■ Projected Payroll ⁴	30,859	31,862	33,967	35,071
■ ARC as a % of Payroll	2.6%	2.6%	2.9%	2.9%

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 2013/14 and 2014/15 are determined as follows (amounts in 000's):

	<u>June 30, 2011</u>		<u>June 30, 2013</u>	
	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>
■ ARC	\$ 798	\$ 824	\$ 982	\$ 1,015
■ Interest on NOO	(2)	(2)	(2)	(2)
■ Amortization of NOO	<u>1</u>	<u>2</u>	<u>2</u>	<u>2</u>
■ Total AOC	797	824	982	1,015
■ AOC as a % of Payroll	2.6%	2.6%	2.9%	2.9%

⁴ Payroll projected using total payroll increase assumption.



SECTION 2
ACCOUNTING INFORMATION

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. 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.

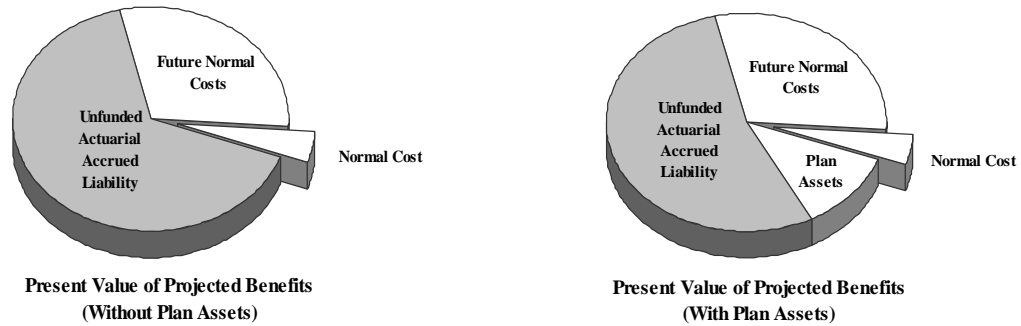
Based on the AOC developed above, the June 30, 2014 NOO and the June 30, 2015 NOO are calculated at year end as shown below (amounts in 000’s).

	<u>Actual</u> <u>2011/12</u>	<u>Actual</u> <u>2012/13</u>	<u>Estimated</u> <u>2013/14</u>	<u>Estimated</u> <u>2014/15</u>
■ NOO at Beginning of Year	\$ (22)	\$ (23)	\$ (23)	\$ (23)
■ <i>Plus</i> AOC	797	824	982	1,015
■ <i>Minus</i> Contributions				
➤ CERBT	(798)	(824)	(838)	(879)
➤ Implied Subsidy Payments			(144)	(136)
■ Estimated NOO at End of Year	(23)	(23)	(23)	(23)

SECTION 3 ACTUARIAL VALUATION RESULTS

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:



- **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. They include 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 25-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.

SECTION 3
ACTUARIAL VALUATION RESULTS

Asset Reconciliation – Market Value of Assets
(amounts in 000's)

	2011/12	2012/13
■ Market Value of Assets at Beginning of Year	\$ 1,385	\$ 1,779
• Contributions	798	824
• Disbursements	(429)	(480)
• Expenses	(2)	(3)
• Investment Earnings	27	233
■ Market Value of Assets at End of Year	1,779	2,353

Assets Reconciliation – Actuarial Value of Assets
(amounts in 000's)

	2011/12	2012/13
(1) Actuarial Value of Assets at Beginning of Year	\$ 1,263	\$ 1,730
Contributions	798	824
Disbursements	(429)	(480)
Expected Investment Earnings	86	138
(2) Expected Actuarial Value of Assets	1,718	2,213
(3) Market Value of Assets at End of Year	1,779	2,353
(4) Difference between Market Value and Expected Actuarial Value	61	140
(5) Preliminary Actuarial Value of Assets: = (2) + 20%[(4)]	1,730	2,241
(6) Ratio of Preliminary Actuarial Value to Market Value	97%	95%
(7) 80% of Market Value	1,423	1,883
(8) 120% of Market Value	2,135	2,824
(9) Actuarial Value of Assets at End of Year: = (5) but not less than (7) or over (8)	1,730	2,241

SECTION 3
ACTUARIAL VALUATION RESULTS

Benefit Obligations as of June 30, 2013

7.25% Discount Rate

(amounts in 000's)

■ Present Value of Benefits	Certificated⁵	Classified⁶	Total
• Actives	\$ 9,273	\$ 3,014	\$ 12,287
• Retirees	1,268	514	1,782
• Total	10,541	3,528	14,069
■ Actuarial Accrued Liability			
• Actives	4,594	2,051	6,645
• Retirees	1,268	514	1,782
• Total	5,862	2,565	8,427
■ Actuarial Value of Assets⁷	1,559	682	2,241
■ Unfunded AAL @ 6/30/2013	4,303	1,883	6,186

⁵ Certificated category also includes Management.

⁶ Classified category also includes Confidential.

⁷ Assets allocated in proportion to Actuarial Accrued Liability.

SECTION 3
ACTUARIAL VALUATION RESULTS

Annual Required Contribution (ARC) and CERBT Contribution
for 2013/14⁸

7.25% Discount Rate (amounts in 000's)

■ ARC - \$	Certificated ⁹	Classified ¹⁰	Total
• Normal Cost	\$ 420	\$ 159	\$ 579
• UAAL Amortization ¹¹	281	123	403
• ARC	701	282	982
■ Projected 2013/14 Payroll ¹²	26,118	7,849	33,967
■ ARC - %			
• Normal Cost	1.6%	2.0%	1.7%
• UAAL Amortization	1.1%	1.6%	1.2%
• ARC	2.7%	3.6%	2.9%
■ Contribution Amount to CERBT			
• ARC	\$ 701	\$ 282	\$ 982
• 2013/14 Retiree Implied Subsidy Benefit Payments ¹³	(96)	(48)	(144)
• Net Contribution to CERBT	605	234	838

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 25 years.

¹² Payroll projected using total payroll increase assumption.

¹³ Allocated towards UAAL Amortization

SECTION 3
ACTUARIAL VALUATION RESULTS

Annual Required Contribution (ARC) and CERBT Contribution
for 2014/15⁸

7.25% Discount Rate (amounts in 000's)

■ ARC - \$	Certificated ⁹	Classified ¹⁰	Total
• Normal Cost	\$ 434	\$ 164	\$ 598
• UAAL Amortization ¹⁴	<u>290</u>	<u>127</u>	<u>417</u>
• ARC	724	291	1,015
■ Projected 2014/15 Payroll ¹²	26,967	8,104	35,071
■ ARC - %			
• Normal Cost	1.6%	2.0%	1.7%
• UAAL Amortization	<u>1.1%</u>	<u>1.6%</u>	<u>1.2%</u>
• ARC	2.7%	3.6%	2.9%
■ Contribution Amount to CERBT			
• ARC	\$ 724	\$ 291	\$ 1,015
• 2014/15 Implied Subsidy Retiree Benefit Payments ¹³	<u>(102)</u>	<u>(34)</u>	<u>(136)</u>
• Net Contribution to CERBT	622	257	879

¹⁴ Amortized as a level percent of payroll over 24 years.

SECTION 3
ACTUARIAL VALUATION RESULTS

Comparison of June 30, 2011 and June 30, 2013 Valuations
(amounts in 000's)

	Benefit Obligations	
	June 30, 2011	June 30, 2013
■ Discount Rate	7.50%	7.25%
■ Present Value of Benefits		
• Actives	\$ 9,239	\$ 12,287
• Retirees	1,649	1,782
• Total	10,888	14,069
■ Actuarial Accrued Liability		
• Actives	4,891	6,645
• Retirees	1,649	1,782
• Total	6,540	8,427
■ Assets	1,263	2,241
■ Unfunded AAL	5,277	6,186
■ Funded Ratio	19.3%	26.6%
	Annual Required Contribution (ARC)¹⁵	
■ ARC - \$	FY 2011/12	FY 2013/14
• Normal Cost	\$ 460	\$ 579
• UAAL Amortization	338 ¹⁶	403 ¹⁷
• ARC	798	982
■ Projected Payroll¹⁸	30,859	33,967
■ ARC - %		
• Normal Cost	1.5%	1.7%
• UAAL Amortization	1.1%	1.2%
• ARC	2.6%	2.9%

¹⁵ Payable at end of fiscal year.

¹⁶ Amortized as a level percent of payroll over 27 years.

¹⁷ Amortized as a level percent of payroll over 25 years.

¹⁸ Payroll projected using total payroll increase assumption.

SECTION 3
ACTUARIAL VALUATION RESULTS

Gains/Losses
(amounts in 000's)

Changes since the June 30, 2011 valuation are noted below.

Experience 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.
- Small demographic gains were experienced.

Plan Changes

- Reflecting the results of recent negotiations, Classified benefits were changed to provide benefits from age 60 to age 65 unless eligible for Block Incentive by 6/30/2016.

Changes to Economic Assumptions

- The discount rate was lowered from 7.50% to 7.25% to increase the margin for adverse deviation.

Changes to Demographic Assumptions

- Assumptions were updated to reflect the results of the new CalSTRS experience study.
- Spouse coverage assumption was increased from 35% to 50% based on current experience.

Implied Subsidy

- Implied subsidy was added for pre-Medicare Blue Shield and Kaiser plans due to changes in the premium structures and in anticipation of changes in actuarial standards of practice for pooled plans, such as SISC – as reflected in the second exposure draft of Actuarial Standard of Practice #6.

SECTION 3
ACTUARIAL VALUATION RESULTS

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

■ UAAL at June 30, 2011		\$ 5,277
■ Expected UAAL at June 30, 2013		5,386
• Experience (Gain)/Loss		
➤ Premiums Less than Expected	\$ (772)	
➤ Investment Return	(41)	
➤ Demographic and Other	(158)	
• Plan Change		
➤ Excluding age 55-59 for Classified	(341)	
• Assumption Changes		
➤ CalSTRS Demographic Assumptions	167	
➤ Spouse Coverage	226	
➤ Discount Rate	101	
➤ Value Implied Subsidy	1,618	
• Total (Gain)/Loss		<u>800</u>
■ Actual UAAL at June 30, 2013		6,186

SECTION 3
ACTUARIAL VALUATION RESULTS

Benefit Payment Projection
(amounts in 000's)

<u>Year</u>	<u>Cash Subsidy (Medical, Dental, Vision)</u>			<u>Implied Subsidy (Medical)</u>	<u>Total</u>
	<u>Certificated¹⁹</u>	<u>Classified²⁰</u>	<u>Total</u>		
2013/14	\$ 330	\$ 184	\$ 514	\$ 144	\$ 658
2014/15	336	213	549	136	685
2015/16	331	232	563	140	703
2016/17	324	283	607	127	734
2017/18	310	306	616	136	752
2018/19	416	300	716	143	859
2019/20	385	334	719	158	877
2020/21	430	364	794	150	944
2021/22	386	350	736	141	877
2022/23	469	343	812	195	1,007

¹⁹ Certificated category also includes Management.

²⁰ Classified category also includes Confidential.

SECTION 4
DEMOGRAPHIC INFORMATION

Participant Statistics – June 30, 2013

	Certificated²¹	Classified²²	Total
■ Actives			
• Count	280	155	435
• Average Age	46.0	52.7	48.4
• Average Service with District	10.3	9.8	10.1
• Average Service with CalSTRS	12.8	N/A	N/A
• Average Pay	\$ 90,344	\$ 49,043	\$ 75,628
• Total Pay (000's)	25,296	7,602	32,898
■ Retirees²³			
• Count	23	14	37
• Average Age	62.4	62.6	62.5

Participant Statistics – June 30, 2011

	Certificated	Classified	Total
■ Actives			
• Count	261	145	406
• Average Age	46.4	54.2	49.2
• Average Service with District	10.1	9.8	10.0
• Average Service with CalSTRS	13.3	N/A	N/A
• Average Pay ²⁴	\$ 87,788	\$ 49,313	\$ 73,979
• Total Pay (000's)	22,737	7,150	29,888
■ Retirees²³			
• Count	20	14	34
• Average Age	61.5	61.4	61.5

²¹ Certificated category also includes Management.

²² Classified category also includes Confidential.

²³ Does not include 65 and over self-paid retirees.

²⁴ Excludes 2 Certificated actives on leave.

SECTION 4
DEMOGRAPHIC INFORMATION

Participant Reconciliation – June 30, 2013

	Actives	Retirees under age 65 ²⁵	Total
■ June 30, 2011 Valuation Count	407	34	441
• New Entrants	66	-	66
• New Retirees	(11)	11	-
• Adjustments ²⁶	7	1	8
• Terminations other than retirement	(34)	(9) ²⁷	(43)
■ June 30, 2013 Valuation Count²⁸	435	37	472

²⁵ Includes 1 retiree over 65 who is receiving special benefits.

²⁶ Adjustments to prior valuation data

²⁷ For retirees, includes deaths and those attaining age 65, when district no longer pays towards premiums.

²⁸ Actives include new retirees who retired at the end of 2012/13 school year.

SECTION 4
DEMOGRAPHIC INFORMATION

Active Medical Coverage – June 30, 2013²⁹

Medical Plan	Single	2-Party	Family	Total
Blue Shield 100	-	-	3	3
Blue Shield 80	1	-	2	3
Kaiser	112	88	199	399
Other	-	-	-	8
Waived	-	-	-	22
Total	113	88	204	435

Retiree Medical Coverage – June 30, 2013²⁹

Medical Plan	Single	2-Party	Family	Total
Blue Shield 100	-	2	-	2
Kaiser	17	15	1	33
Other	-	2	-	2
Total	17	19	1	37

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

SECTION 4
DEMOGRAPHIC INFORMATION

Age & Service Distribution
Certificated Employees
June 30, 2013

Age	District Service							Total
	Under 1	1-4	5-9	10-14	15-19	20-24	25 & Over	
Under 25	1	1	-	-	-	-	-	2
25-29	4	5	-	-	-	-	-	9
30-34	7	15	12	1	-	-	-	35
35-39	3	13	15	9	2	-	-	42
40-44	3	2	12	15	7	-	-	39
45-49	2	4	16	17	12	3	-	54
50-54	2	3	9	9	12	4	-	39
55-59	2	4	6	10	7	8	1	38
60-64	1	-	4	5	5	-	2	17
65 & Over	-	-	1	1	3	-	-	5
Total	25	47	75	67	48	15	3	280

SECTION 4
DEMOGRAPHIC INFORMATION

Age & Service Distribution
Classified Employees
June 30, 2013

Age	District Service							Total
	Under 1	1-4	5-9	10-14	15-19	20-24	25 & Over	
Under 25	2	-	-	-	-	-	-	2
25-29	3	5	3	-	-	-	-	11
30-34	2	-	1	-	-	-	-	3
35-39	3	1	2	1	-	-	-	7
40-44	-	1	4	2	-	-	-	7
45-49	3	7	4	3	1	2	1	21
50-54	4	5	7	6	4	-	2	28
55-59	-	2	12	9	4	2	1	30
60-64	-	-	15	7	4	2	1	29
65 & Over	-	1	7	6	1	1	1	17
Total	17	22	55	34	14	7	6	155

SECTION 4
DEMOGRAPHIC INFORMATION

Age & Service Distribution
All Employees
June 30, 2013

Age	District Service							Total
	Under 1	1-4	5-9	10-14	15-19	20-24	25 & Over	
Under 25	3	1	-	-	-	-	-	4
25-29	7	10	3	-	-	-	-	20
30-34	9	15	13	1	-	-	-	38
35-39	6	14	17	10	2	-	-	49
40-44	3	3	16	17	7	-	-	46
45-49	5	11	20	20	13	5	1	75
50-54	6	8	16	15	16	4	2	67
55-59	2	6	18	19	11	10	2	68
60-64	1	-	19	12	9	2	3	46
65 & Over	-	1	8	7	4	1	1	22
Total	42	69	130	101	62	22	9	435

SECTION 5
PLAN PROVISIONS

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 Kaiser and Blue Shield. Retirees may change their medical plan elections annually during open enrollment. Retirees are not eligible for re-enrollment once they withdraw from the plan for any reason.

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

	Certificated & Management³⁰	Classified & Confidential
Age and service criteria	<ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> ➢ 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: <ul style="list-style-type: none"> ➢ Certificated – District contributions from age 60 to age 65 only 	<ul style="list-style-type: none"> • Age 50 and 15 years of District service by 6/30/2016: Age 55 and 10 years of District service • Others: Age 60 and 10 years of District service
Employer-paid portion of premiums: Full-time	<ul style="list-style-type: none"> • Up to composite rates for employees for Kaiser, Delta Dental and Vision Service³¹ 	<ul style="list-style-type: none"> • Up to composite rates for employees for Kaiser, Delta Dental, and Vision Service
Employer-paid portion of premiums: Part-time	<ul style="list-style-type: none"> • .6 FTE or more: Same as full-time • Less than .6 FTE: Composites prorated based on FTE 	<ul style="list-style-type: none"> • 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

Please note the above summaries are for valuation purposes only. MOU’s, ordinances, and administrative procedures should be consulted for exact provisions.

³⁰ Management negotiate individual contracts. Valuation assumes they receive same benefits as Certificated.
³¹ 2013/14 monthly employee composite rates for Kaiser, Delta Dental, and Vision Service are \$1,202.00, \$137.91, and \$29.27 respectively.



SECTION 5
PLAN PROVISIONS

2013/14 Monthly Premium Rates

Category	Blue Shield 100	Blue Shield 80	Kaiser
Employees			
Composite	\$ 1,676.00	\$ 1,329.00	\$ 1,202.00
Early Retirees			
Single	1,176.00	927.00	842.00
2-Party	1,664.00	1,318.00	1,192.00
Family	2,123.00	1,682.00	1,594.00
Medicare Eligible			
Single	510.00	456.00	310.00
2-Party	1,020.00	912.00	620.00

Dental / Vision coverage

Composite monthly premiums effective October 1, 2013 are \$137.91 per month for Delta Dental and \$29.27 per month for Vision Service Plan (VSP) for retirees.

SECTION 6

ACTUARIAL METHODS AND ASSUMPTIONS AND DATA

Data

Results were based on the demographic data used in the June 30, 2013 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 2013/14 ARC is 25 years and the amortization period for the 2014/15 ARC is 24 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:**
7.25%, 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.)

SECTION 6
ACTUARIAL METHODS AND ASSUMPTIONS AND DATA

■ **Monthly Claims Costs (Used for under age 65 retirees only)**

Age	2013/14					
	Blue Shield 100		Blue Shield 80		Kaiser	
	Male	Female	Male	Female	Male	Female
30	\$ 293	\$ 630	\$ 235	\$ 504	\$ 219	\$ 469
35	352	647	282	517	263	482
40	440	636	352	509	328	474
45	561	679	449	543	418	506
50	727	793	582	634	542	591
55	937	948	750	758	699	706
60	1,197	1,119	957	895	892	834
64	1,453	1,313	1,163	1,050	1,083	979

■ **Medical Care Cost Trend Rates: (All Medical Plans)**

Year	Assumption
2013 ³²	9.0%
2014	8.5%
2015	8.0%
2016	7.5%
2017	7.0%
2018	6.5%
2019	6.0%
2020	5.5%
2021+	5.0%

■ **Dental Care Cost Trend Rate:**

4.00% per year

■ **Vision Care Cost Trend Rate:**

3.50% per year

³² Increase from October 1, 2013 to October 1, 2014.

SECTION 6

ACTUARIAL METHODS AND ASSUMPTIONS AND DATA

■ **Pre-Retirement Disability, Mortality, Termination, and Retirement Probabilities:**

For California State Teachers Retirement System members, based on California STRS 2011 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	0.00023	0.00013
30	0.00033	0.00014
40	0.00057	0.00034
50	0.00103	0.00063
60	0.00238	0.00179

• **Probabilities of Disability in Next Year**

Attained Age	Ordinary Disability (Males)	Ordinary Disability (Females)
25	0.00010	0.00020
30	0.00020	0.00020
40	0.00060	0.00070
50	0.00140	0.00185
60	0.00365	0.00380

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

Years of Service	Males	Females
0	16.0%	15.0%
2	9.0%	8.5%
5	3.9%	3.9%
10	1.8%	1.8%
15	0.9%	0.9%
20	0.5%	0.5%
25	0.3%	0.3%

SECTION 6

ACTUARIAL METHODS AND ASSUMPTIONS AND DATA

• **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%	42.5%	45.0%
65	13.5%	14.4%	32.5%	37.5%

* 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 100%. For members with 28 but less than 30 years, the assumed retirement rates shown above for members with less than 25 years of service apply.

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**

Entry Age	Years of Service						
	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%

SECTION 6

ACTUARIAL METHODS AND ASSUMPTIONS AND DATA

■ **Post-Retirement Mortality Probabilities:**

For California State Teachers Retirement System members, based on California STRS 2011 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	37.4	39.5
55	32.5	34.6
60	27.8	29.8
65	23.2	25.2
75	14.7	16.5
85	7.8	9.1
95	3.6	4.6

Current Service Retirees and Beneficiaries

Attained Age	Males	Females
50	35.4	37.5
55	30.6	32.7
60	25.9	27.9
65	21.4	23.4
75	13.2	14.9
85	6.7	7.9
95	3.2	4.1

Future Ordinary Disability Retirees

Attained Age	Males	Females
40	28.2	33.2
45	26.0	30.6
50	23.8	28.0
55	21.5	25.3
60	19.2	22.6
65	16.7	19.7
75	11.2	13.5
85	6.5	7.7
95	3.2	4.1

Current Ordinary Disability Retirees

Attained Age	Males	Females
40	27.3	32.1
45	25.1	29.5
50	22.9	26.9
55	20.6	24.3
60	18.2	21.5
65	15.7	18.5
75	10.1	12.3
85	5.7	6.7
95	2.8	3.7

2. Expected Future Lifetime: Members of California PERS

Service Retirees and Beneficiaries

Attained Age 6/30/2013	Males	Females
50	34.2	36.3
55	29.2	31.4
60	24.5	26.6
65	20.0	22.0
75	11.9	13.8
85	6.0	7.2
95	2.9	3.3

Ordinary Disability Retirees

Attained Age 6/30/2013	Males	Females
40	33.0	36.6
45	29.6	32.4
50	26.0	28.5
55	22.3	25.0
60	18.7	21.6
65	15.4	18.0
75	9.3	11.7
85	4.8	6.3
95	2.3	3.0

SECTION 6
ACTUARIAL METHODS AND ASSUMPTIONS AND DATA

- **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)

- **Medical Plan Elections before Age 65 by Future Retirees Eligible for District Payments:**
95% elect Kaiser, 5% elect Blue Shield 100

- **Coverage of Spouses / Domestic Partners by Future Retirees Eligible for District Payments:**
50% 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

Entry Age	Years of Service						
	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

Entry Age	Years of Service						
	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%

SECTION 7

GASB OPEB SUMMARY

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.

SECTION 7

GASB OPEB SUMMARY

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.

SECTION 7
GASB OPEB SUMMARY

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.

SECTION 7

GASB OPEB SUMMARY

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.