

RAEL & LETSON
CONSULTANTS AND ACTUARIES

**ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
UNDER GASB 43/45**

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

AS OF JUNE 30, 2006

SEPTEMBER 2006

**ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
UNDER GASB 43/45**

AS OF JUNE 30, 2006

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**ACTUARIAL VALUATION OF
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INTRODUCTION AND ACTUARIAL CERTIFICATION

We have been retained by the Contra Costa Community College District to conduct an actuarial valuation of the District's postretirement welfare benefit assets, liability, annual cost, and accrual status. Our report follows the requirements adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 43 "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" and Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The required disclosure items are formatted as follows:

- **Section I** discusses the calculation of GASB 43/45 disclosure items and presents such items for the 2006/2007 financial statements in *Exhibit 1A*. This exhibit provides the Actuarial Accrued Liability and Funded Status as of June 30, 2006, the Annual Required Contribution and Annual OPEB Cost for 2006/2007, and an estimated reconciliation of Net OPEB Obligation for 2006/2007. A graph of the projected thirty-year cashflow is in *Exhibit 1B*, with the first ten years of such presented as a table in *Exhibit 1C*. A thirty-year projection of liability and assets is then shown as a graph in *Exhibit 1D* and as a table in *Exhibit 1E*.

- **Section II** shows the demographic, economic, per-capita cost, and other assumptions used in the calculation of the postretirement welfare benefit liability.
- **Section III** summarizes the participant data used in the valuation.
- **Section IV** presents a summary of the principal provisions of the Plan valued.
- **Section V** contains answers to questions usually asked by auditors.

Actuarial computations under GASB 43/45 are for purposes of fulfilling certain accounting requirements for public sector postretirement welfare benefit plans and their sponsoring employers. The calculations reported have been made on a basis consistent with our understanding of GASB 43/45. Determinations for purposes other than meeting the financial accounting requirements of GASB 43/45 may differ significantly from the results presented in this report.

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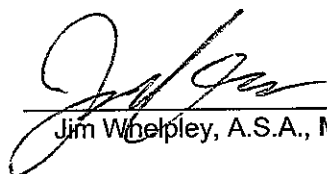
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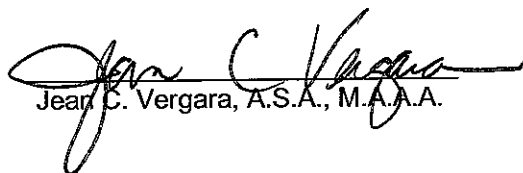
AS OF JUNE 30, 2006

INTRODUCTION AND ACTUARIAL CERTIFICATION (CONTINUED)

The calculation of an accounting liability and annual cost does not, in and of itself, imply that there is any legal liability to provide the benefits valued. Nor is there any implication that the sponsor is required to implement a funding policy to satisfy the projected expense.

We, Jim Whelpley and Jean C. Vergara, are Consulting Actuaries for Rael & Letson. We are Associates of the Society of Actuaries and meet the Qualifications Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to comply with GASB Statements 43 and 45.


Jim Whelpley, A.S.A., M.A.A.A.


Jean C. Vergara, A.S.A., M.A.A.A.

**ACTUARIAL VALUATION OF
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**SECTION I VALUATION RESULTS
HIGHLIGHTS OF THE VALUATION**

Exhibit 1A on pages 6-11 provides all the numbers needed for disclosure in the financial statement of the Plan (per GASB 43) and that of the sponsor (per GASB 45). Exhibit 1A(i) provides the numbers produced by employing a 3.5% discount rate. If the District were to irrevocably dedicate monies to fund retiree benefits, it would be allowed to apply a higher discount rate when valuing its liabilities. Exhibit 1A(ii) therefore provides the alternative numbers produced by employing a 6.0% discount rate. Components of the exhibit are as follows:

- **Part A** shows the counts for census data captured as of June 1, 2006. Note that "other fully eligible" participants are those active employees who have the minimum age (55 for Certificated and 50 for Classified) and years of service (10) needed to retire with benefits as of the valuation date. Part-time teachers have been excluded from the counts because they are not eligible for retiree welfare benefits.
- **Part B** is the total present value of benefits, including both accrued and not-yet-accrued portions. If the District were extremely generous and wanted to ensure the benefit security of even its newest hires, it could bring the District's Retiree Health Benefits Fund balance up to \$409.9 million

(or deposit \$260.2 million into an irrevocable trust) and all current actives and retirees (but not future new hires) would most likely be taken care of.

- The accrued portion of the above is known as the Actuarial Accrued Liability (AAL), and is shown in **Part C** as **\$335.1 million** (or \$225.1 million using the alternative 6.0% discount rate). As described in the asterisk of page 6, we used the same "Projected Unit Credit" cost method that we employ for similar calculations in the corporate (FASB 106) and multiemployer (SOP 92-6) sectors. This produces the lowest liability of all the GASB-allowed methods of separating present value into accrued and not-yet-accrued portions.
- **Part D** expresses the Plan's Funded Status as a ratio of assets to liability and as a ratio of unfunded liability to payroll. These will be used by the auditor to construct a historical "Schedule of Funding Progress" for the Plan's financial statement notes (per GASB 43).

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SECTION I VALUATION RESULTS
HIGHLIGHTS OF THE VALUATION (CONTINUED)

- The "Annual Required Contribution" (ARC) in **Part E** has little practical value unless the District wishes to use it as a guide to make contributions to a dedicated trust fund (in which case the numbers in Exhibit 1A(ii) would be more applicable). The ARC will be used by the auditor to construct a historical "Schedule of Employer Contributions" for the Plan's financial statement notes (per GASB 43).

Part E also shows how amounts are added and subtracted from the ARC to yield the Annual OPEB Cost, which the auditor will use to reconcile the Net OPEB Obligation in the District's financial statement notes (per GASB 45).

- **Part F** provides the reconciliation of Net OPEB Obligation (NOO) over the prior year (which doesn't apply in this first hypothetical year of compliance) and an estimated reconciliation for the current year. That estimate cannot be finalized until the actual plan year 2006/2007 benefit payments and contributions are known. As mentioned above, the auditor will show the NOO reconciliation in the District's financial statement notes (per GASB 45).

Exhibit 1B on page 12 is a graph of the cashflow projection that underlies our liability calculations. This will only reflect activity for those currently retired or active participants, not for anyone hired after the valuation date (per GASB requirements) and makes a distinction between two types of Plan subsidy:

- **Cash Subsidies** are based on the District's premium rates and vary by retiree group (e.g., depending upon date of hire and/or whether the retiree met the Rule of 70 or Rule of 80).
- **Implicit Subsidies** are due to the manner in which some providers combine active and retiree experience when developing their premium rates. In this situation we are required by GASB 43/45 to estimate the higher premium that would be charged to retirees if they were rated alone, and to reflect the excess of such retiree-only cost over the actual premium as an "implicit subsidy of the retirees by the actives."

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**SECTION I VALUATION RESULTS
HIGHLIGHTS OF THE VALUATION (CONTINUED)**

Exhibit 1C on page 13 is a table detailing just the first 10 years of cashflow activity. Within this period there can be no effect from future new hires, but (as explained in the first asterisk on this page) we still strongly advise caution when attempting to use this for the District's short-term financial planning.

Exhibits 1D and 1E on pages 14-21 are the graphical and tabular thirty-year projection of AAL (reflecting no new hires after the valuation date) and of the assets that would build up if the District were to contribute either the ARC or "cash subsidy plus \$1 million" (current funding policy) in every year. Retiree welfare assets are shown as either remaining in a subaccount of the District general fund (the 3.5% discount exhibits on pages 14 and 15) or converted to an irrevocable and dedicated trust fund (the 6.0% discount exhibits on pages 16 and 17). Note that the ARC is always calculated without regard to any virtual assets (such as those in a District subaccount), so that virtual assets with ARC deposits will eventually grow to exceed the projected AAL (as shown in Exhibits 1D(i)(a) and 1E(i) on pages 14 and 19). Also note that these are just a couple of ways in which the District could set a timetable for elimination of its unfunded postretirement welfare liability.

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AS OF JUNE 30, 2006

SECTION I VALUATION RESULTS

**EXHIBIT 1A(i): SUMMARY OF VALUATION RESULTS
BASED ON 3.5% DISCOUNT RATE**

| | CERTIFICATED | CLASSIFIED | ALL |
|---|-------------------|-------------------|--------------------|
| A. Participant Count as of June 30, 2006 | | | |
| • Current retirees and surviving spouses | 408 | 307 | 715 |
| • Other participants fully eligible for benefits | 173 | 125 | 298 |
| • Other participants not yet fully eligible for benefits | <u>306</u> | <u>421</u> | <u>727</u> |
| Total Count | 887 | 853 | 1,740 |
| B. Actuarial Present Value of Benefits (APVB) at June 30, 2006 | | | |
| • Current retirees, spouses and dependents | \$ 82,813,300 | \$ 71,121,900 | \$ 153,935,200 |
| • Other participants fully eligible for benefits | 50,632,800 | 37,513,000 | 88,145,800 |
| • Other participants not yet fully eligible for benefits | <u>85,162,400</u> | <u>82,675,000</u> | <u>167,837,400</u> |
| Total APVB | \$ 218,608,500 | \$ 191,309,900 | \$ 409,918,400 |
| C. Actuarial Accrued Liability (AAL) at June 30, 2006 | | | |
| • Current retirees, spouses and dependents | \$ 82,813,300 | \$ 71,121,900 | \$ 153,935,200 |
| • Other participants fully eligible for benefits | 50,632,800 | 37,513,000 | 88,145,800 |
| • Other participants not yet fully eligible for benefits | <u>49,822,900</u> | <u>43,232,800</u> | <u>93,055,700</u> |
| Total AAL ¹ | \$ 183,269,000 | \$ 151,867,700 | \$ 335,136,700 |

¹ AAL is the portion of APVB that is attributed to actives' service to date by the chosen actuarial cost method. GASB 43/45 allows for seven cost methods, including Projected Unit Credit (as required for corporate and multiemployer retiree welfare calculations) and Entry Age (as commonly used for governmental pension calculations). For this valuation we have used the Projected Unit Credit method, which spreads costs from hire to the projected date of full eligibility for plan benefits. Note that the APVB and AAL shown above have been offset by projected retiree contributions. The gross AAL before such offset is \$381,878,100, which is 88% due to Plan payments and 12% due to retiree contributions. Also note that had we increased our assumed health care trend rates by one percent, the total AAL would have increased from \$335,136,700 to \$397,691,600.

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AS OF JUNE 30, 2006

SECTION I VALUATION RESULTS
EXHIBIT 1A(i): SUMMARY OF VALUATION RESULTS
BASED ON 3.5% DISCOUNT RATE (CONTINUED)

| | CERTIFICATED | CLASSIFIED | ALL |
|---|------------------|------------------|-------------------|
| D. Funded Status at June 30, 2006 | | | |
| Actuarial Value of Assets | \$ 0 | \$ 0 | \$ 0 |
| Unfunded Actuarial Accrued Liability (UAAL) | \$ 183,269,000 | \$ 151,867,700 | \$ 335,136,700 |
| Funded Ratio | 0% | 0% | 0% |
| Covered Payroll | \$ 37,818,900 | \$ 28,030,300 | \$ 65,849,200 |
| UAAL as a Percentage of Covered Payroll | 485% | 542% | 509% |
| E. Annual Required Contribution (ARC) and Annual OPEB Cost (AOC) for 2005/2006¹ | | | |
| Normal Cost for 2006/2007 | \$ 4,877,300 | \$ 5,038,800 | \$ 9,916,100 |
| Amortization of UAAL as of June 30, 2006 ² | <u>9,794,600</u> | <u>8,116,400</u> | <u>17,911,000</u> |
| Total ARC for 2006/2007 | \$ 14,671,900 | \$ 13,155,200 | \$ 27,827,100 |
| Interest on June 30, 2006 Net OPEB Obligation | 0 | 0 | 0 |
| (Amortization of June 30, 2006 NOO) ² | <u>0</u> | <u>0</u> | <u>0</u> |
| Total AOC for 2006/2007 | \$ 14,671,900 | \$ 13,155,200 | \$ 27,827,100 |

¹ Despite the name, there is no requirement to actually contribute the ARC or any other amount. Future plan financial statement notes must simply show a "Schedule of Employer Contributions" with the ARC and the percentage of it that was actually contributed (if any). The ARC calculated above is noted as being applicable to the year following the current valuation date, but if a new valuation is not performed next year then this same ARC may be considered applicable to each of the next two years. In this manner, the Schedule of Employer Contributions can show a continuous annual history of ARC and actual contribution amounts.

² GASB 43/45 allows for an amortization method of either level dollar (as for a mortgage) or level percent of pay, period of up to 30 years (but no less than 10 years if the AAL decreases due to a new cost or asset value method), and basis of either rolling (no annual reduction in period) or static. The amortization used here is level dollar over a static 30 years.

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SECTION I VALUATION RESULTS

**EXHIBIT 1A(i): SUMMARY OF VALUATION RESULTS
BASED ON 3.5% DISCOUNT RATE (CONTINUED)**

| | CERTIFICATED | CLASSIFIED | ALL |
|---|-------------------|-------------------|-------------------|
| F. Net OPEB Obligation (NOO) Actual Reconciliation over 2005/2006 ¹ and <i>Estimated</i> Reconciliation over 2006/2007 | | | |
| NOO at June 30, 2005 | N/A | N/A | N/A |
| (Benefit Payments paid outside of a trust in 2005/2006) | N/A | N/A | N/A |
| (Contributions to a trust in 2005/2006) | N/A | N/A | N/A |
| Annual OPEB Cost (AOC) for 2005/2006 | N/A | N/A | N/A |
| NOO at June 30, 2006 | \$ 0 | \$ 0 | \$ 0 |
| (<i>Estimated</i> Benefit Payments paid outside of a trust in 2006/2007) | (4,567,600) | (3,218,900) | (7,786,500) |
| (<i>Estimated</i> Contributions to a trust in 2006/2007) | 0 | 0 | 0 |
| Annual OPEB Cost (AOC) for 2006/2007 | <u>14,671,900</u> | <u>13,155,200</u> | <u>27,827,100</u> |
| <i>Estimated</i> NOO at June 30, 2007 | \$ 10,104,300 | \$ 9,936,300 | \$ 20,040,600 |

¹ NOO is generally the cumulative excess of prior ARC over benefit payments (if unfunded) or trust contributions (if funded). In practice, before the ARC is added to the NOO each year it is adjusted to become the Annual OPEB Cost (AOC) by adding NOO interest and subtracting an NOO amortization. For this exhibit we have assumed that GASB 43/45 will be adopted June 30, 2006, so that NOO as of that date is zero.

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**SECTION I VALUATION RESULTS
EXHIBIT 1A(ii): SUMMARY OF VALUATION RESULTS
BASED ON 6.0% DISCOUNT RATE**

| | CERTIFICATED | CLASSIFIED | ALL |
|---|-------------------|-------------------|-------------------|
| A. Participant Count as of June 30, 2006 | | | |
| • Current retirees and surviving spouses | 408 | 307 | 715 |
| • Other participants fully eligible for benefits | 173 | 125 | 298 |
| • Other participants not yet fully eligible for benefits | <u>306</u> | <u>421</u> | <u>727</u> |
| Total Count | 887 | 853 | 1,740 |
| B. Actuarial Present Value of Benefits (APVB) at June 30, 2006 | | | |
| • Current retirees, spouses and dependents | \$ 64,377,800 | \$ 52,875,400 | \$ 117,253,200 |
| • Other participants fully eligible for benefits | 33,420,100 | 24,652,600 | 58,072,700 |
| • Other participants not yet fully eligible for benefits | <u>43,186,300</u> | <u>41,652,800</u> | <u>84,839,100</u> |
| Total APVB | \$ 140,984,200 | \$ 119,180,800 | \$ 260,165,000 |
| C. Actuarial Accrued Liability (AAL) at June 30, 2006 | | | |
| • Current retirees, spouses and dependents | \$ 64,377,800 | \$ 52,875,400 | \$ 117,253,200 |
| • Other participants fully eligible for benefits | 33,420,100 | 24,652,600 | 58,072,700 |
| • Other participants not yet fully eligible for benefits | <u>26,686,000</u> | <u>23,068,500</u> | <u>49,754,500</u> |
| Total AAL ¹ | \$ 124,483,900 | \$ 100,596,500 | \$ 225,080,400 |

¹ AAL is the portion of APVB that is attributed to actives' service to date by the chosen actuarial cost method. GASB 43/45 allows for seven cost methods, including Projected Unit Credit (as required for corporate and multiemployer retiree welfare calculations) and Entry Age (as commonly used for governmental pension calculations). For this valuation we have used the Projected Unit Credit method, which spreads costs from hire to the projected date of full eligibility for plan benefits. Note that the APVB and AAL shown above have been offset by projected retiree contributions. The gross AAL before such offset is \$254,943,300, which is 88% due to Plan payments and 12% due to retiree contributions. Also note that had we increased our assumed health care trend rates by one percent, the total AAL would have increased from \$225,080,400 to \$259,504,100.

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SECTION I VALUATION RESULTS
EXHIBIT 1A(ii): SUMMARY OF VALUATION RESULTS
BASED ON 6.0% DISCOUNT RATE (CONTINUED)

| | CERTIFICATED | CLASSIFIED | ALL |
|---|------------------|------------------|-------------------|
| D. Funded Status at June 30, 2006 | | | |
| Actuarial Value of Assets | \$ 15,367,200 | \$ 12,418,300 | \$ 27,785,500 |
| Unfunded Actuarial Accrued Liability (UAAL) | \$ 109,116,700 | \$ 88,178,200 | \$ 197,294,900 |
| Funded Ratio | 12% | 12% | 12% |
| Covered Payroll | \$ 37,818,900 | \$ 28,030,300 | \$ 65,849,200 |
| UAAL as a Percentage of Covered Payroll | 289% | 315% | 300% |
| E. Annual Required Contribution (ARC) and Annual OPEB Cost (AOC) for 2005/2006¹ | | | |
| Normal Cost for 2006/2007 | \$ 2,565,500 | \$ 2,653,000 | \$ 5,218,500 |
| Amortization of UAAL as of June 30, 2006 ² | <u>7,699,600</u> | <u>6,222,100</u> | <u>13,921,700</u> |
| Total ARC for 2006/2007 | \$ 10,265,100 | \$ 8,875,100 | \$ 19,140,200 |
| Interest on June 30, 2006 Net OPEB Obligation | 0 | 0 | 0 |
| (Amortization of June 30, 2006 NOO) ² | <u>0</u> | <u>0</u> | <u>0</u> |
| Total AOC for 2006/2007 | \$ 10,265,100 | \$ 8,875,100 | \$ 19,140,200 |

¹ Despite the name, there is no requirement to actually contribute the ARC or any other amount. Future plan financial statement notes must simply show a "Schedule of Employer Contributions" with the ARC and the percentage of it that was actually contributed (if any). The ARC calculated above is noted as being applicable to the year following the current valuation date, but if a new valuation is not performed next year then this same ARC may be considered applicable to each of the next two years. In this manner, the Schedule of Employer Contributions can show a continuous annual history of ARC and actual contribution amounts.

² GASB 43/45 allows for an amortization method of either level dollar (as for a mortgage) or level percent of pay, period of up to 30 years (but no less than 10 years if the AAL decreases due to a new cost or asset value method), and basis of either rolling (no annual reduction in period) or static. The amortization used here is level dollar over a static 30 years.

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SECTION I VALUATION RESULTS

**EXHIBIT 1A(ii): SUMMARY OF VALUATION RESULTS
BASED ON 6.0% DISCOUNT RATE (CONTINUED)**

| | CERTIFICATED | CLASSIFIED | ALL |
|---|-------------------|------------------|-------------------|
| F. Net OPEB Obligation (NOO) Actual Reconciliation over 2005/2006 ¹ and <i>Estimated</i> Reconciliation over 2006/2007 | | | |
| NOO at June 30, 2005 | N/A | N/A | N/A |
| (Benefit Payments paid outside of a trust in 2005/2006) | N/A | N/A | N/A |
| (Contributions to a trust in 2005/2006) | N/A | N/A | N/A |
| Annual OPEB Cost (AOC) for 2005/2006 | N/A | N/A | N/A |
| NOO at June 30, 2006 | \$ 0 | \$ 0 | \$ 0 |
| (<i>Estimated</i> Benefit Payments paid outside of a trust in 2006/2007) | (4,567,600) | (3,218,900) | (7,786,500) |
| (<i>Estimated</i> Contributions to a trust in 2006/2007) | (5,154,200) | (3,632,300) | (8,786,500) |
| Annual OPEB Cost (AOC) for 2006/2007 | <u>10,265,100</u> | <u>8,875,100</u> | <u>19,140,200</u> |
| <i>Estimated</i> NOO at June 30, 2007 | \$ 543,300 | \$ 2,023,900 | \$ 2,567,200 |

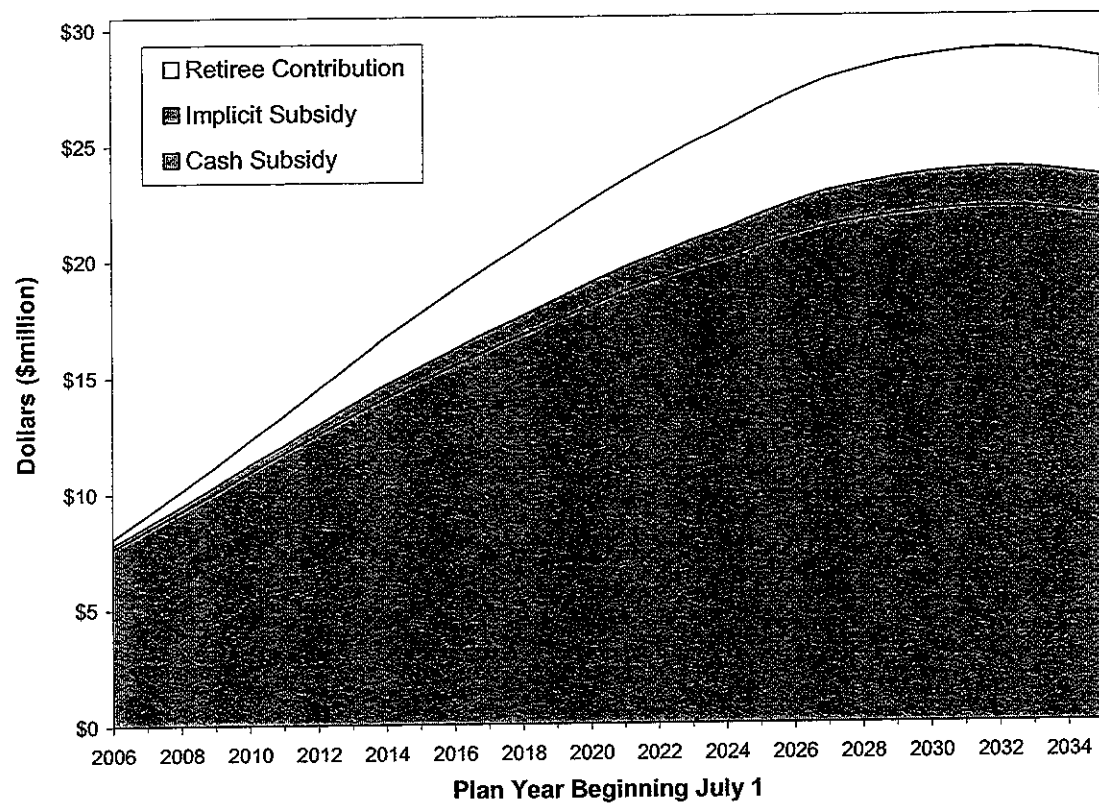
¹ NOO is generally the cumulative excess of prior ARC over benefit payments (if unfunded) or trust contributions (if funded). In practice, before the ARC is added to the NOO each year it is adjusted to become the Annual OPEB Cost (AOC) by adding NOO interest and subtracting an NOO amortization. For this exhibit we have assumed that GASB 43/45 will be adopted June 30, 2006, so that NOO as of that date is zero.

**ACTUARIAL VALUATION OF
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**SECTION I VALUATION RESULTS
EXHIBIT 1B: PROJECTED CASHFLOW GRAPH**

Projected Retiree Health Benefit Costs



**ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
UNDER GASB 43/45**

AS OF JUNE 30, 2006

**SECTION I VALUATION RESULTS
EXHIBIT 1C: PROJECTED CASHFLOW TABLE¹**

| Plan Yr beg. July 1, | Retiree Family Counts ² | | | Plan Cash Subsidy ³ | | | Retiree Contribution ³ | Total Premium | Plan Implicit Subsidy ⁴ | Gross Benefit | Retiree Contribution Ratio |
|----------------------------|---------------------------------------|-------|------|--------------------------------|--------------|--------------|--------------------------------------|------------------|--|------------------|----------------------------------|
| | Certif | Class | Both | Certificated | Classified | Both | | | | | |
| 2006 | 383 | 303 | 686 | \$ 4,467,500 | \$ 3,172,300 | \$ 7,639,800 | \$ 301,300 | \$ 7,941,100 | \$ 146,700 | \$ 8,087,700 | 4% |
| 2007 | 391 | 314 | 705 | 4,890,000 | 3,551,100 | 8,441,100 | 464,400 | 8,905,500 | 188,600 | 9,094,000 | 5% |
| 2008 | 391 | 324 | 715 | 5,300,200 | 3,943,400 | 9,243,600 | 641,400 | 9,885,000 | 230,700 | 10,115,700 | 6% |
| 2009 | 393 | 334 | 727 | 5,715,500 | 4,327,300 | 10,042,800 | 829,700 | 10,872,500 | 282,100 | 11,154,500 | 7% |
| 2010 | 397 | 343 | 740 | 6,191,900 | 4,712,800 | 10,904,700 | 1,034,300 | 11,939,000 | 331,100 | 12,270,100 | 8% |
| 2011 | 402 | 352 | 754 | 6,612,500 | 5,093,000 | 11,705,500 | 1,272,200 | 12,977,700 | 369,600 | 13,347,300 | 10% |
| 2012 | 405 | 360 | 765 | 7,047,200 | 5,485,200 | 12,532,400 | 1,512,900 | 14,045,300 | 433,300 | 14,478,600 | 10% |
| 2013 | 409 | 369 | 778 | 7,497,000 | 5,841,500 | 13,338,500 | 1,770,200 | 15,108,700 | 496,600 | 15,605,400 | 11% |
| 2014 | 414 | 375 | 789 | 7,893,100 | 6,212,600 | 14,105,700 | 2,032,300 | 16,138,000 | 564,400 | 16,702,400 | 12% |
| 2015 | 416 | 381 | 797 | 8,271,300 | 6,520,900 | 14,792,200 | 2,300,100 | 17,092,300 | 629,300 | 17,721,600 | 13% |

¹ Because projected benefit payments are dependent upon many different assumptions about future claims, there can be a broad range of reasonable results. This illustration is based on a single "best estimate" set of assumptions used for our liability calculations and should be used with care when applied to financial planning. Small deviations between our best-estimate assumptions and actual experience (especially in regard to health care cost trend rates, retirement rates, and participation rates) could produce significantly different projected cash flows.

² Counts include surviving spouses but not spouses of living retirees (though spouse benefit amounts are in the other portions of this exhibit).

³ Plan Cash Subsidies and Retiree Contributions depend upon the participant's date of hire and whether s/he retired under the Rule of 70 or Rule of 80.

⁴ Implicit Subsidies are due to the manner in which some providers combine active and retiree experience when developing premiums. In this situation, we are required by GASB 43/45 to estimate the higher premium that would be charged to retirees if they were rated alone, and reflect the excess of such retiree-only cost over the actual premium as an "implicit subsidy of the retirees by the actives."

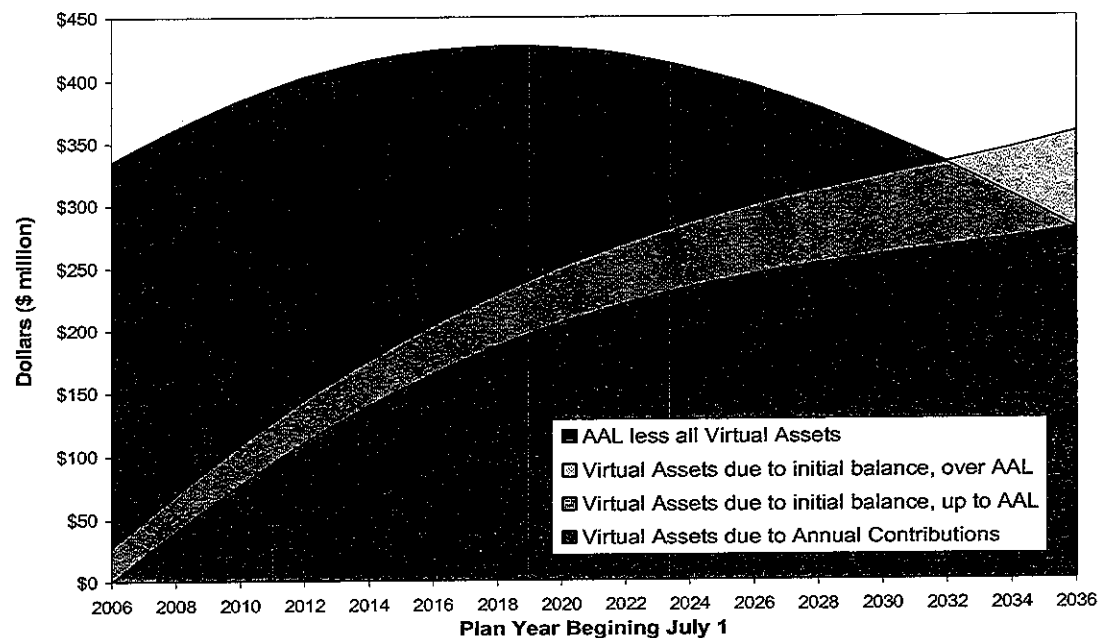
**ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
UNDER GASB 43/45**

AS OF JUNE 30, 2006

SECTION I VALUATION RESULTS

**EXHIBIT 1D(i)(a): PROJECTED LIABILITY GRAPH
BASED ON 3.5% DISCOUNT RATE
AND CONTRIBUTION = ARC**

**Projected Actuarial Accrued Liability (AAL) and Virtual Assets
Under Static 30-Year, Level Dollar Amortization Funding
With 3.5% Discount and Contribution = ARC**



CONTRA COSTA COMMUNITY
COLLEGE DISTRICT

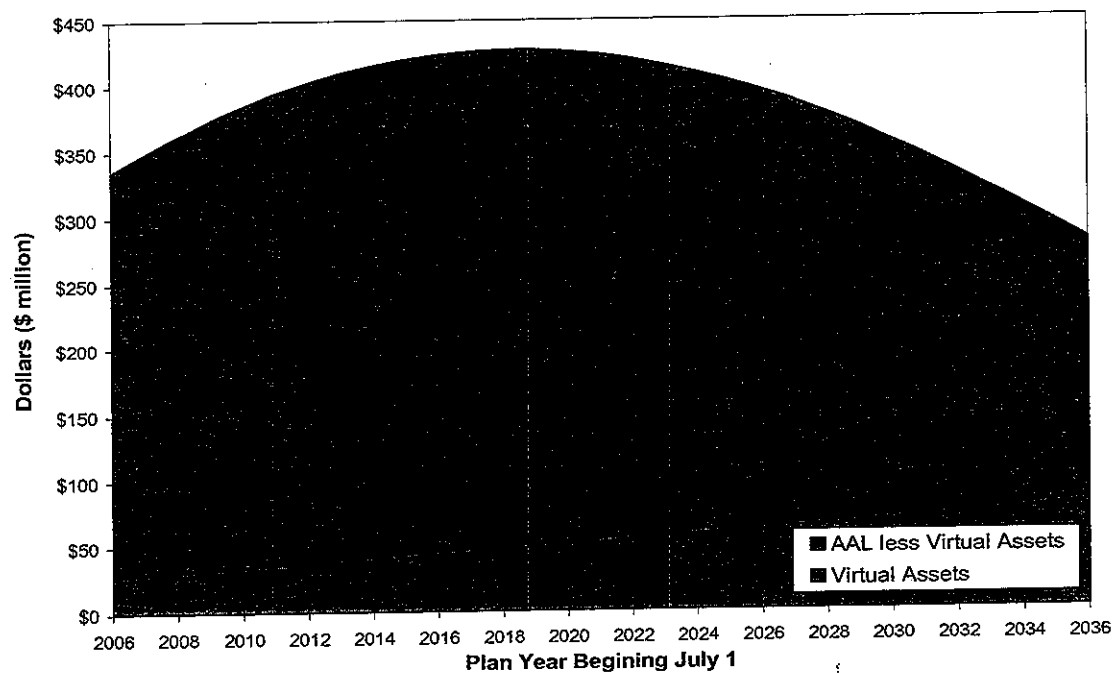
**ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
UNDER GASB 43/45**

AS OF JUNE 30, 2006

SECTION I VALUATION RESULTS

**EXHIBIT 1D(i)(b): PROJECTED LIABILITY GRAPH
BASED ON 3.5% DISCOUNT RATE
AND CONTRIBUTION = CASH SUBSIDY PLUS \$1 MILLION**

**Projected Actuarial Accrued Liability (AAL) and Virtual Assets
Under Static 30-Year, Level Dollar Amortization Funding
With 3.5% Discount and Contribution = Cash Subsidy plus \$1 Million**



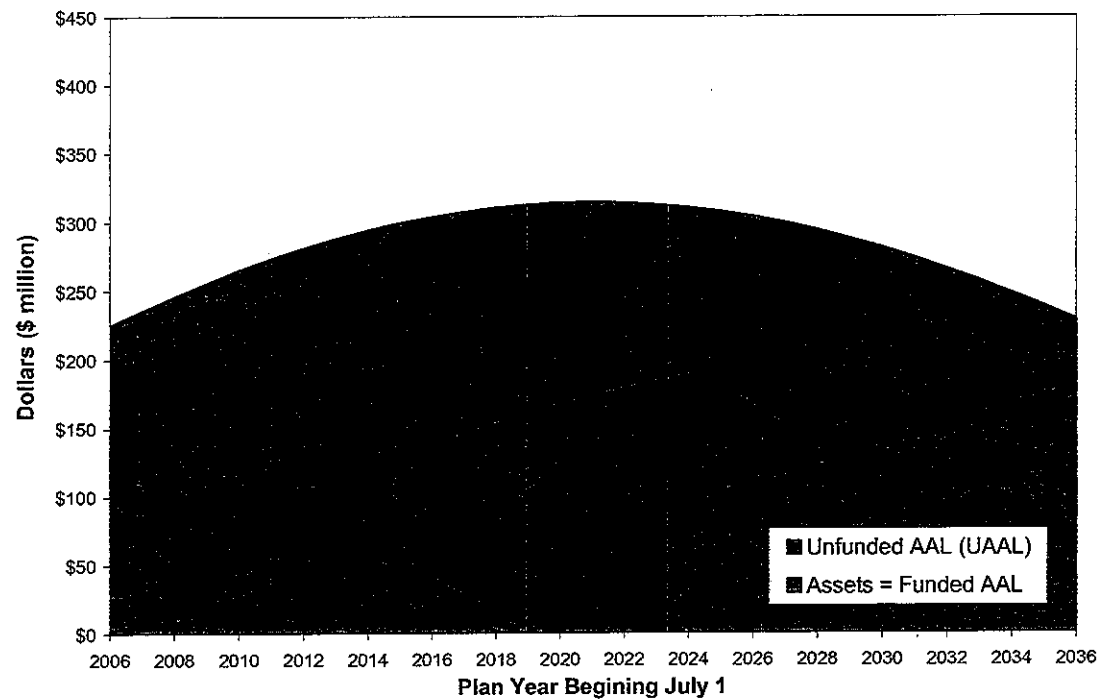
**ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
UNDER GASB 43/45**

AS OF JUNE 30, 2006

SECTION I VALUATION RESULTS

**EXHIBIT 1D(ii)(a): PROJECTED LIABILITY GRAPH
BASED ON 6.0% DISCOUNT RATE
AND CONTRIBUTION = ARC**

**Projected Actuarial Accrued Liability (AAL), Assets, and Unfunded AAL (UAAL)
Under Static 30-Year, Level Dollar Amortization Funding
With 6.0% Discount and Contribution = ARC**



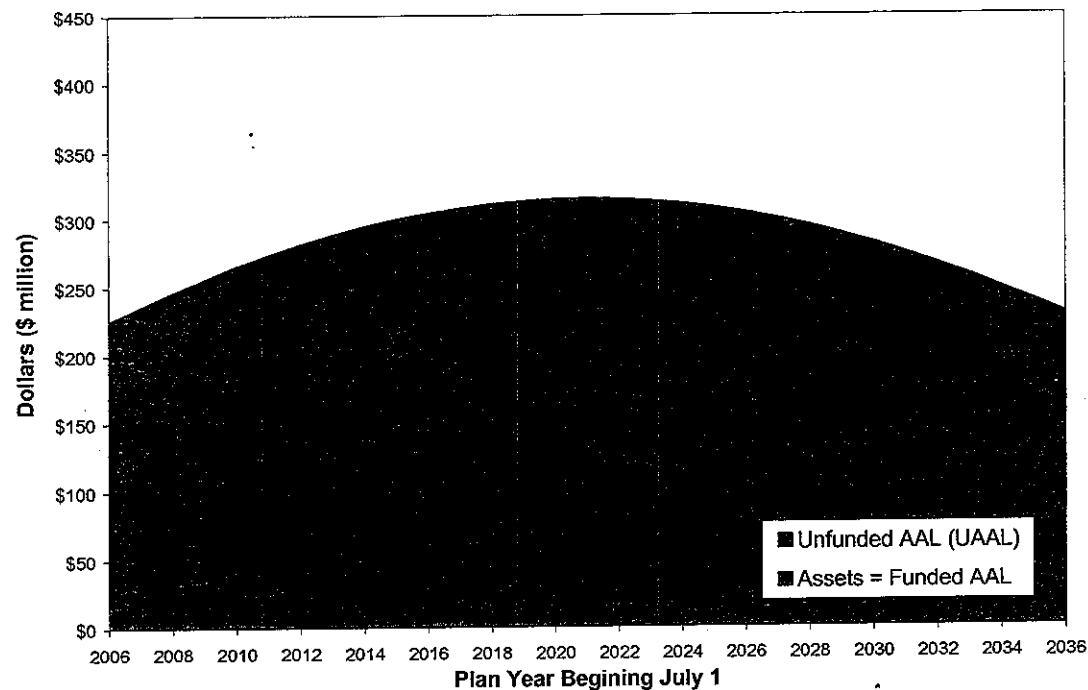
**ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
UNDER GASB 43/45**

AS OF JUNE 30, 2006

SECTION I VALUATION RESULTS

**EXHIBIT 1D(ii)(b): PROJECTED LIABILITY GRAPH
BASED ON 6.0% DISCOUNT RATE
AND CONTRIBUTION = CASH SUBSIDY PLUS \$1 MILLION**

**Projected Actuarial Accrued Liability (AAL), Assets, and Unfunded AAL (UAAL)
Under Static 30-Year, Level Dollar Amortization Funding
With 6.0% Discount and Contribution = Cash Subsidy plus \$1 Million**



**ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
UNDER GASB 43/45**

AS OF JUNE 30, 2006

SECTION I VALUATION RESULTS

**EXHIBIT 1E(i): PROJECTED LIABILITY TABLE
BASED ON 3.5% DISCOUNT RATE**

| Plan Year Beginning July 1, | Actuarial Accrued Liability (AAL) | | | | Virtual Assets With Contribution = ARC ¹ | | | Virtual Assets With Contribution = Cash Subsidy + \$1 Mill ² | | |
|-----------------------------------|-----------------------------------|-----------------------------|-------------------------------|---|--|---|--|--|---|--|
| | Benefit Payments | Normal Cost ³ | Interest Cost ⁴ | AAL ⁵ at Beginning of Year | Annual Contri- bution | Virtual Assets ⁶ at Beg. of Year | AAL less Virtual Assets ⁷ at Beg. of Year | Annual Contri- bution | Virtual Assets ⁶ at Beg. of Year | AAL less Virtual Assets ⁷ at Beg. of Year |
| 2006 | \$ 7,786,500 | \$ 9,916,100 | \$ 11,661,200 | \$ 335,136,700 | \$ 27,827,100 | \$ 27,785,500 | \$ 307,351,200 | \$ 8,639,800 | \$ 27,785,500 | \$ 307,351,200 |
| 2007 | 8,629,700 | 9,261,100 | 12,164,100 | 348,927,500 | 27,172,200 | 49,040,900 | 299,886,600 | 9,441,100 | 29,520,600 | 319,406,900 |
| 2008 | 9,474,300 | 8,840,100 | 12,552,800 | 361,723,000 | 26,751,100 | 69,562,200 | 292,160,800 | 10,243,600 | 31,319,900 | 330,403,100 |
| 2009 | 10,324,800 | 8,335,300 | 12,951,000 | 373,641,600 | 26,246,400 | 89,477,000 | 284,164,600 | 11,042,700 | 33,102,400 | 340,539,200 |
| 2010 | 11,235,800 | 7,716,200 | 13,272,500 | 384,603,100 | 25,627,300 | 108,714,500 | 275,888,600 | 11,904,700 | 34,899,400 | 349,703,700 |
| 2011 | 12,075,100 | 6,810,200 | 13,601,300 | 394,356,000 | 24,721,300 | 127,033,200 | 267,322,800 | 12,705,500 | 36,673,800 | 357,682,200 |
| 2012 | 12,965,700 | 6,181,900 | 13,885,300 | 402,692,400 | 24,093,000 | 144,235,100 | 258,457,300 | 13,532,400 | 38,488,900 | 364,203,500 |
| 2013 | 13,835,200 | 5,581,300 | 14,097,500 | 409,793,900 | 23,492,400 | 160,512,400 | 249,281,500 | 14,338,600 | 40,321,300 | 369,472,600 |
| 2014 | 14,670,100 | 4,959,500 | 14,318,900 | 415,637,500 | 22,870,600 | 175,853,000 | 239,784,500 | 15,105,700 | 42,142,600 | 373,494,900 |
| 2015 | 15,421,400 | 4,369,400 | 14,441,400 | 420,245,800 | 22,280,500 | 190,290,600 | 229,955,200 | 15,792,200 | 44,000,700 | 376,245,100 |
| 2016 | 16,162,400 | 3,917,900 | 14,518,300 | 423,635,200 | 21,829,000 | 203,853,400 | 219,781,800 | 16,479,900 | 45,842,500 | 377,792,700 |
| 2017 | 16,895,200 | 3,476,200 | 14,601,300 | 425,909,000 | 21,387,300 | 216,656,700 | 209,252,300 | 17,123,400 | 47,673,500 | 378,235,500 |
| 2018 | 17,569,300 | 2,899,300 | 14,635,800 | 427,091,300 | 20,810,300 | 228,737,000 | 198,354,300 | 17,745,500 | 49,501,600 | 377,589,700 |
| 2019 | 18,280,200 | 2,485,100 | 14,606,000 | 427,057,100 | 20,396,100 | 239,982,200 | 187,074,900 | 18,362,900 | 51,355,600 | 375,701,500 |
| 2020 | 18,994,500 | 1,930,800 | 14,571,900 | 425,868,000 | 19,841,900 | 250,467,300 | 175,400,700 | 18,991,700 | 53,170,300 | 372,697,700 |

¹ Here we have assumed a contribution equal to the GASB 43/45 Annual Required Contribution (ARC), which equals Normal Cost plus an amortization of the UAAL. For this projection we have used a "static 30-year" level dollar amortization (i.e., the initial \$17,911,100 is used in every year), whereas actual future valuation will use a "rolling 30-year" (recalculating the amortization amount based on that year's new UAAL).

² The District's current funding policy.

³ Normal Cost is the annual increase in AAL due to the additional year of service earned by active participants.

⁴ Interest Cost is approximately a full year of interest on AAL and Normal Cost, less a half-year of interest on Benefit Payments.

⁵ AAL plus Interest Cost plus Normal Cost minus Benefit Payments equals the next year's AAL.

⁶ Assets plus Contribution (with a year's interest on both) less Benefit Payments (with a half-year's interest) equal the next year's Assets.

⁷ Since the ARC is always calculated without regard to any virtual assets, such assets with ARC deposits will eventually grow to exceed the projected AAL (hence the negative entries here beginning in Year 2032/2033).

**ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
UNDER GASB 43/45**

AS OF JUNE 30, 2006

SECTION I VALUATION RESULTS

**EXHIBIT 1E(i): PROJECTED LIABILITY TABLE
BASED ON 3.5% DISCOUNT RATE (CONTINUED)**

| Plan Year Beginning July 1, | Actuarial Accrued Liability (AAL) | | | | Virtual Assets With Contribution = ARC ¹ | | | Virtual Assets With Contribution = Cash Subsidy + \$1 Mill ² | | |
|-----------------------------------|-----------------------------------|-----------------------------|-------------------------------|---|--|---|--|--|---|--|
| | Benefit Payments | Normal Cost ³ | Interest Cost ⁴ | AAL ⁵ at Beginning of Year | Annual Contri- bution | Virtual Assets ⁶ at Beg. of Year | AAL less Virtual Assets ⁷ at Beg. of Year | Annual Contri- bution | Virtual Assets ⁶ at Beg. of Year | AAL less Virtual Assets ⁷ at Beg. of Year |
| 2021 | \$ 19,656,300 | \$ 1,614,000 | \$ 14,466,000 | \$ 423,376,200 | \$ 19,525,100 | \$ 260,058,300 | \$ 163,317,900 | \$ 19,592,300 | \$ 54,991,000 | \$ 368,385,200 |
| 2022 | 20,239,800 | 1,322,300 | 14,327,800 | 419,799,900 | 19,233,400 | 268,987,700 | 150,812,200 | 20,094,500 | 56,811,400 | 362,988,500 |
| 2023 | 20,802,000 | 1,124,800 | 14,146,700 | 415,210,200 | 19,035,900 | 277,341,400 | 137,868,800 | 20,603,600 | 58,614,900 | 356,595,300 |
| 2024 | 21,334,000 | 903,100 | 13,946,800 | 409,679,700 | 18,814,100 | 285,207,400 | 124,472,300 | 21,047,900 | 60,420,400 | 349,259,300 |
| 2025 | 21,922,200 | 703,700 | 13,719,000 | 403,195,600 | 18,614,800 | 292,588,600 | 110,607,000 | 21,560,600 | 62,206,500 | 340,989,100 |
| 2026 | 22,458,000 | 523,800 | 13,460,100 | 395,696,100 | 18,434,900 | 299,439,600 | 96,256,500 | 22,028,100 | 63,991,200 | 331,704,900 |
| 2027 | 22,938,000 | 346,200 | 13,148,500 | 387,222,000 | 18,257,200 | 305,818,400 | 81,403,600 | 22,423,500 | 65,784,800 | 321,437,200 |
| 2028 | 23,245,100 | 214,200 | 12,822,500 | 377,778,700 | 18,125,300 | 311,747,800 | 66,030,900 | 22,682,400 | 67,551,600 | 310,227,100 |
| 2029 | 23,513,700 | 170,500 | 12,455,900 | 367,570,300 | 18,081,600 | 317,450,100 | 50,120,200 | 22,894,700 | 69,343,300 | 298,227,000 |
| 2030 | 23,695,100 | 69,900 | 12,070,200 | 356,683,000 | 17,981,000 | 323,030,500 | 33,652,500 | 23,051,300 | 71,136,400 | 285,546,600 |
| 2031 | 23,828,900 | 13,800 | 11,666,300 | 345,128,000 | 17,924,900 | 328,519,400 | 16,608,600 | 23,168,100 | 72,967,500 | 272,160,500 |
| 2032 | 23,910,500 | 8,000 | 11,239,500 | 332,979,200 | 17,919,100 | 334,011,200 | (1,032,000) | 23,212,800 | 74,849,000 | 258,130,200 |
| 2033 | 23,895,200 | 200 | 10,796,500 | 320,316,200 | 17,911,300 | 339,606,100 | (19,289,900) | 23,179,600 | 76,758,800 | 243,557,400 |
| 2034 | 23,723,600 | 0 | 10,341,100 | 307,217,700 | 17,911,100 | 345,404,600 | (38,186,900) | 23,011,300 | 78,717,400 | 228,500,300 |
| 2035 | 23,527,700 | 0 | 9,876,000 | 293,835,200 | 17,911,100 | 351,580,500 | (57,745,300) | 22,820,600 | 80,747,900 | 213,087,300 |

¹ Here we have assumed a contribution equal to the GASB 43/45 Annual Required Contribution (ARC), which equals Normal Cost plus an amortization of the UAAL. For this projection we have used a "static 30-year" level dollar amortization (i.e., the initial \$17,911,100 is used in every year), whereas actual future valuation will use a "rolling 30-year" (recalculating the amortization amount based on that year's new UAAL).

² The District's current funding policy.

³ Normal Cost is the annual increase in AAL due to the additional year of service earned by active participants.

⁴ Interest Cost is approximately a full year of interest on AAL and Normal Cost, less a half-year of interest on Benefit Payments.

⁵ AAL plus Interest Cost plus Normal Cost minus Benefit Payments equals the next year's AAL.

⁶ Assets plus Contribution (with a year's interest on both) less Benefit Payments (with a half-year's interest) equal the next year's Assets.

⁷ Since the ARC is always calculated without regard to any virtual assets, such assets with ARC deposits will eventually grow to exceed the projected AAL (hence the negative entries here beginning in Year 2032/2033).

**ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
UNDER GASB 43/45**

AS OF JUNE 30, 2006

SECTION I VALUATION RESULTS

**EXHIBIT 1E(ii): PROJECTED LIABILITY TABLE
BASED ON 6.0% DISCOUNT RATE**

| Plan Year Beginning July 1, | Actuarial Accrued Liability (AAL) | | | | Assets and Unfunded Liability (UAAL) With Contribution = ARC ¹ | | | Assets and Unfunded Liability (UAAL) With Contribution = Cash Subsidy + \$1 Mill ² | | |
|-----------------------------------|-----------------------------------|-----------------------------|-------------------------------|---|--|--|--|--|--|--|
| | Benefit Payments | Normal Cost ³ | Interest Cost ⁴ | AAL ⁵ at Beginning of Year | Annual Contri- bution | Assets ⁶ at Beginning of Year | UAAL ⁷ at Beginning of Year | Annual Contri- bution | Assets ⁶ at Beginning of Year | UAAL ⁷ at Beginning of Year |
| 2006 | \$ 7,786,500 | \$ 5,218,600 | \$ 13,362,400 | \$ 225,080,500 | \$ 19,140,300 | \$ 27,785,500 | \$ 197,295,000 | \$ 8,639,800 | \$ 27,785,500 | \$ 197,295,000 |
| 2007 | 8,629,700 | 4,884,100 | 14,004,100 | 235,875,000 | 18,805,800 | 41,075,500 | 194,799,500 | 9,441,100 | 30,264,600 | 205,610,400 |
| 2008 | 9,474,300 | 4,701,100 | 14,567,600 | 246,133,500 | 18,622,800 | 53,979,300 | 192,154,200 | 10,243,600 | 32,878,200 | 213,255,300 |
| 2009 | 10,324,800 | 4,466,800 | 15,124,400 | 255,927,900 | 18,388,500 | 66,577,700 | 189,350,200 | 11,042,700 | 35,583,600 | 220,344,300 |
| 2010 | 11,235,800 | 4,151,100 | 15,623,600 | 265,194,300 | 18,072,800 | 78,816,400 | 186,377,900 | 11,904,700 | 38,399,700 | 226,794,600 |
| 2011 | 12,075,100 | 3,653,000 | 16,107,900 | 273,733,200 | 17,574,700 | 90,505,900 | 183,227,300 | 12,705,500 | 41,313,700 | 232,419,500 |
| 2012 | 12,965,700 | 3,327,400 | 16,545,000 | 281,419,000 | 17,249,100 | 101,531,300 | 179,887,700 | 13,532,400 | 44,374,400 | 237,044,600 |
| 2013 | 13,835,200 | 3,018,100 | 16,916,400 | 288,325,700 | 16,939,800 | 111,978,000 | 176,347,700 | 14,338,600 | 47,565,100 | 240,760,600 |
| 2014 | 14,670,100 | 2,681,800 | 17,274,600 | 294,425,000 | 16,603,500 | 121,829,800 | 172,595,200 | 15,105,700 | 50,873,900 | 243,551,100 |
| 2015 | 15,421,400 | 2,358,600 | 17,550,600 | 299,711,300 | 16,280,300 | 131,093,600 | 168,617,700 | 15,792,200 | 54,338,200 | 245,373,100 |
| 2016 | 16,162,400 | 2,122,000 | 17,779,400 | 304,199,100 | 16,043,700 | 139,797,600 | 164,401,500 | 16,479,900 | 57,934,400 | 246,264,700 |
| 2017 | 16,895,200 | 1,894,000 | 17,989,600 | 307,938,100 | 15,815,700 | 148,005,800 | 159,932,300 | 17,123,400 | 61,679,800 | 246,258,300 |
| 2018 | 17,569,300 | 1,579,500 | 18,148,600 | 310,926,500 | 15,501,200 | 155,731,500 | 155,195,000 | 17,745,500 | 65,572,400 | 245,354,100 |
| 2019 | 18,280,200 | 1,359,700 | 18,245,400 | 313,085,300 | 15,281,400 | 162,911,900 | 150,173,400 | 18,362,900 | 69,653,900 | 243,431,400 |
| 2020 | 18,994,500 | 1,053,300 | 18,312,200 | 314,410,200 | 14,975,000 | 169,559,700 | 144,850,500 | 18,991,700 | 73,878,800 | 240,531,400 |

¹ Here we have assumed a contribution equal to the GASB 43/45 Annual Required Contribution (ARC), which equals Normal Cost plus an amortization of the UAAL. For this projection we have used a "static 30-year" level dollar amortization (i.e., the initial \$13,921,700 is used in every year), whereas actual future valuation will use a "rolling 30-year" (recalculating the amortization amount based on that year's new UAAL).

² The District's current funding policy.

³ Normal Cost is the annual increase in AAL due to the additional year of service earned by active participants.

⁴ Interest Cost is approximately a full year of interest on AAL and Normal Cost, less a half-year of interest on Benefit Payments.

⁵ AAL plus Interest Cost plus Normal Cost minus Benefit Payments equals the next year's AAL.

⁶ Assets plus Contribution (with a year's interest on both) less Benefit Payments (with a half-year's interest) equal the next year's Assets.

⁷ UAAL equals the excess of AAL over assets.

**ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
UNDER GASB 43/45**

AS OF JUNE 30, 2006

SECTION I VALUATION RESULTS

**EXHIBIT 1E(ii): PROJECTED LIABILITY TABLE
BASED ON 6.0% DISCOUNT RATE (CONTINUED)**

| Plan Year Beginning July 1, | Actuarial Accrued Liability (AAL) | | | | Assets and Unfunded Liability (UAAL) With Contribution = ARC | | | Assets and Unfunded Liability (UAAL) With Contribution = Cash Subsidy + \$1 Mill ² | | |
|-----------------------------------|-----------------------------------|-----------------------------|-------------------------------|---|---|--|--|--|--|--|
| | Benefit Payments | Normal Cost ³ | Interest Cost ⁴ | AAL ⁵ at Beginning of Year | Annual Contri- bution | Assets ⁶ at Beginning of Year | UAAL ⁷ at Beginning of Year | Annual Contri- bution | Assets ⁶ at Beginning of Year | UAAL ⁷ at Beginning of Year |
| 2021 | \$ 19,656,300 | \$ 883,900 | \$ 18,308,700 | \$ 314,781,200 | \$ 14,805,600 | \$ 175,572,900 | \$ 139,208,300 | \$ 19,592,300 | \$ 78,286,600 | \$ 236,494,600 |
| 2022 | 20,239,800 | 726,400 | 18,260,500 | 314,317,500 | 14,648,100 | 181,090,000 | 133,227,500 | 20,094,500 | 82,894,700 | 231,422,800 |
| 2023 | 20,802,000 | 624,100 | 18,161,300 | 313,064,600 | 14,545,800 | 186,176,700 | 126,887,900 | 20,603,600 | 87,697,100 | 225,367,500 |
| 2024 | 21,334,000 | 504,600 | 18,024,800 | 311,048,000 | 14,426,300 | 190,880,100 | 120,167,900 | 21,047,900 | 92,728,700 | 218,319,300 |
| 2025 | 21,922,200 | 395,300 | 17,843,500 | 308,243,400 | 14,317,000 | 195,198,700 | 113,044,700 | 21,560,600 | 97,975,500 | 210,267,900 |
| 2026 | 22,458,000 | 296,100 | 17,613,400 | 304,560,000 | 14,217,800 | 199,065,900 | 105,494,100 | 22,028,100 | 103,467,100 | 201,092,900 |
| 2027 | 22,938,000 | 195,800 | 17,321,400 | 300,011,500 | 14,117,500 | 202,521,000 | 97,490,500 | 22,423,500 | 109,227,500 | 190,784,000 |
| 2028 | 23,245,100 | 122,000 | 16,991,700 | 294,590,700 | 14,043,700 | 205,584,000 | 89,006,700 | 22,682,400 | 115,244,400 | 179,346,300 |
| 2029 | 23,513,700 | 98,600 | 16,612,900 | 288,459,300 | 14,020,300 | 208,445,500 | 80,013,800 | 22,894,700 | 121,579,600 | 166,879,700 |
| 2030 | 23,695,100 | 40,200 | 16,197,800 | 281,657,100 | 13,961,900 | 211,175,800 | 70,481,300 | 23,051,300 | 128,234,700 | 153,422,400 |
| 2031 | 23,828,900 | 8,100 | 15,747,700 | 274,200,000 | 13,929,800 | 213,823,100 | 60,376,900 | 23,168,100 | 135,263,700 | 138,936,300 |
| 2032 | 23,910,500 | 4,800 | 15,260,800 | 266,126,900 | 13,926,500 | 216,460,600 | 49,666,300 | 23,212,800 | 142,699,100 | 123,427,800 |
| 2033 | 23,895,200 | 100 | 14,742,600 | 257,482,000 | 13,921,800 | 219,169,000 | 38,313,000 | 23,179,600 | 150,542,700 | 106,939,300 |
| 2034 | 23,723,600 | 0 | 14,198,500 | 248,329,500 | 13,921,700 | 222,051,000 | 26,278,500 | 23,011,300 | 158,838,500 | 89,491,000 |
| 2035 | 23,527,700 | 0 | 13,632,700 | 238,804,400 | 13,921,700 | 225,282,400 | 13,522,000 | 22,820,600 | 167,635,600 | 71,168,800 |

¹ Here we have assumed a contribution equal to the GASB 43/45 Annual Required Contribution (ARC), which equals Normal Cost plus an amortization of the UAAL. For this projection we have used a "static 30-year" level dollar amortization (i.e., the initial \$13,921,700 is used in every year), whereas actual future valuation will use a "rolling 30-year" (recalculating the amortization amount based on that year's new UAAL).

² The District's current funding policy.

³ Normal Cost is the annual increase in AAL due to the additional year of service earned by active participants.

⁴ Interest Cost is approximately a full year of interest on AAL and Normal Cost, less a half-year of interest on Benefit Payments.

⁵ AAL plus Interest Cost plus Normal Cost minus Benefit Payments equals the next year's AAL.

⁶ Assets plus Contribution (with a year's interest on both) less Benefit Payments (with a half-year's interest) equal the next year's Assets.

⁷ UAAL equals the excess of AAL over assets.

**ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
UNDER GASB 43/45**

AS OF JUNE 30, 2006

**SECTION II ACTUARIAL ASSUMPTIONS AND METHODS
GENERAL INFORMATION**

The Actuarial Accrued Liability (AAL) is equal to that portion of the Actuarial Present Value of Benefits deemed to have been earned to date, calculated using the Projected Unit Credit actuarial cost method. For active employees who have not yet attained full eligibility for postretirement benefits, this method assigns a proration based on service to date compared with service at the earliest date of full eligibility for benefits. For the amortizations of Unfunded AAL and Net OPEB Obligation we used the "level dollar" method over a static 30 years.

The AAL resulting from our calculations and shown in this report are contingent upon a variety of assumptions about future events. We have grouped our valuation assumptions into the three exhibits described below. Note that actual experience is likely to vary from these assumptions.

- Exhibit 2A: Demographic Assumptions – Mortality, turnover, disability, retirement, and other items that affect the number of people eligible to receive future retiree benefits and the type of coverage elected.
- Exhibit 2B: Economic Assumptions – Rates of discount, compensation increase (if applicable), self-pay increase (if applicable), and health care trend.

- Exhibit 2C: Per-Capita Cost Assumptions – Current benefit costs and expenses as determined by historical experience and by future expectations for the Plan.

The Certificated mortality, turnover, disability, and retirement tables in *Exhibit 2A* are from the June 30, 2003 CalSTRS pension valuation and are based on a study of experience for the four years ending June 30, 2003. The corresponding Classified tables are from the June 30, 2005 CalPERS pension valuation and are based on a study of "non-industrial school employee" experience for the four years ending June 30, 2005. For each 10,000 active male Certificated participants age 40, we expect that in the next year 206 will terminate employment with no benefits, 9 will die, and 8 will become disabled. Likewise, for each 10,000 active male Classified participants age 40, we expect that in the next year 661 will terminate employment with no benefits, 8 will die, and 14 will become disabled. Upon attainment of the minimum age and service for benefits, turnover rates cut out and retirement rates begin. A sample of retirement rates is shown in *Exhibit 2A*, as split by service years for Certificated and by entry age for Classified. The participation and dependent assumptions at the end of *Exhibit 2A* are based on our study of the choices made by current retirees.

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**SECTION II ACTUARIAL ASSUMPTIONS AND METHODS
GENERAL INFORMATION (CONTINUED)**

The discount rate at the beginning of *Exhibit 2B* is the expected long-term rate of return on District assets. No compensation increase rate is needed unless the amortizations of Unfunded AAL and Net OPEB Obligation use the "level percent of pay" method. The remainder of the exhibit describes the anticipated future annual increases in per-capita benefit costs and operating expenses. The 2006 trend rates begin at various levels based on anticipated renewal increases in the short-term, then are graded down each year until they reach an ultimate rate of between 5% and 6% (reflecting the expected long-term trend for the medical Consumer Price Index) by the year 2015/2016.

In *Exhibit 2C* we have set the "net claims relative value factor" for ages 55 to 59 at a value of 1.000. The factors at all other ages are expressed relative to that base value factor. For example, the Health Net medical factor at ages 60 to 64 is 1.150, which means that expected costs at those ages are 15.0% higher than expected costs for ages 55 to 59. The "net claim multiplier" is then the annual per-capita cost or expense in Plan Year 2006/2007 (*i.e.*, prior to the application of the trend rates detailed in *Exhibit 2B*) at the base age range of 55 to 59. In calculating this, we have considered the per-capita premium history and the demographics of the active and retiree groups. Dependent children costs were included with the adult figures.

**ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
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**SECTION II ACTUARIAL ASSUMPTIONS AND METHODS
EXHIBIT 2A: DEMOGRAPHIC ASSUMPTIONS**

MORTALITY: Rates are from the June 30, 2003 pension valuation for CalSTRS (Certificated) and the June 30, 2005 valuation for CalPERS (Classified)¹. Note that for Certificated, the active rates are equal to retired rates with a two-year setback. Sample rates are as follows:

| AGE | CERTIFICATED | | | | | | CLASSIFIED | | | | | |
|-----|--------------|----------------|--------------|----------------|-----------------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|
| | ACTIVE | | RETIRED | | DISABLED ² | | ACTIVE | | RETIRED | | DISABLED | |
| | MALE RATE | FEMALE RATE | MALE RATE | FEMALE RATE | MALE RATE | FEMALE RATE | MALE RATE | FEMALE RATE | MALE RATE | FEMALE RATE | MALE RATE | FEMALE RATE |
| 20 | 0.03% | 0.02% | 0.04% | 0.03% | 2.50% | 2.20% | 0.02% | 0.01% | 0.05% | 0.03% | 0.73% | 0.52% |
| 30 | 0.07 | 0.03 | 0.07 | 0.03 | 2.50 | 2.20 | 0.04 | 0.02 | 0.08 | 0.03 | 0.77 | 0.58 |
| 40 | 0.09 | 0.05 | 0.09 | 0.06 | 2.50 | 2.20 | 0.08 | 0.05 | 0.10 | 0.07 | 0.87 | 0.64 |
| 50 | 0.16 | 0.10 | 0.19 | 0.12 | 2.50 | 2.20 | 0.16 | 0.10 | 0.25 | 0.14 | 1.46 | 1.13 |
| 60 | 0.44 | 0.26 | 0.56 | 0.34 | 2.50 | 2.20 | 0.31 | 0.23 | 0.72 | 0.44 | 2.87 | 1.88 |
| 70 | 1.45 | 0.97 | 1.80 | 1.18 | 2.85 | 2.20 | 0.63 | 0.50 | 2.14 | 1.28 | 4.67 | 3.02 |
| 80 | 4.09 | 2.90 | 5.02 | 3.78 | 7.55 | 4.39 | 1.28 | 1.11 | 6.26 | 3.88 | 9.48 | 6.51 |

¹ Classified rates are for non-industrial school employees.

² Certificated mortality rates for the first three years of disablement for males are 11.4%, 7.7%, and 6.2%, and for females are 6.0%, 3.8%, and 3.0% for all ages.

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**SECTION II ACTUARIAL ASSUMPTIONS AND METHODS
EXHIBIT 2A: DEMOGRAPHIC ASSUMPTIONS (CONTINUED)**

TURNOVER: Rates are from the June 30, 2003 pension valuation for CalSTRS (Certificated) and the June 30, 2005 valuation for CalPERS (Classified)¹, except that we used an average of the select and ultimate periods (with weights equal to the current number of actives in each service year). Sample rates are as follows:

| AGE | CERTIFICATED | | CLASSIFIED | |
|-----|--------------|----------------|--------------|----------------|
| | MALE RATE | FEMALE RATE | MALE RATE | FEMALE RATE |
| 20 | 2.06% | 2.68% | 5.37% | 5.37% |
| 30 | 2.06 | 2.68 | 7.02 | 7.02 |
| 40 | 2.06 | 2.21 | 6.61 | 6.61 |
| 50 | 2.08 | 2.03 | 3.40 | 3.40 |
| 60 | 2.09 | 2.03 | 2.38 | 2.38 |

DISABILITY: Rates are from the June 30, 2003 pension valuation for CalSTRS (Certificated) and the June 30, 2005 valuation for CalPERS (Classified)¹, except that for Certificated participants we used only the "Coverage A" rates. Sample rates are as follows:

| AGE | CERTIFICATED | | CLASSIFIED | |
|-----|--------------|----------------|--------------|----------------|
| | MALE RATE | FEMALE RATE | MALE RATE | FEMALE RATE |
| 20 | 0.02% | 0.02% | 0.00% | 0.00% |
| 30 | 0.03 | 0.03 | 0.04 | 0.03 |
| 40 | 0.08 | 0.09 | 0.14 | 0.10 |
| 50 | 0.16 | 0.22 | 0.50 | 0.30 |
| 60 | 0.25 | 0.28 | 0.71 | 0.37 |

¹ Classified rates are for non-industrial school employees.

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**SECTION II ACTUARIAL ASSUMPTIONS AND METHODS
EXHIBIT 2A: DEMOGRAPHIC ASSUMPTIONS (CONTINUED)**

RETIREMENT: Rates are from the June 30, 2003 pension valuation for CalSTRS (Certificated) and the June 30, 2005 valuation for CalPERS (Classified)¹, except that for Classified participants we averaged the rates within ten-year brackets of entry age. Complete rates for ages 55 to 65 and sample rates thereafter are as follows:

| AGE | CERTIFICATED | | | | CLASSIFIED | | | | |
|-----|----------------------------------|----------------|--------------------------------|----------------|----------------------|----------------------|----------------------|----------------------|------------------|
| | LESS THAN 30 YEARS OF SERVICE | | 30 OR MORE YEARS OF SERVICE | | | | | | |
| | MALE RATE | FEMALE RATE | MALE RATE | FEMALE RATE | ENTRY AGE 20 – 29 | ENTRY AGE 30 – 39 | ENTRY AGE 40 – 49 | ENTRY AGE 50 – 59 | ENTRY AGE 60+ |
| 55 | 3.0% | 5.0% | 6.0% | 8.0% | 8.0% | 6.5% | 4.0% | 2.0% | 0.0% |
| 56 | 2.0 | 3.5 | 6.0 | 8.0 | 7.0 | 5.5 | 3.5 | 1.5 | 0.0 |
| 57 | 2.0 | 3.5 | 6.0 | 10.0 | 7.5 | 6.0 | 4.0 | 2.0 | 0.0 |
| 58 | 3.0 | 4.5 | 12.0 | 15.0 | 9.5 | 7.0 | 5.0 | 2.5 | 0.0 |
| 59 | 5.0 | 6.0 | 16.0 | 18.0 | 11.0 | 8.5 | 6.0 | 3.0 | 0.0 |
| 60 | 7.0 | 10.0 | 25.0 | 30.0 | 17.5 | 13.5 | 10.5 | 5.5 | 0.0 |
| 61 | 7.0 | 10.0 | 40.0 | 35.0 | 18.0 | 14.0 | 10.5 | 6.0 | 0.0 |
| 62 | 9.0 | 12.0 | 35.0 | 32.0 | 38.5 | 29.5 | 23.0 | 13.0 | 0.0 |
| 63 | 13.0 | 18.0 | 27.0 | 30.0 | 35.0 | 27.0 | 21.5 | 12.5 | 0.0 |
| 64 | 12.0 | 15.0 | 27.0 | 27.0 | 27.5 | 21.5 | 17.0 | 10.0 | 0.0 |
| 65 | 14.0 | 16.0 | 27.0 | 27.0 | 47.0 | 38.0 | 30.0 | 18.5 | 9.0 |
| 70 | 100.0 | 100.0 | 100.0 | 100.0 | 41.0 | 32.0 | 24.5 | 18.5 | 10.0 |
| 75 | 100.0 | 100.0 | 100.0 | 100.0 | 71.5 | 28.5 | 23.0 | 18.0 | 10.5 |
| 80+ | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

¹ Classified rates are for non-industrial school employees.

**ACTUARIAL VALUATION OF
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**SECTION II ACTUARIAL ASSUMPTIONS AND METHODS
EXHIBIT 2A: DEMOGRAPHIC ASSUMPTIONS (CONTINUED)**

| Hire Date | Retirement Conditions (in addition to receipt of CalSTRS/PERS pension) | Age and Disability Status ¹ | District Subsidy of Medical/Dental Premiums | | Assumed Future Retiree Participation Rates | | | Assumed Future Retiree Covered Spouse Rates ² | |
|---|--|--|---|--------|---|------|--------|---|--------|
| | | | Retiree | Spouse | Medical ³ | Cash | Dental | Male | Female |
| Prior to July 1, 1984 | Service of at least 10 years (or disabled with at least 5 years) | any | 100% | 100% | 94% | 6% | 100% | 75% | 45% |
| Within July 1, 1984 to June 30, 2005 | Age/service points of at least 80 (or disabled with at least 15 years) | any | 100% | 50% | 92% | 8% | 100% | 70% | 40% |
| | Age/service points of 70 to 79 (or disabled with 10 to 14 years) | any | 50% | 25% | 90% | 10% | 100% | 60% | 30% |
| On or after July 1, 2005 | Age/service points of at least 80 (or disabled with at least 15 years) | Under age 65 | 100% | 50% | 90% | 10% | 100% | 50% | 25% |
| | | Age 65+ or disabled | 50% | 0% | 90% | 10% | 100% | 50% | 25% |
| | Age/service points of 70 to 79 (or disabled with 10 to 14 years) | Under age 65 | 50% | 25% | 85% | 15% | 100% | 45% | 25% |
| | | Age 65+ or disabled | 25% | 0% | 85% | 15% | 100% | 45% | 25% |

¹ We assumed that all current retirees under age 65 and all future retirees will be eligible for and enroll in Medicare Parts A and B upon attainment of age 65. For current retirees age 65 and over, Medicare status was based upon description codes provided on the census.

² For future retirees, husbands were assumed to be three years older than their wives (or two years in the case of a classified female retiree). Demographic data was available for spouses of current retirees.

³ Among future retirees electing medical coverage (versus cash-in-lieu), 70% were assumed to choose Kaiser, 25% Health Net, and 5% Health Net Elect. (These percentages closely reflect the current mix of retiree coverage in non-grandfathered medical plans.) It was assumed that Medicare Part B premiums were reimbursed only when medical coverage was elected.

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**SECTION II ACTUARIAL ASSUMPTIONS AND METHODS
EXHIBIT 2B: ECONOMIC ASSUMPTIONS**

DISCOUNT RATE: 3.50% per annum, if monies are not irrevocably dedicated for retiree benefits
6.00% per annum, if monies are irrevocably dedicated for retiree benefits

COMPENSATION INCREASE RATE: Not applicable

TREND RATES:¹

| PLAN YEAR BEG. JULY 1 | KAISER FOR UNDER AGE 65 | KAISER FOR AGE 65 & OVER | HEALTH NET | HEALTH NET ELECT | BLUE CROSS & KAISER COST | MEDICARE PART B REIMBURSEMENT | DENTAL | CASH-IN-LIEU |
|--------------------------|----------------------------|-----------------------------|---------------|---------------------|-----------------------------|----------------------------------|--------|--------------|
| 2006 | 8.0% | 10.0% | 11.0% | 10.0% | 23.0% | 13.5% | 7.0% | 9.5% |
| 2007 | 8.0 | 9.5 | 10.5 | 9.5 | 18.5 | 13.0 | 7.0 | 9.5 |
| 2008 | 7.5 | 9.0 | 10.0 | 9.0 | 14.0 | 12.0 | 6.5 | 9.0 |
| 2009 | 7.5 | 9.0 | 9.5 | 8.5 | 11.5 | 11.0 | 6.5 | 8.5 |
| 2010 | 7.0 | 8.5 | 9.0 | 8.0 | 9.5 | 10.0 | 6.0 | 8.0 |
| 2011 | 7.0 | 8.0 | 8.5 | 7.5 | 9.0 | 9.0 | 6.0 | 7.5 |
| 2012 | 6.5 | 7.5 | 8.0 | 7.0 | 8.0 | 8.0 | 5.5 | 7.0 |
| 2013 | 6.5 | 7.0 | 7.0 | 6.5 | 7.0 | 7.0 | 5.5 | 6.5 |
| 2014 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 5.0 | 6.0 |
| 2015+ | 5.5 | 5.5 | 5.5 | 5.5 | 5.5 | 5.0 | 5.0 | 5.5 |

¹ The trend shown for a particular year is the rate that must be applied to that year's cost to yield the next year's projected cost.

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**ACTUARIAL VALUATION OF
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**SECTION II ACTUARIAL ASSUMPTIONS AND METHODS
EXHIBIT 2C: PER-CAPITA COST ASSUMPTIONS**

NET CLAIMS MULTIPLIERS (*i.e.*, Plan Year 2006/2007 annual cost for relative value factor = 1.00)

| | KAISER | HEALTH NET | HEALTH NET ELECT | BLUE CROSS & KAISER COST | MEDICARE PART B REIMBURSEMENT | DENTAL | CASH-IN-LIEU FOR RETIREE ¹ | CASH-IN-LIEU FOR SPOUSE ¹ |
|--|---------|---------------|---------------------|-----------------------------|----------------------------------|--------|--|---|
| | \$7,804 | \$7,279 | \$8,225 | \$6,612 | \$1,134 | \$863 | \$4,157 | \$2,079 |

NET CLAIMS RELATIVE VALUE FACTORS

| AGE | KAISER | HEALTH NET | HEALTH NET ELECT | BLUE CROSS & KAISER COST | MEDICARE PART B REIMBURSEMENT : | DENTAL | CASH-IN-LIEU FOR RETIREE | CASH-IN-LIEU FOR SPOUSE |
|----------------------|--------------------|---------------|---------------------|-----------------------------|------------------------------------|--------|-----------------------------|----------------------------|
| Under 50 | 1.000 | 0.655 | 0.655 | 0.000 | 0.000 | 1.000 | 1.000 | 1.000 |
| 50 - 54 | 1.000 | 0.800 | 0.800 | 0.000 | 0.000 | 1.000 | 1.000 | 1.000 |
| 55 - 59 | 1.000 | 1.000 | 1.000 | 0.000 | 0.000 | 1.000 | 1.000 | 1.000 |
| 60 - 64 | 1.000 | 1.150 | 1.150 | 0.000 | 0.000 | 1.000 | 1.000 | 1.000 |
| 65 - 69 ² | 0.540 ³ | 1.780 | 1.295 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 |
| 70 - 74 | 0.540 ³ | 1.780 | 1.435 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 |
| 75 - 79 | 0.540 ³ | 1.780 | 1.590 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 |
| 80 and Over | 0.540 ³ | 1.780 | 1.865 | 0.990 | 1.000 | 1.000 | 1.000 | 1.000 |

¹ The cash-in-lieu multipliers shown above are only for those hired on or after July 1, 1984: the Kaiser single rate for retirees, and the excess of 75% of the Kaiser two-party rate over the Kaiser single rate for spouses. Retirees who were hired prior to July 1, 1984 have a multiplier of \$5,259 (the average single rate for Kaiser, Health Net, and Health Net Elect) and their spouses have a multiplier of \$5,508 (excess of the average two-party rate over the average single rate).

² The age 65 relative value factor is applied to all disabled participants under age 65.

³ For current retirees and spouses who were age 65 and over on the valuation date, we used a Kaiser relativity factor of 0.630.

**ACTUARIAL VALUATION OF
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AS OF JUNE 30, 2006

SECTION III SUMMARY OF PARTICIPANT DATA

DISTRIBUTION OF ACTIVE PARTICIPANTS BY AGE AT JUNE 30, 2006

| AGE GROUP | Certificated | Classified | All Actives |
|-----------------------|--------------|------------|-------------|
| Under 20 | 0 | 0 | 0 |
| 20 - 24 | 0 | 4 | 4 |
| 25 - 29 | 1 | 27 | 28 |
| 30 - 34 | 16 | 33 | 49 |
| 35 - 39 | 27 | 63 | 90 |
| 40 - 44 | 47 | 80 | 127 |
| 45 - 49 | 70 | 87 | 157 |
| 50 - 54 | 98 | 86 | 184 |
| 55 - 59 | 116 | 100 | 216 |
| 60 - 64 | 83 | 51 | 134 |
| 65 - 69 | 13 | 13 | 26 |
| 70 and Over | <u>8</u> | <u>2</u> | <u>10</u> |
| Total | 479 | 546 | 1,025 |
| Average Age | 53 | 48 | 50 |
| Average Service Years | 14.0 | 10.5 | 12.1 |

DISTRIBUTION OF CURRENT RECIPIENTS BY AGE AT JUNE 30, 2006

| AGE GROUP | RETIREEES ¹ | SPOUSES | TOTAL |
|----------------------|------------------------|----------|----------|
| Under 50 | 7 | 14 | 21 |
| 50 - 54 | 8 | 19 | 27 |
| 55 - 59 | 57 | 39 | 96 |
| 60 - 64 | 79 | 60 | 139 |
| 65 - 69 | 131 | 68 | 199 |
| 70 - 74 | 119 | 85 | 204 |
| 75 - 79 | 140 | 57 | 197 |
| 80 & Over | 170 | 58 | 228 |
| Unknown ² | <u>4</u> | <u>0</u> | <u>4</u> |
| Total | 715 | 400 | 1,115 |

¹ Includes surviving spouses of deceased retirees.

² There were two retirees and two survivors with no dates of birth. We assumed they were ages 77 and 72 respectively (the average known ages of retirees and survivors) as of June 30, 2006.

ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
UNDER GASB 43/45

AS OF JUNE 30, 2006

SECTION IV SUMMARY OF PRINCIPAL PLAN PROVISIONS

ELIGIBILITY AND COST-SHARING

Eligibility for retiree health benefits is based on age, service and eligibility for pension benefits under either the California State Teachers' Retirement System (CalSTRS) or California Public Employees' Retirement System (CalPERS). The eligibility provisions adopted for our calculations are as follows:

a. **Normal/Early Retirement:** To be eligible for retiree health benefits, participants must retire from active full-time or "percent of time"¹ status and be eligible for pension benefits from CalSTRS (which requires at least age 55 with 5 years of service, or at least age 50 with 30 years of service) or CalPERS (which requires at least age 50 with 5 years of service). The District and retirees share in the cost of health benefits in the following manner:

- For participants hired prior to July 1, 1984: The District pays 100% of the medical and dental premiums for the retiree and his/her dependents, so long as s/he was employed by the District for ten consecutive years prior to retirement.

- For participants hired on or after July 1, 1984 but prior to July 1, 2005:² If the participant retired under the Rule of 80, the District pays 100% of the retiree's medical/dental premiums and 50% for the dependents. Otherwise, if the participant retired under the Rule of 70, the District pays 50% of the retiree's medical/dental premiums and 25% for the dependents.
- For participants hired on or after July 1, 2005:² Retirees and dependents under age 65 have the same cost sharing as those hired July 1, 1984 through June 30, 2005. For retirees age 65 and over, the District pays 50% of medical/dental premiums if retired under the Rule of 80 or 25% if the Rule of 70. For dependents age 65 and over, the District pays no portion of premiums.

¹ CalPERS "percent of time" participants receive a corresponding percent of benefit for medical, dental and cash-in-lieu. For this valuation we assumed that all *percent of time* employees will convert to full-time status prior to retirement.

² Note that the medical subsidy percentages do not apply to Medicare Part B premiums, which are always reimbursed in full.

ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
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AS OF JUNE 30, 2006

SECTION IV SUMMARY OF PRINCIPAL PLAN PROVISIONS (CONTINUED)

b. **Disability Retirement:** To be eligible for disabled retiree health benefits, participants must retire from active full-time or "percent of time" status and be eligible for disabled pension benefits from CalSTRS or CalPERS (both of which require only 5 years of service). The District and retirees then share in the cost of health benefits in the following manner:

- For participants hired prior to July 1, 1984: The District pays 100% of the medical/dental premiums for the retiree and his/her dependents.
- For participants hired on or after July 1, 1984 but prior to July 1, 2005:¹ If the participant retired with at least 15 years of service, the District pays 100% of the retiree's medical/dental premiums and 50% for the dependents. Otherwise, if the participant retired with 10 to 14 years of service, the District pays 50% of the retiree's medical/dental premiums and 25% for the dependents. Participants with less than 10 years of service are not eligible for retiree health benefits.

- For participants hired on or after July 1, 2005:¹ Retirees and dependents under age 65 have the same cost sharing as those hired July 1, 1984 through June 30, 2005. For retirees age 65 and over, the District pays 50% of medical/dental premiums if retired with at least 15 years of service or 25% with 10 to 14 years of service. Participants with less than 10 years of service are not eligible for retiree health benefits. For dependents age 65 and over, the District pays no portion of premiums.

c. **Surviving Spouse/Dependent:** All survivors (of actives or retirees) continue to receive six months coverage, without self-pay, after the participant's death. After six months, the surviving spouse and/or dependents may remain in the retiree health program by paying the full premium for medical (available for lifetime) and COBRA rates for dental (for COBRA period only).

d. **Dependents:** To be eligible, a dependent must be a legal spouse or domestic partner as defined in the District's contracts with Local 1 and the United Faculty, or an unmarried child as defined in the contract with Kaiser (allowing up to age 24) or Health Net (allowing up to age 19, or up to age 25 if a full-time student or otherwise incapable of self-support due to mental or physical incapacity).

¹ CalPERS "percent of time" participants receive a corresponding percent of benefit for medical, dental and cash-in-lieu. For this valuation we assumed that all *percent of time* employees will convert to full-time status prior to retirement.

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SECTION IV SUMMARY OF PRINCIPAL PLAN PROVISIONS (CONTINUED)

MEDICAL Benefits for Non-Medicare Retired Participants¹

| | KAISER | HEALTH NET | HEALTH NET ELECT | |
|--|--|--|--|---|
| | | | TIER I | TIER II |
| Annual Out-of-Pocket Maximum (excl. deductible) | \$1,500 per individual, or \$3,000 per family. | \$1,500 per individual, or \$4,500 per family. | \$3,000 per individual, or \$6,000 per family. | \$3,000 per individual, or \$6,000 per family. |
| Hospital Room Services | \$100 copay per admission. | \$100 copay per admission. | \$100 copay per admission. | 20% copay. |
| X-Ray and Lab | No charge. | No charge. | No charge | 20% copay. |
| Office Visits | \$15 copay. | \$15 copay. | \$15 copay. | \$25 copay. |
| Skilled Nursing Facility | No charge for up to 100 days per calendar year. | \$100 copay for up to 100 days per calendar year. | \$100 copay for up to 60 days per calendar year. | 20% copay for up to 60 days per calendar year. |
| Home Health Care | No charge. | No charge for first 30 days, then \$15 copay per day thereafter. | \$15 copay for up to 100 days per calendar year. | \$25 copay for up to 100 days per calendar year. |
| Mental Health Care | Inpatient: \$100 copay per admission for up to 30 days per year. Outpatient: \$15 copay per visit for up to 20 visits / year. | Inpatient: No charge for up to 30 days per year. Outpatient: \$20 copay per visit for up to 20 visits per year, \$15 copay per group session with no limit on number of sessions. Provided through Managed Health Network (MHN). | | |
| Alcohol or Drug Dependency | Inpatient Detox: \$100 copay/ admission. Outpatient: \$15 copay with no visit limit. Transitional Residence Recovery: \$100 copay/admission for up to 60 days/ year. | Inpatient Detox: No charge for up to 30 days per year. Outpatient: \$20 (or \$10 for group session) copay per visit for up to 20 visits per year. | | |
| Prescription Drug (Outpatient) | Copays per 100-day supply: \$5 generic, \$15 brand, 50% for infertility and other. | \$5 copay - 30 day supply. \$15 copay - 90 day supply (mail order). | \$5 copay - 30 day supply. \$15 copay - 90 day supply (mail order). | \$5 copay - 30 day supply. \$15 copay - 90 day supply (mail order). |
| Emergency Room Benefits | \$50 copay per emergency room visit, waived if admitted. | \$50 copay per emergency room visit. | \$50 copay for facility. | \$75 copay for facility, 20% copay for professional per emergency room visit. |

¹ The District also offers a Flex Net option and several Kaiser out-of-area plans. Because enrollments in these plans are very low, we did not calculate separate per capita costs for these benefit options. Rather, enrollees in these plans were valued as participants in Health Net (for the Flex Net enrollee) or the local Kaiser plan (for Kaiser out-of-area enrollees).

**ACTUARIAL VALUATION OF
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AS OF JUNE 30, 2006

SECTION IV SUMMARY OF PRINCIPAL PLAN PROVISIONS (CONTINUED)

MEDICAL Benefits for Medicare Retired Participants¹

| | KAISER SENIOR ADVANTAGE | HEALTH NET | KAISER COST ² | BLUE CROSS ² |
|-------------------------------------|---|---|--|--|
| Annual Out-of-Pocket Maximum | \$1,500 per individual, or \$3,000 per family. | \$1,500 per individual, or \$4,500 per family. | \$1,500 per individual, or \$3,000 per family. | None. |
| Hospital Room Services | \$100 copay per admission. | \$100 copay per admission. | \$5 copay. | Pays Medicare coinsurance up to 90 days lifetime maximum. |
| X-Ray and Lab | No charge. | No charge. | No charge | Pays Medicare coinsurance. |
| Office Visits | \$15 copay. | \$5 copay. | \$5 copay | Pays Medicare coinsurance. |
| Skilled Nursing Facility | No charge for up to 100 days per calendar year. | No charge for up to 100 days per calendar year. | No charge for up to 100 days per calendar year. | Pays Medicare coinsurance. |
| Home Health Care | No charge. | No charge first 30 days, \$15 copay per day thereafter. | No charge. | Pays Medicare coinsurance. |
| Mental Health Care | Inpatient: \$100 copay per admission for up to 190 lifetime maximum days. Outpatient: \$15 copay with unlimited visits. | Inpatient: No charge for up to 30 days per year. Outpatient: \$20 copay per visit for up to 20 visits per year, \$5 copay per group session with no limit on number of sessions. Provided through Managed Health Network (MHN). | Inpatient: \$5 copay per admission for up to 30 days per year. Outpatient: \$5 copay per visit for up to 20 visits per year. | Pays Medicare coinsurance up to 190 days lifetime maximum. |

¹ The District also offers a Flex Net option and several Kaiser out-of-area plans. Because enrollments in these plans are very low, we did not calculate separate per capita costs for these benefit options. Rather, enrollees in these plans were valued as participants in Health Net (for the Flex Net enrollee) or the local Kaiser plan (for Kaiser out-of-area enrollees).

² Kaiser Cost and Blue Cross plans are closed to new enrollees.

**ACTUARIAL VALUATION OF
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AS OF JUNE 30, 2006

SECTION IV SUMMARY OF PRINCIPAL PLAN PROVISIONS (CONTINUED)

MEDICAL Benefits for Medicare Retired Participants¹ (Continued)

| | KAISER SENIOR ADVANTAGE | HEALTH NET | KAISER COST² | BLUE CROSS² |
|---------------------------------------|---|---|--|--|
| Alcohol or Drug Dependency | Inpatient Detox: \$100 copay per admission. Outpatient: No charge. Transitional Residence Recovery: \$100 copay per admission for up to 60 days per year. | Inpatient Detox: No charge for up to 30 days per year. Outpatient: \$20 (or \$10 for group session) copay per visit for up to 20 visits per year. | Inpatient Detox: No charge. Outpatient: \$5 copay per visit for up to 20 visits per year. Transitional Residence Recovery: \$100 copay per admission for up to 60 days per year. | Pays Medicare coinsurance. |
| Prescription Drug (Outpatient) | Copays per 100-day supply: \$5 generic, \$15 brand, 50% for infertility and other. | \$5 copay - 30 day supply. \$15 copay - 90 day supply (mail order). | \$5 copay per 100-day supply. | \$8 copay (mail order), 50% negotiated fee. |
| Emergency Room Benefits | \$50 copay per emergency room visit. | \$50 copay per emergency room visit. | \$35 copay per emergency room visit. | No charge. |

OTHER Benefits for Retired Participants

| | |
|--------------------------------------|---|
| Medicare Part B Reimbursement | So long as a medical plan is elected (versus cash-in-lieu), any Medicare Part B premiums will be reimbursed. |
| Cash-in-Lieu | For participants hired prior to July 1, 1984, the retiree cash-in-lieu amount is the average single rate (for Kaiser, Health Net, and Health Net Elect), and the spouse amount is the excess of the average two-party rate over the average single rate. For participants hired on or after July 1, 1984, the retiree amount is the Kaiser single rate and the spouse amount is the excess of 75% of the Kaiser two-party rate over the Kaiser single rate. |
| Dental | For Preventive and Basic services, Delta Dental covers 100% after three years of employment (or 70% to 90% within years one to three) up to \$2,000 per person per calendar year. Major and Orthodontic services are covered at 50% up to \$2,000 per lifetime (where separate maximums are applied for each service type). |

¹ The District also offers a Flex Net option and several Kaiser out-of-area plans. Because enrollments in these plans are very low, we did not calculate separate per capita costs for these benefit options. Rather, enrollees in these plans were valued as participants in Health Net (for the Flex Net enrollee) or the local Kaiser plan (for Kaiser out-of-area enrollees).

² Kaiser Cost and Blue Cross plans are closed to new enrollees.

**ACTUARIAL VALUATION OF
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SECTION V NOTES TO AUDITOR

1. Included in the calculation are the following participant groups:
 - Retirees and eligible spouses covered under the Contra Costa Community College District health plans; and
 - Full-time and "percent of time" active participants in the Contra Costa Community College District health plans.
2. We excluded part-time actives from our calculations because they have a very low incidence of becoming full-time (or percent of time) employees and therefore are unlikely to be eligible for retiree benefits in the future. In the event a part-time participant becomes a full-time (or percent of time) employee, a new liability will be calculated for him/her at such time.
3. In general, our calculations were based on our understanding of the Plan as provided in the collective bargaining agreements between the District and the United Faculty of Contra Costa Community College District, and between the District and Public Employees Union, Local 1. In areas where there were inconsistencies between the two agreements and/or between the agreement(s) and administrative practices, we relied on the District to provide the definitive plan provisions.
4. We used premium rate information provided by the District's consultant for our analysis of per-capita claims costs. Per-capita medical, Medicare Part B, and dental costs were based on the actual premiums for 2006/2007. For non-Medicare medical, actuarial factors were applied to the blended active/retiree premiums to estimate retiree-only costs within five-year age groups and to account for the implicit subsidy of the retirees by the actives. Cash-in-lieu benefits were based on formulas provided by the District (as described on page 29). There are no administrative expenses associated with this plan.
5. The District also offers a Flex Net option and several Kaiser out-of-area plans. Because enrollments in these plans are very low, we did not calculate separate per capita costs for these benefit options. Rather, enrollees in these plans were valued as participants in Health Net (for the Flex Net enrollee) or the local Kaiser plan (for Kaiser out-of-area enrollees).
6. Because the census did not indicate which actives are making payroll deductions for Medicare Part A, we assumed that all future retirees will be eligible for and enrolled in Medicare upon attainment of age 65. If in fact a future retiree were not eligible for Medicare,

**ACTUARIAL VALUATION OF
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SECTION V NOTES TO THE AUDITOR (CONTINUED)

then our assumption would understate the medical liability and overstate the Medicare Part B premium reimbursement liability.

7. We were not provided dates of birth for two retirees and two survivors. We assumed they were ages 77 and 76, respectively (the average known ages of retirees and survivors) as of June 30, 2006. For a member with unknown gender we assumed male, and for a spouse with unknown gender we assumed the opposite gender of their associated member.
8. For the few cases in which the census showed spouse coverage for a current retiree but not the spouses' dates of birth, we used the spouse age difference assumption employed for future retirees.
9. We categorized all CalSTRS participants as being Certificated and all CalPERS participants as being Classified for the Section I exhibits, although the census shows a few Classified members participating in CalSTRS and a few Certificated members in CalPERS.

10. Section IV and page 27 of this report show certain plan provisions for those hired before July 1, 1984. In practice, those provisions are applied to participants in a certain class-action lawsuit, which excludes a few hired prior to the named cutoff and includes a few hired after. For retirees, we were provided several years ago with a list of those in the lawsuit group. For actives, we based inclusion on their given hire date.
11. Per the District office, \$28 million of the District's general assets are currently designated as being for the payment of future retiree welfare benefits, but there are no legally irrevocable and dedicated retiree welfare assets.
12. We calculated a liability for the six months of coverage extended to future survivors of deceased retirees, but not for that of deceased actives as it was deemed to be de minimus.
13. The Plan's OPEB liability for other than postretirement welfare benefits (e.g., the COBRA liability) was determined to be de minimus.

**ACTUARIAL VALUATION OF
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SECTION V NOTES TO THE AUDITOR (CONTINUED)

14. The Plan has been approved under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 to receive a Retiree Drug Subsidy (RDS) beginning January 1, 2006. For the calendar year 2006 the RDS will equal 28% of Medicare-eligible participant's drug expenses between \$250 and \$5000. According to the GASB 43/45 guidelines such subsidy is to be reported as income rather than be used to directly offset claims expense in the development of prescription drug per-capita cost. Our calculations have followed those guidelines.
15. We are not aware of any significant events subsequent to the valuation date that could materially affect the results presented.

**ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
UNDER GASB 43/45**

AS OF JUNE 30, 2006

APPENDIX A ACCOUNTING REQUIREMENTS

Transition to GASB 43/45

Previously (under GASB 12 and 26), public sponsors were only required to disclose the existence of any postretirement welfare benefit plans. No liability disclosure was needed unless they were already including such in their financial statements. This is now superseded by two related statements: GASB 43 (released in April 2004) applies to a funded plan's financial statement, while GASB 45 (released in August 2004) applies to a sponsoring employer's financial statement. The new rule requires an actuarial valuation of dedicated assets, liability, annual cost, and accrual status. Valuations may be performed every other year, except that annual valuations are required if there are any significant amendments or demographic shifts. This is similar to current public pension rules (GASB 25 for plans and GASB 27 for employers), except there's no minimum required funding. The biggest impact will therefore be on bond ratings.

The first year that a sponsoring employer's financial statement must comply with GASB 45 depends on the sponsor's annual revenue: first fiscal year beginning on or after December 15, 2006 if there is at least \$100 million in annual revenue (Phase 1), December 15, 2007 if there is \$10 million to \$99 million in annual revenue (Phase 2), or December 15, 2008 if there is less than \$10 million in annual revenue (Phase 3).

If the plan has a dedicated trust fund then its financial statement must comply with GASB 43 by one year prior to that described above for GASB 45, and in any case GASB 45 must be adopted by one year after the plan complies with GASB 43. Phase 1 sponsors with non-calendar fiscal years must therefore adopt GASB 45 by 2007/2008, but of course early compliance is encouraged.

The table on the next page shows that GASB 43/45 has greater flexibility than FASB 106 (allowing more cost methods and amortization periods) but results in the same or greater accrued liability. The discount rate assumption is long-term (a high trust rate if funded or low sponsor general asset rate if unfunded), so it won't need to be changed every year as for corporate or multiemployer calculations. There are also two favorable considerations given to small plans: those with less than 200 members may disclose only every three years, and those with less than 100 members may use simplified assumptions and methods. Note that the final GASB statements eliminated any exception in the case where retirees self-pay 100% of a mixed active/retiree premium. That is, GASB 43/45 disclosures must account for any implicit subsidy of the retirees by the actives.

**ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
UNDER GASB 43/45**

AS OF JUNE 30, 2006

APPENDIX A ACCOUNTING REQUIREMENTS (CONTINUED)

Sector Comparisons of OPEB Accounting Terminology and Methods

| | Corporate (FASB 106) | Multiemployer (SOP 92-6) | Public (GASB 43/45) |
|--|--|------------------------------------|--|
| Accrued Liability | APBO (Accumulated Postretirement Benefit Obligation) = portion of each participant's APVB (Actuarial Present Value of Benefits) attributed to their service-to-date. | Benefit Obligation = same as APBO. | AAL (Actuarial Accrued Liability) = same as APBO. The excess of this over assets is the UAAL (Unfunded AAL). |
| Annual Cost | NPPBC (Net Periodic Postretirement Benefit Cost) = Normal Cost (portion of each participant's APVB attributed to their current service year), less the asset return, plus amortizations of initial unfunded liability and subsequent liability changes. | Not applicable. | ARC (Annual Required Contribution) = Normal Cost plus amortization of UAAL. <i>Note that despite the name, there is no requirement to actually contribute this or any other amount.</i> |
| Accrual Status | APBC (Accrued Postretirement Benefit Cost) = cumulative excess of prior NPPBC over benefit payments & contributions. | Not applicable. | NOO (Net OPEB Obligation) = same as APBC. |
| Allowable Cost Methods (for attributing APVB to service years) | Modified PUC (Projected Unit Credit) = uniform allocation from hire to date of full eligibility for benefits. Note that regular PUC allocates over a longer period: from hire to expected termination age. | Modified PUC. | From slowest to fastest funding (lowest to highest liability): PUC (modified or not), Aggregate, Frozen Attained Age, Frozen Entry Age, Attained Age, and Entry Age. |
| Allowable Amortization Methods and Periods | Level dollar method, generally over average future service years (or average future lifetime if mostly inactive). Immediate recognition allowed in certain circumstances. | Not applicable. | Level dollar or level percentage of pay method, over any period under 30 years (but minimum 10 years if there's a decrease due to new cost or asset value method). |

**ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
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AS OF JUNE 30, 2006

APPENDIX A ACCOUNTING REQUIREMENTS (CONTINUED)

Specific GASB 43 Requirements

The objective of this statement is to establish a uniform standard of measurement and financial reporting for postretirement welfare benefit plans (also known as Other Postemployment Benefit or OPEB plans) of governmental entities. The financial statement of a defined benefit OPEB plan of a governmental entity must include a reconciliation of net plan assets from beginning to end of the last plan year (with an asset breakdown shown at each point). The financial statement *notes* must then include the following:

- General description of benefit plan provisions, accounting methods, and any funding or reserve policy. Also needed here is a description of the covered group and the participant count as of the last valuation date.
- Summary of actuarial assumptions and methods, including discount rate, compensation increase rate, health trend rates, asset valuation method, actuarial cost method, and any amortization methods and periods.
- **Actuarial Accrued Liability (AAL)** as of the latest valuation date, noting the percentage of AAL covered by assets (the Funded Ratio) and the ratio of unfunded AAL to payroll.
- **Schedule of Funding Progress**, showing all elements of the previous bullet as of the latest valuation date, second most recent valuation date (if any), and third most recent valuation date (if any). As noted above, in most cases there will be valuations done every other year, so that this schedule will likewise show amounts for every other year.
- **Schedule of Employer Contributions**, showing the Annual Required Contribution (ARC) and the percentage of such amount that was actually contributed by the employer for the plan year of the financial statement and for every year back to that following the third most recent valuation date. Note that while each valuation produces an ARC applicable to the year following the valuation date, for the purpose of this schedule, one can apply the same ARC for two years in a row (or three years in the case of less than 200 members) in order to get a continuous annual history of ARC and actual contribution amounts. This and the prior schedule are actually to be presented as "Required Supplementary Information" (RSI) after the end of the statement notes.

**ACTUARIAL VALUATION OF
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UNDER GASB 43/45**

AS OF JUNE 30, 2006

APPENDIX A ACCOUNTING REQUIREMENTS (CONTINUED)

Specific GASB 45 Requirements

The objective of this statement is to improve the "faithfulness and usefulness" of OPEB-related disclosures in the financial statements of governmental entities. The financial statement of a governmental entity must include, for each of its defined benefit OPEB plans, all of the GASB 43 disclosure items plus the following additional note disclosures:

- Reconciliation of **Net OPEB Obligation (NOO)** from beginning to end of the last fiscal year. This will show how the prior NOO is first decreased by benefit payments (if unfunded) and contributions (if funded), then increased by the Annual OPEB Cost (AOC). If the beginning-of-year NOO is zero, then the AOC is simply equal to the ARC as calculated for the Schedule of Employer Contributions. Otherwise the AOC equals ARC plus interest on the initial NOO less an amortization of the initial NOO.
- Up to a three-year historical summary of fiscal year AOC, the percentage of AOC actually contributed in the fiscal year, and NOO as of the end of the fiscal year.