

RAEL & LETSON
CONSULTANTS AND ACTUARIES

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

AS OF JUNE 30, 2008

DECEMBER 2008

CONTRA COSTA COMMUNITY
COLLEGE DISTRICT

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

AS OF JUNE 30, 2008

December 2, 2008

Ms. Kindred Murillo
Vice Chancellor of Finance & Administration
Contra Costa Community College District
500 Court Street
Martinez, California 94553

Re: GASB 43/45 Actuarial Valuation of Postretirement Welfare Benefits as of June 30, 2008

Dear Ms. Murillo:

We are pleased to present the above captioned report. This report presents the disclosure items needed by the Contra Costa Community College District for compliance with GASB 45 for fiscal year 2008/2009. It is based on active participant and eligible retiree data provided by the District and on the methods and assumptions detailed in Section II.

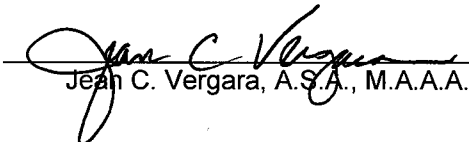
We wish to thank you and your staff for providing us with the information necessary for us to complete this report. Please let us know if you need any further information regarding our findings.

Very truly yours,

RAEL & LETSON

By:


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


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

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

AS OF JUNE 30, 2008

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AS OF JUNE 30, 2008

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ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
UNDER GASB 43/45

AS OF JUNE 30, 2008

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 2008/2009 financial statements in *Exhibit 1A*. This exhibit provides the Actuarial Accrued Liability and Funded Status as of June 30, 2008, the Annual Required Contribution and Annual OPEB Cost for 2008/2009, and an estimated reconciliation of Net OPEB Obligation for 2008/2009.

A graph providing a thirty-year comparison of ARC and cashflow is in *Exhibit 1B*, with further cashflow detail presented as a graph in *Exhibit 1C* and table in *Exhibit 1D*. Thirty-year projections of liability and assets are then shown as tables 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 VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
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AS OF JUNE 30, 2008

INTRODUCTION AND ACTUARIAL CERTIFICATION (CONTINUED)

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.

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
POSTRETIREMENT WELFARE BENEFITS
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AS OF JUNE 30, 2008

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

Exhibit 1A on pages 7-12 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 4.50% 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. Consequently, the District has requested an alternative calculation of its liabilities if it were to adopt a policy of funding 100% of the Annual Required Contribution with an irrevocably dedicated retiree welfare trust fund, and if that fund were to earn 7.75% per year. Exhibit 1A(ii) therefore provides the alternative numbers produced by employing a 7.75% discount rate. Components of the exhibit are as follows:

- **Part A** shows the counts for census data captured as of December 31, 2007. 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 the maximum District subsidy 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 \$321.0 million (or deposit \$193.9 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 **\$262.8 million** (or \$169.4 million using the alternative 7.75% discount rate). As described in the footnote of page 7, 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 generally produces the lowest liability of all the GASB-allowed methods of separating present value into accrued and not-yet-accrued portions.

**ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
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AS OF JUNE 30, 2008

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

The reconciliation of 4.50% liability over the two years since the last valuation is shown below.

AAL at June 30, 2006:	\$ 335,136,700
Interest and Net Benefits Earned:	22,479,800
Effect of new census data:	(245,500)
Effect of new premiums:	(32,721,000)
Effect of new assumptions ¹ :	<u>(61,881,600)</u>
AAL at June 30, 2008:	\$ 262,768,400

- **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).

- 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 appropriate). 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 and an estimated reconciliation for the current year. That estimate cannot be finalized until the actual Plan Year 2008/2009 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).

¹ For further details on the new assumptions please see Item 4 of Section V.

ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
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AS OF JUNE 30, 2008

SECTION I VALUATION RESULTS
HIGHLIGHTS OF THE VALUATION (CONTINUED)

Exhibit 1B on page 13 shows a thirty-year projection of District outlays under the current funding policy, and compares them to outlays with a full ARC prefunding policy. Here we make 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). The current funding policy is to annually contribute the required cash subsidies plus an additional \$1 million.
- **Implicit Subsidies** are due to the manner in which Kaiser and Health Net combine active and non-Medicare 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."

The solid green line in Exhibit 1B shows that contributions under the current funding policy (CFP) are expected to quickly rise from \$9.0 to \$21.8 million over the next 25 years, then begin decreasing as retirees die without

replacement. The four comparative 7.75% discount ARC lines vary by type of amortization (level percent of pay or level dollar) and by whether or not initial GASB 43/45 assets are created by bringing the current Retiree Health Benefits Fund balance into an irrevocable trust. The red graph lines indicate that the 7.75% discount *level percent of pay* ARC starts out higher than CFP (\$11.1 million with initial assets or \$14.1 million without), but then increases slower until the point when CFP levels off. Finally, the blue graph lines indicate that the 7.75% discount *level dollar* ARC starts out the highest of all (\$13.7 million with initial assets or \$17.8 million without), then decreases until leveling off well below CFP. Note that this will only reflect activity for those currently retired or active participants, not for anyone hired after the valuation date (per GASB requirements).

The cashflow projection that underlies our liability calculations is next presented as a graph and a table in *Exhibits 1C* and *1D* on pages 14 and 15. The table shows activity in each year for the first 10 years, then every fifth year thereafter. Within the first 10 years there can be no effect from future new hires, but (as explained in the first asterisk on that page) we still strongly advise caution when attempting to use this for the District's short-term financial planning.

**ACTUARIAL VALUATION OF
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AS OF JUNE 30, 2008

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

Exhibits 1E(i) to 1E(iii) on pages 16-18 are the tabular thirty-year projections of AAL (reflecting no new hires after the valuation date) and of the assets that would build up if the District were to adopt one of three funding policies:

- (i) In this scenario the retiree welfare assets remain in a subaccount of the District general fund, so that applicable liabilities are those calculated at a 4.50% discount. We have referred to these informally allocated assets as “virtual” assets because they would not be recognized in the official calculation of ARC. However, we can calculate a “virtual ARC” using virtual assets in place of GASB 43/45 irrevocably dedicated assets, and we have used that virtual ARC here as the annual contribution amount.

This exhibit first shows the buildup of virtual assets from zero to \$218 million (the thirtieth-year 4.50% discount AAL) via annual contributions equal to 100% of virtual ARC. The rightmost portion of this exhibit then shows the buildup of virtual assets from \$49 million (the current Retiree Health Benefits Fund balance) to \$204 million via current funding policy contributions.

- (ii) Here the District allows current retiree welfare assets to remain as informal allocations, but a new irrevocable trust fund is created to receive future annual contributions equal to 100% of the GASB 43/45 ARC. Under this scenario the applicable liabilities are those calculated at a 7.75% discount, and assets are shown as building up from zero to \$173 million (the thirtieth-year 7.75% discount AAL).
- (iii) In this final scenario the District transfers all current retiree welfare assets to an irrevocably dedicated retiree welfare trust fund, which subsequently receives annual contributions equal to 100% of the GASB 43/45 ARC. Here the applicable liabilities are again those calculated at a 7.75% discount, and assets are shown as building up from \$49 million to \$173 million (the thirtieth-year 7.75% discount AAL).

Note that these are just some of the ways in which the District could set a timetable for elimination of its unfunded postretirement welfare liability.

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

AS OF JUNE 30, 2008

SECTION I VALUATION RESULTS
EXHIBIT 1A(i): SUMMARY OF VALUATION RESULTS
BASED ON 4.50% DISCOUNT RATE

	CERTIFICATED ¹	CLASSIFIED ¹	ALL
A. Participant Count as of June 30, 2008 ²			
• Current retirees, spouses and dependents	399	300	699
• Other participants fully eligible for benefits	97	56	153
• Other participants not yet fully eligible for benefits	<u>404</u>	<u>502</u>	<u>906</u>
Total Count	900	858	1,758
B. Actuarial Present Value of Benefits (APVB) at June 30, 2008			
• Current retirees, spouses and dependents	\$ 73,606,400	\$ 54,001,700	\$ 127,608,100
• Other participants fully eligible for benefits	24,501,200	15,109,400	39,610,600
• Other participants not yet fully eligible for benefits	<u>80,780,900</u>	<u>73,023,800</u>	<u>153,804,700</u>
Total APVB	\$ 178,888,500	\$ 142,134,900	\$ 321,023,400
C. Actuarial Accrued Liability (AAL) at June 30, 2008			
• Current retirees, spouses and dependents	\$ 73,606,400	\$ 54,001,700	\$ 127,608,100
• Other participants fully eligible for benefits	24,501,200	15,109,400	39,610,600
• Other participants not yet fully eligible for benefits	<u>52,881,500</u>	<u>42,668,200</u>	<u>95,549,700</u>
Total AAL ³	\$ 150,989,100	\$ 111,779,300	\$ 262,768,400

¹ We have categorized all CalSTRS participants as being Certificated and all CalPERS participants as being Classified, although the census shows a few Classified members participating in CalSTRS and a few Certificated members in CalPERS.

² Results for this June 30, 2008 valuation were projected from a census data captured as of December 31, 2007.

³ 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. The APVB and AAL shown above have been offset by projected retiree contributions. The gross AAL before such offset is \$299,131,800, which is 88% due to Plan payments and 12% due to retiree contributions. Had we increased our assumed health care trend rates by one percent, the total AAL would have increased from \$262,768,400 to \$305,576,300.

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

AS OF JUNE 30, 2008

SECTION I VALUATION RESULTS
EXHIBIT 1A(i): SUMMARY OF VALUATION RESULTS
BASED ON 4.50% DISCOUNT RATE (CONTINUED)

	GASB 43/45 ARC Calculations (without initial assets)		Current Funding Policy (CFP) ¹
	Level Dollar <u>Amortization</u>	Level % of Pay <u>Amortization</u>	
D. Funded Status at June 30, 2008			
Actuarial Value of Assets	\$ 0	\$ 0	\$ 49,425,300
Unfunded Actuarial Accrued Liability (UAAL)	\$ 262,768,400	\$ 262,768,400	\$ 213,343,100
Funded Ratio	0%	0%	19%
Covered Payroll	\$ 70,661,000	\$ 70,661,000	\$ 70,661,000
UAAL as a % of Covered Payroll	372%	372%	302%
E. Annual Required Contribution (ARC) and Annual OPEB Cost (AOC) for 2008/2009 ²			
Normal Cost for 2008/2009	\$ 7,509,600	\$ 7,509,600	
Amortization of UAAL as of June 30, 2008 ³	<u>15,780,600</u>	<u>10,956,200</u>	
Total ARC for 2008/2009	\$ 23,290,200	\$ 18,465,800	\$ 8,954,800
Interest on June 30, 2008 NOO	909,000	909,000	
(Amortization of June 30, 2008 NOO) ³	<u>(1,213,100)</u>	<u>(842,200)</u>	
Total AOC for 2008/2009	\$ 22,986,100	\$ 18,532,600	

¹ The current funding policy is to contribute the annual cash subsidy for retiree welfare benefits plus an additional \$1 million to an informal allocation within the District general fund. Such "virtual assets" are not recognized as offsetting the AAL in the official calculation of GASB 43/45 ARC.

² 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.

³ 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 amortizations shown above are level dollar and level percent of pay over a rolling 30 years.

**ACTUARIAL VALUATION OF
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AS OF JUNE 30, 2008

SECTION I VALUATION RESULTS
EXHIBIT 1A(i): SUMMARY OF VALUATION RESULTS
BASED ON 4.50% DISCOUNT RATE (CONTINUED)

	GASB 43/45 ARC Calculations (without initial assets)	
	Level Dollar <u>Amortization</u>	Level % of Pay <u>Amortization</u>
F. Net OPEB Obligation (NOO) Actual Reconciliation over 2007/2008 ¹ and Estimated Reconciliation over 2007/2008		
NOO at June 30, 2007	\$ 0	\$ 0
(Benefit Payments paid outside of a trust in 2007/2008)	(7,628,100)	(7,628,100)
(Contributions to a trust in 2007/2008)	0	0
Annual OPEB Cost (AOC) for 2007/2008	<u>27,827,100</u>	<u>27,827,100</u>
NOO at June 30, 2008	\$ 20,199,000	\$ 20,199,000
<i>(Estimated Benefit Payments paid outside of a trust in 2008/2009)</i>	<i>(7,919,600)</i>	<i>(7,919,600)</i>
<i>(Estimated Contributions to a trust in 2008/2009)</i>	<i>0</i>	<i>0</i>
Annual OPEB Cost (AOC) for 2008/2009	<u>22,986,100</u>	<u>18,532,600</u>
<i>Estimated NOO at June 30, 2009</i>	\$ 35,265,500	\$ 30,812,000

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.

**ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
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AS OF JUNE 30, 2008

**SECTION I VALUATION RESULTS
EXHIBIT 1A(ii): SUMMARY OF VALUATION RESULTS
BASED ON 7.75% DISCOUNT RATE**

	CERTIFICATED ¹	CLASSIFIED ¹	ALL
A. Participant Count as of June 30, 2008 ²			
• Current retirees, spouses and dependents	399	300	699
• Other participants fully eligible for benefits	97	56	153
• Other participants not yet fully eligible for bens	<u>404</u>	<u>502</u>	<u>906</u>
Total Count	900	858	1,758
B. Actuarial Present Value of Benefits (APVB) at June 30, 2008			
• Current retirees, spouses and dependents	\$ 55,071,700	\$ 39,179,000	\$ 94,250,700
• Other participants fully eligible for benefits	15,937,600	9,634,200	25,571,800
• Other participants not yet fully eligible for bens	<u>39,220,400</u>	<u>34,904,000</u>	<u>74,124,400</u>
Total APVB	\$ 110,229,700	\$ 83,717,200	\$ 193,946,900
C. Actuarial Accrued Liability (AAL) at June 30, 2008			
• Current retirees, spouses and dependents	\$ 55,071,700	\$ 39,179,000	\$ 94,250,700
• Other participants fully eligible for benefits	15,937,600	9,634,200	25,571,800
• Other participants not yet fully eligible for benefits	<u>27,554,300</u>	<u>22,041,800</u>	<u>49,596,100</u>
Total AAL ³	\$ 98,563,600	\$ 70,855,000	\$ 169,418,600

¹ We have categorized all CalSTRS participants as being Certificated and all CalPERS participants as being Classified, although the census shows a few Classified members participating in CalSTRS and a few Certificated members in CalPERS.

² Results for this June 30, 2008 valuation were projected from a census data captured as of December 31, 2007.

³ 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. The APVB and AAL shown above have been offset by projected retiree contributions. The gross AAL before such offset is \$191,324,400, which is 89% due to Plan payments and 11% due to retiree contributions. Had we increased our assumed health care trend rates by one percent, the total AAL would have increased from \$169,418,600 to \$190,933,500.

**ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
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AS OF JUNE 30, 2008

SECTION I VALUATION RESULTS
EXHIBIT 1A(ii): SUMMARY OF VALUATION RESULTS
BASED ON 7.75% DISCOUNT RATE (CONTINUED)

	GASB 43/45 ARC Calculations (<i>without</i> initial assets)		GASB 43/45 ARC Calculations (<i>with</i> initial assets) ¹	
	Level Dollar <u>Amortization</u>	Level % of Pay <u>Amortization</u>	Level Dollar <u>Amortization</u>	Level % of Pay <u>Amortization</u>
D. Funded Status at June 30, 2008				
Actuarial Value of Assets	\$ 0	\$ 0	\$ 49,425,300	\$ 49,425,300
Unfunded Actuarial Accrued Liability (UAAL)	\$ 169,418,600	\$ 169,418,600	\$ 119,993,300	\$ 119,993,300
Funded Ratio	0%	0%	29%	29%
Covered Payroll	\$ 70,661,000	\$ 70,661,000	\$ 70,661,000	\$ 70,661,000
UAAL as a Percentage of Covered Payroll	240%	240%	170%	170%
E. Annual Required Contribution (ARC) and Annual OPEB Cost (AOC) for 2008/2009 ²				
Normal Cost for 2008/2009	\$ 3,689,300	\$ 3,689,300	\$ 3,689,300	\$ 3,689,300
Amortization of UAAL as of June 30, 2008 ³	<u>14,157,100</u>	<u>10,456,400</u>	<u>10,027,000</u>	<u>7,405,900</u>
Total ARC for 2008/2009	\$ 17,846,400	\$ 14,145,700	\$ 13,716,300	\$ 11,095,200
Interest on June 30, 2008 NOO	1,565,400	1,565,400	1,565,400	1,565,400
(Amortization of June 30, 2008 NOO) ³	<u>(1,687,900)</u>	<u>(1,267,700)</u>	<u>(1,687,900)</u>	<u>(1,267,700)</u>
Total AOC for 2008/2009	\$ 17,723,900	\$ 14,464,400	\$ 13,593,800	\$ 11,413,900

¹ As of June 30, 2008, there was \$49,425,300 in the general fund subaccount designated for retiree welfare benefits. As an informal asset allocation, these "virtual assets" would not be recognized in the official calculation of GASB 43/45 ARC. For the above "ARC with initial assets" we have assumed that all informally allocated assets are irrevocably dedicated as of June 30, 2008.

² 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.

³ 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 amortizations shown above are level dollar and level percent of pay over a rolling 30 years.

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

AS OF JUNE 30, 2008

SECTION I VALUATION RESULTS
EXHIBIT 1A(ii): SUMMARY OF VALUATION RESULTS
BASED ON 7.75% DISCOUNT RATE (CONTINUED)

	GASB 43/45 ARC Calculations (<i>without</i> initial assets)		GASB 43/45 ARC Calculations (<i>with</i> initial assets) ¹	
	Level Dollar Amortization	Level % of Pay Amortization	Level Dollar Amortization	Level % of Pay Amortization
F. Net OPEB Obligation (NOO) Actual Reconciliation over 2007/2008² and Estimated Reconciliation over 2008/2009				
NOO at June 30, 2007	\$ 0	\$ 0	\$ 0	\$ 0
(Benefit Payments paid outside of a trust in 2007/2008)	(7,628,100)	(7,628,100)	(7,628,100)	(7,628,100)
(Contributions to a trust in 2007/2008)	0	0	0	0
Annual OPEB Cost (AOC) for 2007/2008	<u>27,827,100</u>	<u>27,827,100</u>	<u>27,827,100</u>	<u>27,827,100</u>
NOO at June 30, 2008	\$ 20,199,000	\$ 20,199,000	\$ 20,199,000	\$ 20,199,000
(<i>Estimated</i> Benefit Payments paid outside of a trust in 2008/2009)	0	0	0	0
(<i>Estimated</i> Contributions to a trust in 2008/2009)	(17,846,400)	(14,145,700)	(13,716,300)	(11,095,200)
Annual OPEB Cost (AOC) for 2008/2009	<u>17,723,900</u>	<u>14,464,400</u>	<u>13,593,800</u>	<u>11,413,900</u>
<i>Estimated</i> NOO at June 30, 2009	\$ 20,076,500	\$ 20,517,700	\$ 20,076,500	\$ 20,517,700

¹ As of June 30, 2008, there was \$49,425,300 in the general fund subaccount designated for retiree welfare benefits. As an informal asset allocation, these "virtual assets" would not be recognized in the official calculation of GASB 43/45 ARC. For the above "ARC with initial assets" we have assumed that all informally allocated assets are irrevocably dedicated as of June 30, 2008.

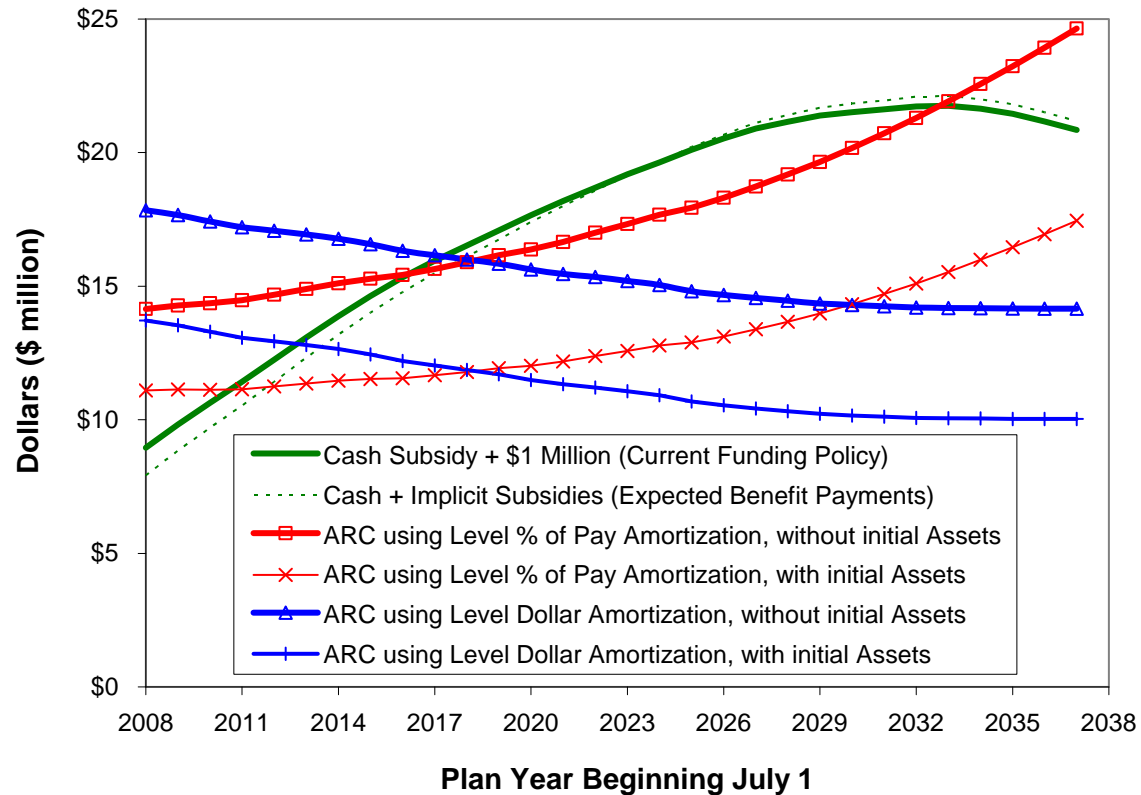
² NOO is generally the cumulative excess of prior ARC over benefit payments (if unfunded) or trust contributions (if funded). In practice, before the ARC is added to the NOO each year it is adjusted to become the Annual OPEB Cost (AOC) by adding NOO interest and subtracting an NOO amortization.

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

AS OF JUNE 30, 2008

**SECTION I VALUATION RESULTS
EXHIBIT 1B: PREFUNDING COMPARISON GRAPH**

**Current Funding Policy Contributions
versus Prefunding with GASB 43/45 ARC at 7.75%**

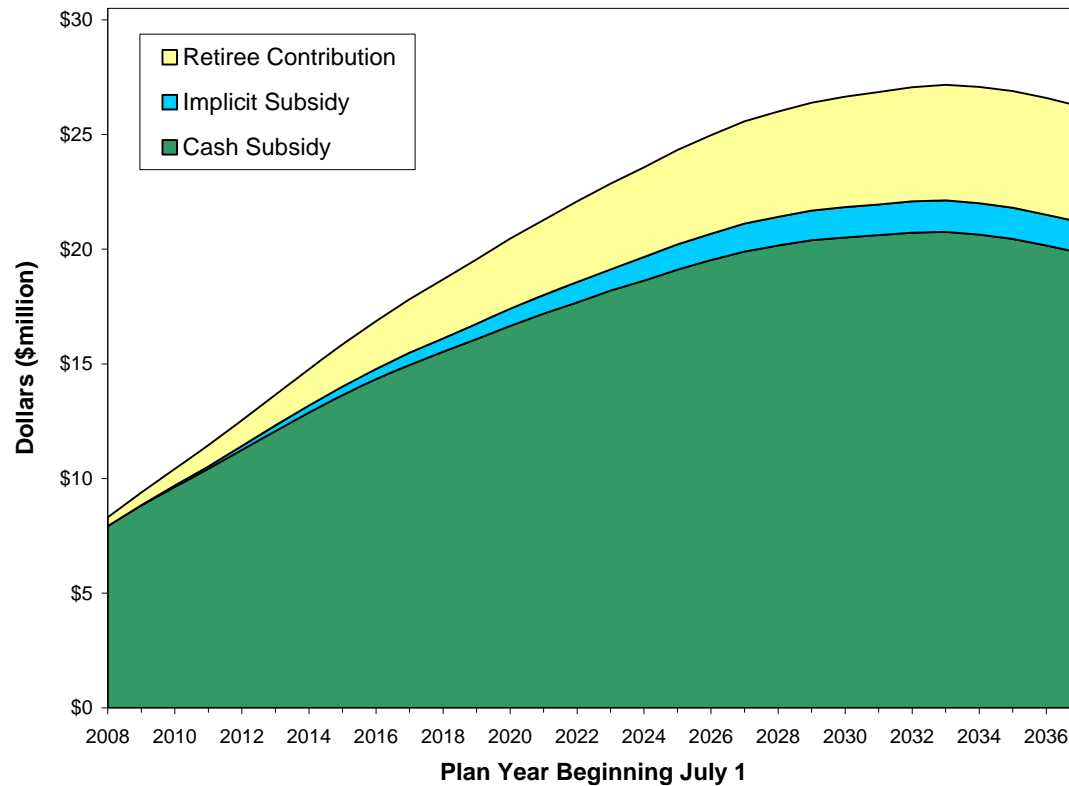


**ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
UNDER GASB 43/45**

AS OF JUNE 30, 2008

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

Projected Retiree Health Benefit Costs



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

AS OF JUNE 30, 2008

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

Plan Year 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
	Certificated ⁵	Classified ⁵	Both	Certificated ⁵	Classified ⁵	Both					
2008	399	300	699	\$ 4,743,400	\$ 3,211,400	\$ 7,954,800	\$ 394,600	\$ 8,349,400	\$ (35,200)	\$ 8,314,200	5%
2009	409	307	716	5,258,800	3,566,500	8,825,300	549,100	9,374,400	18,200	9,392,600	6%
2010	418	313	731	5,735,300	3,899,800	9,635,100	723,900	10,359,000	63,700	10,422,700	7%
2011	426	320	746	6,180,900	4,241,100	10,422,000	913,100	11,335,100	107,300	11,442,400	8%
2012	433	327	760	6,660,000	4,590,800	11,250,800	1,120,100	12,370,900	172,300	12,543,200	9%
2013	439	335	774	7,141,800	4,937,900	12,079,700	1,339,100	13,418,800	240,200	13,659,000	10%
2014	446	342	788	7,580,900	5,299,000	12,879,900	1,576,400	14,456,300	300,800	14,757,100	11%
2015	451	350	801	7,990,500	5,639,300	13,629,800	1,839,000	15,468,800	378,000	15,846,800	12%
2016	457	358	815	8,369,600	5,968,600	14,338,200	2,090,100	16,428,300	433,700	16,862,000	12%
2017	461	365	826	8,679,300	6,273,500	14,952,800	2,332,600	17,285,400	531,100	17,816,500	13%
2022	452	395	847	9,803,400	7,876,700	17,680,100	3,511,300	21,191,400	890,200	22,081,600	16%
2027	418	392	810	10,678,700	9,223,000	19,901,700	4,464,300	24,366,000	1,211,000	25,577,000	17%
2032	363	355	718	10,906,800	9,815,000	20,721,800	4,982,500	25,704,300	1,364,000	27,068,300	18%
2037	296	293	589	10,299,100	9,547,200	19,846,300	5,049,100	24,895,400	1,339,300	26,234,700	19%

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."

⁵ We have categorized all CalSTRS participants as being Certificated and all CalPERS participants as being Classified, although the census shows a few Classified members participating in CalSTRS and a few Certificated members in CalPERS.

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

AS OF JUNE 30, 2008

**SECTION I VALUATION RESULTS
EXHIBIT 1E(i): PROJECTED LIABILITY TABLE
BASED ON 4.50% DISCOUNT RATE**

Plan Year Beg. July 1,	Actuarial Accrued Liability (AAL)				Assets with GASB 43/45 ARC (without initial assets, level dollar amortization)		Assets with GASB 43/45 ARC (without initial assets, level percent amortization)		Assets with Current Funding Policy Contributions	
	Benefit Payments	Normal Cost ¹	Interest Cost ²	AAL ³ at Beginning of Year	Annual Contribution = Virtual ARC ⁴	Virtual Assets ⁵ at Beginning of Year	Annual Contribution = Virtual ARC ⁴	Virtual Assets ⁵ at Beginning of Year	Ann. Contrib. = Cash Subsidy + \$1 Million	Virtual Assets ⁵ at Beginning of Year
2008	\$ 7,919,600	\$ 7,509,600	\$ 11,716,200	\$ 262,768,400	\$ 23,290,200	\$ 0	\$ 18,465,800	\$ 0	\$ 8,954,800	\$ 49,425,300
2009	8,843,500	7,101,000	12,204,600	274,074,600	22,881,600	15,613,500	18,385,900	10,681,800	9,825,300	52,608,700
2010	9,698,800	6,599,100	12,662,700	284,536,700	22,379,700	30,576,600	18,222,500	20,827,200	10,635,100	55,889,700
2011	10,529,300	6,147,100	13,064,000	294,099,700	21,927,600	44,843,100	18,119,200	30,405,400	11,422,000	59,289,400
2012	11,423,100	5,836,100	13,424,100	302,781,500	21,616,700	58,440,200	18,167,400	39,459,600	12,250,800	62,797,100
2013	12,319,900	5,507,700	13,760,900	310,618,600	21,288,300	71,413,700	18,209,000	48,052,900	13,079,700	66,392,400
2014	13,180,600	5,168,400	14,018,500	317,567,300	20,949,000	83,729,900	18,250,700	56,170,100	13,879,800	70,091,400
2015	14,007,800	4,743,800	14,270,300	323,573,600	20,524,400	95,345,300	18,218,600	63,786,900	14,629,800	73,866,500
2016	14,771,900	4,261,800	14,499,500	328,579,900	20,042,400	106,213,000	18,140,900	70,877,400	15,338,200	77,742,000
2017	15,483,900	3,902,600	14,638,000	332,569,300	19,683,200	116,327,600	18,198,000	77,458,000	15,952,900	81,766,500
2022	18,570,300	2,247,200	14,843,500	338,889,100	18,027,800	157,664,800	18,819,400	105,642,600	18,680,100	103,485,300
2027	21,112,700	738,600	14,008,800	321,646,600	16,519,200	184,060,200	19,950,400	129,133,000	20,901,700	128,642,000
2032	22,085,800	79,300	12,214,400	282,449,200	15,859,900	199,243,700	18,444,100	156,329,700	21,721,800	158,668,500
2037	21,185,500	0	9,860,400	229,597,500	15,780,600	214,160,400	25,819,100	204,340,500	20,846,200	195,715,000
2038				218,272,400		218,272,400		218,272,400		204,175,300

¹ Normal Cost is the annual increase in AAL due to the additional year of service earned by active participants.

² Interest Cost is approximately a full year of 4.50% on AAL, plus a half-year of 4.50% on the excess of Normal Cost over Benefit Payments.

³ AAL plus Interest Cost plus Normal Cost minus Benefit Payments equals the next year's AAL.

⁴ Here we have assumed a contribution that is calculated using the same methodology as the GASB 43/45 Annual Required Contribution (ARC) except that it references "virtual" assets that have been informally set aside (but not irrevocably dedicated) for retiree welfare benefits: Normal Cost plus an amortization of "AAL less virtual assets". For the amortizations we used "static 30-year" level dollar and level percent of pay (i.e., the initial \$15,780,600 was used in every year for level dollar, and the initial \$10,956,200 was increased at 3% per year for level percent of pay), whereas actual future valuations will use "rolling 30-year" (recalculating the amortization amount based on that year's new UAAL).

⁵ Next year's Assets are equal to current year Assets plus Contribution less Benefit Payments, with a year's interest adjustment on Assets and a half-year's interest on the other two items. For this projection we have assumed that all retiree welfare assets remain as informal allocations within the District general fund. Such "virtual assets" are not recognized as offsetting AAL in the official calculation of GASB 43/45 ARC.

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

AS OF JUNE 30, 2008

**SECTION I VALUATION RESULTS
EXHIBIT 1E(ii): PROJECTED LIABILITY TABLE
BASED ON 7.75% DISCOUNT RATE *WITHOUT* INITIAL ASSETS**

Plan Year Beginning July 1,	Actuarial Accrued Liability (AAL)				Assets with GASB 43/45 ARC (<i>without</i> initial assets, level dollar amortization)		Assets with GASB 43/45 ARC (<i>without</i> initial assets, level percent amortization)	
	Benefit Payments	Normal Cost ¹	Interest Cost ²	AAL ³ at Beginning of Year	Annual Contribution = ARC ⁴	Assets ⁵ at Beginning of Year	Annual Contribution = ARC ⁴	Assets ⁵ at Beginning of Year
2008	\$ 7,919,600	\$ 3,689,300	\$ 12,907,500	\$ 169,418,600	\$ 17,846,400	\$ 0	\$ 14,145,700	\$ 0
2009	8,843,500	3,506,900	22,221,600	178,095,800	17,664,000	10,242,800	14,277,000	6,401,400
2010	9,698,800	3,266,500	22,356,400	186,303,500	17,423,600	20,137,300	14,359,700	12,482,400
2011	10,529,300	3,048,400	22,423,700	194,019,900	17,205,500	29,671,300	14,474,400	18,242,700
2012	11,423,100	2,915,200	22,453,300	201,246,300	17,072,300	38,856,300	14,684,000	23,706,900
2013	12,319,900	2,775,400	22,433,500	207,965,300	16,932,600	47,685,500	14,897,300	28,882,900
2014	13,180,600	2,621,900	22,307,200	214,135,300	16,779,000	56,129,300	15,107,400	33,756,900
2015	14,007,800	2,414,800	22,114,700	219,713,800	16,572,000	64,157,800	15,274,900	38,316,300
2016	14,771,900	2,172,400	21,843,700	224,657,000	16,329,500	71,740,900	15,418,300	42,550,300
2017	15,483,900	2,003,600	21,490,900	228,958,000	16,160,800	78,886,400	15,646,900	46,487,600
2022	18,570,300	1,184,300	18,041,800	241,647,300	15,341,500	109,467,000	17,000,600	64,022,400
2027	21,112,700	397,900	17,619,700	237,606,300	14,555,000	131,411,400	18,733,300	80,938,900
2032	22,085,800	43,800	15,883,000	215,802,800	14,200,900	147,349,100	21,299,600	105,711,000
2037	21,185,500	0	13,197,600	180,687,300	14,157,100	167,048,800	24,641,200	156,948,800
2038				172,699,400		172,699,400		172,699,400

¹ Normal Cost is the annual increase in AAL due to the additional year of service earned by active participants.

² Interest Cost is approximately a full year of 7.75% on AAL, plus a half-year of 7.75% on the excess of Normal Cost over Benefit Payments.

³ AAL plus Interest Cost plus Normal Cost minus Benefit Payments equals the next year's AAL.

⁴ 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 the amortizations we used "static 30-year" level dollar and level percent of pay (i.e., the initial \$14,157,100 was used in every year for level dollar, and the initial \$10,456,400 was increased at 3% per year for level percent of pay), whereas actual future valuations will use "rolling 30-year" (recalculating the amortization amount based on that year's new UAAL).

⁵ Next year's Assets are equal to current year Assets plus Contribution less Benefit Payments, with a year's interest adjustment on Assets and a half-year's interest on the other two items. For this projection we have assumed that retiree welfare assets as of June 30, 2008 remain as informal allocations within the District general fund, while subsequent contributions are irrevocably dedicated.

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

AS OF JUNE 30, 2008

SECTION I VALUATION RESULTS

**EXHIBIT 1E(iii): PROJECTED LIABILITY TABLE
BASED ON 7.75% DISCOUNT RATE WITH INITIAL ASSETS**

Plan Year Beginning July 1,	Actuarial Accrued Liability (AAL)				Assets with GASB 43/45 ARC (with initial assets, level dollar amortization)		Assets with GASB 43/45 ARC (with initial assets, level percent amortization)	
	Benefit Payments	Normal Cost ¹	Interest Cost ²	AAL ³ at Beginning of Year	Annual Contribution = ARC ⁴	Assets ⁵ at Beginning of Year	Annual Contribution = ARC ⁴	Assets ⁵ at Beginning of Year
2008	\$ 7,919,600	\$ 3,689,300	\$ 12,907,500	\$ 169,418,600	\$ 13,716,300	\$ 49,425,300	\$ 11,095,200	\$ 49,425,300
2009	8,843,500	3,506,900	22,221,600	178,095,800	13,533,900	59,211,400	11,135,000	56,490,700
2010	9,698,800	3,266,500	22,356,400	186,303,500	13,293,500	68,613,800	11,123,400	63,192,100
2011	10,529,300	3,048,400	22,423,700	194,019,900	13,075,400	77,617,600	11,141,000	69,523,000
2010	11,423,100	2,915,200	22,453,300	201,246,300	12,942,200	86,231,100	11,250,600	75,501,400
2011	12,319,900	2,775,400	22,433,500	207,965,300	12,802,400	94,444,700	11,360,900	81,127,500
2012	13,180,600	2,621,900	22,307,200	214,135,300	12,648,900	102,225,200	11,464,900	86,379,600
2013	14,007,800	2,414,800	22,114,700	219,713,800	12,441,800	109,538,900	11,523,200	91,236,300
2014	14,771,900	2,172,400	21,843,700	224,657,000	12,199,400	116,351,900	11,554,000	95,677,200
2015	15,483,900	2,003,600	21,490,900	228,958,000	12,030,600	122,667,500	11,666,700	99,720,600
2020	18,570,300	1,184,300	18,041,800	241,647,300	11,211,300	148,028,600	12,386,400	115,841,800
2025	21,112,700	397,900	17,619,700	237,606,300	10,424,900	162,392,200	13,384,200	126,644,300
2030	22,085,800	43,800	15,883,000	215,802,800	10,070,800	167,319,400	15,098,500	137,828,600
2035	21,185,500	0	13,197,600	180,687,300	10,027,000	171,027,600	17,452,500	163,874,100
2036				172,699,400		172,699,400		172,699,400

¹ Normal Cost is the annual increase in AAL due to the additional year of service earned by active participants.

² Interest Cost is approximately a full year of 7.75% on AAL, plus a half-year of 7.75% on the excess of Normal Cost over Benefit Payments.

³ AAL plus Interest Cost plus Normal Cost minus Benefit Payments equals the next year's AAL.

⁴ 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 the amortizations we used "static 30-year" level dollar and level percent of pay (i.e., the initial \$10,027,000 was used in every year for level dollar, and the initial \$7,405,900 was increased at 3% per year for level percent of pay), whereas actual future valuations will use "rolling 30-year" (recalculating the amortization amount based on that year's new UAAL).

⁵ Next year's Assets are equal to current year Assets plus Contribution less Benefit Payments, with a year's interest adjustment on Assets and a half-year's interest on the other two items. For this projection we have assumed that all informally allocated retiree welfare assets as of June 30, 2008 are irrevocably dedicated, as are all subsequent contributions.

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

AS OF JUNE 30, 2008

**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 show the “level dollar” and “level percent of pay” methods over a rolling 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 mortality, turnover, disability, and retirement rate tables employed for this valuation are provided in *Exhibit 2A*. Rates used for the June 30, 2007 CalSTRS pension valuation were applied to CalSTRS participants¹, and are based on a study of experience for the four years ending June 30, 2007. Rates used for the June 30, 2005 CalPERS pension valuation were applied to CalPERS participants¹, and are based on a study of “non-industrial school employee” experience for the four years ending June 30, 2005. For every 10,000 active male CalSTRS participants of age 40 with five years of service, we expect that in the next year 6 will die, 500 will terminate employment with no benefits, and 8 will become disabled. Likewise, for every 10,000 active male CalPERS participants of age 40 with five years of service, we expect that in the next year 8 will die, 766 will terminate employment with no benefits, and 14 will become disabled.

¹ Almost all Certificated members are in CalSTRS and almost all Classified members are in CalPERS, although the census shows a few Classified members participating in CalSTRS and a few Certificated members in CalPERS.

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

AS OF JUNE 30, 2008

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

Upon attainment of the minimum age and service for pension 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 CalSTRS and by entry age for CalPERS.

The participation and dependent assumptions at the end of Exhibit 2A are based on our study of the choices made by current actives and retirees.

The discount rates at the beginning of *Exhibit 2B* are the expected long-term rates of return on District assets (as either informal allocations within the general fund or as irrevocably dedicated amounts). The compensation increase rate is used only for amortizations of Unfunded AAL and Net OPEB Obligation under the “level percent of pay” method. The remainder of the exhibit describes the anticipated future annual increases in per-capita benefit costs. The trend rates begin at various levels depending on anticipated renewal increases, then are graded down to an ultimate rate of 4.5% (reflecting the expected long-term trend for the medical Consumer Price Index) by year 2018/2019.

In *Exhibit 2C* we have set the “net claims relative value factor” for most benefits¹ at 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 HMO factor at ages 60 to 64 is 1.150, which means that expected claims at those ages are 15.0% higher than expected claims for ages 55 to 59. The “net claim multiplier” is then the annual per-capita cost in Plan Year 2008/2009 (*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. Note that we did not assume any administrative expenses.

¹ All participants enrolled in the closed Blue Cross and Kaiser Cost plans are now over age 65, so that the “net claims relative value factor” for those benefits begins at 1.000 in the 65-69 age bracket.

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

AS OF JUNE 30, 2008

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

MORTALITY: Rates are from the June 30, 2007 pension valuation for CalSTRS and the June 30, 2005 valuation for non-industrial school employees in CalPERS. Note that the CalSTRS rates for actives are equal to retired rates with a two-year setback.¹ Sample rates are as shown below.

AGE	CalSTRS						CalPERS					
	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%	0.03%	0.02%	2.50%	2.00%	0.02%	0.01%	0.05%	0.03%	0.73%	0.52%
30	0.04	0.02	0.04	0.02	2.50	2.00	0.04	0.02	0.08	0.03	0.77	0.58
40	0.06	0.04	0.08	0.05	2.50	2.00	0.08	0.05	0.10	0.07	0.87	0.64
50	0.13	0.09	0.15	0.11	2.50	2.00	0.16	0.10	0.25	0.14	1.46	1.13
60	0.29	0.22	0.36	0.27	2.50	2.00	0.31	0.23	0.72	0.44	2.87	1.88
70	1.00	0.76	1.27	0.97	2.73	2.07	0.63	0.50	2.14	1.28	4.67	3.02
80	3.42	2.52	4.36	3.26	8.05	5.63	1.28	1.11	6.26	3.88	9.48	6.51

¹ Once an active is projected to retire or become disabled we apply the same mortality rates as for those currently retired or disabled. The CalSTRS pension valuation instead maintains a two-year mortality offset for actives as they become future retirees or disableds.

² The actual CalSTRS pension disability mortality rates are higher for the first three years after disablement, but we have not reflected that in our valuation.

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

AS OF JUNE 30, 2008

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

TURNOVER – CaISTRS: 25-year select and ultimate rates are from the June 30, 2007 pension valuation for CalSTRS. Sample rates are as shown below.

AGE	MALE RATE						FEMALE RATE					
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 26+ (ULTIMATE)	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 26+ (ULTIMATE)
20	15.30%	13.00%	9.00%	6.00%	4.40%	0.38%	15.30%	10.00%	7.20%	6.30%	5.80%	0.34%
30	15.30	12.50	7.70	6.00	4.80	0.38	15.30	11.00	8.50	7.00	6.00	0.34
40	15.30	13.00	9.00	6.50	5.00	0.38	15.30	11.00	7.50	6.00	4.50	0.34
50	18.00	14.00	10.00	7.00	4.00	0.50	15.30	10.50	7.00	5.50	3.00	0.40
60	18.00	14.00	10.00	7.00	4.00	0.50	15.30	10.50	7.00	5.50	3.00	0.40

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

TURNOVER – CalPERS: 25-year select and ultimate rates are from the June 30, 2005 pension valuation for non-industrial school employees in CalPERS. Sample rates are as shown below.

DISABILITY: Rates are from the June 30, 2007 pension valuation for CalSTRS and the June 30, 2005 valuation for non-industrial school employees in CalPERS, except that for CalSTRS participants we used only the “Coverage A” rates. Sample rates are as shown below.

AGE	MALE AND FEMALE RATE					
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 26+ (ULTIMATE)
20	16.17%	15.01%	13.84%	12.67%	11.51%	0.00%
30	14.25	13.09	11.92	10.75	9.59	0.00
40	12.33	11.16	10.00	8.83	7.66	3.53
50	10.41	9.24	8.08	6.91	5.74	0.29
60	8.49	7.32	6.16	4.99	3.82	0.02

AGE	CalSTRS		CalPERS	
	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

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

RETIREMENT: CalSTRS rates are from the June 30, 2007 pension valuation for CalSTRS, including the application of a 45% load for 25 to 27 completed years of service. CalPERS rates are from the June 30, 2005 valuation for non-industrial school employees in CalPERS, except that we averaged the rates within ten-year brackets of entry age. Sample rates *prior to the CalSTRS load* are as shown below.

AGE	CalSTRS				CalPERS				
	LESS THAN 30 YEARS OF SERVICE		30 OR MORE YEARS OF SERVICE		ENTRY AGE 20 – 29	ENTRY AGE 30 – 39	ENTRY AGE 40 – 49	ENTRY AGE 50 – 59	ENTRY AGE 60+
	MALE RATE	FEMALE RATE	MALE RATE	FEMALE RATE					
55	2.7%	4.5%	8.0%	9.0%	8.0%	6.5%	4.0%	2.0%	0.0%
56	1.8	3.2	8.0	9.0	7.0	5.5	3.5	1.5	0.0
57	1.8	3.2	10.0	11.0	7.5	6.0	4.0	2.0	0.0
58	2.7	4.1	14.0	16.0	9.5	7.0	5.0	2.5	0.0
59	4.5	5.4	18.0	19.0	11.0	8.5	6.0	3.0	0.0
60	6.3	9.0	27.0	31.0	17.5	13.5	10.5	5.5	0.0
61	6.3	9.0	43.0	40.0	18.0	14.0	10.5	6.0	0.0
62	10.8	10.8	38.0	37.0	38.5	29.5	23.0	13.0	0.0
63	11.7	16.2	30.0	35.0	35.0	27.0	21.5	12.5	0.0
64	10.8	13.5	30.0	32.0	27.5	21.5	17.0	10.0	0.0
65	13.5	14.4	30.0	32.0	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

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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%	88%	12%	100%	70%	40%
	Age/service points of 70 to 79 (or disabled with 10 to 14 years)	any	50%	25%	88%	12%	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%	85%	15%	100%	50%	25%
		Age 65+ or disabled	50%	0%	85%	15%	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, male members were assumed to be three years older than their wives and female members were assumed to be two years younger than their husbands. 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: 4.50% per annum, if monies are not irrevocably dedicated for retiree benefits
7.75% per annum, if monies are irrevocably dedicated for retiree benefits

COMPENSATION INCREASE RATE: 3.00% per annum

TREND RATES: ¹

PLAN YEAR BEG. JULY 1	KAISER NON-MEDICARE	KAISER MEDICARE	HEALTH NET	HEALTH NET ELECT	BLUE CROSS & KAISER COST	MEDICARE PART B REIMBURSEMENT	DENTAL	CASH-IN-LIEU
2008	7.5%	9.0%	10.0%	10.0%	14.0%	12.0%	6.5%	9.0%
2009	7.5	9.0	9.5	9.0	11.5	11.0	6.5	8.5
2010	7.0	8.5	9.0	8.5	10.0	10.0	6.0	8.0
2011	7.0	8.0	8.5	8.0	9.0	9.0	6.0	7.5
2012	6.5	7.5	8.0	7.5	8.0	8.0	5.5	7.0
2013	6.5	7.0	7.0	7.0	7.0	7.0	5.5	6.5
2014	6.0	6.0	6.0	6.5	6.0	6.0	5.0	6.0
2015	5.5	5.5	5.5	6.0	5.5	5.0	5.0	5.5
2016	5.0	5.0	5.0	5.5	5.0	4.5	4.5	5.0
2017	4.5	4.5	4.5	5.0	4.5	4.5	4.5	4.5
2018+	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5

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.

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

NET CLAIMS MULTIPLIERS (i.e., Plan Year 2008/2009 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
	\$ 7,521	\$ 9,245	\$ 10,154	\$ 7,899	\$ 1,041	\$ 742	\$ 5,085	\$ 2,543

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	0.655	0.655	0.655	0.000	0.000	1.000	1.000	1.000
50 - 54	0.795	0.795	0.795	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	1.150	1.150	1.150	0.000	0.000	1.000	1.000	1.000
65 - 69 ²	0.710 ³	0.585	1.295	1.000	1.000	1.000	1.000	1.000
70 - 74	0.710 ³	0.585	1.435	1.000	1.000	1.000	1.000	1.000
75 - 79	0.710 ³	0.585	1.590	0.855	1.000	1.000	1.000	1.000
80 and Over	0.710 ³	0.585	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 \$6,509 (the average single rate for Kaiser, Health Net, and Health Net Elect) and their spouses have a multiplier of \$6,788 (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 0.720.

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

AS OF JUNE 30, 2008

SECTION III SUMMARY OF PARTICIPANT DATA

DISTRIBUTION OF ACTIVE PARTICIPANTS BY AGE AT JUNE 30, 2008

AGE GROUP	Certificated ¹	Classified ¹	All Actives
Under 20	0	0	0
20 – 24	0	6	6
25 – 29	3	22	25
30 – 34	18	41	59
35 – 39	40	57	97
40 – 44	44	76	120
45 – 49	64	82	146
50 – 54	92	91	183
55 – 59	103	108	211
60 – 64	98	51	149
65 – 69	32	19	51
70 and Over	<u>7</u>	<u>5</u>	<u>12</u>
Total	501	558	1,059
Average Age	53	49	51
Average Service Years	14	11	12

DISTRIBUTION OF CURRENT RECIPIENTS BY AGE AT JUNE 30, 2008

AGE GROUP	RETIREEES ²	SPOUSES	TOTAL
Under 50	7	10	17
50 - 54	8	15	23
55 - 59	38	28	66
60 - 64	91	66	157
65 - 69	125	67	192
70 - 74	127	68	195
75 - 79	128	79	206
80 & Over	175	61	237
Unknown	<u>0</u>	<u>0</u>	<u>0</u>
Total	699	394	1,093

¹ We have 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.

² Includes surviving spouses of deceased retirees.

ACTUARIAL VALUATION OF
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AS OF JUNE 30, 2008

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 "*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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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 “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.

**ACTUARIAL VALUATION OF
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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 Health Net retiree out-of-area plan (which replaced the Flex Net plan on July 1, 2008) and several Kaiser out-of-area plans. Because enrollment in these plans is very low, we did not calculate separate per-capita benefit costs for them. Participants enrolled in the Kaiser out-of-area plans were valued as being in the local Kaiser plan. There were no participants in the Flex Net plan as of December 31, 2007.

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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 Health Net retiree out-of-area plan (which replaced the Flex Net plan on July 1, 2008) and several Kaiser out-of-area plans. Because enrollment in these plans is very low, we did not calculate separate per-capita benefit costs for them. Participants enrolled in the Kaiser out-of-area plans were valued as being in the local Kaiser plan. There were no participants in the Flex Net plan as of December 31, 2007.

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

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SECTION IV SUMMARY OF PRINCIPAL PLAN PROVISIONS (CONTINUED)

MEDICAL Benefits for Medicare Retired Participants¹ (Continued)

	KAISER SENIOR ADVANTAGE	HEALTH NET	KAISER COST ²	BLUE CROSS ²
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 Health Net retiree out-of-area plan (which replaced the Flex Net plan on July 1, 2008) and several Kaiser out-of-area plans. Because enrollment in these plans is very low, we did not calculate separate per-capita benefit costs for them. Participants enrolled in the Kaiser out-of-area plans were valued as being in the local Kaiser plan. There were no participants in the Flex Net plan as of December 31, 2007.

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. Assumption changes adopted for this valuation are as follows:
 - The CalSTRS demographic rates of mortality, turnover, and retirement were updated to those used in the June 30, 2007 CalSTRS pension valuation, plus we updated the future spouse age difference for CalSTRS participants.
 - Participation rates for future retirees hired after July 1, 1984 were generally lowered.
 - The discount rate was raised from 3.50% to 4.50% for the baseline results (without irrevocable prefunding), and from 6.00% to 7.75% for the alternative results (*with* irrevocable prefunding).
 - Ultimate trend rates were lowered from 5.5% to 4.5%.

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

AS OF JUNE 30, 2008

SECTION V NOTES TO AUDITOR (CONTINUED)

5. 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 2008/2009. 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 formulae provided by the District (as described on page 27). There are no administrative expenses associated with this plan.
6. The District also offers a Health Net retiree out-of-area plan (which replaced the Flex Net plan on July 1, 2008) and several Kaiser out-of-area plans. Because enrollment in these plans is very low, we did not calculate separate per-capita benefit costs for them. Participants enrolled in the Kaiser out-of-area plans were valued as being in the local Kaiser plan. There were no participants in the Flex Net plan as of December 31, 2007.
7. 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, then our assumption would understate the medical liability and overstate the Medicare Part B premium reimbursement liability.
8. We used participant and claims data furnished by the District. Data items were reviewed for reasonableness and consistency, but no audit was performed. Assumptions or estimates were made when data was not available. We are not aware of any errors or omissions in the data that would have a significant effect on the results presented. In particular, there were no members reported with missing age or service information. 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.

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

AS OF JUNE 30, 2008

SECTION V NOTES TO AUDITOR (CONTINUED)

9. We have categorized all CalSTRS participants as being Certificated and all CalPERS participants as being Classified, although the census shows a few Classified members participating in CalSTRS and a few Certificated members in CalPERS.
10. Section IV and page 25 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, \$49.4 million of the District's general assets are currently designated as reserved for the payment of future retiree welfare benefits, but there are no legally irrevocably 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 minimis.
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. The annual RDS equals 28% of each Medicare-eligible participant's drug expenses between a lower and upper cost threshold. 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.