# ALAMEDA UNIFIED SCHOOL DISTRICT

# ACTUARIAL VALUATION OF RETIREE HEALTH PLANS AS OF JUNE 30, 2008

*February 26, 2008*

## TABLE OF CONTENTS

## Introduction

### *Scope*

This report presents the results of the actuarial valuation of the Alameda Unified School District ("Alameda USD") post–retirement benefit plan (other than pensions). The purpose of the report is to:

- Develop the Actuarial Accrued Liability as of July 1, 2007;
- Develop the Annual Required Contribution for the year ending June 30, 2008; and
- Document actuarial assumptions and plan provisions.

### *Plans Valued*

The retiree benefits offered by Alameda USD included in this actuarial valuation are the subsidized medical benefits offered through the California Public Employees' Retirement System ("CalPERS").

### *Applicability of Accounting Standards*

The Governmental Accounting Standards Board (GASB) released Statement No. 43 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans ("GASB 43") in April 2004 and Statement No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans ("GASB 45") in June 2004. These two statements establish uniform accounting and financial reporting standards for state and local governmental entities related to post-employment benefits other than pensions ("OPEB").

The required effective dates for implementation of the standards by an employer vary depending on their total annual revenue. For the purposes of defining the effective date of the standards, GASB 43 and 45 use the terms *phase 1 government, phase 2 government, and phase 3 government.* The following table shows the definition of the three phases for plans and employers and their respective effective dates. The employer is required to report under the standards no later than the first fiscal year beginning after the date shown.

| Phase | Total Annual Revenues | Plans | Employers |
|---|---|---|---|
| 1 | $100,000,000 or more | 12/15/05 | 12/15/06 |
| 2 | $10,000,000 - $100,000,000 | 12/15/06 | 12/15/07 |
| 3 | Less than $10,000,000 | 12/15/07 | 12/15/08 |

### *Data*

We relied on the accuracy of the data supplied to APEX by Alameda USD for this project. We have assumed the census provided to APEX represents all potential retirees and their dependents who can receive post-retirement medical benefits. Please note we may have adjusted some of the underlying census data records to correct duplicate records or to correct what "appeared" to be inconsistent or illogical dates. In our opinion, the changes we made are not material in the aggregate and, for purposes of this report, did not warrant a delay in the release of these results.

## Summary of Results

The results in this report assume the use of the Entry Age Normal Cost method, as prescribed by CalPERS, with amortization on a level percentage basis.

The results are presented assuming two different discount rates. Each discount rate is determined based on the expected rate of return for investments used to finance the payment of benefits. For an unfunded plan, the investment return assumption is based on the expected return on employer assets which generally consist of short-term liquid investments. For a funded plan, the investment return assumes benefits are provided through a trust or similar arrangement, contributions are consistently greater than or equal to the Annual Required Contribution, and the plan's assets are the sole source for the payment of benefits. The investment return for the funded plan is based on the expected return on the plan's assets, which generally consist of long-term, less liquid investments. Overall, the long-term investment return for a funded plan will be greater than an unfunded plan.

***Actuarial Accrued Liability***

The Actuarial Accrued Liability ("AAL") is the present value of all future expected postretirement medical payments and administrative costs which are attributable to past service. Depending on how they fund the retiree benefit, we have determined Alameda USD's AAL as of July 1, 2007 to be:

| | Unfunded | Funded |
|---|---|---|
| **Accrued Actuarial Liability** | $12,133,000 | $8,128,000 |

***Annual Required Contribution***

The Annual Required Contribution ("ARC") is the annual expense recognition of the post-retirement benefit plan cost for the fiscal year. For the year ending June 30, 2008, we have projected the following ARC values:

| | Unfunded | Funded |
|---|---|---|
| Normal Cost | $445,000 | $238,000 |
| Interest on Normal Cost | $22,000 | $18,000 |
| Amortization | $511,000 | $470,000 |
| Interest on Amortization | $26,000 | $36,000 |
| Total ARC | $1,004,000 | $762,000 |

***Pay-As-You-Go Expense***

The Pay-As-You-Go Expense is the net expected cost of providing retiree benefits. This expense includes all expected claims and related expenses and is offset by retiree contributions. The expected Pay-As-You-Go Expense for the period July 1, 2007 – June 30, 2008 is $626,000.

***Net OPEB Obligation***

The Net OPEB Obligation ("NOO") is the cumulative difference between the ARC and the employer's contributions to the plan. Since this is considered to be the transition period, the NOO is equal to zero.

However, we have estimated that if Alameda USD continues paying benefits on a pay-as-you-go basis (Unfunded) or contributes an amount up to the ARC (Funded), the NOO at June 30, 2008 will be:

| | Unfunded | Funded |
|---|---|---|
| **NOO – Beginning of Year** | $0 | $0 |
| | | |
| **Annual OPEB Cost** | $1,004,000 | $762,000 |
| **Employer Contributions** | $626,000 | $762,000 |
| **Increase in NOO** | $378,000 | $0 |
| | | |
| **NOO – End of Year** | $378,000 | $0 |

***Caveat***

The results of this analysis are based on assumptions related to current and future retiree benefit costs. Actual results may differ from expected. In some cases, these differences may be material. Therefore, we recommend continued monitoring of actual versus expected results for the purpose of determining whether any or all of the assumptions should be modified.

***Actuarial Certification***

Alameda Unified School District retained the APEX Management Group, a division of Gallagher Benefit Services, Inc., to perform a valuation of its required disclosure information under Statement No. 45 of the Governmental Accounting Standards Board ("GASB 45"). The calculations derived for this report have been made on a basis consistent with our understanding of GASB 45. The valuation has been conducted in accordance with generally accepted actuarial principles and practices. The results of this report are to be used solely for the purpose of meeting employer financial accounting requirements.

In preparing the results of this report, we have relied on employee data, plan information and claims data provided by Alameda Unified School District. While the scope of the engagement did not call for us to perform an audit or independent verification of this information, we reviewed it for reasonableness. The accuracy of the results presented in the report is dependent upon the accuracy and completeness of the underlying information.

Thomas M. Skurat, FSA, MAAA
Consulting Actuary
February 26, 2008

**Actuarial Cost Methods**
One of the following actuarial cost methods can be used: Unit Credit, Entry Age Normal, Attained Age, Aggregate, Frozen Entry Age, or Frozen Attained Age. These methods can be used on a service (level dollar) or earnings (level percentage) basis.

A general description of each method is provided below:

- Unit Credit - A method under which the projected benefits of each individual included in an Actuarial Valuation are allocated by a consistent formula to valuation years.
- Entry Age Normal - A method under which the Actuarial Present Value of the Projected Benefits of each individual included in an Actuarial Valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age(s).
- Attained Age - A method under which the excess of the Actuarial Present Value of the Projected Benefits over the Actuarial Accrued Liability (AAL) in respect of each individual included in an Actuarial Valuation is allocated on a level basis over the service of the individual between the valuation date and assumed exit.
- Aggregate - A method under which the excess of the Actuarial Present Value of the Projected Benefits of the group included in an Actuarial Valuation is allocated on a level basis over the service of the group between the valuation date and assumed exit.
- Frozen Entry Age - A method under which the excess of the Actuarial Present Value of the Projected Benefits of the group included in an Actuarial Valuation, over the sum of the Actuarial Value of Assets plus the Unfunded Frozen AAL, is allocated on a level basis over the service of the group between the valuation date and assumed exit. The Frozen AAL is determined using the Entry Age Actuarial Cost method.
- Frozen Attained Age - A method under which the excess of the Actuarial Present Value of the Projected Benefits of the group included in an Actuarial Valuation, over the sum of the Actuarial Value of Assets plus the Unfunded Frozen AAL, is allocated on a level basis over the service of the group between the valuation date and assumed exit. The Frozen AAL is determined using the Unit Credit Actuarial Cost method.

**Calculation Definitions**

- Actuarial Accrued Liability (“AAL”) – The AAL is the portion of the actuarial present value of the total projected benefits allocated to years of employment prior to the measurement date.
- Unfunded Actuarial Accrued Liability (“UAAL”) – The UAAL is the difference between the AAL and the actuarial value of plan assets.

**Reporting Requirements**

- Annual Required Contribution (“ARC”) – The ARC is equal to the normal cost and the amortization of the Unfunded Actuarial Accrued Liability plus interest. The normal cost is equal to the actuarial present value (“APV”) allocated to one year of service.
- Net OPEB Obligation (“NOO”) – The NOO is the cumulative difference between the ARC and employer’s contributions to the plan. For unfunded plans, the employer’s

contribution would be equal to the annual benefit payments less employee contributions. At transition, the NOO may be set at zero.

- Required Supplementary Information ("RSI") – The RSI will require historical trend information from the last three valuations, including disclosure information about the UAAL and the progress in funding the plan. At transition, the RSI may include only the first year of information.

**Disclosures**
The following information is required to be disclosed:

- Plan description, including:
  - Type of employer – single employer, multiple-employer, etc.
  - Classes of employees covered and the number of plan members
  - Brief description of benefit provisions
- Summary of significant accounting policies, including a brief description of how fair value of investments is determined.
- Contributions and reserves, including:
  - Authority under which the obligations of plan members, employer(s), and other contributing entities who contribute to the plan are established or may be amended.
  - Funding policy.
  - Required contribution rates of actives and retirees in accordance with the funding policy.
  - Brief description of the terms of any long-term contracts for contributions to the plan and disclosure of the amounts outstanding at the reporting date.
  - The balance in the plan's legally required reserves at the reporting date.
- Funded status and progress
  - Information about the funded status as of the most recent valuation date, including:
    - Actuarial Valuation Date
    - Actuarial Value of Assets
    - Actuarial Accrued Liability ("AAL")
    - Total Unfunded Actuarial Accrued Liability ("UAAL")
    - Funded ratio – actuarial value of assets as a percentage of the actuarial accrued liability
    - Annual Covered Payroll
    - Ratio of Unfunded Actuarial Liability to Annual Covered Payroll
- Disclosure of information about actuarial methods and assumptions used in valuations on which reported information about the ARC and the funded status and funding progress of OPEB plans are based.

The following tables provide a summary of participant information and the Present Value of Future Benefits for Alameda USD.

| NUMBER OF PARTICIPANTS | |
|---|---|
| Actives (Fully Eligible) | 284 |
| Actives (Not Fully Eligible) | 550 |
| Retirees | 220 |
| **TOTAL** | **1,054** |

| | UNFUNDED PLAN | FUNDED PLAN |
|---|---|---|
| **PRESENT VALUE OF FUTURE BENEFITS (PVFB)** | | |
| **BY EMPLOYEE TYPE [1]** | | |
| Actives (Fully Eligible) | $4,637,000 | $2,958,000 |
| Actives (Not Fully Eligible) | $5,824,000 | $2,775,000 |
| **TOTAL ACTIVES** | **$10,461,000** | **$5,733,000** |
| Retirees | $6,554,000 | $4,842,000 |
| **TOTAL** | **$17,015,000** | **$10,575,000** |
| **BY BENEFIT (as defined in Section 7)** | | |
| CalPERS Costs | $14,406,000 | $8,346,000 |
| Alameda Contribution Subsidy | $2,609,000 | $2,229,000 |
| **TOTAL** | **$17,015,000** | **$10,575,000** |
| **BY SUBSIDY TYPE** | | |
| Explicit Subsidy | $17,015,000 | $10,575,000 |
| Implicit Subsidy | $0 | $0 |
| **TOTAL** | **$17,015,000** | **$10,575,000** |
| **BY AGE [2]** | | |
| Current Actives (<65) | $2,339,000 | $1,752,000 |
| Current Actives (65+) | $8,122,000 | $3,981,000 |
| **TOTAL ACTIVES** | **$10,461,000** | **$5,733,000** |
| Current Retirees (<65) | $1,541,000 | $1,435,000 |
| Current Retirees (65+) | $5,013,000 | $3,407,000 |
| **TOTAL RETIREES** | **$6,554,000** | **$4,842,000** |
| **TOTAL** | **$17,015,000** | **$10,575,000** |

**Notes**

[1] Fully eligible active employees have met all of the requirements to receive the retiree health benefit, while not fully eligible active employees have not.

[2] These are the expected retiree costs for current **actives** when they retiree and for existing **retirees**. The age bands show the expected costs in the respective age bands.

The following tables provide the Actuarial Accrued Liability using the Entry Age Normal cost method on an unfunded and funded basis.

| | UNFUNDED PLAN | FUNDED PLAN |
|---|---|---|
| **ACTUARIAL ACCRUED LIABILITY (AAL)** | | |
| **BY EMPLOYEE TYPE [1]** | | |
| Actives (Fully Eligible) | $3,268,000 | $2,126,000 |
| Actives (Not Fully Eligible) | $2,311,000 | $1,160,000 |
| **TOTAL ACTIVES** | **$5,579,000** | **$3,286,000** |
| Retirees | $6,554,000 | $4,842,000 |
| **TOTAL** | **$12,133,000** | **$8,128,000** |
| **BY BENEFIT (as defined in Section 7)** | | |
| CalPERS Costs | $10,075,000 | $6,306,000 |
| Alameda Contribution Subsidy | $2,058,000 | $1,822,000 |
| **TOTAL** | **$12,133,000** | **$8,128,000** |
| **BY SUBSIDY TYPE** | | |
| Explicit Subsidy | $12,133,000 | $8,128,000 |
| Implicit Subsidy | $0 | $0 |
| **TOTAL** | **$12,133,000** | **$8,128,000** |
| **BY AGE [2]** | | |
| Current Actives (<65) | $1,361,000 | $1,076,000 |
| Current Actives (65+) | $4,218,000 | $2,210,000 |
| **TOTAL ACTIVES** | **$5,579,000** | **$3,286,000** |
| Current Retirees (<65) | $1,541,000 | $1,435,000 |
| Current Retirees (65+) | $5,013,000 | $3,407,000 |
| **TOTAL RETIREES** | **$6,554,000** | **$4,842,000** |
| **TOTAL** | **$12,133,000** | **$8,128,000** |

| | | |
|---|---|---|
| **UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)** | | |
| **TOTAL** | **$12,133,000** | **$8,128,000** |

**Notes**

[1] Fully eligible active employees have met all of the requirements to receive the retiree health benefit, while not fully eligible active employees have not.

[2] These are the expected retiree costs for current **actives** when they retiree and for existing **retirees**. The age bands show the expected costs in the respective age bands.

The following tables provide the Annual Required Contribution ("ARC") and Net OPEB Obligation for the Entry Age Normal Cost method on an unfunded and funded basis. The ARC is calculated on a level percentage of earnings assuming an amortization period of 30 years (maximum allowed by GASB 45).

| | UNFUNDED PLAN | FUNDED PLAN |
|---|---|---|
| **ANNUAL REQUIRED CONTRIBUTION (ARC)** | | |
| Normal Cost | $445,000 | $238,000 |
| Interest on Normal Cost | $22,000 | $18,000 |
| Amortization Payment | $511,000 | $470,000 |
| Interest on Amortization Payment | $26,000 | $36,000 |
| **TOTAL** | **$1,004,000** | **$762,000** |

| | | |
|---|---|---|
| **NET OPEB OBLIGATION *** | | |
| **Net OPEB Obligation - Beginning of Year** | $0 | $0 |
| **ARC** | $1,004,000 | $762,000 |
| **Interest on prior year NOO** | $0 | $0 |
| **Adjustment to ARC** | $0 | $0 |
| **Annual OPEB Cost** | **$1,004,000** | **$762,000** |
| **Employer Contributions *** | $626,000 | $762,000 |
| **Increase in Net OPEB Obligation** | **$378,000** | **$0** |
| **Net OPEB Obligation – End of Year** | **$378,000** | **$0** |
| **Percentage of OPEB Cost Contributed** | **62.4%** | **100.0%** |

* For illustrative purposes, we have assumed that contributions are equal to the expected pay-as-you-go cost in the Unfunded scenario and contributions are equal to the ARC in the Funded scenario.

The following exhibit illustrates the impact of a 1% change in the assumed health care trend rates (defined in Section 7):

| | UNFUNDED PLAN | | FUNDED PLAN | |
|---|---|---|---|---|
| | Plus 1% | Minus 1% | Plus 1% | Minus 1% |
| ***VALUATION RESULTS*** | | | | |
| **ACTUARIAL ACCRUED LIABILITY (AAL)** | | | | |
| **TOTAL** | $14,223,000 | $10,554,000 | $9,104,000 | $7,358,000 |
| **UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)** | | | | |
| **TOTAL** | $14,223,000 | $10,554,000 | $9,104,000 | $7,358,000 |
| **ANNUAL REQUIRED CONTRIBUTION (ARC)** | | | | |
| Normal Cost | $565,000 | $360,000 | $285,000 | $203,000 |
| Interest on Normal Cost | $28,000 | $18,000 | $22,000 | $16,000 |
| Amortization Payment | $599,000 | $444,000 | $527,000 | $426,000 |
| Interest on Amortization Payment | $30,000 | $22,000 | $41,000 | $33,000 |
| **TOTAL** | $1,222,000 | $844,000 | $875,000 | $678,000 |
| ***IMPACT OF TREND CHANGE*** | | | | |
| **ACTUARIAL ACCRUED LIABILITY (AAL)** | | | | |
| **TOTAL** | $2,090,000 | ($1,579,000) | $976,000 | ($770,000) |
| **% CHANGE** | 17.2% | -13.0% | 12.0% | -9.5% |
| **UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)** | | | | |
| **TOTAL** | $2,090,000 | ($1,579,000) | $976,000 | ($770,000) |
| **% CHANGE** | 17.2% | -13.0% | 12.0% | -9.5% |
| **ANNUAL REQUIRED CONTRIBUTION (ARC)** | | | | |
| Normal Cost | $120,000 | ($85,000) | $47,000 | ($35,000) |
| Interest on Normal Cost | $6,000 | ($4,000) | $4,000 | ($2,000) |
| Amortization Payment | $88,000 | ($67,000) | $57,000 | ($44,000) |
| Interest on Amortization Payment | $4,000 | ($4,000) | $5,000 | ($3,000) |
| **TOTAL** | $218,000 | ($160,000) | $113,000 | ($84,000) |
| **% CHANGE** | 21.7% | -15.9% | 14.8% | -11.0% |

The following exhibit provides the expected cash flow for the Alameda USD retiree benefit based on the current population:

| Year | CalPERS Costs | Alameda USD Contribution Subsidy | Net Benefit Payments |
|---|---|---|---|
| **7/2007 - 6/2008** | $241,000 | $385,000 | **$626,000** |
| **7/2008 - 6/2009** | $277,000 | $333,000 | **$610,000** |
| **7/2009 - 6/2010** | $301,000 | $287,000 | **$588,000** |
| **7/2010 - 6/2011** | $328,000 | $274,000 | **$602,000** |
| **7/2011 - 6/2012** | $356,000 | $254,000 | **$610,000** |
| **7/2012 - 6/2013** | $388,000 | $212,000 | **$600,000** |
| **7/2013 - 6/2014** | $422,000 | $199,000 | **$621,000** |
| **7/2014 - 6/2015** | $458,000 | $169,000 | **$627,000** |
| **7/2015 - 6/2016** | $496,000 | $156,000 | **$652,000** |
| **7/2016 - 6/2017** | $535,000 | $145,000 | **$680,000** |

**Retiree Benefit Eligibility**

**ACSA (Management)**
Employees must be between the ages 55 and 66 with 10 or more years of service to be eligible for retiree benefits.

**AEA (Teachers)**
Employees must be between the ages 52 and 65 to be eligible for retiree benefits.

**CSEAT (Clerical)**
Employees must be between the ages 52 and 65 with 15 or more years of service to be eligible for retiree benefits.

**CSEAA (Paraprofessional)**
Employees must be age 50 with 12 or more years of service to be eligible for retiree benefits.

**PEUM (Maintenance) & PEUF (Food Service)**
Employees must be age 50 with 15 or more years of service to be eligible for retiree benefits. Retirees shall have District paid benefits for any five year period of time.

**Retiree Benefits**
Eligible retirees have the option to continue receiving medical/prescription drug coverage through CalPERS. A description of each plan available to retirees is provided below:

**Blue Shield HMO**

| | |
|---|---|
| **Deductible** | $0 |
| **Coinsurance** | 100% |
| **Out of Pocket Maximum (2X Family)** | $1,500 |
| **Preventive Care Copayment** | $0 |
| **E.R. Copayment** | $50 |
| **Office Visit Copayment** | $15 |
| **Rx Drug Copay** | |
| **Generic** | Retail - $5, Mail Order - $10 |
| **Brand** | Retail - $15, Mail Order - $25 |
| **Non-Formulary** | Retail - $45, Mail Order - $75 |

**Kaiser Permanente**

| | |
|---|---|
| **Deductible** | $0 |
| **Coinsurance** | 100% |
| **Out of Pocket Maximum (2X Family)** | $1,500 |
| **Preventive Care Copayment** | $15 |
| **E.R. Copayment** | $50 |
| **Office Visit Copayment** | $15 |
| **Rx Drug Copay** | Generic - $5, Brand - $5 |

**PERS Care**

| | In-Network | Out-of-Network |
|---|---|---|
| **Deductible (2X Family)** | $500 | |
| **Coinsurance** | 90% | 60% |
| **Out of Pocket Maximum (2X Family)** | $2,000 | None |
| **Inpatient Admission Copayment** | $250 | $250 |
| **Emergency Room Copayment** | $50 | $50 |
| **Office Visit Copayment** | $20 | N/A |
| **Rx Drug Copay** | | |
| **Generic** | Retail - $5, Mail Order - $10 | |
| **Preferred Brand** | Retail - $15, Mail Order - $25 | |
| **Non-Preferred Brand** | Retail - $45, Mail Order - $75 | |

**PERS Choice**

| | In-Network | Out-of-Network |
|---|---|---|
| **Deductible (2X Family)** | $500 | |
| **Coinsurance** | 80% | 60% |
| **Out of Pocket Maximum (2X Family)** | $3,000 | None |
| **Emergency Room Copayment** | $50 | $50 |
| **Office Visit Copayment/Coinsurance** | $20 | N/A |
| **Rx Drug Copay** | | |
| **Generic** | Retail - $5, Mail Order - $10 | |
| **Preferred Brand** | Retail - $15, Mail Order - $25 | |
| **Non-Preferred Brand** | Retail - $45, Mail Order - $75 | |

**Retiree Contributions**

Contributions are required for both retiree and dependent coverage. All bargaining units with the exception of ACSA, receive medical only benefits with contributions by the District not to exceed the contribution to active employees.

The full monthly premium amounts and the subsidies provided by Alameda USD are detailed in the tables below.

***Full Premiums (Effective 1/1/2007-12/31/2007)***

**Retiree (Under 65)**

| Rate Tier | Blue Shield | Kaiser | PERS Choice | PERS Care |
|---|---|---|---|---|
| **Retiree Only** | $484.21 | $431.17 | $455.18 | $769.50 |
| **Retiree + 1** | $968.42 | $862.35 | $910.36 | $1,539.00 |
| **Retiree + 2** | $1,258.95 | $1,121.04 | $1,183.47 | $2,000.70 |

**Retiree (Over 65)**

| Rate Tier | Blue Shield | Kaiser | PERS Choice | PERS Care |
|---|---|---|---|---|
| **Retiree Only** | $318.95 | $289.68 | $341.75 | $371.68 |
| **Retiree + 1** | $637.90 | $579.36 | $683.50 | $743.36 |
| **Retiree + 2** | $956.85 | $869.04 | $1,025.25 | $1,115.04 |

***Full Premiums (Effective 1/1/2008-12/31/2008)***

**Retiree (Under 65)**

| Rate Tier | Blue Shield | Kaiser | PERS Choice | PERS Care |
|---|---|---|---|---|
| **Retiree Only** | $532.93 | $470.67 | $482.48 | $749.83 |
| **Retiree + 1** | $1,065.86 | $941.34 | $964.96 | $1,499.66 |
| **Retiree + 2** | $1,385.62 | $1,223.74 | $1,254.45 | $1,949.56 |

**Retiree (Over 65)**

| Rate Tier | Blue Shield | Kaiser | PERS Choice | PERS Care |
|---|---|---|---|---|
| **Retiree Only** | $341.44 | $273.36 | $349.11 | $404.60 |
| **Retiree + 1** | $682.88 | $546.72 | $698.22 | $809.20 |
| **Retiree + 2** | $1,024.32 | $820.08 | $1,047.33 | $1,213.80 |

We have assumed that contributions will increase with medical trend.

***Contribution Subsidy***

**ACSA (Management)**
Eligible retirees receive a monthly subsidy of $474.20 to offset the retiree premiums. The subsidy is available through age 65. The monthly subsidy is assumed to remain constant in the future.

**AEA (Teachers)**
Eligible retirees have the following subsidy options to offset retiree medical premiums:

- A monthly subsidy equal to the active (employee only) employer contribution for the available CalPERS plans. The monthly subsidy is capped at $370.26, and according to the District, the cap is not expected to increase in the future.
- A monthly subsidy of $305.00 if they are not receiving benefits through CalPERS, but are receiving benefits elsewhere. The monthly subsidy is assumed to remain constant in the future.

Both of these subsidies are available until age 65.

**CSEAT (Clerical) & CSEAA (Paraprofessional)**
Eligible retirees receive a monthly subsidy equal to the active (employee only) premium for the available CalPERS plans to offset retiree medical premiums. The subsidy is available for 5 years upon retirement. The monthly subsidy is capped at $370.00, and according to the District, the cap is not expected to increase in the future.

**PEUM (Maintenance) & PEUF (Food Service)**
Eligible retirees receive a monthly subsidy equal to the active (employee only) premium for the available CalPERS plans to offset retiree medical premiums. The subsidy is available for any 5 year period. The monthly subsidy is capped at $370.00, and according to the District, the cap is not expected to increase in the future.

**Valuation Date**
June 30, 2008

**Discount Rate**
The analysis assumes two discount rates for comparison purposes. Based on the CalPERS OPEB Assumption Model, a 5.0% annual discount rate is used assuming Alameda USD will fund the retirement benefit on a pay-as-you-go basis. A 7.75% annual discount rate is used assuming Alameda USD will fund the plan and consistently contribute an amount equal to or greater than the ARC. These values assume 3% annual inflation.

**Attribution Method**
Entry Age Normal Cost Method. (As per the CalPERS OPEB Assumption Model)

**Amortization Method**
The Unfunded Actuarial Accrued Liability is amortized over the maximum acceptable period of 30 years as defined by GASB. Amortization is calculated assuming a level percentage of projected payroll. Level percentage of projected payroll will produce the lowest initial amortization.

**Salary Increase Assumption**
3.25% per Annum (As per the CalPERS OPEB Assumption Model)

**Health Care Cost Trend**
The following annual trend rates are applied to premiums on a select and ultimate basis:

| Select Trends | | |
|---|---|---|
| **Plan** | **Pre-Medicare Eligible** | **Post-Medicare Eligible** |
| Blue Shield | 11.0% | 11.0% |
| Kaiser | 11.0% | 11.0% |
| PERS Care | 11.0% | 11.0% |
| PERS Choice | 11.0% | 11.0% |

Select trends are reduced 0.5% each year until reaching an ultimate trend of 6%.

**Explicit Subsidy**
There are two types of explicit subsidies made on behalf of retired School District employees that have been utilized in the development of the projected retiree costs. The first subsidy is the contribution subsidy provided by the School District to offset the retiree premiums. (Specific details are provided in the Section 6 – Summary of Plan Provisions.)

The second subsidy type is the retiree contributions to CalPERS. Under California State Government Code Section 22890-22905, the School District contributes a portion of the cost of providing CalPERS benefits. Currently, the monthly premium to CalPERS is $80.80 in 2007 and $97.00 in 2008. The CalPERS premiums are projected to increase 4% annually, thereafter. (This subsidy is included as part of the contribution subsidy. After the contribution subsidy ends, the School District is required to make the CalPERS contributions as long as the retiree continues receiving coverage through the School District.)

**Implicit Subsidy**
Consistent with the opinion of the CalPERS actuarial staff, we believe the plans available to School District employees are community rated; thus, age related costs do not need to be computed.

**Plan Participation Percentage**
Based on information provided by the School District, we have assumed that 60% of all employees and their dependents who are eligible for retiree benefits actually participate in the retiree benefit plan. This assumes that a one-time irrevocable election to participate is made at retirement.

**Dependent Composition at Retirement**
The assumed number of eligible dependents is based on the current proportions of single and family contracts.

**Retirement Age**
The probability of retirement has been developed based on the CalPERS OPEB Assumption Model using assumptions for school districts. Sample retirement ages and associated probabilities are as follows:

| Retirement Rates | | |
|---|---|---|
| **Attained Age** | **10 Years of Service** | **25 Years of Service** |
| **50** | 0.71% | 1.31% |
| **55** | 3.84% | 7.07% |
| **56** | 3.14% | 5.78% |
| **57** | 3.37% | 6.20% |
| **58** | 4.02% | 7.39% |
| **59** | 4.57% | 8.42% |
| **60** | 7.29% | 13.42% |
| **61** | 7.21% | 13.28% |
| **62** | 15.12% | 27.84% |
| **63** | 13.63% | 25.10% |
| **64** | 10.60% | 19.51% |
| **65** | 17.97% | 33.08% |
| **70** | 13.08% | 24.08% |

### Mortality

Mortality assumptions have been developed based on the CalPERS OPEB Assumption Model. Sample mortality rates are provided below.

| | Pre-Retirement | | Post-Retirement | |
|---|---|---|---|---|
| **Age** | **Male** | **Female** | **Male** | **Female** |
| **25** | 0.027% | 0.014% | 0.063% | 0.028% |
| **35** | 0.054% | 0.031% | 0.081% | 0.045% |
| **45** | 0.110% | 0.068% | 0.150% | 0.092% |
| **55** | 0.221% | 0.151% | 0.429% | 0.253% |
| **65** | 0.447% | 0.336% | 1.302% | 0.795% |
| **75** | 0.900% | 0.745% | 3.716% | 2.156% |
| **85** | N/A | N/A | 10.195% | 7.219% |
| **95** | N/A | N/A | 25.917% | 21.773% |

### Termination

The rate of withdrawal for reasons other than death and retirement has been developed based on the CalPERS OPEB Assumption Model. Sample rates are provided below.

| Termination Rates with 5 Years of Service | | |
|---|---|---|
| **Entry Age** | **With Refund** | **With Vested Deferred Benefits** |
| **20** | 3.47% | 5.91% |
| **25** | 3.11% | 5.31% |
| **30** | 2.76% | 4.70% |
| **35** | 2.40% | 4.10% |
| **40** | 2.05% | 3.49% |
| **45** | 1.69% | 0.00% |
| **50** | 1.34% | 0.00% |
| **55** | 0.98% | 0.00% |
| **60** | 0.63% | 0.00% |
| **65** | 0.27% | 0.00% |
| **70** | 0.04% | 0.00% |

A summary of the current active and retired employee population for Alameda USD is provided in the table below:

| | ACTIVE POPULATION | | | | |
|---|---|---|---|---|---|
| **Age Group** | **Fully Eligible** | **Not Fully Eligible** | **Total** | | **RETIRED EMPLOYEES** |
| **<40** | 0 | 206 | **206** | | **1** |
| **40-44** | 0 | 93 | **93** | | **0** |
| **45-49** | 0 | 132 | **132** | | **1** |
| **50-54** | 61 | 64 | **125** | | **1** |
| **55-59** | 139 | 34 | **173** | | **24** |
| **60-64** | 70 | 16 | **86** | | **86** |
| **65-69** | 11 | 5 | **16** | | **61** |
| **70-74** | 1 | 0 | **1** | | **22** |
| **75-79** | 2 | 0 | **2** | | **16** |
| **80-84** | 0 | 0 | **0** | | **5** |
| **85+** | 0 | 0 | **0** | | **3** |
| **Total** | **284** | **550** | **834** | | **220** |

A summary of the current active employees based on years of service is provided in the table below:

| Age | 0-4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30+ | Total |
|---|---|---|---|---|---|---|---|---|
| **<40** | 137 | 49 | 18 | 2 | 0 | 0 | 0 | **206** |
| **40-44** | 34 | 25 | 17 | 13 | 3 | 1 | 0 | **93** |
| **45-49** | 35 | 34 | 24 | 17 | 18 | 3 | 1 | **132** |
| **50-54** | 27 | 34 | 18 | 13 | 20 | 10 | 3 | **125** |
| **55-59** | 28 | 41 | 23 | 29 | 22 | 13 | 17 | **173** |
| **60-64** | 13 | 12 | 13 | 15 | 10 | 10 | 13 | **86** |
| **65-69** | 6 | 3 | 5 | 0 | 1 | 0 | 1 | **16** |
| **70-74** | 0 | 0 | 1 | 0 | 0 | 0 | 0 | **1** |
| **75-79** | 0 | 0 | 0 | 0 | 1 | 1 | 0 | **2** |
| **80-84** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| **85+** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| **Total** | **280** | **198** | **119** | **89** | **75** | **38** | **35** | **834** |