


# Proposal for
# GASB 45 Actuarial Services

VAN IWAARDEN

*Retirement planning for employers*

**Experience. Knowledge. Practical Advice.**

August 30, 2011

Contact: Chris Grabrian, ASA, EA, MAAA

VAN IWAARDEN ASSOCIATES 840 LUMBER EXCHANGE BUILDING TEN SOUTH FIFTH STREET MINNEAPOLIS, MN 55402-1010
612.596.5960 *toll free*: 888.596.5960 *f:* 612. 596.5999 WWW.VANIWAARDEN.COM

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*Retirement planning for employers*

August 30, 2011

Ms. Merites Fermin, Director of Fiscal Services
SLUSD Business Services Office
14735 Juniper Street
San Leandro, CA 94579

**Re:** Actuarial Services for GASB 45 – Letter of Transmittal

Dear Ms. Fermin:

Northern Consulting Actuaries, dba Van Iwaarden Associates, is pleased to provide the San Leandro Unified School District with our proposal for GASB 45 actuarial services. We understand the Other Post-Employment Benefits (OPEB) provided by the District, the GASB 45 valuation process and have provided valuations to many other districts with similar benefits. As a result, the study will be completed within six weeks after receiving all the data requested.

We look forward to serving you with our experience, knowledge leadership, and practical advice:

**GASB 45 Experience**. We began working with school districts, cities and counties over 10 years ago in anticipation of the GASB 45 requirements and have now prepared OPEB valuations for over 200 school districts, cities, counties and other governmental entities.

**Knowledge Leadership**. We've built our firm on knowledge leadership. Our consultants are frequent writers and speakers on retirement benefit topics such as GASB 45 accounting.

**Practical Advice.** We're also known for practical solutions that get the job done. You need a consultant who provides an array of solutions and explains them in layman's terms to help you decide which one is best.

Some comments from our clients are:

– *"We learned more in a half hour with you than in six months with the other guys."*

– *"Jim and his colleagues always have a creative answer to new challenges in designing and operating retirement plans."*

The all-inclusive fee to complete the study will be $7,900, plus an optional $1,750 if the District desires an in-person presentation.

Jim van Iwaarden is authorized to make representations for Van Iwaarden Associates and, as signer of this letter, is authorized to bind the firm.


| | |
|---|---|
| | Jim Van Iwaarden |
| Title: | Owner/President |
| Phone: | 612.596.5961 |
| Email: | jimvi@vaniwaarden.com |
| Address and Fax: | See footer |

August 30, 2011

The tasks involved in conducting the valuation study are described in the Technical Approach and Methodology section of the appendix. Here you will find descriptions of each task, the organization or person involved in performing the task, timing and key goal or deliverable of the task.

Data needed for the study is described in the Sample Data Request of the appendix. This sample data request is used in a kick-off meeting with the District to discuss the finer details of the benefits provided, what data will be needed, and what data the District has available. Within a day or two after the kick-off meeting we will provide a customized data request with the specific data needed to value the District's benefits.

This proposal also includes resumes of the key staff servicing the District and a sample valuation report in the appendix.

If you have any questions about our proposal, please contact Chris Grabrian at 612.596.5974 or chrisg@vaniwaarden.com. Additional information about our GASB 45 expertise can be found at www.gasb45opeb.com. We look forward to working with you!

Sincerely,



James A. van Iwaarden, FSA, EA, MAAA
President and Consulting Actuary



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# Firm Profile

Van Iwaarden Associates was founded in 1991, and has grown to become one of the leading independent actuarial consulting firms in the United States. Our office, located in Minneapolis, provides actuarial services to clients throughout the nation. Our core practice is in three areas: retiree medical plans, defined benefit pension plans and defined contribution plans.

Our team includes four Fellows of the Society of Actuaries, two Associates of the Society of Actuaries, five analysts and a licensed attorney. All our Fellows and Associates are members of the American Academy of Actuaries. We have more depth than any other firm practicing in this area.

Our team includes:

- James A. Van Iwaarden, FSA, EA, MAAA
- Mark W. Schulte, FSA, EA, MAAA
- Christopher L. Grabrian, ASA, EA, MAAA
- Sandra L. Bruns, FSA, EA, MAAA
- Brenda K. Hardy, ASA, EA, MAAA
- Mark D. Meyer, JD, FSA, EA, CEBS
- Peter J. Cullen, EA, MAAA
- Gina N. Ganab, actuarial analyst
- Jeremy D. Palm, actuarial analyst
- Emily M. Knutson, actuarial analyst
- Laura K. Pistotnik, actuarial analyst
- Greg D. North, actuarial analyst

Chris Grabrian and Mark Schulte will be involved in the District's study and are responsible for assuring that the study is completed satisfactorily and that it meets or exceeds the requirements of GASB 45.

| | Chris Grabrian | Mark Schulte |
|---|---|---|
| Title: | Consulting Actuary | Consulting Actuary |
| Phone: | 612.596.5974 | 612.596.5971 |
| Email: | chrisg@vaniwaarden.com | marks@vaniwaarden.com |
| Address and Fax: | See footer | See footer |



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# Mandatory Criteria

Our six Fellows and Associates of the Society of Actuaries are members of the American Academy of Actuaries. Chris Grabrian and Mark Schulte will be the consulting actuaries performing work under your contract and are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions for postretirement benefits valuation work.

Van Iwaarden Associates has errors and omissions insurance coverage in excess of $1 million.



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# Qualifications

## Consultants Serving the District

Chris Grabrian will be your primary actuarial consultant and lead actuary managing the day-to-day work and responding to account inquiries and billing matters. Mark Schulte will be your peer review actuarial consultant. They will be assisted by one of our actuarial analysts who will complete the data processing and technical work on the study. Resumes detailing the experience and qualifications for your consultants are in the appendix.

## GASB 45 Experience

We have performed GASB 43/45 OPEB valuations for over 200 school districts, cities, counties, and other public entities.

Relevant assignments include:

- We are the actuaries for North Dakota's statewide retiree medical plan, NDPERS.
- We are the League of Minnesota Cities' actuarial partner.
- Our California OPEB clients include the cities of Fresno, Palmdale, Blythe, Lodi and Trinity Public Utilities District.

For decades, we have assisted private employers with similar calculations under GAAP accounting standards (FAS 106, 132 and 158).

## Knowledge Leadership

Anyone can claim knowledge leadership. We've built our firm on it. Here are recent examples for three of our consultants: Mark Schulte, Chris Grabrian, and Jim Van Iwaarden.

- We frequently comment on new retiree benefit developments on our blog at pensionblog.com. Our posts are frequently picked up by national newsletters such as BenefitsLink.
- Mark spoke on GASB 45 Other Post-Employment Benefits (OPEB) accounting issues in November 2009 at a School Business Official conference.
- Chris presented to the MNCPA at their 2008 Audits of Local Government conference about GASB 45 standards and how actuarial costs are calculated, including the implicit rate subsidy.
- Jim has explained the GASB standards at several School Business Officials conferences, CPA Conferences, and OPEB seminars. He spoke on OPEB cost control strategies at a 2007 fall conference and the Self-Insurance Institute of America in May 2008. He also gave a speech "We Have the OPEB Numbers, Now What?" in April 2009.



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# Qualifications (continued)

**Similar Clients**

Below are three clients we provide GASB 45 actuarial valuations that have benefits similar to the District's:

**City of Fresno**

| | |
|---|---|
| Contact name: | Margaret Bell |
| Contact responsibility/relationship: | Principal Accountant |
| Address: | 2600 Fresno Street, Ste 2156<br>Fresno, CA 93721-3622 |
| Telephone: | (559) 621-7035 |
| Products/services used: | GASB 43/45 OPEB actuarial valuation |
| Length of relationship: | 1 year |

**City of Palmdale**

| | |
|---|---|
| Contact name: | Betsy St. John |
| Contact responsibility/relationship: | Director of Finance |
| Address: | 38300 Sierra Highway<br>Palmdale, CA 93550 |
| Telephone: | (661) 267-5417 |
| Products/services used: | Retiree medical plan design and GASB 43/45 OPEB valuation |
| Length of relationship: | 3 years |

**City of Blythe**

| | |
|---|---|
| Contact name: | Leann Martin |
| Contact responsibility/relationship: | Deputy Director of Finance |
| Address: | 235 N. Broadway<br>Blythe, CA 92225 |
| Telephone: | (760) 922-6161 Ext 222 |
| Products/services used: | GASB 43/45 OPEB actuarial valuation |
| Length of relationship: | 1 year |



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# Qualifications (continued)

**Quality Guarantees**

Ever since our firm was founded in 1991, we have operated on three basic principles:

- *Do what's right,*
- *Do the best you can, and*
- *Treat others as you would like to be treated.*

These principles shape the way we conduct ourselves with clients, associates, and competitors – and they give rise to our quality guarantees:

***Phone calls.*** We will always return your calls within 24 hours. Nothing is more important than a client who wants to talk with us.

***Written communication.*** If we send you a document that does not provide the information you need in a way you can easily understand, we will explain it and/or revise it to meet your needs - at no charge.

***Peer review.*** Every client deliverable is subject to a formal peer review policy to ensure that all of our work products meet the highest consulting and actuarial standards.

***Data security.*** All staff members sign a formal data security policy that applies to all of our client work. We perform a daily off-site back-up of our network servers to ensure that all client data is protected in case of system failure.

***Error correction.*** If an error ever makes it through our review process, we will disclose it as soon as we find it and correct it at no charge. This falls under the "Do what's right" heading above.

***Other.*** If it's important to you, it's important to us. We will be happy to set additional specific performance guarantees.



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# Scope of Services

We will perform the following services for the District:

**GASB 45 Actuarial Valuation Study**

We will prepare an actuarial valuation report in accordance with GASB 45 requirements. The report will analyze post-retirement health insurance benefits provided to District employees based on data provided by the District. The information contained in the report will satisfy all GASB 45 requirements, including:

- Measurement of the obligation for retiree medical, dental and vision benefits including the actuarial present value of benefits, actuarial accrued liability, normal cost, and annual required contribution (ARC).
- Calculation of OPEB expense on GASB 45 accrual basis of accounting.
- Liability results split between employee bargaining groups.
- Projected reconciliation of Net OPEB Obligation balance sheet liability and annual costs for fiscal years ending June 30, 2012; June 30, 2013; and June 30, 2014.
- Estimate of the amount to fully fund OPEB via a one-time reserve account as well as a year-by-year contribution schedule.
- 30-year projection of expected future benefits including implicit and direct subsidy allocations, if applicable.
- Detailed summaries of plan participants, plan provisions, and actuarial assumptions and methods. In general, the actuarial assumptions and methods will be the same as those used in the prior valuation. However, if any assumptions or methods appear unreasonable, we will recommend changes to the District.

**Review and Presentation**

The engagement will also include the following services:

- Conference calls:
  - Fact-finding discussion to understand the District's benefit plans and current funding status.
  - Interaction with the District staff regarding data, assumption-setting, and other issues as they arise.
  - Conference call to discuss report and changes from prior valuation.
  - We would also be glad to attend in-person meetings for an additional fee.
- Electronic (PDF) copies of draft and final reports
- Bound copies of draft and final reports (if requested)



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# Compensation

**Compensation for Services**

Compensation for the July 1, 2011 GASB 45 valuation as described above is $7,900 and includes results for fiscal years ending June 30, 2012; June 30, 2013; and June 30, 2014. This fee is based on 45 total hours (35 analyst hours at $150 per hour and 10 consultant hours at $265 per hour) to complete the draft and final valuation.

The all-inclusive guaranteed maximum fee below includes the valuation and additional cost to provide an in-person presentation.

| Proposed Engagement | Fixed Fee |
|---|---|
| July 1, 2011 GASB 45 Actuarial Valuation Report with FY12, FY13 and FY14 GASB 45 results | $7,900 |
| An optional in-person presentation to the governing Board of the SLUSD and/or other interested parties | $1,750 |
| All-Inclusive Guaranteed Maximum Fee | $9,650 |

We do not anticipate any out-of-pocket expenses, however, if any occur they will be passed on to you without markup. Time for all out-of-scope projects, including cleanup of incomplete or inaccurate data, will be billed at our normal hourly rates. For 2011, our rates range from $75 per hour for administrators to $265 for consultants.

We will also be happy to provide additional consulting services for an additional fee that is agreed upon in advance by both parties. All changes in scope and potential fees will be discussed with District prior to commencement.

You have the right to terminate our services at any time, subject to payment of accrued charges for work we have done through the date we receive notice. We will have the same right of termination (including termination for non-payment of fees and expenses), subject to our obligation to give the District reasonable notice.



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# APPENDIX

# Technical Approach and Methodology

The following is a schedule of the primary tasks involved to satisfy the District's requirements. The schedule describes sequentially each task, the organization or person involved in performing the task, timing and key goal or deliverable.

**Task 1: Gathering and Analysis of Data**

We will have a conference call with the District to begin the project, and discuss data and plan requirements and other information needed at that time. Alternatively, we could provide the list of requirements ahead of time and use the meeting to discuss any questions the District may have regarding data needs.

| | |
|---|---|
| Actuary responsibilities: | The analyst will prepare the data request letter. The consultant will review the request. The analyst will review the data we receive for reasonableness and to ensure that we understand everything provided. We will compile a list of data questions. If the list is short we may call with our questions but if there are numerous questions we will email the questions. |
| Timeline: | The original data request letter will be sent within a week of receiving a signed contract. The data we receive will be reviewed within three days so we can compile the list of questions. |
| Goal/Deliverable: | Complete plan and census information. |
| District responsibilities: | Provide plan information, census data, claims experience and any prior actuarial reports. |

**Task 2: Setting Assumptions**

We will review the available data and, if needed, recommended assumption changes to the District. We may provide results under alternative sets of assumptions to show the sensitivity of the assumptions.

To the extent possible, we establish assumptions based on the District's actual experience; for example, election and coverage are ideally developed based on historical District experience.

To help set other assumptions, we will also review assumptions used for any previous pension valuations as well as any experience studies that cover District employees. This also provides us with an idea of the history of plans and what actuarial assumptions have been used in the past.

# Technical Approach and Methodology (continued)

| | |
|---|---|
| Actuary responsibilities: | The consultant will review prior valuations and experience studies then discuss recommended assumptions with the District. |
| Timeline: | Assumptions will be set within two weeks of receipt of complete data and prior information. |
| Goal/Deliverable: | Agreement on the set of assumptions for the actuarial valuation. |
| District responsibilities: | Provide relevant information and approve final assumptions. |

**Task 3: Calculation of OPEB Liabilities and Annual Costs**

Once the medical claims and assumptions are established, we will program our actuarial valuation system, ProVal. It is the leading actuarial software in our industry and is used by many of the national consulting firms. Their system resides on our computer network, and we have instant access to support and improvements through the Internet.

To ensure the GASB liabilities are correct, we check numerous sample participants and calculate individual liabilities. When we are certain that the program is properly calculating the GASB liabilities, we will run the entire plan population and generate the total GASB liabilities.

| | |
|---|---|
| Specific staff / responsibilities: | The analyst will load the census data and program the software. The consultant will review sample participants for accuracy. |
| Timeline: | This phase takes approximately two to three weeks. |
| Deliverables: | The liabilities being calculated accurately on the software platform. |
| District responsibilities: | None. |

# Technical Approach and Methodology (continued)

**Task 4: Prepare actuarial valuation report**

Once the liabilities have been calculated, we then prepare a draft report for the District's review. After the District has reviewed the report and is comfortable with the assumptions and results, we will prepare a final version of the report. We will present the results to the District via conference call. We are also available for in-person meetings as described in the Cost Proposal.

| | |
|---|---|
| Specific staff / responsibilities: | The analyst will prepare the initial draft report, make any necessary revisions and distribute the final report. The consultant will review the draft report and present the draft report to the District for discussion. After we receive the District approval of the report, we will issue final copies. |
| Timeline: | This phase takes approximately one to two weeks. |
| Deliverables: | The final actuarial valuation report. |
| District responsibilities: | Review and approval of the report. |

# Resumes

**<u>Christopher L. Grabrian, ASA EA, MAAA</u> is a consulting actuary who works with employers to manage employee benefits, with special emphasis on retirement plans. Chris has 22 years of experience in employee benefits consulting with:**

- Van Iwaarden Associates - Minneapolis, MN — Since 2011
- Gallagher Benefit Services - Minneapolis, MN — 1999-2011
- Deloitte Consulting - Minneapolis, MN — 1989-1999

**Experience includes:**

- Performing annual valuations of qualified retirement and OPEB plans incorporating funding and accounting requirements. Includes GASB 45 OPEB valuations for many counties, cities, school districts, and other governmental entities.
- Presentations regarding GASB accounting rules
- Assisting clients in actuarial assumption reviews and rate-setting.
- OPEB and defined benefit retirement plan design studies and cost projections
- Partnering with clients to communicate and administer benefits to participants.

**Some clients Chris has served:**

- Public sector employers including Minneapolis Public Schools; Minnesota cities (Bloomington, Eagan, Rochester) and counties (Douglas, Morrison, Scott); Texas cities (Garland, Huntsville, Port Arthur) and counties (Midland, Smith); Tennessee cities (Bristol, Johnson City) and school districts (Bristol, Johnson City, Sullivan County); California cities (Blythe).
- Private sector employers including the Minnesota Twins and Marquette Financial Companies.

**Chris' credentials and education include:**

- Associate, Society of Actuaries
- Enrolled Actuary under ERISA
- Member, American Academy of Actuaries
- B.S. Mathematics and M.S. Actuarial Science, University of Nebraska, Lincoln, NE

# Resumes

**<u>Mark W. Schulte, FSA, EA, MAAA</u> is a consulting actuary who works with employers to manage employee benefits, with special emphasis on retirement plans. Mark has over 10 years of experience in employee benefits consulting with:**

- Van Iwaarden Associates - Minneapolis, MN — Since 2009
- Watson Wyatt - Minneapolis, MN — 2008-2009
- Mercer - Minneapolis, MN — 2000-2008

**His experience includes:**

- Performing annual valuations of qualified retirement and OPEB plans incorporating funding and accounting requirements. Includes GASB 45 OPEB valuations for many counties, cities, school districts, and other governmental entities.
- Presentations regarding GASB accounting rules and pension investment strategies.
- Assisting clients in actuarial assumption reviews and rate-setting.
- Guiding employers through changes in legislation.
- Defined benefit, defined contribution, and OPEB retirement plan design studies.
- Partnering with clients to communicate and administer benefits to participants.

**Some clients Mark has served:**

- Public sector employers including NDPERS, City of Fresno, City of Fargo, City of Palmdale, and Dane County.
- Private sector employers including Andersen Windows, Graco, Hormel Foods, and Mayo Clinic.

**Mark's credentials and education include:**

- Fellow, Society of Actuaries
- Enrolled Actuary under ERISA
- Member, American Academy of Actuaries
- B.A. Mathematics, Summa Cum Laude – St. Olaf College, Northfield, MN

# DATA REQUEST FOR FULL GASB 45 ACTUARIAL VALUATION

***Instructions***

In order to receive an actuarial valuation from Van Iwaarden Associates, data must be submitted electronically rather than by hard copy. Excel spreadsheets are the preferred file format. Included in this Excel workbook are the following tabs to expedite the process.

**Plan Information**

This tab describes items about the plan that are needed for the valuation. Many items include a highlighted yellow box for you to insert information. Other items will need to be provided as separate documents. Each item contains a box to "X" once you have gathered and sent us the information.

**Census Fields**

This tab lists the census fields needed for the active and inactive participants. These fields are the column headings listed on the Active and Inactive Census Template tabs. The fields include formats and examples to follow when completing the templates.

**Active Census Template**

This template is used to provide the data for all active employees as of the valuation date.

**Inactive Census Template**

This template is used to provide the data for all retirees, surviving spouses and disabled participants as of the valuation date.

Please review the data to be sure all the information requested has been gathered before sending to Van Iwaarden Associates. We understand that gathering this information is not an easy task. If you have any questions, please don't hesitate to contact Van Iwaarden Associates at (612) 596-5960.

When submitting the active and inactive census, please password protect the document due to the sensitive participant data included. Please also provide the password in a separate email or by phone.

Thank you!

# DATA REQUEST FOR FULL GASB 45 ACTUARIAL VALUATION

***Plan Information***

## PLAN / EMPLOYER INFORMATION

| | |
|---|---|
| Employer | Sample Client |
| Fiscal year begins | 07/01/2010 |
| Valuation date | 07/01/2010 |
| Census data (next tabs) is as of | 07/01/2010 |

## OPEB CLAIMS, PREMIUMS AND CONTRIBUTION INFORMATION

☐ Medical, Dental and Life Insurance Premiums

Please provide monthly premiums charged by your insurers for the current and prior two plan years. We will need to know the premiums for all coverage levels (e.g., single, single + 1, single + children, family, etc.) of each plan offered to employees and retirees (including Medicare supplemental plans, if applicable).

☐ Participant Contributions for Medical and Dental Benefits

Please provide the monthly contribution amounts paid by employees and retirees for the current and prior two plan years. We will need to know the amounts for all coverage levels (e.g., single, single + 1, single + children, family, etc.) of each plan offered to employees and retirees (including Medicare supplemental plans, if applicable).

☐ Medical and Dental Claims Experience

Please provide the most recent medical and dental premium renewal packages including member demographic summaries by gender and age bands. This information is generally available from your insurers.

## RETIREE BENEFIT PLAN PROVISIONS

☐ Medical and Dental Plan Descriptions

Please provide the summary of benefits (deductibles, out of pocket maximums, coinsurance, copays, etc.) for each medical and dental plan offered to employees and retirees (including Medicare supplement plans, if applicable) for the current and prior two plan years.

☐ Employee/Retiree Contracts and Other Communications

Please provide copies of the most recent contracts or other communications that include employee and retiree benefit information. We will review the sections related to OPEB.

## ASSUMPTIONS FOR ACTUARIAL STUDY

☐ Retiree Participation Assumptions

In your experience, what percent of employees do you expect will elect coverage at retirement and what percent will elect to cover their spouse?

(Note: prior valuation assumptions are shown, if applicable)

| | Elect Coverage | Cover their Spouse | Notes |
|---|---|---|---|
| - Medical coverage at retirement? | | | |
| - Dental coverage at retirement? | | | |
| - Life insurance at retirement? | | NA | |

Once a retiree reaches age 65 (Medicare eligibility), what percent do you expect will elect the following?

| | Retiree | Spouse |
|---|---|---|
| - Continue post-65 medical coverage? | | |
| - Continue post-65 dental coverage? | | |
| - Continue post-65 life insurance? | | NA |

If your expectations vary by employee group, please provide percents for each group.

# DATA REQUEST FOR FULL GASB 45 ACTUARIAL VALUATION

***Plan Information***

## FINANCIAL INFORMATION

☐ Payroll

Please provide the payroll or expected payroll for the fiscal year beginning July 1, 2010: $ -

☐ Prior Year Employer and Retiree Premium Payments

Please provide premium amounts paid by the employer and paid by retirees during the prior fiscal year.

| Fiscal Year Ended | Employer Premiums | Retiree Premiums | Total Premiums |
|---|---|---|---|
| 6/30/2010 | $ - | $ - | $ - |

☐ Prior GASB 45 Financial Statement Disclosures

Please summarize your GASB 45 financial statement disclosures for the last three fiscal years in the table below:

| Fiscal Year Ended | Beginning Net OPEB Obligation | Annual OPEB Cost | Annual Plan Sponsor Contribution | Ending Net OPEB Obligation |
|---|---|---|---|---|
| 6/30/2008 | $ - | $ - | $ - | $ - |
| 6/30/2009 | $ - | $ - | $ - | $ - |
| 6/30/2010 | $ - | $ - | $ - | $ - |

## FUNDING INFORMATION

The discount rate used in the GASB 45 valuation is based on the expected long-term (20-30 years) rate of return of the assets paying retiree health benefits.

☐ Funding Using General Assets

Usually, retiree health benefits are paid from general fund assets which tend to be invested in bonds, notes, bills, and other high-rated securities. Our experience has been that most employers using general fund assets are assuming a 4.0% long-term rate of return and discount rate.

Please confirm that 4.0% is reasonable for your valuation or provide the rate to use: **(yes or rate)**

☐ Funding Through Trust Assets

If retiree health benefits are being funded with trust assets that are designated strictly for retiree coverage, please provide the following information:

1) Indicate whether or not the assets are held in a qualified GASB 45/43 OPEB trust: **(yes, no or na)**
2) Provide the expected long-term rate of return of these assets: **(rate or na)**
3) Provide a copy of the trust's investment policy.
4) Complete the following three fiscal year trust reconciliations:

| Fiscal Year Ended | Beginning Fund Balance | Fiscal Year Contributions | Fiscal Year Distributions | Fiscal Year Investment Income | End Fund Balance |
|---|---|---|---|---|---|
| 6/30/2008 | $ - | $ - | $ - | $ - | $ - |
| 6/30/2009 | $ - | $ - | $ - | $ - | $ - |
| 6/30/2010 | $ - | $ - | $ - | $ - | $ - |

**DATA REQUEST FOR FULL GASB 45 ACTUARIAL VALUATION**

***Census Fields***

## INSTRUCTIONS - CENSUS FIELDS

This tab lists the census fields needed for the active and inactive participants. These fields are the column headings listed on the Active and Inactive Census Template tabs. The fields include formats and examples to follow when completing the templates.

## ACTIVE EMPLOYEES (Please include all employee groups, even if they are not eligible to receive a premium subsidy at retirement or disability)

| Field Names | Reason Needed, Examples, and/or Format |
|---|---|
| • Unique employee identifier | This field is used to reconcile the current census with the prior valuation census (SSN is the most effective and preferred identifier). |
| • Name | Lastname, Firstname |
| • Benefits eligibility status | (Y)es or (N)o |
| • Gender | (M)ale or (F)emale |
| • Date of birth | mm/dd/yyyy |
| • Date of hire | mm/dd/yyyy |
| • Spouse date of birth, if covered and available | mm/dd/yyyy |
| • Salary or payrate | Annual salary or hourly payrate |
| • Employee benefit group | This field is used to distinguish groups with different benefits or contribution amounts (e.g., city, police, fire, etc.) |
| • Employee allocation group | If needed, this field can be used to allocate liabilities by different employee groups |
| • Employee contract or agreement | Non-union, Teamsters, Local #, etc. |
| • Employee pension plan | GEN = PERA General Employees Retirement, P&F = PERA Public Employees Police & Fire, COR = PERA Local Government Correctional Retirement, etc. |
| • Medical plan name | This field is used to identify which medical plan the employee has chosen if more than one plan is offered. |
| • Medical coverage level | W = waived, S = single, S+1 = single+1, S+C = single+child(ren), F = family, etc. |
| • Dental plan name | This field is used to identify which dental plan the employee has chosen if more than one plan is offered. |
| • Dental coverage level | W = waived, S = single, S+1 = single+1, S+C = single+child(ren), F = family, etc. |
| • Amount of life insurance | |
| • Accumulated days of unused sick leave | Days |
| • Accumulated days of unused vacation | Days |
| • Accumulated 403(b) matching contributions | |

## INACTIVE EMPLOYEES (Please include all retirees, surviving spouses and disabled participants even if they are not eligible to receive a premium subsidy)

| Field Names | Reason Needed, Examples, and/or Format |
|---|---|
| • Unique employee identifier | This field is used to reconcile the current census with the prior valuation census (SSN is the most effective and preferred identifier). |
| • Name | Lastname, Firstname |
| • Status | R = retiree, SS = surviving spouse, D = disabled, DLOD = public safety officer disabled in the line of duty |
| • Gender | (M)ale or (F)emale |
| • Date of birth | mm/dd/yyyy |
| • Date of hire | mm/dd/yyyy |
| • Date of retirement or disability | mm/dd/yyyy |
| • Spouse date of birth, if covered and available | mm/dd/yyyy |
| • Employee benefit group | This field is used to distinguish groups with different benefits or contribution amounts (e.g., city, police, fire, etc.) |
| • Employee allocation group | |
| • Employee contract or agreement | Non-union, Teamsters, Local #, etc. |
| • Employee pension plan | GEN = PERA General Employees Retirement, P&F = PERA Public Employees Police & Fire, COR = PERA Local Government Correctional Retirement, etc. |
| • Medicare eligibility at age 65+ | (Y)es or (N)o: This field is to identify any current retirees over age 65 not eligible for Medicare or any early retirees that will not be eligible for Medicare at age 65. |
| • Medical plan name | This field is used to identify which medical plan the employee has chosen if more than one plan is offered. |
| • Medical coverage level | W = waived, S = single, S+1 = single+1, S+C = single+child(ren), F = family, etc. |
| • Employer contribution towards the medical premium | Amount (monthly) and stop date (mm/dd/yyyy) |
| • Dental plan name | This field is used to identify which dental plan the employee has chosen if more than one plan is offered. |
| • Dental coverage level | W = waived, S = single, S+1 = single+1, S+C = single+child(ren), F = family, etc. |
| • Employer contribution towards the dental premium | Amount (monthly) and stop date (mm/dd/yyyy) |
| • Life insurance coverage amount | |
| • Employer contribution towards the life insurance premium | Amount (monthly) and stop date (mm/dd/yyyy) |
| • Annual severance payments | Amount (monthly), stop date (mm/dd/yyyy), and balance |

**DATA REQUEST FOR FULL GASB 45 ACTUARIAL VALUATION**

***Active Census Template***

**INSTRUCTIONS: This template is used to provide the data for all active employees as of July 1, 2010**

| Unique Employee Identifier | Name Last, First | Benefits Eligible Status | Gender (M)ale (F)emale | Date of Birth | Date of Hire | Spouse Date of Birth | Annual Salary | Employee Benefit Group | Employee Allocation Group | Employee Contract or Agreement | Employee Pension Plan[1] | Medical Plan Name | Medical Coverage Level[2] | Dental Plan Name | Dental Coverage Level[2] | Amount of Life Insurance | Accumulated Days of Unused Sick Leave | Accumulated Days of Unused Vacation | Accumulated 403(b) Matching Contributions |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 111-11-1111 | Anderson, Jane (example) | Y | F | 08/02/1984 | 07/01/2007 | NA | $ 50,000 | City | Parks/Rec | Non-union | GEN | $100 Ded | S | Delta | S | $ 20,000 | 45 | 15 | $ 10,000 |
| 222-22-2222 | Doe, John (example) | Y | M | 04/01/1951 | 07/01/1976 | 04/01/54 | $ 50,000 | Police | Police | Local #1 | P&F | $500 Ded | S+1 | Delta | S+1 | $ 50,000 | 55 | 30 | $ - |
| 333-33-3333 | Smith, Steve (example) | Y | M | 04/05/1975 | 07/01/1998 | 04/01/74 | $ 60,000 | Fire | Fire | Local #2 | P&F | $500 Ded | F | NA | W | $ 50,000 | 35 | 20 | $ 20,000 |

**add rows as needed…**

(1) Employee Pension Plan: GEN = PERA General Employees Retirement, P&F = PERA Public Employees Police & Fire, COR = PERA Local Government Correctional Retirement, etc.
(2) Coverage Level: W = waived, S = single, S+1 = single+1, S+C = single+child(ren), F = family, etc.

**GASB 45 ACTUARIAL VALUATION**

***Inactive Census Template***

**INSTRUCTIONS: This template is used to provide the data for all retirees, surviving spouses and disabled participants as of July 1, 2010**

| Unique Employee Identifier | Name First, Last | Status[1] | Gender (M)ale (F)emale | Date of Birth | Date of Hire | Date of Retirement or Disability | Spouse Date of Birth | Employee Benefit Group | Employee Allocation Group | Employee Contract or Agreement | Employee Pension Plan[2] | Medicare Eligibility at Age 65+ | Medical Plan Name | Medical Coverage Level[3] | Employer Contribution Towards the Medical Premium Amount | Employer Contribution Towards the Medical Premium Stop Date | Dental Plan Name | Dental Coverage Level[3] | Employer Contribution Towards the Dental Premium Amount | Employer Contribution Towards the Dental Premium Stop Date | Life Insurance Coverage Amount | Employer Contribution Towards the Life Ins Premium Amount | Employer Contribution Towards the Life Ins Premium Stop Date | Annual Severance Payments Amount | Annual Severance Payments Stop Date | Annual Severance Payments Balance |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 111-11-1111 | Anderson, Jane (example) | R | F | 07/01/1949 | 07/01/1975 | 07/01/07 | 04/01/54 | City | Parks/Rec | Non-union | GEN | Yes | $100 Ded | S | $ 250.00 | 07/01/2014 | Delta | S | $ - | NA | $ 100,000 | $ 20.00 | 07/01/14 | $ 300.00 | 07/01/2014 | $ 3,500.00 |
| 222-22-2222 | Doe, John (example) | DLOD | M | 01/01/1980 | 01/01/2002 | 02/15/05 | 02/01/75 | Police | Police | Local #1 | P&F | Yes | $500 Ded | S+1 | $ 500.00 | 01/01/2045 | Delta | S+1 | $ 25.00 | 01/01/1945 | $ 100,000 | $ 20.00 | 01/01/45 | NA | NA | NA |
| 333-33-3333 | Smith, Steve (example) | SS | M | 04/25/1952 | NA | NA | NA | Fire | Fire | Local #2 | P&F | Yes | $500 Ded | F | NA | NA | NA | W | NA | NA | NA | NA | NA | NA | NA | NA |

**add rows as needed…**

(1) Status: R = retiree, SS = surviving spouse, D = disabled, DLOD = public safety officer disabled in the line of duty
(2) Employee Pension Plan: GEN = PERA General Employees Retirement, P&F = PERA Public Employees Police & Fire, COR = PERA Local Government Correctional Retirement, etc.
(3) Coverage Level: W = waived, S = single, S+1 = single+1, S+C = single+child(ren), F = family, etc.




# Sample Client Valuation

**July 1, 2010 Actuarial Valuation of**
**Postemployment Benefits**
**Under GASB Statement No. 45**
**For Fiscal Years Ending 2011 and 2012**

**August 30, 2011**

VAN IWAARDEN

**SAMPLE CLIENT**

July 1, 2010 Actuarial Valuation of Postemployment Benefits

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## Introduction and Actuarial Certification

The Sample Client (the District) has hired Van Iwaarden Associates to perform an actuarial valuation of the District's Other Postemployment Benefits (OPEB). The 'other' refers to postemployment benefits other than pensions. Accounting for OPEB is now required under Government Accounting Standards Board Statement No. 45 (GASB 45).

This valuation report also contains projections of severance liabilities for the District, but the severance liabilities do not fall under GASB 45.

This valuation has been prepared to present information for financial reporting purposes. It is important to recognize that calculations performed for other purposes may yield significantly different results.

In conducting the valuation, we have used the following information as of July 1, 2010

- the provisions of the substantive OPEB for the medical plan
- census data
- premiums and claims experience

Premiums, claims experience and census data were provided by the District. This information was reviewed for reasonableness but without formal audit. The healthcare claims analysis was performed by Van Iwaarden Associates.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices.

In our opinion, the actuarial assumptions represent reasonable expectations of anticipated plan experience. To fulfill the applicable accounting requirements, each actuarial assumption should be the District's 'best estimate' solely with respect to that individual assumption.

Funding OPEB would allow more investment flexibility, which in turn could raise your GASB 45 discount rate and lower your liability. The effect of a 1% increase in the discount rate is shown on the next page.

The undersigned actuary is a member of the American Academy of Actuaries and meets the Qualification Standards of the Academy to render the actuarial opinion contained herein. We are available to answer questions on the material contained in the report and to provide explanations or further detail, as may be appropriate. We are not aware of any direct or material indirect financial interest or relationship that could create a conflict of interest or impair the objectivity of our work.

Christopher L. Grabrian, ASA, EA
Consulting Actuary

L/D/C/R: 4/jp/cg/ms

## Summary of Results

| | FYE 2009[1] | FYE 2011 |
|---|---|---|
| **A. Participants as of July 1** | | |
| 1. Active employees | 228 | 234 |
| 2. Retirees, surviving spouses and disabled participants | 35 | 52 |
| 3. Total | 263 | 286 |
| **B. Funded Status as of July 1** | | |
| 1. Actuarial Accrued Liability | $ 1,453,006 | $ 2,409,200 |
| 2. Market value of assets | 0 | 0 |
| 3. Unfunded Actuarial Accrued Liability (1. - 2.) | 1,453,006 | 2,409,200 |
| 4. Covered payroll | 9,857,445 | 9,044,690 |
| 5. Unfunded Actuarial Accrued Liability as a % of payroll | 14.7% | 26.6% |
| **C. Annual Required Contribution and Annual OPEB Cost** | | |
| 1. Annual Required Contribution | $ 163,832 | $ 295,361 |
| 2. Annual OPEB Cost | 163,832 | 294,822 |
| **D. Reconciliation of Net OPEB Obligation** | | |
| 1. Net OPEB Obligation as of July 1 | $ 0 | $ 30,246 |
| 2. Annual OPEB Cost | 163,832 | 294,822 |
| 3. Estimated employer contributions | 139,812 | 160,723 |
| 4. Net OPEB Obligation as of June 30 (1. + 2. - 3.) | $ 24,020 | $ 164,345 |
| **E. Effect of 1% Increase in Discount Rate (Expected Asset Return)** | | |
| 1. Percent change in Actuarial Accrued Liability | NA | -7.9% |
| 2. Percent change in Annual OPEB Cost | NA | -4.3% |
| **F. Severance Liabilities as of July 1** | | |
| 1. Accrued GASB 16 Liability (current days/pay, discount rate = 0%) | $ 3,900,576 | $ 3,621,794 |

[1] All results shown in the report as of July 1, 2008 and fiscal year ending 2009 were calculated by the prior actuary.

## Benefit Obligations, Assets and Funded Status

| | 7/1/2008 | 7/1/2010 |
|---|---|---|
| **A. Benefit Obligations** | | |
| 1. Present Value of Benefits Paid by Retiree and Employer | $ NA | $ 10,066,113 |
| 2. Present Value of Benefits Paid by Retiree (Contributions) | NA | 6,069,748 |
| 3. Present Value of Benefits Paid by Employer (1. - 2.) | NA | 3,996,365 |
| 4. Present Value of Obligation Attributed to Future Service | NA | 1,587,165 |
| 5. Actuarial Accrued Liability (3. - 4.) | $ 1,453,006 | $ 2,409,200 |
| **B. Actuarial Value of Assets** | | |
| 1. Fixed Income | $ 0 | $ 0 |
| 2. Equities | 0 | 0 |
| 3. Total | $ 0 | $ 0 |
| **C. Funded Status** | | |
| 1. Actuarial Accrued Liability | $ 1,453,006 | $ 2,409,200 |
| 2. Actuarial Value of Assets | 0 | 0 |
| 3. Unfunded Actuarial Accrued Liability | $ 1,453,006 | $ 2,409,200 |

## Actuarial Accrued Liability by Status, Benefit Age, and Subsidy

| | 7/1/2008 | 7/1/2010 |
|---|---|---|
| **A. Actuarial Accrued Liability by Status and Benefit Age** | | |
| 1. Retirees | | |
| a. Benefits paid before age 65 | $ NA | $ 630,424 |
| b. Benefits paid after age 65 | NA | 0 |
| 2. Active Employees | | |
| a. Benefits paid before age 65 | NA | 1,772,092 |
| b. Benefits paid after age 65 | NA | 6,684 |
| 3. All Participants | | |
| a. Benefits paid before age 65 | NA | 2,402,516 |
| b. Benefits paid after age 65 | NA | 6,684 |
| c. Total | **$ 1,453,006** | **$ 2,409,200** |
| **B. Actuarial Accrued Liability by Status and Subsidy Type** | | |
| 1. Retirees | | |
| a. Implicit Subsidy | $ NA | $ 600,405 |
| b. Direct Subsidy | NA | 30,019 |
| 2. Active Employees | | |
| a. Implicit Subsidy | NA | 1,726,914 |
| b. Direct Subsidy | NA | 51,862 |
| 3. All Participants | | |
| a. Implicit Subsidy | NA | 2,327,319 |
| b. Direct Subsidy | NA | 81,881 |
| c. Total | **$ 1,453,006** | **$ 2,409,200** |

## Annual Required Contribution and Annual OPEB Cost

| | FYE 2011 | FYE 2012 |
|---|---|---|
| **A. Annual Required Contribution** | | |
| 1. Normal Cost | $ 150,035 | $ 150,035 |
| 2. Amortization of the UAAL | 133,966 | 139,064 |
| 3. Interest to June 30 on 1. and 2. | 11,360 | 11,564 |
| 4. Annual Required Contribution | $ 295,361 | $ 300,663 |
| **B. Annual OPEB Cost** | | |
| 1. Annual Required Contribution (ARC) | $ 295,361 | $ 300,663 |
| 2. Interest on the Net OPEB Obligation (NOO) | 1,210 | 6,574 |
| 3. Adjustment to the ARC (NOO amortization) | (1,749) | (9,504) |
| 4. Annual OPEB Cost (1. + 2. + 3.) | $ 294,822 | $ 297,733 |

## Change in Unfunded Actuarial Accrued Liability

| | | | | |
|---|---|---|---|---|
| **A. Actuarial Accrued Liability (AAL) Gain or Loss** | | | | |
| 1. Expected AAL at July 1, 2010 | | | | |
| a. AAL at July 1, 2008 | | | $ | 1,453,006 |
| b. Normal costs for fiscal years ending 2009 and 2010 | | | | 116,546 |
| c. Benefit payments for fiscal years ending 2009 and 2010 | | | | 296,645 |
| d. Interest on a., b. and c. | | | | 172,750 |
| e. Expected AAL at July 1, 2010 (a. + b. - c. + d.) | | | | 1,445,657 |
| 2. (Gains)/losses | | | | |
| a. Due to experience different than expected | | | | |
| i. Census experience | $ | 95,960 | | |
| ii. Plan experience | | 230,277 | | |
| b. Due to changes in actuarial assumptions | | | | |
| i. Discount rate | | 357,812 | | |
| ii. Healthcare trend rates | | 59,209 | | |
| iii. Termination, retirement and mortality rates | | 220,285 | | |
| iv. Election rates | | 0 | | |
| c. Total (gain)/loss | | | | 963,543 |
| 3. Change in actuarial methods | | | | 0 |
| 4. Plan amendments | | | | 0 |
| 5. AAL at July 1, 2010 (1.e. + 2.c. + 3. + 4.) | | | $ | 2,409,200 |
| **B. Asset Gain or Loss** | | | | |
| 1. Expected asset value at July 1, 2010 | | | | |
| a. Asset value at July 1, 2008 | | | $ | 0 |
| b. Contributions for fiscal years ending 2009 and 2010 | | | | 0 |
| c. Benefit payments for fiscal years ending 2009 and 2010 | | | | 0 |
| d. Interest to July 1, 2010 on a., b. and c. | | | | 0 |
| e. Expected asset value at July 1, 2010 (a. + b. - c. + d.) | | | | 0 |
| 2. Gain/(loss) | | | | 0 |
| 3. Actual asset value at July 1, 2010 (1.e. + 2.) | | | $ | 0 |
| **C. Change in Unfunded Actuarial Accrued Liability (UAAL)** | | | | |
| 1. UAAL at July 1, 2008 (A.1.a. - B.1.a.) | | | $ | 1,453,006 |
| 2. Expected change in the UAAL | | | | (7,349) |
| 3. Expected UAAL at July 1, 2010 (A.1.e. - B.1.e.) | | | | 1,445,657 |
| 4. Change in UAAL due to (gains)/losses (A.2.c. - B.2.) | | | | 963,543 |
| 5. Change in UAAL due to plan amendments | | | | 0 |
| 6. UAAL at July 1, 2010 (3. + 4. + 5.) | | | $ | 2,409,200 |

## Projected Cash Flows

| Fiscal Year Ending | (a) Annual Retiree Claims | (b) Retiree Paid Premiums | (c) Employer Paid Premiums | (a - b - c) Implicit Subsidy |
|---|---|---|---|---|
| 2011 | $ 391,432 | $ 230,709 | $ 10,448 | $ 150,275 |
| 2012 | 445,545 | 261,260 | 12,860 | 171,425 |
| 2013 | 461,159 | 274,453 | 15,237 | 171,469 |
| 2014 | 477,778 | 298,020 | 4,370 | 175,388 |
| 2015 | 584,871 | 357,295 | 6,328 | 221,248 |
| 2016 | 629,869 | 375,303 | 8,181 | 246,385 |
| 2017 | 685,059 | 406,568 | 7,036 | 271,455 |
| 2018 | 616,317 | 370,879 | 6,919 | 238,519 |
| 2019 | 602,661 | 366,583 | 7,437 | 228,641 |
| 2020 | 585,827 | 358,913 | 7,636 | 219,278 |
| 2021 | 558,108 | 341,760 | 6,570 | 209,778 |
| 2022 | 567,794 | 349,207 | 6,447 | 212,140 |
| 2023 | 671,292 | 407,249 | 5,339 | 258,704 |
| 2024 | 701,852 | 419,076 | 2,897 | 279,879 |
| 2025 | 622,402 | 375,450 | 2,213 | 244,739 |
| 2026 | 557,592 | 341,198 | 1,765 | 214,629 |
| 2027 | 578,939 | 354,283 | 2,373 | 222,283 |
| 2028 | 519,896 | 321,535 | 1,916 | 196,445 |
| 2029 | 527,181 | 324,334 | 1,586 | 201,261 |
| 2030 | 574,125 | 350,341 | 491 | 223,293 |
| 2031 | 630,449 | 378,245 | 406 | 251,798 |
| 2032 | 487,797 | 293,637 | 334 | 193,826 |
| 2033 | 445,354 | 269,215 | 0 | 176,139 |
| 2034 | 430,292 | 260,412 | 0 | 169,880 |
| 2035 | 430,582 | 259,817 | 1 | 170,764 |
| 2036 | 400,059 | 242,490 | 1 | 157,568 |
| 2037 | 344,419 | 211,534 | 0 | 132,885 |
| 2038 | 369,816 | 220,143 | 0 | 149,673 |
| 2039 | 254,489 | 158,056 | 0 | 96,433 |
| 2040 | 284,844 | 176,625 | 0 | 108,219 |
| 2041 | 335,630 | 204,665 | 0 | 130,965 |

Notes: The projections are based on current participants and do not include any future entrants (closed group projections).

## Notes to Financial Statements

| | FYE 2011 | FYE 2012 |
|---|---|---|
| **A. Net OPEB Obligation (NOO)** | | |
| 1. Annual Required Contribution | $ 295,361 | $ 300,663 |
| 2. Interest on NOO | 1,210 | 6,574 |
| 3. Adjustment to ARC | (1,749) | (9,504) |
| 4. Annual OPEB Cost | 294,822 | 297,733 |
| 5. Employer contributions | | |
| a. OPEB trust | 0 | 0 |
| b. Implicit subsidy | 150,275 | 171,425 |
| c. Direct subsidy | 10,448 | 12,860 |
| d. Total | 160,723 | 184,285 |
| 6. Increase (decrease) in NOO (4. - 5.d.) | 134,099 | 113,448 |
| 7. Net OPEB Obligation at July 1 | 30,246 | 164,345 |
| 8. Net OPEB Obligation at June 30 | $ 164,345 | $ 277,793 |

**B. Schedule of Employer Contributions**

| Fiscal Year Ending | Annual OPEB Cost | Annual Employer Contribution | % of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|---|
| 2011 | $ 294,822 | $ 160,723 | 54.5% | $ 164,345 |
| 2012 | 297,733 | 184,285 | 61.9% | 277,793 |

## Required Supplementary Information

| | (a) | (b) | (b-a) | (a/b) | (c) | ((b-a)/c) |
|---|---|---|---|---|---|---|
| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded Actuarial Accrued Liability | Funded Ratio | Covered Payroll | UAAL as a % of Payroll |
| 7/1/2010 | $ 0 | $ 2,409,200 | $ 2,409,200 | 0.0% | $ 9,044,690 | 26.6% |

## Historical Financial Statement Disclosure Information

### A. Schedule of Employer Contributions

| Fiscal Year Ending | Annual OPEB Cost | Annual Employer Contribution | % of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|---|
| 2009 | $ 163,832 | $ 139,812 | 85.3% | $ 24,020 |
| 2010 | 163,059 | 156,833 | 96.2% | 30,246 |
| 2011 | 294,822 | 160,723 | 54.5% | 164,345 |

### B. Funded Status

| | (a) | (b) | (b-a) | (a/b) | (c) | ((b-a)/c) |
|---|---|---|---|---|---|---|
| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded Actuarial Accrued Liability | Funded Ratio | Covered Payroll | UAAL as a % of Payroll |
| 7/1/2008 | $ 0 | $ 1,453,006 | $ 1,453,006 | 0.0% | $ 9,857,445 | 14.7% |
| 7/1/2010 | $ 0 | $ 2,409,200 | $ 2,409,200 | 0.0% | $ 9,044,690 | 26.6% |

## GASB 16 Accumulated Sick Leave

| | 7/1/2008 | 7/1/2010 |
|---|---|---|
| **A. Plan Benefit Obligations** | | |
| 1. Active Employees | $ 3,540,343 | $ 3,090,990 |
| 2. Retirees | 360,233 | 498,989 |
| 3. Total | $ 3,900,576 | $ 3,589,979 |
| **B. Plan Assets** | $ 0 | $ 0 |
| **C. Funded Status** | | |
| 1. Accrued Liability (GASB 16) | $ 3,900,576 | $ 3,589,979 |
| 2. Assets | 0 | 0 |
| 3. Unfunded Accrued Liability | $ 3,900,576 | $ 3,589,979 |
| **D. Participants** | | |
| 1. Actives | | |
| a. Count | 228 | 214 |
| b. Average age | 46.7 | 46.2 |
| c. Average service | 11.8 | 11.4 |
| d. Average pay | $ NA | $ 41,435 |
| 2. Retirees | | |
| a. Count | 35 | 28 |
| b. Average age | NA | 61.7 |
| **E. Key Assumptions** | | |
| 1. Discount rate | | 0.0% |

## Summary of Plan Participants

This section presents the demographic information for the active employees and retired participants included in the OPEB valuation. The actuarial valuation was based on July 1, 2010 census data provided by the District. The following exhibits summarize the personnel characteristics of the data used for the study.

**A. Actives**

| | Aware Double Gold | Comp Basic HMO | $1,000 CMM | $250 CMM | Waived | Total |
|---|---|---|---|---|---|---|
| 1. Counts | | | | | | |
| a. Single | 15 | 117 | 11 | 13 | 29 | 185 |
| b. S+1/Family | 3 | 20 | 26 | 0 | 0 | 49 |
| d. Total | 18 | 137 | 37 | 13 | 29 | 234 |
| 2. Averages | | | | | | |
| a. Age | | | | | | 46.2 |
| b. Service | | | | | | 11.0 |
| c. Annual Pay | | | | | | $ 41,756 |

**B. Retirees**

| | Aware Double Gold | Comp Basic HMO | $1,000 CMM | $250 CMM | Waived | Total |
|---|---|---|---|---|---|---|
| 1. Counts | | | | | | |
| a. Single | 9 | 7 | 19 | 5 | 6 | 46 |
| b. S+1/Family | 0 | 0 | 5 | 0 | 0 | 5 |
| d. Total | 9 | 7 | 24 | 5 | 6 | 51 |
| 2. Average age under 65 | | | | | | 61.2 |
| Average age over 65 | | | | | | 73.9 |
| Average age all | | | | | | 65.1 |

## Summary of Plan Provisions

### A. Health Benefits

**Eligibility**

At retirement, employees of the District receiving a retirement or disability benefit, or eligible to receive a benefit, from a Minnesota public pension plan may continue to participate in the District's group insurance plan that the employee was enrolled immediately prior to retirement.

District employees are participants in either the Teachers Retirement Association Fund and the PERA General Employees Retirement Plan. Retirement and disability eligibility for these plans are as follows:

Teachers Retirement Association Fund

Retirement:

- Hired before 7/1/1989: The earlier of 1) age 55 and at least 3 years of service, 2) age 65 and 1 year of service, any age and at least 30 years of service, or age plus service total at least 90
- Hired after 6/30/1989: Age 55 and at least 5 years of service

Disability: Any age and 3 years of service

PERA General Employees Retirement Plan

Retirement:

- Hired before 7/1/1989: The earlier of 1) age 55 and at least 3 years of service, 2) age 65 and 1 year of service, any age and at least 30 years of service, or age plus service total at least 90
- Hired after 6/30/1989 and before 6/30/2010: Age 55 and at least 3 years of
- Hired after 6/30/2010: Age 55 and at least 3 years of service

Disability: Any age and 3 years of service

**Benefit**

Eligible participants and their dependents are allowed access to the health plans.

**Contributions**

Participants contribute the following monthly amounts effective September 1, 2010:

| | Health Plans | | | |
|---|---|---|---|---|
| Coverage | Aware Double Gold | Comp Basic HMO | $1000 CMM | $250 CMM |
| Single under 65 | $ 810.00 | $ 609.50 | $ 508.50 | $ 600.00 |
| Family under 65 | 2,057.50 | 1,582.50 | 1,297.00 | 1,525.00 |
| Single over 65 | 732.50 | 577.50 | 492.00 | 540.00 |
| Family over 65 | 1,582.00 | 1,317.00 | 1,073.50 | 1,373.00 |

## Summary of Plan Provisions

### B. Accumulated Sick Leave Benefits

| | Teachers Hired Before 9/1/05 | Teachers Hired After 8/31/05 | Confidential | Transportation | Paraprofessionals |
|---|---|---|---|---|---|
| Eligibility | Later of 52/10 & TRA eligibility | Later of 52/10 & TRA eligibility | Later of 10 yrs & PERA eligibility | Later of 10 yrs & PERA eligibility | Later of 10 yrs & PERA eligibility |
| Benefits | Daily rate of pay for all days accumulated up to 193: First 100 days paid as cash lump sum, subsequent 93 days for payment of medical premiums | Daily rate of pay for all days accumulated up to 85 for payment of medical premiums | Daily rate of pay for all days accumulated up to 150 for payment of medical premiums | Daily rate of pay for all days accumulated up to 130 for payment of medical premiums | Daily rate of pay for all days accumulated up to 145 for payment of medical premiums |

## Summary of Actuarial Assumptions and Methods

### A. General Information

| | |
|---|---|
| Valuation Date | July 1, 2010 |
| Census Date | September 1, 2010 (Assumed to be reflective of the census at July 1, |
| Benefits Valued | Pre-65 medical for participants and covered spouses. District direct subsidy of premiums for four participants.<br><br>Dependent child and post-65 medical was not valued because the applicable retiree contributions are assumed to be actuarially equivalent to the benefit. |
| Actuarial Cost Method | Projected Unit Credit |
| Amortization Method | Unfunded Actuarial Accrued Liability (UAAL) is amortized as a level dollar amount over a 30-year open period |

### B. Economic Assumptions

| | |
|---|---|
| Discount Rate | 4.00% (expected long-term investment return) |
| Inflation Rate | 2.75% |
| Medical Trend Rates | Initial: 10.00% Ultimate: 5.00% Years to Ultimate: 10 |

### C. Demographic Assumptions

Withdrawal

- Teachers

Select and ultimate rates used in the July 1, 2010 Teachers Retirement Association Fund actuarial valuation. Ultimate rates after the third year are shown in the Teachers Rate Tables on page 17. Select rates are as follows:

| | First Year | Second Year | Third Year |
|---|---|---|---|
| Male | 45% | 12% | 6% |
| Female | 40% | 10% | 8% |

- Non-Teachers

Select and ultimate rates used in the July 1, 2010 PERA General Employees Retirement Plan actuarial valuation. Ultimate rates after the third year are shown in the Non-Teachers Rate Tables on page 17. Select rates are as follows:

| | First Year | Second Year | Third Year |
|---|---|---|---|
| Male | 40% | 15% | 10% |
| Female | 40% | 15% | 10% |

## Summary of Actuarial Assumptions and Methods

**C. Demographic Assumptions (continued)**

Disability — None

Retirement

- Teachers — Rates used in the July 1, 2010 Teachers Retirement Association Fund actuarial valuation. Rates are shown in the table below.

- Non-Teachers — Rates used in the July 1, 2010 PERA General Employees Retirement Plan actuarial valuation. Rates are shown in the table below.

| | Teachers | | Non-Teachers | |
|---|---|---|---|---|
| Age | Rule of 90 | Other | Rule of 90 | Other |
| 50-54 | 50% | NA | 20% | NA |
| 55 | 50% | 7% | 20% | 6% |
| 56 | 55% | 7% | 20% | 6% |
| 57 | 45% | 7% | 20% | 6% |
| 58 | 45% | 8% | 20% | 7% |
| 59 | 45% | 10% | 20% | 8% |
| 60 | 40% | 12% | 20% | 8% |
| 61 | 45% | 16% | 25% | 12% |
| 62 | 45% | 20% | 35% | 20% |
| 63 | 40% | 18% | 25% | 16% |
| 64 | 45% | 20% | 25% | 18% |
| 65 | 40% | 40% | 35% | 35% |
| 66 | 35% | 35% | 25% | 25% |
| 67 | 30% | 30% | 20% | 20% |
| 68 | 30% | 30% | 20% | 20% |
| 69 | 30% | 30% | 20% | 20% |
| 70 | 35% | 35% | 20% | 20% |
| 71+ | 100% | 100% | 100% | 100% |

## Summary of Actuarial Assumptions and Methods

**C. Demographic Assumptions (continued)**

Mortality

| | |
|---|---|
| • Teachers | Pre-retirement: RP-2000 Combined Mortality Tables fully generational mortality with projection scale AA for males and females.<br><br>Post-retirement: RP-2000 Combined Mortality Tables fully generational mortality with projection scale AA for males and females.<br><br>Post-disability: None<br><br>Sample rates are shown in the Teachers Rate Tables on page 17. |
| • Non-Teachers | Pre-retirement: RP-2000 Combined Mortality Tables fully generational mortality with projection scale AA for males and females.<br><br>Post-retirement: RP-2000 Combined Mortality Tables fully generational mortality with projection scale AA for males and females.<br><br>Post-disability: None<br><br>Sample rates are shown in the Non-Teachers Rate Tables on page 17. |
| Spouse Age Differential | Husbands are assumed to be 3 years older than their wife. |
| Dependent Children | Retirees are assumed to have no eligible dependent children at retirement. |

## Summary of Actuarial Assumptions and Methods

### C. Demographic Assumptions (continued)

Teachers Rate Tables

| | Withdrawal Rates | | Mortality Rates | | | |
|---|---|---|---|---|---|---|
| | Ultimate | | Pre-Retirement[1] | | Post-Retirement[1] | |
| Age | Male | Female | Male | Female | Male | Female |
| 20 | 3.70% | 4.50% | 0.0345% | 0.0191% | 0.0345% | 0.0191% |
| 25 | 3.20% | 4.50% | 0.0376% | 0.0207% | 0.0376% | 0.0207% |
| 30 | 2.70% | 4.50% | 0.0444% | 0.0264% | 0.0444% | 0.0264% |
| 35 | 2.50% | 3.90% | 0.0773% | 0.0475% | 0.0773% | 0.0475% |
| 40 | 2.35% | 2.75% | 0.1079% | 0.0706% | 0.1079% | 0.0706% |
| 45 | 2.10% | 2.10% | 0.1508% | 0.1124% | 0.1508% | 0.1124% |
| 50 | 1.85% | 1.85% | 0.2138% | 0.1676% | 0.2138% | 0.1676% |
| 55 | 0.00% | 0.00% | 0.3624% | 0.2717% | 0.3624% | 0.2717% |
| 60 | 0.00% | 0.00% | 0.6747% | 0.5055% | 0.6747% | 0.5055% |
| 65 | 0.00% | 0.00% | 1.2737% | 0.9706% | 1.2737% | 0.9706% |
| 70 | 0.00% | 0.00% | 2.2206% | 1.6742% | 2.2206% | 1.6742% |
| 75 | 0.00% | 0.00% | 3.7834% | 2.8106% | 3.7834% | 2.8106% |

Non-Teachers Rate Tables

| | Withdrawal Rates | | Mortality Rates | | | |
|---|---|---|---|---|---|---|
| | Ultimate | | Pre-Retirement[1] | | Post-Retirement[1] | |
| Age | Male | Female | Male | Female | Male | Female |
| 20 | 8.40% | 8.40% | 0.0345% | 0.0191% | 0.0345% | 0.0191% |
| 25 | 6.90% | 6.90% | 0.0376% | 0.0207% | 0.0376% | 0.0207% |
| 30 | 5.40% | 5.40% | 0.0444% | 0.0264% | 0.0444% | 0.0264% |
| 35 | 3.90% | 3.90% | 0.0773% | 0.0475% | 0.0773% | 0.0475% |
| 40 | 3.00% | 3.00% | 0.1079% | 0.0706% | 0.1079% | 0.0706% |
| 45 | 2.50% | 2.50% | 0.1508% | 0.1124% | 0.1508% | 0.1124% |
| 50 | 2.00% | 2.00% | 0.2138% | 0.1676% | 0.2138% | 0.1676% |
| 55 | 0.00% | 0.00% | 0.3624% | 0.2717% | 0.3624% | 0.2717% |
| 60 | 0.00% | 0.00% | 0.6747% | 0.5055% | 0.6747% | 0.5055% |
| 65 | 0.00% | 0.00% | 1.2737% | 0.9706% | 1.2737% | 0.9706% |
| 70 | 0.00% | 0.00% | 2.2206% | 1.6742% | 2.2206% | 1.6742% |
| 75 | 0.00% | 0.00% | 3.7834% | 2.8106% | 3.7834% | 2.8106% |

[1] Rates shown are the base rates of the RP-2000 Combined Mortality Tables projected to 2010 using projection scale AA for males and females.

## Summary of Actuarial Assumptions and Methods

**D. Participant Elections**

All employees eligible for accumulated sick leave benefits are assumed to have accumulated sick leave days and corresponding balance at retirement used to pay their health plan premiums. These employees are assumed to elect health coverage at retirement.

20% of employees not eligible for accumulated sick leave benefits are assumed to elect health coverage at retirement.

Employees assumed to elect coverage at retirement are assumed to elect the following plan and coverage level:

| Participant | Plan and Coverage Election |
|---|---|
| • Future retirees under age 65 | Elect their current plan and coverage level to 65 and then waive coverage |
| • Future retirees over age 65 | Waive coverage |
| • Current retirees under age 65 | Continue their current plan and coverage level to 65 and then waive |
| • Current retirees over age 65 | Continue their current plan and coverage level for life |

**E. Per Capital Claims Costs**

Medical per capita claims costs were developed using medical claims, premiums, fees and enrollment information provided by Hermantown Community Schools and BlueCross BlueShield of Minnesota. The results contained herein are highly dependent on the accuracy and credibility of the data provided to us. The claims experience was adjusted for aging, plan values, participant status and coordination with Medicare. Sample monthly healthcare costs for medical coverage are shown below:

| Age | Aware Double Gold | Comp Basic HMO | $1000 CMM | $250 CMM |
|---|---|---|---|---|
| 40 | $ 549 | $ 512 | $ 452 | $ 505 |
| 45 | 632 | 590 | 520 | 581 |
| 50 | 739 | 689 | 607 | 679 |
| 55 | 865 | 806 | 710 | 794 |
| 60 | 1,028 | 957 | 842 | 942 |
| 65+ | NA | NA | NA | NA |

## Accounting Requirements and Valuation Considerations

This section summarizes the applicable accounting requirements for the plan and describes important considerations and methods used to complete the valuation.

**Accounting Information under GASB 43 and GASB 45**

The Governmental Accounting Standards Board (GASB) finalized Statements No. 43 (GASB 43 for funded OPEB plans) and 45 (GASB 45 for employers) in 2004. The statements' objectives are to establish uniform standards of financial reporting by state and local governmental entities for postemployment benefit plans other than pension benefits (OPEB plans). This includes benefits such as postemployment healthcare benefits, dental insurance and life insurance.

For OPEB plans sponsored by governmental entities, these GASB Statements require certain standards and disclosures of plan and fund information including financial reporting of plan assets, liabilities of plan, changes in net assets, funded status and funding progress of the plan, and contributions to the plan in comparison to the annual required contributions of the employer (ARC).

**Valuing Postretirement Health Benefits**

Determining the value of future health care benefits is challenged by the fact that assumptions must be made about many future events that are especially hard to predict. Future increases in health care costs are affected by many factors, including:

- OPEB inflation
- Technological advances
- Cost shifting (i.e., increases in private plans' costs in non-managed programs due to uninsured claims, changes in the Medicare payment structure, and increased emphasis on managed care programs)
- Cost leveraging (i.e., erosion of fixed deductibles and out-of-pocket maximums)

OPEB obligations are also heavily influenced by demographic assumptions such as:

- Withdrawal rates (i.e., employees terminating before receiving benefits)
- Retirement rates (i.e., employees retiring at various ages and subsidy levels)
- Mortality rates (i.e., how long employees and spouses will receive benefits)
- Participation (i.e., retirees electing coverage, the percentage married, and elections to contribute for coverage of spouses)

The Summary of Actuarial Assumptions and Methods section outlines the assumptions used in this valuation.

## Accounting Requirements and Valuation Considerations

This section summarizes the applicable accounting requirements for the plan and describes important considerations and methods used to complete the valuation.

### Estimating Health Care Costs

In addition to estimating future increases in health care claims costs, it is necessary to develop a starting claims cost value on a per covered individual basis for self-insured plans and even some insured plans.

For insured plans, the premiums represent a blended average cost of both active and retired individuals. Since older, pre-65 retirees generally incur higher claims than younger active employees, GASB requires employers to value retiree liability based on estimated retiree costs rather than premiums. Age-adjusted claims are developed and used to value the OPEB liability.

### Impact of Legislative Changes

The legislative and regulatory environment have many implications for OPEB plans. Changes to current rules and implementation of new legislation are difficult to predict but could have a dramatic impact on the value of future plan benefits. These include:

- Changes to government medical programs, such as Medicare, when applicable. Under the Medicare Modernization Act of 2003 (MMA), a new prescription drug program called Medicare Part D was established. GASB requirements state that the determination of the actuarial accrued liabilities, the annual required contribution, and the annual OPEB cost should be done without reduction for Medicare Part D payments.

- Effect of the Patient Protection Affordable Care Act. Many of the Act's provisions and methods of implementation have not yet been clarified or provided. As a result, effectively estimating specific provisions of the Act at this time is not feasible. However, we have considered the relevant provisions of the Act and will reflect any potential impact as guidance is released and plan experience occurs.

## Glossary of Selected Terms

This section provides the definitions of applicable terminology in the actuarial valuation, with references to both the Governmental Accounting Standards Nos. 43 (GASB 43) and 45(GASB 45).

**Actuarial Cost Method** - a procedure for determining the actuarial present value of benefits and for developing an allocation of such value to time periods.

**Actuarial Present Value of Benefits** - the value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a set of actuarial assumptions.

**Actuarial Accrued Liability (AAL)** - the portion of the actuarial present value which is not provided for by future normal costs, determined under the actuarial cost method.

**Annual OPEB Cost** - the OPEB expense recognized in the employer's financial statements.

**Annual Required Contribution (ARC)** - the basis for the annual OPEB cost shown in the employer's financial statements. This term is misleading: no annual cash contribution is actually required to fund OPEB benefits.

**Discount Rate** - the interest rate used to adjust liabilities and obligations for the time value of money.

**GASB Statement No. 43** - the Governmental Accounting Standards Statement Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

**GASB Statement No. 45** - the Governmental Accounting Standards Statement Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

**Implicit Subsidy or Implicit Rate Subsidy** - the difference between the actual and apparent cost of OPEB coverage. The actual cost for early retirees is higher than the average per-person premium for the active/retiree group. Plans in which retirees pay the average active/retiree rate (the apparent cost) give rise to an implicit rate subsidy: the employer pays the difference between the actual and apparent cost.

**Net OPEB Obligation (NOO)** - the OPEB liability (asset) at transition, if any and the cumulative difference since the effective date of Statement No. 45 between annual OPEB cost and the employer's contributions.

**Normal Cost** - the portion of the actuarial present value which is allocated to the valuation year by the actuarial cost method.

**Valuation Date** - the date as of which assets and liabilities are measured in determining the OPEB liability of the plan.

## Exhibit - GASB 45 Liabilities by Contract Group

| | Teachers | Principals | Confident | Paraprof | Transport | Food Svc | All Other | Total |
|---|---|---|---|---|---|---|---|---|
| **A. Present Value of Benefits** | | | | | | | | |
| 1. Actives | $ 2,050,123 | $ 34,239 | $ 31,492 | $ 953,854 | $ 156,114 | $ 17,427 | $ 122,693 | $ 3,365,942 |
| 2. Retirees | 535,213 | 43,039 | 0 | 4,669 | 19,999 | 0 | 27,503 | 630,423 |
| 3. Total | $ 2,585,336 | $ 77,278 | $ 31,492 | $ 958,523 | $ 176,113 | $ 17,427 | $ 150,196 | $ 3,996,365 |
| **B. Actuarial Accrued Liability** | | | | | | | | |
| 1. Actives | $ 1,108,439 | $ 3,578 | $ 15,123 | $ 502,683 | $ 89,572 | $ 10,168 | $ 49,213 | $ 1,778,776 |
| 2. Retirees | 535,214 | 43,039 | 0 | 4,669 | 19,999 | 0 | 27,503 | 630,424 |
| 3. Total | $ 1,643,653 | $ 46,617 | $ 15,123 | $ 507,352 | $ 109,571 | $ 10,168 | $ 76,716 | $ 2,409,200 |
| **C. Normal Cost** | $ 75,463 | $ 2,577 | $ 1,589 | $ 52,896 | $ 9,116 | $ 957 | $ 7,437 | $ 150,035 |
| **D. Expected Benefit Payments** | | | | | | | | |
| 1. Actives | $ 7,834 | $ 0 | $ 0 | $ 4,235 | $ 1,439 | $ 0 | $ 95 | $ 13,603 |
| 2. Retirees | 112,916 | 13,362 | 0 | 4,762 | 5,940 | 0 | 10,141 | 147,121 |
| 3. Total | $ 120,750 | $ 13,362 | $ 0 | $ 8,997 | $ 7,379 | $ 0 | $ 10,236 | $ 160,724 |
| **E. Participants** | | | | | | | | |
| 1. Actives | 123 | 4 | 4 | 72 | 15 | 9 | 7 | 234 |
| 2. Retirees | 36 | 2 | 0 | 4 | 1 | 0 | 8 | 51 |
| 3. Total | 159 | 6 | 4 | 76 | 16 | 9 | 15 | 285 |

## Exhibit - GASB 16 Liabilities by Contract Group

| | Teachers | Principals | Confident | Paraprof | Transport | Food Svc | All Other | Total |
|---|---|---|---|---|---|---|---|---|
| **A. Accrued Liability** | | | | | | | | |
| 1. Actives | $ 2,476,390 | $ 0 | $ 32,468 | $ 500,330 | $ 81,802 | $ 0 | $ 0 | $ 3,090,990 |
| 2. Retirees | 271,945 | 83,968 | 0 | 35,565 | 13,372 | 0 | 94,139 | 498,989 |
| 3. Total | $ 2,748,335 | $ 83,968 | $ 32,468 | $ 535,895 | $ 95,174 | $ 0 | $ 94,139 | $ 3,589,979 |
| **B. Participants** | | | | | | | | |
| 1. Actives | 123 | 0 | 4 | 72 | 15 | 0 | 0 | 214 |
| 2. Retirees | 18 | 2 | 0 | 4 | 1 | 0 | 3 | 28 |
| 3. Total | 141 | 2 | 4 | 76 | 16 | 0 | 3 | 242 |