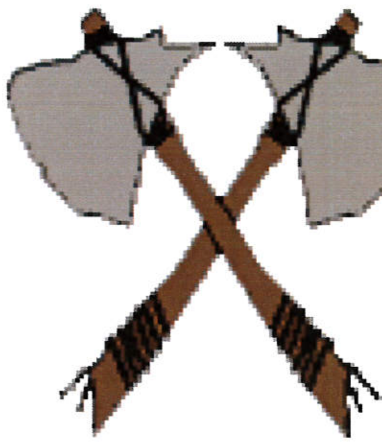
Key Benefit Concepts, LLC

School District of Tomahawk



Accounting and Sample Funding Report of Liabilities for Participants' Post Employment Benefits as of July 1, 2014

Thru End of the Year June 30, 2015

May 2015

BBB ACCREDITED BUSINESS

Key Benefit Concepts
A Limited Liability Company

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Background and Certification

The Government Accounting Standards Board (GASB) considers other post-employment benefits, like pension benefits, as part of the compensation employees earn each year although they are not received until after employment ends. GASB has finalized Statement No. 27 (Accounting for Pensions by State and Local Government Employers), Statement No. 43 (Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans), Statement No. 45 (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions) and Statement No. 50 (Pension Disclosures). These Statements establish standards for the measurement, recognition, and display of Other Post-Employment Benefits (OPEB) expense/expenditures and pension expense/expenditures as well as other related liabilities.

Key Benefit Concepts, LLC (KBC) is an independent actuarial and employee benefits consulting firm providing actuarial services to clients who sponsor qualified retirement and other post-employment benefits. We maintain no relationships with any client that might impair the objectivity of our work. This valuation and report were prepared by KBC based upon:

- Our understanding of GASB's current Statements
- The Summary of Benefits and Eligibility determined by the bargaining and other District agreements, as outlined herein
- The accuracy and completeness of information and data provided by the District.

The calculations of cost and liabilities illustrated were determined according to generally accepted actuarial principles and standards. Specific assumptions and actuarial methodology for the study are defined within the report. Each material assumption is, in the actuaries' opinion, individually reasonable and falls within the best estimate range, taking into account past experience and reasonable future expectations, and is consistent with each other material assumption. Given that actual experience may vary from the actuarial assumptions projected, developing liabilities and costs may differ from those estimated in this report. Furthermore, in the event of any inaccuracies in the information or data provided, upon which these calculations were based, revisions may be needed.

This report was prepared solely for the purposes of providing information required by GASB for the entity's financial reporting. KBC assumes neither responsibility nor any liability for use of this report for any other purposes.

The valuation was prepared in full compliance with the American Academy of Actuaries "Code of Professional Conduct" Precept 7 regarding conflict of interest. The actuaries certifying this valuation meet the qualifications of the American Academy of Actuaries required to provide the actuarial opinion detailed in this report. Their opinion and certification is provided in accordance with an agreement with Key Benefit Concepts, LLC.

Steven L. Diess

Steven L. Diess, EA, MAAA

Elizabeth A. Moore

Elizabeth A. Moore, FSA, EA, MAAA

May 19, 2015

Introduction

The actuarial present value of the other post employment benefit (OPEB) liabilities is the value of all benefits estimated to be payable to plan members discounted at the assumed discount interest rate back to the valuation date. The actuarial present value is comprised of:

- Benefits employees have already earned, and
- Benefits expected to be earned by employees in the future.

Presented in this report are the results of our study of the post employment benefits and the associated liabilities and costs. The study includes the following:

- Actuarial Accrued Liability (AAL): The portion of the actuarial present value of benefits allocated to all periods prior to the valuation date of July 1, 2014 also known as the accrued benefit.

- Normal Cost (NC): The portion of the actuarial present value of benefits allocated to the valuation year (i.e. the additional benefits to be earned from July 1, 2014 through June 30, 2015).

- Unfunded Actuarial Accrued Liability (UAAL): The difference between the actuarial accrued liability and the actuarial value of assets. This amount may also be negative indicating the presence of a surplus of actuarial assets over actuarial accrued liabilities.

- Annual Required Contribution (ARC): The employer's annual contribution comprised of the normal cost plus the portion of the unfunded actuarial accrued liability to be amortized in the valuation year.

District OPEB

For the School District of Tomahawk (the "District"), the other post employment benefit liability consists of several interdependent pieces arising from the rules of the plan. The amounts paid by the District for continued health care for all classifications that are entitled to a benefit are briefly outlined below. A full description of the eligibilities and benefits for eligible classifications can be found in the OPEB Technical Appendix.

A. Administrators: At least age 55 with a minimum of 15 years of service in the District; eligible retirees shall receive a health insurance fund to be used for continued medical coverage until its exhaustion. The amount of this fund shall be determined by the unused sick leave accumulated upon retirement as well as years of service with the District.

   Note: *One Administrator with an individually-negotiated benefit will also receive a one-time contribution in addition to the benefits noted above to be used for continued medical coverage.*

B. Teachers: at least age 55 with a minimum of 15 years of service in the District:
   - **At least 10 years of service by the end of the 2011/12 school year:** Eligible retirees shall receive a health insurance fund to be used for continued medical coverage until its exhaustion. The amount of this fund shall be determined by the unused sick leave accumulated upon retirement as well as a flat dollar contribution based on the number of years of service as of 2011/12.

   - **Less than 10 years of service by the end of the 2011/12 school year & all new hires:** Eligible retirees shall receive a health insurance fund to be used for continued medical coverage until its exhaustion. The amount of this fund shall be determined by the unused sick leave accumulated upon retirement as well as $1,400 per year of service.

C. Support Staff: At least age 55 with a minimum of 15 years of service in the District; Unused sick leave accumulated up to the maximum of 120 days for full-time 12-month employees (or 100 days for school-tem employees) will be converted at the retiree's last contracted per diem rate. These funds are to be applied to the group medical and/ or dental coverage.

D. Non-Union: A minimum of 15 years of service in the District; Unused sick leave accumulated upon retirement will be converted at the retiree's last contracted per diem rate. These funds are added to the retiree's health insurance fund and are to be used for continued medical coverage.

   Note: *Four Non-Union Staff with individually-negotiated benefits will also receive a one-time contribution of $45,000 in addition to the benefits noted above to be used for continued medical coverage.*

In a standard OPEB valuation, the GASB guidelines require that the OPEB to be based upon the *value* of the health care benefit. Thus, when the benefits are insured, the value above the premium cost of benefits must be determined. This applies to all classifications and arises from the value of benefits in excess of the payments made by the District during the guaranteed period. This amount is determined and incorporated in the determined liability of the medical care benefit. In addition, since GASB guidelines require the OPEB to be based upon the *value* of the medical care benefit, when an individual self-pays 100% of the premium cost, the valuation also includes the difference between the premium cost and the value cost of the benefit. This is known as the Implicit Rate Subsidy.

Implicit Rate Subsidy exists when an employer's retirees and current employees are covered together as a group wherein the premium rate or premium equivalent rate paid by the retirees may be lower than they would be if the retirees were rated separately. The final GASB Statements declare that even if the retirees pay 100% of the premium, without a contribution from the employer, the employer is required to treat the implicit rate subsidy as an OPEB liability.

Note that the implicit rate subsidy is only applied when retirees are enrolled in the District's medical plans. It is not applied, however, when retirees participate in the District's dental plan. Furthermore, when an individual becomes Medicare-eligible, their premium rates are adjusted, such that these adjusted rates represent the expected cost of coverage, and no implicit rate subsidy is calculated.

The census provided by the District included one active Administrator and 4 active Non-Union employees who have individually negotiated contracts that include a one-time contribution upon retirement. Any additional liability, including that of implicit rate subsidy, incurred on their behalf was calculated and included in this valuation. It was assumed that 100% of active employees eligible for a post-employment benefit, regardless of classification, would elect to use their Health Insurance or Sick Leave Conversion funds to remain on the District's group medical plan until their exhaustion. However, no post-employment liability of any kind was calculated on behalf of the 26 active Support Staff not eligible for a post-employment benefit (i.e. listed as 'None').

Sick Leave Benefit

Eligible retirees may use their accumulated unused sick leave to continue coverage under the group medical and/or dental plan. According to current GASB regulations, only the implicit rate subsidy incurred from use of the converted sick leave monies towards continued medical coverage is considered an OPEB and should be accounted for under GASB Statement 45. The sick days themselves, however, are still regarded as a termination benefit that should be accounted for under GASB Statement 16 as a compensated absence.

Included in this valuation is calculation of the implicit rate subsidy incurred from use of the sick leave dollars for continued medical coverage. This valuation does not include valuation of the sick leave dollars themselves.

Amortization Method

The current guidelines allow two amortization methods:

Level Dollar Amortization Method – The amount to be amortized is divided into equal dollar amounts to be paid over a given number of years; part of each payment is interest and part is principle (similar to a mortgage payment on a building). Since payroll can be expected to increase as a result of inflation, level dollar payments generally represent a decreasing percentage of the payroll over time.

Level Percent Amortization Method – Amortization payments are calculated so that they increase at a constant percentage over a given number of years. The dollar amount of the payments generally will increase over time due to inflation; however the percentage increases in these payments can be expected to remain level.

Note: The OPEB Tables are based upon a 10-year amortization period.

District OPEB Liability

Based upon the actuarial assumptions and projections described herein as determined by the census, benefit and premium data provided by the District, the post-employment medical benefits as of July 1, 2014 are as follows:

Other Post Employment Liability			
		Level $ Amortization	Level % Amortization
1	Normal Cost with interest to end of year	$ 107,639	$ 107,639
2	Unfunded Actuarial Accrued Liability (UAAL)	$ 3,415,328	$ 3,415,328
3	10-yr. Amortization of UAAL	$ 421,079	$ 370,835
4	Annual Required Contribution (ARC)	$ 528,718	$ 478,474

Detailed calculations for the above results can be found in the OPEB Tables C and D.

Discussion of Valuation Methods and Assumptions

The valuation was based upon the data provided by the District. In performing this study we utilized the premium rate history of the District's medical plans and projected a stream of expected premium rates for each year in the future based on the data as of July 1, 2014. As such, future trends and expected costs were derived from historical premium rates for actives and retirees.

Trend and retirement age are the most sensitive assumptions. Changes in these assumptions have the largest impact on the amount of liabilities. All of the demographic assumptions used for this report (i.e. other than trend, salary, payroll growth, expected discount rate, percent electing coverage and percent electing family coverage) are approximately the same as those used in the December 31, 2013 WRS annual report.

New GASB guidelines will require that actuarial valuations of OPEB and pension benefits use the entry-age normal actuarial method. In light of this impending change, this valuation was performed using the entry-age normal actuarial method.

This is a subsequent valuation of the District's post-employment liabilities. Since the prior study, the District has not established a trust to fund its post-employment benefits. Rather it has continued to payout its retiree benefits on a pay-as-you-go basis. Therefore, there are no assets to offset the District's actuarial accrued liabilities. A discount rate of 4.00% (as the expected yield on general assets) was used in this valuation in calculating the post-employment liabilities. It was assumed that the District would continue to fund its retiree benefits out of its general fund assets on a pay-as-you-go basis.

Pay-As-You-Go (Table I)

GASB requires all public entities to identify and include their post-employment liability in their financial statements. However, at this time GASB does not require any public entity to fund this liability. Since many districts currently provide for post-employment benefits on a pay-as-you-go basis, we have included OPEB Table I. This table illustrates, based upon the assumptions used in this valuation, the District's annual liability for retiree medical benefits on a pay-as-you-go basis.

The projections illustrated in OPEB Table I are for illustrative purposes and pertain only to the liabilities incurred from those active and retired employees of the District as of July 1, 2014. In other words, it is based upon a closed valuation, such that no new hires are assumed to replace those future retirees. The valuation is based upon numerous assumptions as detailed in the technical appendix. Due to these assumptions, the likelihood of actual costs equaling the stated projections decreases for each year projecting further into the future.

OPEB Tables

OPEB Table A

School District of Tomahawk

Active Employees as of July 1, 2014

Years of Service

Age	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 or more	Total
Under 20	-	-	-	-	-	-	-	-	-
20 - 24	1	-	-	-	-	-	-	-	1
25 - 29	15	-	-	-	-	-	-	-	15
30 - 34	4	5	1	-	-	-	-	-	10
35 - 39	5	4	3	1	-	-	-	-	13
40 - 44	8	3	4	9	1	-	-	-	25
45 - 49	3	6	4	6	5	4	-	-	28
50 - 54	3	3	7	7	7	3	3	-	33
55 - 59	7	2	1	4	2	4	1	-	21
60 - 64	1	-	2	1	1	2	1	-	8
65 and over	-	-	-	1	-	-	-	-	1
Total	47	23	22	29	16	13	5	-	**155**

Averages:

Age: **45.5**

Service: **11.9**

OPEB Table B1

School District of Tomahawk

All Members by Medical Coverage as of July 1, 2014

	Actives					Retirees				
	Single	Family	Waived	None	Total	Single	Family	Waived	Other	Total
Administrators	-	7	-	-	**7**	1	2	-	-	**3**
Teachers	20	67	7	-	**94**	14	5	6	14	**39**
Support Staff	3	17	2	26	**48**	1	-	2	1	**4**
Non-Union	1	5	-	-	**6**	-	-	-	1	**1**
Totals	**24**	**96**	**9**	**26**	**155**	**16**	**7**	**8**	**16**	**47**

Notes:

1) No post-employement liability of any kind was calculated on behalf of Support Staff listed under 'None'.

2) Included in the active counts are 1 Administrator and 4 Non-Union employees who have individually-negotiated benefits upon retirement.

OPEB Table B2

School District of Tomahawk
Members by Eligibility as of July 1, 2014

	Actives			Retirees
	Fully Eligible	Not Fully Eligible	Total	Total
Administrators	1	6	**7**	**3**
Teachers	7	87	**94**	**39**
Support Staff	8	40	**48**	**4**
Non-Union	1	5	**6**	**1**
Totals	**17**	**138**	**155**	**47**

Full Eligibility is met if, as of 7/1/2014 , the member has met the age and service requirements as stated in the plan provisions.

OPEB Table C

School District of Tomahawk

Determination of Normal Cost, Actuarial Accrued Liability (AAL)
and Unfunded Actuarial Accrued Liability (UAAL) as of July 1, 2014

Total Incurred OPEB Liabilities

	Administrators	*Teachers*	*Support Staff*	*Non-Union*	*Total*
1. Normal cost as of 7/1/2014	11,475	82,194	1,963	7,867	103,499
2. Actuarial accrued liability as of 7/1/2014					
a. Current Retiree AAL	61,729	1,763,997	6,167	16,030	1,847,923
b. Future Retiree AAL	112,767	1,274,409	33,601	146,628	1,567,405
c. Total AAL (#2a + #2b)	174,496	3,038,406	39,768	162,658	3,415,328
3. Actuarial value of assets	0	0	0	0	0
4. Unfunded actuarial accrued liability [#2c - #3]	$174,496	$3,038,406	$39,768	$162,658	$3,415,328

OPEB Table D - Level % Amortization

School District of Tomahawk

Determination of 2014-2015 Fiscal Year Annual Required Contribution (ARC)

Total Incurred OPEB Liabilities

	Administrators	*Teachers*	*Support Staff*	*Non-Union*	*Total*
1. Normal cost					
a. Beginning of year	$11,475	$82,194	$1,963	$7,867	$103,499
b. With interest to end of year	11,934	85,482	2,042	8,182	$107,639
2. Expected payroll for 2014-2015 fiscal year	n/a	n/a	n/a	n/a	n/a
3. Unfunded actuarial accrued liability	174,496	3,038,406	39,768	162,658	$3,415,328
4. 10 year amortization of UAAL as a level percent method					
a. Dollars	18,947	329,909	4,318	17,661	$370,835
b. Percent of payroll	n/a	n/a	n/a	n/a	n/a
5. Annual required contribution *(ARC)*					
a. Normal cost	11,934	85,482	2,042	8,182	$107,639
b. Amortization	18,947	329,909	4,318	17,661	$370,835
c. Total contribution [a + b]	$30,881	$415,391	$6,360	$25,843	$478,474

OPEB Table D - Level $ Amortization

School District of Tomahawk

Determination of 2014-2015 Fiscal Year Annual Required Contribution (ARC)

Total Incurred OPEB Liabilities

	Administrators	*Teachers*	*Support Staff*	*Non-Union*	*Total*
1. Normal cost					
a. Beginning of year	$11,475	$82,194	$1,963	$7,867	103,499
b. With interest to end of year	11,934	85,482	2,042	8,182	107,639
2. Expected payroll for 2014-2015 fiscal year	n/a	n/a	n/a	n/a	n/a
3. Unfunded actuarial accrued liability	174,496	3,038,406	39,768	162,658	3,415,328
4. 10 year amortization of UAAL as a level dollar method					
a. Dollars	21,514	374,608	4,903	20,054	421,079
b. Percent of payroll	n/a	n/a	n/a	n/a	n/a
5. Annual required contribution *(ARC)*					
a. Normal cost	11,934	85,482	2,042	8,182	107,639
b. Amortization	21,514	374,608	4,903	20,054	421,079
c. Total contribution [a + b]	$33,448	$460,090	$6,945	$28,236	528,718

School District of Tomahawk

Annual OPEB Cost and Net OPEB Obligation for the Fiscal Year Ending June 30, 2015

	Total
Annual required contribution *(ARC)*	$478,474
Interest on net OPEB obligation	8,848
Adjustment to annual required contribution	(24,018)
Annual OPEB cost (expense)	$463,304
Contributions made	TBD
Change in net OPEB obligation	TBD
Net OPEB obligation - beginning of year	$221,202
Net OPEB obligation - end of year	TBD

History of OPEB Cost, Percentage Of Annual Contribution and Net OPEB Obligation

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	$380,602	81.08%	$334,397
6/30/2013	381,093	81.08%	407,670
6/30/2014	250,028	131.15%	221,202
6/30/2015	463,304	TBD	TBD

The financial history was reproduced from the District's financial statements and has not been reviewed for accuracy.

OPEB Table E - Level $ Amortization

School District of Tomahawk

Annual OPEB Cost and Net OPEB Obligation for the Fiscal Year Ending June 30, 2015

	Total
Annual required contribution *(ARC)*	$528,718
Interest on net OPEB obligation	8,848
Adjustment to annual required contribution	(27,272)
Annual OPEB cost (expense)	$510,294
Contributions made	TBD
Change in net OPEB obligation	TBD
Net OPEB obligation - beginning of year	$221,202
Net OPEB obligation - end of year	TBD

History of OPEB Cost, Percentage Of Annual Contribution and Net OPEB Obligation

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	$380,602	81.08%	$334,397
6/30/2013	381,093	81.08%	407,670
6/30/2014	250,028	131.15%	221,202
6/30/2015	510,294	TBD	TBD

The financial history was reproduced from the District's financial statements and has not been reviewed for accuracy.

OPEB Table F

School District of Tomahawk

Required Supplementary Information
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age Normal Level % of Salary	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a) / c)
7/1/2010	$0	$4,076,451	$4,076,451	0.00%	N/A	N/A
7/1/2012	$0	$3,531,058	$3,531,058	0.00%	N/A	N/A
7/1/2014	$0	$3,415,328	$3,415,328	0.00%	TBD	TBD

The financial history was reproduced from the District's financial statements and has not been reviewed for accuracy.

OPEB Table G

School District of Tomahawk

Significant Methods and Assumptions

Actuarial valuation date	7/1/2014
Actuarial cost method	Entry Age Normal - Level % of Salary
Amortization method	10 year open level dollar & level percent
Remaining amortization period	10 years
Asset valuation method	Market value
Actuarial Assumptions	
Investment rate of return *	4.00%
Projected payroll increases (for level amortization of pay only)	3.00%
Medical care trend*	7.50% decreasing by 0.50% per year down to 6.50%, then by 0.10% per year down to 5.0%, and level thereafter

* Implicit in this rate is an assumed rate of inflation of 3.00%

OPEB Table H - Level % Amortization

School District of Tomahawk

Historical Development of Annual Net OPEB Obligation

Total Incurred OPEB Liabilities

Fiscal Year Ending	ARC	Interest on Net OPEB Obligation	ARC Adjustment	Amort. Factor	OPEB Cost	Contribution	Change in Net OPEB Obligation	Net OPEB Obligation Balance
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
6/30/2014	$249,989	11,872	(11,833)		$250,028	(327,856)	(77,828)	$221,202
6/30/2015	$478,474	8,848	(24,018)	9.21	463,304	TBD	TBD	TBD

The financial history was reproduced from the District's financial statements and has not been reviewed for accuracy.

OPEB Table H - Level $ Amortization

School District of Tomahawk

Historical Development of Annual Net OPEB Obligation

Total Incurred OPEB Liabilities

Fiscal Year Ending	ARC	Interest on Net OPEB Obligation	ARC Adjustment	Amort. Factor	OPEB Cost	Contribution	Change in Net OPEB Obligation	Net OPEB Obligation Balance
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
6/30/2014	$249,989	11,872	(11,833)		$250,028	(327,856)	(77,828)	$221,202
6/30/2015	$528,718	8,848	(27,272)	8.11	510,294	TBD	TBD	TBD

The financial history was reproduced from the District's financial statements and has not been reviewed for accuracy.

OPEB Table I

School District of Tomahawk

Pay As You Go

Projection of Medical Contributions (30 Year Projection)

A	B	C	D	E	F	G
Fiscal Year Beginning	Expected Total Premiums	District's Premium Contribution	Total OPEB Value	District's OPEB Liability **(C + F)**	Implicit Rate Subsidy **(D - B)**	Cost → Value
2014	$442,893	$443,550	$546,121	$546,777	$103,228	1.2331
2015	$459,908	$456,121	$566,032	$562,245	$106,125	1.2308
2016	$407,684	$387,607	$488,664	$468,587	$80,980	1.1986
2017	$362,088	$331,410	$419,482	$388,804	$57,394	1.1585
2018	$273,791	$219,977	$322,126	$268,312	$48,335	1.1765
2019	$278,212	$208,994	$328,663	$259,446	$50,452	
2020	$256,232	$180,904	$305,193	$229,865	$48,962	
2021	$262,053	$181,426	$319,484	$238,856	$57,431	
2022	$277,406	$169,702	$340,000	$232,296	$62,594	
2023	$299,896	$173,856	$374,195	$248,155	$74,298	
2024	$331,555	$193,005	$404,759	$266,209	$73,204	
2025	$317,679	$156,959	$394,160	$233,440	$76,481	
2026	$304,205	$150,342	$377,885	$224,021	$73,680	
2027	$263,060	$135,742	$324,492	$197,174	$61,432	
2028	$286,559	$165,291	$348,547	$227,279	$61,988	
2029	$299,522	$168,774	$359,355	$228,608	$59,833	
2030	$282,249	$160,099	$346,496	$224,346	$64,247	
2031	$270,885	$154,132	$337,406	$220,653	$66,521	
2032	$257,935	$131,072	$320,556	$193,692	$62,621	
2033	$249,183	$119,540	$307,108	$177,465	$57,925	
2034	$224,466	$105,799	$274,228	$155,561	$49,762	
2035	$170,890	$86,863	$211,840	$127,813	$40,950	
2036	$152,816	$80,825	$189,436	$117,445	$36,620	
2037	$156,601	$86,743	$196,901	$127,043	$40,300	
2038	$157,050	$97,343	$193,785	$134,078	$36,735	
2039	$137,514	$78,335	$171,564	$112,384	$34,049	
2040	$107,641	$58,708	$141,603	$92,670	$33,962	
2041	$108,999	$74,871	$134,991	$100,863	$25,992	
2042	$101,341	$65,090	$125,692	$89,442	$24,352	
2043	$106,184	$66,328	$133,425	$93,568	$27,240	

When Funding the Trust: *Pay-As-You-Go amount plus Implicit Rate Subsidy: Multiply factor in column* ***G*** *times Pay-As-You-Go amount, the result is the amount to be paid to Fund Trust. The difference between the two amounts is the Implicit Rate Subsidy.*

OPEB Technical Appendix

School District of Tomahawk

Post Employment Benefit Summary

Administrators

Eligibility	OPEB
At least age 55 with a minimum of 15 years of service in the District	Health Insurance Fund: Eligible retirees shall receive a health insurance fund that is to be used for continued medical coverage until its exhaustion. A credit of 10 days per year of service, up to a maximum of 60 days, will be converted at the average per diem rate during their last 3 years of service with the District. Unused Sick Leave Conversion ***(Implicit Rate Subsidy Only)***: Unused sick leave accumulated upon retirement, up to the maximum of 144 days will be converted at the average per diem rate during their last 3 years of employment. These funds are added to the retiree's health insurance fund and are to be used for continued medical and/ or dental coverage.
Note: *One Administrator with an individually-negotiated benefit will also receive a one-time contribution in addition to the benefits noted above to be used for continued medical coverage. In the 2010-2011 school year, this contribution amount was equal to $60,372.38 and was subject to increases in subsequent years by the lesser of 5% or the average CPI-W.*	

Non-Union

Eligibility	OPEB
A minimum of 15 years of service in the District	Unused Sick Leave Conversion ***(Implicit Rate Subsidy Only)***: Unused sick leave accumulated upon retirement will be converted at the retiree's last contracted per diem rate. These funds are added to the retiree's health insurance fund and are to be used for continued medical coverage.
Note: *Four Non-Union Staff with individually-negotiated benefits will also receive a one-time contribution of $45,000 in addition to the benefits noted above to be used for continued medical coverage.*	

Support Staff

Eligibility	OPEB
At least age 55 with a minimum of 15 years of service in the District	Unused Sick Leave Conversion ***(Implicit Rate Subsidy Only)***: Unused sick leave accumulated up to the maximum of 120 days for full-time 12-month employees (or 100 days for school-tem employees) will be converted at the retiree's last contracted per diem rate. These funds are to be applied to the group medical and/ or dental coverage.

Teachers

At Least 10 Years of Service by the End of the 2011/12 School Year

Eligibility	OPEB
At least age 55 with a minimum of 15 years of service in the District	Health Insurance Fund: The District shall contribute a credit balance to a Health Insurance Fund equal to the amount specified below based on the number of years of service as of the end of the 2011/12 school year. These funds are to be applied to the group medical and/or dental plan offered by the District.

Years of Service	***Contribution Amount***	***Sick Day Per Diem***
30+	$56,000	$275
29	$55,000	$270
28	$54,000	$265
27	$53,000	$260
26	$52,000	$255
25	$51,000	$250
24	$50,000	$245
23	$49,000	$245
22	$48,000	$245
21	$47,000	$245
20	$46,000	$245
19	$45,000	$240
18	$44,000	$240
17	$43,000	$240
16	$42,000	$240
15	$41,000	$240
14	$40,000	$235
13	$39,000	$235
12	$38,000	$235
11	$37,000	$235
10	$36,000	$235

Unused Sick Leave Conversion ***(Implicit Rate Subsidy Only)***: Unused sick leave accumulated upon retirement, up to the maximum of 120 days will be converted at the per diem rate tabled above based upon years of service. These monies are added to the retiree's health insurance fund and are to be used for continued medical and/or dental coverage.

Teachers

Less Than 10 Years of Service by the End of the 2011/12 School Year & All New Hires	
Eligibility	**OPEB**
At least age 55 with a minimum of 15 years of service in the District	Health Insurance Fund: The District shall contribute a credit balance to a Health Insurance Fund equal to $1,400 per year of service with the District. These funds are to be applied to the group medical and/or dental plan offered by the District. Unused Sick Leave Conversion ***(Implicit Rate Subsidy Only)***: Unused sick leave accumulated upon retirement, up to the maximum of 120 days will be converted at the rate of $120 per day. These funds are added to the retiree's health insurance fund and are to be used for continued medical and/or dental coverage. In the event the benefit amount is not exhausted by age 65, retiree may apply remaining balance toward Medicare supplemental insurance. Upon death of the retiree, the remaining balance shall be used to provide health and dental insurance premiums for retiree's spouse until funds are exhausted.

OPEB Actuarial Assumptions

1. Actuarial Valuation Date	July 1, 2014
2. Actuarial Cost Method	Entry Age Normal – Level % of Salary: Under this method, the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age(s). The normal cost is equal to the valuation salary multiplied by the present value of benefits divided by the present value of future salaries, measured as of the date of hire. The accrued liability is equal to the present value of projected benefits minus the present value of future normal costs, measured as of the valuation date.
3. Interest Rate	Discount rate for valuing liabilities – 4.00% Interest rate on plan assets – 4.00% Implicit in these rates is a 3.00% assumed rate of inflation
4. Level Percent Increase	3.00% – Used only for level percent amortization of Unfunded Actuarial Accrued Liability
5. Amortization Method	10 year open level percent & level dollar method
6. Remaining Amortization Period	10 years
7. Asset Valuation Method	Market Value

8. Retirement Rates	*Early Retirement*

Age	Male	Female
55	12.0%	11.0%
56	12.0	11.0
57	12.0	11.0
58	12.0	11.0
59	12.0	11.0
60	12.0	15.0
61	12.0	15.0
62	20.0	20.0
63	20.0	20.0
64	20.0	20.0
65	100.0	100.0

Regular Retirement (30 or more years of service)

Age	Male	Female
57	40%	27%
58	35	27
59	25	27
60	28	27
61	25	27
62	36	34
63	32	27
64	24	23
65	100	100

No employees are assumed to retire prior to becoming eligible for benefits

9. Mortality Rates	Active participant mortality rates at sample ages:

Age	Male	Female
20	0.000155	0.000089
25	0.000184	0.000097
30	0.000229	0.000129
35	0.000398	0.000230
40	0.000540	0.000329
45	0.000717	0.000519
50	0.000966	0.000765
55	0.002228	0.001345
60	0.003147	0.001935
65	0.004814	0.002974
70	0.007979	0.005057
75	0.013576	0.009155
80	0.024949	0.017103

10. Separation Rates	Select and ultimate termination rates at sample ages and years of service are shown below:

Age	Service	Male	Female
	0	17.7%	15.0%
	1	11.4	10.5
	2	7.3	7.1
	3	5.2	5.5
	4	3.9	4.6
	5	3.0	4.0
	6	2.8	3.5
	7	2.5	3.0
	8	2.0	2.5
	9	1.8	2.3
25	10 or more	1.8	2.2
30		1.4	1.9
35		1.2	1.4
40		1.1	1.1
45		1.0	0.9
50		1.0	0.9
55		1.0	0.9
60		1.0	0.9

No separation rates are assumed after eligibility for retirement

11. Disablement Rates	Active participant disability rates at sample ages:

Age	Male	Female
20	0.01%	0.01%
25	0.01	0.01
30	0.01	0.01
35	0.01	0.01
40	0.02	0.02
45	0.04	0.06
50	0.11	0.12
55	0.21	0.17
60	0.34	0.25

12. Medical Trend (*Annual Increases*)	<u>Year</u>	<u>Medical</u>
	1	7.5%
	2	7.0
	3	6.5
	4	6.4
	5	6.3
	6	6.2
	7	6.1
	8	6.0
	9	5.9
	10	5.8
	11	5.7
	12	5.6
	13	5.5
	14	5.4
	15	5.3
	16	5.2
	17	5.1
	18 & over	5.0
13. Salary Merit Scale (*Annual Increases*)	<u>Service</u>	<u>Increase</u>
	1	5.8%
	2	5.8
	3	5.4
	4	5.1
	5	4.7
	10	3.2
	15	1.8
	20	0.8
	25	0.4
	30	0.2
	The assumed salary inflation of 3.0% per year is added to these merit increases to get the total assumed increase in salary	

14. Age Related Health Care Cost	2014/2015 monthly medical premium rates under the District's plan were \$664.96 and \$1,509.42 (Single and Family, respectively). Health care costs are assumed to increase each year of age separate from trend due to increased cost of older participants, as follows: Age — Rate Under 40 — 5.0% 40-44 — 4.5% 45-49 — 4.0% 50-54 — 3.3% 55-59 — 3.6% 60-64 — 4.2%
15. Percent with Coverage at Retirement	100% of active employees eligible for a post-employment benefit.
16. Census Data (Table B)	1) No post-employment liability of any kind was calculated on behalf of Support Staff listed under 'None'. 2) Included in the active counts are 1 Administrator and 4 Non-Union employees who have individually-negotiated benefits upon retirement.
17. Coverage Tier	80% of future covered retirees are assumed to cover a spouse in retirement
18. Spouses' Age	Males are assumed to be three years older than their spouses