October 30, 2008

Lisa Cross
Accounting Manager
Three Rivers School District
P.O. Box 160
Murphy, OR 9733

Re: Three Rivers School District Early Retirement Program
July 1, 2007 Actuarial Valuation Report

Dear Lisa:

We are pleased to enclose six copies (five bound and one unbound) of the Actuarial Valuation Report for Three Rivers School District's Early Retirement Program (ERP) as of July 1, 2007, to be applied to the reporting periods ending June 30, 2009 and June 30, 2010.

Annual Required Contribution

The total Annual Required Contribution (ARC) calculated in this report is $2,313,863. This is composed of $163,264 for the stipend portion of the ERP, and $2,150,599 for the medical and life insurance portions. A more complete summary of results can be found on page 2 of the report.

If you have any questions on the enclosed, please contact me at (503) 601-0870.

Sincerely,

Steven L. Diess, EA, MAAA

email: steve@indact.com

SLD/ksf

Enclosures

c: Roger Burton – Healthcare Actuaries

THREE RIVERS SCHOOL DISTRICT

EARLY RETIREMENT PROGRAM

ACTUARIAL VALUATION REPORT

As of July 1, 2007

THREE RIVERS SCHOOL DISTRICT
EARLY RETIREMENT PROGRAM
ACTUARIAL VALUATION REPORT AS OF JULY 1, 2007

TABLE OF CONTENTS

THREE RIVERS SCHOOL DISTRICT
EARLY RETIREMENT PROGRAM
ACTUARIAL VALUATION REPORT AS OF JULY 1, 2007

CERTIFICATION

The purpose of this report is to summarize the results of the Actuarial Valuation of Three Rivers School District's Early Retirement Program (ERP) as of July 1, 2007.

This report includes a summary of the employee and plan financial data as of June 30, 2007. This report also sets forth the actuarial cost requirements of the plan as required under GASB 27 and 45 for the plan year beginning July 1, 2007.

All information submitted to us by the Plan Administrator has been reviewed for reasonableness and consistency, but has otherwise been accepted and relied upon without audit.

To the best of our knowledge this report is complete and accurate. The calculations are performed in accordance with generally accepted actuarial principles and practices. Each material assumption is, in our 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.

The results presented in this report are based on assumptions that represent our best estimate of anticipated plan experience, within the constraints of currently applicable laws and regulations.

The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein and have relied on the assumptions described below, developed by Roger Burton of Healthcare Actuaries.

Steven L. Diess, EA, MAAA	Date
Karen Dunn, EA, MSPA, QPA	Date

The undersigned actuary is responsible for the healthcare trend assumptions and a per capita claims cost development, and is qualified to render opinions in such matters in accordance with the Qualification Standards of the American Academy of Actuaries.

Roger T. Burton

Roger T. Burton, FSA, MAAA, FCA Healthcare Actuaries	Date

SUMMARY OF RESULTS

The following table summarizes the key results of the actuarial valuation for the current plan year.

	Administrators	Classified	Licensed	Total
Annual Required Contribution				
Stipend	$ 0	$ 0	$ 163,264	$ 163,264
Medical and Life Insurance	293,062	934,944	922,593	2,150,599
Total	$ 293,062	$ 934,944	$ 1,085,857	$ 2,313,863
Estimated Net Pension (OPEB) Obligation				
On June 30, 2009				
Stipend	$ 0	$ 0	$ 163,264	$ 163,264
Medical and Life Insurance	59,876	162,301	(65,637)	156,540
Total	$ 59,876	$ 162,301	$ 97,627	$ 319,804
On June 30, 2010				
Stipend	$ 0	$ 0	$ 331,718	$ 331,718
Medical and Life Insurance	130,184	290,529	(95,153)	325,560
Total	$ 130,184	$ 290,529	$ 236,565	$ 657,278
Funding Results				
Actuarial Value of Assets	$ 0	$ 0	$ 0	$ 0
Actuarial Accrued Liability				
Stipend	$ 0	$ 0	$ 1,322,774	$ 1,322,774
Medical	1,997,042	8,677,155	7,305,358	17,979,555
Life Insurance	19,243	0	0	19,243
Total	$ 2,016,285	$ 8,677,155	$ 8,628,132	$ 19,321,572
Normal Cost, beginning of year				
Stipend	$ 0	$ 0	$ 106,439	$ 106,439
Medical	70,749	424,157	619,310	1,114,216
Life Insurance	534	0	0	
Total	$ 71,283	$ 424,157	$ 725,749	$ 1,220,655
Basic Statistics				
Number of Active Participants	30	279	246	555
Number of Inactive Participants	16	56	84	156
Total Number of Participants	46	335	330	711
Participant Statistics				
Active Participants				
Average Age	49.9	49.9	45.6	48.0
Average Expected Future Service	10.4	9.5	13.5	11.2
Inactive Participants				
Average Age	60.9	60.4	60.7	60.6

DISCUSSION AND ANALYSIS

Overview

Three Rivers School District (the District) sponsors an Early Retirement Program (ERP) with three main components, as follows:

- Stipend Benefits – Certain Licensed retirees are eligible to receive a stipend of 1/84 of final pay per month. This pension-type benefit is required to be valued under GASB Statement 27.
- Medical Benefits – Continued medical coverage is offered to the District's eligible retirees and their spouses and dependents until eligible for Medicare. Retirees who meet certain hire date and service requirements at retirement have most or all of their premium paid by the District. Other retirees who chose to participate in the program must pay the full active premium in order to maintain coverage. However, while the District does not directly contribute to the cost of the premium for these retirees, the premium itself does not represent the full cost of covering these retirees (since they are older than the active population, retirees can be expected to generate higher medical claims and therefore higher premiums for the active population). This additional cost is called the "implicit subsidy", and is required to be valued under GASB Statement 45, along with the explicit premium payments.
- Life Insurance Benefits – District-paid life insurance benefits are provided to eligible Administrative and Confidential employees at retirement, until age 65.

GASB Statements 27 and 45

GASB Statements 27 and 45 are virtually identical in how costs are determined and what information must be disclosed; the main substantive difference is in the types of benefits that must be reported under each statement. Pension-type benefits are covered under Statement 27, while Other Post-Employment Benefits ("OPEBs") are covered under Statement 45.

The other main difference between the statements is that Statement 27 is first effective for fiscal years beginning after June 15, 1999, while Statement 45, for employers the size of Three Rivers School District, is first effective for fiscal years beginning after December 15, 2007. **For purposes of this report, we have assumed that the District will first reflect the costs and obligations under both statements in the 2008-09 fiscal year.**

Under each statement, an Annual Required Contribution (ARC) is calculated. The ARC is equal to the Normal Cost (the value of benefits expected to be earned in the year) plus an amortization of the Unfunded Actuarial Accrued Liability (UAAL). The amortization period can be as long as 30 years.

DISCUSSION AND ANALYSIS (Continued)

Typically, ARCs calculated as of a given measurement date are valid for up to two fiscal years provided there are no major changes to plan provisions in the interim

The development of the ARCs for the respective benefits are shown on pages 12 and 16 of this report.

The statements also define an annual cost – Annual Pension Cost (APC) in Statement 27, and Annual OPEB Cost (AOC) in Statement 45. This is the cost that is shown as an expense on the District's financial statements. The first year that the District complies with the statements, the APC and AOC will equal the respective ARCs. In subsequent years, the APC or AOC will equal the ARC, adjusted for prior differences between actual contributions and the ARC.

Finally, the statements define a liability – Net Pension Obligation (NPO) in Statement 27, and Net OPEB Obligation (NOO) in Statement 45. This is the obligation that is shown on the District's financial statements. At the beginning of the first fiscal year that the District complies with the statements, the NOO is zero; it will grow in subsequent years if annual costs exceed actual contributions.

The development of the projected APC and the NPO (for Stipend benefits) and the projected AOC and the NOO (for Medical benefits) for the next two years are shown on pages 13 and 17 of this report.

Stipend Benefits

Stipend benefits are currently provided to certain eligible Licensed retirees. Only Licensed retirees not receiving explicit medical benefits and who retire with at least 18 years of service are eligible for a stipend.

Please see page 10 for a ten-year projection of cash flow due to Stipend benefits.

The Normal Cost for this benefit is relatively large compared to the Actuarial Accrued Liability, since all participants potentially eligible for this benefit are still earning it. We are amortizing the UAAL over the whole 30 years allowed since this is an ongoing benefit still being earned.

The development of the projected APC and NPO for the next two years is shown on page 13. Note that the projected NPO is only an estimate, based on expected contributions (i.e. – Stipend payments). The actual NPOs will need to be determined by substituting actual Stipend payments. However, note that given the active population and the eligibility requirements, we don't expect any Stipend payments to be made before June 30, 2010.

The exhibits on pages 14 and 15 are required by GASB 27. The covered payroll number shown on page 15 is based on the individual census data provided to us. If you use a different payroll number elsewhere in your CAFR, you should probably change the number on the page 15 exhibit (as well as the UAL divided by payroll figure) to be consistent.

DISCUSSION AND ANALYSIS
(Concluded)

Medical and Life Insurance Benefits

As mentioned above (and described in more detail in the Plan Provisions section of this report), only certain retirees are potentially eligible for District-paid medical premiums. However, continued medical coverage to the District's eligible early retirees and their dependents on a self-paid basis is a benefit that is expected to continue indefinitely, in part because it is required by Oregon statute.

Life insurance benefits are provided to eligible Administrative and Confidential employees at retirement, until age 65.

Please see pages 10 and 11 for a ten-year projection of cash flow due to Medical and Life Insurance benefits. Note that the "cash flow" for Medical Benefits represents the explicit premiums paid **plus** the excess of expected claims for covered retirees over expected premiums (i.e. – the implicit subsidy).

Liabilities for the medical benefit are quite large, but for life insurance benefits are relatively small. Since this is an ongoing program, we are justified in amortizing the unfunded liability over the whole 30 years (as a percent of payroll) allowed under GASB 45. However, amortizing over 30 years produces a negative NOO in the first few years. This is because of the high proportion of current retirees to the active population, resulting in a payout of benefits that is disproportionally high when compared to the AOC. This is particularly the case for the Administrative and Licensed groups. For illustrative purposes, we have amortized the unfunded liability for the Administrative and Licensed groups over 10 years, and for Classified employees over 20 years. **This amortization period should be discussed, and a methodology finalized.** This amortization period may remain level in future years, or may decrease. See pages 16 and 17 for details.

For these Medical and Life Insurance benefits, the projected NOO can be considered final as long as there are no plan changes before June 30, 2010. This is because the contributions in this case include the implicit subsidy, which we do not anticipate re-calculating before July 1, 2009.

As with the Stipend benefit, the exhibits on pages 18 and 19 are required under GASB 45.

OUTLINE OF PLAN PROVISIONS

The following is a summary of the major ERP provisions as understood as of the valuation date. It should not be relied on for the purpose of determining actual benefits under the ERP.

The ERP is composed of three components: an early retirement salary stipend (Stipend Benefit), and regular hospital/medical insurance coverage (Medical Benefit), and life insurance coverage (Life Benefit).

Retirement Eligibility	The retiree must be receiving benefits from Oregon PERS. Eligibility requirements under Oregon PERS are as follows:
Tier 1 or Tier 2 members:	Earlier of age 55, or any age with 30 years of service.
OPSRP members:	Age 55 with 5 years of service.
Stipend Benefit	
Eligible Class of Employees	Only Licensed employees not receiving explicit medical benefits and who have at least 18 years of service with the District are eligible for this benefit.
Benefit Duration	Payments are made for a maximum of seven years, but in no event past age 65 or death.
Benefit Amount	1/84 of final annual salary per month.
Medical Benefit	
Eligible Class of Employee	All classes of employee are eligible to continue coverage upon retirement; however, only certain employees are potentially eligible for District-paid coverage (see below).
Dependent Eligibility	Qualified spouses, domestic partners, and children may qualify for coverage.
Benefit Duration	Coverage for retirees and eligible dependents continues until Medicare eligibility for each individual (or until dependent children become ineligible). However, District-paid coverage continues for a maximum number of years according to the following schedule:

OUTLINE OF PLAN PROVISIONS (Continued)

Administrators:

Current administrators who have served in the administrative capacity for more than ten years as of June 30, 2004 shall receive early retirement benefits of ten years of current health insurance benefits, but not beyond age 65. All other administrators who have served in an administrative capacity for seven years, or as a licensed teacher and administrator for 18 or more years, will receive seven years of current health insurance, but not beyond age 65. Notwithstanding the above, any administrator hired after August 15, 2007 will not be eligible for any early retirement benefits.

Classified:

Bargaining Unit members who have at least 20 years of service as of June 30, 2004 shall receive early retirement benefits of ten years of current health insurance benefits, but not beyond age 65. Bargaining Unit members who have at least 15 years of service in a classified position, and are on the highest step of the salary schedule, shall receive early retirement benefits of seven years of current health insurance benefits, but not beyond age 65. However, if such an employee retires after June 30, 2011, the coverage will be for the employee only. Notwithstanding the above, any classified employee hired after June 30, 2000 will not be eligible for any early retirement benefits.

Licensed:

Bargaining Unit members who have at least 20 years of service and were hired in 1991 or earlier shall receive early retirement benefits of ten years of current health insurance benefits, but not beyond age 65. Notwithstanding the above, any licensed employee retiring after June 30, 2011 will not be eligible for any early retirement benefits.

Retiree Contributions

Retirees pay the whole active (composite) premium unless they have District-paid coverage, in which case they pay according to the cost sharing shown under Current Premiums, below.

OUTLINE OF PLAN PROVISIONS
(Concluded)

Implicit Subsidy Amount

There is an implicit subsidy with respect to retired employees because the medical premium rates charged for coverage typically are less than actual expected retiree claims costs. This is due to medical premium rates being determined by blending both active employee and retiree experience.

Current Premiums

Monthly composite premiums for the 2007-08 plan year are as follows:

Plan	Retiree Paid	Employer Paid
Admin Ret Plan A	$0.00	$830.00
Class Ret 1000+10 Pkg D	$0.00	$758.47
Class Ret 500+20 Pkg D	$0.00	$758.47
Double Cov Plan C	$0.00	$1,172.55
Lic Ret Plan A	$0.00	$830.00
Lic Ret Plan B	$10.63	$957.13
Lic Ret Prim 10/0 Plan C	$226.50	$946.05

<u>Life Benefit</u>

Eligible Class of Employee

Only Administrative and Confidential employees who receive explicit, District-paid Medical benefits (see above) are eligible for this benefit.

Benefit Duration

Coverage continues until age 65.

Benefit Amount

$50,000 of life insurance coverage.

ASSET SUMMARY

The ERP is not funded at this time.

PROJECTION OF PLAN'S ANTICIPATED CASH FLOW

Stipend Benefit

Plan Year	Administrators	Classified	Licensed	Total
2007	$ 0	$ 0	$ 0	$ 0
2008	0	0	0	0
2009	0	0	0	0
2010	0	0	0	0
2011	0	0	50,097	50,097
2012	0	0	87,094	87,094
2013	0	0	123,664	123,664
2014	0	0	146,284	146,284
2015	0	0	164,332	164,332
2016	0	0	179,726	179,726

Medical Benefit

Plan Year	Administrators	Classified	Licensed	Total
2007	$ 200,256	$ 727,922	$ 989,267	$ 1,917,445
2008	230,184	772,643	988,230	1,991,057
2009	224,470	832,375	984,015	2,040,860
2010	235,315	838,623	1,037,415	2,111,353
2011	221,496	842,163	909,063	1,972,722
2012	235,457	837,482	799,745	1,872,684
2013	235,159	860,031	666,978	1,762,168
2014	204,767	833,740	522,692	1,561,199
2015	175,403	890,368	509,236	1,575,007
2016	144,909	912,261	392,739	1,449,909

Note: Cash flow projections shown on this page reflect interest to year-end to maintain consistency with GASB calculations.

PROJECTION OF PLAN'S ANTICIPATED CASH FLOW (Concluded)

Life Insurance

Plan Year	Administrators	Classified	Licensed	Total
2007	$ 2,905	$ 0	$ 0	$ 2,905
2008	3,002	0	0	3,002
2009	3,220	0	0	3,220
2010	2,719	0	0	2,719
2011	1,946	0	0	1,946
2012	1,823	0	0	1,823
2013	2,099	0	0	2,099
2014	1,406	0	0	1,406
2015	1,460	0	0	1,460
2016	1,299	0	0	1,299

Total Benefit

Plan Year	Administrators	Classified	Licensed	Total
2007	$ 203,161	$ 727,922	$ 989,267	$ 1,920,350
2008	233,186	772,643	988,230	1,994,059
2009	227,690	832,375	984,015	2,044,080
2010	238,034	838,623	1,037,415	2,114,072
2011	223,442	842,163	959,160	2,024,765
2012	237,280	837,482	886,839	1,961,601
2013	237,258	860,031	790,642	1,887,931
2014	206,173	833,740	668,976	1,708,889
2015	176,863	890,368	673,568	1,740,799
2016	146,208	912,261	572,465	1,630,934

Note: Cash flow projections shown on this page reflect interest to year-end to maintain consistency with GASB calculations.

STIPEND BENEFIT – ACCOUNTING UNDER GASB 27

ANNUAL REQUIRED CONTRIBUTION

		Administrators	Classified	Licensed	Total
1.	Normal Cost	$ 0	$ 0	$ 106,439	$ 106,439
2.	Actuarial Value of Assets	$ 0	$ 0	$ 0	$ 0
3.	Actuarial Accrued Liability				
	a. Actives Not Yet Eligible to Retire	$ 0	$ 0	$ 1,180,488	$ 1,180,488
	b. Actives Fully Eligible	0	0	142,286	142,286
	c. Inactives	0	0	0	0
	d. Total (a. + b. + c.)	$ 0	$ 0	$ 1,322,774	$ 1,322,774
4.	Unfunded Actuarial Accrued Liability (UAAL)	$ 0	$ 0	$ 1,322,774	$ 1,322,774
5.	Amortization Period (years)	NA	NA	30	NA
6.	Amortization Factor (Level $)	1.00	1.00	26.17	NA
7.	Amortization of UAAL	$ 0	$ 0	$ 50,546	$ 50,546
8.	Total at Beginning of Year (1. + 7.)	$ 0	$ 0	$ 156,985	$ 156,985
9.	Interest to Year End	0	0	6,279	6,279
10.	Annual Required Contribution (8. + 9.)	$ 0	$ 0	$ 163,264	$ 163,264

STIPEND BENEFIT – ACCOUNTING UNDER GASB 27

NET PENSION OBLIGATION AND ANNUAL PENSION COST

Projected Net Pension Obligation at June 30, 2009

	Administrators	Classified	Licensed	Total
1. Actuarially Determined Contribution (A)	$ 0	$ 0	$ 163,264	$ 163,264
2. Net Pension Obligation (NPO) at Beginning of Year	0	0	0	0
3. Discount Rate	4.00%	4.00%	4.00%	4.00%
4. Interest on NPO (2. x 3.)	$ 0	$ 0	$ 0	$ 0
5. Amortization Factor	1.00	1.00	26.17	NA
6. Adjustment to (A) (2. ÷ 5.)	$ 0	$ 0	$ 0	$ 0
7. Annual Pension Cost (1. + 4. - 6.)	**$ 0**	**$ 0**	**$ 163,264**	**$ 163,264**
8. Contributions Made (est.)	0	0	0	0
9. Increase in NPO (7. - 8.)	$ 0	$ 0	$ 163,264	$ 163,264
10. Expected NPO at End of Year (2. + 9.)	**$ 0**	**$ 0**	**$ 163,264**	**$ 163,264**

Projected Net Pension Obligation at June 30, 2010

	Administrators	Classified	Licensed	Total
1. Actuarially Determined Contribution (A)	$ 0	$ 0	$ 168,162	$ 168,162
2. Net Pension Obligation (NPO) at Beginning of Year	0	0	163,264	163,264
3. Discount Rate	4.00%	4.00%	4.00%	4.00%
4. Interest on NPO (2. x 3.)	$ 0	$ 0	$ 6,531	$ 6,531
5. Amortization Factor	1.00	1.00	26.17	NA
6. Adjustment to (A) (2. ÷ 5.)	$ 0	$ 0	$ 6,239	$ 6,239
7. Annual Pension Cost (1. + 4. - 6.)	**$ 0**	**$ 0**	**$ 168,454**	**$ 168,454**
8. Contributions Made (est.)	0	0	0	0
9. Increase in NPO (7. - 8.)	$ 0	$ 0	$ 168,454	$ 168,454
10. Expected NPO at End of Year (2. + 9.)	**$ 0**	**$ 0**	**$ 331,718**	**$ 331,718**

STIPEND BENEFIT – ACCOUNTING UNDER GASB 27

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended June 30	Actuarially Determined Contribution	Percentage Contributed
2009	$ 163,264	TBD

STIPEND BENEFIT – ACCOUNTING UNDER GASB 27

SCHEDULE OF FUNDING PROGRESS

Valuation Date	Assets	Actuarial Accrued Liability	Unfunded Accrued Liability	Funded Ratio	Covered Payroll	UAL ÷ Payroll
7/1/2007	$ 0	$ 1,322,774	$ 1,322,774	0.0%	$ 20,860,770	6.3%

MEDICAL AND LIFE INSURANCE BENEFITS – ACCOUNTING UNDER GASB 45

ANNUAL REQUIRED CONTRIBUTION

		Administrators	Classified	Licensed	Total
1.	Normal Cost	$ 71,283	$ 424,157	$ 124,404	$ 619,844
2.	Actuarial Value of Assets	$ 0	$ 0	$ 0	$ 0
3.	Actuarial Accrued Liability				
	a. Actives Not Yet Eligible to Retire	$ 562,964	$ 3,952,268	$ 833,196	$ 5,348,428
	b. Actives Fully Eligible	288,022	1,665,618	1,499,449	3,453,089
	c. Inactives	1,165,299	3,059,269	4,972,713	9,197,281
	d. Total (a. + b. + c.)	$ 2,016,285	$ 8,677,155	$ 7,305,358	$ 17,998,798
4.	Unfunded Actuarial Accrued Liability (UAA	$ 2,016,285	$ 8,677,155	$ 7,305,358	$ 17,998,798
5.	Amortization Period (years)	10	20	10	NA
6.	Amortization Factor (Level % of Pay)	9.58	18.27	9.58	NA
7.	Amortization of UAAL	$ 210,507	$ 474,828	$ 762,705	$ 1,448,040
8.	Total at Beginning of Year (1. + 7.)	$ 281,790	$ 898,985	$ 887,109	$ 2,067,884
9.	Interest to Year End	11,272	35,959	35,484	82,715
10.	Annual Required Contribution (8. + 9.)	$ 293,062	$ 934,944	$ 922,593	$ 2,150,599

MEDICAL AND LIFE INSURANCE BENEFITS – ACCOUNTING UNDER GASB 45

NET OPEB OBLIGATION AND ANNUAL BENEFIT COST

Projected Net OPEB Obligation at June 30, 2009

	Administrators	Classified	Licensed	Total
1. Actuarially Determined Contribution (A)	$ 293,062	$ 934,944	$ 922,593	$ 2,150,599
2. Net OPEB Obligation (NOO) at Beginning of Year	0	0	0	0
3. Discount Rate	4.00%	4.00%	4.00%	4.00%
4. Interest on NOO (2. x 3.)	$ 0	$ 0	$ 0	$ 0
5. Amortization Factor	9.58	18.27	9.58	NA
6. Adjustment to (A) (2. ÷ 5.)	$ 0	$ 0	$ 0	$ 0
7. Annual OPEB Cost (1. + 4. - 6.)	**$ 293,062**	**$ 934,944**	**$ 922,593**	**$ 2,150,599**
8. Contributions Made	233,186	772,643	988,230	1,994,059
9. Increase in NOO (7. - 8.)	$ 59,876	$ 162,301	$ (65,637)	$ 156,540
10. Expected NOO at End of Year (2. + 9.)	**$ 59,876**	**$ 162,301**	**$ (65,637)**	**$ 156,540**

Projected Net OPEB Obligation at June 30, 2010

	Administrators	Classified	Licensed	Total
1. Actuarially Determined Contribution (A)	$ 301,854	$ 962,992	$ 950,271	$ 2,215,117
2. Net OPEB Obligation (NOO) at Beginning of Year	59,876	162,301	(65,637)	156,540
3. Discount Rate	4.00%	4.00%	4.00%	4.00%
4. Interest on NOO (2. x 3.)	$ 2,395	$ 6,492	$ (2,625)	$ 6,262
5. Amortization Factor	9.58	18.27	9.58	NA
6. Adjustment to (A) (2. ÷ 5.)	$ 6,251	$ 8,881	$ (6,853)	$ 8,279
7. Annual OPEB Cost (1. + 4. - 6.)	**$ 297,998**	**$ 960,603**	**$ 954,499**	**$ 2,213,100**
8. Contributions Made	227,690	832,375	984,015	2,044,080
9. Increase in NOO (7. - 8.)	$ 70,308	$ 128,228	$ (29,516)	$ 169,020
10. Expected NOO at End of Year (2. + 9.)	**$ 130,184**	**$ 290,529**	**$ (95,153)**	**$ 325,560**

MEDICAL AND LIFE INSURANCE BENEFITS – ACCOUNTING UNDER GASB 455

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended June 30	Actuarially Determined Contribution	Percentage Contributed
2009	$ 2,150,599	93%

MEDICAL AND LIFE INSURANCE BENEFITS – ACCOUNTING UNDER GASB 45

SCHEDULE OF FUNDING PROGRESS

Valuation Date	Assets	Actuarial Accrued Liability	Unfunded Accrued Liability	Funded Ratio	Covered Payroll	UAL ÷ Payroll
7/1/2007	$ 0	$ 17,998,798	$ 17,998,798	0.0%	$ 20,860,770	86.3%

ACTUARIAL METHODS AND ASSUMPTIONS

As of July 1, 2007

I. Assumptions

Interest Rate for Discounting Future Liabilities	4.0% per year.
Investment Return Rate	N/A
Overall Payroll Growth	3.0% per year.
Salary Scale (Payroll Growth plus Merit and Longevity Increases)	4.0% per year

Annual Premium Increase Rate

Year	Rate
2007-08	10.0%
2008-09	9.5%
2009-10	9.0%
2010-11	8.5%
2011-12	8.0%
2012-13	7.5%
2013-14	7.0%
2014-15	6.5%
2015-16	6.0%
2016-17	5.5%
2017-18+	5.0%

Mortality Rates

RP 2000, combined active/healthy retired, no collar, sex-distinct, set back 36 months.

Mortality rates for active male participants are 65% of the above rates, and for active female participants are 50% of the above rates.

ACTUARIAL METHODS AND ASSUMPTIONS (Continued)

Turnover Rates

As developed for the valuation of benefits under Oregon PERS. Examples of turnover rates are as follows:

Age	Rate
30	6.106%
35	4.326%
40	3.480%
45	2.717%
50	2.233%

Disability Rates

As developed for the valuation of benefits under Oregon PERS. Rates are as follows:

Age	Rate
Less than 35	0.054%
35-39	0.104%
40-44	0.160%
45-49	0.210%
50 and older	0.320%

Retirement Rates

Employees with fewer than 30 years of service are assumed to retire with rates as follows:

Age	Tier 1	Tier 2	OPSRP
55	14.0%	7.0%	5.00%
56	7.0%	3.5%	2.50%
57	10.0%	5.0%	3.75%
58	15.0%	7.5%	5.00%
59	10.0%	5.0%	3.75%
60	10.0%	10.0%	3.75%
61	15.0%	15.0%	5.00%
62	15.0%	15.0%	6.00%
63	10.0%	10.0%	6.00%
64	15.0%	15.0%	6.00%

ACTUARIAL METHODS AND ASSUMPTIONS (Continued)

Employees with 30 or more years of service are assumed to retire with rates as follows:

Age	Tier 1 or Tier 2	OPSRP
50	50.0%	0.00%
51	50.0%	0.00%
52	66.7%	0.00%
53	66.7%	0.00%
54	75.0%	0.00%
55	33.3%	5.00%
56	25.0%	2.50%
57	25.0%	3.75%
58	25.0%	40.0%
59	25.0%	25.0%
60	13.0%	13.0%
61	13.0%	13.0%
62	33.3%	33.3%
63	25.0%	25.0%
64	25.0%	25.0%

Participation — 100% of future retirees are assumed to participate.

Marital Status — 80% of future retirees electing coverage are assumed to cover a spouse as well. Males are assumed to be three years older than their female spouses. Actual marital status and ages as of the valuation date are used for current retirees.

Coverage of Eligible Children — We have assumed no impact of dependent children on the implicit subsidy.

Age 65 Claims Costs — 2007-08 annual claims costs for an age 64 retiree or spouse are assumed to be as follows:

Medical/Rx/Vision	Dental
$8,527	$404

ACTUARIAL METHODS AND ASSUMPTIONS (Concluded)

Aging Factors

Aging factors are used to adjust the age 64 per capita claims cost for non-dental benefits. Percentages shown below age 64 reduce the claims cost.

Attained Age	Factor
Under 50	3.0% per year
50-54	3.3% per year
55-59	3.6% per year
60-64	4.2% per year

See Development of Per Capita Claims Costs for more details.

Miscellaneous Assumptions

The census data that we were given was as of January 1, 2008. We have assumed that the demographics of the active and retired populations as of July 1, 2007 were identical to those in the census data we received.

We have assumed that all retirees whose total period of pre-65 retirement exceeds the maximum duration of their District-paid premiums and stipend benefits will elect to receive these benefits at the beginning of their retirement period.

We have assumed that no post-retirement deaths are eligible for AD&D claims.

II. Measurement Date — June 30.

III. Changes Since Prior Valuation — Not applicable.

DEVELOPMENT OF PER CAPITA CLAIMS COST

ASSUMPTIONS FOR THE HEALTH PLANS

A description of the process used to develop the per capita claims cost assumption for the health plans follows. The exhibit on the next page illustrates steps 1 though 6 in more detail.

1) Collected historical paid claims for the last three years to develop the assumption for the PacificSource plans. Applied adjustments for plan design changes.

2) Summarized this information into 12-month periods and determined an average annual amount.

3) Adjusted the average annual paid claims for differences in participation between the census data and the experience period.

4) Multiplied this amount by trend from the midpoint of the paid claims period to the midpoint of the 12-month period beginning July 1, 2007.

5) Adjusted this amount to change from a paid to an incurred basis, resulting in projected incurred claims for the 12-month valuation period.

6) Added administrative costs, at $37.38 per member per month, to this amount to arrive at total projected costs (allocated to medical/pharmacy/vision and dental based on paid claims).

7) Allocated total projected costs among the covered PacificSource population based on each participant's age and using assumed aging factors to arrive at the assumption for per capita claims costs by age (medical/pharmacy/vision) only.

A summary of the assumption for per capita claims cost by age for the PacificSource plan participants follows:

	Per Capita Claims Cost	
Age	**Medical/Rx/Vision**	**Dental**
55	$6,061	$404
56	$6,279	$404
57	$6,505	$404
58	$6,739	$404
59	$6,982	$404
60	$7,233	$404
61	$7,537	$404
62	$7,853	$404
63	$8,183	$404
64	$8,527	$404

DEVELOPMENT OF PER CAPITA CLAIMS COST

TOTAL PROJECTED COSTS FOR THE 12 MONTH PERIOD ENDING JUNE 30, 2008

Development	Medical Pharmacy Vision
Adjusted paid claims	
3/1/2005 – 2/28/2006	$4,980,519
3/1/2006 – 2/28/2007	$6,889,468
3/1/2007 – 2/29/2008	$6,887,970
Total	$18,757,957
Average annual adjusted paid claims	$6,252,652
Participation adjustment	
Census data	703
Experience period (lagged 2 months)	774
Participation adjustment	0.9086
Trend adjustment	
Trend rate	12.0%
Months from midpoint of experience period to midpoint of projection period	16.0
Trend adjustment	1.1631
Incurred adjustment	
Trend rate	12.0%
Lag between incurred and paid claims (months)	2.0
Trend adjustment	1.0191
Projected incurred claims	$6,733,965
Administrative costs at $34.15 per member per month	$734,508
Total projected costs	**$7,468,473**

DEVELOPMENT OF PER CAPITA CLAIMS COST (Continued)

Development	**Dental**
Adjusted paid claims	
7/1/2005 – 6/30/2006	$640,161
7/1/2006 – 6/30/2007	$656,570
7/1/2007 – 2/29/2008	$455,150
Total	$1,751,881
Average annual adjusted paid claims	$656,955
Membership adjustment	
Census data	703
Experience period	769
Participation adjustment	0.9142
Trend adjustment	
Trend rate	7.0%
Months from midpoint of experience period to midpoint of projection period	14.0
Trend adjustment	1.0821
Incurred adjustment	
Trend rate	7.0%
Lag between incurred and paid claims (months)	1.0
Trend adjustment	1.0057
Projected incurred claims	$653,601
Administrative costs at $3.23 per member per month	$69,472
Total projected costs	$723,073
Estimated members	1,792
Per capita claims cost	$403.50

DESCRIPTION OF ACTUARIAL COST METHOD

Projected Unit Credit

The Projected Unit Credit Actuarial Cost Method has been used to determine contribution levels for the ERP. Contribution levels are comprised of two components:

Normal Cost
Amortization Payments

Under this method, the expected accrued benefit of each participant at benefit commencement (reflecting future expected increases in salaries and medical premiums) is allocated in equal proportion over the participant's years of service from hire to expected retirement. The normal cost is the present value of benefits expected to accrue in the current year.

The present value of benefits accrued in as of the valuation date is called the accrued liability. The difference between the accrued liability and the actuarial value of plan assets is called the unfunded accrued liability. The unfunded accrued liability is being amortized over an initial period of 30 years as a level percent of payroll for stipend benefits, and over either 10 or 20 years (depending on employee classification) as a level percent of payroll for medical and life insurance benefits.