



STATE CENTER COMMUNITY COLLEGE DISTRICT

ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2018

FOR RETIREMENT BENEFIT OBLIGATIONS

July 1, 2017 – June 30, 2018 Fiscal Year

Contents

	Page
ACCOUNTING & ACTUARIAL INFORMATION	1
DEMOGRAPHIC INFORMATION.....	3
ASSUMPTIONS & METHODS	4
BENEFIT PROVISIONS	5
ACTUARIAL CERTIFICATION	6
APPENDIX	7

A. BENEFIT OVERVIEW

State Center Community College District (“*District*”) provides retirement benefits to eligible employees¹ who meet certain criteria. Upon retirement, eligible employees can elect to receive fixed quarterly cash payments in lieu of medical benefits. As of the valuation date, it is our understanding that all retirees who have opted for the cash payments are currently receiving their accrued benefits in the form of single life annuities paid on a quarterly basis.

B. PRESENT VALUE OF BENEFITS

The table below identifies the Present Value of Accumulated Benefits as of June 30, 2018, related to the quarterly cash payments. The following results were calculated based upon benefit provisions and the most recently available census data was provided by the District. This data was valued as of July 1, 2017 and June 30, 2018. We have provided information based on two discount rates, 3.63% and 4.25%, depending on the District’s decision on funding the benefits.

June 30, 2018		
Present Value of Accumulated Benefits (PVAB)		
Actives	\$0	\$0
<u>Retirees</u>	<u>3,390,088</u>	<u>3,236,655</u>
Total	\$3,390,088	\$3,236,655
Expected 2018 Benefit Payments	\$325,957	\$325,957
Discount Rate²	3.63%	4.25%
Reconciliation of PVAB		
June 30, 2018		
PVAB as of July 1, 2017	\$3,711,385	\$3,433,756
Service Cost	0	0
Interest Cost	115,204	138,870
Actuarial (Gain)/Loss	(100,530)	0
<u>(Expected Benefit Payments)</u>	<u>(335,971)</u>	<u>(335,971)</u>
PVAB as of June 30, 2018	\$3,390,088	\$3,236,655

¹ See Benefit Provisions section for more detail.

² See Assumption & Methods section for the development of these rates.

C. FUNDING SCHEDULE

The table below provides the funding schedule under the “Pay-as-you-go” method. Under this funding method, the District will not pre-fund benefits through a trust and will pay benefits as they become due using general cash. Please see the Appendix for alternative funding schedules should the District decide to prefund benefits through a trust.

Fiscal Year Beginning	Expected Benefit Payments
July 01, 2018	325,957
July 01, 2019	315,463
July 01, 2020	304,503
July 01, 2021	293,115
July 01, 2022	281,335
July 01, 2023	269,193
July 01, 2024	256,697
July 01, 2025	243,877
July 01, 2026	230,797
July 01, 2027	217,522
July 01, 2028	204,106
July 01, 2029	190,587
July 01, 2030	177,044
July 01, 2031	163,574
July 01, 2032	150,257
July 01, 2033	137,154
July 01, 2034	124,309
July 01, 2035	111,810
July 01, 2036	99,750
July 01, 2037	88,206
July 01, 2038	77,233
July 01, 2039	66,874
July 01, 2040	57,208
July 01, 2041	48,313
July 01, 2042	40,239
July 01, 2043	33,005
July 01, 2044	26,612
July 01, 2045	21,068
July 01, 2046	16,361
July 01, 2047	12,447
July 01, 2048	9,256
July 01, 2049	6,710
July 01, 2050	4,734
July 01, 2051	3,245
July 01, 2052	2,153
July 01, 2053	1,375

Please note, the remaining expected benefit payments after July 1, 2053 are less than \$1,000 per year.

DEMOGRAPHIC INFORMATION

The most recently available data was provided by the District and there were no significant assumptions made in the development of the census data. The following table summarizes the demographic information related to the participants included in the valuation.

	Participants
Actives	0
<u>Retirees</u>	<u>164</u>
Total	164
Average Age	75.28
Total Annual Benefits	\$340,859

The following represent the assumptions and methods selected to calculate the retirement benefit liabilities. Grant Thornton has recommended such assumptions and the District has reviewed and approved them for use in the June 30, 2018 valuation.

A. DISCOUNT RATE

The 3.63% rate (3.25% as of July 1, 2017) used to discount liabilities was determined by a cash flow matching analysis using specific expected benefit payments and spot rates from the Citi Pension Discount Curve as of February 28, 2018. This rate would be appropriate if the benefits are not pre-funded.

Rationale: This rate reflects high quality debt instruments and reflects the current interest rate environment.

The 4.25% rate used to discount liabilities was based on the expected return on assets assumption for the District’s OPEB trust. This rate may be appropriate if the benefits are pre-funded and the assets have the same allocation as the OPEB trust.

Rationale: This rate reflects the asset allocation of the trust used to pay benefits.

B. MORTALITY RATES³

Select mortality rates are listed below.

Age	Retirees	
	Male	Female
25	0.00029	0.00011
30	0.00038	0.00015
35	0.00049	0.00027
40	0.00064	0.00037
45	0.00080	0.00054
50	0.00372	0.00346
55	0.00437	0.00410
60	0.00671	0.00476
65	0.00928	0.00637
70	0.01339	0.00926
75	0.02316	0.01635
80	0.03977	0.03007
85	0.07122	0.05418
90	0.13044	0.10089
95	0.21658	0.17698
100	0.32222	0.28151
105	0.46691	0.43491
>=110	1.00000	1.00000

Rationale: This mortality table is based on the most recently published CalPERS experience study for pension mortality rates and is appropriate more the covered population.

C. COST METHOD

The Projected Unit Credit cost method was selected to value liabilities.

³ Per the CalPERS experience study published November 2017

The following summary of provisions represents our understanding of the payments offered by the District to certain retirees.

ELIGIBILITY

- Eligible prior employees who upon retirement elected to receive fixed quarterly cash payments in lieu of medical benefits.
- Eligible participants were hired prior to July 1, 2013 and have at least 15 consecutive years of District service upon retirement.

SURVIVOR BENEFITS

None

FORM OF PAYMENT

Single life annuity, paid on a quarterly basis.

BENEFITS

Upon retirement, eligible employees receive a single life annuity. As of the valuation date, all participants included in the valuation have commenced payment and the fixed benefit amounts were provided in the census data.

State Center Community College District ("**District**") retained Grant Thornton to perform a valuation of the quarterly cash payments provided to current retirees for the purpose of determining its annual liability.

The consulting actuary is a member of the Society of Actuaries and other professional actuarial organizations, and meets the "Qualification Standard for Prescribed Statements of Actuarial Opinion" relating to pension plans.

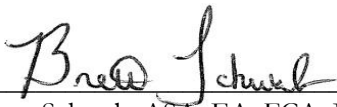
In preparing the results presented in this report, we have relied upon information provided to us regarding benefit provisions and eligible participants. We have reviewed this information for overall reasonableness and consistency, but have neither audited nor independently verified this information. The accuracy of the results presented in this report is dependent upon the accuracy and completeness of the underlying information.

Where reasonable, the actuarial assumptions and methods employed in the development of the liabilities related to the retirement benefit obligations have been approved by the District. We did not independently study historical information to develop assumptions. See the section Assumptions & Methods for more information on the actuarial assumptions and methods used in this valuation.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices. In our opinion, the actuarial assumptions and methods represent reasonable expectations of anticipated experience. To fulfill the applicable accounting requirements, each actuarial assumption should be management's "best estimate solely with respect to that individual assumption." These are actuarial calculations and another actuary may select a different set of reasonable assumptions and arrive at a different result.

The information contained in this report was prepared for the internal use of the District and its auditors in connection with the actuarial valuation of the retirement benefit. It is neither intended nor necessarily suitable for other purposes. The District may also distribute this actuarial valuation report to parties, which have a legal right to require the District to provide them with this report, in which case they will provide this report in its entirety including all assumptions, caveats and limitations.

We are available to answer questions on the material contained in the report or to provide explanations or further detail, as may be appropriate.



Brett Schwab, ASA, EA, FCA, MAAA
Director & Lead Actuary, Human Capital Services
Grant Thornton, LLP
April 12, 2018

APPENDIX

The tables below provide funding schedules where the District will contribute to a trust and pay for benefits out of the trust to the extent possible. It is assumed the trust will earn 4.25% annually and all contributions are assumed to occur at the beginning of the fiscal year.

	10-Year Funding			
Fiscal Year Beginning	Trust Contribution	Non-Trust Contribution	Total Payment	End of Year Asset Value
July 01, 2018	387,561	0	387,561	71,221
July 01, 2019	387,561	0	387,561	156,183
July 01, 2020	387,561	0	387,561	255,947
July 01, 2021	387,561	0	387,561	371,578
July 01, 2022	387,561	0	387,561	504,151
July 01, 2023	387,561	0	387,561	654,756
July 01, 2024	387,561	0	387,561	824,520
July 01, 2025	387,561	0	387,561	1,014,589
July 01, 2026	387,561	0	387,561	1,226,091
July 01, 2027	387,561	0	387,561	1,460,136
July 01, 2028	0	0	0	1,313,794
July 01, 2029	0	0	0	1,175,035
July 01, 2030	0	0	0	1,044,207
July 01, 2031	0	0	0	921,572
July 01, 2032	0	0	0	807,322
July 01, 2033	0	0	0	701,595
July 01, 2034	0	0	0	604,490
July 01, 2035	0	0	0	516,020
July 01, 2036	0	0	0	436,103
July 01, 2037	0	0	0	364,577
July 01, 2038	0	0	0	301,214
July 01, 2039	0	0	0	245,735
July 01, 2040	0	0	0	197,768
July 01, 2041	0	0	0	156,844
July 01, 2042	0	0	0	122,425
July 01, 2043	0	0	0	93,929
July 01, 2044	0	0	0	70,749
July 01, 2045	0	0	0	52,245
July 01, 2046	0	0	0	37,760
July 01, 2047	0	0	0	26,656
July 01, 2048	0	0	0	18,338
July 01, 2049	0	0	0	12,266
July 01, 2050	0	0	0	7,954
July 01, 2051	0	0	0	4,979
July 01, 2052	0	0	0	2,992
July 01, 2053	0	0	0	1,715

	20-Year Funding			
Fiscal Year Beginning	Trust Contribution	Non-Trust Contribution	Total Payment	End of Year Asset Value
July 01, 2018	168,428	153,987	322,415	0
July 01, 2019	168,428	143,493	311,921	0
July 01, 2020	168,428	132,533	300,961	0
July 01, 2021	168,428	121,145	289,573	0
July 01, 2022	168,428	109,365	277,793	0
July 01, 2023	168,428	97,223	265,651	0
July 01, 2024	168,428	84,727	253,155	0
July 01, 2025	168,428	71,907	240,335	0
July 01, 2026	168,428	58,827	227,255	0
July 01, 2027	168,428	45,552	213,980	0
July 01, 2028	168,428	32,136	200,564	0
July 01, 2029	168,428	18,617	187,045	0
July 01, 2030	168,428	5,074	173,502	0
July 01, 2031	168,428	0	168,428	8,572
July 01, 2032	168,428	0	168,428	31,106
July 01, 2033	168,428	0	168,428	67,976
July 01, 2034	168,428	0	168,428	119,528
July 01, 2035	168,428	0	168,428	186,033
July 01, 2036	168,428	0	168,428	267,678
July 01, 2037	168,428	0	168,428	364,580
July 01, 2038	0	0	0	301,218
July 01, 2039	0	0	0	245,739
July 01, 2040	0	0	0	197,772
July 01, 2041	0	0	0	156,848
July 01, 2042	0	0	0	122,429
July 01, 2043	0	0	0	93,933
July 01, 2044	0	0	0	70,754
July 01, 2045	0	0	0	52,250
July 01, 2046	0	0	0	37,766
July 01, 2047	0	0	0	26,662
July 01, 2048	0	0	0	18,344
July 01, 2049	0	0	0	12,273
July 01, 2050	0	0	0	7,961
July 01, 2051	0	0	0	4,986
July 01, 2052	0	0	0	3,000
July 01, 2053	0	0	0	1,724

Please note, under both funding policies, remaining expected benefit payments after July 01, 2053 are under \$1,000 per year and trust assets will be sufficient to pay those benefits.



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