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April 23, 2009

Mr. Edwin Eng
Director of Finance
State Center Community College District
1525 East Weldon Avenue
Fresno, California 93707

State Center Community College District –
GASB 45 Actuarial Valuation of Post Employment Benefits as of July 1, 2008

Dear Mr. Eng:

I am pleased to enclose the above-titled Milliman report.

If you have any questions, please give me a call at (415) 394-3740.

Sincerely,

John R. Botsford, FSA, MAAA

JRB:tah
enc.
cc: Doug Brinkley
Alaina Morgan
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State Center Community College District

GASB 45 Actuarial Valuation of
Post Employment Benefits Other than Pensions
As of July 1, 2008

Prepared by:

John R. Botsford, FSA, MAAA

April 23, 2009

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State Center Community College District
1525 East Weldon Avenue
Fresno, California 93707

State Center Community College District –
GASB 45 Actuarial Valuation of Post Employment Benefits as of July 1, 2008

At the request of the State Center Community College District, we have completed an actuarial valuation of post employment benefits as of July 1, 2008.

The purpose of this report is to determine the Annual Required Contribution and required financial disclosures under the Governmental Accounting Standards Board Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45). Our determinations reflect the procedures and methods prescribed in GASB 45.

In preparing our report, we relied on financial information and employee data furnished to us by the State Center Community College District. The actuarial cost method and assumptions used as well as the supporting data and principal plan provisions upon which the analysis is based are set forth in the following report. While Milliman has not audited the financial and census data, they have been reviewed for reasonableness and are, in our opinion, sufficient and reliable for the purposes of our calculations. If any of this information as summarized in this report is inaccurate or incomplete, the results shown could be materially affected and this report may need to be revised. The actuarial cost method and assumptions used as well as the supporting data and principal plan provisions upon which the valuation is based are set forth in the following report.

Actuarial computations under GASB 45 are for purposes of fulfilling employer accounting requirements. The calculations reported herein have been made on a basis consistent with our understanding of GASB 45. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results reported herein. Accordingly, additional determinations are needed for other purposes, such as judging benefit security at termination or adequacy of funding for an on-going plan. This report has been prepared for use by the management of State Center Community College District. Accordingly, this report may not be distributed to any third party outside the State Center Community College District without Milliman's written consent. If distribution of the report is made outside of State Center Community College District, the report must be provided in its entirety. This report is a complex, technical analysis that assumes a high level of knowledge concerning State Center

Community College District's operations, and uses State Center Community College District's data, which Milliman has not audited. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs. Reliance on information contained in this report by anyone for anything other than the intended purpose puts the relying entity at risk of being misled.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, the report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable Actuarial Standards of Practice of the American Academy of Actuaries. The undersigned is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,

John R. Botsford

John R. Botsford, FSA, MAAA
Principal and Consulting Actuary

JRB:tah
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Introduction

Milliman, Inc. ("Milliman") has been retained by State Center Community College District ("District") to provide a GASB 45 actuarial valuation of its post employment benefit (OPEB) plans. In our valuation we:

- Project expected benefit payments
- Calculate the present value of total benefits
- Calculate the actuarial liability (present value of benefits attributable to past service)
- Calculate the Annual Required Contribution (ARC) and annual OPEB expense under GASB Statement No. 45.
- Prepare the financial statement disclosures relating to the funded status of the plan

Background

Retirees are eligible for retiree health benefits if they meet certain requirements relating to age and service. The retiree health benefits are described in the labor agreements between the District and California School Employees Association Chapter No. 379 and State Center Federation of Teachers Local 1533, CFT/AFT, AFL-CIO.

Certificated. Certificated retirees are eligible at age 55 with at least 10 years of service. Benefits are payable until age 65 for retirees with 10 to 14 years of service and for the retiree lifetime for retirees with 15 or more years of service. The District's cost for Certificated retirees less than age 65 is limited to $2,400 per year. For Certificated retirees over age 65, the District's cost is limited to $1,500 per year, increased 2% per year from 1987. The cap for fiscal year 2008 is $2,319. Exceptions are as follows: the District pays the full cost for retirees belonging to the bargaining unit group 'AFT 1983-84 ERI.' A flat amount of $800 per year is paid to retirees in the groups 'AFT 1981-83,' and AFT 1978-80.' The District permits retirees to elect to receive a cash payment in lieu of medical benefits. The amount of the cash payment is set by the District and varies by year of retirement.

Classified. Classified retirees are eligible at age 50 with at least 10 years of service. Benefits are payable until age 65 for retirees with 10 to 14 years of service, until age 70 for retirees with 15 to 19 years of service, and for the retiree lifetime for retirees with 20 or more years of service. The District's cost for Classified retirees less than age 65 is limited to $2,400 per year. For Classified retirees over age 65, the District's cost is limited to $1,600 per year, increased 2% per year from 2000. The cap for fiscal year 2008 is $1,855. Exceptions are as follows: a flat amount of $800 per year is paid to retirees in the groups 'CSEA 1979-84,' and 'CSEA 1984-87'. The District permits retirees to elect to receive a cash payment in lieu of medical benefits. The amount of the cash payment is set by the District and varies by year of retirement.

Appendix A provides a more detailed summary of benefits.

Assumptions

With any valuation of future benefits, assumptions of anticipated future events are required. If actual events differ from the assumptions made, the actual cost of the plan will vary as well. The following assumptions should be reviewed for appropriateness.

Discount Rate. GASB 45 requires that the interest rate used to discount future benefit payments back to the present be based on the expected rate of return on any investments set aside to pay for these benefits. We have used a discount rate of 5.0% based on the long term expected annual of return on funds held in the District's OPEB trust.

Health Cost Trend. We have assumed annual health costs of the self-funded medical plans will increase according to the health cost inflation trend derived by using the "Getzen" model developed by the Society of Actuaries. Please see Appendix B for an explanation of this trend model. The District's portion of health costs will increase 2% per year in accordance with the District bargaining agreements.

Retirement and Withdrawal Rates. We our using the same rates used by the California State Teachers Retirement System (STRS) and California Public Employees Retirement System (PERS) in their actuarial valuations of retirement benefits.

A complete summary of the actuarial assumptions is presented in Appendix B.

Results of Study

The valuation results are summarized in the following exhibit and use the following terms:

The **Present Value of Benefits (PVB)** is the present value of projected benefits discounted at the valuation interest rate (5.0%).

The **Actuarial Accrued Liability (AAL)** is the present value of benefits that are attributed to past service only. The portion attributed to future employee service is excluded. For retirees, this is equal to the present value of benefits. For active employees, this is equal to the present value of benefits prorated by service to date over service at the expected retirement age.

The **Normal Cost (NC)** is that portion of the District provided benefit attributable to employee service in the current year. Employees who are not eligible for benefits are assumed to have an equal portion of the present value of benefits attributed to each year of service from date of hire to expected retirement age.

The **Annual Required Contribution (ARC)** is the amount the District would be required to report as an expense for the 2008-2009 fiscal year under GASB 45. The ARC is equal to the Normal Cost plus an amount to amortize the unfunded AAL over 29 years.

The following table is a summary of valuation results.

	July 1, 2008	*July 1, 2007*
Active employees	1,114	1,083
Retirees	399	385
Total	1,513	1,468
Present Value of Benefits (PVB)	$ 44,978,016	$ 46,419,572
Actuarial Accrued Liability (AAL)	$ 31,882,317	$ 31,908,838
Assets	5,579,224	0
Unfunded Actuarial Accrued Liability	$ 26,303,093	$ 31,908,838
Budgeted Payroll	$ 81,702,454	n/a
Normal Cost as of End of Fiscal Year (NC)	$ 1,339,760	$ 1,472,439
NC as % of Budgeted Payroll	1.64%	n/a
Annual Required Contribution (ARC)	$ 3,076,964	$ 2,928,179
ARC as % of Budgeted Payroll	3.77%	n/a
Expected Annual Benefit Payments*	$ 1,340,367	$ 1,157,962

* *Expected annual benefit payments include the District's "subsidized" value of retiree health premiums.*

Variability of Results

The results contained in this report represent our best estimates. However, variation from these or any other estimates of future retiree medical costs is not only possible but probable. Actual future costs may vary significantly from estimates in this report.

Retiree medical costs are especially difficult to estimate due to the uncertainty of future medical costs. These uncertainties result not only from general medical care inflation but also due to the integration with Medicare for retirees over age 65.

Exhibit 1. Projected Benefit Payments

The table below illustrates the projected pay-as-you-go District costs of providing retiree health benefits. The projections only consider the closed group of existing employees and retirees, and excludes the value of the subsidized pre-Medicare premiums explained in Exhibit 3.

Year	*FY Ending June 30*	*Current Retirees*	*Future Retirees*	*Total*
1	2009	$960,636	$50,638	$1,011,274
2	2010	933,557	118,899	1,052,456
3	2011	917,536	187,722	1,105,258
4	2012	902,894	261,341	1,164,235
5	2013	865,584	337,579	1,203,163
6	2014	797,888	410,403	1,208,291
7	2015	784,409	482,838	1,267,247
8	2016	752,966	556,877	1,309,843
9	2017	733,994	641,255	1,375,249
10	2018	715,879	721,711	1,437,590

Exhibit 2. Liabilities and Normal Cost

The **Present Value of Benefits** is the actuarial present value of benefits expected to be paid for all retirees and covered employees.

The **Actuarial Accrued Liability (AAL)** is the actuarial present value of benefits attributed to employee service rendered prior to the valuation date. The AAL equals the present value of benefits multiplied by a fraction equal to service to date over service at expected retirement.

The **Normal Cost** is the actuarial present value of benefits attributed to one year of service. This equals the present value of benefits divided by service at expected retirement. Since retirees are not accruing any more service, their normal cost is zero.

	July 1, 2008	***July 1, 2007***
Present Value of Benefits		
Active employees	$ 32,768,341	$ 34,946,003
Retirees	12,209,675	11,473,569
Total	$ 44,978,016	$ 46,419,572
Actuarial Accrued Liability		
Active employees	$ 19,672,642	$ 20,435,269
Retirees	12,209,675	11,473,569
Total	$ 31,882,317	$ 31,908,838
Normal Cost	$ 1,275,962	$ 1,402,323

Exhibit 3. Value of Subsidized Early Retiree Health Premium

The District charges early retirees not yet eligible for Medicare a health premium based on the claims experience of both actives and retirees. Since health claims costs generally increase with age, retiree health premiums would be significantly higher if they were determined without regard to active claims experience. GASB 45 requires that the portion of age-adjusted expected retiree health claims costs that exceed the premium charged to retirees be recognized as a liability for accounting purposes. The following table shows the District's GASB 45 liability broken down by the District's actual capped payments and the "subsidized" value of retiree health premiums.

	District Payment	*Premium Subsidy*	*Total*
Present Value of Benefits			
Active employees	$ 19,031,945	$ 13,736,396	$ 32,768,341
Retirees	10,644,197	1,565,478	12,209,675
Total	$ 29,676,142	$ 15,301,874	$ 44,978,016
Actuarial Accrued Liability			
Active employees	$ 10,913,118	$ 8,759,524	$ 19,672,642
Retirees	10,644,197	1,565,478	12,209,675
Total	$ 21,557,315	$ 10,325,002	$ 31,882,317
Normal Cost	$ 711,438	$ 564,524	$ 1,275,962
Annual benefit payments	$ 1,011,274	$ 329,093	$ 1,340,367

Exhibit 4. Unfunded Actuarial Accrued Liability

The Unfunded Actuarial Accrued Liability (UAAL) is the actuarial liability offset by any assets set aside to provide retiree health benefits. This is equal to the value of the retiree health benefits accrued to date that has not been funded.

	July 1, 2008
Unfunded Actuarial Liability (UAAL)	
Actuarial Accrued Liability	$ 31,882,317
Reserve Fund	5,579,224
Unfunded Actuarial Accrued Liability	$ 26,303,093
Funded percentage	17.5%
Amortization of UAAL for ARC	
UAAL	$ 26,303,093
Amortization Period Remaining as of June 30, 2008	29 years
Level Dollar Amortization Factor (Closed Period)	15.8981
Amortization Amount – July 1, 2008	$ 1,654,480
Interest to end of year	$ 82,724
Amortization Amount – June 30, 2009	$ 1,737,204

Exhibit 5. Required Financial Statement Disclosures

The following table shows the calculation of the Annual Required Contribution and Net OPEB Obligations / (Assets).

	For the Fiscal Year Ending June 30, 2009	For the Fiscal Year Ending June 30, 2008
Determination of Annual Required Contribution		
Normal Cost at year end	$ 1,339,760	$ 1,472,439
Amortization of UAAL	1,737,204	1,455,740
Annual Required Contribution (ARC)	$ 3,076,964	$ 2,928,179
Determination of Net OPEB Obligations / (Assets)		
Annual Required Contribution	$ 3,076,964	$ 2,928,179
Interest on prior year Net OPEB Obligations / (Assets)	(181,474)	0
Adjustment to ARC	228,296	0
Annual OPEB Cost	3,123,786	2,928,179
Contributions made *	2,803,677	6,557,654
Increase in Net OPEB Obligations / (Assets)	$ 320,109	$ (3,629,475)
Net OPEB Obligations / (Assets) – beginning of year	$ (3,629,475)	$ 0
Net OPEB Obligations / (Assets) – end of year	$ (3,309,366)	$ (3,629,475)

* *The contribution of $6,557,654 was reported on the District's Financial Statement for the fiscal year ending June 30, 2008. SCCCD has budgeted a $2,803,677 contribution for the 2008-2009 fiscal year.*

The following table shows the annual OPEB cost and net OPEB obligations / (assets) for the prior 3 years.

Fiscal Year Ended	*Annual OPEB Cost*	*Percentage of OPEB Cost Contributed*	*Net OPEB Obligations / (Assets)*
06/30/2007	n/a	n/a	n/a
06/30/2008	$ 2,928,179	224.0%	$ (3,629,475)
06/30/2009	$ 3,123,786	89.8%	$ (3,309,366)

Funded Status and Funding Progress. As of July 1, 2008, the most recent actuarial valuation date, the plan was 17.5% funded. The actuarial accrued liability for benefits was $31.9 million, and the actuarial value of assets was $5.6 million, resulting in an unfunded accrued liability of $26.3 million.

Exhibit 6. Required Supplementary Information

The following table shows a schedule of Funding Progress required under GASB 45.

Actuarial Valuation Date	*Actuarial Value of Assets*	*AAL Unit Credit*	*UAAL*	*Funded Ratio*	*Covered Payroll*	*UAAL as a % of Cov. Payroll*
07/01/2007	$ 0	$ 31,908,838	$ 31,908,838	0.0%	n/a	n/a
07/01/2008	5,579,224	31,882,317	26,303,093	17.5%	$81,702,454	32.19%

Exhibit 7. Breakdown of Results by Classification

The following table shows the breakdown of the results for the District by employee classification.

	Certificated	*Classified*	*MSC*	*Total*
Counts				
Actives Employees	502	516	96	1,114
Retirees	261	113	25	399
Total	763	629	121	1,513
Present Value of Benefits (PVB)				
Actives Employees	$ 18,709,944	$ 11,605,380	$ 2,453,017	$ 32,768,341
Retirees	9,122,844	1,996,171	1,090,660	12,209,675
Total	$ 27,832,788	$ 13,601,551	$ 3,543,677	$ 44,978,016
Actuarial Accrued Liability (AAL)				
Actives Employees	$ 11,088,740	$ 6,782,056	$ 1,801,846	$ 19,672,642
Retirees	9,122,844	1,996,171	1,090,660	12,209,675
Total	$ 20,211,584	$ 8,778,227	$ 2,892,506	$ 31,882,317
Normal Cost	$ 703,828	$ 497,084	$ 75,050	$ 1,275,962

Exhibit 8. Breakdown of Annual Cost by Instructional and Non-Instructional Employees

The following table shows the breakdown of the annual cost for the District by current Instructional and Non-Instructional Employee.

	Instructional	*Non Instructional*	*Total*
Active Employee Count	455	659	1,114
Retiree Count			399
Total			1,513
Normal Cost End of Year	$ 669,358	$ 670,402	$ 1,339,760
Active Actuarial Liability (AL)	$ 9,960,994	$ 9,711,648	$ 19,672,642
Level Dollar Amortization Factor	15.8981	15.8981	15.8981
Amortization Amount – July 1, 2008	$ 626,552	$ 610,869	$ 1,237,421
Interest to end of year	31,328	30,543	$ 61,871
Amortization of Active Liability for ARC	$ 657,880	$ 641,412	$ 1,299,292
(1) ARC attributed to Active Liability Only	$ 1,327,238	$ 1,311,814	$ 2,639,052
Retiree Actuarial Liability			$12,209,675
Assets as of July 1, 2008			5,579,224
Unfunded Retiree Actuarial Liability (AL)			$ 6,630,451
Level Dollar Amortization Factor			15.8981
Amortization Amount – July 1, 2008			$ 417,059
Interest to end of year			20,853
(2) Amortization of Retiree Liability for ARC			$ 437,912
Total ARC = (1) + (2)			$ 3,076,964

Appendix A. Summary of Benefits

The following description of retiree health benefits is intended to be only a brief summary. For details, reference should be made to Summary Plan Descriptions, Plan Documents, and employee booklets.

Eligibility

Employees are eligible for retiree health benefits if they satisfy the following requirements:

Classified	Retirees who are at least age 50, with at least 10 years service with the District, and currently employed by the District at the time of retirement.
Certificated	Retirees who are at least age 55, with at least 10 years service with the District, and currently employed by the District at the time of retirement.

Health Benefits and Coverage Period

Classified

Prior to Age 65:	For retirees who continue coverage under the District's health insurance program. The District will contribute 80% of the District's normal contribution for active members up to a maximum of $2,400 per year until age 65.
After Age 65:	The District will contribute up to a maximum of $1,600 per year (increased annually by 2% from 2000) toward health insurance premiums until age 70 for retirees with at least 15 years of service and for life for retirees with at least 20 years of service. The cap for fiscal year 2008-2009 is $1,855. For retirees belonging to the bargaining unit groups 'CSEA 1979-84' and 'CSEA 1984-87', the District pays a flat amount of $800 per year with no annual increases. Retirees can receive fixed quarterly cash payments in lieu of medical benefits. The amount of the cash payment is set by the District and varies by year of retirement.

Certificated – Option 1

Prior to Age 65:	For retirees who continue coverage under the District's health insurance program. The District will contribute up to a maximum of $2,400 per year until age 65.

Appendix A. Summary of Benefits (continued)

After Age 65:	The District will contribute up to a maximum of $1,500 per year (increased annually by 2% from 1987) toward health insurance premiums for life for retirees with at least 15 years of service. The cap for fiscal year 2008-2009 is $2,319. Furthermore, the District pays the full insurance cost for retirees belonging to the bargaining unit group ‘AFT 1983-84 ERI’ and a flat amount of $800 per year for retirees in the groups ‘AFT 1981-83’ and ‘AFT 1978-80’. Retirees can receive fixed quarterly cash payments in lieu of medical benefits. The amount of the cash payment is set by the District and varies by year of retirement.

Certificated – Option 2

Prior to Age 65:	For retirees who continue coverage under the District’s health insurance program, the District will contribute a maximum of 70% of the District’s normal contribution for active members until age 65. Certificated retirees who select Option 2 will not receive any District contribution after age 65.

Dental and Vision

The District will contribute to the Dental and Vision plans for a Classified retiree to the extent that the combined District contributions to Health, Dental, and Vision plans are less than the annual maximums stated above. The District does not contribute to Dental and Vision plans for certificated retirees.

Spouse/Survivor Benefits

Classified	The spouse of the classified retiree is eligible for benefits. Upon the death of the retiree, benefits cease for the surviving spouse.
Certificated	The spouse of the certificated retiree is eligible for benefits. Upon the death of the retiree, benefits will be paid for the unremarried surviving spouse from the spouse’s age 60 until age 65 or for life if the retiree had at least 15 years of service.

Appendix A. Summary of Benefits (continued)

Retiree Insurance Premium Rates

The following table shows monthly retiree insurance premiums for coverage under the District's Plan for the period from October 1, 2008 to September 30, 2009.. The District pays an amount up to the caps specified above. The retiree must pay any amount in excess of the District's cap.

	Pre-65	*Post-65*	
Health Plan	***Composite Rate***	***Single Rate***	***2-Party Rate***
Edcare Modern Care	$ 921.00	$ 386.00	$ 663.00
Health Net	$ 1,019.46	$ 331.14	$ 662.28
Kaiser	$ 1,028.00	$ 625.13	$ 1,250.26

Appendix B. Actuarial Cost Method and Assumptions

The actuarial cost method used for determining the benefit obligations is the Projected Unit Benefit Cost Method. Under this method, the actuarial present value of projected benefits is the value of benefits expected to be paid for current actives and retirees and is calculated based on the assumptions and census data described this report. The Actuarial Accrued Liability (AAL) is the actuarial present value of benefits attributed to employee service rendered prior to the valuation date. The AAL equals the present value of benefits multiplied by a fraction equal to service to date over service at expected retirement. The Normal Cost is the actuarial present value of benefits attributed to one year of service. This equals the present value of benefits divided by service at expected retirement. Since retirees are not accruing any more service, their normal cost is zero. In determining the Annual Required Contribution, the Unfunded AAL is amortized as a level dollar over a closed period. The remaining amortization period at July 1, 2008, was 29 years. The actuarial assumptions are summarized below.

Economic Assumptions

Discount Rate (liabilities): 5.0% effective annual rate

Demographic Assumptions

Demographic assumptions regarding retirement and turnover are based on statistics taken from reports for California PERS and STRS. Below is a summary of the assumed rates for retirement and turnover.

Mortality
Rates used by California PERS and California STRS in their actuarial valuation of retirement benefits.

Termination

	Certificated	
Years of Service	***Male***	***Female***
0	15.3%	15.3%
1	12.5%	10.0%
2	7.7%	7.2%
3	5.4%	6.3%
4	4.4%	5.8%
5	3.0%	5.8%
10	2.0%	2.0%
15	1.1%	0.9%
20	0.6%	0.7%
25+	0.5%	0.6%

Appendix B. Actuarial Cost Method and Assumptions (continued)

Sample rates of terminating within one year for a classified employee *with five years of service* are shown below for selected ages:

Age	*Classified*
25	7.65%
35	6.27%
45	4.88%
55	1.29%

We have assumed that there will be no retiree medical benefits for those who terminate employment prior to age 55 or prior to completion of ten years of service.

Retirement

For classified employees, retirement assumptions varied by both age and service. Sample rates of retirement within the next year for a classified employee with 15 years of service are shown below:

	Certificated				**Classified**
	10-30 Years of Service		*30+ Years of Service*		*15 Years of Service*
Age	*Male*	*Female*	*Male*	*Female*	*Males/Females*
50	–	–	1.5%	1.5%	1.46%
51	–	–	1.5%	1.5%	1.00%
52	–	–	1.5%	1.5%	1.57%
53	–	–	2.0%	1.5%	1.77%
54	–	–	2.0%	2.0%	1.87%
55	3.0%	5.0%	6.0%	8.0%	3.39%
56	2.0%	3.5%	6.0%	8.0%	3.08%
57	2.0%	3.5%	8.0%	10.0%	3.54%
58	3.0%	4.5%	12.0%	15.0%	4.47%
59	5.0%	6.0%	16.0%	18.0%	5.72%
60	7.0%	10.0%	25.0%	30.0%	10.51%
61	7.0%	10.0%	40.0%	35.0%	10.73%
62	9.0%	12.0%	35.0%	32.0%	21.47%
63	13.0%	18.0%	27.0%	30.0%	21.56%
64	12.0%	15.0%	27.0%	27.0%	16.59%
65	14.0%	16.0%	27.0%	27.0%	29.55%
66	10.0%	15.0%	27.0%	27.0%	16.16%
67	10.0%	15.0%	27.0%	27.0%	21.71%
68	10.0%	15.0%	27.0%	27.0%	13.30%
69	10.0%	15.0%	27.0%	27.0%	16.95%
70	100.0%	100.0%	100.0%	100.0%	20.58%
75	100.0%	100.0%	100.0%	100.0%	100.00%

Valuation of Retiree Premium Subsidy Due to Active Health Costs

Appendix B. Actuarial Cost Method and Assumptions (continued)

The District's insurance providers charge the same premiums for retirees who are not yet eligible for Medicare as for active employees. Therefore, the retiree premium rates are being subsidized by the inclusion of active lives in setting rates. (Premiums calculated only based on retiree health claims experience would have resulted in higher retiree premiums.) GASB 45 requires that the value of this subsidy be recognized as a liability in valuations of OPEB costs. To account for the fact that per member health costs vary depending on age (higher health costs at older ages), we calculated equivalent PMPM costs that vary by age based on the age distribution of covered members and based on relative cost factors by age. The relative cost factors were developed from the Milliman Health Cost Guidelines database. Based on the weighted average composite premium rates and relative age cost factors assumptions, we developed age adjusted monthly PMPM health costs for 2008-2009 as shown in the following table:

Age Adjusted Medical PMPM Costs for 2008-2009

	Employees		*Spouse*	
Age	***Male***	***Female***	***Male***	***Female***
50	$ 396	$ 460	$ 476	$ 543
55	529	555	610	636
60	697	670	778	750
64	867	796	947	877

Since premiums for retirees with Medicare are determined without regard to active life experience, no such subsidy exists for this group.

Appendix B. Actuarial Cost Method and Assumptions (continued)

Medical Inflation	2008:	7.50% per year
	2009:	6.50%
	2010 - 2014:	6.00%
	2015 - 2032:	5.50%
	2033 - 2046:	5.00%
	2047 and beyond:	4.50%

Milliman reviews all valuation assumptions on a regular basis in order to provide our clients with current and reliable information. As part of a recent review, we evaluated the Society of Actuaries (SOA) recently published report on long-term medical trend. That report includes detailed research performed by a committee of economists and actuaries (including a Milliman representative) and proposes the use of the "Getzen Model" named after the professor that developed the model. We believe that the research and the model are fundamentally and technically sound and will advance the body of knowledge available to actuaries to more accurately project long-term medical trends. At this time, we believe this model is the industry standard for projecting long term medical trends. Milliman has decided to use that model as the foundation for the trend that it recommends to our clients for OPEB valuations.

In many cases, the use of this new model will produce trends that are somewhat different from the trends that were used in prior valuations. We have also evaluated and updated other assumptions including the demographic curve used in projecting medical costs at various ages. These changes in assumptions may produce gains or losses in the valuation.

We assumed the health premiums will increase at the same rate as the health cost trends shown above.

Appendix C. Summary of Participant Data

The following census of participants was used in the actuarial valuation and provided by the State Center Community College. The data was collected as of July 1, 2008.

Covered Active Employees

Age	*Certified*	*Classified*	*MSC*	*Total*
Under 25	0	4	0	4
25 – 29	4	32	1	37
30 – 34	31	54	1	86
35 – 39	55	62	10	127
40 – 44	66	53	13	132
45 – 49	72	86	8	166
50 – 54	93	81	16	190
55 – 59	96	75	28	199
60 – 64	58	44	17	119
65 & Over	27	25	2	54
Total	502	516	96	1,114

Current Retirees

Age	*Certified*	*Classified*	*MSC*	*Total*
Under 55	0	1	0	1
55 – 59	2	9	0	11
60 – 64	18	10	3	31
65 – 69	48	24	4	76
70 – 74	58	19	9	86
75 – 79	46	18	4	68
80 – 84	59	16	4	79
85 & Over	30	16	1	47
Total	261	113	25	399