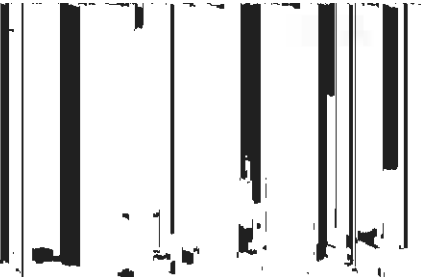


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PENSION CONSULTANTS

575 MARKET STREET  
SUITE 245  
SAN FRANCISCO, CALIF

TEL. 415 512-  
FAX. 415 512-

**Re: Actuarial Valuation of Postemployment Healthcare Plans**

The Nicolay Consulting Group is pleased to present the results of the July 1, 2010 actuarial valuation of the West Contra Costa Unified School District postemployment health insurance plans. In preparing the report, we relied on employee data and plan information supplied by the District. On the basis of that information, this report has been prepared in accordance with generally accepted actuarial principles and methods. It is our opinion that the actuarial assumptions used are reasonably related to the actual experience of the plan and to anticipated future experience.

The financial projections presented in this letter are intended for the District's internal use in evaluating the potential cost of the retiree health programs. Because future events frequently do not occur as expected, it should be recognized that there are usually differences between anticipated and actual results. These differences may be material. Consequently, we can express no assurance that the projected values will occur. We recommend that the District obtain an updated actuarial valuation on a periodic basis. Questions about the report should be directed to Dennis Daugherty at (415) 512-5300 x221

The undersigned meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,

Nicolay Consulting Group

Dennis Daugherty, F.S.A.  
Member, American Academy of Actuaries

# WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

## Table of Cont

SECTION

SECTION I

SECTION II

SECTION III

SECTION IV

SECTION V

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*Valuation Date: July 1, 2010*

## **SECTION**

### **Introduc**

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### **Accounting**

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## SECTION II

### Valuation I

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Table 2-3  
**West Contra Costa Unified School District**  
**Present Value of Future Postemployment Healthcare Benefits**  
 Based on a 4.50% discount rate  
 as of July 1, 2010

<b>Total Present Value</b>	<u>Certificated UTR</u>	<u>Certificated WCCAA</u>	<u>Classified Local #1</u>	<u>Classified SSA</u>	<u>Unrep. Mgt., Confidential, Cabinet, Retired Board</u>	<u>Total</u>
<b>Medical</b>						
Actives	\$65,005,336	\$5,061,147	\$24,016,337	\$3,321,434	\$2,414,063	\$99,818,317



## GASB 45 Benefit Cost

The District adopted GASB 45 in the 2007/08 fiscal year. Table 2-4 illustrates the District's GASB 45 Actuarial Accrued Liability (AAL) and 2010/11 financial statement expense assuming continuation of pay-as-you-go funding.

The Annual Required Contribution (ARC) consists of the Normal Cost plus the current year amortization of the Unfunded Actuarial Accrued Liability (UAAL). The amortization method used in this valuation is the level percentage of projected payroll method. The District elected to amortize the UAAL over a closed 30-year period. Three years of amortization have occurred; 27 years remain.

Normal Cost is the portion of the actuarial present value of future benefits that is allocated to a particular year. Another interpretation is that the Normal Cost is the present value of future benefits that are "earned" by employees for service rendered during the current year. This valuation is based on the Entry Age Normal actuarial cost method. Under the Entry Age Normal cost method the actuarial present value of projected benefits is allocated on a level basis over the earnings or service (in this case earnings) of individuals between entry age and the assumed exit age(s). In this valuation each individual's attribution period extends from hire date to estimated retirement date. The valuation attributes the benefit assuming a 3.25% annual increase in payroll.

Actuarial Accrued Liability as of July 1, 2010	\$385,520,762
Assumed Actuarial Value of Assets at July 1, 2010	<u>\$0</u>
Unfunded Actuarial Accrued Liability	\$385,520,762
Remaining Amortization Period	27 years
Level percent of pay Amortization Factor (based on a 4.50% discount rate and a 3.25% annual increase in payroll)	22.193
Annual Level Percentage of Pay Amort. of Unfunded AAL	\$17,371,417
Normal Cost (based on the Entry Age Normal Method)	<u>\$6,239,401</u>
Annual Required Contribution	\$23,610,818





**SECTION**  
**Plan Desc**

**Retiree Cover**  
**Medical**

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**SSA employees hired on, or after, July 15, 2009**

<b>Year of Service under CalPERS rules</b>	<b>Maximum monthly District contribution</b>
0 through 4	\$0
5 through 24	The CalPERS Health Benefits Program Minimum Employer Contribution
25 or more	\$450 per month until the retiree reaches age 65. Thereafter, the CalPERS Health Benefits Program Minimum Employer Contribution

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**Local 1 employees hired on, or after, July 15, 2009**

<b>Year of Service under CalPERS rules</b>	<b>Maximum monthly District contribution</b>
0 through 4	\$0
5 through 24	The CalPERS Health Benefits Program Minimum Employer Contribution
25 or more	\$450 per month until the retiree reaches age 65. Thereafter, the CalPERS Health Benefits Program Minimum Employer Contribution

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**Unrepresented Certificated employees hired on,**

Year of Service under CalPERS rules	Maxia District
0 through 4	
5 through 24	The CalPERS H Minimum Em
25 or more	\$450 per mc reaches age CalPERS Hea Minimum Em

## Unrepresented Classified Employees

### Unrepresented Classified employees who retire

The District pays the cost of medical coverage for surviving spouses up to the CalPERS Bay Area

### Unrepresented Classified employees who retire December 31, 2007

The District pays the cost of medical coverage for surviving spouse up to a specified cap on the District

The District will contribute up to 110% of the cost of the Shield coverage based on each retiree's enrollment. A retiree who enrolls in a more expensive plan must pay the difference.

### Unrepresented Classified employees who retire July 1, 2010

The District pays the cost of medical coverage for surviving spouse up to a specified cap on the District

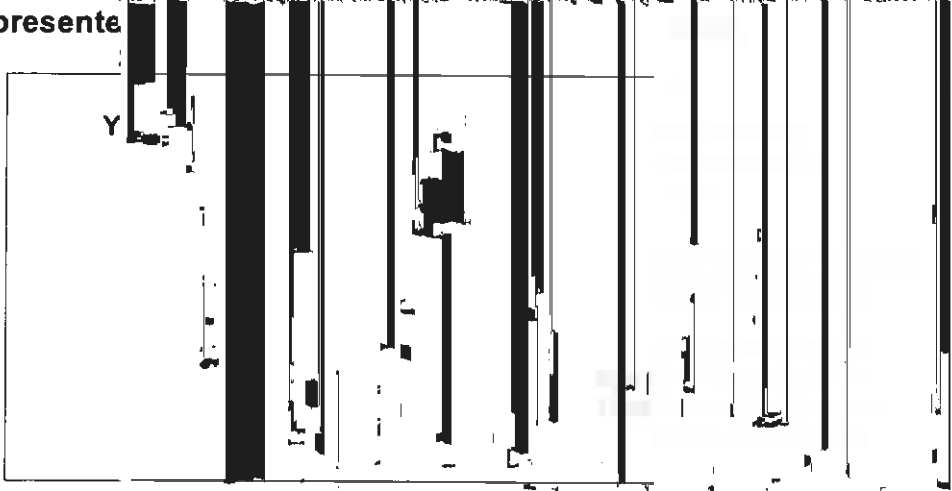
The District will contribute a maximum annual amount of \$11,040 for a retiree and spouse and \$

### Unrepresented Classified employees hired prior to June 30, 2010

The District contributes up to the following maximum amounts for retirees:

Continuous years of service with the District	Maximum District Contribution
0 through 4	
5 or more	
Exception: if 20 or more years of service as of June 30, 2010	

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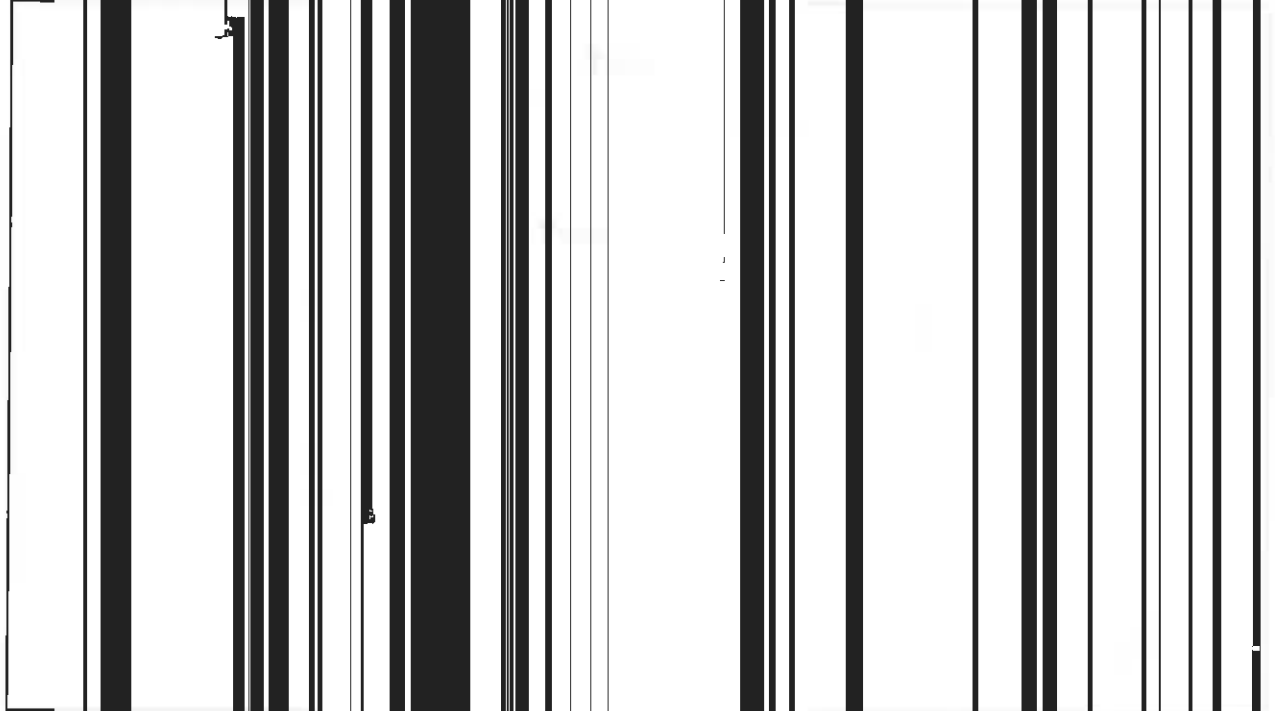
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**Confidential employees hired on, or after, July 1, 2009**

Year of Service under CalPERS rules	Maximum monthly District contribution
0 through 4	\$0
5 or more	The CalPERS Health Benefit Plan Minimum Employer Contribution
25 or more	\$450 per month until reaches age 65. The CalPERS Health Benefit Plan Minimum Employer Contribution



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			Active											
<u>Age</u>	<u>0-4</u>	<u>5-9</u>												
Under 25	6	0												
25-29	24	3												
30-34	22	14												
35-39	28	21	1											
40-44	27	30												
45-49	31	35												
50-54	30	34					1							
55-59	17	26												
60-64	15	11												
65-69	1	4												
70 +	2	1												
<b>Total</b>	<b>203</b>	<b>179</b>												

			Active Class											
<u>Age</u>	<u>0-4</u>	<u>5-9</u>												
Under 25	0	0												
25-29	6	0												
30-34	7	1												
35-39	5	1												
40-44	0	4												
45-49	3	4												
50-54	1	8												
55-59	3	5												
60-64	0	2												
65-69	0	0												
70 +	0	0												
<b>Total</b>	<b>25</b>	<b>25</b>												

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**Age and Sex Table for  
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<u>Age</u>	<u>Female</u>
Under 50	3
50-54	30
55-59	100
60-64	322
65-69	385
70-74	266
75-79	224
80-84	189
85-89	138
90-94	82
95+	<u>24</u>
<b>Total</b>	<b>1,763</b>

\* In addition, 1,100 spouses of retirees receive dental benefits.

Table 3-8  
**Retiree Enrollment by Plan**  
as of October 1, 2010

<u>Medical Plan</u>	<u>Total</u>
Blue Shield	884
Kaiser	1,184
PERSCare	82
PERS Choice	263
PERS Select	<u>1</u>
<b>Total</b>	<b>2,414</b>

Note: 2,039 retirees and surviving spouses are receiving dental benefits

Account	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
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1940																						
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## Economic Assumption

### Discount Rate

The District elected to use [REDACTED] represents the long term rate [REDACTED]

### Health Care Trend

We used the annual trend [REDACTED] estimate of the future annual [REDACTED]

Plan Year Beginning	Proj
2011	
2012	
2013	
2014	
2015	
2016	
2017	
2018	
2019 & thereafter	

### Employer Caps

Based on input from the District [REDACTED] in **Section III** will not increase [REDACTED]

## Baseline Cost

Estimates of retiree health benefits for a one year period. We refer to this as the baseline cost, such as average per capita cost, into the future to estimate the total cost.

GASB 45 allows employers to use actual premium rates as the basis for estimating the cost of the CalPERS medical program cost.

Table 4-2 contains 2010 and 2011 Delta Dental funding rate.

2010 and 2011 per 2010
Blue Shield A Blue Shield N Kaiser PERS Choice PERS Select PERS Care
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Blue Shield A Blue Shield N Kaiser PERS Choice PERS Select PERS Care
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Table 4-5  
**STRS Employees - Annual Rates of Retirement**

<u>Age</u>	<b>Male</b>		<b>Female</b>	
	<b>Years of Service</b>		<b>Years of Service</b>	
	<b>0-29</b>	<b>30+</b>	<b>0-29</b>	<b>30+</b>
50	0.00000	0.01500	0.00000	0.02500
51	0.00000	0.01500	0.00000	0.02500
52	0.00000	0.01500	0.00000	0.02500
53	0.00000	0.02000	0.00000	0.02500
54	0.00000	0.02000	0.00000	0.03000
55	0.02700	0.08000	0.04500	0.09000
56	0.01800	0.08000	0.03200	0.09000
57	0.01800	0.10000	0.03200	0.11000
58	0.02700	0.14000	0.04100	0.16000
59	0.04500	0.18000	0.05400	0.19000
60	0.06300	0.27000	0.09000	0.31000
61	0.06300	0.43000	0.09000	0.40000
62	0.10800	0.38000	0.10800	0.37000
63	0.11700	0.30000	0.16200	0.35000
64	0.10800	0.30000	0.13500	0.32000
65	0.13500	0.30000	0.14400	0.32000
66	0.10800	0.30000	0.13500	0.32000
67	0.10800	0.30000	0.13500	0.32000
68	0.10800	0.30000	0.13500	0.32000
69	0.10800	0.30000	0.13500	0.32000
70	1.00000	1.00000	1.00000	1.00000

**Mortality**

Table 4-6 and Table 4-7 contain samples of mortality rates used in the valuation. These rates match rates used by PERS and STRS in the most recent pension valuations.

<u>Age</u>	Sample	
	Male	Female
25	0.034%	0.034%
30	0.048%	0.048%
35	0.067%	0.067%
40	0.094%	0.094%
45	0.130%	0.130%
50	0.179%	0.179%
55	0.248%	0.248%
60	0.344%	0.344%
65	0.480%	0.480%
70	0.671%	0.671%
75		
80		
85		
90		

<u>Age</u>	Sample	
	Male	Female
25	0.032%	0.032%
30	0.037%	0.037%
35	0.039%	0.039%
40	0.063%	0.063%
45	0.096%	0.096%
50	0.130%	0.130%
55	0.186%	0.186%
60	0.292%	0.292%
65	0.527%	0.527%
70		
75		
80		
85		
90		

**Termination**

Sample termination rates are shown below  
STRS in recent pension valuations.

Table  
**PERS School Employees -**

<u>Service</u>	20	25	30
0	0.16170	0.15210	0.14250
1	0.14810	0.13850	0.12890
2	0.13460	0.12495	0.11530
3	0.12100	0.11140	0.10180
4	0.10740	0.09780	0.08820
5	0.09380	0.08425	0.07460
6	0.08850	0.07885	0.06930
7	0.08310	0.07355	0.06390
8	0.07780	0.06820	0.05860
9	0.07250	0.06295	0.05330
10	0.06710	0.05750	0.04790
15	0.05330	0.04370	0.03410
20	0.03950	0.02990	0.00470
25	0.02570	0.00290	0.00120
30	0.00190	0.00105	0.00020
35+	0.00020	0.00020	0.00020

Table  
**STRS Employees - Ann**

**Male**

<u>Service</u>	----- Entry Age -----			
	27	32	37	42
0	0.153	0.153	0.153	0.153
1	0.130	0.130	0.130	0.130
2	0.090	0.090	0.090	0.090
3	0.065	0.065	0.065	0.065
4	0.050	0.050	0.050	0.050
5	0.030	0.030	0.030	0.030
10	0.020	0.020	0.020	0.020
15	0.011	0.011	0.011	0.011
20	0.006	0.006	0.006	0.006
25+	0.005	0.005	0.005	0.005

## SECTION V

### Glossary

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- Accrual Accounting – A method of accounting including long term obligations for pension service.
- Actuarial Accrued Liability – The present value of postemployment benefits attributable to past service, referred to as the Past Service Liability.
- Actuarial Cost Method – A method of allocating the present value of benefits and expenses and interest to time periods, used to determine the Actuarial Accrued Liability.
- Actuarial Present Value – The present value of a liability receivable at various times. Each liability is:
  - a. adjusted for the probability of termination as changes in compensation rates occur;
  - b. multiplied by the probability of death, disability, termination, or other event, conditioned, and
  - c. discounted according to the time value of money.
- Actuarial Valuation – The determination of the Actuarial Accrued Liability, Actuarial Present Value, and Actuarial Value of Assets.
- Actuarial Value of Assets – The present value of assets belonging to a plan. These assets are used to pay the Actuarial Accrued Liability. Note: assets used to pay the Actuarial Accrued Liability are to be considered OPEB assets.
- Amortization Payment – That amount that must be paid to pay interest on and to amortize the Actuarial Accrued Liability.

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- the ARC (Unfunded)
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- an adjustment reasonable interest as No. 45 special of the distribution beginning same amount that year. be deducted
- Note: As interest cannot contribute emerge.

- Annual required  
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or more factors  
level of coverage  
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