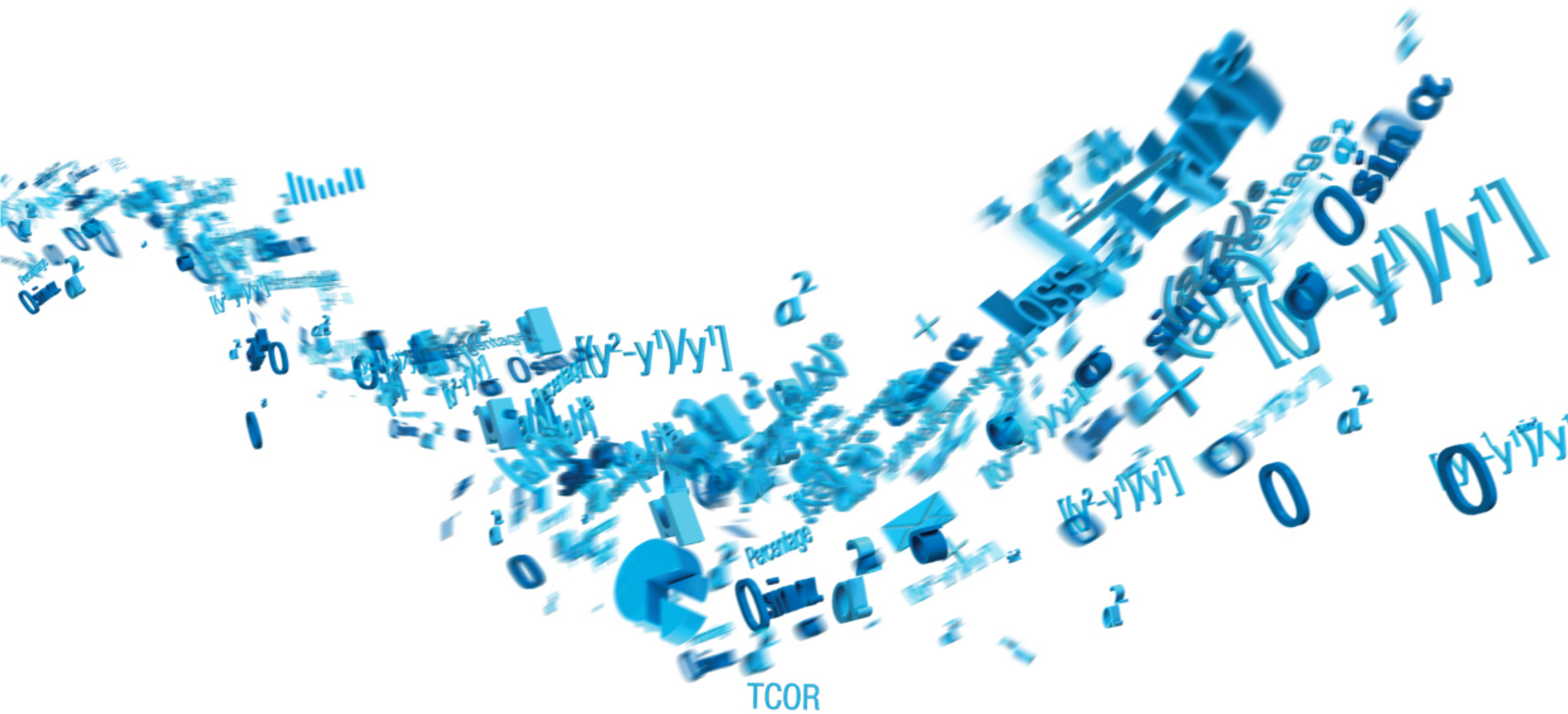

Actuarial Valuation Report

Los Angeles Community College District

Postretirement Health Benefits Actuarial Valuation

As of July 1, 2013

Executive Summary

Background

Los Angeles Community College District provides healthcare benefits for eligible employees who retire with CalPERS or CalSTRS pension benefits immediately upon termination of employment from the District.

Under the plan, the District makes contributions for eligible retirees' medical, dental, and vision plan premiums. The district pays a percentage of costs (ranging from 50% to 100%) based on the employee's date of hire and years of service. Future retirees with more than 20 years of service receive 100% of premiums paid by the district. Effective January 1, 2010, the District began contracting with CalPERS for medical benefits.

Certain other groups receive different benefits. Employees that are not eligible for District paid contributions are still eligible for retiree coverage under California Assembly Bill 528 (AB528). At retirement, such retirees must pay for coverage at the full premium rates. Employees subject to the *2001 Agreement between the District and LACCD Police Officer's Association* may be eligible to receive benefits through LACERA that are paid by the District. In addition, the District will pay pre-Medicare retirees $1,500 annually through 2014.

GASB 45

The liabilities and annual costs for the District's contribution promises to retirees are calculated in this actuarial valuation in accordance with Governmental Accounting Standards Board Statement No. 45 (GASB 45). The District currently prefunds a portion of the liabilities in CalPERS's California Employer's Retirement Benefit Trust (CERBT) fund and recognizes OPEB liability as benefits are accrued. As this report shows, any required accrual determined on a GASB basis will be considerably higher than the amount on a pay-as-you-go basis.

It is important to note that only current active and retired participants are valued in this actuarial study. Future new entrants or any projected growth in the District's employee population are not considered.

ARC Development

GASB requires an Annual Required Contribution (ARC) to be developed each year based on the Plan's assets and liabilities. Although GASB does not actually require prefunding, the portion of the ARC that is not funded each year accumulates as a liability on the District's financial statements.

The District has adopted the Entry Age Normal cost method with amortization of the unfunded liability over an open 30-year period as a level percent of payroll. It should be noted that pre-funding with an *open* amortization period is not expected to fully fund the actuarial accrued liability.

Executive Summary (cont.)

Future GASB Developments

In May 2014, GASB issued an exposure draft of a statement that will change employer accounting and financial reporting for postemployment benefits other than pensions (OPEB). The impact is expected to be similar to that of GASB 67/68 for pension plans, which must be adopted effective for the fiscal year ending June 30, 2015. It is anticipated this new statement for OPEB would be effective for fiscal years beginning after December 15, 2016. The changes include moving unfunded liabilities from footnotes to the balance sheet, the potential for more volatile periodic expense, and a change in the discount rate basis. In order to prepare and effectively manage plans, it is important for agencies to consider and understand the possible ramifications.

Summary of Results

Annual Required Contributions (ARC)

The ARC for the fiscal year ending June 30, 2014 is $34,419,000, which compares to the ARC for fiscal year ending June 30, 2013 of $42,786,000. By further comparison, the expected pay-as-you-go funding amount is $24,801,000.

Annual OPEB Cost (AOC)

The AOC for the fiscal year ending June 30, 2014 is $35,242,000. This is the District's annual expense for its OPEB plan.

Liabilities

There are a few terms to understand related to the Plan's liabilities. The Present Value of Benefits (PVB) represents the actuarial present value of all future benefits expected to be paid to current employees and retirees. The Actuarial Accrued Liability (AAL) is the portion of the PVB attributable to past service. The Normal Cost is the portion of the PVB that is allocated to the current plan year for active employees.

Each liability is a present value calculated by using a selected discount rate. Results in this report are shown using a 6.88% discount rate, which assumes partial pre-funding. We also show results below assuming no pre-funding and full pre-funding based on 4.0% and 7.61% discount rates, respectively. The table below summarizes the liability results based on these three discount rates as of July 1, 2013:

	4.00%	**6.88%**	**7.61%**
Present Value of Benefits (PVB)	$933,579,000	$568,188,000	$511,504,000
Actuarial Accrued Liability (AAL)	$699,160,000	$478,320,000	$439,719,000
Normal Cost	$21,745,000	$10,465,000	$8,797,000

Note: The AAL and normal cost shown above were calculated by spreading costs over the participants' working lifetimes as a level percentage of pay. The costs could also be spread as level dollar amounts.

As an explanation of the meaning of the discount rate, the PVB using a 7.61% discount rate implies that if the District invested $511,504,000 today in an interest bearing account that earns 7.61%, the liabilities would be fully funded. By comparison, if the interest bearing account were to only earn 4.0%, $933,579,000 would be required to fully fund the liability.

Executive Summary (cont.)

Discount Rate Selection

As illustrated above, the discount rate can have a considerable impact on the magnitude of the liabilities, with lower discount rates resulting in higher liabilities. GASB states that the discount rate should be based on the long-term yield of investments used to finance the benefits. For an unfunded plan or when contributions are simply allocated to separate accounts but still reside in general assets, it is more appropriate to consider the return on general assets. Considering the District's intentions to prefund by contributing 1.92% of the total full-time salary expenditures plus the Medicare Part D reimbursement (assumed to be 80% of the pre-funded portion of the ARC), in addition to the pay-as-you-go amount, the results in this report are based on a 6.88% discount rate to reflect this decision.

Anticipated changes in GASB guidance for the discount rate selection basis will be different than under GASB 45, which may result in a different discount rate used in the future.

Sensitivity to Healthcare Trend

The healthcare trend rate also has a significant effect on the amounts reported. To illustrate, increasing the healthcare trend rates by one percentage point each year would increase the accrual by approximately 22-23%.

Comparison to Prior Valuation

The following table compares certain results to the prior valuation:

	July 1, 2013 (6.88%)	*(Prior Valuation)* **July 1, 2011 (5.81%)**
Present Value of Benefits (PVB)	$568,188,000	$721,295,000
Actuarial Accrued Liability (AAL)	$478,320,000	$593,388,000
Assets	$51,823,000	$34,185,000
Unfunded AAL	$426,497,000	$559,203,000
Normal Cost with interest	$11,184,000	$14,867,000
Annual Required Contribution (ARC) for following fiscal year	$34,419,000	$41,511,000

The liabilities and annual costs decreased from the prior valuation as a net result of the following offsetting factors:

- Projected healthcare costs are lower than expected, primarily due to premium increases lower than assumed in the prior valuation. Along with slighly lower future trend increases, this resulted in a liability gain.
- The discount rate changed from 5.81% to 6.88%, resulting in a liability decrease. The change reflects a higher portion of total obligations expected to be funded through contributions (80% of ARC compared to 50% previously), which affects the blending of discount rates.
- Assets were higher than expected due to pre-funding contributions higher than anticipated, partially offset with lower than expected investment returns. The net result is a decrease in future annual costs.
- Demographic assumptions (turnover, retirement, mortality and disability) were updated based on the 1997-2011 CalPERS Experience Study, resulting in nominal liability changes.

Executive Summary (cont.)

Other Developments

The actuarial valuation results are appropriate as of the valuation date and use methods and assumptions that may change over time. The following developments may impact future assumptions and corresponding valuation results.

Mortality

The Society of Actuaries is expected to finalize its recent study and update mortality tables and projected improvement scales later this year. While reflecting changes is not currently required, we anticipate the use of a new methodology to project future improvement to become widely adopted soon after the study is published.

Reflecting the most recent study would increase the District's liabilities and costs.

CalPERS Investment Rate

CERBT is expected to soon modify investment allocations that will result in a change of the District's selected Strategy 1 allocation expected long term rate of return to 7.28% from 7.61%.

The expected asset return impacts the discount rate used for the valuation, and will likely affect the next actuarial valuation. Any effect on a change in the discount rate in the future will likely incorporate anticipated GASB changes in guidance that consider the longevity of assets available to pay plan benefits.

* * *

The following report shows the details of results by participant status and benefits provided, based on a 6.88% discount rate.

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1. Actuarial Valuation Certificate

This report presents the results of the actuarial valuation for the Los Angeles Community College District Postretirement Health Benefits as of July 1, 2013 for development of the Annual Required Contribution and disclosure items under Governmental Accounting Standards Board (GASB) Statement 45.

This report was prepared using generally accepted actuarial practices and methods. The actuarial assumptions used in the calculations are individually reasonable and reasonable in aggregate.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following:

- Plan experience differing from that anticipated by the economic or demographic assumptions
- Changes in economic or demographic assumptions
- Increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status)
- Changes in plan provisions or applicable law

Due to the limited scope of our assignment, we did not perform an analysis of the potential range of such future measurements.

Aon Hewitt did not audit the employee data and financial information used in this valuation. On the basis of our review of this data, we believe that the information is sufficiently complete and reliable, and that it is appropriate for the purposes intended.

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 these accounting standards. Determinations for purposes other than meeting Employer financial accounting requirements may be different from these results. As required by GASB 45, this valuation assumes this will be an ongoing plan. However, this assumption does not imply any obligation by the employer to continue the plan.

This report is intended for the sole use of the Los Angeles Community College District. It is intended only to supply information for the District to comply with the stated purpose of the report and may not be appropriate for other business purposes. Reliance on information contained in this report by anyone for other than the intended purposes, puts the relying entity at risk of being misled because of confusion or failure to understand applicable assumptions, methodologies, or limitations of the report's conclusions. Accordingly, no person or entity, including the Los Angeles Community College District should base any representations or warranties in any business agreement on any statements or conclusions contained in this report without the written consent of Aon Hewitt.

The actuaries whose signatures appear below are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. The actuaries are available to answer any questions with regard to the matters enumerated in this report.

1. Actuarial Valuation Certificate (cont.)

Aon's relationship with the Plan and the Plan Sponsor is strictly professional. There are no aspects of the relationship that may impair or appear to impair the objectivity of our work.

Respectfully submitted,

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Aon Hewitt
707 Wilshire Boulevard
Suite 2600
Los Angeles, CA 90017

October 17, 2014

2. Plan Liabilities

The liabilities shown in this exhibit were calculated using a 6.88% discount rate as of the July 1, 2013 valuation date. Certain items are utilized in the development of the Annual Required Contribution (ARC) as shown in the following exhibit.

The **Present Value of Benefits (PVB)** represents the actuarial present value of all benefits ever to be paid to current employees and retirees. Although not used in the District's calculations, the PVB follows:

	General	AB528 *	Police Agreement	Total
PVB				
Medical – Pre 65				
Active	$67,317,000	$0	$540,000	$67,857,000
Retirees	$20,019,000	$0	$22,000	$20,041,000
Subtotal	$87,336,000	$0	$562,000	$87,898,000
Medical – Post 65				
Active	$183,795,000	$0	$1,021,000	$184,816,000
Retirees	$214,759,000	$0	$424,000	$215,183,000
Subtotal	$398,554,000	$0	$1,445,000	$399,999,000
Dental				
Active	$29,021,000	$0	$464,000	$29,485,000
Retirees	$33,008,000	$0	$0	$33,008,000
Subtotal	$62,029,000	$0	$464,000	$62,493,000
Vision				
Active	$6,513,000	$0	$157,000	$6,670,000
Retirees	$9,946,000	$0	$0	$9,946,000
Subtotal	$16,459,000	$0	$157,000	$16,616,000
HRA				
Active	$457,000	$0	$0	$457,000
Retirees	$725,000	$0	$0	$725,000
Subtotal	$1,182,000	$0	$0	$1,182,000
All Benefits				
Active	$287,103,000	$0	$2,182,000	$289,285,000
Retirees	$278,457,000	$0	$446,000	$278,903,000
Total PVB	$565,560,000	$0	$2,628,000	$568,188,000
PVB Per Participant				
Active	$80,000	$0	$43,000	$80,000
Retirees	$89,000	$0	$149,000	$89,000

* AB528 retiree contributions are expected to cover all costs, so no liabilities are shown.

2. Plan Liabilities (cont.)

The **Actuarial Accrued Liability (AAL)** is the portion of the PVB attributable to past service. For retirees and fully eligible active employees, the AAL is equal to the PVB. For other active employees, the AAL is the portion of the PVB deemed to be accrued to date. The **Normal Cost** is the portion of the PVB that is allocated to the current plan year for active employees.

The AAL in this report is based on the Entry Age Normal cost method and has been developed by spreading costs as a level percentage of payroll, as follows:

	General	AB528	Police Agreement	Total
AAL				
Medical – Pre 65				
Active	$44,310,000	$0	$312,000	$44,622,000
Retirees	$20,019,000	$0	$22,000	$20,041,000
Subtotal	$64,329,000	$0	$334,000	$64,663,000
Medical – Post 65				
Active	$128,406,000	$0	$908,000	$129,314,000
Retirees	$214,759,000	$0	$424,000	$215,183,000
Subtotal	$343,165,000	$0	$1,332,000	$344,497,000
Dental				
Active	$20,642,000	$0	$0	$20,642,000
Retirees	$33,008,000	$0	$0	$33,008,000
Subtotal	$53,650,000	$0	$0	$53,650,000
Vision				
Active	$4,631,000	$0	$0	$4,631,000
Retirees	$9,946,000	$0	$0	$9,946,000
Subtotal	$14,577,000	$0	$0	$14,577,000
HRA				
Active	$208,000	$0	$0	$208,000
Retirees	$725,000	$0	$0	$725,000
Subtotal	$933,000	$0	$0	$933,000
All Benefits				
Active	$198,197,000	$0	$1,220,000	$199,417,000
Retirees	$278,457,000	$0	$446,000	$278,903,000
Total AAL	$476,654,000	$0	$1,666,000	$478,320,000
AAL Per Participant				
Active	$56,000	$0	$24,000	$55,000
Retirees	$89,000	$0	$149,000	$89,000
Normal Cost				
Medical – Pre 65	$2,592,000	$0	$86,000	$2,678,000
Medical – Post 65	$6,370,000	$0	$138,000	$6,508,000
Dental	$993,000	$0	$0	$993,000
Vision	$223,000	$0	$0	$223,000
HRA	$63,000	$0	$0	$63,000
Total Normal Cost	$10,241,000	$0	$224,000	$10,465,000
Normal Cost Per Active	$2,900	$0	$4,400	$2,900

3. Plan Assets

The District currently prefunds a portion of the liabilities in CalPERS's California Employer's Retirement Benefit Trust (CERBT) fund. Projected assets reflect the District's intentions to prefund 1.92% of total full-time salary expenditures plus Medicare Part D reimbursement (approximately $1 million each year assumed), which is approximately 80% of the pre-funded portion of the ARC.

The following table shows the development of assets since the prior valuation.

Assets	**July 1, 2011 to June 30, 2012**	**July 1, 2012 to June 30, 2013**
Assets, Beginning of Year	$34,185,000	$41,695,000
Contributions – Pre-Funding	7,174,000	5,178,000
Investment Earnings (net of expenses)	336,000	4,950,000
Assets, End of Year	$41,695,000	$51,823,000
Approximate Return on Assets	1%	11%

The following table summarizes the employer contributions attributable to each fiscal year:

	July 1, 2011 to June 30, 2012	**July 1, 2012 to June 30, 2013**
Contributions – Current Retirees	$23,698,000	$23,399,000
Contributions – Pre-Funding	7,174,000	5,178,000
Total Employer Contributions	$30,872,000	$28,577,000

The assets shown as of June 30, 2012 and June 30, 2013 are based on the District's financial statements for fiscal year ending June 30, 2013 and CalPERS CERBT fund statements.

4. Annual Costs

Development of the Annual Required Contribution (ARC)

The ARC amounts shown below are determined by amortizing future costs as a level percent of payroll. The level percent of payroll method will reduce current costs but increase future costs as District payroll increases over time. The ARC amounts shown assume payments are made at the end of the year. Assets are allocated proportionately to the actuarial accrued liability for illustration purposes.

The ARC is equal to the Normal Cost plus the amortization of the unfunded AAL over a 30 year open period. The ARC is developed below for the fiscal year ending June 30, 2014:

	General	AB528	Police Agreement	Total
Actuarial Accrued Liability (AAL)	$476,654,000	$0	$1,666,000	$478,320,000
Assets (allocated by AAL)	$51,583,000	$0	$240,000	$51,823,000
Unfunded Accrued Liability (UAL)	$425,071,000		$1,426,000	$426,497,000
Amortization Period				30
Amortization of UAL	$23,157,000	$0	$78,000	$23,235,000
Normal Cost, plus interest	$10,945,000	$0	$239,000	$11,184,000
% of payroll				4.2%
Annual Required Contribution	$34,102,000	$0	$317,000	$34,419,000
% of payroll				13.0%

Development of the Annual OPEB Cost (AOC)

The AOC is the accrual basis measure of periodic cost recognized by the District, as developed below for the fiscal year ending June 30, 2014:

Net OPEB Obligation, Beginning of Year	$57,451,000
Annual Required Contribution	$34,419,000
Interest on Net OPEB Obligation, at 6.88%	3,953,000
Adjustment to the ARC (amortization factor of 20.99)	(3,130,000)
Annual OPEB Cost (AOC)	$35,242,000

5. Projected Benefit Payments

The following table shows the estimated projected net District benefit payments based on the current plan provisions, current plan participants, and the valuation assumptions used in this report. The payments would be equivalent to funding the liabilities on a pay-as-you-go basis.

Year Ending June 30	Distributions
2014	24,801,000
2015	26,965,000
2016	28,063,000
2017	29,635,000
2018	30,955,000
2019	32,088,000
2020	33,272,000
2021	34,490,000
2022	35,613,000
2023	36,870,000
2024	38,138,000
2025	39,407,000
2026	40,755,000
2027	42,163,000
2028	43,433,000
2029	44,689,000
2030	45,953,000
2031	47,259,000
2032	48,633,000
2033	49,786,000

6. GASB Reporting and Disclosure Information

GASB 45 requires certain items to be disclosed in the footnotes to the District's financial statements, including the following:

- Plan description
  - Name of plan and identification of the entity that administers plan
  - Brief description of the types of benefits
- Funding policy
  - Required contribution rates of plan members
  - Required contribution rates of employer

In addition, the tables below show required supplementary information to be shown with three years of historical information in the District's financial statements.

Sample information is shown based on the District's adoption of GASB 45 for the fiscal year ending June 30, 2008, election to use the entry age normal cost method with unfunded liabilities amortized over an open 30 year period, and continuation of partially pre-funding the ARC.

Development of Net OPEB Obligation (NOO) and Annual OPEB Cost (000s omitted)

Fiscal Year	Annual Required Contributions	Actual Contribution	NOO End of Year	Interest on Net OPEB Obligation	Adjustment to the Annual Required Contribution	Annual OPEB Cost	Interest Rate	Salary Scale	Amortization Factor
07/08	$41,228	$38,083	$3,145	$0	$0	$41,228	5.88%	3.25%	20.80
08/09	$42,051	$27,156	$18,039	$0	$0	$42,051	5.88%	3.25%	20.80
09/10	$39,658	$33,168	$24,724	$1,061	($867)	$39,852	5.88%	3.25%	20.80
10/11	$40,643	$33,804	$31,828	$1,454	($1,189)	$40,908	5.88%	3.25%	20.80
11/12	$41,511	$30,872	$42,799	$1,847	($1,515)	$41,843	5.81%	3.25%	20.99
12/13	$42,786	$28,577	$57,451	$2,469	($2,025)	$43,230	5.88%	3.25%	20.99
13/14	$34,419	$29,571	$63,122	$3,953	($3,130)	$35,242	6.88%	3.25%	18.36

Schedule of Funding Progress (000s omitted)

Type of Valuation	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll	Interest Rate	Salary Scale
Actual	07/01/2007	$0	$633,142	$633,142	0.0%	$269,608	234.8%	5.88%	3.25%
Actual	07/01/2009	$8,926	$545,041	$536,115	1.6%	$251,957	212.8%	5.88%	3.25%
Actual	07/01/2011	$34,185	$593,389	$559,203	5.8%	$272,400	205.3%	5.81%	3.25%
Actual	07/01/2013	$51,823	$478,320	$426,497	10.8%	$275,000	155.1%	6.88%	3.25%

6. GASB Reporting and Disclosure Information (cont.)

Schedule of Employer Contributions (000s omitted)

Fiscal Year Ending:	Annual OPEB Costs	Actual Contribution	Percentage Contribution	Net OPEB Obligation
6/30/2008	$41,228	$38,083	92.4%	$3,145
6/30/2009	$42,051	$27,156	64.6%	$18,039
6/30/2010	$39,852	$33,168	83.2%	$24,724
6/30/2011	$40,908	$33,804	82.7%	$31,828
6/30/2012	$41,843	$30,872	73.8%	$42,799
6/30/2013	$43,230	$28,577	66.1%	$57,451
6/30/2014	$35,242	$29,571	83.9%	$63,122

7. Participant Information

This exhibit contains participant demographic information.

Active Employee Age/Service Distribution

The following tables display the age and eligible service for active employees, excluding police officers covered under the 2001 agreements of the District.

General

	Years of Eligible service										
Age	**0**	**1-2**	**3-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**>=35**	**Total**
<25	2	0	3	3	0	0	0	0	0	0	8
25-29	13	16	12	44	9	0	0	0	0	0	94
30-34	18	33	39	108	64	10	0	0	0	0	272
35-39	24	34	29	127	101	54	5	0	0	0	374
40-44	11	26	31	124	122	69	71	16	0	0	470
45-49	11	26	24	99	118	83	67	60	3	0	491
50-54	12	17	22	85	104	75	91	44	37	10	497
55-59	3	11	19	57	102	77	93	50	58	68	538
60-64	5	2	8	48	83	73	60	39	58	86	462
>65	1	4	3	22	53	38	47	29	42	123	362
Total	100	169	190	717	756	479	434	238	198	287	3,568

* Counts above include participants valued under the Police Agreement.

AB528

	Years of Eligible Service										
Age	**0**	**1-2**	**3-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**>=35**	**Total**
<25	0	0	0	0	0	0	0	0	0	0	0
25-29	0	0	0	1	0	0	0	0	0	0	1
30-34	3	0	2	9	0	0	0	0	0	0	14
35-39	1	0	7	19	6	1	0	0	0	0	34
40-44	2	0	6	16	5	2	2	0	0	0	33
45-49	2	0	2	17	10	7	1	0	0	0	39
50-54	5	0	2	9	16	9	7	0	2	0	50
55-59	2	0	3	19	19	10	8	4	0	1	66
60-64	0	0	1	15	27	7	7	6	2	6	71
>65	3	0	0	10	12	9	7	5	3	17	66
Total	18	0	23	115	95	45	32	15	7	24	374

7. Participant Information (cont.)

Distribution of Participants by Plan

Actives

Plan	General	AB528	Police Agreement	Grand Total
Medical				
Blue Shield Access	541	27		568
Blue Shield Net	21	50		71
Kaiser	1,255	114		1,369
PERS Select	25	43		68
PERS Care	7	1		8
PERS Choice	1,702	49		1,751
Unknown	17	90	51	158
Total	3,568	374	51	3,993
Dental				
Delta	3,029	154		3,183
Safeguard	534	88		622
No Coverage	5	132	51	188
Total	3,568	374	51	3,993
Vision				
VSP	3,562	260		3,822
No Coverage	6	114	51	171
Total	3,568	374	51	3,993

Retirees

Plan	General	AB528	Police Agreement *	Grand Total
Medical				
Blue Shield Access	98			98
Blue Shield Net	5			5
Kaiser	914			914
PERS Select	41			41
PERS Care	1,043			1,043
PERS Choice	872			872
Unknown	140		3	143
Total	3,113	0	3	3,116
Dental				
Delta	2,838			2,838
Safeguard	222			222
No Coverage	56		3	59
Total	3,116	0	3	3,119
Vision				
VSP	3,058			3,058
No Coverage	58		3	61
Total	3,116	0	3	3,119

* covered under LACERA plans

7. Participant Information (cont.)

Participant Statistics

	General	AB528	Police Agreement	Total
Actives				
Number of actives	3,568	374	51	3,993
Average age of actives	50.5	54.8	55.4	51.0
Average past service	16.2	13.9	24.3	16.1
Estimated payroll (in millions), FYE 6/30/14				$275
Retirees				
Number of retirees and surviving spouses	3,116	-	3	3,119
Number of retiree spouses	1,282	-	-	1,282
Average age of retirees	75.8	n/a	67.3	75.8

8. Summary of Principal Plan Provisions

The following plan provisions are the basis for the calculations in this actuarial valuation.

1. Benefit Eligibility

General

Retirees employed by the District immediately prior to retirement and receiving a pension from either CalSTRS or CalPERS are eligible for benefits depending on their most recent date of hire and their benefit eligibility service, as follows:

▪ Hired before 2/11/1992:	3 years of service
▪ Hired between 2/11/1992 and 6/30/1998:	7 years of service
▪ Hired on or after 7/1/1998:	10 years of service

To be eligible for retirement under CalSTRS or CalPERS, each employee must be at least age 50 or age 55, respectively, and have a minimum of five years of service.

AB528

Employees that are not eligible for District paid contributions may still be eligible for retiree coverage under California Assembly Bill 528 (AB528).

Police Officers

Employees subject to the *2001 Agreement between the District and LACCD Police Officer's Association* may be eligible to receive benefits through LACERA that are paid by the District. Such eligible retirees shall receive medical, dental, and vision benefits.

2. Benefits Provided

General

Under the plan, the District pays a percentage of the eligible retirees' medical, dental, and vision plan premiums, as follows:

▪ Hired before 7/1/1998:	100% of premium
▪ Hired on or after 7/1/1998:	
- Between 10 and 15 years of eligibility:	50% of premium
- Between 15 and 20 years of eligibility:	75% of premium
- More than 20 years of eligibility:	100% of premium

District medical paid amounts are capped at PERS Choice Out-of-State rate for pre-Medicare eligible retiree and at PERS Care Out-of-State rate for Medicare eligible retiree.

Effective January 1, 2010, the District also provided an annual contribution of $1,500 to pre-Medicare retirees into a Health Reimbursement Account (HRA) for the next five years.

AB528

Employees that are not eligible for District paid contributions may still be eligible for retiree coverage under California Assembly Bill 528 (AB528). At retirement, such retirees must pay for coverage at the full premium rates.

8. Summary of Principal Plan Provisions (cont.)

Police Officers

The District pays 100% of LACERA's premiums for employees eligible under the *2001 Agreements between the District and LACCD Police Officer's Association,* reduced by 4% for each year of service under LACERA up to 25 years. This reduction only applies to employees with more than 10 years of service under LACERA.

3. Dependent Coverage

The retirement health benefit continues for the lifetime of a surviving spouse and for other dependents as long as they are entitled to coverage under pertinent eligibility rules.

4. Retiree Contributions

Retirees hired before 7/1/1998 have no required contributions, except if their medical plan has a premium exceding the District medical capped amounts. Retirees hired on or after 7/1/1998 that have less than 20 years of service pay the portion of premiums not paid by the District.

Retirees eligible for benefits under AB528 pay the full premium rates.

9. Actuarial Assumptions

1. Actuarial Cost Method

The costs shown in the report were developed using the Entry Age Normal (EAN) cost method, which spreads plan costs for each participant from entry date (assuming the plan existed on the employee's hire date) to the expected retirement date. Under the EAN cost method, the plan's normal cost is developed as a level percentage of payroll spread over the participants' working lifetime. The AAL is the cumulative value, on the valuation date, of prior normal costs. For retirees, the AAL is the present value of all projected benefits.

The ARC under this method equals the normal cost plus the amortization of the unfunded AAL based on the following:

- 30-year open amortization period
- Level percentage of future payroll amounts

The Plan costs are derived by making certain specific assumptions as to the rates of interest, mortality, turnover, and the like, which are assumed to hold for many years into the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true Plan costs.

2. Discount Rate

6.88% was used based on the assumption that the District contributes 80% of the pre-funded portion of the ARC in the CalPERS' CERBT fund. This is based on a blend of the following rates:

- 4.00% was used for the assumed return on general District assets.
- 7.61% was used for the assumed return on the CalPERS' CERBT Asset Allocation Strategy 1.

The 80% contribution assumes a current contribution rate of 1.92% of payroll, plus $1 million contribution from the Medicare subsidy reimbursement, with future increases.

3. Payroll Increases

3.25% - This is the annual rate at which total payroll ($275,000,000 for fiscal year ending June 30, 2014) is expected to increase and is used in the cost method used to calculate the ARC as a level percent of payroll.

9. Actuarial Assumptions (cont.)

4. Mortality

A generational mortality table using scale AA was used in the valuation. Initial mortality rates were based on the most recent CalSTRS valuation and in the 1997-2011 CalPERS Experience Study. Sample rates for the current valuation year are as follows:

	Pre-retirement Mortality			
	CalSTRS		CalPERS Schools	
Age	**Male**	**Female**	**Male**	**Female**
35	0.00034	0.00018	0.00057	0.00035
40	0.00057	0.00034	0.00075	0.00050
45	0.00076	0.00041	0.00106	0.00071
50	0.00103	0.00063	0.00155	0.00100
55	0.00143	0.00093	0.00228	0.00138
60	0.00238	0.00179	0.00308	0.00182
65	0.00435	0.00368	0.00400	0.00257

	Post-retirement Mortality			
	CalSTRS		CalPERS Schools	
Age	**Male**	**Female**	**Male**	**Female**
50	0.00114	0.00073	0.00501	0.00466
55	0.00164	0.00118	0.00599	0.00416
60	0.00300	0.00254	0.00710	0.00436
65	0.00596	0.00468	0.00829	0.00588
70	0.01095	0.00864	0.01305	0.00993
75	0.01886	0.01451	0.02205	0.01722
80	0.03772	0.02759	0.03899	0.02902
85	0.07619	0.05596	0.06969	0.05243

The CalPERS rates above were used for employees eligible under the *2001 Agreements between the District and LACCD Police Officer's Association*. The rates are also assumed to adjust under scale aa.

9. Actuarial Assumptions (cont.)

5. Turnover

Turnover rates developed in the most recent CalSTRS valuation and in the 1997-2011 CalPERS Experience Study were used in the valuation. The following sample rates are based on age and service:

CalSTRS Male

Entry	Years of Service							
Age	**0**	**1**	**5**	**10**	**15**	**20**	**25**	**30**
25	0.160	0.130	0.039	0.018	0.009	0.005	0.003	0.002
30	0.160	0.130	0.039	0.018	0.009	0.005	0.003	0.002
35	0.160	0.130	0.039	0.018	0.009	0.005	0.003	0.002
40	0.160	0.130	0.039	0.018	0.009	0.005	0.003	0.002
45	0.160	0.130	0.039	0.018	0.009	0.005	0.003	0.002

CalSTRS Female

Entry	Years of Service							
Age	**0**	**1**	**5**	**10**	**15**	**20**	**25**	**30**
25	0.150	0.120	0.039	0.018	0.009	0.005	0.003	0.002
30	0.150	0.120	0.039	0.018	0.009	0.005	0.003	0.002
35	0.150	0.120	0.039	0.018	0.009	0.005	0.003	0.002
40	0.150	0.120	0.039	0.018	0.009	0.005	0.003	0.002
45	0.150	0.120	0.039	0.018	0.009	0.005	0.003	0.002

CalPERS Schools

Entry	Years of Service							
Age	**0**	**1**	**5**	**10**	**15**	**20**	**25**	**30**
30	0.1525	0.1379	0.0870	0.0572	0.0418	0.0038	0.0010	0.0002
35	0.1422	0.1277	0.0758	0.0457	0.0053	0.0020	0.0002	0.0002
40	0.1319	0.1174	0.0646	0.0074	0.0032	0.0002	0.0002	0.0002
45	0.1217	0.1071	0.0135	0.0049	0.0011	0.0002	0.0002	0.0002
50	0.1114	0.0968	0.0107	0.0025	0.0002	0.0002	0.0002	0.0002
55	0.1011	0.0866	0.0078	0.0002	0.0002	0.0002	0.0002	0.0002

The CalPERS rates above were used for employees eligible under the *2001 Agreements between the District and LACCD Police Officer's Association*.

9. Actuarial Assumptions (cont.)

6. Retirement Age

Retirement rates developed in the most recent CalSTRS valuation and in the 1997-2011 CalPERS Experience Study for School 2% @ 55 participants were used in the valuation. The following sample rates are based on age and service:

CalSTRS

	Under 30 Years		30 or More Years	
Attained Age	**Male**	**Female**	**Male**	**Female**
50	0.00000	0.00000	0.01500	0.02500
51	0.00000	0.00000	0.01500	0.02500
52	0.00000	0.00000	0.01500	0.02500
53	0.00000	0.00000	0.02000	0.02500
54	0.00000	0.00000	0.02000	0.03000
55	0.02700	0.04500	0.08000	0.09000
56	0.01800	0.03200	0.08000	0.09000
57	0.01800	0.03200	0.10000	0.11000
58	0.02700	0.04100	0.14000	0.16000
59	0.04500	0.05400	0.18000	0.19000
60	0.06300	0.09000	0.27000	0.31000
61	0.06300	0.09000	0.47500	0.47500
62	0.10800	0.10800	0.42500	0.45000
63	0.11700	0.16200	0.35000	0.40000
64	0.10800	0.13500	0.30000	0.35000
65	0.13500	0.14400	0.32500	0.37500
66	0.10800	0.13500	0.30000	0.32000
67	0.10800	0.13500	0.30000	0.32000
68	0.10800	0.13500	0.30000	0.32000
69	0.10800	0.13500	0.30000	0.32000
70	0.10800	0.13500	0.30000	0.32000
71	0.10800	0.13500	0.30000	0.32000
72	0.10800	0.13500	0.30000	0.32000
73	0.10800	0.13500	0.30000	0.32000
74	0.10800	0.13500	0.30000	0.32000
75	1.00000	1.00000	1.00000	1.00000

9. Actuarial Assumptions (cont.)

CalPERS Schools

Attained	Years of Service					
Age	**10**	**15**	**20**	**25**	**30**	**35**
55	0.04800	0.06700	0.07900	0.08800	0.09900	0.11600
56	0.03900	0.05500	0.06500	0.07200	0.08100	0.09500
57	0.04200	0.05900	0.07000	0.07800	0.08700	0.10200
58	0.05000	0.07000	0.08300	0.09200	0.10300	0.12100
59	0.05700	0.08000	0.09500	0.10500	0.11800	0.13800
60	0.07300	0.10200	0.12100	0.13400	0.15000	0.17600
61	0.09000	0.12600	0.14900	0.16600	0.18600	0.21800
62	0.15100	0.21200	0.25000	0.27800	0.31100	0.36600
63	0.13600	0.19100	0.22500	0.25100	0.28100	0.33000
64	0.13300	0.18500	0.21900	0.24400	0.27300	0.32000
65	0.18000	0.25100	0.29700	0.33100	0.37000	0.43500
66	0.14300	0.20000	0.23700	0.26400	0.29500	0.34700
67	0.13200	0.18500	0.21800	0.24300	0.27200	0.31900
68	0.11800	0.16500	0.19500	0.21700	0.24300	0.28600
69	0.13300	0.18700	0.22000	0.24600	0.27500	0.32300
70	0.13100	0.18300	0.21600	0.24100	0.27000	0.31600
71	0.10200	0.14300	0.16800	0.18800	0.21000	0.24600
72	0.09000	0.12600	0.14900	0.16600	0.18500	0.21800
73	0.08800	0.12200	0.14500	0.16100	0.18000	0.21200
74	0.10900	0.15300	0.18000	0.20100	0.22500	0.26400
75	0.10800	0.15100	0.17900	0.19900	0.22300	0.26200

The CalPERS rates above were used for employees eligible under the *2001 Agreements between the District and LACCD Police Officer's Association*.

7. Disability

Disability rates developed in the most recent CalSTRS valuation and in the 1997-2011 CalPERS Experience Study were used in the valuation. Sample rates are as follows:

	CalSTRS		CalPERS Schools	
Age	**Male**	**Female**	**Male**	**Female**
30	0.00030	0.00030	0.00018	0.00010
35	0.00051	0.00060	0.00064	0.00038
40	0.00081	0.00090	0.00136	0.00094
45	0.00111	0.00110	0.00283	0.00171
50	0.00159	0.00220	0.00439	0.00299
55	0.00210	0.00280	0.00489	0.00335

The CalPERS rates above were used for employees eligible under the *2001 Agreements between the District and LACCD Police Officer's Association*.

9. Actuarial Assumptions (cont.)

8. Annual Health Inflation ("Trend")

The health trend rate represents the long-term expected growth of medical benefits paid by the plan, due to non-age-related factors such as general medical inflation, utilization, new technology, health care reform changes for Medicare Advantage plans and the excises tax. The following table sets forth the trend assumptions used for the valuation:

	Medical Inflation				Dental and Vision Inflation	
Year	Current Valuation		Prior Valuation		Current Valuation	Prior Valuation
	Pre Medicare	Medicare	Pre Medicare	Medicare		
2011	N/A	N/A	8.250%	8.250%	N/A	4.0%
2012	N/A	N/A	7.750%	8.925%	N/A	4.0%
2013	7.250%	8.150%	7.250%	8.150%	4.0%	4.0%
2014	7.000%	7.200%	6.750%	7.200%	4.0%	4.0%
2015	6.500%	6.430%	6.250%	6.425%	4.0%	4.0%
2016	6.000%	5.480%	6.000%	5.475%	4.0%	4.0%
2017	5.750%	5.000%	5.500%	5.000%	4.0%	4.0%
2018	5.500%	5.000%	5.640%	5.360%	4.0%	4.0%
2019	5.250%	5.000%	5.090%	5.090%	4.0%	4.0%
2020	5.000%	5.000%	5.150%	5.150%	4.0%	4.0%
2021	5.000%	5.000%	5.120%	5.120%	4.0%	4.0%
2022	5.000%	5.000%	5.120%	5.120%	4.0%	4.0%
2023	5.000%	5.000%	5.120%	5.120%	4.0%	4.0%
2024	5.000%	5.000%	5.120%	5.120%	4.0%	4.0%
2025	5.000%	5.000%	5.120%	5.120%	4.0%	4.0%
2026	5.000%	5.000%	5.120%	5.120%	4.0%	4.0%
2027	5.000%	5.000%	5.120%	5.120%	4.0%	4.0%
2028	5.000%	5.000%	5.120%	5.120%	4.0%	4.0%
2029	5.020%	5.090%	5.090%	5.090%	4.0%	4.0%
2030	5.030%	5.090%	5.090%	5.090%	4.0%	4.0%
2031	5.100%	5.270%	5.270%	5.270%	4.0%	4.0%
2032	5.140%	5.140%	5.300%	5.300%	4.0%	4.0%
2033	5.140%	5.140%	5.315%	5.315%	4.0%	4.0%
2034	5.140%	5.140%	5.325%	5.325%	4.0%	4.0%
2035	5.140%	5.140%	5.000%	5.000%	4.0%	4.0%
2036	5.170%	5.170%	5.000%	5.000%	4.0%	4.0%
2037	5.210%	5.210%	5.000%	5.000%	4.0%	4.0%
2038	5.210%	5.210%	5.000%	5.000%	4.0%	4.0%
2039	5.200%	5.200%	5.000%	5.000%	4.0%	4.0%
2040	5.200%	5.200%	5.000%	5.000%	4.0%	4.0%
2041	5.160%	5.160%	5.000%	5.000%	4.0%	4.0%
2042	5.160%	5.160%	5.000%	5.000%	4.0%	4.0%
2043	5.240%	5.240%	5.000%	5.000%	4.0%	4.0%
2044+	5.250%	5.250%	5.000%	5.000%	4.0%	4.0%

9. Actuarial Assumptions (cont.)

9. Monthly Premiums Applicable to Retirees

The monthly medical premiums valued were based on the CalPERS 2014 "Los Angeles Regional Health Premiums". Sample single rates are as follows:

Medical Premiums

	Blue Shield Access	Blue Shield Net Value	Kaiser	PERS Choice	PERS Select	PERS Care
Pre-Medicare	$469.91	$395.50	$541.79	$599.19	$573.83	$624.59
Medicare	$298.21	$298.21	$294.97	$307.23	$307.23	$327.36

Dental and Vision Premiums

	Employee	Employee & Spouse or Dependent	Employee & Spouse & Dependent
Dental – Delta	$55.31	$110.62	$138.96
Dental - Safeguard	$19.96	$37.91	$47.88
Vision - VSP	$11.01	$15.96	$18.66

Police Officers

LACERA Blue Cross I (Regular Plan) and Blue Cross III (Medicare Supplemental Plan) rates as of July 1, 2014 were used for employees eligible under the *2001 Agreements between the District and LACCD Police Officer's Association*.

Monthly medical premiums are as follows:

	Retiree Only	Retiree and Spouse
Pre-Medicare	$918.46	$1,655.99
Medicare	$370.89	$738.29

10. District Paid Capped Reimbursement

District paid amounts are capped at Out-of-State rates for pre-Medicare retirees using the PERS Choice rate and for Medicare eligible retirees using the PERS Care rate. The applicable 2014 amounts are as follows:

	Retiree Only	Retiree and Spouse
Pre-Medicare	$706.40	$1,412.80
Medicare	$370.43	$740.86

9. Actuarial Assumptions (cont.)

11. 2013-2014 Base Year Claims

Medical, dental, and vision claims are based on actual premiums.

12. Participants Valued

Only current active and retired participants are valued.

13. Plan Participation

Future eligible retirees are assumed to elect coverage at the following rates:

Non-AB528 employees	
▪ Hired before 7/1/1998:	99%
▪ Hired on or after 7/1/1998:	
- Between 10 and 15 years of eligibility:	75%
- Between 15 and 20 years of eligibility:	85%
- More than 20 years of eligibility:	99%
AB528 employees	50%
Police Officers	100%

14. Plan Election

Actual plan elections were used for current retirees. Based on elections of current retired participants, future eligible retirees are assumed to elect plan coverage based on the following:

	Election	Prior Year
Medical		
Blue Shield Access	5.0%	5.0%
Blue Shield Net Value	2.5%	5.0%
Kaiser	30.0%	30.0%
PERS Choice	25.0%	25.0%
PERS Select	2.5%	5.0%
PERS Care	35.0%	30.0%
Dental		
Delta	90.0%	90.0%
Safeguard	10.0%	10.0%
Vision		
VSP	100.0%	100.0%

9. Actuarial Assumptions (cont.)

15. Spouse Assumption

The following percentages of retirees are assumed to be married and elect employee plus one coverage:

General Employees (non-AB528 and AB528)	45%
Police Officers	60%

Males are assumed to be three years older than their female spouses.

16. Hire Age for Police Officers

Employees eligible under the *2001 Agreements between the District and LACCD Police Officer's Association* for whom hire date was not provided were assumed to start their pre LACERA service at age 31.

17. Affordable Care Act

The impact of Affordable Care Act was included in this valuation. In particular, the following items were valued:

- Reduced Funding on Medicare Advantage Plans by Federal Government
- Excise Taxes on High Cost Plans

Based on current information available, other Affordable Care Act provisions are not anticipated to impact the valuation results.

18. Changes in Valuation Assumptions / Methods

The following assumptions were changed from the prior valuation:

1) Discount rate was changed from 5.81% to 6.88%
2) Demographic assumptions were based on updated CalSTRS AND CalPERS valuation assumptions, as applicable.
3) Healthcare Trend – details of the changes are shown in the Annual Health Inflation section.
4) Plan Election Percentages – details of the changes are shown in the Plan Election section.

10. Glossary

Actuarial Accrued Liability (AAL)
As determined by a particular Actuarial Cost Method, the portion of the Actuarial Present Value of plan benefits and expenses which is attributable to past service, and thus not provided for by future Normal Costs.

Actuarial Assumptions
Assumptions as to the occurrence of future events affecting benefit costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and employer provided benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; and other relevant items. The Actuarial Assumptions are used in connection with the Actuarial Cost Method to allocate plan costs over the working lifetime of plan participants.

Actuarial Cost Method
A procedure for determining the Actuarial Present Value of plan benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods (e.g., past service, future service), usually in the form of a Normal Cost and an Actuarial Accrued Liability.

Actuarial Experience Gain or Loss
A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation Dates, as determined in accordance with a particular Actuarial Cost Method.

Actuarial Present Value
The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:

a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, Social Security, marital status, etc.).
b. multiplied by the probability of the occurrence of an event (such as survival, death disability, termination of employment, etc.) on which the payment is conditioned, and
c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.

Actuarial Present Value of Total Projected Benefits or Present Value of Benefits (PVB)
Total projected benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of total projected benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.

10. Glossary (cont.)

Actuarial Valuation
The determination, as of a Valuation Date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a benefit plan.

Actuarial Valuation Date
The date as of which an actuarial valuation is performed.

Actuarial Value of Assets
The value of cash, investments, and other property belonging to a benefit plan, as used by the actuary for the purpose of an Actuarial Valuation.

Agent Multiple-Employer Plan
An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan, based on the benefit formula selected by the employer and the individual plan's proportionate share of the pooled assets. The results of the individual valuations are aggregated at the administrative level.

Aggregate Actuarial Cost Method
A method under which the excess of the Actuarial Present Value of Projected Benefits of the group included in an Actuarial Valuation over the Actuarial Value of Assets is allocated on a level basis over the earnings or service of the group between the valuation date and assumed exit. This allocation is performed for the group as a whole, not as a sum of individual allocations. That portion of the Actuarial Present Value allocated to a valuation year is called the Normal Cost. The Actuarial Accrued Liability is equal to the Actuarial Value of Assets.

Amortization (of Unfunded Actuarial Accrued Liability)
The portion of benefit plan costs or contributions which is designed to pay off principal and interest on the Unfunded Actuarial Accrued Liability.

Annual OPEB Cost (AOC)
An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.

Annual Required Contributions of the Employer (ARC)
The employer's periodic required contributions to a Defined Benefit OPEB Plan, which is the basis for determining an employer's Annual OPEB Cost. For a Cost Sharing Multiple-Employer Plan, the Contractually Required Contributions should be used to determine an employer's Annual OPEB Cost.

10. Glossary (cont.)

Contractually Required Contributions (CRC)
The contributions assessed by a Cost Sharing Multiple-Employer Plan to the participating employer for a period, without regard for the method used to determine the amounts.

Cost Sharing Multiple-Employer Plan
A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the employers. A single actuarial valuation covers all plan members, and the same contribution rate(s) applies for each employer.

Covered Group
Plan members included in an actuarial valuation.

Deferred Inactives
Former employees, not yet receiving retirement benefits, who are eligible for plan benefits in the future.

Defined Benefit OPEB Plan
An OPEB plan having terms that specify the benefits to be provided at or after separation from employment. The benefits may be specified in dollars (for example, a flat dollar payment or an amount based on one or more factors such as age, years of service, and compensation), or as a type or level of coverage (for example, prescription drugs or a percentage of healthcare insurance premiums).

Discount Rate (Investment Return Assumption)
The rate used to adjust a series of future payments to determine the present value by reflecting the time value of money.

Employer Contributions
Contributions made in relation to the annual required contributions of the employer (ARC). An employer has made a contribution in relation to the ARC if the employer has (a) made payments of benefits directly to or on behalf of a retiree or beneficiary, (b) made premium payments to an insurer, or (c) irrevocably transferred assets to a trust, or equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) of plan administrator. Employer contributions generally do not necessarily equate to benefits paid.

Entry Age Normal Actuarial Cost Method
A method under which 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 or service of the individual between entry age and assumed exit age(s). The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.

10. Glossary (cont.)

Funded Ratio
The actuarial value of assets expressed as a percentage of the Actuarial Accrued Liability.

Funding Excess
The excess of the Actuarial Value of Assets over the Actuarial Accrued Liability.

Funding Policy
The program for the amounts and timing of contributions to be made by plan members, employer(s), and other contributing entities to provide the benefits specified by an OPEB plan.

Healthcare Cost Trend Rate
The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

Implicit Rate Subsidy
The differential between utilizing a blend of active and non-Medicare retiree experience for cost of benefits, and utilizing solely the expected retiree experience. Blending a lower cost active cohort with retirees results in an implicit rate subsidy for the retirees of the entire group.

Inactives
Certain former employees with a minimum amount of years of creditable service who have benefits payable from the retirement system.

Level Percentage of Projected Payroll Amortization Method
Amortization payments are calculated so that they are a constant percentage of the projected payroll of active plan members over a given number of years. The dollar amount of the payments generally will increase over time as payroll increases (e.g., due to inflation); in dollars adjusted for inflation, the payments can be expected to remain level.

Market-Related Value of Plan Assets
A term used with reference to the actuarial value of assets. A market related value may be fair value, market value (or estimated market value), or a calculated value that recognizes changes in fair or market value over a period of, for example, three to five years.

Net OPEB Obligation (NOO)
The cumulative difference since the effective date of this Statement between Annual OPEB Cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.

Normal Cost
The portion of the Actuarial Present Value of plan benefits and expenses that is allocated to a valuation year by the Actuarial Cost Method.

10. Glossary (cont.)

OPEB Assets
The amount recognized by an employer for contributions to an OPEB plan greater than OPEB expense.

OPEB Expenditures
The amount recognized by an employer in each accounting period for contributions to an OPEB plan on the modified accrual basis of accounting.

OPEB Expense
The amount recognized by an employer in each accounting period for contributions to an OPEB plan on the accrual basis of accounting.

OPEB Liabilities
The amount recognized by an employer for contributions to an OPEB plan less than OPEB expense/expenditures.

Other Postemployment Benefits (OPEB)
Postemployment benefits other than pension benefits. Other postemployment benefits (OPEB) include postemployment healthcare benefits, regardless of the type of plan that provides them, and all postemployment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits.

Pay-As-You-Go
A method of financing a plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

Plan Assets
Resources, usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, or equivalent arrangement, in which (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, (c) assets are legally protected from creditors of the employers or plan administrator, for the payment of benefits in accordance with the terms of the plan.

Plan Members
The individuals covered by the terms of an OPEB plan. The plan membership generally includes employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits.

Postemployment
The period between termination of employment and retirement as well as the period after retirement.

Postemployment Healthcare Benefits
Medical, dental, vision, and other health-related benefits provided to terminated or retired employees and their dependents and beneficiaries.

Postretirement Benefit Increase
An increase in the benefits of retirees or beneficiaries granted to compensate for the effects of inflation (cost-of-living adjustment) or for other reasons. Ad hoc increases may be granted periodically by a decision of the board of trustees, legislature, or other authoritative body; both the decision to grant an increase and the amount of the increase are discretionary. Automatic increases are periodic increases specified in the terms of the plan; they are nondiscretionary except to the extent that the plan terms can be changed.

10. Glossary (cont.)

Projected Benefits
Those plan benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits. That portion of an individual's Projected Benefit allocated to service to date, determined in accordance with the terms of a plan and based on future compensation as projected to retirement, is called the Credited Projected Benefit.

Projected Unit Credit Actuarial Cost Method
A method under which the benefits (projected or unprojected) of each individual included in an Actuarial Valuation are allocated by a consistent formula to valuation years. The Actuarial Present Value of benefits allocated to a valuation year is called the Normal Cost. The Actuarial Present Value of benefits allocated to all periods prior to a valuation year is called the Actuarial Accrued Liability.

Under this method, the Actuarial Gains (or Losses), as they occur, generally reduce (or increase) the Unfunded Actuarial Accrued Liability.

Under this method, benefits are projected to all future points in time under the terms of the Plan and actuarial assumptions (for example, health trends). Retirees are considered to be fully attributed in their benefits. For actives, attribution is to expected retirement age; thus, benefits at each future point in time are allocated to past service based on a proration of service-to-date over total projected service.

Required Supplementary Information (RSI)
Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Single-Employer Plan
A plan that covers the current and former employees, including beneficiaries, of only one employer.

Sponsor
The entity that established the plan. The sponsor generally is the employer or one of the employers that participate in the plan to provide benefits for their employees and employees of other employers.

Substantive Plan
The terms of an OPEB plan as understood by the employer(s) and plan members.

Transition Year
The fiscal year in which this Statement is first implemented.

Unfunded Actuarial Accrued Liability (Unfunded Actuarial Liability)
The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.

Appendix – Projected 2014-2015 Liability and Cost

This section shows projected results based on a 6.88% discount rate, which assumes the District contributes 80% of the pre-funded portion of the ARC. The ARC is developed based on the Entry Age Normal cost method with an open 30 year amortization period.

Valuation / Measurement Date	July 1, 2013	July 1, 2014
Plan Assets	$51,823,000	$69,614,000
Actuarial Accrued Liability		
Active	$199,416,000	$222,326,000
Retiree	278,903,000	270,502,000
Total AAL @ Valuation Date	$478,320,000	$492,828,000
Unfunded Accrued Liability	($426,497,000)	($423,214,000)
Fiscal Period	**7/1/13 to 6/30/14**	**7/1/14 to 6/30/15**
Development of ARC		
Amortization period remaining	30	30
Amortization of UAL	$23,235,000	$23,056,000
Normal Cost @ EOY	11,184,000	11,548,000
Total ARC @ EOY	$34,419,000	$34,604,000
Development of Annual OPEB Cost		
NOO Beginning of Year	$57,451,000	$63,122,000
Annual Required Contribution	$34,419,000	$34,604,000
Interest on Net OPEB Obligation	3,953,000	4,343,000
Adjustment to the ARC	(3,130,000)	(3,439,000)
Annual OPEB Cost (AOC)	$35,242,000	$35,508,000
Amortization Factor	18.36	18.36
Development of Net OPEB Obligation		
NOO, Beginning of Year	$57,451,000	$63,122,000
Annual OPEB Cost	$35,242,000	$35,508,000
Estimated Contribution	($29,571,000)	($33,334,000)
NOO, End of Year	$63,122,000	$65,296,000