

**ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
UNDER GASB 43/45**

RAEL & LETSON
CONSULTANTS AND ACTUARIES

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

AS OF JUNE 30, 2006

**ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
UNDER GASB 43/45**

AS OF JUNE 30, 2006

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INTRODUCTION AND ACTUARIAL CERTIFICATION

We have been retained by the Contra Costa Community College District to conduct an actuarial valuation of the District's postretirement welfare benefit assets, liability, annual cost, and accrual status. Our report follows the requirements adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 43 "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" and Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The required disclosure items are formatted as follows:

- **Section I** discusses the calculation of GASB 43/45 disclosure items and presents such items for the 2006/2007 financial statements in *Exhibit 1A*. This exhibit provides the Actuarial Accrued Liability and Funded Status as of June 30, 2006, the Annual Required Contribution and Annual OPEB Cost for 2006/2007, and an estimated reconciliation of Net OPEB Obligation for 2006/2007. A graph of the projected thirty-year cashflow is in *Exhibit 1B*, with the first ten years of such presented as a table in *Exhibit 1C*. A thirty-year projection of liability and assets is then shown as a graph in *Exhibit 1D* and as a table in *Exhibit 1E*.

- **Section II** shows the demographic, economic, per-capita cost, and other assumptions used in the calculation of the postretirement welfare benefit liability.

- **Section III** summarizes the participant data used in the valuation.

- **Section IV** presents a summary of the principal provisions of the Plan valued.

- **Section V** contains answers to questions usually asked by auditors.

Actuarial computations under GASB 43/45 are for purposes of fulfilling certain accounting requirements for public sector postretirement welfare benefit plans and their sponsoring employers. The calculations reported have been made on a basis consistent with our understanding of GASB 43/45. Determinations for purposes other than meeting the financial accounting requirements of GASB 43/45 may differ significantly from the results presented in this report.

CONTRA COSTA COMMUNITY
COLLEGE DISTRICT

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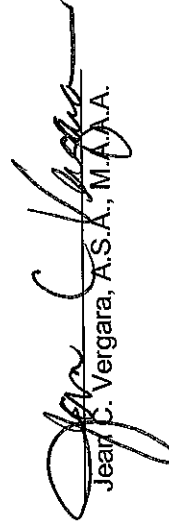
AS OF JUNE 30, 2006

INTRODUCTION AND ACTUARIAL CERTIFICATION (CONTINUED)

The calculation of an accounting liability and annual cost does not, in and of itself, imply that there is any legal liability to provide the benefits valued. Nor is there any implication that the sponsor is required to implement a funding policy to satisfy the projected expense.

We, Jim Whelpley and Jean C. Vergara, are Consulting Actuaries for Rael & Letson. We are Associates of the Society of Actuaries and meet the Qualifications Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to comply with GASB Statements 43 and 45.


Jim Whelpley, A.S.A., M.A.A.A.


Jean C. Vergara, A.S.A., M.A.A.A.

ACTUARIAL VALUATION OF
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SECTION I VALUATION RESULTS
HIGHLIGHTS OF THE VALUATION

Exhibit 1A on pages 6-11 provides all the numbers needed for disclosure in the financial statement of the Plan (per GASB 43) and that of the sponsor (per GASB 45). Exhibit 1A(i) provides the numbers produced by employing a 3.5% discount rate. If the District were to irrevocably dedicate monies to fund retiree benefits, it would be allowed to apply a higher discount rate when valuing its liabilities. Exhibit 1A(ii) therefore provides the alternative numbers produced by employing a 6.0% discount rate. Components of the exhibit are as follows:

- **Part A** shows the counts for census data captured as of June 1, 2006. Note that "other fully eligible" participants are those active employees who have the minimum age (55 for Certificated and 50 for Classified) and years of service (10 needed to retire with benefits as of the valuation date. Part-time teachers have been excluded from the counts because they are not eligible for retiree welfare benefits.
- **Part B** is the total present value of benefits, including both accrued and not-yet-accrued portions. If the District were extremely generous and wanted to ensure the benefit security of even its newest hires, it could bring the District's Retiree Health Benefits Fund balance up to \$409.9 million

(or deposit \$260.2 million into an irrevocable trust) and all current actives and retirees (but not future new hires) would most likely be taken care of.

- The accrued portion of the above is known as the Actuarial Accrued Liability (AAL), and is shown in **Part C** as \$335.1 million (or \$225.1 million using the alternative 6.0% discount rate). As described in the asterisk of page 6, we used the same "Projected Unit Credit" cost method that we employ for similar calculations in the corporate (FASB 106) and multiemployer (SOP 92-6) sectors. This produces the lowest liability of all the GASB-allowed methods of separating present value into accrued and not-yet-accrued portions.

- **Part D** expresses the Plan's Funded Status as a ratio of assets to liability and as a ratio of unfunded liability to payroll. These will be used by the auditor to construct a historical "Schedule of Funding Progress" for the Plan's financial statement notes (per GASB 43).

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SECTION I VALUATION RESULTS
HIGHLIGHTS OF THE VALUATION (CONTINUED)

• The "Annual Required Contribution" (ARC) in Part E has little practical value unless the District wishes to use it as a guide to make contributions to a dedicated trust fund (in which case the numbers in Exhibit 1A(ii) would be more applicable). The ARC will be used by the auditor to construct a historical "Schedule of Employer Contributions" for the Plan's financial statement notes (per GASB 43).

Part E also shows how amounts are added and subtracted from the ARC to yield the Annual OPEB Cost, which the auditor will use to reconcile the Net OPEB Obligation in the District's financial statement notes (per GASB 45).

• Part F provides the reconciliation of Net OPEB Obligation (NOO) over the prior year (which doesn't apply in this first hypothetical year of compliance) and an estimated reconciliation for the current year. That estimate cannot be finalized until the actual plan year 2006/2007 benefit payments and contributions are known. As mentioned above, the auditor will show the NOO reconciliation in the District's financial statement notes (per GASB 45).

Exhibit 1B on page 12 is a graph of the cashflow projection that underlies our liability calculations. This will only reflect activity for those currently retired or active participants, not for anyone hired after the valuation date (per GASB requirements) and makes a distinction between two types of Plan subsidy:

- **Cash Subsidies** are based on the District's premium rates and vary by retiree group (e.g., depending upon date of hire and/or whether the retiree met the Rule of 70 or Rule of 80).
- **Implicit Subsidies** are due to the manner in which some providers combine active and retiree experience when developing their premium rates. In this situation we are required by GASB 43/45 to estimate the higher premium that would be charged to retirees if they were rated alone, and to reflect the excess of such retiree-only cost over the actual premium as an "implicit subsidy of the retirees by the actives."

SECTION I VALUATION RESULTS
HIGHLIGHTS OF THE VALUATION (CONTINUED)

Exhibit 1C on page 13 is a table detailing just the first 10 years of cashflow activity. Within this period there can be no effect from future new hires, but (as explained in the first asterisk on this page) we still strongly advise caution when attempting to use this for the District's short-term financial planning.

Exhibits 1D and 1E on pages 14-21 are the graphical and tabular thirty-year projection of AAL (reflecting no new hires after the valuation date) and of the assets that would build up if the District were to contribute either the ARC or "cash subsidy plus \$1 million" (current funding policy) in every year. Retiree welfare assets are shown as either remaining in a subaccount of the District general fund (the 3.5% discount exhibits on pages 14 and 15) or converted to an irrevocable and dedicated trust fund (the 6.0% discount exhibits on pages 16 and 17). Note that the ARC is always calculated without regard to any virtual assets (such as those in a District subaccount), so that virtual assets with ARC deposits will eventually grow to exceed the projected AAL (as shown in Exhibits 1D(f)(a) and 1E(i) on pages 14 and 19). Also note that these are just a couple of ways in which the District could set a timetable for elimination of its unfunded postretirement welfare liability.

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**SECTION I VALUATION RESULTS
EXHIBIT 1A(i): SUMMARY OF VALUATION RESULTS
BASED ON 3.5% DISCOUNT RATE**

	CERTIFICATED	CLASSIFIED	ALL
A. Participant Count as of June 30, 2006			
• Current retirees and surviving spouses	408	307	715
• Other participants fully eligible for benefits	173	125	298
• Other participants not yet fully eligible for benefits	<u>306</u>	<u>421</u>	<u>727</u>
Total Count	887	853	1,740
B. Actuarial Present Value of Benefits (APVB) at June 30, 2006			
• Current retirees, spouses and dependents	\$ 82,813,300	\$ 71,121,900	\$ 153,935,200
• Other participants fully eligible for benefits	50,632,800	37,513,000	88,145,800
• Other participants not yet fully eligible for benefits	<u>85,162,400</u>	<u>82,675,000</u>	<u>167,837,400</u>
Total APVB	\$ 218,608,500	\$ 191,309,900	\$ 409,918,400
C. Actuarial Accrued Liability (AAL) at June 30, 2006			
• Current retirees, spouses and dependents	\$ 82,813,300	\$ 71,121,900	\$ 153,935,200
• Other participants fully eligible for benefits	50,632,800	37,513,000	88,145,800
• Other participants not yet fully eligible for benefits	<u>49,822,900</u>	<u>43,232,800</u>	<u>93,055,700</u>
Total AAL ¹	\$ 183,269,000	\$ 151,867,700	\$ 335,136,700

¹ AAL is the portion of APVB that is attributed to actives' service to date by the chosen actuarial cost method. GASB 43/45 allows for seven cost methods, including Projected Unit Credit (as required for corporate and multiemployer retiree welfare calculations) and Entry Age (as commonly used for governmental pension calculations). For this valuation we have used the Projected Unit Credit method, which spreads costs from hire to the projected date of full eligibility for plan benefits. Note that the APVB and AAL shown above have been offset by projected retiree contributions. The gross AAL before such offset is \$381,878,100, which is 88% due to Plan payments and 12% due to retiree contributions. Also note that had we increased our assumed health care trend rates by one percent, the total AAL would have increased from \$335,136,700 to \$397,691,600.

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SECTION I VALUATION RESULTS
EXHIBIT 1A(i): SUMMARY OF VALUATION RESULTS
BASED ON 3.5% DISCOUNT RATE (CONTINUED)

	CERTIFICATED	CLASSIFIED	ALL
D. Funded Status at June 30, 2006			
Actuarial Value of Assets	\$ 0	\$ 0	\$ 0
Unfunded Actuarial Accrued Liability (UAAL)	\$ 183,269,000	\$ 151,867,700	\$ 335,136,700
Funded Ratio	0%	0%	0%
Covered Payroll	\$ 37,818,900	\$ 28,030,300	\$ 65,849,200
UAAL as a Percentage of Covered Payroll	485%	542%	509%
E. Annual Required Contribution (ARC) and Annual OPEB Cost (AOC) for 2005/2006¹			
Normal Cost for 2006/2007	\$ 4,877,300	\$ 5,038,800	\$ 9,916,100
Amortization of UAAL as of June 30, 2006 ²	<u>9,794,600</u>	<u>8,116,400</u>	<u>17,911,000</u>
Total ARC for 2006/2007	\$ 14,671,900	\$ 13,155,200	\$ 27,827,100
Interest on June 30, 2006 Net OPEB Obligation (Amortization of June 30, 2006 NOO) ²	<u>0</u>	<u>0</u>	<u>0</u>
Total AOC for 2006/2007	\$ 14,671,900	\$ 13,155,200	\$ 27,827,100

¹ Despite the name, there is no requirement to actually contribute the ARC or any other amount. Future plan financial statement notes must simply show a "Schedule of Employer Contributions" with the ARC and the percentage of it that was actually contributed (if any). The ARC calculated above is noted as being applicable to the year following the current valuation date, but if a new valuation is not performed next year then this same ARC may be considered applicable to each of the next two years. In this manner, the Schedule of Employer Contributions can show a continuous annual history of ARC and actual contribution amounts.

² GASB 43/45 allows for an amortization method of either level dollar (as for a mortgage) or level percent of pay, period of up to 30 years (but no less than 10 years if the AAL decreases due to a new cost or asset value method), and basis of either rolling (no annual reduction in period) or static. The amortization used here is level dollar over a static 30 years.

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SECTION I VALUATION RESULTS
EXHIBIT 1A(i): SUMMARY OF VALUATION RESULTS
BASED ON 3.5% DISCOUNT RATE (CONTINUED)

	CERTIFICATED	CLASSIFIED	ALL
F. Net OPEB Obligation (NOO) Actual Reconciliation over 2005/2006¹ and Estimated Reconciliation over 2006/2007			
NOO at June 30, 2005	N/A	N/A	N/A
(Benefit Payments paid outside of a trust in 2005/2006)	N/A	N/A	N/A
(Contributions to a trust in 2005/2006)	N/A	N/A	N/A
Annual OPEB Cost (AOC) for 2005/2006	N/A	N/A	N/A
NOO at June 30, 2006	\$ 0	\$ 0	\$ 0
(Estimated Benefit Payments paid outside of a trust in 2006/2007)	(4,567,600)	(3,218,900)	(7,786,500)
(Estimated Contributions to a trust in 2006/2007)	0	0	0
Annual OPEB Cost (AOC) for 2006/2007	14,671,900	13,155,200	27,827,100
Estimated NOO at June 30, 2007	\$ 10,104,300	\$ 9,936,300	\$ 20,040,600

¹ NOO is generally the cumulative excess of prior ARC over benefit payments (if unfunded) or trust contributions (if funded). In practice, before the ARC is added to the NOO each year it is adjusted to become the Annual OPEB Cost (AOC) by adding NOO interest and subtracting an NOO amortization. For this exhibit we have assumed that GASB 43/45 will be adopted June 30, 2006, so that NOO as of that date is zero.

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SECTION I VALUATION RESULTS

EXHIBIT 1A(ii): SUMMARY OF VALUATION RESULTS
BASED ON 6.0% DISCOUNT RATE

	CERTIFICATED	CLASSIFIED	ALL
A. Participant Count as of June 30, 2006			
• Current retirees and surviving spouses	408	307	715
• Other participants fully eligible for benefits	173	125	298
• Other participants not yet fully eligible for benefits	<u>306</u>	<u>421</u>	<u>727</u>
Total Count	887	853	1,740
B. Actuarial Present Value of Benefits (APVB) at June 30, 2006			
• Current retirees, spouses and dependents	\$ 64,377,800	\$ 52,875,400	\$ 117,253,200
• Other participants fully eligible for benefits	33,420,100	24,652,600	58,072,700
• Other participants not yet fully eligible for benefits	<u>43,186,300</u>	<u>41,652,800</u>	<u>84,839,100</u>
Total APVB	\$ 140,984,200	\$ 119,180,800	\$ 260,165,000
C. Actuarial Accrued Liability (AAL) at June 30, 2006			
• Current retirees, spouses and dependents	\$ 64,377,800	\$ 52,875,400	\$ 117,253,200
• Other participants fully eligible for benefits	33,420,100	24,652,600	58,072,700
• Other participants not yet fully eligible for benefits	<u>26,686,000</u>	<u>23,068,500</u>	<u>49,754,500</u>
Total AAL ¹	\$ 124,483,900	\$ 100,596,500	\$ 225,080,400

¹ AAL is the portion of APVB that is attributed to actives' service to date by the chosen actuarial cost method. GASB 43/45 allows for seven cost methods, including Projected Unit Credit (as required for corporate and multiemployer retiree welfare calculations) and Entry Age (as commonly used for governmental pension calculations). For this valuation we have used the Projected Unit Credit method, which spreads costs from hire to the projected date of full eligibility for plan benefits. Note that the APVB and AAL shown above have been offset by projected retiree contributions. The gross AAL before such offset is \$254,943,300, which is 88% due to Plan payments and 12% due to retiree contributions. Also note that had we increased our assumed health care trend rates by one percent, the total AAL would have increased from \$225,080,400 to \$259,504,100.

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SECTION I VALUATION RESULTS
EXHIBIT 1A(ii): SUMMARY OF VALUATION RESULTS
BASED ON 6.0% DISCOUNT RATE (CONTINUED)

	CERTIFICATED	CLASSIFIED	ALL
D. Funded Status at June 30, 2006			
Actuarial Value of Assets	\$ 15,367,200	\$ 12,418,300	\$ 27,785,500
Unfunded Actuarial Accrued Liability (UAAL)	\$ 109,116,700	\$ 88,178,200	\$ 197,294,900
Funded Ratio	12%	12%	12%
Covered Payroll	\$ 37,818,900	\$ 28,030,300	\$ 65,849,200
UAAL as a Percentage of Covered Payroll	289%	315%	300%
E. Annual Required Contribution (ARC) and Annual OPEB Cost (AOC) for 2005/2006¹			
Normal Cost for 2006/2007	\$ 2,565,500	\$ 2,653,000	\$ 5,218,500
Amortization of UAAL as of June 30, 2006 ²	<u>7,699,600</u>	<u>6,222,100</u>	<u>13,921,700</u>
Total ARC for 2006/2007	\$ 10,265,100	\$ 8,875,100	\$ 19,140,200
Interest on June 30, 2006 Net OPEB Obligation (Amortization of June 30, 2006 NOO) ²	<u>0</u>	<u>0</u>	<u>0</u>
Total AOC for 2006/2007	\$ 10,265,100	\$ 8,875,100	\$ 19,140,200

¹ Despite the name, there is no requirement to actually contribute the ARC or any other amount. Future plan financial statement notes must simply show a "Schedule of Employer Contributions" with the ARC and the percentage of it that was actually contributed (if any). The ARC calculated above is noted as being applicable to the year following the current valuation date, but if a new valuation is not performed next year then this same ARC may be considered applicable to each of the next two years. In this manner, the Schedule of Employer Contributions can show a continuous annual history of ARC and actual contribution amounts.

² GASB 43/45 allows for an amortization method of either level dollar (as for a mortgage) or level percent of pay, period of up to 30 years (but no less than 10 years if the AAL decreases due to a new cost or asset value method), and basis of either rolling (no annual reduction in period) or static. The amortization used here is level dollar over a static 30 years.

SECTION I VALUATION RESULTS
EXHIBIT 1A(ii): SUMMARY OF VALUATION RESULTS
BASED ON 6.0% DISCOUNT RATE (CONTINUED)

	CERTIFICATED	CLASSIFIED	ALL
F. Net OPEB Obligation (NOO) Actual Reconciliation over 2005/2006 ¹ and <i>Estimated</i> Reconciliation over 2006/2007			
NOO at June 30, 2005	N/A	N/A	N/A
(Benefit Payments paid outside of a trust in 2005/2006) (Contributions to a trust in 2005/2006)	N/A	N/A	N/A
Annual OPEB Cost (AOC) for 2005/2006	N/A	N/A	N/A
NOO at June 30, 2006	\$ 0	\$ 0	\$ 0
(<i>Estimated</i> Benefit Payments paid outside of a trust in 2006/2007)	(4,567,600)	(3,218,900)	(7,786,500)
(<i>Estimated</i> Contributions to a trust in 2006/2007)	(5,154,200)	(3,632,300)	(8,786,500)
Annual OPEB Cost (AOC) for 2006/2007	10,265,100	8,875,100	19,140,200
<i>Estimated</i> NOO at June 30, 2007	\$ 543,300	\$ 2,023,900	\$ 2,567,200

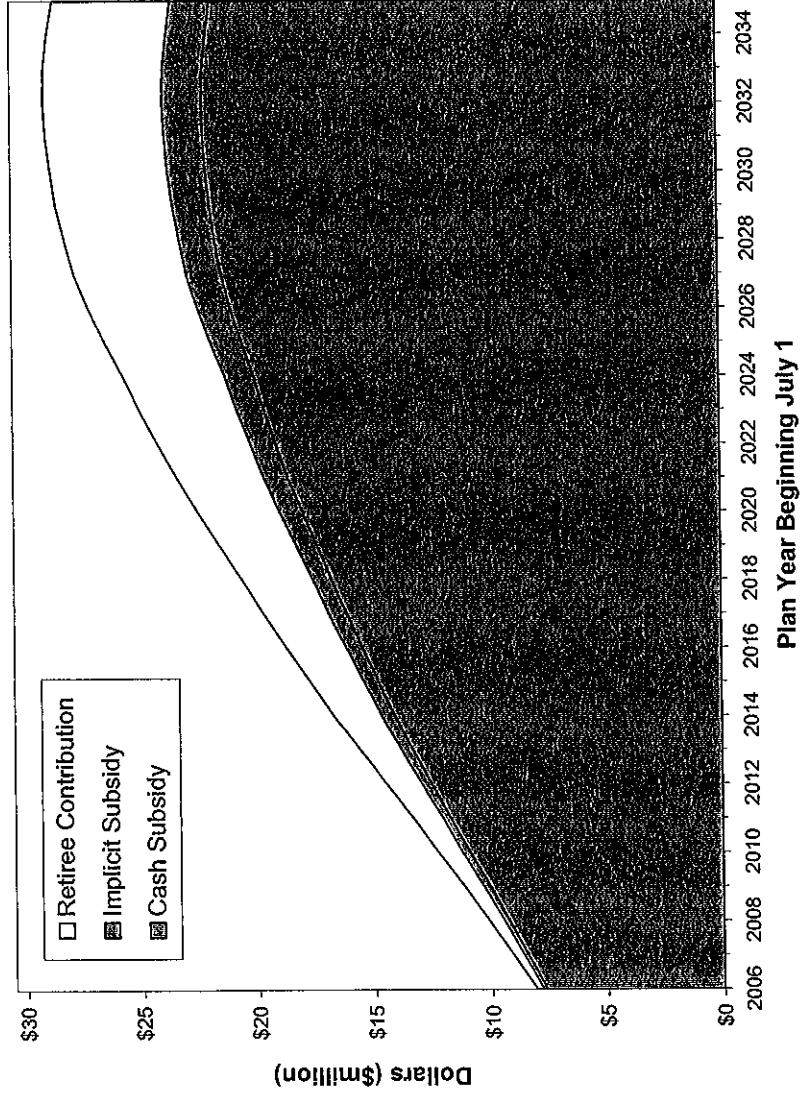
¹ NOO is generally the cumulative excess of prior ARC over benefit payments (if unfunded) or trust contributions (if funded). In practice, before the ARC is added to the NOO each year it is adjusted to become the Annual OPEB Cost (AOC) by adding NOO interest and subtracting an NOO amortization. For this exhibit we have assumed that GASB 43/45 will be adopted June 30, 2006, so that NOO as of that date is zero.

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SECTION I VALUATION RESULTS
EXHIBIT 1B: PROJECTED CASHFLOW GRAPH

Projected Retiree Health Benefit Costs



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SECTION I VALUATION RESULTS
EXHIBIT 1C: PROJECTED CASHFLOW TABLE¹

Plan Yr beg. July 1,	Retiree Family Counts ²		Plan Cash Subsidy ³		Retiree Contribution ³	Total Premium	Plan Implicit Subsidy ⁴	Gross Benefit	Retiree Contribution Ratio
	Certif	Class	Both	Both					
2006	383	303	686	\$ 4,467,500	\$ 3,172,300	\$ 7,639,800	\$ 146,700	\$ 8,087,700	4%
2007	391	314	705	4,890,000	3,551,100	8,441,100	188,600	9,094,000	5%
2008	391	324	715	5,300,200	3,943,400	9,243,600	230,700	10,115,700	6%
2009	393	334	727	5,715,500	4,327,300	10,042,800	282,100	11,154,500	7%
2010	397	343	740	6,191,900	4,712,800	10,904,700	331,100	12,270,100	8%
2011	402	352	754	6,612,500	5,093,000	11,705,500	369,600	13,347,300	10%
2012	405	360	765	7,047,200	5,485,200	12,532,400	433,300	14,478,600	10%
2013	409	369	778	7,497,000	5,841,500	13,338,500	496,600	15,605,400	11%
2014	414	375	789	7,893,100	6,212,600	14,105,700	564,400	16,702,400	12%
2015	416	381	797	8,271,300	6,520,900	14,792,200	629,300	17,721,600	13%

¹ Because projected benefit payments are dependent upon many different assumptions about future claims, there can be a broad range of reasonable results. This illustration is based on a single "best estimate" set of assumptions used for our liability calculations and should be used with care when applied to financial planning. Small deviations between our best-estimate assumptions and actual experience (especially in regard to health care cost trend rates, retirement rates, and participation rates) could produce significantly different projected cash flows.

² Counts include surviving spouses but not spouses of living retirees (though spouse benefit amounts are in the other portions of this exhibit).

³ Plan Cash Subsidies and Retiree Contributions depend upon the participant's date of hire and whether s/he retired under the Rule of 70 or Rule of 80.

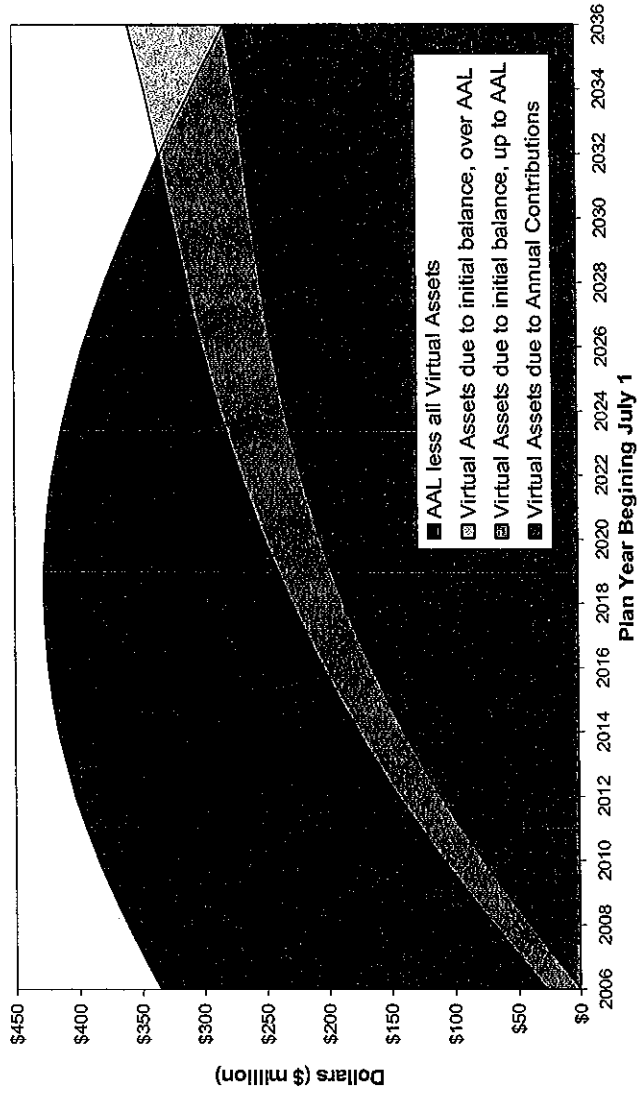
⁴ Implicit Subsidies are due to the manner in which some providers combine active and retiree experience when developing premiums. In this situation, we are required by GASB 43/45 to estimate the higher premium that would be charged to retirees if they were rated alone, and reflect the excess of such retiree-only cost over the actual premium as an "implicit subsidy of the retirees by the actives."

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**SECTION I VALUATION RESULTS
EXHIBIT 1D(i)(a): PROJECTED LIABILITY GRAPH
BASED ON 3.5% DISCOUNT RATE
AND CONTRIBUTION = ARC**

**Projected Actuarial Accrued Liability (AAL) and Virtual Assets
Under Static 30-Year, Level Dollar Amortization Funding
With 3.5% Discount and Contribution = ARC**

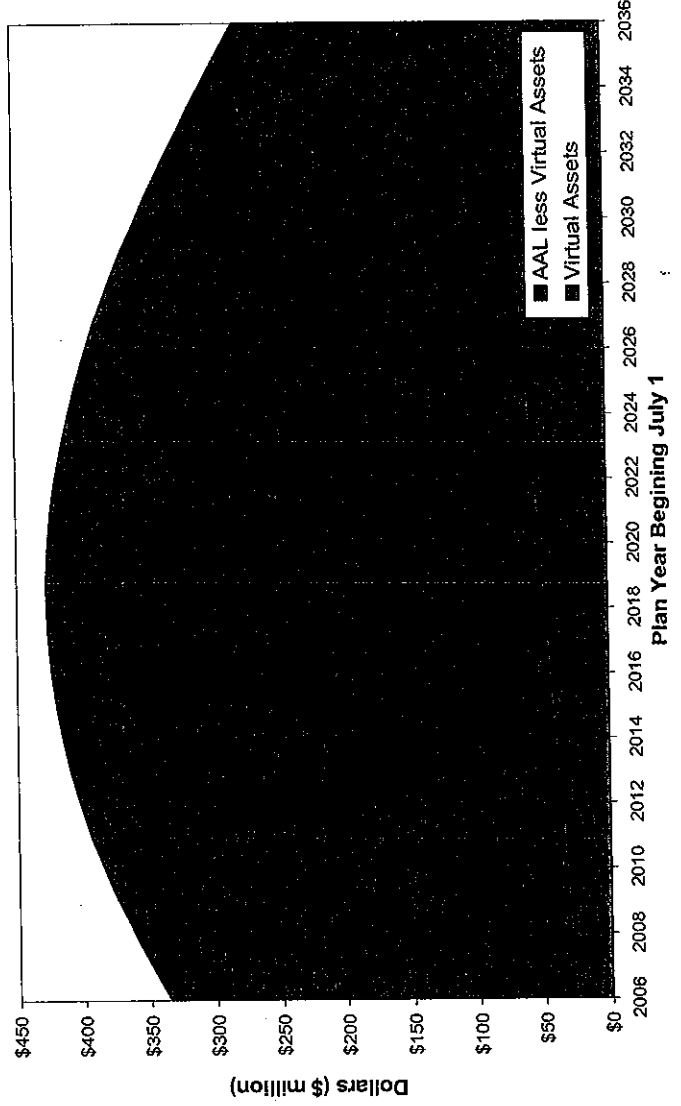


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SECTION I VALUATION RESULTS
EXHIBIT 1D(1)(b): PROJECTED LIABILITY GRAPH
BASED ON 3.5% DISCOUNT RATE
AND CONTRIBUTION = CASH SUBSIDY PLUS \$1 MILLION

Projected Actuarial Accrued Liability (AAL) and Virtual Assets
Under Static 30-Year, Level Dollar Amortization Funding
With 3.5% Discount and Contribution = Cash Subsidy plus \$1 Million

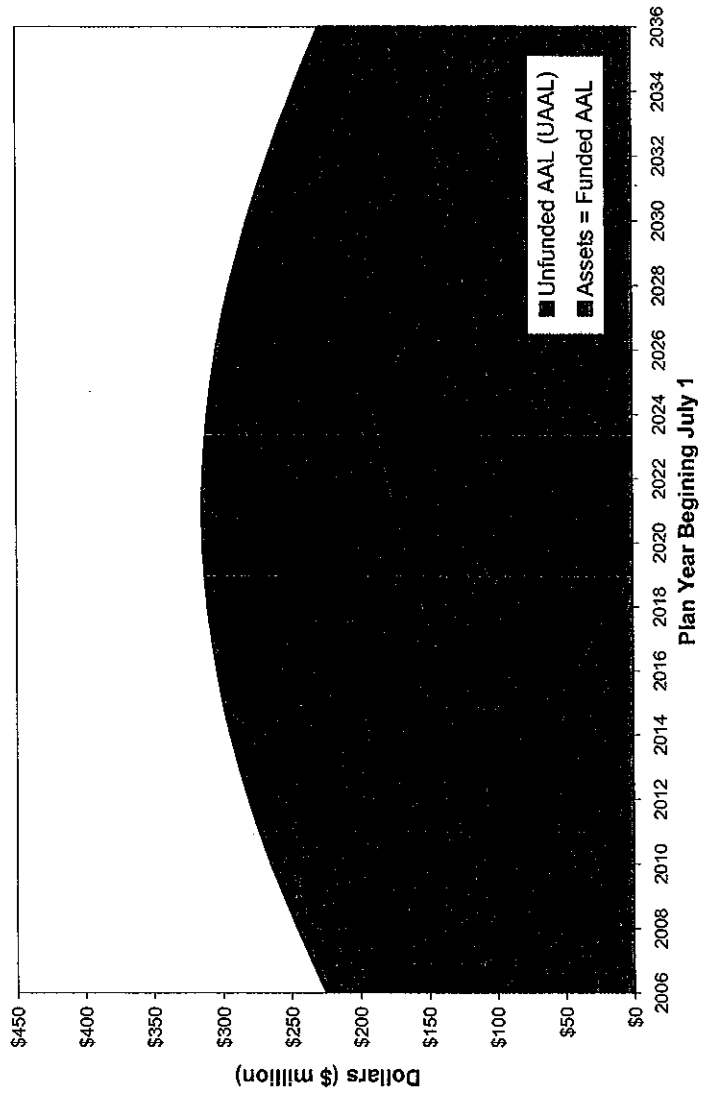


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UNDER GASB 43/45

AS OF JUNE 30, 2006

SECTION I VALUATION RESULTS
EXHIBIT 1D(ii)(a): PROJECTED LIABILITY GRAPH
BASED ON 6.0% DISCOUNT RATE
AND CONTRIBUTION = ARC

Projected Actuarial Accrued Liability (AAL), Assets, and Unfunded AAL (UAAL)
Under Static 30-Year, Level Dollar Amortization Funding
With 6.0% Discount and Contribution = ARC

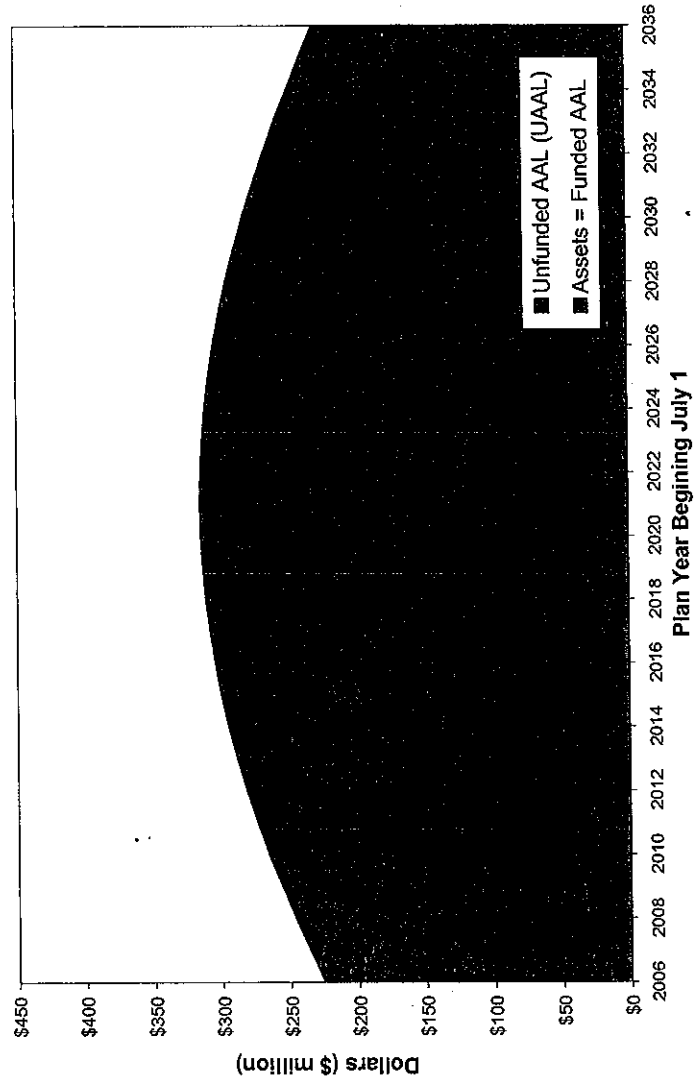


ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
UNDER GASB 43/45

AS OF JUNE 30, 2006

SECTION I VALUATION RESULTS
EXHIBIT 1D(ii)(b): PROJECTED LIABILITY GRAPH
BASED ON 6.0% DISCOUNT RATE
AND CONTRIBUTION = CASH SUBSIDY PLUS \$1 MILLION

Projected Actuarial Accrued Liability (AAL), Assets, and Unfunded AAL (UAAL)
Under Static 30-Year, Level Dollar Amortization Funding
With 6.0% Discount and Contribution = Cash Subsidy plus \$1 Million



ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
UNDER GASB 43/45

AS OF JUNE 30, 2006

SECTION I VALUATION RESULTS
EXHIBIT 1E(i): PROJECTED LIABILITY TABLE
BASED ON 3.5% DISCOUNT RATE

Plan Year Beginning July 1,	Actuarial Accrued Liability (AAL)			
	Benefit Payments	Normal Cost ³	Interest Cost ⁴	AAL ² at Beginning of Year
2006	\$ 7,786,500	\$ 9,916,100	\$ 11,661,200	\$ 335,136,700
2007	8,629,700	9,261,100	12,164,100	348,927,500
2008	9,474,300	8,840,100	12,552,800	361,723,000
2009	10,324,800	8,335,300	12,951,000	373,641,600
2010	11,235,800	7,716,200	13,272,500	384,603,100
2011	12,075,100	6,810,200	13,601,300	394,356,000
2012	12,965,700	6,181,900	13,885,300	402,692,400
2013	13,835,200	5,581,300	14,097,500	409,793,900
2014	14,670,100	4,959,500	14,318,900	415,637,500
2015	15,421,400	4,369,400	14,441,400	420,245,800
2016	16,162,400	3,917,900	14,518,300	423,635,200
2017	16,895,200	3,476,200	14,601,300	425,909,000
2018	17,569,300	2,899,300	14,635,800	427,091,300
2019	18,280,200	2,485,100	14,606,000	427,057,100
2020	18,994,500	1,930,800	14,571,900	425,868,000

Virtual Assets With Contribution = ARC ¹			
Annual Contri- bution	Virtual Assets ⁶ at Beg. of Year	AAL less Virtual Assets ⁷ at Beg. of Year	
\$ 27,827,100	\$ 27,785,500	\$ 307,351,200	
27,172,200	49,040,900	299,886,600	
26,751,100	69,562,200	292,160,800	
26,246,400	89,477,000	284,164,600	
25,627,300	108,714,500	275,888,600	
24,721,300	127,033,200	267,322,800	
24,093,000	144,235,100	258,457,300	
23,492,400	160,512,400	249,281,500	
22,870,600	175,853,000	239,784,500	
22,280,500	190,290,600	229,955,200	
21,829,000	203,853,400	219,781,800	
21,387,300	216,656,700	209,252,300	
20,810,300	228,737,000	198,354,300	
20,396,100	239,962,200	187,074,900	
19,841,900	250,467,300	175,400,700	

Virtual Assets With Contribution = Cash Subsidy + \$1 Mill ²			
Annual Contri- bution	Virtual Assets ⁶ at Beg. of Year	AAL less Virtual Assets ⁷ at Beg. of Year	
\$ 8,639,800	\$ 27,785,500	\$ 307,351,200	
9,441,100	29,520,600	319,406,900	
10,243,600	31,319,900	330,403,100	
11,042,700	33,102,400	340,539,200	
11,904,700	34,899,400	349,703,700	
12,705,500	36,673,800	357,682,200	
13,532,400	38,488,900	364,203,500	
14,338,600	40,321,300	369,472,600	
15,105,700	42,142,600	373,494,900	
15,792,200	44,000,700	376,245,100	
16,479,900	45,842,500	377,792,700	
17,123,400	47,673,500	378,235,500	
17,745,500	49,501,600	377,589,700	
18,362,900	51,355,600	375,701,500	
18,991,700	53,170,300	372,697,700	

¹ Here we have assumed a contribution equal to the GASB 43/45 Annual Required Contribution (ARC), which equals Normal Cost plus an amortization of the UAAL. For this projection we have used a "static 30-year" level dollar amortization (i.e., the initial \$17,911,100 is used in every year), whereas actual future valuation will use a "rolling 30-year" (recalculating the amortization amount based on that year's new UAAL).

² The District's current funding policy.

³ Normal Cost is the annual increase in AAL due to the additional year of service earned by active participants.

⁴ Interest Cost is approximately a full year of interest on AAL and Normal Cost, less a half-year of interest on Benefit Payments.

⁵ AAL plus Interest Cost plus Normal Cost minus Benefit Payments equals the next year's AAL.

⁶ Assets plus Contribution (with a year's interest on both) less Benefit Payments (with a half-year's interest) equal the next year's Assets.

⁷ Since the ARC is always calculated without regard to any virtual assets, such assets with ARC deposits will eventually grow to exceed the projected AAL (hence the negative entries here beginning in Year 2032/2033).

CONTRA COSTA COMMUNITY
COLLEGE DISTRICT

ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
UNDER GASB 43/45

AS OF JUNE 30, 2006

SECTION I VALUATION RESULTS
EXHIBIT 1E(i): PROJECTED LIABILITY TABLE
BASED ON 3.5% DISCOUNT RATE (CONTINUED)

Plan Year Beginning July 1,	Actuarial Accrued Liability (AAL)			AAL ⁵ at Beginning of Year
	Benefit Payments	Normal Cost ³	Interest Cost ⁴	
2021	\$ 19,656,300	\$ 1,614,000	\$ 14,466,000	\$ 423,376,200
2022	20,239,800	1,322,300	14,327,800	419,799,900
2023	20,802,000	1,124,800	14,146,700	415,210,200
2024	21,334,000	903,100	13,946,800	409,679,700
2025	21,922,200	703,700	13,719,000	403,195,600
2026	22,458,000	523,800	13,460,100	395,696,100
2027	22,938,000	346,200	13,148,500	387,222,000
2028	23,245,100	214,200	12,822,500	377,778,700
2029	23,513,700	170,500	12,455,900	367,570,300
2030	23,695,100	69,900	12,070,200	356,683,000
2031	23,828,900	13,800	11,666,300	345,128,000
2032	23,910,500	8,000	11,239,500	332,979,200
2033	23,895,200	200	10,796,500	320,316,200
2034	23,723,600	0	10,341,100	307,217,700
2035	23,527,700	0	9,876,000	293,835,200

Virtual Assets With Contribution = ARC ¹			AAL less Virtual Assets ⁷ at Beg. of Year
Annual Contri- bution	Virtual Assets ⁶ at Beg. of Year	Virtual Assets With Contribution = Cash Subsidy + \$1 Mill ²	
\$ 19,525,100	\$ 260,058,300	\$ 163,317,900	\$ 368,385,200
19,233,400	268,987,700	150,812,200	362,988,500
19,035,900	277,341,400	137,868,800	356,595,300
18,814,100	285,207,400	124,472,300	349,259,300
18,614,800	292,588,600	110,607,000	340,989,100
18,434,900	299,439,600	96,256,500	331,704,900
18,257,200	305,818,400	81,403,600	321,437,200
18,125,300	311,747,800	66,030,900	310,227,100
18,081,600	317,450,100	50,120,200	298,227,000
17,981,000	323,030,500	33,652,500	285,546,600
17,924,900	328,519,400	16,608,600	272,160,500
17,919,100	334,011,200	(1,032,000)	258,130,200
17,911,300	339,606,100	(19,289,900)	243,557,400
17,911,100	345,404,600	(38,186,900)	228,500,300
17,911,100	351,580,500	(57,745,300)	213,087,300

Virtual Assets With Contribution = Cash Subsidy + \$1 Mill ²			AAL less Virtual Assets ⁷ at Beg. of Year
Annual Contri- bution	Virtual Assets ⁶ at Beg. of Year	Virtual Assets With Contribution = Cash Subsidy + \$1 Mill ²	
\$ 19,592,300	\$ 54,991,000	\$ 368,385,200	\$ 368,385,200
20,094,500	56,811,400	362,988,500	362,988,500
20,603,600	58,614,900	356,595,300	356,595,300
21,047,900	60,420,400	349,259,300	349,259,300
21,560,600	62,206,500	340,989,100	340,989,100
22,028,100	63,991,200	331,704,900	331,704,900
22,423,500	65,784,800	321,437,200	321,437,200
22,682,400	67,551,600	310,227,100	310,227,100
22,894,700	69,343,300	298,227,000	298,227,000
23,051,300	71,136,400	285,546,600	285,546,600
23,168,100	72,967,500	272,160,500	272,160,500
23,212,800	74,849,000	258,130,200	258,130,200
23,179,600	76,758,800	243,557,400	243,557,400
23,011,300	78,717,400	228,500,300	228,500,300
22,820,600	80,747,900	213,087,300	213,087,300

1 Here we have assumed a contribution equal to the GASB 43/45 Annual Required Contribution (ARC), which equals Normal Cost plus an amortization of the UAAL. For this projection we have used a "static 30-year" level dollar amortization (i.e., the initial \$17,911,100 is used in every year), whereas actual future valuation will use a "rolling 30-year" (recalculating the amortization amount based on that year's new UAAL).

2 The District's current funding policy.

3 Normal Cost is the annual increase in AAL due to the additional year of service earned by active participants.

4 Interest Cost is approximately a full year of interest on AAL and Normal Cost, less a half-year of interest on Benefit Payments.

5 AAL plus Interest Cost plus Normal Cost minus Benefit Payments equals the next year's AAL.

6 Assets plus Contribution (with a year's interest on both) less Benefit Payments (with a half-year's interest) equal the next year's Assets.

7 Since the ARC is always calculated without regard to any virtual assets, such assets with ARC deposits will eventually grow to exceed the projected AAL (hence the negative entries here beginning in Year 2032/2033).

ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
UNDER GASB 43/45

AS OF JUNE 30, 2006

SECTION I VALUATION RESULTS
EXHIBIT 1E(ii): PROJECTED LIABILITY TABLE
BASED ON 6.0% DISCOUNT RATE

Plan Year Beginning July 1,	Actuarial Accrued Liability (AAL)				Assets and Unfunded Liability (UAAL) With Contribution = ARC			Assets and Unfunded Liability (UAAL) With Contribution = Cash Subsidy + \$1 Mill ²		
	Benefit Payments	Normal Cost ³	Interest Cost ⁴	AAL ⁵ at Beginning of Year	Annual Contri- bution	Assets ⁶ at Beginning of Year	UAAL ⁷ at Beginning of Year	Annual Contri- bution	Assets ⁶ at Beginning of Year	UAAL ⁷ at Beginning of Year
2006	\$ 7,786,500	\$ 5,218,600	\$ 13,362,400	\$ 225,080,500	\$ 19,140,300	\$ 27,785,500	\$ 197,295,000	\$ 8,639,800	\$ 27,785,500	\$ 197,295,000
2007	8,629,700	4,884,100	14,004,100	235,875,000	18,805,800	41,075,500	194,799,500	9,441,100	30,264,600	205,610,400
2008	9,474,300	4,701,100	14,567,600	246,133,500	18,622,800	53,979,300	192,154,200	10,243,600	32,878,200	213,255,300
2009	10,324,800	4,466,800	15,124,400	255,927,900	18,388,500	66,577,700	189,350,200	11,042,700	35,583,600	220,344,300
2010	11,235,800	4,151,100	15,623,600	265,194,300	18,072,800	78,816,400	186,377,900	11,904,700	38,399,700	226,794,600
2011	12,075,100	3,653,000	16,107,900	273,733,200	17,574,700	90,505,900	183,227,300	12,705,500	41,313,700	232,419,500
2012	12,965,700	3,327,400	16,545,000	281,419,000	17,249,100	101,531,300	179,887,700	13,532,400	44,374,400	237,044,600
2013	13,835,200	3,018,100	16,916,400	288,325,700	16,939,800	111,978,000	176,347,700	14,338,600	47,565,100	240,760,600
2014	14,670,100	2,681,800	17,274,600	294,425,000	16,603,500	121,829,800	172,595,200	15,105,700	50,873,900	243,551,100
2015	15,421,400	2,358,600	17,550,600	299,711,300	16,280,300	131,093,600	168,617,700	15,792,200	54,338,200	245,373,100
2016	16,162,400	2,122,000	17,779,400	304,199,100	16,043,700	139,797,600	164,401,500	16,479,900	57,934,400	246,264,700
2017	16,895,200	1,894,000	17,989,600	307,938,100	15,815,700	148,005,800	159,932,300	17,123,400	61,679,800	246,258,300
2018	17,569,300	1,579,500	18,148,600	310,926,500	15,501,200	155,731,500	155,195,000	17,745,500	65,572,400	245,354,100
2019	18,280,200	1,359,700	18,245,400	313,085,300	15,281,400	162,911,900	150,173,400	18,362,900	69,653,900	243,431,400
2020	18,994,500	1,053,300	18,312,200	314,410,200	14,975,000	169,559,700	144,850,500	18,991,700	73,878,800	240,531,400

1 Here we have assumed a contribution equal to the GASB 43/45 Annual Required Contribution (ARC), which equals Normal Cost plus an amortization of the UAAL. For this projection we have used a "static 30-year" level dollar amortization (i.e., the initial \$13,921,700 is used in every year), whereas actual future valuation will use a "rolling 30-year" (recalculating the amortization amount based on that year's new UAAL).

2 The District's current funding policy.

3 Normal Cost is the annual increase in AAL due to the additional year of service earned by active participants.

4 Interest Cost is approximately a full year of interest on AAL and Normal Cost, less a half-year of interest on Benefit Payments.

5 AAL plus Interest Cost plus Normal Cost minus Benefit Payments equals the next year's AAL.

6 Assets plus Contribution (with a year's interest on both) less Benefit Payments (with a half-year's interest) equal the next year's Assets.

7 UAAL equals the excess of AAL over assets.

ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
UNDER GASB 43/45

AS OF JUNE 30, 2006

SECTION I VALUATION RESULTS
EXHIBIT 1E(ii): PROJECTED LIABILITY TABLE
BASED ON 6.0% DISCOUNT RATE (CONTINUED)

Plan Year Beginning July 1,	Actuarial Accrued Liability (AAL)			AAL ⁵ at Beginning of Year
	Benefit Payments	Normal Cost ³	Interest Cost ⁴	
2021	\$ 19,656,300	\$ 883,900	\$ 18,308,700	\$ 314,781,200
2022	20,239,800	726,400	18,260,500	314,317,500
2023	20,802,000	624,100	18,161,300	313,064,600
2024	21,334,000	504,600	18,024,800	311,048,000
2025	21,922,200	395,300	17,843,500	308,243,400
2026	22,458,000	296,100	17,613,400	304,560,000
2027	22,938,000	195,800	17,321,400	300,011,500
2028	23,245,100	122,000	16,991,700	294,590,700
2029	23,513,700	98,600	16,612,900	288,459,300
2030	23,695,100	40,200	16,197,800	281,657,100
2031	23,828,900	8,100	15,747,700	274,200,000
2032	23,910,500	4,800	15,260,800	266,126,900
2033	23,895,200	100	14,742,600	257,482,000
2034	23,723,600	0	14,198,500	248,329,500
2035	23,527,700	0	13,632,700	238,804,400

Assets and Unfunded Liability (UAAL)			UAAL ⁷ at Beginning of Year
Annual Contri- bution	Assets ⁶ at Beginning of Year	Assets and Unfunded Liability = ARC	
\$ 14,805,600	\$ 175,572,900	\$ 139,208,300	\$ 139,208,300
14,648,100	181,090,000	133,227,500	133,227,500
14,545,800	186,176,700	126,887,900	126,887,900
14,426,300	190,880,100	120,167,900	120,167,900
14,317,000	195,198,700	113,044,700	113,044,700
14,217,800	199,065,900	105,494,100	105,494,100
14,117,500	202,521,000	97,490,500	97,490,500
14,043,700	205,584,000	89,006,700	89,006,700
14,020,300	208,445,500	80,013,800	80,013,800
13,961,900	211,175,800	70,481,300	70,481,300
13,929,800	213,823,100	60,376,900	60,376,900
13,926,500	216,460,600	49,666,300	49,666,300
13,921,800	219,169,000	38,313,000	38,313,000
13,921,700	222,051,000	26,278,500	26,278,500
13,921,700	225,282,400	13,522,000	13,522,000

Assets and Unfunded Liability (UAAL)			UAAL ⁷ at Beginning of Year
Annual Contri- bution	Assets ⁶ at Beginning of Year	Assets and Unfunded Liability = Cash Subsidy + \$1 Mill ²	
\$ 19,592,300	\$ 78,286,600	\$ 236,494,600	\$ 236,494,600
20,094,500	82,894,700	231,422,800	231,422,800
20,603,600	87,697,100	225,367,500	225,367,500
21,047,900	92,728,700	218,319,300	218,319,300
21,560,600	97,975,500	210,267,900	210,267,900
22,028,100	103,467,100	201,092,900	201,092,900
22,423,500	109,227,500	190,784,000	190,784,000
22,682,400	115,244,400	179,346,300	179,346,300
22,894,700	121,579,600	166,879,700	166,879,700
23,051,300	128,234,700	153,422,400	153,422,400
23,168,100	135,263,700	138,936,300	138,936,300
23,212,800	142,699,100	123,427,800	123,427,800
23,179,600	150,542,700	106,939,300	106,939,300
23,011,300	158,838,500	89,491,000	89,491,000
22,820,600	167,635,600	71,168,800	71,168,800

1 Here we have assumed a contribution equal to the GASB 43/45 Annual Required Contribution (ARC), which equals Normal Cost plus an amortization of the UAAL. For this projection we have used a "static 30-year" level dollar amortization (i.e., the initial \$13,921,700 is used in every year), whereas actual future valuation will use a "rolling 30-year" (recalculating the amortization amount based on that year's new UAAL).

2 The District's current funding policy.

3 Normal Cost is the annual increase in AAL due to the additional year of service earned by active participants.

4 Interest Cost is approximately a full year of interest on AAL and Normal Cost, less a half-year of interest on Benefit Payments.

5 AAL plus Interest Cost plus Normal Cost minus Benefit Payments equals the next year's AAL.

6 Assets plus Contribution (with a year's interest on both) less Benefit Payments (with a half-year's interest) equal the next year's Assets.

7 UAAL equals the excess of AAL over assets.

SECTION II ACTUARIAL ASSUMPTIONS AND METHODS
GENERAL INFORMATION

The Actuarial Accrued Liability (AAL) is equal to that portion of the Actuarial Present Value of Benefits deemed to have been earned to date, calculated using the Projected Unit Credit actuarial cost method. For active employees who have not yet attained full eligibility for postretirement benefits, this method assigns a proration based on service to date compared with service at the earliest date of full eligibility for benefits. For the amortizations of Unfunded AAL and Net OPEB Obligation we used the "level dollar" method over a static 30 years.

The AAL resulting from our calculations and shown in this report are contingent upon a variety of assumptions about future events. We have grouped our valuation assumptions into the three exhibits described below. Note that actual experience is likely to vary from these assumptions.

- Exhibit 2A: Demographic Assumptions – Mortality, turnover, disability, retirement, and other items that affect the number of people eligible to receive future retiree benefits and the type of coverage elected.
- Exhibit 2B: Economic Assumptions – Rates of discount, compensation increase (if applicable), self-pay increase (if applicable), and health care trend.

- Exhibit 2C: Per-Capita Cost Assumptions – Current benefit costs and expenses as determined by historical experience and by future expectations for the Plan.

The Certificated mortality, turnover, disability, and retirement tables in Exhibit 2A are from the June 30, 2003 CalSTRS pension valuation and are based on a study of experience for the four years ending June 30, 2003. The corresponding Classified tables are from the June 30, 2005 CalPERS pension valuation and are based on a study of "non-industrial school employee" experience for the four years ending June 30, 2005. For each 10,000 active male Certificated participants age 40, we expect that in the next year 206 will terminate employment with no benefits, 9 will die, and 8 will become disabled. Likewise, for each 10,000 active male Classified participants age 40, we expect that in the next year 661 will terminate employment with no benefits, 8 will die, and 14 will become disabled. Upon attainment of the minimum age and service for benefits, turnover rates cut out and retirement rates begin. A sample of retirement rates is shown in Exhibit 2A, as split by service years for Certificated and by entry age for Classified. The participation and dependent assumptions at the end of Exhibit 2A are based on our study of the choices made by current retirees.

ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
UNDER GASB 43/45

AS OF JUNE 30, 2006

SECTION II ACTUARIAL ASSUMPTIONS AND METHODS
GENERAL INFORMATION (CONTINUED)

The discount rate at the beginning of *Exhibit 2B* is the expected long-term rate of return on District assets. No compensation increase rate is needed unless the amortizations of Unfunded AAL and Net OPEB Obligation use the "level percent of pay" method. The remainder of the exhibit describes the anticipated future annual increases in per-capita benefit costs and operating expenses. The 2006 trend rates begin at various levels based on anticipated renewal increases in the short-term, then are graded down each year until they reach an ultimate rate of between 5% and 6% (reflecting the expected long-term trend for the medical Consumer Price Index) by the year 2015/2016.

In *Exhibit 2C* we have set the "net claims relative value factor" for ages 55 to 59 at a value of 1.000. The factors at all other ages are expressed relative to that base value factor. For example, the Health Net medical factor at ages 60 to 64 is 1.150, which means that expected costs at those ages are 15.0% higher than expected costs for ages 55 to 59. The "net claim multiplier" is then the annual per-capita cost or expense in Plan Year 2006/2007 (i.e., prior to the application of the trend rates detailed in *Exhibit 2B*) at the base age range of 55 to 59. In calculating this, we have considered the per-capita premium history and the demographics of the active and retiree groups. Dependent children costs were included with the adult figures.

**ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
UNDER GASB 43/45**

AS OF JUNE 30, 2006

**SECTION II ACTUARIAL ASSUMPTIONS AND METHODS
EXHIBIT 2A: DEMOGRAPHIC ASSUMPTIONS**

MORTALITY: Rates are from the June 30, 2003 pension valuation for CalSTRS (Certificated) and the June 30, 2005 valuation for CalPERS (Classified)¹. Note that for Certificated, the active rates are equal to retired rates with a two-year setback. Sample rates are as follows:

AGE	CERTIFICATED					
	ACTIVE		RETIRED		DISABLED ²	
	MALE RATE	FEMALE RATE	MALE RATE	FEMALE RATE	MALE RATE	FEMALE RATE
20	0.03%	0.02%	0.04%	0.03%	2.50%	2.20%
30	0.07	0.03	0.07	0.03	2.50	2.20
40	0.09	0.05	0.09	0.06	2.50	2.20
50	0.16	0.10	0.19	0.12	2.50	2.20
60	0.44	0.26	0.56	0.34	2.50	2.20
70	1.45	0.97	1.80	1.18	2.85	2.20
80	4.09	2.90	5.02	3.78	7.55	4.39

	CLASSIFIED					
	ACTIVE		RETIRED		DISABLED	
	MALE RATE	FEMALE RATE	MALE RATE	FEMALE RATE	MALE RATE	FEMALE RATE
	0.02%	0.01%	0.05%	0.03%	0.73%	0.52%
	0.04	0.02	0.08	0.03	0.77	0.58
	0.08	0.05	0.10	0.07	0.87	0.64
	0.16	0.10	0.25	0.14	1.46	1.13
	0.31	0.23	0.72	0.44	2.87	1.88
	0.63	0.50	2.14	1.28	4.67	3.02
	1.28	1.11	6.26	3.88	9.48	6.51

¹ Classified rates are for non-industrial school employees.

² Certificated mortality rates for the first three years of disablement for males are 11.4%, 7.7%, and 6.2%, and for females are 6.0%, 3.8%, and 3.0% for all ages.

SECTION II ACTUARIAL ASSUMPTIONS AND METHODS
EXHIBIT 2A: DEMOGRAPHIC ASSUMPTIONS (CONTINUED)

TURNOVER: Rates are from the June 30, 2003 pension valuation for CalSTRS (Certificated) and the June 30, 2005 valuation for CalPERS (Classified), except that we used an average of the select and ultimate periods (with weights equal to the current number of actives in each service year). Sample rates are as follows:

AGE	CERTIFICATED		CLASSIFIED	
	MALE RATE	FEMALE RATE	MALE RATE	FEMALE RATE
20	2.06%	2.68%	5.37%	5.37%
30	2.06	2.68	7.02	7.02
40	2.06	2.21	6.61	6.61
50	2.08	2.03	3.40	3.40
60	2.09	2.03	2.38	2.38

DISABILITY: Rates are from the June 30, 2003 pension valuation for CalSTRS (Certificated) and the June 30, 2005 valuation for CalPERS (Classified), except that for Certificated participants we used only the "Coverage A" rates. Sample rates are as follows:

AGE	CERTIFICATED		CLASSIFIED	
	MALE RATE	FEMALE RATE	MALE RATE	FEMALE RATE
20	0.02%	0.02%	0.00%	0.00%
30	0.03	0.03	0.04	0.03
40	0.08	0.09	0.14	0.10
50	0.16	0.22	0.50	0.30
60	0.25	0.28	0.71	0.37

¹ Classified rates are for non-industrial school employees.

SECTION II ACTUARIAL ASSUMPTIONS AND METHODS
EXHIBIT 2A: DEMOGRAPHIC ASSUMPTIONS (CONTINUED)

RETIREMENT: Rates are from the June 30, 2003 pension valuation for CalSTRS (Certificated) and the June 30, 2005 valuation for CalPERS (Classified)¹, except that for Classified participants we averaged the rates within ten-year brackets of entry age. Complete rates for ages 55 to 65 and sample rates thereafter are as follows:

AGE	CERTIFICATED				CLASSIFIED				
	LESS THAN 30 YEARS OF SERVICE		30 OR MORE YEARS OF SERVICE		ENTRY AGE 20 - 29	ENTRY AGE 30 - 39	ENTRY AGE 40 - 49	ENTRY AGE 50 - 59	ENTRY AGE 60+
	MALE RATE	FEMALE RATE	MALE RATE	FEMALE RATE					
55	3.0%	5.0%	6.0%	8.0%	8.0%	6.5%	4.0%	2.0%	0.0%
56	2.0	3.5	6.0	8.0	7.0	5.5	3.5	1.5	0.0
57	2.0	3.5	6.0	10.0	7.5	6.0	4.0	2.0	0.0
58	3.0	4.5	12.0	15.0	9.5	7.0	5.0	2.5	0.0
59	5.0	6.0	16.0	18.0	11.0	8.5	6.0	3.0	0.0
60	7.0	10.0	25.0	30.0	17.5	13.5	10.5	5.5	0.0
61	7.0	10.0	40.0	35.0	18.0	14.0	10.5	6.0	0.0
62	9.0	12.0	35.0	32.0	38.5	29.5	23.0	13.0	0.0
63	13.0	18.0	27.0	30.0	35.0	27.0	21.5	12.5	0.0
64	12.0	15.0	27.0	27.0	27.5	21.5	17.0	10.0	0.0
65	14.0	16.0	27.0	27.0	47.0	38.0	30.0	18.5	9.0
70	100.0	100.0	100.0	100.0	41.0	32.0	24.5	18.5	10.0
75	100.0	100.0	100.0	100.0	71.5	28.5	23.0	18.0	10.5
80+	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

¹ Classified rates are for non-industrial school employees.

ACTUARIAL VALUATION OF
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SECTION II ACTUARIAL ASSUMPTIONS AND METHODS
EXHIBIT 2A: DEMOGRAPHIC ASSUMPTIONS (CONTINUED)

Hire Date	Retirement Conditions (in addition to receipt of CalSTRS/PERS pension)	Age and Disability Status ¹	District Subsidy of Medical/Dental Premiums		Assumed Future Retiree Participation Rates			Assumed Future Retiree Covered Spouse Rates ²	
			Retiree	Spouse	Medical ³	Cash	Dental	Male	Female
Prior to July 1, 1984	Service of at least 10 years (or disabled with at least 5 years)	any	100%	100%	94%	6%	100%	75%	45%
Within July 1, 1984 to June 30, 2005	Age/service points of at least 80 (or disabled with at least 15 years) Age/service points of 70 to 79 (or disabled with 10 to 14 years)	any	100%	50%	92%	8%	100%	70%	40%
On or after July 1, 2005	Age/service points of at least 80 (or disabled with at least 15 years) Age/service points of 70 to 79 (or disabled with 10 to 14 years)	Under age 65	100%	25%	90%	10%	100%	60%	30%
		Age 65+ or disabled	50%	0%	90%	10%	100%	50%	25%
		Under age 65	50%	25%	85%	15%	100%	45%	25%
		Age 65+ or disabled	25%	0%	85%	15%	100%	45%	25%

¹ We assumed that all current retirees under age 65 and all future retirees will be eligible for and enroll in Medicare Parts A and B upon attainment of age 65. For current retirees age 65 and over, Medicare status was based upon description codes provided on the census.

² For future retirees, husbands were assumed to be three years older than their wives (or two years in the case of a classified female retiree). Demographic data was available for spouses of current retirees.

³ Among future retirees electing medical coverage (versus cash-in-lieu), 70% were assumed to choose Kaiser, 25% Health Net, and 5% Health Net Elect. (These percentages closely reflect the current mix of retiree coverage in non-grandfathered medical plans.) It was assumed that Medicare Part B premiums were reimbursed only when medical coverage was elected.

**ACTUARIAL VALUATION OF
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**SECTION II ACTUARIAL ASSUMPTIONS AND METHODS
EXHIBIT 2B: ECONOMIC ASSUMPTIONS**

DISCOUNT RATE: 3.50% per annum, if monies are not irrevocably dedicated for retiree benefits
6.00% per annum, if monies are irrevocably dedicated for retiree benefits

COMPENSATION INCREASE RATE: Not applicable

TREND RATES:¹

PLAN YEAR BEG. JULY 1	KAISER FOR UNDER AGE 65	KAISER FOR AGE 65 & OVER	HEALTH NET	HEALTH ELECT	BLUE CROSS & KAISER COST	MEDICARE PART B REIMBURSEMENT	DENTAL	CASH-IN-LIEU
2006	8.0%	10.0%	11.0%	10.0%	23.0%	13.5%	7.0%	9.5%
2007	8.0	9.5	10.5	9.5	18.5	13.0	7.0	9.5
2008	7.5	9.0	10.0	9.0	14.0	12.0	6.5	9.0
2009	7.5	9.0	9.5	8.5	11.5	11.0	6.5	8.5
2010	7.0	8.5	9.0	8.0	9.5	10.0	6.0	8.0
2011	7.0	8.0	8.5	7.5	9.0	9.0	6.0	7.5
2012	6.5	7.5	8.0	7.0	8.0	8.0	5.5	7.0
2013	6.5	7.0	7.0	6.5	7.0	7.0	5.5	6.5
2014	6.0	6.0	6.0	6.0	6.0	6.0	5.0	6.0
2015+	5.5	5.5	5.5	5.5	5.5	5.0	5.0	5.5

¹ The trend shown for a particular year is the rate that must be applied to that year's cost to yield the next year's projected cost.

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SECTION II ACTUARIAL ASSUMPTIONS AND METHODS
EXHIBIT 2C: PER-CAPITA COST ASSUMPTIONS

NET CLAIMS MULTIPLIERS (i.e., Plan Year 2006/2007 annual cost for relative value factor = 1.00)

KAISER	HEALTH NET	HEALTH NET ELECT	BLUE CROSS & KAISER COST	MEDICARE PART B REIMBURSEMENT	DENTAL	CASH-IN-LIEU FOR RETIREE ¹	CASH-IN-LIEU FOR SPOUSE ¹
\$7,804	\$7,279	\$8,225	\$6,612	\$1,134	\$863	\$4,157	\$2,079

NET CLAIMS RELATIVE VALUE FACTORS

AGE	KAISER	HEALTH NET	HEALTH NET ELECT	BLUE CROSS & KAISER COST	MEDICARE PART B REIMBURSEMENT	DENTAL	CASH-IN-LIEU FOR RETIREE	CASH-IN-LIEU FOR SPOUSE
Under 50	1.000	0.655	0.655	0.000	0.000	1.000	1.000	1.000
50 - 54	1.000	0.800	0.800	0.000	0.000	1.000	1.000	1.000
55 - 59	1.000	1.000	1.000	0.000	0.000	1.000	1.000	1.000
60 - 64	1.000	1.150	1.150	0.000	0.000	1.000	1.000	1.000
65 - 69 ²	0.540 ³	1.780	1.295	1.000	1.000	1.000	1.000	1.000
70 - 74	0.540 ³	1.780	1.435	1.000	1.000	1.000	1.000	1.000
75 - 79	0.540 ³	1.780	1.590	1.000	1.000	1.000	1.000	1.000
80 and Over	0.540 ³	1.780	1.865	0.990	1.000	1.000	1.000	1.000

¹ The cash-in-lieu multipliers shown above are only for those hired on or after July 1, 1984: the Kaiser single rate for retirees, and the excess of 75% of the Kaiser two-party rate over the Kaiser single rate for spouses. Retirees who were hired prior to July 1, 1984 have a multiplier of \$5,259 (the average single rate for Kaiser, Health Net, and Health Net Elect) and their spouses have a multiplier of \$5,508 (excess of the average two-party rate over the average single rate).

² The age 65 relative value factor is applied to all disabled participants under age 65.

³ For current retirees and spouses who were age 65 and over on the valuation date, we used a Kaiser relativity factor of 0.630.

SECTION III SUMMARY OF PARTICIPANT DATA

DISTRIBUTION OF ACTIVE PARTICIPANTS BY AGE AT JUNE 30, 2006

AGE GROUP	Certificated	Classified	All Actives
Under 20	0	0	0
20 - 24	0	4	4
25 - 29	1	27	28
30 - 34	16	33	49
35 - 39	27	63	90
40 - 44	47	80	127
45 - 49	70	87	157
50 - 54	98	86	184
55 - 59	116	100	216
60 - 64	83	51	134
65 - 69	13	13	26
70 and Over	<u>8</u>	<u>2</u>	<u>10</u>
Total	479	546	1,025
Average Age	53	48	50
Average Service Years	14.0	10.5	12.1

DISTRIBUTION OF CURRENT RECIPIENTS BY AGE AT JUNE 30, 2006

AGE GROUP	RETIREEES ¹	SPOUSES	TOTAL
Under 50	7	14	21
50 - 54	8	19	27
55 - 59	57	39	96
60 - 64	79	60	139
65 - 69	131	68	199
70 - 74	119	85	204
75 - 79	140	57	197
80 & Over	170	58	228
Unknown ²	<u>4</u>	<u>0</u>	<u>4</u>
Total	715	400	1,115

¹ Includes surviving spouses of deceased retirees.

² There were two retirees and two survivors with no dates of birth. We assumed they were ages 77 and 72 respectively (the average known ages of retirees and survivors) as of June 30, 2006.

ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
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AS OF JUNE 30, 2006

SECTION IV SUMMARY OF PRINCIPAL PLAN PROVISIONS

ELIGIBILITY AND COST-SHARING

Eligibility for retiree health benefits is based on age, service and eligibility for pension benefits under either the California State Teachers' Retirement System (CalSTRS) or California Public Employees' Retirement System (CalPERS). The eligibility provisions adopted for our calculations are as follows:

a. **Normal/Early Retirement:** To be eligible for retiree health benefits, participants must retire from active full-time or "percent of time"¹ status and be eligible for pension benefits from CalSTRS (which requires at least age 55 with 5 years of service, or at least age 50 with 30 years of service) or CalPERS (which requires at least age 50 with 5 years of service). The District and retirees share in the cost of health benefits in the following manner:

- For participants hired prior to July 1, 1984: The District pays 100% of the medical and dental premiums for the retiree and his/her dependents, so long as s/he was employed by the District for ten consecutive years prior to retirement.

¹ CalPERS "percent of time" participants receive a corresponding percent of benefit for medical, dental and cash-in-lieu. For this valuation we assumed that all percent of time employees will convert to full-time status prior to retirement.

- For participants hired on or after July 1, 1984 but prior to July 1, 2005:² If the participant retired under the Rule of 80, the District pays 100% of the retiree's medical/dental premiums and 50% for the dependents. Otherwise, if the participant retired under the Rule of 70, the District pays 50% of the retiree's medical/dental premiums and 25% for the dependents.

- For participants hired on or after July 1, 2005:² Retirees and dependents under age 65 have the same cost sharing as those hired July 1, 1984 through June 30, 2005. For retirees age 65 and over, the District pays 50% of medical/dental premiums if retired under the Rule of 80 or 25% if the Rule of 70. For dependents age 65 and over, the District pays no portion of premiums.

² Note that the medical subsidy percentages do not apply to Medicare Part B premiums, which are always reimbursed in full.

ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
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AS OF JUNE 30, 2006

SECTION IV SUMMARY OF PRINCIPAL PLAN PROVISIONS (CONTINUED)

- b. Disability Retirement:** To be eligible for disabled retiree health benefits, participants must retire from active full-time or "percent of time" status and be eligible for disabled pension benefits from CalSTRS or CalPERS (both of which require only 5 years of service). The District and retirees then share in the cost of health benefits in the following manner:
- For participants hired prior to July 1, 1984: The District pays 100% of the medical/dental premiums for the retiree and his/her dependents.
 - For participants hired on or after July 1, 1984 but prior to July 1, 2005:¹ If the participant retired with at least 15 years of service, the District pays 100% of the retiree's medical/dental premiums and 50% for the dependents. Otherwise, if the participant retired with 10 to 14 years of service, the District pays 50% of the retiree's medical/dental premiums and 25% for the dependents. Participants with less than 10 years of service are not eligible for retiree health benefits.
 - For participants hired on or after July 1, 2005:¹ Retirees and dependents under age 65 have the same cost sharing as those hired July 1, 1984 through June 30, 2005. For retirees age 65 and over, the District pays 50% of medical/dental premiums if retired with at least 15 years of service or 25% with 10 to 14 years of service. Participants with less than 10 years of service are not eligible for retiree health benefits. For dependents age 65 and over, the District pays no portion of premiums.
 - **Surviving Spouse/Dependent:** All survivors (of actives or retirees) continue to receive six months coverage, without self-pay, after the participant's death. After six months, the surviving spouse and/or dependents may remain in the retiree health program by paying the full premium for medical (available for lifetime) and COBRA rates for dental (for COBRA period only).
 - **Dependents:** To be eligible, a dependent must be a legal spouse or domestic partner as defined in the District's contracts with Local 1 and the United Faculty, or an unmarried child as defined in the contract with Kaiser (allowing up to age 24) or Health Net (allowing up to age 19, or up to age 25 if a full-time student or otherwise incapable of self-support due to mental or physical incapacity).

¹ CalPERS "percent of time" participants receive a corresponding percent of benefit for medical, dental and cash-in-lieu. For this valuation we assumed that all percent of time employees will convert to full-time status prior to retirement.

ACTUARIAL VALUATION OF
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SECTION IV SUMMARY OF PRINCIPAL PLAN PROVISIONS (CONTINUED)

MEDICAL Benefits for Non-Medicare Retired Participants¹

	KAISER	HEALTH NET	HEALTH NET ELECT	
			TIER I	TIER II
Annual Out-of-Pocket Maximum (excl. deductible)	\$1,500 per individual, or \$3,000 per family.	\$1,500 per individual, or \$4,500 per family.	\$3,000 per individual, or \$6,000 per family.	\$3,000 per individual, or \$6,000 per family.
Hospital Room Services	\$100 copay per admission.	\$100 copay per admission.	\$100 copay per admission.	20% copay.
X-Ray and Lab	No charge.	No charge.	No charge.	20% copay.
Office Visits	\$15 copay.	\$15 copay.	\$15 copay.	\$25 copay.
Skilled Nursing Facility	No charge for up to 100 days per calendar year.	\$100 copay for up to 100 days per calendar year.	\$100 copay for up to 60 days per calendar year.	20% copay for up to 60 days per calendar year.
Home Health Care	No charge.	No charge for first 30 days, then \$15 copay per day thereafter.	\$15 copay for up to 100 days per calendar year.	\$25 copay for up to 100 days per calendar year.
Mental Health Care	Inpatient: \$100 copay per admission for up to 30 days per year. Outpatient: \$15 copay per visit for up to 20 visits / year.	Inpatient: No charge for up to 30 days per year. Outpatient: \$20 copay per visit for up to 20 visits per group session with no limit on number of sessions. Provided through Managed Health Network (MHN).		
Alcohol or Drug Dependency	Inpatient Detox: \$100 copay/ admission. Outpatient: \$15 copay with no visit limit. Transitional Residence Recovery: \$100 copay/admission for up to 60 days/ year.	Inpatient Detox: No charge for up to 30 days per year. Outpatient: \$20 (or \$10 for group session) copay per visit for up to 20 visits per year.		
Prescription Drug (Outpatient)	Copays per 100-day supply: \$5 generic, \$15 brand, 50% for infertility and other.	\$5 copay - 30 day supply. \$15 copay - 90 day supply (mail order).	\$5 copay - 30 day supply. \$15 copay - 90 day supply (mail order).	\$5 copay - 30 day supply. \$15 copay - 90 day supply (mail order).
Emergency Room Benefits	\$50 copay per emergency room visit, waived if admitted.	\$50 copay per emergency room visit.	\$50 copay for facility.	\$75 copay for facility, 20% copay for professional per emergency room visit.

¹ The District also offers a Flex Net option and several Kaiser out-of-area plans. Because enrollments in these plans are very low, we did not calculate separate per capita costs for these benefit options. Rather, enrollees in these plans were valued as participants in Health Net (for the Flex Net enrollee) or the local Kaiser plan (for Kaiser out-of-area enrollees).

**ACTUARIAL VALUATION OF
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SECTION IV SUMMARY OF PRINCIPAL PLAN PROVISIONS (CONTINUED)

MEDICAL Benefits for Medicare Retired Participants¹

	KAISER SENIOR ADVANTAGE	HEALTH NET	KAISER COST ²	BLUE CROSS ²
Annual Out-of-Pocket Maximum	\$1,500 per individual, or \$3,000 per family.	\$1,500 per individual, or \$4,500 per family.	\$1,500 per individual, or \$3,000 per family.	None.
Hospital Room Services	\$100 copay per admission.	\$100 copay per admission.	\$5 copay.	Pays Medicare coinsurance up to 90 days lifetime maximum.
X-Ray and Lab	No charge.	No charge.	No charge	Pays Medicare coinsurance.
Office Visits	\$15 copay.	\$5 copay.	\$5 copay	Pays Medicare coinsurance.
Skilled Nursing Facility	No charge for up to 100 days per calendar year.	No charge for up to 100 days per calendar year.	No charge for up to 100 days per calendar year.	Pays Medicare coinsurance.
Home Health Care	No charge.	No charge first 30 days, \$15 copay per day thereafter.	No charge.	Pays Medicare coinsurance.
Mental Health Care	Inpatient: \$100 copay per admission for up to 190 lifetime maximum days. Outpatient: \$15 copay with unlimited visits.	Inpatient: No charge for up to 30 days per year. Outpatient: \$20 copay per visit for up to 20 visits per year, \$5 copay per group session with no limit on number of sessions. Provided through Managed Health Network (MHN).	Inpatient: \$5 copay per admission for up to 30 days per year. Outpatient: \$5 copay per visit for up to 20 visits per year.	Pays Medicare coinsurance up to 190 days lifetime maximum.

¹ The District also offers a Flex Net option and several Kaiser out-of-area plans. Because enrollments in these plans are very low, we did not calculate separate per capita costs for these benefit options. Rather, enrollees in these plans were valued as participants in Health Net (for the Flex Net enrollee) or the local Kaiser plan (for Kaiser out-of-area enrollees).

² Kaiser Cost and Blue Cross plans are closed to new enrollees.

SECTION IV SUMMARY OF PRINCIPAL PLAN PROVISIONS (CONTINUED)

MEDICAL Benefits for Medicare Retired Participants¹ (Continued)

	KAISER SENIOR ADVANTAGE	HEALTH NET	KAISER COST ²	BLUE CROSS ²
Alcohol or Drug Dependency	Inpatient Detox: \$100 copay per admission. Outpatient: No charge. Transitional Residence Recovery: \$100 copay per admission for up to 60 days per year.	Inpatient Detox: No charge for up to 30 days per year. Outpatient: \$20 (or \$10 for group session) copay per visit for up to 20 visits per year.	Inpatient Detox: No charge. Outpatient: \$5 copay per visit for up to 20 visits per year. Transitional Residence Recovery: \$100 copay per admission for up to 60 days per year.	Pays Medicare coinsurance.
Prescription Drug (Outpatient)	Copays per 100-day supply: \$5 generic, \$15 brand, 50% for infertility and other.	\$5 copay - 30 day supply. \$15 copay - 90 day supply (mail order).	\$5 copay per 100-day supply.	\$8 copay (mail order), 50% negotiated fee.
Emergency Room Benefits	\$50 copay per emergency room visit.	\$50 copay per emergency room visit.	\$35 copay per emergency room visit.	No charge.

OTHER Benefits for Retired Participants

Medicare Part B Reimbursement	So long as a medical plan is elected (versus cash-in-lieu), any Medicare Part B premiums will be reimbursed.
Cash-in-Lieu	For participants hired prior to July 1, 1984, the retiree cash-in-lieu amount is the average single rate (for Kaiser, Health Net, and Health Net Elect), and the spouse amount is the excess of the average two-party rate over the average single rate. For participants hired on or after July 1, 1984, the retiree amount is the Kaiser single rate and the spouse amount is the excess of 75% of the Kaiser two-party rate over the Kaiser single rate.
Dental	For Preventive and Basic services, Delta Dental covers 100% after three years of employment (or 70% to 90% within years one to three) up to \$2,000 per person per calendar year. Major and Orthodontic services are covered at 50% up to \$2,000 per lifetime (where separate maximums are applied for each service type).

¹ The District also offers a Flex Net option and several Kaiser out-of-area plans. Because enrollments in these plans are very low, we did not calculate separate per capita costs for these benefit options. Rather, enrollees in these plans were valued as participants in Health Net (for the Flex Net enrollee) or the local Kaiser plan (for Kaiser out-of-area enrollees).

² Kaiser Cost and Blue Cross plans are closed to new enrollees.

ACTUARIAL VALUATION OF
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SECTION V NOTES TO AUDITOR

1. Included in the calculation are the following participant groups:
 - Retirees and eligible spouses covered under the Contra Costa Community College District health plans; and
 - Full-time and "percent of time" active participants in the Contra Costa Community College District health plans.
2. We excluded part-time actives from our calculations because they have a very low incidence of becoming full-time (or percent of time) employees and therefore are unlikely to be eligible for retiree benefits in the future. In the event a part-time participant becomes a full-time (or percent of time) employee, a new liability will be calculated for him/her at such time.
3. In general, our calculations were based on our understanding of the Plan as provided in the collective bargaining agreements between the District and the United Faculty of Contra Costa Community College District, and between the District and Public Employees Union, Local 1. In areas where there were inconsistencies between the two agreements and/or between the agreement(s) and administrative practices, we relied on the District to provide the definitive plan provisions.
4. We used premium rate information provided by the District's consultant for our analysis of per-capita claims costs. Per-capita medical, Medicare Part B, and dental costs were based on the actual premiums for 2006/2007. For non-Medicare medical, actuarial factors were applied to the blended active/retiree premiums to estimate retiree-only costs within five-year age groups and to account for the implicit subsidy of the retirees by the actives. Cash-in-lieu benefits were based on formulas provided by the District (as described on page 29). There are no administrative expenses associated with this plan.
5. The District also offers a Flex Net option and several Kaiser out-of-area plans. Because enrollments in these plans are very low, we did not calculate separate per capita costs for these benefit options. Rather, enrollees in these plans were valued as participants in Health Net (for the Flex Net enrollee) or the local Kaiser plan (for Kaiser out-of-area enrollees).
6. Because the census did not indicate which actives are making payroll deductions for Medicare Part A, we assumed that all future retirees will be eligible for and enrolled in Medicare upon attainment of age 65. If in fact a future retiree were not eligible for Medicare,

ACTUARIAL VALUATION OF
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SECTION V NOTES TO THE AUDITOR (CONTINUED)

then our assumption would understate the medical liability and overstate the Medicare Part B premium reimbursement liability.

7. We were not provided dates of birth for two retirees and two survivors. We assumed they were ages 77 and 76, respectively (the average known ages of retirees and survivors) as of June 30, 2006. For a member with unknown gender we assumed male, and for a spouse with unknown gender we assumed the opposite gender of their associated member.

8. For the few cases in which the census showed spouse coverage for a current retiree but not the spouses' dates of birth, we used the spouse age difference assumption employed for future retirees.

9. We categorized all CalSTRS participants as being Certificated and all CalPERS participants as being Classified for the Section I exhibits, although the census shows a few Classified members participating in CalSTRS and a few Certificated members in CalPERS.

10.

Section IV and page 27 of this report show certain plan provisions for those hired before July 1, 1984. In practice, those provisions are applied to participants in a certain class-action lawsuit, which excludes a few hired prior to the named cutoff and includes a few hired after. For retirees, we were provided several years ago with a list of those in the lawsuit group. For actives, we based inclusion on their given hire date.

11.

Per the District office, \$28 million of the District's general assets are currently designated as being for the payment of future retiree welfare benefits, but there are no legally irrevocable and dedicated retiree welfare assets.

12.

We calculated a liability for the six months of coverage extended to future survivors of deceased retirees, but not for that of deceased actives as it was deemed to be de minimus.

13.

The Plan's OPEB liability for other than postretirement welfare benefits (e.g., the COBRA liability) was determined to be de minimus.

SECTION V NOTES TO THE AUDITOR (CONTINUED)

14. The Plan has been approved under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 to receive a Retiree Drug Subsidy (RDS) beginning January 1, 2006. For the calendar year 2006 the RDS will equal 28% of Medicare-eligible participant's drug expenses between \$250 and \$5000. According to the GASB 43/45 guidelines such subsidy is to be reported as income rather than be used to directly offset claims expense in the development of prescription drug per-capita cost. Our calculations have followed those guidelines.
15. We are not aware of any significant events subsequent to the valuation date that could materially affect the results presented.

ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
UNDER GASB 43/45

AS OF JUNE 30, 2006

APPENDIX A ACCOUNTING REQUIREMENTS

Transition to GASB 43/45

Previously (under GASB 12 and 26), public sponsors were only required to disclose the existence of any postretirement welfare benefit plans. No liability disclosure was needed unless they were already including such in their financial statements. This is now superseded by two related statements: GASB 43 (released in April 2004) applies to a funded plan's financial statement, while GASB 45 (released in August 2004) applies to a sponsoring employer's financial statement. The new rule requires an actuarial valuation of dedicated assets, liability, annual cost, and accrual status. Valuations may be performed every other year, except that annual valuations are required if there are any significant amendments or demographic shifts. This is similar to current public pension rules (GASB 25 for plans and GASB 27 for employers), except there's no minimum required funding. The biggest impact will therefore be on bond ratings.

The first year that a sponsoring employer's financial statement must comply with GASB 45 depends on the sponsor's annual revenue: first fiscal year beginning on or after December 15, 2006 if there is at least \$100 million in annual revenue (Phase 1), December 15, 2007 if there is \$10 million to \$99 million in annual revenue (Phase 2), or December 15, 2008 if there is less than \$10 million in annual revenue (Phase 3).

If the plan has a dedicated trust fund then its financial statement must comply with GASB 43 by one year prior to that described above for GASB 45, and in any case GASB 45 must be adopted by one year after the plan complies with GASB 43. Phase 1 sponsors with non-calendar fiscal years must therefore adopt GASB 45 by 2007/2008, but of course early compliance is encouraged.

The table on the next page shows that GASB 43/45 has greater flexibility than FASB 106 (allowing more cost methods and amortization periods) but results in the same or greater accrued liability. The discount rate assumption is long-term (a high trust rate if funded or low sponsor general asset rate if unfunded), so it won't need to be changed every year as for corporate or multiemployer calculations. There are also two favorable considerations given to small plans: those with less than 200 members may disclose only every three years, and those with less than 100 members may use simplified assumptions and methods. Note that the final GASB statements eliminated any exception in the case where retirees self-pay 100% of a mixed active/retiree premium. That is, GASB 43/45 disclosures must account for any implicit subsidy of the retirees by the actives.

ACTUARIAL VALUATION OF
POSTRETIREMENT WELFARE BENEFITS
UNDER GASB 43/45

AS OF JUNE 30, 2006

APPENDIX A ACCOUNTING REQUIREMENTS (CONTINUED)

Sector Comparisons of OPEB Accounting Terminology and Methods

	Corporate (FASB 106)	Multiemployer (SOP 92-6)	Public (GASB 43/45)
Accrued Liability	APBO (Accumulated Postretirement Benefit Obligation) = portion of each participant's APVB (Actuarial Present Value of Benefits) attributed to their service-to-date.	Benefit Obligation = same as APBO.	AAL (Actuarial Accrued Liability) = same as APBO. The excess of this over assets is the UAAL (Unfunded AAL).
Annual Cost	NPPBC (Net Periodic Postretirement Benefit Cost) = Normal Cost (portion of each participant's APVB attributed to their current service year), less the asset return, plus amortizations of initial unfunded liability and subsequent liability changes.	Not applicable.	ARC (Annual Required Contribution) = Normal Cost plus amortization of UAAL. Note that despite the name, there is no requirement to actually contribute this or any other amount.
Accrual Status	APBC (Accrued Postretirement Benefit Cost) = cumulative excess of prior NPPBC over benefit payments & contributions.	Not applicable.	NOO (Net OPEB Obligation) = same as APBC.
Allowable Cost Methods (for attributing APVB to service years)	Modified PUC (Projected Unit Credit) = uniform allocation from hire to date of full eligibility for benefits. Note that regular PUC allocates over a longer period: from hire to expected termination age.	Modified PUC.	From slowest to fastest funding (lowest to highest liability): PUC (modified or not), Aggregate, Frozen Attained Age, Frozen Entry Age, Attained Age, and Entry Age.
Allowable Amortization Methods and Periods	Level dollar method, generally over average future service years (or average future lifetime if mostly inactive). Immediate recognition allowed in certain circumstances.	Not applicable.	Level dollar or level percentage of pay method, over any period under 30 years (but minimum 10 years if there's a decrease due to new cost or asset value method).

APPENDIX A ACCOUNTING REQUIREMENTS (CONTINUED)

Specific GASB 43 Requirements

The objective of this statement is to establish a uniform standard of measurement and financial reporting for postretirement welfare benefit plans (also known as Other Postemployment Benefit or OPEB plans) of governmental entities. The financial statement of a defined benefit OPEB plan of a governmental entity must include a reconciliation of net plan assets from beginning to end of the last plan year (with an asset breakdown shown at each point). The financial statement notes must then include the following:

- General description of benefit plan provisions, accounting methods, and any funding or reserve policy. Also needed here is a description of the covered group and the participant count as of the last valuation date.
- Summary of actuarial assumptions and methods, including discount rate, compensation increase rate, health trend rates, asset valuation method, actuarial cost method, and any amortization methods and periods.
- **Actuarial Accrued Liability (AAL)** as of the latest valuation date, noting the percentage of AAL covered by assets (the Funded Ratio) and the ratio of unfunded AAL to payroll.

• **Schedule of Funding Progress**, showing all elements of the previous bullet as of the latest valuation date, second most recent valuation date (if any), and third most recent valuation date (if any). As noted above, in most cases there will be valuations done every other year, so that this schedule will likewise show amounts for every other year.

• **Schedule of Employer Contributions**, showing the Annual Required Contribution (ARC) and the percentage of such amount that was actually contributed by the employer for the plan year of the financial statement and for every year back to that following the third most recent valuation date. Note that while each valuation produces an ARC applicable to the year following the valuation date, for the purpose of this schedule, one can apply the same ARC for two years in a row (or three years in the case of less than 200 members) in order to get a continuous annual history of ARC and actual contribution amounts. This and the prior schedule are actually to be presented as "Required Supplementary Information" (RSI) after the end of the statement notes.

APPENDIX A ACCOUNTING REQUIREMENTS (CONTINUED)

Specific GASB 45 Requirements

The objective of this statement is to improve the "faithfulness and usefulness" of OPEB-related disclosures in the financial statements of governmental entities. The financial statement of a governmental entity must include, for each of its defined benefit OPEB plans, all of the GASB 43 disclosure items plus the following additional note disclosures:

- Reconciliation of **Net OPEB Obligation (NOO)** from beginning to end of the last fiscal year. This will show how the prior NOO is first decreased by benefit payments (if unfunded) and contributions (if funded), then increased by the Annual OPEB Cost (AOC). If the beginning-of-year NOO is zero, then the AOC is simply equal to the ARC as calculated for the Schedule of Employer Contributions. Otherwise the AOC equals ARC plus interest on the initial NOO less an amortization of the initial NOO.
- Up to a three-year historical summary of fiscal year AOC, the percentage of AOC actually contributed in the fiscal year, and NOO as of the end of the fiscal year.