San Jose/Evergreen Community College District

GASB Actuarial Valuation Retiree Health Program June 30, 2013

September 2013

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September 17, 2013

PRIVATE

Mr. Doug Smith
Vice Chancellor of Administrative Services
San Jose/Evergreen Community College District
4750 San Felipe Road
San Jose, CA 95135

Re: Retiree Health Actuarial Valuation

Dear Mr. Smith:

We are presenting our report of the June 30, 2013 actuarial valuation conducted on behalf of the San Jose/Evergreen Community College District (the "District") for its retiree health program.

The purpose of the report is to measure the District's liability for retiree health benefits and to determine the District's accounting requirements under the Government Accounting Standard Board Statements No. 43 & 45 (GASB 43 & 45) in regard to unfunded liabilities for retiree health benefits.

Nyhart Epler is the San Diego office of the Nyhart Company, an employee owned actuarial, benefits and compensation consulting firm specializing in group health and retiree health and qualified pension plan valuations. We have set forth the results of our valuation in this report.

We have enjoyed working on this assignment and are available to answer any questions.

Sincerely,
NYHART EPLER

Marilyn K Jones, ASA, MAAA, EA, FCA
Consulting Actuary

MKJ:rl

Enclosure
As required by U.S. Treasury Regulations governing tax practice, IRS Circular 230 Tax Advice Disclaimer, you are hereby advised that any written tax advice contained herein was not written or intended to be used (and cannot be used) by any taxpayer for the purpose of avoiding penalties that may be imposed under the U.S. Internal Revenue Code.

San Jose/Evergreen Community College District

GASB Actuarial Valuation

Retiree Health Program

June 30, 2013

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SECTION I. EXECUTIVE SUMMARY

Background

The San Jose/Evergreen Community College District (the "District") selected Nyhart Epler to perform an actuarial valuation of its retiree health program. The purpose of the actuarial valuation is to measure the District's liability for retiree health benefits and to determine the District's accounting requirements for other post-employment benefits (OPEB) under the recently issued Governmental Accounting Standards Board Statements No. 43 & 45 (GASB 43 & GASB 45). GASB 45 requires accrual accounting for the expensing of OPEB. GASB 43 requires additional financial disclosure for funded OPEB Plans.

The District currently provides a contribution towards health benefits to approximately 319 retirees. There are 10 retirees continuing benefits on a self-pay basis. In addition, there are approximately 286 active employees earning service credit for eligibility for future retiree health benefits. Eligibility for a contribution towards retiree health benefits and duration of coverage (to age 65 or lifetime) varies by employee group and date of hire. Section IV of the report details the plan provisions that were included in the valuation and the current premium costs for coverage.

Results of the Retiree Health Valuation

We have determined that the amount of the actuarial liability for the District's retiree health plan, as of June 30, 2013, is $40,681,143. This represents the present value of all contributions or benefits projected to be paid by the District for current and future retirees. If the District were to place this amount in a fund earning interest at the rate of 7.9% per year, and all other actuarial assumptions were met, the fund would have enough to pay all expected benefits. This includes benefits for the current retirees as well as the current active employees expected to retire in the future. The valuation does not consider employees not yet hired as of the valuation date.

If the amount of the actuarial liability is apportioned into past service, current service and future service components; the past service component (actuarial accrued liability) is $40,148,891, the current service component (normal cost or current year accrual) is $83,879 and the future service component (not yet accrued liability) is $448,373.

Funding

The District commenced funding for its retiree health program in the fiscal year ending June 30, 2009 through a GASB eligible trust administered by Benefit Trust. At that time, the District made a significant contribution towards its full liability. The actuarial value of assets are equal to the market value of assets in the trust as of June 30, 2013 or $47,450,296. The unfunded actuarial accrued liability/(surplus) at June 30, 2013 is ($7,301,405). The funded ratio is 118% using actuarial value of assets.

Annual Required Contribution (ARC)

Under GASB 45, the District is required to expense for its retiree benefits using accrual accounting. The accrual expense or annual required contribution under GASB terminology is generally accrued over the working career of employees. The annual required contribution for the District's current fiscal year is $0 [($551,951) prior to being limited to minimum of $0 per GASB 45). This amount is comprised of the present value of benefits accruing in the fiscal year (normal cost) plus a 30-year amortization (on a level-dollar basis) of the unfunded actuarial accrued liability/(surplus) at June 30, 2013. Thus, it represents a means to expense the plan's liabilities in an orderly manner. Because the amortization component of the surplus exceeds the normal cost the annual required contribution is set to $0. The additional net OPEB obligation/(asset) at the end of the fiscal year will reflect any actual retiree health contributions or premiums and any GASB eligible pre-funding amounts made by the District during the period. An illustration of the development of the net OPEB obligation/(asset) for the fiscal year ending June 30, 2014 is provided in Section II-G. The estimated retiree contributions for the current fiscal year are $3,683,039.

Actuarial Basis

The actuarial valuation is based on the assumptions and methods outlined in Section VI of the report. To the extent that a single or a combination of assumptions is not met, the future liability may fluctuate significantly from its current measurement. As an example, the healthcare cost increase anticipates that the rate of increase in medical cost will be at moderate levels and decline over several years. Increases higher than assumed would bring larger liabilities and expensing requirements. A 1% increase in the healthcare trend rate for each future year would result in an increase of $287,854 in the annual required contribution but the annual required contribution would remain at $0 since the amortization of the surplus would still exceed the normal cost.

Another key assumption used in the valuation is the discount (interest) rate which is based on the expected rate of return of plan assets. The valuation is based on a discount rate of 7.9%. A 1% decrease in the discount rate would increase the annual required contribution by $342,283 but the annual required contribution would remain at $0 since the amortization of the surplus would still exceed the normal cost. A 1% increase in the discount rate would decrease the annual required contribution by $354,934 but the annual required contribution would remain at $0 since the amortization of the surplus would still exceed the normal cost.

GASB 45 requires that implicit rate subsidies be considered in the valuation of medical costs. An implicit rate subsidy occurs when the rates for retirees are the same as for active employees. Since pre-Medicare retirees are typically much older than active employees, their actual medical costs are almost always higher than for active employees. The valuation results were determined using an estimate of the expected costs associated with retired employees.

The Patient Protection and Affordable Care Act provides for an excise tax for "Cadillac Plans" defined based on premiums greater than a statutory limit. The valuation does not include any liability for this tax which takes effect in 2018 as it is unclear that an employer tax constitutes an OPEB benefit under GASB 45. It is not expected that the inclusion of the tax would significantly impact the liabilities.

The valuation is based on the census information provided by the District. To the extent that the data provided lacks clarity in interpretation or is missing relevant information can result in liabilities different than those presented in the report. Often missing or unclear information is not identified until future valuations.

SECTION II. FINANCIAL RESULTS

A. Valuation Results as of June 30, 2013

The table below presents the employer liabilities associated with the District's retiree health benefits determined in accordance with GASB 43 & 45. The actuarial liability is the present value of all benefits projected to be paid under the program. The actuarial accrued liability reflects the amount attributable to the past service of current employees and retirees. The normal cost reflects the accrual attributable for the current period.

	Faculty Employees	CSEA Employees	Administrative Employees	District Total
1. Actuarial Liability (AL)				
Actives	$ 4,058,048	$ 1,778,005	$ 468,773	$ 6,304,826
Retirees	19,460,635	8,282,069	6,633,613	34,376,317
Total AL	$23,518,683	$10,060,074	$7,102,386	$40,681,143
2. Actuarial Accrued Liability (AAL)				
Actives	$ 3,650,598	$ 1,744,569	$ 377,407	$ 5,772,574
Retirees	19,460,635	8,282,069	6,633,613	34,376,317
Total AAL	$23,111,233	$10,026,638	$7,011,020	$40,148,891
3. Normal Cost	$ 61,955	$ 9,291	$ 12,633	$ 83,879
No. of Active Employees	224	9	53	286
Average Age	53.9	58.9	51.7	53.7
Average Past Service	14.0	34.3	8.7	13.7
No. of Retired Employees	173	96	60	329
Average Age	76.8	76.9	74.3	76.4
Average Retirement Age	62.6	60.7	60.9	61.7

B. Reconciliation of Market Value of Plan Assets*

The reconciliation of Plan Assets for the last two fiscal years is presented below:

	6/30/2012	6/30/2013
1. Beginning Market Value of Assets	$49,984,745	$45,523,546
2. Contribution including receivables	0	0
3. Fund Earnings (gross)	(1,200,298)	5,362,612
4. Benefit Payments including payables	(3,035,247)	(3,221,628)
5. Administrative Expenses	(225,654)	(214,234)
6. Ending Market Value of Assets	$45,523,546	$47,450,296
7. Estimated Rate of Return	(2%)	12%

* From asset statements provided by Benefit Trust; estimated rate of return assumes mid-year transactions.

C. Development of Unfunded Actuarial Accrued Liability/(Surplus) @ July 1, 2013

The table below presents the development of the unfunded actuarial accrued liability/(surplus). The unfunded actuarial accrued liability(surplus) is the excess of the actuarial accrued liability (AAL) over the actuarial value of eligible plan assets. Eligible assets under GASB 45 must be segregated and secured for the exclusive purpose of paying for the retiree health benefits.

	Total
1. Actuarial Accrued Liability	$40,148,891
2. Actuarial Value of Assets	(47,450,296)
3. Unfunded AAL/(Surplus)	($ 7,301,405)

D. Amortization of Unfunded Actuarial Accrued Liability/(Surplus)

The amortization of the Unfunded AAL/(Surplus) component of the annual contribution (ARC) is being amortized over a period of 30 years on a level-dollar basis.

1. Unfunded AAL/ (Surplus)	($7,301,405)
2. Amortization Factor	11.36484
3. Amortization of Surplus	($ 642,456)

E. Annual Required Contribution (ARC)*

The table below presents the development of the annual required contribution under GASB 45 for the 2013/2014 fiscal year and an estimate for the 2014/2015 fiscal year.

	2013/2014	2014/2015
1. Normal Cost at End of Fiscal Year	$ 90,505	$ 97,655
2. Amortization of Surplus	(642,456)	(642,456)
3. Annual Required Contribution	($ 551,951)	($ 544,801)
4. Adjusted ARC reflecting GASB minimum	$ 0	$ 0

* Under GASB 45, the annual required contribution is subject to a minimum of $0.

F. Required Supplementary Information (Funding Progress @July 1, 2013)

The table below presents a sample disclosure of the funding progress as of the beginning of the fiscal year.

1. Actuarial Accrued Liability (AAL)	$40,148,891
2. Actuarial Valuation of Assets (AVA)	(47,450,296)
3. Unfunded AAL/(Surplus)	($ 7,301,405)
4. Funded Ratio	118%
5. Estimated Payroll	$25,921,000
6. Surplus as a Percentage of Covered Payroll	(28%)

G. Estimated Net OPEB Obligation at 6/30/2014[1]

The table below shows an estimate of the net OPEB obligation/(asset) at June 30, 2014:

1.	FY2013/2014 Annual Required Contribution	$ 0
2.	Interest on Net OPEB Obligation/(Asset) [.079 x G7]	(3,105,086)
3.	Adjustment to ARC [minus G7/E2]	3,458,464
4.	Annual OPEB Cost [G1+G2+G3]	$ 353,378
5.	Estimated Contributions	(0)
6.	Increase in Net OPEB Obligation/(Asset)	$ 353,378
7.	Net OPEB Obligation/(Asset) – June 30, 2013	(39,304,886)
8.	Net OPEB Obligation/(Asset) – June 30, 2014	($38,951,508)

H. Sensitivity Analysis:

1. The impact of a 1% decrease in the discount (interest) rate on the District's actuarial liability, actuarial accrued liability, unfunded actuarial accrued liability/(surplus) and the annual required contribution is provided below:

	Percentage (%) Increase/ Decrease)	Dollar ($) Increase/ (Decrease)
- Actuarial Liability	8%	$3,428,341
- Actuarial Accrued Liability (AAL)	8%	$3,278,930
- Unfunded AAL/(Surplus)	NA	$3,278,930
- Annual Required Contribution (ARC)*	NA	$ 342,283

2. The impact of a 1% increase in the discount (interest) rate on the District's actuarial liability, actuarial accrued liability, unfunded actuarial accrued liability and the annual required contribution is provided below:

- Actuarial Liability	(7%)	($2,981,086)
- Actuarial Accrued Liability	(7%)	($2,866,589)
- Unfunded Actuarial Accrued Liability	NA	($2,866,589)
- Annual Required Contribution (ARC)*	NA	($ 354,934)

3. The impact of a 1% in the healthcare trend rates on the District's actuarial liability, actuarial accrued liability, unfunded actuarial accrued liability/(surplus) and the annual required contribution is provided below:

- Actuarial Liability	8%	$3,217,902
- Actuarial Accrued Liability	8%	$3,127,493
- Unfunded Actuarial Accrued Liability	NA	$3,127,493
- Annual Required Contribution (ARC)*	NA	$ 287,854

* ARC remains at $0.

[1] Assumes a June 30, 2013 financial statement net OPEB asset of $39,304,886 and that the District makes no contribution for the fiscal year ending June 30, 2014.

SECTION III. PROJECTED CASH FLOWS

The valuation process includes the projection of the expected benefits to be paid under the District's retiree health benefits program. The expected cash flows takes into account the likelihood of each employee reaching age for eligibility to retire and receive health benefits. The projection is performed by applying the turnover assumption to each active employee for the period between the valuation date and early retirement date. Once the employees reach the earliest retirement date, a certain percent are assumed to enter the retiree group each year. The per capita cost as of the valuation date is projected to increase at the applicable healthcare trend rates both before and after the employee's assumed retirement. The projected per capita costs are multiplied by the number of expected future retirees in a given future year to arrive at the cash flow for that year. Also, a certain number of retirees will leave the group each year due to expected deaths or reaching a limit age and this group will cease to be included in the cash flow from that point forward. Because this is a closed-group valuation, the number of retirees dying each year will eventually exceed the number of new retirees, and the size of the cash flow will begin to decrease and eventually go to zero.

The expected employer cash flows for selected future years are provided in the following table.

Projected Employer Cash Flows – Representative Years

Fiscal Year Ending	Future Retirees	Retired Employees	District Total
2014	$ 173,296	$ 3,509,743	$ 3,683,039
2015	$ 296,302	$ 3,496,452	$ 3,792,754
2016	$ 381,953	$ 3,498,122	$ 3,880,075
2017	$ 446,465	$ 3,484,270	$ 3,930,735
2018	$ 505,313	$ 3,466,942	$ 3,972,255
2019	$ 527,071	$ 3,437,250	$ 3,964,321
2020	$ 547,576	$ 3,416,293	$ 3,963,869
2021	$ 537,738	$ 3,351,694	$ 3,889,432
2022	$ 525,628	$ 3,197,900	$ 3,723,528
2023	$ 577,268	$ 3,119,620	$ 3,696,888
2024	$ 610,408	$ 3,044,094	$ 3,654,502
2025	$ 670,154	$ 2,953,337	$ 3,623,491
2026	$ 636,738	$ 2,847,354	$ 3,484,092
2027	$ 650,860	$ 2,726,612	$ 3,377,472
2028	$ 670,685	$ 2,598,803	$ 3,269,488
2029	$ 668,734	$ 2,464,123	$ 3,132,857
2030	$ 653,410	$ 2,321,993	$ 2,975,403
2031	$ 714,117	$ 2,175,522	$ 2,889,639
2032	$ 771,000	$ 2,024,165	$ 2,795,165
2033	$ 793,629	$ 1,871,507	$ 2,665,136
2034	$ 794,044	$ 1,717,287	$ 2,511,331
2035	$ 770,585	$ 1,563,350	$ 2,333,935
2036	$ 713,961	$ 1,411,739	$ 2,125,700
2037	$ 670,110	$ 1,264,147	$ 1,934,257
2038	$ 644,441	$ 1,122,152	$ 1,766,593
2039	$ 545,461	$ 985,711	$ 1,531,172
2040	$ 486,196	$ 858,569	$ 1,344,765
2041	$ 489,042	$ 740,873	$ 1,229,915
2042	$ 407,977	$ 633,081	$ 1,041,058
2043	$ 432,167	$ 536,291	$ 968,458
2044	$ 375,547	$ 450,290	$ 825,837
2045	$ 333,940	$ 375,251	$ 709,191
2046	$ 258,828	$ 308,375	$ 567,203
2051	$ 92,285	$ 103,110	$ 195,395
2056	$ 31,860	$ 24,352	$ 56,212
2061	$ 8,470	$ 1,686	$ 10,156
2066	$ 0	$ 0	$ 0
All Years	$19,357,261	$72,113,111	$91,470,372

SECTION IV. BENEFIT PLAN PROVISIONS

This study analyzes the postretirement health benefit plans provided by the District. Our findings and assumptions are based on the plans in effect as of the Measurement Date. The postretirement health benefits provided to retirees are basically a continuation of the medical, dental and vision plans for active employees.

Eligibility for continuation of coverage is based on an employee category, hire date, retirement age and service at retirement. To be eligible, employees must retire from permanent full-time active employment with full active health benefits and commence pension payments from CalPERS or CalSTRS. Employees hired prior to the following Determination Dates who are at least age 55 with 10 or more years of service at retirement are eligible for benefits under the Grandfathered Plan (described below):

- Faculty Association (Certificated) employees: September 7, 1982
- Staff (CSEA): February 16, 1982
- Administrative (MSC) employees: June 30, 1983

A certificated (academic) employee hired after the date above who retires from the District and PERS or STRS may continue medical and/or dental coverage for themselves and any eligible dependent upon retirement. The retiree pays 100% of the cost. The surviving spouse of an academic employee may remain on the plan at 100% of the cost.

Faculty and Administrative employees hired by the District on or after the above Determination Dates with 15 or more years of service retiring between age 60 and age 64 are eligible for benefits under the Bridge Plan (60) described below. In addition, all employees including CSEA employees hired by the District on or after the above Determination Dates retiring from November 11, 2012 through June 30, 2013 between age 55 and age 64 with 10 or more years of service retiring are eligible for benefits under the Bridge Plan (55) described below. All other employees are not eligible to continue health benefits at retirement except through COBRA continuation coverage.

Grandfathered Plan

The District subsidizes 100% of the premium cost for medical, prescription drug and EAP benefits for the eligible retiree and any covered spouse for the retiree's lifetime. The District's contribution ceases upon the death of the retiree but the surviving spouse can continue on a self-pay basis. For participants age 65 and older, the District subsidizes as if the retiree/spouse were enrolled in Medicare Parts A, B and D with A & B assigned. The retiree pays 100% of the cost of dental and vision coverage. Retirees may elect to continue eligible dependent children coverage by paying 100% of their cost.

Bridge Plan (60)

The District subsidizes 100% of the premium cost for medical, prescription drug benefits for the eligible retiree only until he/she attains age 65 (regardless of Medicare eligibility). The eligible retiree may self-pay his/her covered spouse and dependents while the retiree is covered. Eligible retirees (academic) may continue dental coverage and continued medical coverage beyond age 65 at 100% of the retiree's cost. For all other employees, there is no dental and vision coverage except for COBRA continuation coverage.

Bridge Plan (55)

The District subsidizes 100% of the premium cost for medical and prescription drug benefits for the eligible retiree only until he/she attains age 65 (regardless of Medicare eligibility). The eligible retiree may self-pay his/her covered spouse and eligible dependents while the retiree is covered. The District's contribution ceases upon the death of the retiree. The surviving spouse of an academic retiree may continue on a self-pay basis for his/her lifetime. The retiree pays 100% of the cost of dental and vision coverage. Eligible retirees (academic) may continue dental coverage at 100% of the cost. For all other employees, there is no dental and vision coverage except for COBRA continuation coverage.

Premium Rates

The District directly purchases health coverage for its active and retired employees. The tables below summarize the premiums for the retiree health plans. All premiums are monthly and are effective for the period from July 1, 2013 to June 30, 2014.

	Kaiser HMO/ Senior Adv	Kaiser HMO	Anthem BC PPO – In CA	Anthem BC Medicare Adv	Anthem BC PPO - OOS
Retiree Only	$965.66	$965.66	$1,140.37	NA	$1,259.01
Retiree Plus Spouse	$2,124.45	$2,124.45	$2,198.42	NA	$2,735.27
Retiree Only W/Medicare	$431.54	$1,340.25	$731.48	$568.28	$1,014.80
Retiree Plus Spouse W/Medicare	$863.08	$2,680.50	$1,278.46	$1,136.56	$2,034.65
Retiree Only Without Medicare (>65)	NA	$1,750.90	$1,140.37	NA	$1,259.01

The above rates exclude the cost of the EAP program also available to retirees and their covered dependents. The EAP cost per retiree contract is $1.72 per month.

SECTION V. VALUATION DATA

The valuation was based on the census furnished to us by the District. The following tables display the age distribution for retirees and the age/service distribution for active employees as of the Measurement Date.

Age Distribution of Eligible Retired Participants & Beneficiaries*

	Faculty	Staff	Administrators	All Retirees
<50	0	0	0	0
50-54	0	0	0	0
55-59	2	9	2	13
60-64	7	8	10	25
65-69	35	14	8	57
70-74	34	11	13	58
75-79	36	9	9	54
80-84	24	16	11	51
85+	35	29	7	71
Total:	173	96	60	329
Average Age:	76.8	76.9	74.3	76.4
Average Retirement Age:	62.6	60.7	60.9	61.7

*Counts include 10 employees continuing coverage under AB58 and 9 surviving spouses who self pay for benefits.

Age/Service Distribution of All Active Benefit Eligible Employees*

	Service									
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	Total
20-24	0									0
25-29	1									1
30-34	5	4								9
35-39	5	9								14
40-44	12	15	13	1						41
45-49	10	8	9	7	2					36
50-54	6	9	15	6	6	0	1			43
55-59	3	12	18	11	11	1	4	2		62
60-64	2	8	7	8	6	3	6	3	1	44
65-69	3	3	6	3	4	4	1	1	2	27
70-74	0	2	1	0	2	0	1	1	0	7
75+	0	0	1	0	1	0	0	0	0	2
Total:	47	70	70	36	32	8	13	7	3	286
Average Age:			53.7							
Average Service:			13.7							
Annual Payroll:	$25,921,000									

* Count excludes 6 Board Members not eligible to continue benefits at retirement.

Age/Service Distribution of All Eligible Faculty Employees

Age	Service 0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	Total
20-24	0									0
25-29	0									0
30-34	5	4								9
35-39	2	8								10
40-44	7	12	12	1						32
45-49	7	6	6	7	2					28
50-54	2	8	13	5	5					33
55-59	0	10	15	11	9	1	1	1		48
60-64	1	4	7	8	6	1	4	2		33
65-69	1	2	6	3	4	3	1	0	2	22
70-74	0	2	1	0	2	0	1	1	0	7
75+	0	0	1	0	1	0	0	0	0	2
Total:	25	56	61	35	29	5	7	4	2	224

Average Age:	53.9
Average Service:	14.0
Annual Payroll:	$19,704,000

Age/Service Distribution of Eligible Staff Employees

Age	Service 0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	Total
20-24	0									0
25-29	0	0								0
30-34	0	0	0							0
35-39	0	0	0	0						0
40-44	0	0	0	0	0					0
45-49	0	0	0	0	0	0				0
50-54	0	0	0	0	0	0	1			1
55-59	0	0	0	0	0	0	3	1		4
60-64	0	0	0	0	0	0	2	1	0	3
65-69	0	0	0	0	0	0	0	1	0	1
70-74	0	0	0	0	0	0	0	0	0	0
75+	0	0	0	0	0	0	0	0	0	0
Total:	0	0	0	0	0	0	6	3	0	9

Average Age:	58.9
Average Service:	34.3
Annual Payroll:	$515,000

Age/Service Distribution of Eligible Administrators Employees

Age	0-4	5-9	10-14	15-19	Service 20-24	25-29	30-34	35-39	40-44	Total
20-24	0									0
25-29	1									1
30-34	0									0
35-39	3	1								4
40-44	5	3	1							9
45-49	3	2	3	0						8
50-54	4	1	2	1	1					9
55-59	3	2	3	0	2	0				10
60-64	1	4	0	0	0	2	0	0	1	8
65-69	2	1	0	0	0	1	0	0	0	4
70-74	0	0	0	0	0	0	0	0	0	0
75+	0	0	0	0	0	0	0	0	0	0
Total:	22	14	9	1	3	3	0	0	1	53
Average Age:		51.7								
Average Service:		8.7								
Annual Payroll:		$5,702,000								

SECTION VI. ACTUARIAL ASSUMPTIONS AND METHODS

The liabilities set forth in this report are based on the actuarial assumptions described in this section.

Fiscal Year: July 1st to June 30th

Fiscal Years Covered: FY2013/2014 and FY2014/2015

Measurement Date: June 30, 2013

Discount Rate: 7.9% per annum.

Sensitivity analysis showing a 1% increase or decrease in the discount rate is also provided.

Pre-retirement Turnover: Termination rates for employees in PERS are based on the most recent rates used by CalPERS for the pension valuation. Sample rates are as follows:

	Entry Age			
Service	20	30	40	50
0	17.30%	15.25%	13.19%	11.14%
5	10.94%	8.70%	6.46%	1.07%
10	8.01%	5.72%	0.74%	0.25%
15	6.52%	4.18%	0.32%	0.02%
20	4.93%	0.38%	0.02%	0.02%
25	3.28%	0.10%	0.02%	0.02%
30	0.15%	0.02%	0.02%	0.02%

Termination rates for employees in STRS are based on the most recent rates used by the California State Teachers Retirement System (STRS) pension valuation. Sample rates for male and females are as follows:

Service	Males	Females
0	16.0%	15.0%
5	3.9	5.3
10	1.8	1.8
15	0.9	0.9
20	0.5	0.5
25	0.3	0.3
30	0.2	0.2

[The STRS rates have been updated to reflect those used in the 2011 STRS pension valuation which reflect changes in turnover experience]

Mortality Rates: Mortality rates are based on the most recent rates used by CalPERS and STRS for the pension valuations. Sample rates are as follows:

CalPERS	Actives		Retirees	
Age	Males	Females	Males	Females
25	0.050%	0.026%		
30	0.053%	0.036%		
35	0.067%	0.046%		
40	0.087%	0.065%		
45	0.120%	0.093%		
50	0.176%	0.126%		
55	0.260%	0.170%	0.474%	0.243%
60	0.395%	0.266%	0.720%	0.431%
65	0.608%	0.419%	1.069%	0.775%
70			1.675%	1.244%
75			3.080%	2.071%
80			5.270%	3.749%

STRS	Actives		Retirees*	
Age	Males	Females	Males	Females
25	0.023%	0.013%		
30	0.033%	0.014%		
35	0.034%	0.018%		
40	0.057%	0.034%		
45	0.076%	0.041%		
50	0.103%	0.063%		
55	0.143%	0.093%	0.164%	0.118%
60	0.238%	0.179%	0.300%	0.254%
65	0.435%	0.368%	0.596%	0.468%
70			1.095%	0.864%
75			1.886%	1.451%
80			3.772%	2.759%

*Rates applicable to future retirees include a 2 year setback.

[The STRS mortality rates have been updated to reflect those used in the 2011 STRS pension valuation which reflect additional mortality improvement experience]

Disability Rates: Incidences of disability are deferred to expected retirement.

Retirement Rates: Classified retirement rates are based on the most recent rates used by CalPERS for the pension valuation. Sample rates are as follows:

	Service at Retirement			
Age	5	15	25	35
50	0.5%	1.3%	1.6%	2.2%
51	0.5%	1.4%	1.9%	2.5%
52	0.6%	1.7%	2.2%	2.9%
53	0.7%	1.9%	2.6%	3.3%
54	1.2%	3.3%	4.4%	5.7%
55	2.4%	6.7%	8.8%	11.6%
56	2.0%	5.5%	7.2%	9.5%
57	2.1%	5.9%	7.8%	10.2%
58	2.5%	7.0%	9.2%	12.1%
59	2.9%	8.0%	10.5%	13.8%
60	3.7%	10.2%	13.4%	17.6%
61	4.6%	12.6%	16.6%	21.8%
62	7.6%	21.2%	27.8%	36.6%
63	6.9%	19.1%	25.1%	33.0%
64	6.7%	18.5%	24.4%	32.0%
65	9.1%	25.1%	33.1%	43.5%
66	7.2%	20.0%	26.4%	34.7%
67	6.7%	18.5%	24.3%	31.9%
68	6.0%	16.5%	21.7%	28.6%
69	6.7%	18.7%	24.6%	32.3%
70	6.6%	18.3%	24.1%	31.6%
71	5.1%	14.3%	18.8%	24.6%
72	4.5%	12.6%	16.6%	21.8%
73	4.4%	12.2%	16.1%	21.2%
74	5.5%	15.3%	20.1%	26.4%
75	5.5%	15.1%	19.9%	26.2%
76	4.4%	12.1%	15.9%	20.9%
77	5.0%	13.7%	18.1%	23.8%
78	5.0%	14.0%	18.4%	24.2%
79	9.3%	25.8%	34.0%	44.7%
80	100.0%	100.0%	100.0%	100.0%

Faculty retirement rates are based on the recent rates used by STRS for the pension valuation without recent adjustments. Sample rates are as follows:

	Under 30 Years*		30 or More Years*	
Age	Male	Female	Male	Female
55	2.7%	4.5%	8.0%	9.0%
56	1.8%	3.2%	8.0%	9.0%
57	1.8%	3.2%	10.0%	11.0%
58	2.7%	4.1%	14.0%	16.0%
59	4.5%	5.4%	18.0%	19.0%
60	6.3%	9.0%	27.0%	31.0%
61	6.3%	9.0%	43.0%	40.0%
62	10.8%	10.8%	38.0%	37.0%
63	11.7%	16.2%	30.0%	35.0%
64	10.8%	13.5%	30.0%	32.0%
65	13.5%	14.4%	30.0%	32.0%
66-69	10.8%	13.5%	30.0%	32.0%
70	100.0%	100.0%	100.0%	100.0%

*Rates are loaded 45% for employees with 25 to 27 years of service.

The percentage refers to the probability that an active employee who has reached the stated age will retire within the following year.

Participation Rates: 100% of eligible active employees are assumed to elect medical coverage at retirement.

The following plan elections are assumed for future retirees:

Plan	Grandfathered	Bridge
BC PPO	60%	40%
BC PPO OOS	10%	10%
Kaiser	30%	50%

Actual plan coverage is used for current retirees.

Spouse Coverage: 70% of future male retirees (40% of future female retirees) are assumed to elect coverage for their spouse. Male spouses are assumed to be 3 years older than female spouses. Actual spouse coverage is used for current retirees.

Claim Cost Development: The valuation was based on the premiums furnished by the District. The District reported separately developed retiree and active rates. The expected retiree cost is based the actual premiums billed for coverage.

Medical Trend Rates: Medical costs are adjusted in future years by the following trends:

Year	PPO	HMO
2014	7.25%	7.50%
2015	7.00%	7.25%
2016	6.75%	7.00%
2017	6.50%	6.75%
2018	6.25%	6.50%
2019	6.00%	6.25%
2020	5.75%	6.00%
2021	5.50%	5.75%
2022	5.25%	5.50%
2023	5.00%	5.25%
2024	4.75%	5.00%
2025	4.50%	4.75%
2026+	4.50%	4.00%

[The prior valuation assumed that Medicare costs trended 1.5% lower than non-Medicare costs]

Actuarial Cost Method: The actuarial cost method used to determine the allocation of the retiree health actuarial liability to the past (accrued), current and future periods is the Entry Age Normal (EAN) cost method. The EAN cost method is a projected benefit cost method which means the "cost" is based on the projected benefit expected to be paid at retirement.

The EAN normal cost equals the level annual amount of contribution from the employee's date of hire (entry date) to their retirement date that is sufficient to fund the projected benefit. For plans unrelated to pay, the normal cost is calculated to remain level in dollars; for pay-related plans the normal cost is calculated to remain level as a percentage of pay. The EAN actuarial accrued liability equals the present value of all future benefits for retired and current employees and their beneficiaries less the portion expected to be funded by future normal costs.

All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the District were included in the valuation.

Actuarial Value of Assets: Market value of assets; the District reported the market value of assets at June 30, 2013 equal to $47,450,296.

Amortization of UAAL: The residual unfunded actuarial accrued liability after the District's prefunding is being amortized using an open 30 year amortization period on a level dollar basis.

SECTION VII. ACTUARIAL CERTIFICATION

The results set forth in this report are based on the actuarial valuation of the retiree health benefit plans of San Jose/Evergreen Community College District (the "District") as of June 30, 2013.

The valuation was performed in accordance with generally accepted actuarial principles and practices and in accordance with GASB Statements No. 43 & 45. We relied on census data for active employees and retirees provided to us by the District. We also made use of plan information, premium information, and enrollment information provided to us by the District.

The assumptions used in performing the valuation, as summarized in this report, and the results based thereupon, represent our best estimate of anticipated experience and actuarial cost of the retiree health benefits program.

I am a member of the American Academy of Actuaries and believe I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Certified by:

Marilyn K. Jones, ASA, EA, MAAA, FCA
Consulting Actuary

Date: 9/17/2013