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September 10, 2015

PRIVATE

Mr. Doug Smith
Vice Chancellor of Administrative Services
San Jose/Evergreen Community College District
40 S. Market Street, 6th Floor
San Jose, CA 95113-2367

Re: Retiree Health Actuarial Valuation

Dear Mr. Smith:

We are presenting our report of the June 30, 2015 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.

The Nyhart Company is 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

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

MKJ:rl

Enclosure

San Jose/Evergreen Community College District

Actuarial Valuation Retiree Health Program As of June 30, 2015

August 2015

Prepared By:

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San Jose/Evergreen Community College District

Retiree Health Benefits Program

GASB Actuarial Valuation

As of June 30, 2015

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SECTION I. EXECUTIVE SUMMARY

Background

The San Jose/Evergreen Community College District (the “District”) selected Nyhart 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 289 retirees and surviving spouses. There are also 10 retirees and 10 surviving spouses continuing benefits on a self-pay basis. In addition, there are approximately 304 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, 2015, is $41,005,934. 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 $40,512,573, the current service component (normal cost or current year accrual) is $78,426 and the future service component (not yet accrued liability) is $414,935.

Changes from Prior Valuation

The valuation reflects updated plan, census and rate information. In addition, there were several assumption changes as noted in Section VI including updates to the mortality and plan election assumptions and updates to the initial medical trend rates. A reconciliation of the approximate change in the liability from the prior valuation is provided below:

June 30, 2013 Valuation @7.9%	**$40,681,000**
Decrease due to passage of time	(1,392,000)
Increase due to liability for new entrants	172,000
Net experience loss	96,000
Net increase due to updated demographic assumptions	205,000
Increase due to updates to the initial trend rates	1,243,000
June 30, 2015 Valuation @7.9%	**$41,005,000**

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 is equal to the market value of assets in the trust as of June 30, 2015 or $48,049,215. The unfunded actuarial accrued liability/(surplus) at June 30, 2015 is ($7,536,642). The funded ratio is 119% 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 [($578,532) prior to being limited to a 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, 2015. 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, 2015 is provided in Section II-G. The estimated retiree contributions for the current fiscal year are $3,786,906.

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 $288,810 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 $340,495 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 $354,161 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.

Scheduled to take effect in 2018, the "Cadillac Tax" is a 40% non-deductible excise tax on employer-sponsored health coverage that provides high-cost benefits. For pre-65 retirees and individuals in high-risk professions, the threshold amounts are currently $11,850 for individual coverage and $30,950 for family coverage. For insured plans, the insurance company is responsible for payment of the excise tax. For self-funded plans, the employer is responsible for payment of the excise tax. The valuation does not include any additional liability for the Cadillac Tax. High cost plans such as the Anthem PPO may result in additional liabilities in future valuations. The new accounting standards (GASB 74 and 75) require the inclusion of employer tax liabilities, in addition to the retiree health benefit cost.

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, this 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, 2015

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	$ 2,868,336	$ 1,844,454	$ 428,219	$ 5,141,009
Retirees	19,480,938	9,402,711	6,981,276	35,864,925
Total AL	$22,349,274	$11,247,165	$7,409,495	$41,005,934
2. Actuarial Accrued Liability (AAL)				
Actives	$ 2,539,748	$ 1,813,526	$ 294,374	$ 4,647,648
Retirees	19,480,938	9,402,711	6,981,276	35,864,925
Total AAL	$22,020,686	$11,216,237	$7,275,650	$40,512,573
3. Normal Cost	$ 50,338	$ 10,086	$ 18,002	$ 78,426
No. of Active Employees	227	8	69	304
Average Age	54.6	60.8	50.9	54.0
Average Past Service	14.6	35.8	8.0	13.6
No. of Retired Employees	168	84	57	309
Average Age	77.6	77.0	75.9	77.1
Average Retirement Age	62.5	60.8	61.1	61.8

B. Reconciliation of Market Value of Plan Assets*

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

	6/30/2014	6/30/2015
1. Beginning Market Value of Assets	$47,450,295	$51,487,627
2. Contribution including receivables	0	0
3. Fund Earnings (gross)	7,512,322	449,950
4. Benefit Payments including payables	(3,239,704)	(3,645,249)
5. Administrative Expenses	(235,286)	(243,112)
6. Ending Market Value of Assets	$51,487,627	$48,049,215
7. Estimated Rate of Return	16%	1%

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

C. Development of Unfunded Actuarial Accrued Liability/(Surplus) @ June 30, 2015

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	$40,512,573
2. Actuarial Value of Assets	(48,049,215)
3. Unfunded AAL/(Surplus)	($ 7,536,642)

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. Under the level-dollar method, the amortization payment is scheduled to remain constant in future years.

1. Unfunded AAL/ (Surplus)	($ 7,536,642)
2. Amortization Factor	11.36484
3. Amortization of Surplus	($ 663,154)

E. Annual Required Contribution (ARC)*

The table below presents the development of the annual required contribution under GASB 45 for the 2015/2016 fiscal year and an estimate for the 2016/2017 fiscal year.

	2015/2016	2016/2017
1. Normal Cost at End of Fiscal Year	$ 84,622	$ 87,160
2. Amortization of Surplus	(663,154)	(663,154)
3. Annual Required Contribution	($ 578,533)	($ 575,994)
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 @June 30, 2015)

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

1. Actuarial Accrued Liability (AAL)	$40,512,573
2. Actuarial Valuation of Assets (AVA)	(48,049,215)
3. Unfunded AAL/(Surplus)	($ 7,536,642)
4. Funded Ratio	119%
5. Estimated Payroll	$30,794,000
6. Surplus as a Percentage of Covered Payroll	(24%)

G. Estimated Net OPEB Obligation at 6/30/2016[1]

The table below shows an estimate of the net OPEB obligation/(asset) at June 30, 2016:

1.	FY2015/2016 Annual Required Contribution	$ 0
2.	Interest on Net OPEB Obligation/(Asset) [.079 x G7]	(3,081,428)
3.	Adjustment to ARC [minus G7/D2]	3,432,114
4.	Annual OPEB Cost [G1+G2+G3]	$ 350,686
5.	Estimated Contributions	(0)
6.	Increase in Net OPEB Obligation/(Asset)	$ 350,686
7.	Net OPEB Obligation/(Asset) – June 30, 2015	(39,005,417)
8.	Net OPEB Obligation/(Asset) – June 30, 2016	($38,654,732)

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%	$3,398,947
- Actuarial Accrued Liability (AAL)	8%	$3,265,793
- Unfunded AAL/(Surplus)	NA	$3,265,793
- Annual Required Contribution (ARC)*	NA	$ 340,495

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%)	($2,960,619)
- Actuarial Accrued Liability	(7%)	($2,857,931)
- Unfunded Actuarial Accrued Liability	NA	($2,857,931)
- Annual Required Contribution (ARC)*	NA	($ 354,161)

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%	$3,223,918
- Actuarial Accrued Liability	8%	$3,140,550
- Unfunded Actuarial Accrued Liability	NA	$3,140,550
- Annual Required Contribution (ARC)*	NA	$ 288,810

* ARC remains at $0.

[1] Assumes a June 30, 2015 financial statement net OPEB asset of $39,005,417 and that the District makes no contribution for the fiscal year ending June 30, 2016.

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
2016	$ 68,099	$ 3,718,807	$ 3,786,906
2017	$ 192,839	$ 3,701,273	$ 3,894,112
2018	$ 305,247	$ 3,687,802	$ 3,993,049
2019	$ 376,625	$ 3,648,957	$ 4,025,582
2020	$ 420,570	$ 3,643,820	$ 4,064,390
2021	$ 422,888	$ 3,587,165	$ 4,010,053
2022	$ 402,009	$ 3,482,420	$ 3,884,429
2023	$ 455,054	$ 3,417,886	$ 3,872,940
2024	$ 474,412	$ 3,350,543	$ 3,824,955
2025	$ 560,734	$ 3,278,113	$ 3,838,847
2026	$ 542,610	$ 3,178,494	$ 3,721,104
2027	$ 531,554	$ 3,072,643	$ 3,604,197
2028	$ 541,328	$ 2,951,367	$ 3,492,695
2029	$ 518,225	$ 2,808,686	$ 3,326,911
2030	$ 514,855	$ 2,669,298	$ 3,184,153
2031	$ 595,927	$ 2,525,979	$ 3,121,906
2032	$ 681,913	$ 2,374,979	$ 3,056,892
2033	$ 708,757	$ 2,223,483	$ 2,932,240
2034	$ 727,127	$ 2,068,746	$ 2,795,873
2035	$ 695,670	$ 1,913,501	$ 2,609,171
2036	$ 651,082	$ 1,758,453	$ 2,409,535
2037	$ 586,088	$ 1,605,407	$ 2,191,495
2038	$ 587,031	$ 1,456,163	$ 2,043,194
2039	$ 435,150	$ 1,309,685	$ 1,744,835
2040	$ 401,044	$ 1,170,932	$ 1,571,976
2041	$ 412,890	$ 1,038,386	$ 1,451,276
2042	$ 329,567	$ 913,316	$ 1,242,883
2043	$ 357,180	$ 796,437	$ 1,153,617
2044	$ 337,373	$ 688,154	$ 1,025,527
2045	$ 299,111	$ 588,757	$ 887,868
2046	$ 255,458	$ 497,993	$ 753,451
2047	$ 232,144	$ 416,727	$ 648,871
2048	$ 219,220	$ 346,278	$ 565,498
2049	$ 188,966	$ 283,987	$ 472,953
2050	$ 178,746	$ 228,758	$ 407,504
2051	$ 150,503	$ 182,579	$ 333,082
2056	$ 35,534	$ 45,060	$ 80,594
2061	$ 7,178	$ 6,017	$ 13,195
2066	$ 0	$ 0	$ 0
All Years	$15,803,337	$75,120,696	$90,924,033

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. Retirees are provided separate medical plans from active employees and access the same dental and vision plans provided to active employees. Dental and vision coverage is provided through COBRA continuation coverage except as noted below.

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.

<u>Grandfathered Plan</u>

The District subsidizes 100% of the premium cost for medical, prescription drug and EAP benefits for the eligible retiree and any covered (covered at time of retirement) spouse for the retiree's lifetime. The District's contribution post-65 is limited to the Kaiser Advantage Plan cost for those electing Kaiser coverage. 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 continue 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. Eligible retirees (academic) may continue dental coverage at 100% of the cost. The surviving spouse of an academic retiree may continue medical and dental coverage on a self-pay basis for his/her lifetime. 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, 2015 to June 30, 2016.

	Kaiser HMO/ Senior Adv	**Kaiser HMO**	**Anthem BC PPO – In CA**	**Anthem BC Medicare Adv**	**Anthem BC PPO - OOS**
Retiree Only	$1,003.97	$1,003.97	$1,502.68	NA	$1,659.03
Retiree Plus Spouse	$2,007.95	$2,007.95	$2,896.91	NA	$3,604.31
Retiree Only W/Medicare	$ 442.32	$1,409.77	$ 963.88	$ 723.35	$1,337.22
Retiree Plus Spouse W/Medicare	$ 884.64	$2,819.54	$1,684.65	$1,446.70	$2,681.10
Retiree Only Without Medicare (>65)	NA	$1,820.42	$1,502.68	NA	$1,659.03

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	1	5	1	7
60-64	8	9	7	24
65-69	18	11	9	38
70-74	38	12	8	58
75-79	36	9	8	53
80-84	26	11	11	48
85+	41	27	13	81
Total:	168	84	57	309
Average Age (Pre-65 Only):	77.6 (62.7)	77.0 (61.1)	75.9 (63.3)	77.1 (62.4)
Avg. Retirement Age (Pre-65 Only):	62.5 (60.9)	60.8 (57.5)	61.1 (57.4)	61.8 (58.5)

* Counts include 10 employees continuing coverage under AB58 and 10 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	4									4
30-34	6	4								10
35-39	9	6								15
40-44	13	12	12							37
45-49	7	14	10	7						38
50-54	6	16	12	9	4	3				50
55-59	8	6	10	8	11	3	2	1		49
60-64	5	5	12	13	7	4	5	2		53
65-69	3	3	5	8	6	6	1	3	2	37
70-74	0	2	3	1	0	1	0	1	0	8
75+	0	1	1	0	0	1	0	0	0	3
Total:	61	69	65	46	28	18	8	7	2	304

Average Age:	54.0
Average Service:	13.6
Annual Payroll:	$30,794,000

Age/Service Distribution of All Eligible Faculty 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	3	4								7
35-39	6	6								12
40-44	5	10	9							24
45-49	2	13	9	6						30
50-54	3	14	11	7	4	2				41
55-59	0	5	9	7	8	2				31
60-64	0	3	12	12	7	4	2			40
65-69	2	2	5	7	5	4	1	2	2	30
70-74	0	2	3	1	0	1	0	1	0	8
75+	0	1	1	0	0	1	0	0	0	3
Total:	22	60	59	40	24	14	3	3	2	227

Average Age:	54.6
Average Service:	14.6
Annual Payroll:	$21,719,000

Age/Service Distribution of Eligible Staff 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	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				0
55-59	0	0	0	0	0	0	2	1		3
60-64	0	0	0	0	0	0	2	2	0	4
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	4	4	0	8

Average Age:	60.8
Average Service:	35.8
Annual Payroll:	$507,000

Age/Service Distribution of Eligible Administrators 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	3									3
30-34	3									3
35-39	3									3
40-44	8	2	3							13
45-49	5	1	1	1						8
50-54	3	2	1	2	0	1				9
55-59	8	1	1	1	3	1				15
60-64	5	2	0	1	0	0	1	0	0	9
65-69	1	1	0	1	1	2	0	0	0	6
70-74	3	0	0	0	0	0	0	0	0	0
75+	0	0	0	0	0	0	0	0	0	0
Total:	39	9	6	6	4	4	1	0	0	69

Average Age:	50.9
Average Service:	8.0
Annual Payroll:	$8,568,000

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: FY2015/2016 and FY2016/2017

Measurement Date: June 30, 2015

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

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	0.040%	0.023%		
30	0.049%	0.025%		
35	0.057%	0.035%		
40	0.075%	0.050%		
45	0.106%	0.071%		
50	0.155%	0.100%		
55	0.228%	0.138%	0.599%	0.416%
60	0.308%	0.182%	0.710%	0.436%
65	0.400%	0.257%	0.829%	0.588%
70			1.305%	0.993%
75			2.205%	1.722%
80			3.899%	2.902%

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 CalPERS mortality rates have been updated to reflect those reported in the 2014 CalPERS Experience Study]

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. In general, applicable to employees hired before 2013. 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%

[The prior valuation included a load of 45% for employees with 25 to 27 years of service.]

Retirement rates for employees hired after 2013 are delayed 2 years.

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	5%	0%
Kaiser	35%	60%

[The prior valuation used 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:

65% of future male retirees (35% 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.

[The prior valuation used the 70% for future male retirees and 40% for future female 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
2016	7.25%	7.50%
2017	7.00%	7.25%
2018	6.75%	7.00%
2019	6.50%	6.75%
2020	6.25%	6.50%
2021	6.00%	6.25%
2022	5.75%	6.00%
2023	5.50%	5.75%
2024	5.25%	5.50%
2025	5.00%	5.25%
2026	4.75%	5.00%
2027	4.50%	4.75%
2028+	4.50%	4.50%

[The prior valuation assumed a 0.5% initial lower trend rate]

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, 2015 equal to $48,049,215.

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

This report summarizes the GASB actuarial valuation for of San Jose/Evergreen Community College District (the "District") as of June 30, 2015. To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statements No. 43 (Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans) and No. 45 (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions). The valuation is also based upon our understanding of the plan provisions as summarized within the report.

The information presented herein is based on the actuarial assumptions and substantive plan provisions summarized in this report and participant information and asset information furnished to us by the Plan Sponsor. We have reviewed the employee census provided by the Plan Sponsor for reasonableness when compared to the prior information provided but have not audited the information at the source, and therefore do not accept responsibility for the accuracy or the completeness of the data on which the information is based. When relevant data may be missing, we may have made assumptions we feel are neutral or conservative to the purpose of the measurement. We are not aware of any significant issues with and have relied on the data provided.

The discount rate and other economic assumptions have been selected by the Plan Sponsor. Demographic assumptions have been selected by the Plan Sponsor with the concurrence of Nyhart. In our opinion, the actuarial assumptions are individually reasonable and in combination represent our estimate of anticipated experience of the Plan. All calculations have been made in accordance with generally accepted actuarial principles and practice.

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

- plan experience differing from that anticipated by the economic or demographic assumptions;
- changes in economic or demographic assumptions;
- increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and
- changes in plan provisions or applicable law.

While some sensitivity analysis was provided in the report, we did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement.

To our knowledge, there have been no significant events prior to the current year's measurement date or as of the date of this report that could materially affect the results contained herein.

Neither Nyhart nor any of its employees has any relationship with the plan or its sponsor that could impair or appear to impair the objectivity of this report. Our professional work is in full compliance with the American Academy of Actuaries "Code of Professional Conduct" Precept 7 regarding conflict of interest. The undersigned meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Should you have any questions please do not hesitate to contact me.

Certified by:

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

Date: 9/10/15

SECTION VIII. DEFINITIONS

The definitions of the terms used in GASB actuarial valuations are noted below.

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

Actuarial Accrued Liability – That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of plan benefits and expenses which is not provided for by the future Normal Costs.

Actuarial Assumptions – Assumptions as to the occurrence of future events affecting health care costs, such as: mortality, turnover, disablement and retirement; changes in compensation and Government provided health care benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.

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

Actuarial Present Value – The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions.

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

Annual Required Contribution (ARC) – The employer's periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the parameters.

Explicit Subsidy – The difference between (a) the amounts required to be contributed by the retirees based on the premium rates and (b) actual cash contribution made by the employer.

Funded Ratio – The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

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

Implicit Rate Subsidy – In an experience-rated healthcare plan that includes both active employees and retirees with blended premium rates for all plan members, the difference between (a) the age-adjusted premiums approximating claim costs for retirees in the group (which, because of the effect of age on claim costs, generally will be higher than the blended premium rates for all group members) and (b) the amounts required to be contributed by the retirees.

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

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

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

Per Capita Costs – The current cost of providing postretirement health care benefits for one year at each age from the youngest age to the oldest age at which plan participants are expected to receive benefits under the plan.

Select and Ultimate Rates – Actuarial assumptions that contemplate different rates for successive years. Instead of a single assumed rate with respect to, for example, the healthcare trend rate assumption, the actuary may apply different rates for the early years of a projection and a single rate for all subsequent years. For example, if an actuary applies an assumed healthcare trend rate of 6.5% for year 20W0, 6.0% for 20W1, 5.5% for 20W2, then 5.0% for 20W3 and thereafter, then 6.5%, 6% and 5.5% are select rates, and 5% is the ultimate rate.

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