nyhart

August 31, 2017

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: OPEB Actuarial Valuation

Dear Mr. Smith:

We are presenting our report of the June 30, 2017 actuarial valuation conducted on behalf of the San Jose/Evergreen Community College District (the "District") for its retiree health program.

The purpose of the valuation is to measure the District's liability for other postemployment benefits (OPEB) determined in accordance with the parameters and in conformity with Actuarial Standards of Practice. The valuation results also serve as the basis for complying with GASB 74 for the fiscal year ending June 30, 2017 and may serve as the basis for complying with GASB 75 for the fiscal year ending June 30, 2018.

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 study 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, 2017

San Jose/Evergreen Community College District

Actuarial Valuation

Retiree Health Program

As of June 30, 2017

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SECTION I. EXECUTIVE SUMMARY

Background

The San Jose/Evergreen Community College District (the "District") selected Nyhart to perform an updated actuarial valuation of its retiree health program. The purpose of the valuation is to measure the District's liability for OPEB benefits in accordance with the parameters and in conformity with Actuarial Standards of Practice. The valuation results also serve as the basis for complying with GASB 74 for the fiscal year ending June 30, 2017 and may serve as the basis for complying with GASB 75 for the fiscal year ending June 30, 2018.

The District currently provides a contribution towards health benefits or access to coverage for approximately 296 retirees and surviving spouses. There are 13 retirees and 10 surviving spouses continuing benefits on a self-pay basis. In addition, there are approximately 330 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 present value of the projected District contributions (actuarial liability) for OPEB benefits, as of June 30, 2017, the valuation date, is $34,980,972. This amount is based on a discount rate of 7.9%. The amount represents the present value of all 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 the District's required contribution for retiree health 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 now referred to as Total OPEB Liability) is $34,208,496, the current service component (normal cost or current year accrual) is $115,216 and the future service component (not yet accrued liability) is $657,260.

Changes from Prior Valuation

The valuation reflects updated plan, census and rate information. The expected retiree cost reflects updates to the premium and trend rates and reflect the impact of participating in SISC commencing July 1, 2018. A reconciliation of the approximate change in the total (accrued) OPEB liability from the prior valuation is provided below:

June 30, 2015 Valuation @7.9%	**$40,513,000**
Decrease due to passage of time	(1,459,000)
Increase due to liability for new entrants	458,000
Net experience loss	1,179,000
Increase due to updated premium costs	5,550,000
Decrease due to participation in SISC in 2018	(12,032,000)
June 30, 2017 Valuation @7.9%	**$34,209,000**

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, 2017 or $45,726,800. The Net (unfunded) OPEB Liability/(Surplus) at June 30, 2017 is ($11,518,304). The Plan's funded ratio (actuarial value of assets over Total OPEB Liability) is 134%.

The estimated District contribution amount for retiree health benefits for the 2017/2018 fiscal year is approximately $4,717,951. This amount includes payments for employees expected to retire during the 2017/2018 fiscal year.

The District is not currently funding for these benefits as the current assets and future earnings are projected to be sufficient to pay future benefits. The results using a 6.5% discount rate are also provided in Section II-F of the report.

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. Another key assumption used in the valuation is the discount (interest) rate which is based on the expected rate of return of plan assets. Sensitivity for a 1% increase and decrease in the healthcare trend rates and for a 1% increase and decrease in the discount rate is provided in Section II-E.

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 2020, the "Cadillac Tax" is a 40% non-deductible excise tax on employer-sponsored health coverage that provides high-cost benefits. 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. Any impact is currently determined to be de minimis.

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.

GASB 74 Accounting Disclosures

For its fiscal year ending June 30, 2017, the District is required to comply with GASB 74 disclosure requirements applicable to funded OPEB plans. The additional information required under GASB 74 is provided in Section VII.

SECTION II. FINANCIAL RESULTS

A. Valuation Results

The table below presents the employer liabilities associated with the District's retiree health benefits. The actuarial liability is the present value of all District-paid benefits projected to be paid under the program. The total OPEB liability (TOL) previously referred to as the actuarially 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) or Present Value of Benefits				
Actives	$ 2,644,261	$1,697,796	$ 639,194	$ 4,981,251
Retirees	17,111,089	7,186,106	5,702,526	29,999,721
Total	$19,755,350	$8,883,902	$6,341,720	$34,980,972
2. Total (Accrued) OPEB Liability (TOL)				
Actives	$ 2,164,998	$1,635,558	$ 408,219	$ 4,208,775
Retirees	17,111,089	7,186,106	5,702,526	29,999,721
Total	$19,276,087	$8,821,664	$6,110,745	$34,208,496
3. Normal Cost	$ 65,932	$ 22,849	$ 26,435	$ 115,216
No. of Active Employees	234	8	88	330
Average Age	54.0	62.7	50.1	53.2
Average Past Service	14.3	37.7	7.5	13.0
No. of Retired Employees	164	76	56	296
Average Age	79.0	78.8	78.3	78.8
Average Retirement Age	62.7	60.8	61.6	62.0

B. Reconciliation of Market Value of Plan Assets

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

	Fiscal Year Ending	
	6/30/2016	6/30/2017
1. Beginning Market Value of Assets	$48,006,192	$44,289,479
2. Contribution	0	0
3. Fund Earnings (gross)	83,219	5,815,202
4. Benefit Payments	(3,572,925)	(4,152,914)
5. Administrative Expenses	(227,006)	(224,967)
6. Ending Market Value of Assets	$44,289,479	$45,726,800

C. Development of Actuarial Value of Assets

The actuarial value of assets is based on the market value of assets. The actuarial value of assets at June 30, 2017 is $45,726,800.

D. Development of Net OPEB Liability (NOL)

The table below presents the development of the net OPEB liability previously referred to as the unfunded actuarial accrued liability. The net OPEB liability is the excess of the Total OPEB Liability over the actuarial value of plan assets. A surplus exists when the actuarial value of plan assets exceed the Total (Accrued) OPEB Liability.

	Total
1. Total (Accrued) OPEB Liability/(Surplus)	$34,208,496
2. Actuarial Value of Assets	(45,726,800)
3. Net OPEB Liability/(Surplus)	($11,518,304)

E. Sensitivity Analysis:

The impact of a 1% decrease or increase in the discount (interest) rate and the impact of a 1% increase or decrease in future healthcare trend rates on the District's actuarial liability, Total (Accrued) OPEB Liability and Net OPEB Liability/(Surplus) is provided below:

	Dollar ($) Increase/ (Decrease)	Percentage (%) Increase/ (Decrease)
1% Decrease in Discount Rate		
- Actuarial Liability	$ 2,618,846	7%
- Total (Accrued) OPEB Liability	$ 2,416,433	7%
- Net OPEB Liability/(Surplus)	$ 2,416,433	N/A
1% Increase in Discount Rate		
- Actuarial Liability	($2,295,103)	(7%)
- Total (Accrued) OPEB Liability	($2,137,355)	(6%)
- Net OPEB Liability/(Surplus)	($2,137,355)	N/A
1% Increase in Future Healthcare Trend Rates		
- Actuarial Liability	$ 2,482,788	7%
- Total (Accrued) OPEB Liability	$ 2,357,833	7%
- Net OPEB Liability/(Surplus)	$ 2,357,833	N/A
1% Decrease in Future Healthcare Trend Rates		
- Actuarial Liability	($1,947,164)	(6%)
- Total (Accrued) OPEB Liability	($1,852,118)	(5%)
- Net OPEB Liability/(Surplus)	($1,852,118)	N/A

F. Liabilities - Alternative Discount Rate

The results below present the impact on the liabilities using a discount rate equal to 6.5%.

1. Actuarial Liability (AL) or Present Value of Benefits	
Actives	$ 5,841,060
Retirees	32,910,783
Total Actuarial Liability	$38,751,843
2. Total (Accrued) OPEB Liability	
Actives	$ 4,769,777
Retirees	32,910,783
Total (Accrued) OPEB Liability)	$37,680,560
3. Actuarial Value of Assets	(45,726,800)
4. Net OPEB Liability (NOL)/(Surplus)	($ 8,046,240)

SECTION III. PROJECTED CASH FLOWS

The valuation process includes the projection of the expected benefits (including the explicit District contribution and the implicit rate subsidy) to be paid by the District under its retiree health benefits program. This expected cash flow 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 the expected retirement date. Once the employees reach their retirement date, a certain percent are assumed to enter the retiree group each year. Employees already over the latest assumed retirement age as of the valuation date are assumed to retire immediately. 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 Total Cash Flows – Representative Years

Fiscal Year	Future Retirees	Current Retirees	District Total
2017/18	$ 132,427	$ 4,585,524	$ 4,717,951
2018/19	$ 232,988	$ 3,324,382	$ 3,557,370
2019/20	$ 311,946	$ 3,274,793	$ 3,586,739
2020/21	$ 341,161	$ 3,193,305	$ 3,534,466
2021/22	$ 352,121	$ 2,999,778	$ 3,351,899
2022/23	$ 402,422	$ 2,907,877	$ 3,310,299
2023/24	$ 412,111	$ 2,839,952	$ 3,252,063
2024/25	$ 497,313	$ 2,740,743	$ 3,238,056
2025/26	$ 468,905	$ 2,637,776	$ 3,106,681
2026/27	$ 449,016	$ 2,532,104	$ 2,981,120
2027/28	$ 455,297	$ 2,421,184	$ 2,876,481
2028/29	$ 441,349	$ 2,287,373	$ 2,728,722
2029/30	$ 450,711	$ 2,165,196	$ 2,615,907
2030/31	$ 545,788	$ 2,040,059	$ 2,585,847
2031/32	$ 652,198	$ 1,911,253	$ 2,563,451
2032/33	$ 678,941	$ 1,781,585	$ 2,460,526
2033/34	$ 711,161	$ 1,650,033	$ 2,361,194
2034/35	$ 702,948	$ 1,519,186	$ 2,222,134
2035/36	$ 668,643	$ 1,389,548	$ 2,058,191
2036/37	$ 636,519	$ 1,262,633	$ 1,899,152
2037/38	$ 649,751	$ 1,139,573	$ 1,789,324
2038/39	$ 485,295	$ 1,020,089	$ 1,505,384
2039/40	$ 440,810	$ 907,432	$ 1,348,242
2040/41	$ 455,041	$ 801,526	$ 1,256,567
2041/42	$ 366,678	$ 702,099	$ 1,068,777
2042/43	$ 403,797	$ 608,142	$ 1,011,939
2043/44	$ 395,199	$ 524,251	$ 919,450
2044/45	$ 347,047	$ 447,407	$ 794,454
2045/46	$ 278,060	$ 377,387	$ 655,447
2050/51	$ 127,305	$ 138,468	$ 265,773
2055/56	$ 27,122	$ 35,464	$ 62,586
2060/61	$ 4,795	$ 5,992	$ 10,787
2065/66	$ 0	$ 0	$ 0
2070/71	$ 0	$ 0	$ 0
All Years	$14,711,393	$57,518,584	$72,229,977

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.

Grandfathered Plan

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 costs for the applicable Kaiser and Anthem plan that is supplemental to Medicare. 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. 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 currently participates in several experience-rated health plans. The table below summarizes the premiums for the retiree health plans which are based on retiree experience only. All premiums are monthly and are effective for the period from July 1, 2017 to June 30, 2018.

2017/18 Plans and Retiree Premiums	Kaiser HMO/ Senior Adv	Anthem BC PPO – In CA	Anthem BC Medicare Adv	Anthem BC PPO - OOS
Retiree Only	$1,113.12	$2,326.26	NA	$2,568.31
Retiree Plus Spouse	$2,226.25	$4,484.63	NA	$5,579.76
Retiree Only W/Medicare	$ 448.65	$1,492.15	$ 829.28	$2,070.13
Retiree Plus Spouse W/Medicare	$ 897.30	$2,607.95	$1,658.56	$4,150.55
Retiree Only Without Medicare (>65)	NA	$2,326.26	NA	$2,568.31

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 $1.77 per month. Effective July 1, 2018, the District is expected to be joining the Self-Insured Schools of California (SISC) for health coverage. The premiums below were provided to the District from SISC for the retirees. This rates will form the basis for the 2018/2019 costs with an assumed annual trend applied. The SISC renewal will be for 15 months and then every 12 months thereafter.

2017/18 Plans and Retiree Premiums	Kaiser HMO/ Senior Adv	Anthem BC PPO – In CA	Anthem BC PPO - OOS
Retiree Only	$1,055.00	$1,866.00	$1,866.00
Retiree Plus Spouse	$2,205.00	$3,906.00	$3,906.00
Retiree Only W/Medicare	$ 451.00	$ 796.00	$ 796.00
Retiree Plus Spouse W/Medicare	$ 902.00	$1,592.00	$1,592.00
Retiree Only Without Medicare (>65)	NA	$1,866.00	$1,866.00

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	0	1	0	1
60-64	7	8	2	17
65-69	13	9	13	35
70-74	36	13	5	54
75-79	40	11	11	62
80-84	30	11	10	51
85+	38	23	15	76
Total:	164	76	56	296
Average Age (Pre-65 Only):	79.0 (62.3)	78.8 (61.8)	78.3 (62.8)	78.8 (62.1)
Avg. Retirement Age (Pre-65 Only):	62.7 (59.0)	60.8 (56.3)	61.6 (56.4)	62.0 (57.1)

* Counts include 14 employees continuing coverage under AB528 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	3									3
30-34	10	1								11
35-39	11	6	6							23
40-44	19	8	12	2						41
45-49	12	13	10	15	1	1				52
50-54	16	9	6	12	4	4				51
55-59	10	3	9	11	9	4		1		47
60-64	8	4	11	19	9	8	1	1	1	66
65-69	2	1	3	5	3	4	1	1	2	22
70-74	0	0	1	4	2	1	3	0	1	12
75+	0	0	1	0	0	0	0	0	1	2
Total:	91	45	59	68	28	22	5	7	5	330
Average Age:			53.2							
Average Service:			13.0							
Annual Payroll:			$35,025,000							

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	0									0
30-34	8									8
35-39	6	6	5							17
40-44	9	5	8	2						24
45-49	5	11	7	13	1					37
50-54	7	8	6	10	4	3				38
55-59	0	1	8	10	8	1				28
60-64	2	2	11	16	9	8				48
65-69	1	1	3	5	3	4	1	1	1	20
70-74	0	0	1	4	2	1	3	0	1	12
75+	0	0	1	0	0	0	0	0	1	2
Total:	38	34	50	60	27	17	4	1	3	234
Average Age:			54.0							
Average Service:			14.3							
Annual Payroll:			$23,359,000							

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	0	1		1
60-64	0	0	0	0	0	0	0	5	1	6
65-69	0	0	0	0	0	0	0	0	1	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	0	6	2	8
Average Age:			62.7							
Average Service:			37.7							
Annual Payroll:			$527,000							

Age/Service Distribution of Eligible Administrators 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	3									3
30-34	2	1								3
35-39	5	0	1							6
40-44	10	3	4							17
45-49	7	2	3	2		1				15
50-54	9	1	0	2	0	1				13
55-59	10	2	1	1	1	3				18
60-64	6	2	0	3	0	0	1			12
65-69	1	0	0	0	0	0	0	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:	53	11	9	8	1	5	1	0	0	88

Average Age:	50.1
Average Service:	7.5
Annual Payroll:	$11,139,000

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

Valuation Date: June 30, 2017

Funding Periods Covered: FY2017/18 and FY2018/19

Funding Policy: The District does not have a current policy to do additional prefunding. The current assets and expected future earnings are projected to be sufficient to pay future required benefits.

Discount Rate: 7.9% per annum. This discount rate assumes the District continues to fully fund for its retiree health benefits under its current investment strategy.

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

Inflation: 2.8% per annum

Payroll Increases: 3.0% per annum, in aggregate

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.

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%

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%

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.

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 on the actual premiums billed for coverage.

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

Year	Trend
2018	6.50%
2019	6.25%
2020	6.00%
2021	5.75%
2022	5.50%
2023	5.25%
2024	5.00%
2025	4.75%
2026	4.50%
2027+	4.50%

Commencing in 2018, the SISC rates provided form the basis for the 2018/2019 costs with the assumed annual trends applied.

[The prior valuation assumed higher trends for the HMO and slightly higher initial trends]

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 District has elected a level percentage of pay cost method. 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.

[The prior valuation used an EAN Level Dollar actuarial cost method]

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: Any assets of the plan will be valued on a market value basis.

SECTION VII. GASB 74 ADDITIONAL REPORTING

The District is required to adopt GASB 74 disclosures for the fiscal year ending June 30, 2017. The selected Measurement Date is June 30, 2017. The required actuarial information is provided below:

Schedule of Changes in Net OPEB Liability and Related Ratios

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at 6/30/2016	$35,589,557	$44,289,479	(8,699,922)
Changes for the year:			
Service Cost	115,216		115,216
Interest	2,656,637		2,656,637
Differences between expected and actual experience			0
Contributions – employer*		0	0
Contributions – employee		0	0
Net investment income		5,815,202	(5,815,202)
Benefit payments	(4,152,914)	(4,152,914)	0
Administrative expense	0	(224,967)	(224,967)
Other changes	0	0	0
Net changes	(1,381,061)	1,437,321	(2,818,382)
Balances at 6/30/2017	$34,208,496	$45,726,800	(11,518,304)

*Excludes District contribution for direct payments of benefits that were not reimbursed from the trust.

Plan fiduciary net position as a percentage of the total OPEB liability	97.7%
Estimated Covered Payroll	$35,025,000
Net OPEB liability as percentage of covered-employee payroll	-8.0%

Plan Membership

Inactive plan members of beneficiaries currently receiving benefits	296
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	330
Total	626

Schedule of Contributions	**2016/17**
Actuarially determined contribution	$ 0
Contributions in relation to the actuarially determined contribution	0
Contribution deficiency (excess)	$ 0
Contributions as a percentage of covered-employee payroll	0%

Statement of Fiduciary Net Position	**June 30, 2017**
Assets	
Cash and deposits	$ 81,939
Securities lending cash collateral	0
Total cash	$ 81,939
Receivables:	
Contributions	$ 0
Due from broker for investments sold	0
Investment income	0
Other	0
Total receivables	$ 0
Investments:	
Fixed income securities	$ 14,702,644
Domestic equities	16,913,809
International equities	9,658,946
Real estate	4,451,401
Total investments	$ 45,726,800
Total assets	$ 45,808,739
Liabilities	
Payables:	
Investment management fees	$ 0
Due to broker for investments purchased	81,939
Collateral payable for securities lending	0
Other	0
Total liabilities	$ 0
Net position restricted for OPEB	$ 45,726,800
Money-weighted rate of return (net of fees)	Not Available

Actuarial Assumptions for Total OPEB Liability

Measurement Date: June 30, 2017

Return on Assets: 7.9%

The long-term expected rate of return on the OPEB trust investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges were determined based on past investment history and are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

Asset class	Allocation*	Long-term expected real rate of return
Fixed income	32%	*2.75%*
Domestic Equities	37%	*5.50%*
International Equities	21%	*6.50%*
Alternative Assets	10%	*5.00%*
Cash	0%	*0.00%*
Total	100.0%	

* Actual reported at June 30, 2017

Discount Rate: 7.9%

The discount rate of 7.9% is based on the rate of return at 7.9%.

The projection of cash flows used to determine the discount rate assumed that ongoing contributions will be made at the actuarially determined contribution rate. Based on that assumption, the OPEB plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members in all future years. Based on earnings on assets of 7.9%, expected future assets are projected to be sufficient to pay out projected District payments for retiree health benefits.

Sensitivity of the net OPEB liability to changes in the discount rate:

	1% Decrease (6.9%)	Current Discount Rate (7.9%)	1% Increase (8.9%)
Net OPEB liability	($9,101,871)	($11,518,304)	($13,655,659)

Trend Rate: The trend rates grade down from current market trends to an ultimate rate

Sensitivity of the net OPEB liability to changes in the discount rate:

	1% Decrease Ultimate Trend Rate (3.5%)	Ultimate Trend Rate (4.5%)	1% Increase Ultimate Trend Rate (5.5%)
Net OPEB liability	($13,370,422)	($11,518,304)	($9,160,471)

SECTION VIII. ACTUARIAL CERTIFICATION

This report summarizes the actuarial valuation for the San Jose/Evergreen Community College District (the "District") as of June 30, 2017. The purpose of the valuation is to measure the District's liability for OPEB benefits and to determine an actuarially determined contribution (ADC) for the fiscal periods ending June 30, 2017 and June 30, 2018. The ADC is a target or recommended contribution to a defined benefit OPEB plan for the applicable period, determined in accordance with the parameters and in conformity with Actuarial Standards of Practice. The valuation results will also serve as the basis for complying with GASB 75 applicable for the fiscal year ending June 30, 2018 and, if necessary, for GASB 74.

To the best of our knowledge, the report presents a fair position of the funded status of the plan. The valuation is 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: August 31, 2017

SECTION IX. DEFINITIONS

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

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.

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 Service Cost and a Total OPEB Liability.

Actuarially Determined Contribution - A target or recommended contribution to a defined benefit OPEB plan for the reporting period, determined in accordance with the parameters and in conformity with Actuarial Standards of Practice.

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

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

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

Deferred Outflow / (Inflow) of Resources – represents the following items that have not been recognized in the OPEB Expense:

a. Differences between expected and actual experience of the OPEB plan
b. Changes in assumptions
c. Differences between projected and actual earnings in OPEB plan investments (for funded plans only)

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.

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.

OPEB – Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.

OPEB Expense – Changes in the Net OPEB Liability in the current reporting period, which includes Service Cost, interest cost, changes of benefit terms, expected earnings on OPEB Plan investments, reduction of active employees' contributions, OPEB plan administrative expenses, and current period recognition of Deferred Outflows / (Inflows) of Resources.

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.

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.

Real Rate of Return – the rate of return on an investment after adjustment to eliminate inflation.

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.

Service Cost (also referred to as Normal Cost) – The portion of the Actuarial Present Value of projected benefit payments that are attributed to a valuation year by the Actuarial Cost Method.

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

Total OPEB Liability (also referred to as Actuarial Accrued Liability) – That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Benefits which is attributed to past periods of employee service (or not provided for by the future Service Costs).