SIERRA JOINT COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO: Retirement Board of Authority

DATE: 11/08/2012

SUBJECT: Approval of Agenda
ITEM #: 2012/2013-009
Enclosure: Yes
Action Item: Yes

Prepared by: Keenan Financial Services
Requested by: Retirement Board of Authority

BACKGROUND:
Under California Government Code Section §54950 (The Ralph M. Brown Act) the “Legislative Body” is required to post an agenda detailing each item of business to be discussed. The Authority posts the agenda in compliance with California Government Code Section §54954.2.

STATUS:
Unless items are added to the agenda according to G.C. §54954.2 (b) (1) (2) (3) the agenda is to be approved as posted.

RECOMMENDATION:
Subject to changes or corrections, the agenda is to be approved.
I. CALL TO ORDER

II. ROLL CALL

RETIREMENT BOARD OF AUTHORITY (the “Board”) MEMBERS
Director of Finance
Vice President, Human Resources
Federation of United School Employees (FUSE)
Sierra College Faculty Association (SCFA)
Sierra College Management Association (SCMA)
Vice President, Student Services

Kerri Hester
Cameron Abbott
Arlene Goff
Todd Jensen
Adele Hamlett
Mandy Davies

PROGRAM COORDINATOR
Account Manager
Roslyn Washington

OTHER
None

III. APPROVAL OF AGENDA

The Retirement Board of Authority retains the right to change the order in which agenda items are discussed. Subject to review by the Retirement Board, the agenda is to be approved as presented. Items may be deleted or added for discussion only according to G.C. Section 54954.2.
PUBLIC COMMENTS:
BOARD CONSIDERATION:

IV. APPROVAL OF MINUTES

The Retirement Board will review the minutes from the previous meeting, September 25, 2012 for any adjustments and adoption.
PUBLIC COMMENTS:
BOARD CONSIDERATION:
V. ADMINISTRATION

DISBURSEMENTS

The Retirement Board of Authority members will discuss withdrawal protocols associated with the management and operation of the District’s Public Entity Investment Trust.

PUBLIC COMMENTS:
BOARD CONSIDERATION:

UPDATE ACTUARIAL VALUATION STUDY

The Retirement Board of Authority members will discuss the District’s current Actuarial Valuation Study relative to the District’s current OPBEB liability and the discount rate being use.

PUBLIC COMMENTS:
BOARD CONSIDERATION:

RETIREMENT BOARD OF AUTHORITY (RBOA) BYLAWS

The current District OPEB Trust document provides provisions to operate the Trust. RBOA Bylaws provide additional direction for issues not discussed in the provisions of the District’s Trust Document. The Retirement Board of Authority will review a Bylaws template in the creation of RBOA Bylaws to facilitate the management and operation of the District’s OPEB Trust.

PUBLIC COMMENTS:
BOARD CONSIDERATION:

VI. INFORMATION REPORTS

RETIREMENT BOARD OF AUTHORITY COMMENTS

Each Retirement Board of Authority member may report about various matters involving the Board. There will be no Board discussion except to ask questions or refer matters to staff, and no action will be taken unless listed on a subsequent agenda.

PROGRAM COORDINATOR/CONSULTANT COMMENT

The Program Coordinator and Consultants will report to the Authority about various matters involving the Board. There will be no Board discussion except to ask questions, and no action will be taken unless listed on a subsequent agenda.

VISITORS COMMENTS

The public may address the Retirement Board of Authority on any matter pertaining to the Board that is not on the agenda. The Chairperson reserves the right to limit the time of presentations by individual or topic.
AGENDA – Sierra Joint Community College District
Retirement Board of Authority Meeting
November 8, 2012
Page 3

VII. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

The Agenda Items for the next meeting will be the same as for this meeting. Board members and visitors may suggest additional items for consideration at the next District’s Retirement Board of Authority meeting.

PUBLIC COMMENTS:

BOARD CONSIDERATION:

IX. ADJOURNMENT

Americans with Disabilities Act The Sierra Joint Community College District’s Retirement Board of Authority conforms to the protections and prohibitions contained in Section 202 of the Americans with Disabilities Act of 1990 and the federal rules and regulations adopted in implementation thereof. A request for disability-related modification or accommodation, in order to participate in a public meeting of the Sierra Joint Community College District’s Retirement Board of Authority meeting, shall be made to: Kerri Hester, Director of Finance, Sierra Joint Community College District, 500 Rocklin Road, Rocklin, CA 95677.
SIERRA JOINT COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO: Retirement Board of Authority

DATE: 11/08/2012

SUBJECT: Approval of Minutes

ITEM #: 2012/2013-010

Enclosure: Yes

Action Item: Yes

Prepared by: Keenan Financial Services

Requested by: Retirement Board of Authority

BACKGROUND:

As a matter of record and in accordance with the Brown Act, minutes of each meeting are kept and recorded.

STATUS:

The Board will review the minutes from the previous Retirement Board of Authority Meeting on September 25, 2012.

RECOMMENDATION:

Subject to changes or corrections, the minutes are to be approved.
I. CALL TO ORDER

The Retirement Board of Authority (RBOA) meeting was called to order at 1:05 PM by Roslyn Washington of Keenan Financial Services.

II. ROLL CALL

RETIREMENT BOARD OF AUTHORITY (the “Board”) MEMBERS
Director of Finance                          Kerri Hester
Director of Human Resources                 Cameron Abbott
Federation of United School Employees (FUSE) Arlene Goff
Sierra College Faculty Association (SCFA)    Todd Jensen
Sierra College Management Association (SCMA) Adele Hamlett
Vice President, Student Services             Mandy Davies

PROGRAM COORDINATOR
Account Manager                               Roslyn Washington

PROGRAM CONSULTANT
Benefit Trust Company                        (via telephone) Scott Rankin

OTHER
None

III. APPROVAL OF AGENDA

A motion was made by Board member Cameron Abbott to approve the Agenda with an amendment to his title from Interim Vice President, Human Resources to Director of Human Resources. The motion was seconded by Board member Kerri Hester and unanimously carried by the Board members present.

IV. APPROVAL OF MINUTES

A motion was made by Board member Mandy Davies to approve the Minutes from the previous meeting on May 15, 2012, as presented. The motion was seconded by Board member Todd Jensen and unanimously carried by the Board members present. Board member Adele Hamlett abstained as she was not present at the RBOA
V. ADMINISTRATION

PRIVATE LETTER RULING

Scott Rankin of Benefit Trust Company (BTC) reviewed the background of the Private Letter Ruling (PLR) and provided an overview of the IRS recommendations for final approval of the District’s Trust and Adoption Agreements. Scott advised that he, the General Counsel for Keenan and PLR attorney Brian Johnson do not have any problems with the recommendations of the IRS. Board member Todd Jensen made inquiry as to the ramifications of the Board approving the recommendations of the IRS. Scott advised that the executed and Board approved copy of the Trust and Adoption Agreements would be sent back to Brian Johnston of Polsinelli Shughart PC for submission the IRS for approval.

A motion was made by Board member Todd Jensen to approve the recommendations of the IRS to the District’s existing Trust and Adoption Agreement. The motion was seconded by Board member Cameron Abbott and unanimously carried by the Board members present.

RETIREMENT BOARD OF AUTHORITY (RBOA) BYLAWS

Roslyn Washington of Keenan Financial Services is working with the Board in making additional changes to customize the RBOA Bylaws to meet District requirements. Board member Kerri Hester indicated that she will seek advice from Superintendent Duncan relative to the modifications they are considering for the District’s RBOA Bylaws.

The Board will reconvene on November 8, 2012, in order to continue the process of modifying the RBOA Bylaws to District requirements.

A motion was made by Board member Kerri Hester to continue the process of customizing the District’s RBOA Bylaws at another meeting. The motion was seconded by Board member Todd Jensen and unanimously carried by the Board members present.

VI. INFORMATION REPORTS

RETIREMENT BOARD OF AUTHORITY COMMENTS

The Board apologized for the inconvenience caused by the power outage at the college.

PROGRAM COORDINATOR/CONSULTANT COMMENT

Roslyn Washington of Keenan Financial Services reminded Board members of the upcoming Futuris Investment Workshop on October 17, 2012 in Walnut Creek. She encouraged all Board members to attend.

VISITORS COMMENTS

There were no Visitor comments.
VII. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

The next Retirement Board of Authority meeting is scheduled as follows:

- November 8, 2012: 1:00 PM-4:00 PM.

Agenda Items to be discussed at the next RBOA meeting include:

- The District’s Actuarial Valuation Study Update.
- Customizing the RBOA Bylaws to District Requirements.

IX. ADJOURNMENT

The Retirement Board of Authority meeting was adjourned at 2:29 PM due to a power outage at the college.

Americans with Disabilities Act The Sierra Joint Community College District’s Retirement Board of Authority conforms to the protections and prohibitions contained in Section 202 of the Americans with Disabilities Act of 1990 and the federal rules and regulations adopted in implementation thereof. A request for disability-related modification or accommodation, in order to participate in a public meeting of the Sierra Joint Community College District’s Retirement Board of Authority meeting, shall be made to: Kerri Hester, Director of Finance, Sierra Joint Community College District, 500 Rocklin Road, Rocklin, CA 95677.
BACKGROUND:

The Investment Trust is able to pay for all expenses relating to the reimbursement of retiree benefits for eligible participants and for reasonable fees relative to the management of the trust.

STATUS:

The Retirement Board of Authority members shall discuss withdrawal protocols associated with the management and operation of the District’s Investment Trust.

RECOMMENDATION:

The Retirement Board of Authority should receive the information presented and file the information accordingly.
1. Pre-1994 Sierra employees contribute 1% of their salaries to our Irrevocable Trust. Are there any other Districts that you are aware of who have employees that contribute to their OPEB benefits or Irrevocable Trusts?

**Answer:** None of our other Futuris clients have employee contributions. Although, many districts statewide are considering it at this point.

2. Can we get a few examples of the withdrawal Bylaw that other Districts use? We would like to see if other Districts give the RBOA full, partial or no authority to approve withdrawals. Varied examples would be helpful, if there is variation.

**Answer:** The role of the RBOA is oversight of the Trust. While there is a signature provision for withdrawals for reimbursement of appropriate expenses other than fees, the RBOA merely acknowledges or ratifies the withdrawal.

**Examples:** (Section 4.2)

4.2 The Board will ratify the amount of any withdrawal by the Public Entity. Any withdrawal shall be in accordance with the Trust’s written provisions and agreements. Expenditures paid for by the Trust shall require a signature from each of the four (4) constituencies.

4.2 The Board will establish procedures to review all expenditures and disbursements from the Trust.

4.2 The Board will acknowledge the amount of any withdrawal from the Val Verde USD Futuris Public Entity Investment Trust.

3. What do the majority of the Districts do in terms of withdrawals? Do they have their RBOA Board as the ultimate approver or the overall District Board?

**Answer:** The Trust is a District Trust. The RBOA has been delegated oversight responsibility for the Trust by your Board of
Trustees. The RBOA typically acknowledges or ratifies the expenses rather than approve them so that expenses are memorialized in the Minutes. As a side note, the RBOA does not determine which expenses are to be paid from the Trust. The monies are to be used for reimbursement of Retiree Medical costs and associated fees, such as actuarial report, etc. The Trust has been established to provide for Retiree Medical Expenses.

4. There is a section in our adoption agreement that specifically discusses withdrawals. Our District Board approved the agreement when we adopted the Futuris Plan. It seems to clearly state that the Plan Administrator can make a withdrawal, but I cannot find the definition of Plan, Administrator in our adoption agreement. Shouldn’t our Bylaws reflect this provision since it is in our Adoption Agreement?

**Answer:** The Plan Administrator referenced in your Trust Agreement, is the District. The District has authorization to make withdrawals from the plan (Trust) specifically for Retiree Health Expenses. By delegating you all as the RBOA, you are an extension of that authorization, however, the RBOA simply has oversight responsibility to acknowledge or ratify expenses paid from the Trust.

Many of our accounts do not have Bylaws. It is not a necessity for the RBOA to adopt. The Futuris accounts that chose to adopt

** Basically, this Trust has been set up for the purpose of paying for Retiree Health Expenses. Therefore, if at some point the District can no longer make those payments using funds from its General Account, then the Trust could be used as a resource to pay for those expenses.
BACKGROUND:

Paragraph 12, of GASB Statement 45, states that an Actuarial Valuation Study should be performed at least biannually. The recent Exposure Draft from the Governmental Accounting Standards Board (GASB) may have an impact on future Actuarial Valuations for OPEB Plans.

STATUS:

The Retirement Board of Authority (RBOA) members will review the District’s Actuarial Valuation Study relative to the discount rate being used and the future determinations of possible withdrawals to reimburse premiums paid for Retiree Health Benefits.

RECOMMENDATION:

The Retirement Board of Authority should receive the information presented and file the information accordingly.
Actuarial Study Changes: 2012 v. 2010

Assumptions:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Future Health Care Cost Increases</td>
<td>4%</td>
<td>5.5% - 7.6%</td>
</tr>
<tr>
<td>Future Salary Increases</td>
<td>3%</td>
<td>Unknown</td>
</tr>
<tr>
<td>Discount Rate</td>
<td>7%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Amortization Period</td>
<td>30 years</td>
<td>30 years</td>
</tr>
</tbody>
</table>

Calculation Results

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2010</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial Accrued Liability</td>
<td>$44,753,479</td>
<td>$77,063,512</td>
<td>($32,310,033)</td>
</tr>
<tr>
<td>Unfunded Actuarial Accrued Liability</td>
<td>$52,770,444</td>
<td>$70,249,789</td>
<td>($17,479,345)</td>
</tr>
<tr>
<td>Actuarial value of OPEB Trust Benefits</td>
<td>$8,078,032</td>
<td>$6,813,723</td>
<td>$1,264,309</td>
</tr>
<tr>
<td>Peak Expense (Estimated)</td>
<td>$3,795,539</td>
<td>$5,467,372</td>
<td>($1,671,833)</td>
</tr>
<tr>
<td>Peak Expense Fiscal Year:</td>
<td>2022/2023</td>
<td>2026/2027</td>
<td>3 Years</td>
</tr>
<tr>
<td>Eligible Active Employees:</td>
<td>85</td>
<td>115</td>
<td>(30)</td>
</tr>
<tr>
<td>Eligible Retirees:</td>
<td>301</td>
<td>309</td>
<td>32</td>
</tr>
</tbody>
</table>

(A) Annual Level Dollar Amortization of UAAL: $3,165,285  $4,462,323  ($1,297,038)
(B) Normal Costs: $381,658  $1,014,222  ($632,564)

(A) + (B) Annual Required Contribution: $3,446,943  $5,476,545  ($2,029,602)

45 Year Actual Cost and Future Cost Projections versus the Annual Required Contribution

2012 Actuarial Study
45 Year Retiree Health Benefits vs. Annual Required Contributions
(Based on past actual and future estimated claim costs)

2010 Actuarial Study
45 Year Retiree Health Benefits vs. Annual Required Contributions
(Based on past actual and future estimated claim costs)
Sierra Community College District
Actuarial Study of
Retiree Health Liabilities
As of July 1, 2012

Prepared by:
Total Compensation Systems, Inc.

Date: May 31, 2012
Total Compensation Systems, Inc.

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Sierra Community College District
Actuarial Study of Retiree Health Liabilities

PART I: EXECUTIVE SUMMARY

A. Introduction

Sierra Community College District engaged Total Compensation Systems, Inc. (TCS) to analyze liabilities associated with its current retiree health program as of July 1, 2012 (the valuation date). The numbers in this report are based on the assumption that they will first be used to determine accounting entries for the fiscal year ending June 30, 2012. If the report will first be used for a different fiscal year, the numbers will need to be adjusted accordingly.

This report does not reflect any cash benefits paid unless the retiree is required to provide proof that the cash benefits are used to reimburse the retiree’s cost of health benefits. Costs and liabilities attributable to cash benefits paid to retirees are reportable under Governmental Accounting Standards Board (GASB) Standards 25/27.

This actuarial study is intended to serve the following purposes:

» To provide information to enable Sierra CCD to manage the costs and liabilities associated with its retiree health benefits.

» To provide information to enable Sierra CCD to communicate the financial implications of retiree health benefits to internal financial staff, the Board, employee groups and other affected parties.

» To provide information needed to comply with Governmental Accounting Standards Board Accounting Standards 43 and 45 related to "other postemployment benefits" (OPEB’s).

Because this report was prepared in compliance with GASB 43 and 45, as appropriate, Sierra CCD should not use this report for any other purpose without discussion with TCS. This means that any discussions with employee groups, governing Boards, etc. should be restricted to the implications of GASB 43 and 45 compliance.

This actuarial report includes several estimates for Sierra CCD’s retiree health program. In addition to the tables included in this report, we also performed cash flow adequacy tests as required under Actuarial Standard of Practice 6 (ASOP 6). Our cash flow adequacy testing covers a twenty-year period. We would be happy to make this cash flow adequacy test available to Sierra CCD in spreadsheet format upon request.

We calculated the following estimates separately for active employees and retirees. As requested, we also separated results by the following employee classifications: Faculty, Classified and Management. We estimated the following:

- the total liability created. (The actuarial present value of total projected benefits or APVTPB)

- the ten year "pay-as-you-go” cost to provide these benefits.

- the "actuarial accrued liability (AAL)." (The AAL is the portion of the APVTPB attributable to employees’ service prior to the valuation date.)
Total Compensation Systems, Inc.

- the amount necessary to amortize the UAAL over a period of 30 years.

- the annual contribution required to fund retiree benefits over the working lifetime of eligible employees (the "normal cost").

- The Annual Required Contribution (ARC) which is the basis of calculating the annual OPEB cost and net OPEB obligation under GASB 43 and 45.

We summarized the data used to perform this study in Appendix A. No effort was made to verify this information beyond brief tests for reasonableness and consistency.

All cost and liability figures contained in this study are estimates of future results. Future results can vary dramatically and the accuracy of estimates contained in this report depends on the actuarial assumptions used. Normal costs and liabilities could easily vary by 10 - 20% or more from estimates contained in this report.

B. General Findings

We estimate the "pay-as-you-go" cost of providing retiree health benefits in the year beginning July 1, 2012 to be $3,040,820 (see Section IV.A.). The “pay-as-you-go” cost is the cost of benefits for current retirees.

For current employees, the value of benefits "accrued" in the year beginning July 1, 2012 (the normal cost) is $281,658. This normal cost would increase each year based on covered payroll. Had Sierra CCD begun accruing retiree health benefits when each current employee and retiree was hired, a substantial liability would have accumulated. We estimate the amount that would have accumulated to be $44,753,479. This amount is called the "actuarial accrued liability" (AAL). The remaining unamortized balance of the initial unfunded AAL (UAAL) is $52,770,444. This leaves a “residual” AAL of **negative** $8,016,965.

Sierra CCD has established a GASB 43 qualifying trust to cover future OPEB costs. The actuarial value of plan assets at June 30, 2012 is $8,078,032. This leaves a residual unfunded actuarial accrued liability (UAAL) of **negative** $16,094,997. We calculated the annual cost to amortize the unfunded actuarial accrued liability using a 7% discount rate. We used an open 30 year amortization period. The current year cost to amortize the residual unfunded actuarial accrued liability is **negative** $1,297,038.

Combining the normal cost with both the initial and residual UAAL amortization costs produces an annual required contribution (ARC) of $3,446,943. The ARC is used as the basis for determining expenses and liabilities under GASB 43/45. The ARC is used in lieu of (rather than in addition to) the “pay-as-you-go” cost.

We based all of the above estimates on employees as of April, 2012. Over time, liabilities and cash flow will vary based on the number and demographic characteristics of employees and retirees.

C. Description of Retiree Benefits

Following is a description of the current retiree benefit plan. District paid OPEB are not available to employees hired after June 30, 1994. The benefits described below apply to employees hired in the years before July 1, 1994, but employees hired in the 1980’s and before may be eligible for different, grandfathered benefits.
D. Recommendations

It is outside the scope of this report to make specific recommendations of actions Sierra CCD should take to manage the substantial liability created by the current retiree health program. Total Compensation Systems, Inc. can assist in identifying and evaluating options once this report has been studied. The following recommendations are intended only to allow the College to get more information from this and future studies. Because we have not conducted a comprehensive administrative audit of Sierra CCD’s practices, it is possible that Sierra CCD is already complying with some or all of our recommendations.

- We recommend that Sierra CCD inventory all benefits and services provided to retirees – whether contractually or not and whether retiree-paid or not. For each, Sierra CCD should determine whether the benefit is material and subject to GASB 43 and/or 45.

- We recommend that Sierra CCD conduct a study whenever events or contemplated actions significantly affect present or future liabilities, but no less frequently than every two or three years, as required under GASB 43/45.

- We recommend that the College communicate the magnitude of these costs to employees and include employees in discussions of options to control the costs.

- Under GASB 45, it is important to isolate the cost of retiree health benefits. Sierra CCD should have all premiums, claims and expenses for retirees separated from active employee premiums, claims, expenses, etc. To the extent any retiree benefits are made available to retirees over the age of 65 – even on a retiree-pay-all basis – all premiums, claims and expenses for post-65 retiree coverage should be segregated from those for pre-65 coverage. Furthermore, Sierra CCD should arrange for the rates or prices of all retiree benefits to be set on what is expected to be a self-sustaining basis.

- Sierra CCD should establish a way of designating employees as eligible or ineligible for future OPEB benefits. Ineligible employees can include those in ineligible job classes; those hired after a designated date restricting eligibility; those who, due to their age at hire cannot qualify for College-paid OPEB benefits; employees who exceed the termination age for OPEB benefits, etc.

- Several assumptions were made in estimating costs and liabilities under Sierra CCD's retiree health program. Further studies may be desired to validate any assumptions where there is any doubt that the assumption is appropriate. (See Appendices B and C for a list of assumptions and concerns.) For example, Sierra CCD should maintain a retiree database.
Total Compensation Systems, Inc.

that includes—in addition to date of birth, gender and employee classification—retirement date and (if applicable) dependent date of birth, relationship and gender. It will also be helpful for Sierra CCD to maintain employment termination information—namely, the number of OPEB-eligible employees in each employee class that terminate employment each year for reasons other than death, disability or retirement.

Respectfully submitted,

Geoffrey L. Kischuk, FSA, MAAA, FCA
Consultant
Total Compensation Systems, Inc.
(805) 496-1700
PART II: BACKGROUND

A. Summary

Accounting principles provide that the cost of retiree benefits should be “accrued” over employees' working lifetime. For this reason, the Governmental Accounting Standards Board (GASB) issued in 2004 Accounting Standards 43 and 45 for retiree health benefits. These standards apply to all public employers that pay any part of the cost of retiree health benefits for current or future retirees (including early retirees).

B. Actuarial Accrual

To actuarially accrue retiree health benefits requires determining the amount to expense each year so that the liability accumulated at retirement is, on average, sufficient (with interest) to cover all retiree health expenditures without the need for additional expenses. There are many different ways to determine the annual accrual amount. The calculation method used is called an “actuarial cost method.”

Under most actuarial cost methods, there are two components of actuarial cost - a “normal cost” and amortization of something called the “unfunded actuarial accrued liability.” Both accounting standards and actuarial standards usually address these two components separately (though alternative terminology is sometimes used).

The normal cost can be thought of as the value of the benefit earned each year if benefits are accrued during the working lifetime of employees. This report will not discuss differences between actuarial cost methods or their application. Instead, following is a description of a commonly used, generally accepted actuarial cost method that will be permitted under GASB 43 and 45. This actuarial cost method is called the “entry age normal” method.

Under the entry age normal cost method, the actuary determines the annual amount needing to be expensed from hire until retirement to fully accrue the cost of retiree health benefits. This amount is the normal cost. Under GASB 43 and 45, normal cost can be expressed either as a level dollar amount or a level percentage of payroll.

The normal cost is determined using several key assumptions:

- The current cost of retiree health benefits (often varying by age, Medicare status and/or dependent coverage). The higher the current cost of retiree benefits, the higher the normal cost.

- The “trend” rate at which retiree health benefits are expected to increase over time. A higher trend rate increases the normal cost. A “cap” on College contributions can reduce trend to zero once the cap is reached thereby dramatically reducing normal costs.

- Mortality rates varying by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce normal costs, the mortality assumption is not likely to vary from employer to employer.

- Employment termination rates have the same effect as mortality inasmuch as higher termination rates reduce normal costs. Employment termination can vary considerably between public agencies.

- The service requirement reflects years of service required to earn full or partial retiree benefits.
While a longer service requirement reduces costs, cost reductions are not usually substantial unless the service period exceeds 20 years of service.

- **Retirement rates** determine what proportion of employees retire at each age (assuming employees reach the requisite length of service). Retirement rates often vary by employee classification and implicitly reflect the minimum retirement age required for eligibility. Retirement rates also depend on the amount of pension benefits available. Higher retirement rates increase normal costs but, except for differences in minimum retirement age, retirement rates tend to be consistent between public agencies for each employee type.

- **Participation rates** indicate what proportion of retirees are expected to elect retiree health benefits if a significant retiree contribution is required. Higher participation rates increase costs.

- The **discount rate** estimates investment earnings for assets earmarked to cover retiree health benefit liabilities. The discount rate depends on the nature of underlying assets. For example, employer funds earning money market rates in the county treasury are likely to earn far less than an irrevocable trust containing a diversified asset portfolio including stocks, bonds, etc. A higher discount rate can dramatically lower normal costs. GASB 43 and 45 require the interest assumption to reflect likely long term investment return.

The assumptions listed above are not exhaustive, but are the most common assumptions used in actuarial cost calculations. The actuary selects the assumptions which - taken together - will yield reasonable results. It's not necessary (or even possible) to predict individual assumptions with complete accuracy.

If all actuarial assumptions are exactly met and an employer expensed the normal cost every year for all past and current employees and retirees, a sizeable liability would have accumulated (after adding interest and subtracting retiree benefit costs). The liability that would have accumulated is called the actuarial accrued liability or AAL. The excess of AAL over the actuarial value of plan assets is called the unfunded actuarial accrued liability (or UAAL). Under GASB 43 and 45, in order for assets to count toward offsetting the AAL, the assets have to be held in an irrevocable trust that is safe from creditors and can only be used to provide OPEB benefits to eligible participants.

The actuarial accrued liability (AAL) can arise in several ways. At inception of GASB 43 and 45, there is usually a substantial UAAL. Some portion of this amount can be established as the “transition obligation” subject to certain constraints. UAAL can also increase as the result of operation of a retiree health plan - e.g., as a result of plan changes or changes in actuarial assumptions. Finally, AAL can arise from actuarial gains and losses. Actuarial gains and losses result from differences between actuarial assumptions and actual plan experience.

Under GASB 43 and 45, employers have several options on how the UAAL can be amortized as follows:

- The employer can select an amortization period of 1 to 30 years. (For certain situations that result in a reduction of the AAL, the amortization period must be at least 10 years.)

- The employer may apply the same amortization period to the total combined UAAL or can apply different periods to different components of the UAAL.

- The employer may elect a “closed” or “open” amortization period.

- The employer may choose to amortize on a level dollar or level percentage of payroll method.
PART III: LIABILITIES AND COSTS FOR RETIREE BENEFITS

A. Introduction

We calculated the actuarial present value of projected benefits (APVPB) separately for each employee. We determined eligibility for retiree benefits based on information supplied by Sierra CCD. We then selected assumptions for the factors discussed in the above Section that, based on plan experience and our training and experience, represent our best prediction of future plan experience. For each employee, we applied the appropriate factors based on the employee's age, sex and length of service.

We summarized actuarial assumptions used for this study in Appendix C.

B. Medicare

The extent of Medicare coverage can affect projections of retiree health costs. The method of coordinating Medicare benefits with the retiree health plan's benefits can have a substantial impact on retiree health costs. We will be happy to provide more information about Medicare integration methods if requested.

C. Liability for Retiree Benefits

For each employee, we projected future premium costs using an assumed trend rate (see Appendix C). To the extent Sierra CCD uses contribution caps, the influence of the trend factor is further reduced.

We multiplied each year's projected cost by the probability that premium will be paid; i.e. based on the probability that the employee is living, has not terminated employment and has retired. The probability that premium will be paid is zero if the employee is not eligible. The employee is not eligible if s/he has not met minimum service, minimum age or, if applicable, maximum age requirements.

The product of each year's premium cost and the probability that premium will be paid equals the expected cost for that year. We discounted the expected cost for each year to the valuation date July 1, 2012 at 7% interest.

Finally, we multiplied the above discounted expected cost figures by the probability that the retiree would elect coverage. A retiree may not elect to be covered if retiree health coverage is available less expensively from another source (e.g. Medicare risk contract) or the retiree is covered under a spouse's plan.

For any current retirees, the approach used was similar. The major difference is that the probability of payment for current retirees depends only on mortality and age restrictions (i.e. for retired employees the probability of being retired and of not being terminated are always both 1.0000).

We added the APVPB for all employees to get the actuarial present value of total projected benefits (APVTPB). The APVTPB is the estimated present value of all future retiree health benefits for all current employees and retirees. The APVTPB is the amount on July 1, 2012 that, if all actuarial assumptions are exactly right, would be sufficient to expense all promised benefits until the last current employee or retiree dies or reaches the maximum eligibility age.
The APVTPB should be accrued over the working lifetime of employees. At any time much of it has not been “earned” by employees. The APVTPB is used to develop expense and liability figures. To do so, the APVTFB is divided into two parts: the portions attributable to service rendered prior to the valuation date (the past service liability or actuarial accrued liability under GASB 43 and 45) and to service after the valuation date but prior to retirement (the future service liability).

The past service and future service liabilities are each funded in a different way. We will start with the future service liability which is funded by the normal cost.

D. Cost to Prefund Retiree Benefits

1. Normal Cost

The average hire age for eligible employees is 33. To accrue the liability by retirement, the College would accrue the retiree liability over a period of about 27 years (assuming an average retirement age of 60). We applied an "entry age normal" actuarial cost method to determine funding rates for active employees. The table below summarizes the calculated normal cost.

<table>
<thead>
<tr>
<th>Normal Cost Year Beginning</th>
<th>Total</th>
<th>Faculty</th>
<th>Classified</th>
<th>Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td># of Employees</td>
<td>85</td>
<td>39</td>
<td>40</td>
<td>6</td>
</tr>
<tr>
<td>Per Capita Normal Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-65 Benefit</td>
<td>N/A</td>
<td>$1,562</td>
<td>$935</td>
<td>$818</td>
</tr>
<tr>
<td>Post-65 Benefit</td>
<td>N/A</td>
<td>$2,890</td>
<td>$1,456</td>
<td>$1,247</td>
</tr>
<tr>
<td>First Year Normal Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-65 Benefit</td>
<td>$103,226</td>
<td>$60,918</td>
<td>$37,400</td>
<td>$4,908</td>
</tr>
<tr>
<td>Post-65 Benefit</td>
<td>$178,432</td>
<td>$112,710</td>
<td>$58,240</td>
<td>$7,482</td>
</tr>
<tr>
<td>Total</td>
<td>$281,658</td>
<td>$173,628</td>
<td>$95,640</td>
<td>$12,390</td>
</tr>
</tbody>
</table>

Accruing retiree health benefit costs using normal costs levels out the cost of retiree health benefits over
time and more fairly reflects the value of benefits "earned" each year by employees. This normal cost would increase each year based on covered payroll.

2. Amortization of Unfunded Actuarial Accrued Liability (UAAL)

If actuarial assumptions are borne out by experience, the College will fully accrue retiree benefits by expensing an amount each year that equals the normal cost. If no accruals had taken place in the past, there would be a shortfall of many years' accruals, accumulated interest and forfeitures for terminated or deceased employees. This shortfall is called the actuarial accrued liability (AAL). We calculated the AAL as the APVTPB minus the present value of future normal costs.

The initial UAAL was amortized using a closed amortization period of 30 years. The College can amortize the remaining or residual UAAL over many years. The table below shows the annual amount necessary to amortize the UAAL over a period of 30 years at 7% interest. (Thirty years is the longest amortization period allowable under GASB 43 and 45.) GASB 43 and 45 will allow amortizing the UAAL using either payments that stay the same as a dollar amount, or payments that are a flat percentage of covered payroll over time. The figures below reflect the level dollar method.

### Actuarial Accrued Liability as of July 1, 2012

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Faculty</th>
<th>Classified</th>
<th>Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active: Pre-65</td>
<td>$2,054,106</td>
<td>$737,075</td>
<td>$1,119,908</td>
<td>$197,123</td>
</tr>
<tr>
<td>Post-65</td>
<td>$8,231,997</td>
<td>$4,281,043</td>
<td>$3,432,230</td>
<td>$518,724</td>
</tr>
<tr>
<td>Subtotal</td>
<td>$10,286,103</td>
<td>$5,018,118</td>
<td>$4,552,138</td>
<td>$715,847</td>
</tr>
<tr>
<td>Retiree: Pre-65</td>
<td>$3,243,900</td>
<td>$1,453,881</td>
<td>$1,790,019</td>
<td>$0</td>
</tr>
<tr>
<td>Post-65</td>
<td>$31,223,476</td>
<td>$18,138,722</td>
<td>$13,084,754</td>
<td>$0</td>
</tr>
<tr>
<td>Subtotal</td>
<td>$34,467,376</td>
<td>$19,592,603</td>
<td>$14,874,773</td>
<td>$0</td>
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<tr>
<td>Subtot Pre-65</td>
<td>$5,298,006</td>
<td>$2,190,956</td>
<td>$2,909,927</td>
<td>$197,123</td>
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<tr>
<td>Subtot Post-65</td>
<td>$39,455,473</td>
<td>$22,419,765</td>
<td>$16,516,984</td>
<td>$518,724</td>
</tr>
<tr>
<td>Grand Total</td>
<td>$44,753,479</td>
<td>$24,610,721</td>
<td>$19,426,911</td>
<td>$715,847</td>
</tr>
<tr>
<td>Unamortized Initial UAAL</td>
<td>$52,770,444</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial Value of Plan Assets at 6/30/12</td>
<td>$8,078,032</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residual UAAL</td>
<td>$(16,094,997)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residual UAAL Amortization at 7.0% over 30 Years</td>
<td>$(1,297,038)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3. Annual Required Contributions (ARC)

If the College determines retiree health plan expenses in accordance with GASB 43 and 45, costs will include both normal cost and one or more components of UAAL amortization costs. The sum of normal cost and UAAL amortization costs is called the Annual Required Contribution (ARC) and is shown below.
The normal cost remains as long as there are active employees who may some day qualify for College-paid retiree health benefits. This normal cost would increase each year based on covered payroll.

4. Other Components of Annual OPEB Cost (AOC)

Expense and liability amounts may include more components of cost than the normal cost plus amortization of the UAAL. This will apply to employers that don’t fully fund the Annual Required Cost (ARC) through an irrevocable trust.

- The annual OPEB cost (AOC) will include assumed interest on the net OPEB obligation (NOO). The annual OPEB cost will also include an amortization adjustment for the net OPEB obligation. (It should be noted that there is no NOO if the ARC is fully funded through a qualifying “plan”.)

- The net OPEB obligation will equal the accumulated differences between the (AOC) and qualifying “plan” contributions.
**PART IV: "PAY AS YOU GO" FUNDING OF RETIREE BENEFITS**

We used the actuarial assumptions shown in Appendix C to project ten year cash flow under the retiree health program. Because these cash flow estimates reflect average assumptions applied to a relatively small number of employees, estimates for individual years are certain to be incorrect. However, these estimates show the size of cash outflow. The following table shows a projection of annual amounts needed to pay the College share of retiree health premiums.

<table>
<thead>
<tr>
<th>Year</th>
<th>Beginning July 1</th>
<th>Total</th>
<th>Faculty</th>
<th>Classified</th>
<th>Management</th>
</tr>
</thead>
<tbody>
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<td>2012</td>
<td>$3,040,820</td>
<td>$1,705,469</td>
<td>$1,332,215</td>
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<td>2013</td>
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<tr>
<td>2014</td>
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<td>$1,838,760</td>
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<tr>
<td>2015</td>
<td>$3,327,633</td>
<td>$1,908,131</td>
<td>$1,403,675</td>
<td>$15,827</td>
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</tr>
<tr>
<td>2016</td>
<td>$3,408,447</td>
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<td>$1,440,950</td>
<td>$21,210</td>
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<tr>
<td>2017</td>
<td>$3,471,984</td>
<td>$1,979,414</td>
<td>$1,464,838</td>
<td>$27,732</td>
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<td>2018</td>
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<td>$2,018,947</td>
<td>$1,501,683</td>
<td>$35,091</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>$3,617,014</td>
<td>$2,044,034</td>
<td>$1,529,317</td>
<td>$43,663</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>$3,666,209</td>
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<td>$1,557,935</td>
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<td>2021</td>
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<td>2023</td>
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<tr>
<td>2024</td>
<td>$3,733,413</td>
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<td>2034</td>
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<td>Year</td>
<td>Salary</td>
<td>Benefits</td>
<td>Total</td>
<td>Other</td>
<td></td>
</tr>
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<td>--------</td>
<td>----------</td>
<td>-------</td>
<td>-------</td>
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<td>2070</td>
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<td>$1,011</td>
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<td>2071</td>
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<td>$545</td>
<td>$43</td>
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<tr>
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<td>$36,377</td>
<td>$264</td>
<td>$13</td>
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<td>$32,509</td>
<td>$114</td>
<td>$3</td>
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<td>2074</td>
<td>$28,965</td>
<td>$28,921</td>
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<td>2076</td>
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<tr>
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<td>$18,578</td>
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<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>2078</td>
<td>$15,563</td>
<td>$15,563</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>2079</td>
<td>$12,861</td>
<td>$12,861</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
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<td>$10,497</td>
<td>$10,497</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>2081</td>
<td>$8,472</td>
<td>$8,472</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>2082</td>
<td>$6,772</td>
<td>$6,772</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>2083</td>
<td>$5,371</td>
<td>$5,371</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>2084</td>
<td>$4,218</td>
<td>$4,218</td>
<td>$0</td>
<td>$0</td>
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</tr>
<tr>
<td>2085</td>
<td>$3,271</td>
<td>$3,271</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>2086</td>
<td>$2,496</td>
<td>$2,496</td>
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<td>$0</td>
<td></td>
</tr>
<tr>
<td>2087</td>
<td>$1,871</td>
<td>$1,871</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Year</td>
<td>Sales</td>
<td>Cost of Goods Sold</td>
<td>Income Tax Expense</td>
<td>Net Income</td>
<td></td>
</tr>
<tr>
<td>------</td>
<td>-------</td>
<td>--------------------</td>
<td>-------------------</td>
<td>------------</td>
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</tr>
<tr>
<td>2088</td>
<td>$1,376</td>
<td>$1,376</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>2089</td>
<td>$990</td>
<td>$990</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>2090</td>
<td>$697</td>
<td>$697</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>
PART V: RECOMMENDATIONS FOR FUTURE VALUATIONS

To effectively manage benefit costs, an employer must periodically examine the existing liability for retiree benefits as well as future annual expected premium costs. GASB 43/45 require biennial or triennial valuations. In addition, a valuation should be conducted whenever plan changes, changes in actuarial assumptions or other employer actions are likely to cause a material change in accrual costs and/or liabilities.

Following are examples of actions that could trigger a new valuation.

- An employer should perform a valuation whenever the employer considers or puts in place an early retirement incentive program.
- An employer should perform a valuation whenever the employer adopts a retiree benefit plan for some or all employees.
- An employer should perform a valuation whenever the employer considers or implements changes to retiree benefit provisions or eligibility requirements.
- An employer should perform a valuation whenever the employer introduces or changes retiree contributions.

We recommend Sierra CCD take the following actions to ease future valuations.

- We have used our training, experience and information available to us to establish the actuarial assumptions used in this valuation. We have no information to indicate that any of the assumptions do not reasonably reflect future plan experience. However, the College should review the actuarial assumptions in Appendix C carefully. If the College has any reason to believe that any of these assumptions do not reasonably represent the expected future experience of the retiree health plan, the College should engage in discussions or perform analyses to determine the best estimate of the assumption in question.
PART VI: APPENDICES

APPENDIX A: MATERIALS USED FOR THIS STUDY

We relied on the following materials to complete this study.

- We used paper reports and digital files containing employee demographic data from the College personnel records.
- We used relevant sections of collective bargaining agreements provided by the College.
APPENDIX B: EFFECT OF ASSUMPTIONS USED IN CALCULATIONS

While we believe the estimates in this study are reasonable overall, it was necessary for us to use assumptions which inevitably introduce errors. We believe that the errors caused by our assumptions will not materially affect study results. If the College wants more refined estimates for decision-making, we recommend additional investigation. Following is a brief summary of the impact of some of the more critical assumptions.

1. Where actuarial assumptions differ from expected experience, our estimates could be overstated or understated. One of the most critical assumptions is the medical trend rate. The College may want to commission further study to assess the sensitivity of liability estimates to our medical trend assumptions. For example, it may be helpful to know how liabilities would be affected by using a trend factor 1% higher than what was used in this study. There is an additional fee required to calculate the impact of alternative trend assumptions.

2. We used an "entry age normal" actuarial cost method to estimate the actuarial accrued liability and normal cost. GASB will allow this as one of several permissible methods under its upcoming accounting standard. Using a different cost method could result in a somewhat different recognition pattern of costs and liabilities.
Following is a summary of actuarial assumptions and methods used in this study. The College should carefully review these assumptions and methods to make sure they reflect the College's assessment of its underlying experience. It is important for Sierra CCD to understand that the appropriateness of all selected actuarial assumptions and methods are Sierra CCD’s responsibility. Unless otherwise disclosed in this report, TCS believes that all methods and assumptions are within a reasonable range based on the provisions of GASB 43 and 45, applicable actuarial standards of practice, Sierra CCD’s actual historical experience, and TCS’s judgement based on experience and training.

**ACTUARIAL METHODS AND ASSUMPTIONS:**

**ACTUARIAL COST METHOD:** Entry age normal. The allocation of OPEB cost is based on years of service. We used the level percentage of payroll method to allocate OPEB cost over years of service.

Entry age is based on the age at hire for eligible employees. The attribution period is determined as the difference between the expected retirement age and the age at hire. The present value of future benefits and present value of future normal costs are determined on an employee by employee basis and then aggregated.

To the extent that different benefit formulas apply to different employees of the same class, the normal cost is based on the benefit plan applicable to the most recently hired employees (including future hires if a new benefit formula has been agreed to and communicated to employees).

**AMORTIZATION METHODS:** We used the level percentage of payroll method to allocate amortization cost by year. We used a closed 30 year amortization period for the initial UAAL. We used an open 30 year amortization period for any residual UAAL.

**SUBSTANTIVE PLAN:** As required under GASB 43 and 45, we based the valuation on the substantive plan. The formulation of the substantive plan was based on a review of written plan documents as well as historical information provided by Sierra CCD regarding practices with respect to employer and employee contributions and other relevant factors.
Total Compensation Systems, Inc.

**ECONOMIC ASSUMPTIONS:**

Economic assumptions are set under the guidance of Actuarial Standard of Practice 27 (ASOP 27). Among other things, ASOP 27 provides that economic assumptions should reflect a consistent underlying rate of general inflation. For that reason, we show our assumed long-term inflation rate below.

**INFLATION:** We assumed 3% per year.

**INVESTMENT RETURN / DISCOUNT RATE:** We assumed 7% per year. This is based on assumed long-term return on plan assets assuming 100% funding through Futuris Portfolio 7. We used the “Building Block Method” as described in ASOP 27 Paragraph 3.6.2.

**TREND:** We assumed 4% per year. Our long-term trend assumption is based on the conclusion that, while medical trend will continue to be cyclical, the average increase over time cannot continue to outstrip general inflation by a wide margin. Trend increases in excess of general inflation result in dramatic increases in unemployment, the number of uninsured and the number of underinsured. These effects are nearing a tipping point which will inevitably result in fundamental changes in health care finance and/or delivery which will bring increases in health care costs more closely in line with general inflation. We do not believe it is reasonable to project historical trend vs. inflation differences several decades into the future.

**PAYROLL INCREASE:** We assumed 3% per year. This assumption applies only to the extent that either or both of the normal cost and/or UAAL amortization use the level percentage of payroll method. For purposes of applying the level percentage of payroll method, payroll increase must not assume any increases in staff or merit increases.

**ACTUARIAL ASSET VALUATION:** We used asset values provided by Sierra CCD. We used a 15 year smoothing formula with a 20% corridor around market value.

1. Market value at 1/31/12: $8,092,246
2. Accumulated contributions(disbursements) at 7%: $7,838,280
3. Value in (2) + 1/5 of (1) minus (2): $7,855,211
4. Value in (3) adjusted to minimum or maximum*: $7,855,211
5. AVA at 1/31/12 adjusted to valuation date at 7%: $7,855,211
6. Authorized contributions payable: $
7. AVA at 6/30/12: $8,078,032

* Minimum is 80% of market value; maximum is 120% of market value
NON-ECONOMIC ASSUMPTIONS:

Economic assumptions are set under the guidance of Actuarial Standard of Practice 35 (ASOP 35).

**MORTALITY:** CalSTRS mortality for faculty employees. CalPERS mortality for Miscellaneous employees for other employees.

**RETIREMENT RATES:** CalSTRS retirement rates for faculty employees. CalPERS retirement rates for School employees for other employees.

**VESTING RATES:**

<table>
<thead>
<tr>
<th>Vesting Percentage</th>
<th>Faculty</th>
<th>Classified</th>
<th>Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vesting Period</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>12 years</td>
<td>15 years</td>
<td>12 years</td>
</tr>
</tbody>
</table>

**COSTS FOR RETIREE COVERAGE:**

We added a 33% implicit rate subsidy to non-Medicare premium.

First Year costs are as shown below. Subsequent years’ costs are based on first year costs adjusted for trend and limited by any College contribution caps.

<table>
<thead>
<tr>
<th>Current Retirees: based on actual costs</th>
<th>Faculty</th>
<th>Classified</th>
<th>Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Plan:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Future Retirees Pre-65</td>
<td>$13,829</td>
<td>$12,594</td>
<td>$13,829</td>
</tr>
<tr>
<td>Future Retirees Post-65</td>
<td>$9,538</td>
<td>$8,392</td>
<td>$9,538</td>
</tr>
</tbody>
</table>

**PARTICIPATION RATES:** 100%

**TURNOVER:** CalSTRS turnover for faculty employees. CalPERS turnover for School employees for other employees.

**SPOUSE PREVALENCE:** To the extent not provided and when needed to calculate benefit liabilities, 80% of retirees assumed to be married at retirement. After retirement, the percentage married is adjusted to reflect mortality.

**SPOUSE AGES:** To the extent spouse dates of birth are not provided and when needed to calculate benefit liabilities, female spouse assumed to be three years younger than male.
**AGING FACTORS:**

<table>
<thead>
<tr>
<th>Attained Age</th>
<th>Medical Annual Increases</th>
</tr>
</thead>
<tbody>
<tr>
<td>50-64</td>
<td>3.5%</td>
</tr>
<tr>
<td>65-69</td>
<td>3.0</td>
</tr>
<tr>
<td>70-74</td>
<td>2.5</td>
</tr>
<tr>
<td>75-79</td>
<td>1.5</td>
</tr>
<tr>
<td>80-84</td>
<td>0.5</td>
</tr>
<tr>
<td>85+</td>
<td>0.0</td>
</tr>
</tbody>
</table>
### APPENDIX D: DISTRIBUTION OF ELIGIBLE PARTICIPANTS BY AGE

#### ELIGIBLE ACTIVE EMPLOYEES:

<table>
<thead>
<tr>
<th>Age</th>
<th>Total</th>
<th>Faculty</th>
<th>Classified</th>
<th>Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 25</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>25-29</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>30-34</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>35-39</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>40-44</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>45-49</td>
<td>10</td>
<td>2</td>
<td>6</td>
<td>2</td>
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<tr>
<td>50-54</td>
<td>17</td>
<td>4</td>
<td>11</td>
<td>2</td>
</tr>
<tr>
<td>55-59</td>
<td>28</td>
<td>12</td>
<td>15</td>
<td>1</td>
</tr>
<tr>
<td>60-64</td>
<td>22</td>
<td>13</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>65 and older</td>
<td>8</td>
<td>8</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>85</td>
<td>39</td>
<td>40</td>
<td>6</td>
</tr>
</tbody>
</table>

#### ELIGIBLE RETIREES:

<table>
<thead>
<tr>
<th>Age</th>
<th>Total</th>
<th>Faculty</th>
<th>Classified</th>
<th>Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 50</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>50-54</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>0</td>
</tr>
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<td>55-59</td>
<td>16</td>
<td>6</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>60-64</td>
<td>45</td>
<td>16</td>
<td>29</td>
<td>0</td>
</tr>
<tr>
<td>65-69</td>
<td>69</td>
<td>41</td>
<td>28</td>
<td>0</td>
</tr>
<tr>
<td>70-74</td>
<td>52</td>
<td>34</td>
<td>18</td>
<td>0</td>
</tr>
<tr>
<td>75-79</td>
<td>54</td>
<td>35</td>
<td>19</td>
<td>0</td>
</tr>
<tr>
<td>80-84</td>
<td>32</td>
<td>13</td>
<td>19</td>
<td>0</td>
</tr>
<tr>
<td>85-89</td>
<td>26</td>
<td>15</td>
<td>11</td>
<td>0</td>
</tr>
<tr>
<td>90 and older</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>301</td>
<td>164</td>
<td>137</td>
<td>0</td>
</tr>
</tbody>
</table>
This report is to be used to calculate accounting entries rather than to provide the dollar amount of accounting entries. How the report is to be used to calculate accounting entries depends on several factors. Among them are:

1) The amount of prior accounting entries;

2) Whether individual components of the ARC are calculated as a level dollar amount or as a level percentage of payroll;

3) Whether the employer using a level percentage of payroll method elects to use for this purpose projected payroll, budgeted payroll or actual payroll;

4) Whether the employer chooses to adjust the numbers in the report to reflect the difference between the valuation date and the first fiscal year for which the numbers will be used.

To the extent the level percentage of payroll method is used, the employer should adjust the numbers in this report as appropriate to reflect the change in OPEB covered payroll. It should be noted that OPEB covered payroll should only reflect types of pay generating pension credits for plan participants. Please note that plan participants do not necessarily include all active employees eligible for health benefits for several reasons. Following are examples.

1) The number of hours worked or other eligibility criteria may differ for OPEB compared to active health benefits;

2) There may be active employees over the maximum age OPEB are paid through. For example, if an OPEB plan pays benefits only to Medicare age, any active employees currently over Medicare age are not plan participants;

3) Employees hired at an age where they will exceed the maximum age for benefits when the service requirement is met are also not plan participants.

Finally, GASB 43 and 45 require reporting covered payroll in RSI schedules regardless of whether any ARC component is based on the level percentage of payroll method. This report does not provide, nor should the actuary be relied on to report covered payroll.

GASB 45 Paragraph 26 specifies that the items presented as RSI "should be calculated in accordance with the parameters." The RSI items refer to Paragraph 25.c which includes annual covered payroll. Footnote 3 provides that when the ARC is based on covered payroll, the payroll measure may be the projected payroll, budgeted payroll or actual payroll. Footnote 3 further provides that comparisons between the ARC and contributions should be based on the same measure of covered payroll.

At the time the valuation is being done, the actuary may not know which payroll method will be used for reporting purposes. The actuary may not even know for which period the valuation will be used to determine the ARC. Furthermore, the actuary doesn’t know if the client will make adjustments to the ARC in order to use it for the first year of the biennial or triennial period. (GASB 45 is silent on this.) Even if the actuary were to know all of these things, it would be a rare situation that would result in me knowing the appropriate covered payroll
number to report. For example, if the employer uses actual payroll, that number would not be known at the time the valuation is done.

As a result, we believe the proper approach is to report the ARC components as a dollar amount. It is the client's responsibility to turn this number into a percentage of payroll factor by using the dollar amount of the ARC (adjusted, if desired) as a numerator and then calculating the appropriate amount of the denominator based on the payroll determination method elected by the client for the appropriate fiscal year.

If we have been provided with payroll information, we are happy to use that information to help the employer develop an estimate of covered payroll for reporting purposes. However, the validity of the covered payroll remains the employer’s responsibility even if TCS assists the employer in calculating it.
APPENDIX F: GLOSSARY OF RETIREE HEALTH VALUATION TERMS

Note: The following definitions are intended to help a non-actuary understand concepts related to retiree health valuations. Therefore, the definitions may not be actuarially accurate.

Actuarial Accrued Liability: The amount of the actuarial present value of total projected benefits attributable to employees’ past service based on the actuarial cost method used.

Actuarial Cost Method: A mathematical model for allocating OPEB costs by year of service.

Actuarial Present Value of Total Projected Benefits: The projected amount of all OPEB benefits to be paid to current and future retirees discounted back to the valuation date.

Actuarial Value of Assets: Market-related value of assets which may include an unbiased formula for smoothing cyclical fluctuations in asset values.

Annual OPEB Cost: This is the amount employers must recognize as an expense each year. The annual OPEB expense is equal to the Annual Required Contribution plus interest on the Net OPEB obligation minus an adjustment to reflect the amortization of the net OPEB obligation.

Annual Required Contribution: The sum of the normal cost and an amount to amortize the unfunded actuarial accrued liability. This is the basis of the annual OPEB cost and net OPEB obligation.

Closed Amortization Period: An amortization approach where the original ending date for the amortization period remains the same. This would be similar to a conventional, 30-year mortgage, for example.

Discount Rate: Assumed investment return net of all investment expenses. Generally, a higher assumed interest rate leads to lower normal costs and actuarial accrued liability.

Implicit Rate Subsidy: The estimated amount by which retiree rates are understated in situations where, for rating purposes, retirees are combined with active employees.

Mortality Rate: Assumed proportion of people who die each year. Mortality rates always vary by age and often by sex. A mortality table should always be selected that is based on a similar “population” to the one being studied.

Net OPEB Obligation: The accumulated difference between the annual OPEB cost and amounts contributed to an irrevocable trust exclusively providing retiree OPEB benefits and protected from creditors.

Normal Cost: The dollar value of the “earned” portion of retiree health benefits if retiree health benefits are to be fully accrued at retirement.
<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPEB Benefits:</td>
<td>Other PostEmployment Benefits. Generally medical, dental, prescription drug, life, long-term care or other postemployment benefits that are not pension benefits.</td>
</tr>
<tr>
<td>Open Amortization Period:</td>
<td>Under an open amortization period, the remaining unamortized balance is subject to a new amortization schedule each valuation. This would be similar, for example, to a homeowner refinancing a mortgage with a new 30-year conventional mortgage every two or three years.</td>
</tr>
<tr>
<td>Participation Rate:</td>
<td>The proportion of retirees who elect to receive retiree benefits. A lower participation rate results in lower normal cost and actuarial accrued liability. The participation rate often is related to retiree contributions.</td>
</tr>
<tr>
<td>Retirement Rate:</td>
<td>The proportion of active employees who retire each year. Retirement rates are usually based on age and/or length of service. (Retirement rates can be used in conjunction with vesting rates to reflect both age and length of service). The more likely employees are to retire early, the higher normal costs and actuarial accrued liability will be.</td>
</tr>
<tr>
<td>Transition Obligation:</td>
<td>The amount of the unfunded actuarial accrued liability at the time actuarial accrual begins in accordance with an applicable accounting standard.</td>
</tr>
<tr>
<td>Trend Rate:</td>
<td>The rate at which the cost of retiree benefits is expected to increase over time. The trend rate usually varies by type of benefit (e.g. medical, dental, vision, etc.) and may vary over time. A higher trend rate results in higher normal costs and actuarial accrued liability.</td>
</tr>
<tr>
<td>Turnover Rate:</td>
<td>The rate at which employees cease employment due to reasons other than death, disability or retirement. Turnover rates usually vary based on length of service and may vary by other factors. Higher turnover rates reduce normal costs and actuarial accrued liability.</td>
</tr>
<tr>
<td>Unfunded Actuarial Accrued Liability:</td>
<td>This is the excess of the actuarial accrued liability over assets irrevocably committed to provide retiree health benefits.</td>
</tr>
<tr>
<td>Valuation Date:</td>
<td>The date as of which the OPEB obligation is determined. Under GASB 43 and 45, the valuation date does not have to coincide with the statement date.</td>
</tr>
<tr>
<td>Vesting Rate:</td>
<td>The proportion of retiree benefits earned, based on length of service and, sometimes, age. (Vesting rates are often set in conjunction with retirement rates.) More rapid vesting increases normal costs and actuarial accrued liability.</td>
</tr>
</tbody>
</table>
### SIERRA JOINT COMMUNITY COLLEGE DISTRICT
### RETIREMENT BOARD OF AUTHORITY MEETING

**PRESENTED TO:**
Retirement Board of Authority

**DATE:**
11/08/2012

---

**SUBJECT:**
Retirement Board of Authority (RBOA) Bylaws

**ITEM #:**
2012/2013-013

**Enclosure:**
Yes

**Action Item:**
Yes

---

**Prepared by:**
Keenan Financial Services

**Requested by:**
Retirement Board of Authority

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**BACKGROUND:**

The current Trust document provides provisions to operate the Investment Trust. Retirement Board of Authority (RBOA) Bylaws can provide additional direction for issues not discussed in the provisions of the Trust Document.

---

**STATUS:**

The Retirement Board of Authority will discuss the creation of the RBOA Bylaws to facilitate the management and operation of the District’s Investment Trust.

---

**RECOMMENDATION:**

The Retirement Board of Authority will take appropriate action as deemed necessary.
PREAMBLE

The objectives of SIERRA JOINT Community College District in establishing a Trust for the pre-funding of its OPEB liabilities is to comply with the requirements of GASB Statements No. 43 & No. 45 and to create a retirement system that complies with the California Constitution and Government Code provisions related to such systems with a Governing Board (referred to as the “Retirement Board of Authority”) consisting of officials of the SIERRA JOINT CCD.

The Trust is to be managed in accordance with the following principles:

- Trust assets are managed in accordance with all applicable laws, Trust documents, and a written Investment Policy Statement (IPS).
- Trust assets are diversified to a specific risk/return profile.
- A written Investment Policy Statement (IPS) contains the detail to define, implement, and monitor the Trust's investment strategy.
- Appropriate fiduciary standards are applied in the management of Trust assets and the supervision of persons hired to assist in the management of the Trust.
- Due diligence is documented.
- Control procedures are in place to monitor and account for Trust investment and administrative expenses.
- There are safeguards to avoid conflicts of interest, such as the use of funding instruments that are non-proprietary funds of any service provider to the Trust.

1: A Retirement Board of Authority

1.1: The SIERRA JOINT CCD governing body has established by resolution a Retirement Board of Authority (the “Board”) to supervise the Trust.

1.2: The Board has been established to manage, direct and control the Fiduciary, Trust Settlor and Administrative functions, such as Consultants, Actuaries, Auditors and Accountants, Legal Counsel, Financial Advisors of the Trust.

1.3: The Board will sign such documents as are necessary to adopt and maintain an irrevocable Trust which complies with the California Constitution, California Government Code, GASB No. 43 & No. 45 and Section 115 of the Internal Revenue Code.

1.4: As mandated by the California Government Code, the Board shall perform all its duties with the care, skill, and diligence that a Prudent Person would utilize.

1.5: The Board shall also act solely in the interest of plan participants and beneficiaries with the sole purpose of providing benefits to them and paying only necessary and reasonable expenses for administrating the Trust.

1.6: The Board shall oversee the operation of the Trust as outlined in the Trust Agreement. The Board shall delegate investment decision-making to a Trustee with a discretionary mandate and thereafter monitor the performance of the Discretionary Trustee. For the
management of the Trust's assets, an appropriate Registered Investment Advisor (RIA) shall be appointed and monitored by the Discretionary Trustee.

1.7: The Board shall adhere to the terms of the written documents governing the Trust and ensure that they comply with all applicable laws, rules and regulations that may impact the Trust.

1.8: The Board shall facilitate and oversee the preparation and centralized maintenance of the SIERRA JOINT CCD's Comprehensive Compliance Plan. To aid the SIERRA JOINT CCD in meeting its fiduciary requirements, the Substantive Plan, as described in GASB 43 and 45, will be set forth as an essential element in the development of a Comprehensive Compliance Plan.

1.9: The Board will have the exclusive authority to establish, execute and interpret the Trust's written Investment Policy Statement (IPS) which profiles the long-term investment objectives of the Trust.

1.10: The Board shall facilitate any efforts and processes necessary to ensure the SIERRA JOINT CCD executes applicable written agreements providing any required consent to compliance with the terms of the Trust.

1.11: The Board will require that compensation paid to the Trust's service providers is identifiable, transparent, and reasonable and adheres to the terms of the written documents governing the Trust.

2: Retirement Board of Authority – Member Appointments & Board Operations

2.1: The members of the Board are appointed by resolution of the governing body of the SIERRA JOINT CCD. Board members may be replaced or terminated by the governing body of the SIERRA JOINT CCD at any time as Board members serve at the pleasure of the SIERRA JOINT CCD.

2.2: Board members shall be appointed to the Board by the SIERRA JOINT CCD Board of Trustees. The Board will consist of three appointees of the district based solely on their titles, three members based solely on association affiliation with one from each of the following groups (FUSE, SCFA, SCMA), and one “Pre 94” retiree member who is an active recipient of the retiree benefits and is elected by a two-thirds majority vote of Retirement Board of Authority, excluding the sitting Retiree member. The Retirement Board of Authority will conduct an annual review of its Board member's titles and affiliation to assure that they coordinate with the titles and affiliation appointed by resolution of the governing body of the SIERRA JOINT CCD. If the title or affiliation of an existing Board member changes and that new title or affiliation is not one of the designated titles or affiliation included in the resolution of the governing body of the SIERRA JOINT CCD, the Board member will no longer be a Board member unless there is a new resolution from the governing body of the SIERRA JOINT CCD. If the governing body determines alternates are required, positions will be appointed by resolution.

2.4: The Board will designate one of its members by majority vote to serve as Chairperson and a second member as Vice Chairperson.

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2.5 The Chairperson and Vice Chairperson will serve in this capacity for two years at which time the Board will act again to select a Chairperson and Vice Chairperson for a second term. The Chairperson and Vice Chairperson can serve multiple terms.

2.6: The Chairperson will act as the presiding officer for Board meetings.

2.7: Board meetings shall be conducted by the Chairperson. When the Chairperson is not present, the Vice Chairperson will conduct the meeting.

2.9: A majority of the Board members must be present or attend by teleconference, per the provisions of the Ralph M. Brown Act, in order to conduct a Board meeting and is considered a quorum. A vote, under the protocols of the Ralph M. Brown Act, of the majority of the Board members, shall be sufficient to transact business.

2.10: Each Board member shall have one vote in accordance with the protocols of the Ralph M. Brown Act. No proxy votes shall be permitted. If a member is attending by teleconference, all votes must be by roll-call.

2.11: A majority of any quorum is required for approval of an action, except a change in investment policy, which requires a majority of the Board.

2.12: In recognition of the importance of the work of the Board, regular attendance at Board meetings is expected from all members.

2.13: No Board member shall have the authority to bind the Board to any contract or endeavor without the approval of the Board.

2.14: No member serving on the Board will receive a salary or compensation from the Board.

2.16: The Board shall designate the SIERRA JOINT CCD, 5000 Rocklin Rd. Rocklin, CA 95677 as the location at which it will receive notices, correspondence, and other communications and shall designate the Chairperson of the Board as the officer for the purpose of receiving service on behalf of the Board.

3: Retirement Board of Authority – Meeting Agendas

3.1: All Board meeting agendas shall be prepared and posted in a public location, to comply with the Ralph M. Brown Act.

3.2: The Board shall hold their meetings at a minimum of once a year, giving advanced notice to comply with the Ralph M. Brown Act.

3.3: The Board shall engage, at least annually, in analysis of any applicable modifications to the Investment Policy Statement (IPS) through meetings and consulting with the Trustee and Registered Investment Advisor (RIA), as applicable.

3.4: Full and complete minutes detailing records of deliberations and decisions from each meeting of the Board shall be maintained in compliance with the Ralph M. Brown Act.

Updated 9/25/12
4: Retirement Board of Authority – Actuarial, Contribution & Withdrawal Parameters

4.1: **All Trust contributions must be presented to the Board as an information item for review.** Such contributions and allocation instructions to shall be delivered in accordance with the Trust's written provisions and agreements.

4.2 The Board will acknowledge the amount of any withdrawal from the SIERRA JOINT CCD Futuris Public Entity Investment Trust. **Based on the minimum number of signatures required therein and/or specific people required by the Board, authorizations for withdrawals, distributions, benefit payments and reasonable fees are restricted to individuals with specimen signatures listed on the Trust's Signature Authorization Form. All expenditures of funds shall be subject to Board approval.**

4.3: In accordance with GASB Statement No. 45 schedules, the Board will work with the SIERRA JOINT CCD’s governing body in obtaining the necessary calculations to identify the “Actuarial Present Value of Total Projected Benefits” (APVTPB), the “Unfunded Actuarial Accrued Liability” (UAAL) and the “Annual Required Contribution”(ARC).

4.4: The Board will provide any necessary plan participant information to the Trustee on a timely basis. The Board shall provide a response to all information requested by the Discretionary Trustee in a timely fashion.

4.5: **All Trust expenses must be presented to the Board for ratification.**

5: Retirement Board of Authority -- Disclosure & Conflict of Interest

5.1: No Board member shall vote or participate in a determination of any matter in which a Board member has a legally recognized conflict of interest.

5.2: Board members have a duty of loyalty precluding them from being influenced by motives other than the accomplishment of the Trust's objectives.

5.3: Board members, in the performance of their duties, must act pursuant to the documents & instruments establishing and governing the Trust.

6: Retirement Board of Authority -- Rules of Order/Bylaws

6.1: Amendment of these Bylaws may be proposed by any member of the Board.

6.2: All amendments to the Bylaws must be approved by a majority vote of the Board members present, before the amendment shall become effective.

6.3: Such amendments shall be binding upon all members of the Board.

6.4: The effective date of any amendment shall be on the first day of the month following adoption, unless otherwise stated.
7: Retirement Board of Authority -- Appearance before the Board

7.1: All persons who wish to make appearances before the Board shall be scheduled in compliance with the provisions of the Ralph M. Brown Act.

7.2: Appearances before the Board may be in person or through a representative.

7.3: Communications with the Board may be in any form that complies with the provisions of the Ralph M. Brown Act.

8: Retirement Board of Authority – Fiduciary & Governance Parameters

8.1: The Trust will be structured so that the Board shall reduce its legal liability for investment risk by appropriately delegating investment decision-making.

8.2: The Board shall delegate investment decision-making to a Trustee with a discretionary mandate and thereafter monitor the performance of the Discretionary Trustee. For the management of the Trust's assets, an appropriate Registered Investment Advisor (RIA) shall be appointed and monitored by the Discretionary Trustee.

8.3: The Board will monitor the performance and acts of the Discretionary Trustee in accordance with the limits and constraints of applicable laws, Trust documents and the written Investment Policy Statement (IPS) as well as the Trust's investment goals, objectives, fees and expenses.

8.4: The Board shall monitor the Discretionary Trustee to determine that Trust assets are diversified as directed by the Investment Policy Statement (IPS) and applicable laws.

8.5: The Board through periodic reports will compare investment performance against appropriate indices, peer groups and Investment Policy Statement (IPS) objectives.

8.6: The Board will require that all service agreements and contracts are in writing, and do not contain provisions that conflict with fiduciary standards. Fees paid to each service provider shall be consistent with agreements, contracts and with all applicable laws.

9: Discretionary Trustee & Investment Management

9.1: The agreement appointing the Discretionary Trustee shall require the discretionary Trustee to invest Trust assets in compliance with applicable laws, Trust documents, and the written Investment Policy Statement (IPS).

9.2: The agreement appointing the Discretionary Trustee shall require the Discretionary Trustee document the specific duties and requirements of the parties involved in the investment process.

9.3: The Board shall require the Discretionary Trustee to acknowledge, in writing, that it is a fiduciary to the Trust and to the SIERRA JOINT CCD.

9.4: The Board shall prohibit the Discretionary Trustee from investing Trust assets in its own proprietary investment products or those of its Registered Investment Adviser so as to avoid any potential conflicts of interest.

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9.5: The Board shall require the Discretionary Trustee to manage Trust assets with the care, skill and diligence of a Prudent Person under California law.

10: Registered Investment Advisor (RIA):

10.1: The RIA engaged by the Discretionary Trustee must have the following qualifications and responsibilities:

(a) It shall work with the Discretionary Trustee to establish a long-term, target net rate of return objective for the Trust, constructing an investment portfolio which gives due consideration to the SIERRA JOINT CCD's time horizon of investment, as well as its attitudes and capacity for risk.

(b) It shall recommend the appropriate combination of asset classes that optimizes the Trust's return objectives, while minimizing risk consistent with the Trust's constraints.

(c) It shall provide investment recommendations derived from a disciplined approach to investment selection; considering risk-adjusted performance comparable to managers with similar style; a long-term superior performance profile; an analysis of investment expenses with a preference for investments with no-load, no redemption charges, and no transaction fees or revenue-sharing schedules.

(d) It shall have access to appropriate databases and external research, and shall be supported with adequate technology and report production tools.

11: Program Coordinator

11.1: The Board has appointed a Program Coordinator with responsibility to assist the Board with the processes, procedures and protocols of the Trust's fiduciary decision making.

11.2: The Board shall require the Program Coordinator to facilitate all aspects of the Board's Fiduciary and Administrative mandates and work to assist the Board in ensuring that Trust assets are managed in accordance with all applicable laws, Trust documents and the written Investment Policy Statement (IPS).

11.3: The Board shall require the Program Coordinator to provide comprehensive assistance in conducting Board meetings and agendas in compliance with the provisions of the Ralph M. Brown Act.

11.4: The Program Coordinator will provide support to the Board in the preparation and centralized maintenance of the SIERRA JOINT CCD's Comprehensive Compliance Plan, including the Substantive Plan.

12: Program Definitions:

12.1: “Actuarial Present Value of Total Projected Benefits” (APVTPB) shall mean the total projected costs to finance benefits payable in the future based on members' service through
the valuation date and their future service, discounted to reflect the expected effects of the
time value of money. 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 the
total projected benefits when due.

12.2: “Annual Required Contribution” (ARC) is the actuarially-determined level of employer
contribution that would be required on a sustained, ongoing basis to systematically fund the
normal cost and to amortize the Unfunded Actuarial Accrued Liability (UAAL) attributed to
past service over a period not to exceed thirty years. It is the amount needed to pay benefits
as they come due plus amortize the UAAL. The ARC has two components: Normal cost and
amortization of the UAAL for both active employees and retirees.

12.3: “Comprehensive Compliance Plan” shall mean a broad compliance and fiduciary
process incorporating the SIERRA JOINT CCD’s substantive plan obligations; the actuarial
cost of those obligations; the plan for meeting those costs; the fiduciary strategies and steps
in meeting plan requirements.

12.4: “Discretionary Trustee” shall mean a Trust structure whereby the Trustee will accept
the delegation of investment duties and work as the sole authority in the selection,
monitoring and disposition of Trust’s assets.

12.5: “Investment Policy Statement” (IPS) shall mean a written statement that establishes the
Futuris SIERRA JOINT CCD Investment Trust’s investment related policies, goals,
objectives and criteria for evaluating investment performance that are critical for the
successful management of the Trust’s investments.

12.6: “Quorum” shall mean the majority of the Board members as are required to conduct a
Board meeting or to transact business on behalf of the Board.

12.7: “Registered Investment Advisor” (RIA) shall mean the investment entity charged with
the responsibility for recommending comprehensive and continuous investment advice for
the Futuris SIERRA JOINT CCD Investment Trust.

12.8: “Retirement Board of Authority” is established by the governing body of the SIERRA
JOINT CCD and shall mean the entity charged with the discretion, responsibility and
authority to oversee the management of the SIERRA JOINT CCD Investment Trust.
Specifically, the Board shall determine the investment policy and strategy for the Trust and
is empowered to inquire and resolve any matter it considers appropriate to carry out its
responsibilities.

12.9: “Substantive Plan” shall mean the plan through which assets are accumulated and
benefits are paid as they come due in accordance with the commitments or understandings
between the employer, eligible employees and their beneficiaries.

12.10: “The Trust” shall mean the SIERRA JOINT CCD’s Investment Trust established for
the pre-funding of its OPEB liabilities and maintained in compliance with GASB Statement
No. 43 & No. 45, the California Constitution and the California Government Code with a
governing Board consisting of officials of the SIERRA JOINT CCD.

12.11: “Unfunded Actuarial Accrued Liability” (UAAL) shall mean the excess of the Actuarial
Accrued Liability (AAL) over the Actuarial Value of Assets (AVA). The UAAL can derive
from three sources: unfunded past Normal costs, actuarial gains and losses (differences

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between actuarial assumptions and actual experience), and changes to the level of benefits promised.

12.12: “Normal Costs” are the liabilities for current retirees (under pay-as-you-go accounting) plus the present value of future benefits earned by active employees during the year.
BACKGROUND:

Each member may report about various matters involving the Retirement Board of Authority.

RECOMMENDATION:

There will be no Retirement Board of Authority discussion except to ask questions or refer matters to staff, and no action will be taken unless listed on a subsequent agenda.
PRESENTED TO: Retirement Board of Authority

DATE: 11/08/2012

SUBJECT: 2012/2013-015

Program Coordinator/Consultant Comments

Enclosure: No
Action Item: No

Prepared by: Keenan Financial Services
Requested by: Retirement Board of Authority

BACKGROUND:

The Program Coordinator may address the Board of Authority on any matter pertaining to the Retirement Board of Authority that is not on the agenda.

RECOMMENDATION:

There will be no Retirement Board of Authority discussion except to ask questions or refer matters to staff, and no action will be taken unless listed on a subsequent agenda.
BACKGROUND:

The public may address the Retirement Board of Authority on any matter pertaining to the Board that is not on the agenda.

RECOMMENDATION:

The Chairperson reserves the right to limit the time of presentations by individual or topic.
SIERRA JOINT COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO: Retirement Board of Authority

DATE: 11/08/2012

SUBJECT: Date, Time and Agenda Items for Next Meeting

ITEM #: 2012/2013-017

Enclosure: No
Action Item: No

Prepared by: Keenan Financial Services
Requested by: Retirement Board of Authority

BACKGROUND:

Board members and visitors may suggest items for consideration at the next Retirement Board of Authority meeting.

RECOMMENDATION:

The Board will determine Agenda Items for the next meeting.