Accreditation Follow-Up Report

March 15, 2012
FOLLOW-UP REPORT

Submitted by:
Sierra Joint Community College District
5000 Rocklin Road
Rocklin, CA 95677

Submitted to:
Accrediting Commission for Community and Junior Colleges
Western Association of Schools and Colleges

Submitted on:
March 15, 2012
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CERTIFICATION OF THE FOLLOW-UP REPORT
March 15, 2012

This Follow-up Report is submitted to the ACCJC for the purpose of assisting in the determination of the institution's accreditation status.

We certify that there was broad participation by the campus community and believe that this report accurately reflects that nature and substance of this institution.

Signed:

Mr. William H. Duncan, IV  Superintendent/President  Date  3/13/12
Dr. Rachel Rosenthal  Vice President Instruction/Accreditation Liaison Officer  Date  3/13/12
Mr. Aaron Klein  Board of Trustees President  Date
Ms. Brook Oliver  Academic Senate President  Date  3/14/12
Mr. Brian Haley  Management Senate President  Date  3/16/12
Mr. Matthew Daley  Classified Senate President  Date  3/16/12
Mr. Andrew Nelson  Student Association President  Date  3/16/12
STATEMENT ON REPORT PREPARATION

Primary contributors to the preparation and review of this Follow-up Report include Dr. Rachel Rosenthal, Vice President Instruction and Accreditation Liaison Officer; Kerri Hester, Director of Finance; Mandy Davies, Vice President Student Services; Kevin Bray, Dean of Research, Planning and Resource Development; William H. Duncan, IV, Superintendent/President; and Brook Oliver, Academic Senate President. These individuals have participated in addressing the specific deficiencies noted in this Follow-Up Report and have established the validity of the responses contained within this report.

This report is in response to the February 1, 2012 letter from the Accrediting Commission for Community and Junior Colleges (ACCJC) that required the College to submit a Follow-Up Report to demonstrate the institution’s resolution of Recommendation 5 (2007) related to long term debt financing. Prior to submission to the Sierra College Board of Trustees, this Follow-Up Report was prepared with input of faculty, managers, and classified staff, as well as Strategic Council, the district’s primary shared governance and planning committee.

In February 2012, a draft of the Follow-up Report was distributed to the entire college. Feedback regarding the report was collected from individuals, governance committees, governing board, and constituency groups. The final report was approved by President William H. Duncan, IV and was submitted to the Board of Trustees for review and acknowledgement of receipt at their meeting on March 13, 2012.

Signed: [Signature]  Date: 3/13/12
Mr. William H. Duncan, IV
Superintendent/President, Sierra College
ACCREDITING COMMISSION’S FOLLOW-UP REPORT REQUEST

The Commission asked that a Follow-Up Report be submitted by March 15, 2012 that provides information, evidence, and analysis regarding the resolution of the recommendation from the February 1, 2012 Commission Action Letter:

Recommendation 5 (2007)

Plan for Long-Term Debt Financing
The team recommends that the college develop a long term debt financing plan to address the costs associated with implementation of GASB 45 requirements. (Standard III.D.1.c)
RESPONSE AND UPDATE TO RECOMMENDATION

Recommendation 5 (2007)

Plan for Long-Term Debt Financing
The team recommends that the college develop a long term debt financing plan to address the costs associated with implementation of GASB 45 requirements. (Standard III.D.1.c)

BACKGROUND
The Governmental Accounting Standards Board (GASB) Statement 45 establishes standards for accounting and financial reporting regarding other post-employment benefits (OPEB). Statement 45 requires that public agencies recognize the total cost and reflect the financial impact of OPEB on their financial statements.

Under GASB 45, public agencies must account for and include in their financial statements the annual required contribution (ARC) for OPEB in the same manner they report pension contributions. The annual OPEB expense report is actuarially determined and compared to the annual cost to fund the liability. Public agencies must use actuarial valuations to determine the accounting and reporting amounts expected in the future. OPEB costs also must be reported over the working lifetime of employees, and the OPEB information provided in the notes of financial statements must include funding (if applicable), costs and provisions of an OPEB plan. While GASB 45 does not require that OPEB liabilities be funded, it does require disclosure of the ARC for OPEB and net OPEB obligations.

The Unfunded Liability refers to the excess of a retirement plan’s actuarial liability over the actuarial value of assets. Actuarial liability is the amount that the retirement system expects to pay out over the long-term. Actuarial value of assets is the amount that the retirement system expects to have available to pay retirement obligations over the long-term. Both components of the equation are based upon many assumptions.

Since the extent of the Unfunded Liability depends both upon the negotiated agreements with employee bargaining units and the assets committed to fund those agreements, public agencies have several options by which they can choose to manage their liability. These options include: modifying the benefits provided to retirees, prefunding the liability with additional asset contributions, and/or buying OPEB bonds.

PROGRESS AND ANALYSIS

OPEB Historical Planning and Institutional Responses
Over the past several decades, the Sierra Joint Community College District (District) has made significant adjustments to its bargaining agreements to manage its OPEB liability. Starting in 1984, the District negotiated health benefit vesting limits and, by 1994, closed the plan to new employees. Effective July 1, 1990, all classified and management employees eligible for lifetime health benefits began contributing 1% of their base pay each month into a restricted post-retirement medical benefit fund (PRMF) with the District providing a 1% employer match.

In 2005, the District entered into an agreement with each of its three bargaining units: the Sierra College Faculty Association (SCFA); the Federation of United School Employees (FUSE), and the Sierra College Management Association (SCMA) to establish a compensation formula. The compensation formula committed to provide for a defined, interdependent process for determining employee compensation and benefits. The District and its three bargaining units agreed to form the Omniparty to serve as the body to provide oversight of the formula. The formula defines personnel and non-personnel funding resources and their allocations. It funds the annual increased costs of OPEB as the first call on district resources. (Evidence: 4. Sierra College Compensation Agreement dated November 8, 2005, Salary and Benefits Formula, page 13 of 26, Section 4.2.3, Table III)

Since its inception, the Omniparty has engaged in ongoing analysis of its options with regard to the GASB liability. A focused effort was launched in 2007. Extensive study sessions involving board members, administrative leadership, union and shared governance representatives were held to facilitate an understanding of the issues and options available and then presented to the college community at large. Additionally, consideration was given as to how each of the options might be incorporated into the funding formula of the Sierra College Compensation Agreement. (Evidence: 5. All Staff Memo dated April 16, 2007; 6. GASB 45 Fact Sheet)

After securing legal opinion, Omniparty agreed to convert PRMF contributions into an irrevocable trust so as to comply with GASB 45, Government Code section 53622 and California Constitution Article XVI, Section 17(a). (Evidence: 7. Atkinson, Andelson, Loya, Ruud, and Romo memo dated January 17, 2007) In June 2008 an irrevocable Trust was established to pre-fund OPEB liabilities. Keenan and Associates was hired to administer the Trust and the Sierra Joint Community College District Retirement Board of Authority (RBOA) was formed to supervise the Trust and to develop and oversee the District’s Comprehensive Compliance Plan. (Evidence: 8. Futuris Program Services Agreement dated June 12, 2008; 9. Futuris RBOA bylaws January 1, 2011) The 1% contributions made by active employees hired prior to 1994, and the 1% District match are deposited directly into the Trust. As of the December 7, 2011 RBOA meeting, the balance in the Trust was $7,840,810.64. (Evidence: 10. RBOA meeting December 7, 2011)

At its February 12, 2009 meeting, the RBOA explored further options by which to lower the GASB liability. (Evidence: 11. RBOA minutes February 12, 2009) An agreement was reached to allow active employees at the time of retirement to elect to withdraw from the lifetime medical benefits plan, receiving a refund of their contributions plus 4% interest. A small number of retirees have elected to withdraw from the plan, limiting the number of eligible retirees.

As of the July 2010 actuarial study, the total number of retirees and surviving spouses receiving health benefits is 269 and the total number of active employees eligible to receive benefits is 115. (Evidence: 12. Actuarial Study July 2010)

Each year, the Omniparty contracts with a broker to secure the most cost effective health and welfare benefit package to meet the obligation to retirees while also providing for the good stewardship of resources for active employees. Effective with the 2012 benefit year, the
Omniparty agreed to join a joint powers authority, Self-Insured Schools of California (SISC), to secure health benefits for both active employees and retirees at premiums that were significantly less than in prior years and that will save the District about $327,000 for the 2012 plan year alone.

**OPEB Financing Plan**
Over the years the District has researched, analyzed and evaluated three distinct options to address its OPEB liability:
1. Secure OPEB bonds
2. Fully fund the Annual Required Contribution (ARC),
3. Fund the annual increase as a first call on resources (pay-as-you-go).

The District elected not to accept the additional debt liability of OPEB bonds because it has concluded that OPEB bonds possess an inherent degree of risk as their economic utility depends upon the reinvestment of the proceeds at a higher rate of earnings than the rate of interest being paid on the bonds. This problem is compounded by the fact that these bonds are taxable bonds bearing a higher interest rate.

The District also elected not to fully fund the ARC. Upon review of the July 2010 actuarial study, the peak of the District’s retiree health medical claims occurs in 2026/2027 (see Table 1), 15 years from 2011/2012, at a predicted cost of $5,467,972. After the fiscal year 2026/2027 peak, the retiree health medical claims slowly decrease as the number of individuals eligible for retiree health benefits declines.

In the peak year of 2026/2027, the ARC totals $5,476,545, which is $8,573 greater than the predicted peak of the District’s retiree health medical claims. Since the ARC is anticipated to exceed retiree health medical claims, the District determined not to fully fund the ARC, as that would only serve to end the liability early instead of smoothing out a peak that is higher than the ARC. If future actuarial reports predict a peak that is higher than the ARC, the District plans to review the usage of the OPEB Irrevocable Trust and revisit funding the ARC.
Ultimately, the District elected to fund its OPEB liability from the general fund using the pay-as-you-go model it has committed to in its funding formula for the foreseeable future. Given that the ARC is higher than the peak of the predicted health care claims as is indicated in the July 2010 actuarial report, the District has determined that the general fund has sufficient resources to support the current year claims for the life of the liability. The District has also committed to review the OPEB liability every two years upon receipt of the GASB 45 required OPEB actuarial report to determine if any changes to the pay-as-you-go funding plan should be made.

**SUMMARY**

In summary, the District plans and manages its financial affairs with integrity and in a manner that ensures financial stability. The District has been addressing its OPEB liability for that last 28 years by limiting the number of retirees eligible for lifetime benefits, requiring 1% employee contributions and 1% employer match to the OPEB Irrevocable Trust for employees hired before 1994, allowing newly retired employees to withdraw from the plan and negotiating a compensation formula that includes a mutual interest clause that secures funding for the OPEB liability before any revenue is allocated to compensation. Due to this long term planning and the July 2010 actuarial study which showed the predicted health care claims peak is less than the ARC, the District has elected to fund the OPEB liability from the general fund, with a commitment to review the funding with each future actuarial study. These strategies provide reasonable expectation of both short-term and long-term financial solvency and address the costs associated with the implementation of GASB 45 requirements.
LIST OF SUPPORTING EVIDENCE

1. SCFA Contract Article 14
2. SCMA Contract Article 11
3. FUSE Contract Article 8
4. Sierra College Compensation Agreement dated November 8, 2005
5. All Staff Memo dated April 16, 2007
6. GASB 45 Fact Sheet
10. RBOA meeting December 7, 2011
11. RBOA minutes February 12, 2009
12. Actuarial Study July 2010

Hyperlinks to union contracts:
Sierra College Faculty Association (SCFA)
Sierra College Management Association (SCMA)
Federation of United School Employees (FUSE)
BOARD OF TRUSTEES

E. Howard Rudd ........................................................................................................ Area 1
Dave Ferrari ................................................................................................................ Area 2
Scott Leslie .................................................................................................................. Area 3
Bill Halldin .................................................................................................................. Area 4
Cari Dawson Bartley .................................................................................................. Area 5
Nancy B. Palmer ......................................................................................................... Area 6
Aaron Klein .................................................................................................................. Area 7
Andrew Nelson ............................................................................................................. Student Trustee 2011-2012
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Appendix 1

SCFA Contract Article 14
ARTICLE 14: HEALTH AND WELFARE BENEFITS

Eligibility and Benefit Offerings

Faculty Eligibility
For purposes of this Article, a full-time faculty employee is eligible for health and welfare benefits if he/she is employed for 175 days plus designated service days and has a 100% work load. A less than full-time faculty member employed for more than 60% of a work load, but less than 100% of a work load, shall be eligible for the same benefits at the pro-rated cost of a full-time employee. The faculty member's pro-rated cost shall be made through payroll deduction.

Dependent Eligibility
Benefit-eligible faculty may enroll eligible dependents in medical, dental and vision plans as described below.

Domestic Partners
Medical, dental, and vision coverage and its pro-ration only shall be made available to domestic partners of benefit-eligible faculty. For purposes of this Article, domestic partners shall be defined as provided in California Family Code Section 297 as it existed as of January 1, 2000, except for those defined in subsection 297 (6) (B).

To receive the benefits of this section, the domestic partnership must be registered with the California Secretary of State in accordance with Family Code Section 298. [Forms for registration are available from the Secretary of State or the office of the county clerk in each county].

Termination of the domestic partnership shall be determined by the provisions of Family Code Section 299. Notification of termination to Sierra College shall be made in the manner described in Section 299 (c).

All provisions of Family Code Sections 297, 298, and 299 shall apply to this section. Copies of the applicable laws are attached as Appendix B.

Benefit Offerings

Medical, Dental and Vision Insurance
The union shall participate, through the Omniparty, in the development and maintenance of health and welfare benefit offerings for eligible faculty employees.

The term “health and welfare benefits” incorporates medical, dental, vision, life and income protection (long-term disability) insurances. Medical, dental and vision plans shall be offered to benefit-eligible faculty and the faculty's eligible dependents. Faculty are required to choose a medical plan, a dental plan, and a vision plan.

Part-Time Medical Benefits
The District agrees to provide medical insurance for part-time faculty as long as funding under AB 3099 remains in effect. This medical insurance shall be administered in conformance with
the memorandum of understanding with the Los Rios Community College District and the proposed process for providing medical insurance to “eligible adjuncts” as outlined in Appendix C.

The effective date for this medical insurance shall be the Fall Semester 1998.

**Income Protection**
Income protection shall be provided for full-time faculty employees. Such coverage shall provide for a maximum benefit of 66 2/3rd percent coverage of the first $10,000 of gross monthly salary. This plan will provide for a 60 working day elimination period and will be fully coordinated with existing benefits.

**Life Insurance**
Life insurance shall be provided for full-time faculty employees only. The District will pay the cost of a $10,000 life insurance policy and $10,000 AD&D.

**Contribution Cap**
Effective January 1, 2010, the Omniparty established base contribution per eligible faculty employee for health and welfare benefits shall be fixed at $9,000 annually and this contribution shall be pooled and allocated in a manner determined by the Omniparty. The base contribution shall be referred to as "the cap." Health and welfare premium costs beyond the $9,000 annual cap shall be paid for by the employee through payroll deductions. A less than full-time faculty member employed for more than 60% of a work load, but less than 100% of a work load, shall receive a pro-rated amount of the $9,000 annual cap based on the percentage of his/her work load.

**Enrollment**
Upon initial employment, a benefit-eligible faculty employee must enroll in the above described health and welfare plans within thirty (30) calendar days of date of employment or wait until the next open enrollment period. The open enrollment period normally falls in the month of October of each year. A faculty employee who fails to enroll during the first thirty (30) days and waits until the next open enrollment period may be required to submit evidence of insurability to the respective insurance carriers.

**Commencement and Termination Date of Coverage**
Eligible faculty employees hired or terminated between the first (1st) and the fifteenth (15th) of the month, inclusive, shall be eligible or be discontinued for health and welfare benefits effective the first day of the following month. Eligible faculty employees hired or terminated between the sixteenth (16th) and the last day of the month, inclusively, shall be eligible or be discontinued for health and welfare benefits effective the first (1st) of the next following month.

**Continuance of Health Benefits for Faculty Employees on a Leave of Absence Without Pay**
A faculty employee who elects a leave of absence, without pay, for up to one (1) year will be afforded the opportunity to purchase the health insurance coverage (medical, dental, vision and life insurance) or up to one (1) year for themselves and their dependent(s). In order for the affected faculty employee to be covered for the following month(s) payment must be received...
by the Business Office by the (8th) day of each month. It shall be the faculty employee’s responsibility to find out when the first payment is due. Once a payment is missed, the faculty employee may not be reinstated in the plan until his/her reemployment or return from an approved leave of absence without pay.

Continuance of Medical Insurance
A faculty employee on a medical leave of absence who is eligible and applying for disability allowance or for whom the District is applying for disability allowance shall utilize all paid leaves first. Upon exhaustion of paid leaves, the faculty employee shall be considered on a leave of absence without pay.

Application for disability allowance normally takes up to one year. The District will continue the medical payments for up to two years commencing with the first day of absence due to a work-related injury or illness while the retirement system is evaluating the request for disability allowance. For faculty employees who are not eligible for disability allowance, the District will continue the medical payments for faculty employees injured on the job for up to two (2) years. Additional benefits may be provided in accordance with the Industrial Accident and Illness Leave for faculty employees as per Education Code Sections 87787 and 87789.

Since a faculty employee may be receiving disability income protection, such premiums are waived by the disability policy including life insurance. Upon completion of two years and in the event a determination has not been made by the retirement system, the faculty employee is allowed to purchase the medical insurance subject to the provisions outlined in this Agreement. Faculty employees who are not eligible for disability allowance and are disabled due to a non-work related injury will be placed on a leave of absence without pay upon the exhaustion of all paid leaves. Such faculty employees are allowed to purchase the health and welfare benefits subject to the provisions as outlined in this Agreement.

Medical Insurance for Retired Faculty Employees

Post-July 1, 1994 Coverage

Medical Insurance for Retired Faculty Employees Hired After June 30, 1994
Effective July 1, 1994, faculty employees hired after this date may purchase medical insurance subject to carrier approval. The District’s obligation to pay the cost of medical insurance for faculty employees hired after June 30, 1994 is discontinued. Unfunded Liability shall not apply to faculty employees hired after June 30, 1994.

Medical Insurance for Retirement Eligible Faculty Employee’s Beneficiaries
Faculty members eligible for retirement medical benefits subject to this article who have obtained the age of 55 eligibility for STRS ordinary retirement and subsequently die prior to retirement will have the medical insurance implemented as though the faculty member retired under STRS or PERS from the District.

Medical Benefits Trust for Permanent Employees Hired on or after July 1, 1994
This section shall apply only to those permanent employees who participate in the Medical Benefits Trust as such employees are defined and eligible to participate as of July 1, 2004, and
who are hired on or after July 1, 1994. This section does not apply to any employees eligible for retiree medical benefits under any provision of this agreement.

Beginning July 1, 2004, the District will deduct 1% from each participating employee’s base salary to be placed in the Medical Benefits Trust. The District will match this 1% of the employee’s base salary. All eligible employees are required to participate. Since the 1% employee contribution is from the employee’s salary, the District shall report such amount as salary for purpose of calculating retirement benefits.

Post-July 1, 1988 Coverage

Medical Insurance for Retired Faculty Employees Hired After July 1, 1988

If permissible under contract in force with carriers at the time, the District will pay the full cost of medical insurance as set forth herein for an ordinary or disability-retired faculty employee and their dependents upon completion of twelve (12) years of paid service until such time as the member is eligible for benefits under Part A and Part B of Medicare or any other governmental program. The employee shall notify the District of other private and/or government coverage available to them at a level and cost similar to the offered hereunder, and the District, will coordinate medical District coverage with such benefits, particularly Medicare or other governmental benefits. Upon notice of the death of a retired faculty employee of the District, the District will continue medical insurance for three (3) months for the dependents after the death of the retired faculty employee, if such continuance is permissible under the contract with the carriers at the time. This section shall apply to all employees and their dependents who retire pursuant hereto.

Post-November 27, 1984 Coverage

Medical Insurance for Retired Faculty Employees Hired after November 27, 1984

If permissible under contract in force with carriers at the time, the District will pay the full cost of medical insurance as set forth herein for an ordinary or disability-retired faculty employee and their dependent(s) upon completion of five (5) years of service with the District. Medical insurance shall continue in force until such time as the member is eligible for benefits under Part A and Part B of Medicare or any other governmental program. The faculty shall notify the District of other private and/or government coverage available to them at a level and cost similar to that offered hereunder, and the District will coordinate medical District coverage with such benefits, particularly Medicare or other government benefits. Upon notice of the death of a retired faculty employee to the District, the District will continue medical insurance for the spouse until the spouse remarries after the death of the retired faculty employee, if such continuance is permissible under the contract with the carriers at the time. This section shall apply to all employees and their dependent(s) who retire pursuant hereto.

Pre-November 27, 1984 Coverage

Medical Insurance for Retired Faculty Employees Hired Before November 27, 1984

The District will pay the full cost of medical insurance for all ordinary and disability-retired faculty employees, their spouses, and their dependent children. If a retired employee should die, his/her surviving spouse and dependent children will continue to be covered by the District until such time as the surviving spouse remarries. Medical insurance will be coordinated with Medi-Cal and Medicare at age 65.
Unfunded Liability for Pre 1994 Faculty

Contribution
For faculty hired prior to July 1, 1994, the District will deduct 1% from each full-time faculty employees’ salary to be placed in a restricted fund for medical benefits for retirees. The District shall match this contribution of 1% of the employees’ salary. The purpose of the fund is to guarantee fully paid life-time medical benefits for District faculty retirees.

Oversight of Unfunded Liability
A joint labor management benefit committee will be established comprised of three (3) faculty representatives from SCFA and two (2) management representatives. This will be a joint committee meeting with representatives from the District, SCFA, and FUSE to consider issues as described by the collective bargaining agreements.

The purpose of this committee is to oversee the restricted fund and to recommend modifications to the contributions as needed; to analyze alternative benefit structures and recommend implementation of new and/or revised benefit plans; to review all payroll processes to assure adherence to the collective Bargaining Agreement and to recommend changes as needed.

The joint committee shall establish procedures for administering the fund and shall develop an annual report for all employees regarding the fund. This committee shall meet on a regular basis and evaluate the unfunded liability of the retiree medical benefit, investments, and interests on the contributions and to determine when the fund is solvent, or determine when to start or stop contributions to the fund. Agreements made by the Joint Labor Management Committee will be brought back to respective negotiations tables for final approval.

Distribution of Funds upon Resignation of Employment
Employees, who do not elect to retire or who are not eligible for retirement at date of resignation, will have their contributions refunded. Employer contributions for those employees shall remain in the fund.

Refusal of District Medical Benefits
Any faculty employee who refuses District medical benefits shall make the 1% contribution into the fund. Faculty employees refusing medical benefits shall not be eligible for retiree medical benefits, unless they contribute into the fund.

Discontinuance of Fund
If the fund is discontinued for any reason, the faculty employees shall be paid the amount of employee contributions paid into the fund up to the time of termination. The joint benefit committee shall determine the procedures and any other related questions regarding the fund at that time.
Process for Refunding of Employee Contributions
Employees who have had payroll deductions for the Post Retirement Medical Benefit and who are permanently separated for other than retirement from the employment of the District will automatically receive a refund unless otherwise directed by the separating employee.

Refund of Employee Contributions
Employees who have had payroll deductions for the Post Retirement Medical Benefit and who are permanently separated for other than retirement from the employment of the District will receive a refund of all of their contributions plus interest through the preceding June 30. Employees may elect to receive their refund on June 30 of the separated fiscal year and will receive interest through that date.

Interest Earnings on Contributions
The interest which will be applied to the employee’s contribution at June 30 of each year is established by the Management and Labor Benefits Committee. The rate paid will be annually calculated at 4% simple interest for the individual’s actual contributions as averaged for the fiscal year with all funds invested in the “Post Medical Retirement Benefit Trust Fund” held in the Placer County Treasury.

Part-Time Retirement Plans
The District and the Association agree to offer the State Teachers’ Retirement plan to part-time faculty. Part-time faculty will have the option to participate in either:
1. STRS Defined Benefit Plan; OR
2. STRS Cash Benefit Plan

Contribution rates for the Defined Benefit Plan will be as follows and subject to change as determined by STRS:

<table>
<thead>
<tr>
<th>District Contribution</th>
<th>Employee Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.25% of payroll</td>
<td>8% of payroll</td>
</tr>
</tbody>
</table>

Contribution rates for the Cash Balance Plan will be as follows and subject to changes as determined by STRS:

<table>
<thead>
<tr>
<th>District Contribution</th>
<th>Employee Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>4% of payroll</td>
<td>4% of payroll</td>
</tr>
</tbody>
</table>

The effective date of the above STRS plans will be dependent on implementation requirements by STRS and District adoption. The intent is to implement the above with the Fall 2000 Semester.

The District and the Association agree to terminate participation in Social Security.
Appendix 2

SCMA Contract Article 11
ARTICLE 11: HEALTH AND WELFARE BENEFITS

The term Health and Welfare Benefits incorporate medical, dental, vision, life and income protection (long-term disability) insurances.

Section 1: Benefit Premium Coverage

1.1 The District’s contribution for medical, dental and vision insurance shall be as negotiated by the Omni Party.

Section 2: Flex Ed Program

2.1 The District agrees to a Flex Ed program which is a combination of a cafeteria plan (Internal Revenue Code Section 125) and an individual retirement savings plan (Internal Revenue Code Section 403b, tax sheltered annuity). Under IRC 125, benefit options such as employer-sponsored insurance premiums, out-of-pocket medical expenses, and dependent care can be paid with pre-tax dollars.

2.2 Employees are required to choose a dental plan, a medical plan, and a vision plan under the cafeteria plan. Remaining funds below the cap may be designated by the employee as provided for by IRC 125 as administered by Flex Ed up to the cap as noted above or as taxable income.

Section 3: Medical Insurance

3.1 Health insurance shall be provided for all full-time managers and dependents. The following Medical plans are available subject to Omni Party negotiations.

Section 4: Dental Insurance

4.1 Dental insurance shall be provided for all full-time managers and dependents. The following Medical plans are available subject to Omni Party negotiations.

Section 5: Vision Insurance

5.1 Vision insurance shall be provided for full-time managers subject to Omni Party negotiations.

Section 6: Domestic Partner

6.1 The benefits of this Article relating to medical, dental, and vision and its pro-rata tion only shall be made available to domestic partners of full-time managers. For purposes of this Article, domestic partners shall be defined as provided in
California Family Code Section 297 as it existed as of January 1, 2000, except for those defined in subsection 297 (6) (B). To receive the benefits of this section, the domestic partnership must be registered with the California Secretary of State in accordance with Family Code Section 298. [Forms for registration are available from the Secretary of State or the office of the county clerk in each county.]

6.2 Termination of the domestic partnership shall be determined by the provisions of Family Code Section 299. Notification of termination to Sierra College shall be made in the manner described in Section 299 (c).

6.3 All provisions of Family Code Section 297, 298, and 299 shall apply to this section.

Section 7: Income Protection

7.1 Income protection shall be provided for full-time Managers. Such coverage shall provide for a maximum benefit of 66 2/3rd percent coverage of the first $9,000 of gross monthly salary. This plan will provide for a 60 working day elimination period and will be fully coordinated with existing benefits.

Section 8: Life Insurance

8.1 Life insurance shall be provided for full-time managers only. The District will pay the cost of a $10,000 life insurance policy and $10,000 AD&D.

Section 9: Medical Insurance for Retired Faulty Employees

9.1 Pre-November 27, 1984 Coverage
Medical Insurance for Retired Managers Hired Before November 27, 1984
The District will pay the full cost of medical insurance for all ordinary and disability-retired managers, their spouses, and their dependent children. If a retired employee should die, his/her surviving spouse and dependent children will continue to be covered by the District until such time as the surviving spouse remarries. Medical insurance will be coordinated with Medi-Cal and Medicare at age 65.
9.2 **Post-November 27, 1984 Coverage**

**Medical Insurance for Retired Managers Hired after November 27, 1984**

If permissible under contract in force with carriers at the time, the District will pay the full cost of medical insurance as set forth herein for an ordinary or disability-retired manager and their dependent(s) upon completion of five (5) years of service with the District. Medical insurance shall continue in force until such times as the member is eligible for benefits under Part A and Part B of Medicare or any other governmental program. The manager shall notify the District of other private and/or government coverage available to them at a level and cost similar to that offered hereunder, and the District will coordinate medical District coverage with such benefits, particularly Medicare or other government benefits. Upon notice of the death of a retired manager to the District, the District will continue medical insurance for the spouse until the spouse remarries after the death of the of the retired manager, if such continuance is permissible under the contract with the carriers at the time. This section shall apply to all managers and their dependent(s) who retire pursuant thereto.

9.3 **Post-July 1, 1988 Coverage**

**Medical Insurance for Retired Managers Hired After July 1, 1988**

If permissible under contract in force with carriers at the time, the District will pay the full cost of medical insurance as set forth herein for an ordinary or disability-retired manager and their dependents upon completion of twelve (12) years of paid service until such time as the member is eligible for benefits under Part A and Part B of Medicare or any other governmental program. The employee shall notify the District of other private and/or government coverage available to them at a level and cost similar to the offered hereunder, and the District, will coordinate medical District coverage with such benefits, particularly Medicare or other governmental benefits. Upon notice of the death of a retired manager of the District, the District will continue medical insurance for the dependents after the death of the retired manager, if such continuance is permissible under the contract with the carriers at the time. This section shall apply to all employees and their dependents who retire pursuant hereto.

9.4 **Post July 1, 1994 Coverage**

**Medical Insurance for Retired Managers Hired After June 30, 1994**

Effective July 1, 1994, managers hired after this date may purchase medical insurance subject to carrier approval. The District’s obligation to pay the cost of medical insurance for managers hired after June 30, 1994 is discontinued. Unfunded Liability shall not apply to managers hired after June 30, 1994.
9.5 **Medical Insurance for Retirement Eligible Managers’ Beneficiaries**

Managers eligible for retirement medical benefits subject to this article who have obtained the age of 55 eligibility for STRS or PERS ordinary retirement and subsequently die prior to retirement will have the medical insurance implemented as though the manager retired under STRS or PERS from the District.

**Section 10: Medical Benefits Trust for Permanent Employees hired on or after July 1, 1994**

10.1 This section shall apply only to those permanent employees who participate in the Medical Benefits Trust as such employees are defined and eligible to participate as of July 1, 1994, and who are hired on or after July 1, 1994. This section does not apply to any employees eligible for retiree medical benefits under any provision of this agreement.

10.2 Beginning July 1, 2004, the District will deduct 1% from each participating employee’s base salary to be placed in the Medical Benefits Trust. The District will match this 1% of the employee’s base salary. All eligible employees are required to participate. Since the 1% employee contribution is from the employee’s salary, the District shall report such amount as salary for purpose of calculating retirement benefits.

**Section 11: Dependent**

11.1 Dependents, as used in this Article, shall be defined by the respective carrier in accordance with the Internal Revenue’s Code meaning of a dependent.

**Section 12: Enrollment**

12.1 Upon initial employment, a manager must enroll in the above described plans, if eligible, within thirty (30) calendar days of date of employment or wait until the next open enrollment period. The open enrollment period normally falls in the month of October of each year. A manager who fails to enroll during the first thirty (30) days and waits until the next open enrollment period may be required to submit evidence of insurability to the respective insurance carriers.

**Section 13: Commencement and Termination Date of Coverage**

13.1 Eligible managers hired or terminated between the first (1st) and the fifteenth (15th) of the month, inclusive, shall be eligible or be discontinued for health and welfare benefits effective the first day of the following month. EXAMPLE: A manager hired or terminated on January 5th becomes eligible or is discontinued on February 1st. Eligible managers hired or terminated between the sixteenth
(16th) and the last day of the month, inclusively, shall be eligible or be discontinued for health and welfare benefits effective the first (1st) of the next following month. EXAMPLE: A manager hired or terminated on January 18th becomes eligible or is discontinued on March 1st.

**Section 14: Continuance of Health Benefits for Managers on a Leave of Absence Without Pay**

14.1 A manager who elects a leave of absence, without pay, for up to one (1) year will be afforded the opportunity to purchase the health insurance coverage (medical, dental, vision and life insurance) or up to one (1) year for themselves and their dependent(s). In order for the affected manager to be covered for the following month(s) payment must be received by the Business Office by the (8th) day of each month. It shall be the manager’s responsibility to find out when the first payment is due. Once a payment is missed, the manager may not be reinstated in the plan until his/her reemployment or return from an approved leave of absence without pay.

**Section 15: Continuance of Medical Insurance**

15.1 A manager on medical leave of absence who is eligible and applying for disability allowance or for whom the District is applying for disability allowance shall utilize all paid leaves first. Upon exhaustion of paid leaves, the manager shall be considered on a leave of absence without pay.

15.2 Application for disability allowance normally takes up to one year. The District will continue the medical payments for up to two years commencing with the first day of absence due to a work-related injury or illness while the retirement system is evaluating the request for disability allowance. For managers who are not eligible for disability allowance, the District will continue the medical payments for managers injured on the job for up to two (2) years. Additional benefits may be provided in accordance with the Industrial Accident and Illness Leave for managers as per Education Code Section 87787, 87789, 88192, and 88196.

15.3 Since a manager may be receiving disability income protection, such premiums are waived by the disability policy including life insurance. Upon completion of two years and in the event a determination has not been made by the retirement system, the manager is allowed to purchase the medical insurance subject to the provisions outlined in this Agreement. Managers who are not eligible for disability allowance and are disabled due to a non-work related injury will be placed on a leave of absence without pay upon the exhaustion of all paid leaves. Such managers are allowed to purchase the health and welfare subject to the provisions as outlined in this Agreement.
Section 16: **Continuation of Health Insurance Coverage (Consolidated Omnibus Budget Reconciliation Act of 1985)**

16.1 Effective January 1, 1987, continuation of health insurance coverage (medical, dental, and vision) shall be offered to protected beneficiaries immediately before the qualifying events.

Section 17: **Protected Beneficiaries**

are defined as:
1. Surviving spouses (widows and widowers) of covered employees and their dependents.
2. Divorced spouses and their dependents.
3. Legally separated spouses and their dependents.
5. Dependent Children who cease to be covered as dependents under the generally applicable requirement of the plan.

Section 18: **Qualifying Events**

as defined as:
1. Termination of employment other than for wrongful cause.
2. Loss of eligibility due to reduction in employment hours.
3. Loss of dependent coverage because the employee becomes eligible for Medicare.
4. Loss of dependent coverage because of the death of the employee.
5. Loss of dependent coverage because of divorce.
6. Loss of dependent coverage because the child reached the limiting age.

Section 19: **Coverage Period**

19.1 Individuals who lose coverage under qualifying events number 1 and 2 are permitted to continue coverage for 18 months. Individuals who lose coverage under qualifying events 3,4,5, and 6 are permitted to continue coverage for 36 months.

Section 20: **Coverage Ceases**

20.1 The requirement for coverage cease after:
1. Beneficiary fails to make timely payments under the plan.
2. Beneficiary becomes covered under another group health plan as a result of employment, reemployment or remarriage.
4. The District provided plan ceases.
Section 21: Cost of Coverage

21.1 Protected beneficiaries who elect coverage must submit the cost of the insurance monthly to the Plan Carriers. Payment must be received by the eighth (8th) day of each month. The Carriers may require payments of cost for premiums not exceed 102% of the applicable premium.

Section 22: Election

22.1 The individual with an occurring qualifying event may, within 60 days of the event, elect to take the coverage.

Section 23: Notice

23.1 The beneficiary may elect continuation coverage within 60 days of death, divorce, or legal separation of the covered employee.

23.2 Employees are responsible for notifying the District of any changes in status in the event of a divorce, legal separation, or if the child becomes ineligible.

23.3 Within fourteen (14) days, the Business office will notify the beneficiary by mail to the beneficiary’s last known address.

Unfunded Liability for Pre 1994 Managers

Section 24: Contribution

24.1 For managers hired prior to July 1, 1994, the District will deduct 1% from each full-time manager's salary to be placed in a restricted fund for medical benefits for retirees. The District shall match this contribution of 1% of the managers' salary. The purpose of the fund is to guarantee fully paid life-time medical benefits for District Managers retirees.

Section 25: Oversight of Unfunded Liability

25.1 A joint labor management benefit committee will be established comprised of three (3) managers representatives from SCMA and two (2) management representatives. This will be a joint committee meeting with representatives from the District, SCMA, SCFA, and FUSE to consider issues as described by the collective bargaining agreements.

25.2 The purpose of this committee is to oversee the restricted fund and to recommend modifications to the contributions as needed; to analyze alternative
benefit structures and recommend implementation of new and/or revised benefit plans; to review all payroll processes to assure adherence to the collective Bargaining Agreement and to recommend changes as needed.

25.3 The joint committee shall establish procedures for administering the fund and shall develop an annual report for all employees regarding the fund. This committee shall meet on a regular basis and evaluate the unfunded liability of the retiree medical benefit, investments, and interests on the contributions and to determine when the fund is solvent, or determine when to start or stop contributions to the fund. Agreement made by the Joint Labor Management Committee will be brought back to respective negotiations tables for final approval.

Section 26: Distribution of Funds upon Resignation of Employment

26.1 Employees who do not elect to retire or who are not eligible for retirement at date of resignation will have their contributions refunded. Employer contributions for those employees shall remain in the fund.

Section 27: Refusal of District Medical Benefits

27.1 Any manager who refused District medical benefits shall make the 1% contribution to the fund. Managers refusing medical benefits shall not be eligible for retiree medical benefits, unless they contribute to the fund.

Section 28: Discontinuation of Fund

28.1 If the fund is discontinued for any reason, the managers shall be paid the amount of employee contributions paid into the fund up to the time of termination. The joint benefit committee shall determine the procedures and any other related questions regarding the fund at that time.

Section 29: Process for Refunding of Employee Contributions

29.1 Employees who have had payroll deductions for the Post Retirement Medical Benefit and who are permanently separated for other than retirement from the employment of the District will automatically receive a refund unless otherwise directed by the separating employee.

Section 30: Refund of Employee Contributions

30.1 Employees who have had payroll deductions for the Post Retirement Medical Benefit and who are permanently separated for other than retirement from the employment of the District will receive a refund of all their contributions plus
interest through the preceding June 30. Employees may elect to receive their refund on June 30 of the separated fiscal year and will receive interest through that date.

Section 31: **Interest Earning on Contributions**

31.1 The interest which will be applied to the employee’s contribution at June 30 of each year is established by the Management and Labor Benefits Committee. The rate period will be annually calculated at 4% simple interest for the individual’s actual contributions as averaged for the fiscal year with all funds invested in the “Post Medical Retirement Benefit Trust Fund” held in the Placer County Treasury.
Appendix 3

FUSE Contract Article 8
ARTICLE 8: SALARIES AND STIPENDS

Regular hours are all hours worked exclusive of overtime.

Section 1: Rate of Pay

Please see appendix B for the current Classified Hourly Schedule.

Section 2: LIUNA Pension Fund

Beginning September 1, 1998, the District will pay on behalf of each member of the bargaining unit 1.00% of the member’s base hourly rate to the LIUNA National Industrial Pension Plan. Effective October 1, 1999, the District will direct in behalf of each member of the bargaining unit, 1% of the employees’ monthly regular pay toward the LIUNA National Pension Plan. Note: Shift differential is included in the monthly pay with the exception of summer assignments if the change in shift is for more than 20 days.

The Union understands and agrees that this payment is in lieu of a portion of the general increase (COLA) to the Classified Hourly Schedule and will henceforth be considered part of wages whenever wage comparisons are made.

Section 3: Movement on the Classified Hourly Schedule

Employees appointed, promoted, or reappointed on or between the first and the fifteenth day of the month shall have the first day of the same month as their anniversary date.

Employees appointed, promoted, or reappointed on or between the sixteenth and the last day of the month shall have the first day of the following month immediately following as their anniversary date.

Section 4: Payroll Distribution

An employee employed for 2,080 hours in a work year shall have his or her salary paid over twelve (12) equal installments. An employee hired after January 1, 2007, and employed for less than 2,080 hours in a work year may not elect to have his or her salary paid over twelve (12) equal installments. An employee shall be paid once per month
payable on or before the last working day of the month. The District shall have the right
to reconcile payroll as necessary.

In the event the last work day of the month falls on a Saturday or a holiday immediately
proceeding the Saturday, the monthly payroll shall be distributed on the working day
immediately before such Saturday or holiday. In the event the last working day of the
month falls on a Sunday or a holiday immediately following the Sunday, the monthly
payroll shall be distributed on the work day immediately following such Sunday or
holiday.

Section 5: Longevity

A Classified employee will be granted longevity pay as a regular employee on the
following basis:

- At the beginning of the 10th year of service with the District – 5% above base pay
- At the beginning of the 15th year of service with the District – 6% additional pay
  increase
- At the beginning of the 20th year of service with the District – 7% additional pay
  increase
- At the beginning of the 25th year of service with the District – 8% additional pay
  increase.

Section 6: Mileage

An employee in the Classified service required to use his/her private vehicle on District
business shall be reimbursed pursuant to District policy. (Appendix D). When a
Classified employee is assigned to a location other than the primary work site, the
employee will be paid at the standard District reimbursement rate for those miles in
excess of the mileage normally incurred in commuting to the primary work site when
utilizing his/her private vehicles.
**Travel Time**

**Travel to alternative work sites.**

When a Classified employee is assigned to work at a location other than the primary work site, the employee will be entitled to utilize the time in excess of that normally incurred in the commute to the primary work site as work time. Travel time will be recorded in 15-minute increments.

**Travel between work sites.**

When a Classified employee is required to work at more than one site during a work day, the time spent in travel between locations shall be work time. Travel time will be recorded in 15-minute increments.

**Section 7: Meals**

An employee in the Classified service who, as a result of the work assignment, must have meals away from the District shall be reimbursed pursuant to District policy. (Appendix D)

**Section 8: Lodging**

An employee in the Classified service who, as a result of the work assignment, must have lodging away from the District, shall be reimbursed pursuant to District policy.

(Appendix D)

**Section 9: Unfunded Liability (Pre 1994)**

A. Effective July 1, 1990, through June 30, 1994, the District will deduct 1% from each Classified employee’s annual salary to be placed in a restricted fund, known as the Post Retirement Medical Fund (PRMF), for medical benefits for retirees. The District shall match this contribution of 1% of the employee’s annual salary.

B. The Joint Labor Management Committee established on July 1, 1999, and now known as Omniparty, will be comprised of representatives from FUSE, SCMA, and SCFA, and the District’s Chief Negotiator and two (2) District Representatives. Union representatives will include five (5) representatives from F.U.S.E., six (6)
union representatives from SCFA, and four (4) union representatives from SCMA.

The Omniparty is charged to oversee the restricted fund, known as the PRMF, and to recommend modifications to the contributions as needed; to analyze alternative benefit structures and recommend implementation of new and/or revised benefit plans; to review payroll processes to assure adherence to the Collective Bargaining Agreement and to recommend changes as needed. The committee shall establish procedures for administering the PRMF fund and shall develop an annual report for all employees regarding the fund. This committee shall meet on a regular basis and evaluate the unfunded liability of the retiree medical benefit, investments, and interests on the contributions and to determine when the fund is solvent, or determine when to start or stop contributions to the fund. Decisions regarding the fund shall be recorded and reported to the Union.

C. Employees who do not elect to retire or who are not eligible for retirement at date of resignation will have their contributions refunded. Employer contributions for those employees shall remain in the fund.

D. In the event the District in its negotiations with Faculty agrees to a formula for the unfunded liability which is different than the Agreement with the Classified Union, the District will renegotiate this provision with the Union.

E. Any Classified employee who opts out of the current District medical plans shall be required to make the employee contribution into the PRMF.

F. If the fund is discontinued for any reason, the Classified employee shall be paid the amount of the employee contributions paid into the fund up to the time of termination. The Omniparty shall determine the procedures and any other related questions regarding the fund at that time.

G. For retirement benefit plan coverage, refer to Article 9-Health and Welfare Benefits.

**Process for Refunding of Employee PRMF Contributions:**

Employees who have had payroll deductions for the post-retirement medical benefit and who are permanently separated for other than retirement from the employment of the District will automatically receive a refund unless otherwise directed by the separating employee.
Refund of Employee PRMF Contributions:
Employees who have had payroll deductions for the post retirement medical benefit and who are permanently separated for other than retirement from the employment of the District will receive a refund of all of their contributions plus interest through the preceding June 30th. Employees may elect to receive their refund on June 30th of the separated fiscal year and will receive interest through that date.

Interest Earnings on PRMF Contributions:
The interest, which will be applied to the employee’s contribution at June 30th of each year, is established by the Omniparty. The interest rate paid will be annually calculated at 4% simple for the individual’s actual contribution as averaged for the fiscal year with all funds invested in the PRMF held in the Placer County Treasury.

Section 10: Bilingual Additional Pay
The District and the Union agree to increase by 5% the base pay of an employee who has been assigned the duty of providing a bilingual service to the District. Bilingual duties are assignable by the District and can be removed at any time.

In the event a Classified employee is assigned the duty of providing a bilingual service to the District for a specific determined time period on an intermittent basis, the employee will be paid an additional 5% on the base rate. The base pay increase shall be paid for the hours for which this assignment was made.

Section 11: Evening/Saturday Coordinating Duties Additional Pay
The District and the Union agree to increase by 15% the base pay of an employee for hours after 5 p.m. on Monday through Friday and any hours assigned on Saturday who has been assigned the duty of providing Evening and/or Saturday Coordinator duties for the District.
In the event the evening person is unable to perform the duties, the Saturday person charged with coordinating the Saturday duties will assume the coordinating duties for the
evening. Employees assigned Evening/Saturday Coordinating duties are already assigned to the evening shift or Saturday shift and are receiving additional pay regardless whether the coordinating duties need to be accomplished. In the event the District decides not to assign the Evening/Saturday duties or the back-up person is not available to assume the evening coordinating duties, the responsibility of evening and/or Saturday duties default to Administration.

Evening coordinating duties are assignable to the Rocklin Campus and the Nevada County Campus. Saturday coordinating duties are assignable to the Rocklin Campus.

The duties for evening and/or Saturday coordination shall consist of the following:

- Provide coordination as required to respond to administrative issues/problems that arise during evening hours.
- Provide prompt notification to appropriate operational units in the event of a campus emergency.
- Provide notification/reports to appropriate department personnel concerning administrative issues/problems that arise during evening hours.
- Report all safety or health-related issues noted during evening hours and forward to the appropriate operational unit(s).
- Receive complaints regarding site and/or District programs and services taking action to diffuse or refer to appropriate Administrator.
- Provide faculty support for evening hours when division offices are not open.
Appendix 4

Sierra College Compensation Agreement
dated November 8, 2005
This agreement binds all those who labor at this college, and all those who are responsible for its stewardship, in a covenant of openness and trust, specifically, a truly collaborative environment of shared information, mutual consultation, and decisions reached in the best achievable interests of our entire college community. To this end, and on behalf of all those whom we represent, we the undersigned pledge ourselves always to seek consensus opinions, cooperative endeavors, and shared sacrifices through the candid expression of our individual interests and our collective commitment to act in harmony for the good of each other, our students, and the citizens of our community.

For the Federation of United School Employees  Bernard Acuna
For the Sierra College Board of Trustees  Jerry Simmons
For the Sierra College District  Ronald Martinez
For the Sierra College Faculty Association  Patt McDermid
For the Sierra College Management Association  Brian Haley

Date  November 8, 2005
SIERRA COLLEGE COMPENSATION AGREEMENT

BETWEEN

BOARD OF TRUSTEES

SIERRA COMMUNITY COLLEGE DISTRICT,

SIERRA COLLEGE MANAGEMENT ASSOCIATION,

SIERRA COLLEGE FACULTY ASSOCIATION,

AND

FEDERATION OF UNITED SCHOOL EMPLOYEES

November 8, 2005
1 Purpose

This Agreement intends to provide a well-defined, equitable, collaborative, and interdependent decision making process, which provides competitive wage, salary, and benefit packages to our employees within the constraints of available resources. To this end, the Agreement establishes periodic, systematic institutional planning, implementation and self-assessment processes; describes personnel and non-personnel funding resources and their allocation; and funds staffing, organizational effectiveness, institutional integrity, growth, and operational stability. This Omniparty Agreement lays out the specific details of how the formula will be applied to allocate each year general fund unrestricted new and Growth Revenue between personnel and non-personnel expenditures.

This Agreement does not apply to Board contracted positions, classified temporary positions, retirees or student employees.

2 Definitions

2.1 Approval - Approval by the Omniparty is determined by consensus agreement of a Quorum of members. See “Quorum.”

2.2 Approved Position - An Approved Position is any position that meets the following criteria:

2.2.1 It is a permanent position funded as of June 30th each year (see Attachment B for a list of all Approved Positions as of June 30, 2005), and

2.2.2 It is not a Certificated, Classified or Management position fully funded from restricted or categorical revenue.

2.3 Attrition Adjustment – Net Personnel adjustment resulting from either of the following conditions:

2.3.1 Replacing an Approved Position with a different Approved Position within the same Unit, or

2.3.2 Filling an Approved Position with an employee(s) at a different pay rate (including step, column, and longevity) than that of the person who vacated the position.

2.4 Basic Aid - A community college District whose county property tax receipts excluding ERAF (Education Revenue Augmentation Funds) exceed the amount of funding that would have been apportioned by the State for a specific Fiscal Year; also known as an excess tax school entity pursuant to California Revenue and Taxation Code Section 95.1.
2.5 **Big Split** - See *Personnel/Non-Personnel Split ratio.*

2.6 **Budget Stability Revenue** – Revenue provided by the *State* in accordance with Section 58776 of Title 5 of the California Education Code to partially or fully offset a decrease in enrollment.

2.7 **Bucket** – See “*Unit Bucket.*”

2.8 **COLA** - Cost-of-Living Adjustment dollars as determined by the *State* (refer to Section II of Exhibit E of the California Community College Chancellor’s Office apportionment recalculation report, usually prepared in late December and issued in the following spring).

2.9 **Cost Advances** - Revenue borrowed from *District* General Fund or Reserves by a *Unit* to mitigate a negative impact on *Unit* employees, typically resulting from an extraordinary and disproportionate impact on the *Unit=s Bucket*. Such borrowed revenue shall be repaid to the General Fund or Reserves within a prescribed period of time as agreed upon by the *Omniparty*.

2.10 **Current Year** - The *Fiscal Year* to which the formula is being applied.

2.11 **Deficit Factor** - The discount due to a shortfall in *State* revenue which is applied by the *State* on revenue it owes to the *District*.

2.12 **District** - The Sierra Joint Community College *District*, the Board of Trustees of the Sierra Joint Community College *District* or its authorized representatives.

2.13 **Equity Adjustments** - The cost of incremental or full one-time schedule adjustments resulting from mutually approved or Board-directed *Reclassification* or comparability studies.

2.14 **ERAF (Education Revenue Augmentation Funds)** - Property tax revenue shifted by the *State* from local governments, cities and special *Districts* to school *Districts*, county departments of education, and community colleges in order to meet Proposition 98 funding requirements.

2.15 **Excluded Personnel** – Confidential employees, executive administrators on direct contract with the Board of Trustees, and other permanent employees who are excluded from collective bargaining. For the purposes of this Agreement, student and temporary employees are not included in this group.

2.16 **Faculty Obligation** - The number of new full-time faculty positions needed to meet the California Assembly Bill (AB) 1725 ratio of full-time to part-time instruction hours. Section 35 of AB 1725 refers to Education Code 87482.6 (a)
which recommends that 75% of hours of credit instruction be taught by full-time instructors. AB 1725 does not apply to Basic Aid Districts.

2.17 Fiscal Emergency - A decrease in funding from the State or an extraordinary increase in expenditures that requires corrective fiscal action. A Fiscal Emergency is declared by the Board of Trustees.

2.18 Fiscal Year - For the purposes of this Agreement, Fiscal Year and academic year coincide and may be used interchangeably, corresponding to the period from July 1st through the following June 30th, inclusive.

2.19 FUSE - Federation of United School Employees, which represents permanent classified employees.

2.20 Growth Revenue - Revenue provided to the District by the State based on increased Full Time Equivalent Student (FTES) enrollment from one academic year to the next. Such revenue is subject to maximum percent or cap as determined by the State. Decreases in FTES enrollment may be offset by the State in the form of stability funding.

2.21 Little Split - See @Unit Proportionate Share.

2.22 Mutual Interest - A Mutual Interest is any interest that has a direct or indirect effect on two or more Omniparty members= Buckets (including, but not limited to, Cost Advances, Equity Adjustments, Reclassification, and increased retiree health benefit cost).

2.23 Mutual Interest Funding Requests - A funding request from a Unit or the District that requires additional unrestricted general revenue from sources other than just that party=s Bucket, whether on-going or one-time. Such requests typically result from an extraordinary and disproportionate impact upon a Unit=s Bucket, but may also result from a common interest shared by all (e.g., increased retirement costs).

2.24 New Position - A new permanent position that results in an increase to the total number of Approved Positions.

2.25 Non-Personnel Expenditures – Operational expenditures as specified in account string object codes 4000-7999.

2.26 Omniparty - The negotiating body comprised of members representing the District, management, faculty and classified employees.

2.27 Personnel Expenditures - Salary and benefit expenditures as specified in account string object codes 1000-3999.
2.28 **Personnel/Non-Personnel Split (aka ABig Split®)** - As of July 1, 2005, the ratio is 78% to personnel and 22% to non-personnel (or operational) needs for new and *Growth Revenue*.

2.29 **Prior Year** - The fiscal or academic year immediately preceding the *Current Year*.

2.30 **Quorum** - An *Omniparty Quorum* consists of at least two of the standing members present from the *District* and each of the *Units* (i.e., *SCFA*, *SCMA*, and *FUSE*).

2.31 **Reclassification** - Any permanent, formal change in job description.

2.32 **Retiree Health Benefit Cost** - The cost of medical premiums in the *Prior Year* for retired employees who were hired prior to July 1, 1994.

2.33 **SCFA** - Sierra College Faculty Association which represents full-time and part-time certificated instructional staff.

2.34 **SCMA** - Sierra College Management Association which consists of two units: (1) certificated management and (2) classified supervisory.

2.35 **State** - *State* of California or its designated agents (e.g., California Community College Chancellor=s Office).

2.36 **State Recalculation** – *State’s* recalculation of the actual revenue allocated to the *District*, typically done in February of the *Fiscal Year* following the current *Fiscal Year* (i.e., final *State* published apportionment report).

2.37 **Statutory Expenditures** - The *District’s* obligatory share of employee payroll-related costs mandated by Federal, *State*, or local entities, including such costs as Social Security, Medicare, *State* disability insurance, PERS, STRS, or comparable mandates.

2.38 **Unit** - Each of the unions or groups (i.e., *SCFA*, *FUSE*, and *SCMA*) representing Sierra College employees for salary and benefit determination purposes.

2.39 **Unit Base Amount** - The *Prior Year* on-going funding amount for a *Unit*.

2.40 **Unit Bucket (aka “Bucket”)** - A reference to the amount of revenue available for *Unit* staffing and compensation.
2.41 **Unit Proportionate Share (aka **Little Split** @)** - The proportion of revenue available to a Unit as determined by the Unit=s ratio of unrestricted Personnel Expenditures to the District total unrestricted Personnel Expenditures.

2.42 **Unrestricted Expenditures** - All general fund expenditures falling under account string sub fund 00 and 02.

2.43 **Unrestricted Revenue** - On-going or one-time that may be used at the discretion of the District for general fund expenditures (see Attachment A).

### Process Time-line Summary

3.1 **July/August** - Omniparty considers Mutual Interest items and determines Current Year salary and benefit schedule adjustments along with any one-time (off-schedule) payments based on estimated revenue from the advanced apportionment report for the Current Year and on the applicable adjustments to the Prior Year (Sections 4.2, 4.3, 4.4, 5).

3.2 **September/October** - District implements annual salary and benefit adjustment effective previous July 1st and distributes retroactive checks to employees by October 31st, if any (Section 4.3).

3.3 **February/March** - Omniparty performs the annual review and evaluation of this Agreement (Section 7).

3.4 **May/June** - Business Office provides update on Current Year growth estimates and coming year State budget estimates. Omniparty members propose Mutual Interest items for the coming year Mutual Interest items must be either extraordinary costs that are disproportionate for one or more Units or costs of common concern to all members of the Omniparty.

### Distribution of Compensation Revenue

The Business Office will perform the initial calculations in late July or August of the year in which a salary and benefit adjustment is to be made. Calculations shall be performed using the tables provided in this Section or equivalent worksheets.

4.1 **Compensation Revenue Factors**

4.1.1 For purposes of this Agreement, the primary sources for funding on-going salary and benefit adjustments are based on new State apportionment revenue, excluding growth and stability revenue (see Attachment A). Such revenue includes: (a) cost-of-living adjustments (COLA); and (b) new or increased equalization revenue. This funding is offset by the State when the State applies a funding Deficit Factor of less than one.
4.1.2 The determination, availability and distribution of a Unit=s proportional share of new Unrestricted Revenue (see Attachment A) is dependent upon:

4.1.2.1 Final adoption of the State budget and the reliability of receiving such entitlements, including any projected State funding deficit, and

4.1.2.2 State funding formula not changing. Should State funding formula for community colleges change substantially for the Current Year so that the implementation of this formula is impossible or impractical, the impact of such new unrestricted funding provisions shall be subject to further negotiation at the Omniparty, and

4.1.2.3 District not receiving additional Unrestricted Revenue due to a Basic Aid status. If it is learned that the District will maintain a Basic Aid status in the Current Year, then the expected change in revenue will be estimated using a process agreed upon by the Omniparty.

4.1.3 New One-Time Revenue

4.1.3.1 For the purposes of this Agreement, one-time Unrestricted Revenue is defined as residual Growth Revenue from the Prior Year (see Section 5.4.6) and Lottery revenue from the Prior Year in excess of $1,689,084 (see Section 4.4).

4.1.4 Other Unrestricted Revenue

4.1.4.1 Other new Unrestricted Revenue not specifically identified in Attachment A shall be reviewed for designation on Attachment A by the Omniparty at the next regularly scheduled meeting.

4.1.5 Special State Part-Time Instructor Revenue

4.1.5.1 Revenue designated by the State for part-time instructor funding are processed separately as one-time monies (as with categorical revenue) and are not specifically included in the faculty Unit Bucket calculations. Historically, such State funding has included allocations for part-time office hours, salary improvements and medical benefits.
4.1.6 Revenue Recalculations

4.1.6.1 Should the Unrestricted Revenue be increased or reduced as a result of a recalculation performed by the State Chancellor=s Office in the recalculation for Prior Year revenue or other similar State computations, the appropriate adjustment shall be applied to the coming year=s revenue computation. Such recalculations may include either on-going or one-time revenue.

4.1.6.2 One-time charges (e.g., cost for a comparability study) against new on-going revenue for the Prior Year shall be credited to the new on-going revenue in the Current Year.

4.1.7 Excluded Revenue/Funding Sources

4.1.7.1 Unless otherwise specified by the Omniparty, Growth Revenue will be processed according to Section 5 of this Agreement.

4.1.7.2 Transfer increases from the Post Retirement Medical Fund are to be applied only to increased retiree health care premium costs.

4.1.7.3 Other federal, State, or local revenue not defined herein, categorical apportionment revenue, State apprenticeship, non-personnel operational expenditure savings, other fee income, interest income, District Reserves (Unrestricted general fund revenue set aside by the District to assure the long-term fiscal health and stability of the District), private party donations or grants not specifically designated for unrestricted salary or benefit adjustments, and other restricted or designated revenue sources shall be excluded from any computations of available new revenue to be subject to the Personnel/Non-Personnel Split (see Attachment A).

4.2 Calculation of Available On-Going Unrestricted Revenue

[NOTE: Growth/Restoration Revenue (T5-58774) is processed in Section 5. All references in the format of “T5-xxxx” are from Title V of the California Education Code as cited on State apportionment reports as of July 1, 2005. Changes to referenced State forms shall require a review and update by the Omniparty, as necessary, to all such references in this document.]
4.2.1 Estimate new on-going *Unrestricted Revenue* for the *Current Year* from the most recent apportionment report (usually P2 issued in Spring of the *Prior Year*) and the Advance Apportionment report for the *Current Year*.

<table>
<thead>
<tr>
<th>Table 1 - Estimate New On-Going <em>Unrestricted Revenue</em> for <em>Current Year</em></th>
<th>On-Going Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Enter Base Revenue (T5-58771) including PFE revenue from most recent apportionment report</td>
<td></td>
</tr>
<tr>
<td>2. Enter Inflation Adjustment or <em>COLA</em> (T5-58773) rate from Advance Apportionment report</td>
<td></td>
</tr>
<tr>
<td>3. <em>COLA revenue</em> (= Base Revenue x <em>COLA rate</em>)</td>
<td></td>
</tr>
<tr>
<td>4. Enter Equalization revenue (T5-58775) from Advance Apportionment report</td>
<td></td>
</tr>
<tr>
<td>5. Enter New Partnership for Excellence revenue from Advance Apportionment report</td>
<td></td>
</tr>
<tr>
<td>6. <strong>Estimated Total On-Going <em>Unrestricted Revenue</em></strong> (= Base Revenue + *COLA + Equalization + New Partnership for Excellence)</td>
<td></td>
</tr>
<tr>
<td>7. Enter estimated <em>Deficit Factor</em> (T5-58779) from Advance Apportionment report</td>
<td></td>
</tr>
<tr>
<td>8. <strong>Estimated Deficited Total On-Going <em>Unrestricted Revenue</em></strong> (= Estimated Total On-Going <em>Unrestricted Revenue</em> x <em>Deficit Factor</em>)</td>
<td></td>
</tr>
<tr>
<td>9. <strong>Estimated Available New On-Going <em>Unrestricted Revenue</em></strong> (= Estimated Deficited Total On-Going <em>Unrestricted Revenue</em> - Base Revenue)</td>
<td></td>
</tr>
<tr>
<td>10. Enter Other New Non-Excluded On-Going <em>Unrestricted Revenue</em></td>
<td></td>
</tr>
<tr>
<td>11. <strong>Total Available New On-Going <em>Unrestricted Revenue</em></strong> (= Estimated Available New On-Going <em>Unrestricted Revenue</em> + Other New Non-Excluded On-Going <em>Unrestricted Revenue</em>)</td>
<td></td>
</tr>
</tbody>
</table>
4.2.2 Calculate adjustments to the *Prior Year* new on-going *Unrestricted Revenue* to be added to, or subtracted from, the *Current Year* revenue.

This Section requires the comparison of the estimate used for the *Prior Year* to the recalculated apportionment.

<table>
<thead>
<tr>
<th>Table II - Calculate Revenue Adjustments (Truing Up)</th>
<th>On-going</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Enter adjustment of new on-going <em>Unrestricted Revenue</em> as determined from <em>State Recalculations</em> (around February of <em>Prior Year</em>)</td>
<td></td>
</tr>
<tr>
<td>2. Add adjustment to account for <em>Prior Year</em> on-going <em>Unrestricted Revenue</em> that were not allocated</td>
<td></td>
</tr>
<tr>
<td>3. Add recapture of one-time <em>Mutual Interest</em> item charge against all new on-going non- <em>Growth Revenue</em> in <em>Prior Year</em></td>
<td></td>
</tr>
<tr>
<td>4. <strong>Total Revenue Adjustment</strong> (note that adjustment/recapture values above may be negative)</td>
<td></td>
</tr>
</tbody>
</table>

4.2.3 Calculate items to be charged against all new on-going *Unrestricted Revenue* in the *Current Year*. One-time charges against on-going revenue are recaptured in the following year.

<table>
<thead>
<tr>
<th>Table III - Calculate <em>Mutual Interest</em> Commitments Adjustment Prior to Big Split</th>
<th>On-going</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Enter increased expenditure of retiree medical premiums for <em>Prior Year</em></td>
<td></td>
</tr>
<tr>
<td>2. Subtract the increased amount transferred out of the Post Retirement Medical Fund in <em>Prior Year</em> to offset increased benefit costs</td>
<td></td>
</tr>
<tr>
<td>3. Subtract <em>Mutual Interest</em> item charge (on-going) against all new on-going non-<em>Growth Revenue</em> in <em>Current Year</em></td>
<td></td>
</tr>
<tr>
<td>4. Subtract one-time <em>Mutual Interest</em> item charge against all new on-going non-<em>Growth Revenue</em> in <em>Current Year</em></td>
<td></td>
</tr>
<tr>
<td>5. <strong>Total Mutual Interest Commitments Adjustment Prior to the Big Split</strong></td>
<td></td>
</tr>
</tbody>
</table>
4.2.4 The net available new Unrestricted Revenue is calculated as the sum of the available total available new on-going Unrestricted Revenue, the total revenue adjustment and the total Mutual Interest commitments adjustment prior to the Big Split.

Table IV - Calculate Adjusted Total Available Revenue (Big Split)

<table>
<thead>
<tr>
<th>Step</th>
<th>On-going</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Enter Total Available New On-Going Unrestricted Revenue (Table I)</td>
<td></td>
</tr>
<tr>
<td>2. Add Total Revenue Adjustments (Table II)</td>
<td></td>
</tr>
<tr>
<td>3. Add Total Mutual Interest Commitment adjustment prior to the Big</td>
<td></td>
</tr>
<tr>
<td>Split (Table III)</td>
<td></td>
</tr>
<tr>
<td>4. Adjusted Total Available On-Going Unrestricted Revenue</td>
<td></td>
</tr>
<tr>
<td>5. Available Revenue for District Operations at 22% (= 22% x</td>
<td></td>
</tr>
<tr>
<td>Adjusted Total Available On-Going Unrestricted Revenue)</td>
<td></td>
</tr>
<tr>
<td>6. Available Revenue for Personnel at 78% (=Adjusted Total</td>
<td></td>
</tr>
<tr>
<td>Available Personnel Revenue for District Operations - Available</td>
<td></td>
</tr>
<tr>
<td>Revenue for District Operations)</td>
<td></td>
</tr>
</tbody>
</table>

4.2.5 The net available personnel revenue for units is calculated as the available revenue for personnel plus credit for any one-time charge against on-going personnel revenue in the Prior Year minus the cost of Equity Adjustments plus/minus any other Mutual Interest item costs or credits.

Table V - Calculate Available Personnel Revenue for Units

<table>
<thead>
<tr>
<th>Step</th>
<th>On-going</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Enter Available Revenue for Personnel (Table IV)</td>
<td></td>
</tr>
<tr>
<td>2. Add credit for one-time charges against personnel revenue taken</td>
<td></td>
</tr>
<tr>
<td>in Prior Year (e.g., equity adjustment, comparability study, etc.)</td>
<td></td>
</tr>
<tr>
<td>3. Subtract increased on-going Mutual Interest item expenditures in</td>
<td></td>
</tr>
<tr>
<td>Current Year</td>
<td></td>
</tr>
<tr>
<td>4. Subtract one-time Mutual Interest item expenditures in Current</td>
<td></td>
</tr>
<tr>
<td>Year</td>
<td></td>
</tr>
<tr>
<td>5. Total Available Personnel Revenue for Units</td>
<td></td>
</tr>
</tbody>
</table>
4.2.6 Each Unit shall receive its Proportionate Share of the total available personnel revenue calculated in Table V above. The Unit's Proportionate Share of such revenue is based upon:

4.2.6.1 Actual unrestricted personnel expenditure for all Approved Positions associated with the Unit divided by the actual total unrestricted Personnel Expenditures for all Approved Positions.

4.2.6.2 Such ratio shall be recalculated for each Unit at least once every three years.

<table>
<thead>
<tr>
<th>Table VI - Calculate Unit Proportionate Share (Little Split)</th>
<th>SCFA</th>
<th>FUSE</th>
<th>Excluded + SCMA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Enter Total Available Personnel Revenue for Units (Table IV)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Enter Unit Unrestricted Personnel Expenditures (Prior Year or three-year average)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Enter Total Unrestricted District Personnel Expenditures (Prior Year or three-year average)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Share Rate (Unit Personnel Expenditures/Total District Personnel Expenditures. For 2005-2006 use 59.7% for SCFA, 27.4% for FUSE and 12.9% for SCMA and Excluded Personnel)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Current Year Proportionate Share (Share Rate x Total Available Personnel Revenue for Units)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.2.7 Calculate initial Bucket balance for each Unit by applying the following factors to Table VII:

4.2.7.1 Current Year Proportionate Share – As determined on line 5 of Table VI.

4.2.7.2 Prior Year Bucket Balance Carryover - Each Unit may elect to carry over a portion of its Current Year allocation for use in a subsequent year. Unit Bucket balances do not accrue interest.

4.2.7.3 Mutual Interest Agreement Amounts - Any on-going or one-time amount approved by the Omniparty to be an adjustment to the Unit Bucket as a result of a Mutual Interest Funding Request.
4.2.7.4 Cost Advances - The cost of Current Year step increments, class changes and other additional Personnel Expenditures which are insufficiently funded shall be considered Cost Advances from the District. Any Cost Advances shall have first priority in the utilization/distribution of Unit=s Proportionate Share of on-going Unrestricted Revenue in the subsequent Fiscal Year.

4.2.7.4.1 A Unit may request additional revenue to meet Current Year needs. Such Cost Advances must be approved by the Omniparty and must be repaid as a charge against the Unit=s Bucket within no more than three subsequent Fiscal Years at a rate approved by the Omniparty.

4.2.7.5 Step, Column and Longevity - The cost of step increments, class changes, and longevity for the current academic year for Unit members not covered by Attrition Adjustment savings or available Growth Revenue.

4.2.7.6 Attrition Adjustment - Attrition Adjustments shall be determined by one of the following methods:

4.2.7.6.1 The previous year actual attrition savings (or additional costs), or

4.2.7.6.2 A statistical annual average based on at least two consecutive years= actual attrition savings (or additional costs) to be recalculated at least once every three years.

4.2.7.7 Statutory Expenditures - The increased expenditure in the Current Year for statutory payroll-related costs such as Medicare coverage, disability insurance coverage, life insurance coverage, Social Security, or unemployment coverage.

4.2.7.8 PERS/STRS - Increased District PERS/STRS contribution shall be paid out of Unit Buckets.

4.2.7.9 Recapture of One-Time Charges – Add one-time costs charged to the Unit Bucket in the Prior Year.

4.2.8 Part-Time Faculty Designated Revenue - Such revenue as described in Section 4.1.5 are passed directly through the faculty Unit Bucket to part-time faculty.
Table VII – Calculate Initial Bucket Balance

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Enter <em>Current Year Proportionate Share</em> (from Table VI)</td>
</tr>
<tr>
<td>2.</td>
<td>Add <em>Prior Year Bucket</em> balance carryover (may be negative)</td>
</tr>
<tr>
<td>3.</td>
<td>Add increased/subtract decreased on-going <em>Mutual Interest</em> agreement allocation</td>
</tr>
<tr>
<td>4.</td>
<td>Add <em>Cost Advances</em> or subtract <em>Cost Advances</em> reimbursement</td>
</tr>
<tr>
<td>5.</td>
<td>Subtract increased/add decreased <em>Current Year</em> step, column and longevity expenditures</td>
</tr>
<tr>
<td>6.</td>
<td>Add increased/subtract decreased <em>Attrition Adjustment</em></td>
</tr>
<tr>
<td>7.</td>
<td>Add increased/subtract decreased <em>Statutory Expenditures</em> (excluding PERS/STRS)</td>
</tr>
<tr>
<td>8.</td>
<td>Add increased/subtract decreased PERS/STRS <em>District</em> match expenditures</td>
</tr>
<tr>
<td>9.</td>
<td>Add credit for one-time internal <em>Unit</em> interest expenditures from <em>Prior Year</em> (Table VIII, line 7 of Prior Year)</td>
</tr>
<tr>
<td>10.</td>
<td><strong>Initial Unit Bucket Balance</strong></td>
</tr>
</tbody>
</table>

4.2.9 Reduced or Insufficient Defined Revenue - Should the total of all on-going *Unrestricted Revenue* for the *Current Year* be less than the total of all on-going *Unrestricted Revenue* for *Prior Year* as calculated in Section 4 above, *Unit* members shall bear their *Proportionate Share* of such reduced or insufficient funding levels. *Unit=s* Proportionate Share of computed revenue reductions shall be applied but not limited to the options listed in Section 6 (*Fiscal Emergency*) of this Agreement.

4.3 Distribution of *Unit Revenue* - Each Unit’s *Proportionate Share* of the available new on-going *Unrestricted Revenue* shall be determined in the following priority order for Sections 4.3.1 through 4.3.2. Sections 4.3.3 and 4.3.4 may be applied at the discretion of the *Unit*.

4.3.1 A uniform on-going annual salary adjustment for all *Units* = members as agreed upon by the *Omniparty* to be enacted by October 31st, retroactive to July 1st.
4.3.2 A uniform on-going benefit (i.e., medical, dental, and vision coverage) cap adjustment for all Units members as agreed upon by the Omniparty to be effective January 1st.

4.3.3 Improvement of salary schedules (including stipends) and related fringe benefit expenditures for all Unit employees in a manner as agreed to by the District and the Unit. Any side letter written to implement this paragraph should contain a reference to this Section.

4.3.4 The remainder of Unit Bucket balance adjusted for Prior Year one-time internal Unit interest expenditures may be used for Current Year internal Unit on-going or one-time interests as agreed to by the District and the Unit. Any side letter written to implement this paragraph should contain a reference to this Section.

<table>
<thead>
<tr>
<th>Table VIII – Distribution of Unit Bucket</th>
<th>SCFA</th>
<th>FUSE</th>
<th>Excluded + SCMA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Enter Initial Bucket balance (from Table VII)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Subtract mutually agreed upon uniform salary adjustment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Add decreased/subtract increased mutually agreed upon medical cap adjustment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Available Discretionary Unit Bucket Balance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Subtract on-going salary schedule improvement expenditures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Subtract other on-going internal Unit interest expenditures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Subtract cost of other Current Year one-time internal Unit interest expenditures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Unit Bucket Balance</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4.4 Determination and Distribution of One-Time Revenue

4.4.1 Calculation of Available One-Time Revenue

<table>
<thead>
<tr>
<th>Table IX - Calculate Available One-Time Revenue</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Enter Prior Year State Lottery Proceeds</td>
<td></td>
</tr>
<tr>
<td>2. Subtract Lottery Baseline (from 2001-2002)</td>
<td>- $1,689,084</td>
</tr>
<tr>
<td>3. Available Lottery Revenue (=0, if less than zero)</td>
<td></td>
</tr>
<tr>
<td>4. Personnel Proportionate Share of Available Lottery Revenue (= 78% x Available Lottery Revenue)</td>
<td></td>
</tr>
<tr>
<td>5. Enter Excess Personnel Growth Revenue (from Section 5.4.6)</td>
<td></td>
</tr>
<tr>
<td>6. Total Available One-Time Revenue (=Personnel Proportionate Share of Available Lottery Revenue + Excess Growth Revenue)</td>
<td></td>
</tr>
</tbody>
</table>

4.4.2 Each Unit receives a Proportionate Share of the Total Available One-Time Revenue at the rate determined in Table VI.

4.4.3 Unit members = Proportionate Share of the available one-time revenue shall be applied in the following priority order:

4.4.3.1 Repayment of previous year Cost Advances,

4.4.3.2 Other use of one-time revenue as determined by the Unit, otherwise

4.4.3.3 A one-time, off-schedule salary adjustment as determined by the individual Unit.

5 Distribution of Growth Revenue

5.1 The District agrees to distribute all new growth dollars, except for growth resulting from Instructional Service Agreements, on the same personnel/non-personnel ratio basis used in Table VI as calculated from the P2. Growth costs are measured from P2 to P2 each year (usually late spring) including Prior Year adjustment as determined by Prior Year recalculated apportionment as follows:
### Table A - Calculate Growth Revenue

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Enter Growth/Restoration Revenue (T5-58774)</td>
</tr>
<tr>
<td>2.</td>
<td>Enter Budget Stability (T5-58776)</td>
</tr>
<tr>
<td>3.</td>
<td>Enter adjustment for Prior Year growth recalculation</td>
</tr>
<tr>
<td>4.</td>
<td>Add credit for one-time Mutual Interest charges against Growth Revenue taken in Prior Year</td>
</tr>
<tr>
<td>5.</td>
<td>Subtract cost of one-time Mutual Interest commitment on all Current Year Growth Revenue</td>
</tr>
<tr>
<td>6.</td>
<td>Subtract increased cost of on-going Mutual Interest commitment on all Current Year Growth Revenue</td>
</tr>
<tr>
<td>7.</td>
<td><strong>Current Year Growth Revenue</strong> = Growth/Restoration Revenue (T5-58774) + Budget Stability (T5-58776)</td>
</tr>
<tr>
<td>8.</td>
<td>Available Growth Revenue for District Operations at <strong>22%</strong> (= 22% x Current Year Growth Revenue)</td>
</tr>
<tr>
<td>9.</td>
<td>Available Growth Revenue for Personnel at <strong>78%</strong> (= Current Year Growth Revenue – Available Growth Revenue for District Operations)</td>
</tr>
</tbody>
</table>

[NOTE: Budget Stability Revenue is provided by the State to partially or fully offset decreases in FTES enrollment.]

5.2 For purposes of this Agreement, the District=s Proportionate Share of new Growth Revenue shall be utilized for additional consultants and contractors, technology for staff, furniture and equipment for staff, and other increases to operational costs.

5.3 If the District chooses to hire more new permanent positions than can be funded by the personnel Proportionate Share of the available Growth Revenue, then the District is responsible for providing on-going funding for such excess positions from its operational revenue. This operational revenue shall then become part of the personnel revenue base. The Omniparty may elect to modify the Personnel/Non-Personnel Split ratio to account for on-going costs associated with the excess positions. Alternatively, the Omniparty may choose to charge the excess position costs against the increased Growth Revenue in the subsequent year.

5.4 For purposes of this Agreement, the personnel share of Growth Revenue shall be allocated in the following prioritized order (See Table B):

5.4.1 Progress towards the full-time Faculty Obligation as provided by the Chancellor=s office must be made before any growth dollars for other than instructional staffing needs are expended,
5.4.2 The increased salary and fringe benefit costs associated with additional certificated positions, including certificated management positions, which are needed as a result of District enrollment growth, department or division restructuring, or new educational sites,

5.4.3 The increased salary and fringe benefit costs associated with additional classified positions, including classified management positions, which are needed as a result of District enrollment growth, department of division restructuring, or new educational sites,

5.4.4 Cost of retroactive payments to new staff,

5.4.5 The increased budget for overtime, additional workload stipends, and additional part-time, student and temporary positions,

5.4.6 Unused Growth Revenue shall be credited on a one-time basis proportionately to the Unit Buckets using the ratios defined in Table VI. The unused Growth Revenue may be allocated in a subsequent year towards future planned Unit growth priorities.

<table>
<thead>
<tr>
<th>Table B - Distribute Growth Revenue</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Enter Available Growth Revenue for Personnel (Table A)</td>
<td></td>
</tr>
<tr>
<td>2. Add credit for Current Year one-time Mutual Interest advance from Unrestricted Revenue or District Reserves</td>
<td></td>
</tr>
<tr>
<td>3. Subtract repayment of one-time Mutual Interest advance from Unrestricted Revenue or District Reserves in Prior Year</td>
<td></td>
</tr>
<tr>
<td>4. Subtract expenditures for new or increased workload full-time certificated faculty positions</td>
<td></td>
</tr>
<tr>
<td>5. Subtract expenditures for new or increased workload full-time certificated management positions</td>
<td></td>
</tr>
<tr>
<td>6. Subtract expenditures for new or increased workload permanent classified management positions</td>
<td></td>
</tr>
<tr>
<td>7. Subtract expenditures for new or increased workload permanent classified positions</td>
<td></td>
</tr>
<tr>
<td>8. Subtract expenditures for retroactive payments to new staff</td>
<td></td>
</tr>
<tr>
<td>9. Subtract increased budget for overtime, additional workload stipends, and additional part-time, student and temporary positions</td>
<td></td>
</tr>
<tr>
<td>10. Unused Personnel Growth Revenue</td>
<td></td>
</tr>
</tbody>
</table>

10-7-2005
Final Formula
6 **Fiscal Emergency**

6.1 If *State* or local funding is reduced to such an extent as to constitute a *Fiscal Emergency*, then the *District* in collaboration with the *Omniparty* may implement the following actions as necessary to protect the fiscal integrity of the *District* (not in priority order):

6.1.1 Hiring freeze,

6.1.2 Reduction in hours or assignments for temporary staff,

6.1.3 Temporary salary schedule adjustments (requires *Unit Approval*),

6.1.4 Temporary furloughs or work load adjustments (requires *Unit Approval*),

6.1.5 Temporary suspension of salary schedule step advancements (requires *Unit Approval*),

6.1.6 Deletion of vacant *Approved Positions*,

6.1.7 Reduction in force (requires *District* negotiation with each affected *Unit* regarding the impact on the *Unit*),

6.1.8 Other adjustments.

6.2 Temporary actions taken under this Section are to be reviewed by the *Omniparty* annually.

6.3 If *Fiscal Emergency* conditions persist for more than two consecutive *Fiscal Years*, the *District* in collaboration with the *Omniparty* may choose to make temporary actions permanent.

7 **Annual Reporting and Evaluation**

7.1 Records maintained by the *District* which relate to the implementation and calculation of each *Unit=s Proportionate Share* of the on-going *Unrestricted Revenue* shall be available for review by designated representatives of each *Unit*.

7.2 An annual report which summarizes key elements of the implementation of this Agreement shall be prepared under the direction of the Chief Financial Officer. Such report relating to the implementation of this Agreement shall be provided to the designated representatives of each *Unit*.

7.3 As a minimum, annual reporting shall include the following:
7.3.1 Calculation made for all tables in Sections 4 and 5 of this Agreement,

7.3.2 Actual new general fund unrestricted dollars received by the District for
the five previous Fiscal Years,

7.3.3 Total Unit compensation data in dollars and percentages to include
Unrestricted Revenue and expenditures for the five previous Fiscal Years.
Expenditures should be delineated by personnel and non-personnel
expenditures. Personnel Expenditures shall be delineated by Unit and
include non-Unit costs on a separate line,

7.3.4 Permanent positions status – Headcounts and cost of new, excess growth,
vacant, and unfilled positions (to be provided by 12/31/2007),

7.3.5 District’s audited annual financial statements.

7.4 Optionally, the annual report may include the following information:

7.4.1 Status of outstanding balances on Unit Cost Advances, if any,

7.4.2 Special Funding/Mutual Interest Request summary to include estimated
long-term costs.

7.5 The Omniparty agrees to meet no later than March 31st of each year to review the
operation of the formula and to consider possible modifications, including but not
limited to, the following:

7.5.1 Evaluation of implementation concerns (e.g., implementation under Basic
Aid status, which personnel are covered under definition of personnel,
etc.),

7.5.2 Evaluation of the Personnel/Non-Personnel Split rate and comparison to
the minimum and maximum allocation rate (i.e., to verify that the ratio of
personnel expenditures to total expenditures falls within the 78% to 80%
range),

7.5.3 Evaluation and recalculation, if necessary, of Unit Proportionate Share
rates,

7.5.4 Evaluation and recalculation, if necessary, of Attrition Adjustment
definition, rates or values,

7.5.5 Evaluation of Growth Revenue distributions,
7.5.6 Evaluation of unrestricted general fund revenue excluded from, or included in, calculations (see Attachment A),

7.5.7 Evaluation of GASB 45 implementation - Government Accounting Standard 45 requires employers to report the accrued liability for non-pension retiree benefits such as retiree health care. For Sierra College this standard takes effect December 15, 2007. Failure to report and budget for this liability may have adverse audit and funding consequences for the District.

7.6 Omniparty evaluation results shall be made available to all Unit members.

Agreement to Cooperate

The District and the Units collectively agree to not commit to any extraordinary expenditure that renders this Agreement inoperable. Further, upon ratification of this Agreement by the Board of Trustees, SCMA, SCFA and FUSE this Agreement shall remain in effect until such time as another Agreement replaces it by mutual agreement.
## Attachment A - Unrestricted Revenue (as of 7/1/2005)

### Group 1: Included Unrestricted

<table>
<thead>
<tr>
<th>Object Code</th>
<th>Description</th>
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<tbody>
<tr>
<td>8610</td>
<td>General Apportionment</td>
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<tr>
<td>8624</td>
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<td>8626</td>
<td>Part-Time Faculty</td>
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<tr>
<td>8672</td>
<td>Homeowners’ Property Tax Relief</td>
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<td>8678</td>
<td>Timber Yield Tax</td>
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<tr>
<td>8790</td>
<td>Other County Revenue</td>
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<tr>
<td>8695</td>
<td>State Lottery Proceeds</td>
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<tr>
<td>8811</td>
<td>Tax Allocation - Secured Roll</td>
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<td>8812</td>
<td>Tax Allocation - Supplemental Roll</td>
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<td>Tax Allocation - Unsecured Roll</td>
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<td>State Non-Tax Revenue</td>
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Appendix 5

All Staff Memo
dated April 16, 2007
Omniparty representatives will present an overview of the Income Formula, the GASB 45 requirements, the Post-94 Retirement Trust, and the recent Omniparty consensus agreement.

These sessions will present an overview of the issues, along with the details of the consensus agreement, and give staff an opportunity to ask questions. The consensus agreement will require ratification by each collective bargaining units.

These open information sessions are scheduled as follows:

    Room D-12
    Monday, August 20, 2:00-4:00 pm
    Wednesday, August 22, 10:00-12:00 and 6:00-8:00 pm
Appendix 6

GASB 45 Fact Sheet
### What is GASB 45 and why was it issued?

GASB 45 is the implementation of a common sense financial rule to account for the current and future costs of retiree health benefit obligations. The Governmental Accounting Standards Board (GASB) issued its new accounting standards for U.S. local public agencies in 2004, as a result of a growing concern that public agencies, like corporate entities in the 1990s, were not recognizing in their annual financial statements the total cost of promised post-employment health benefits for retired employees and thus not assessing the potential impact of these growing liabilities on future cash flow. GASB 45 requires public agencies to conduct regular actuarial studies to determine the actuarial accrued liability for retiree health benefits, to determine the annual cost to the district to fund this liability and to report the progress made in funding the liability. See the following URL: [http://www.gasb.org/st/summary/gstsm45.html](http://www.gasb.org/st/summary/gstsm45.html).

### Who is GASB?

GASB is the acronym for the Governmental Accounting Standards Board—an independent, private sector, not-for-profit accounting practice oversight organization. See the following URL: [http://www.gasb.org/news/gasb_at_a_glance.pdf](http://www.gasb.org/news/gasb_at_a_glance.pdf).

### Who does GASB 45 affect?

GASB 45 affects all government agencies who have committed to providing defined-benefit, post-retirement health coverage to their employees.

### What is a defined-benefit plan?

A defined-benefit plan is a plan where retirees are guaranteed a level of coverage that is not dependent on their contribution, if any, to the plan. Sierra College employees hired before July 1, 1994, may (depending on bargaining unit and years of service) receive defined-benefit retirement health benefits from the District.

### How does this compare to a defined-contribution plan?

A defined-contribution plan is a plan where the levels of coverage are entirely dependent upon what the plan trust can afford to pay out based on the current and projected trust balance, income and expenses. Sierra College employees hired on or after July 1, 1994 may (depending on years of service) receive defined-contribution retirement health benefits from the Post-Retirement Medical Trust. In a defined benefit plan the level of benefits are guaranteed; in a defined contribution plan the level of benefits are driven by contributions and return on investment.
Is an agency required to fund the calculated liability?

GASB does not have the authority to force a public entity to fund their liability. However, GASB does have the authority to require your auditor to note this liability in your annual financial statement if you choose not to fund the liability as indicated by your actuarial report.

Are there any consequences to not funding the liability?

There are both real and possible implications of not funding the liability.

- GASB 45 specifies that the investment return assumption in your district’s actuarial study should reflect the "estimated long-term investment yield on plan assets for plans for which the employer's funding policy is to contribute consistently an amount at least equal to the Annual Required Contribution (ARC)." Not establishing a GASB plan means there are no plan assets. On the other hand, a funded GASB plan in an irrevocable account could take advantage of Gov Code Sections 53620-53622 and invest in assets more suitable for long-term liabilities. This could result in an expected average return of 7%. The added investment income possible under a funded plan would reduce the present value of future retiree health benefits and, therefore, the Annual Required Contribution (ARC). If a plan is not funded, the ARC must include as a component the difference between the assumed investment income and actual investment income. For example, in the current environment, it is difficult to achieve much more than a 2% return on "surplus funds." Using 2% as the actual return to make the math simple, and assuming that a 5% rate was used in the valuation, an unfunded plan would have to include a 3% (i.e. 5%−2%) adjustment. In the early years, this amount would be unlikely to be substantial. However, as liabilities for an unfunded plan grow, this interest adjustment could be substantial. By contrast, under a funded plan, year-to-year differences between actual and assumed interest are only reflected when a valuation is done (i.e. every two or three years) and - even then - the difference will be an actuarial loss (or gain) which can be spread over 30 years.

- Not funding the liability could result in benefits for current and future retirees being reduced or eliminated through collective bargaining or the district will need to take steps sometime in the future to fully fund the liability.

- In a December, 2004 report, Standard & Poor’s, the nation’s largest rating agency, issued a report stating, “The new reporting (GASB 45) may reveal cases in which the actuarial funding of post-employment health benefits would seriously strain operations, or, further, may uncover conditions under which employers are unable or unwilling to fulfill these obligations. In such cases, these liabilities may adversely affect the employers’ creditworthiness.”
What is the ARC (Annual Required Contribution)?

Without going into great detail, the ARC is the total amount a district should contribute – or set aside - each year to meet its actuarial accrued liability. The ARC is the amortized sum of the Normal Cost (the annual expense of both retired and current employees) and the Unfunded Actuarial Accrued Liability (UAAL), the cost of those same employees for past (and unfunded) years of service. The ARC, in effect, recognizes that retiree health benefits are "earned" and are financial obligations accrued during an employee’s entire period of service.

What are the GASB 45 requirements?

1. A documented Qualified Expense Plan to cover defined-benefit retiree health coverage expenses
2. An Actuarial study updated every two years
   a. Calculate expected benefit costs over next 30 years
   b. Calculate expected trust earnings over the next 30 years
   c. Calculate unfunded liability
3. If the liability is funded, it must be placed in an irrevocable trust
   A calculation of interest not realized if the ARC is not funded and a corresponding interest adjustment recorded on the books each year for the interest not realized.
   1. Expected number of retirement health plan beneficiaries (e.g., retirees plus qualified dependents) over the next 30 years
   2. Expected benefit costs (e.g., medicare and wraparound premiums, premium cost projections for current plans) over the next 30 years
   3. Credit for current retirement health premium payments
   4. Current and expected contributions to, earnings of, and payments from the qualified (i.e., irrevocable) trust
   5. Actual trust earnings versus minimum GASB trust earning requirements

What factors does the actuarial study consider?

What actions have we taken so far, or are planning to take, at Sierra to mitigate the future cost impact of retiree health benefits?

1. The defined-benefit plan was terminated for all employees hired after June 30, 1994, resulting in a closed-ended liability.
2. Active employees hired prior to July 1, 1994, have been paying 1% of their gross monthly salary with a 1% District match towards the Post-Retirement Medical Fund (PRMF) since 1990.
3. Pre-94 employees may choose to opt out of the retirement medical program. Such employees receive their 1% contributions plus accrued interest.
4. The Benefits Committee has worked to identify retiree health programs that work in conjunction with Medicare to keep premium costs to the District as reasonably priced as possible. Currently, an over-65 retiree has premium costs that are approximately the same cost as an active employee.
5. The Compensation Formula automatically sets aside the annual increased cost of retiree benefits off of the top of new COLA revenue.
6. An actuarial study was performed in 2005 by Nikolai and Associates. An updated study will be performed later this year. This study indicates that the pay-as-you-go amount the District is currently setting aside is not sufficient to meet the liability requirement.
7. The Omniparty is reviewing the establishment of a GASB qualified irrevocable trust with the assistance of Keenan and Associates. Funds currently in the PRMF will be moved into this trust.
8. The Omniparty is working on a tentative agreement to incrementally increase trust contribution levels using new COLA revenue until the GASB funding plan is fully funded.

March 28, 2007
12.GASB45 Fact Sheet final 2007.03.28.docx

Page 3 of 5

Appendices Page 56
Is there any relief from the GASB 45 requirements in sight?

Some relief may come in the form of a national or state sponsored healthcare system. If GASB changes its criteria for closed-ended programs we might see some relief from the unfunded liability penalty; however, there is no indication that any such criteria changes are being considered at this time. However, GASB will not reverse its requirement that this liability be booked. This requirement has existed in the private sector for several years already.

How long will the pre-94 retirement funding obligation last?

The maximum number of covered retirees will probably occur in about eight to ten years. The maximum cost of benefits of somewhere around $6.5 million will probably occur sometime around 2024. At that time, the pay-as-you-go cost of retiree benefits will be approximately 1% of salary for all staff. This may result in little or no raises for existing personnel in order to pay for the retiree premiums.

What happens when the pre-94 retirement health benefit plan obligation is completely satisfied?

As with the annual retiree health benefit cost savings, any remaining balance in the GASB trust will come back as a credit to the new one-time revenue to be used according to the Compensation Formula in effect at that time. If the current Omniparty consensus agreement is ratified, the formula support funding for the post-94 trust after the GASB 45 annual required contribution is met.

What does GASB 45 mean for Sierra College?

- GASB 45 is calculated for all employees hired before 1994 who are eligible for life-time medical benefits. Employees hired after 1994 participate in a defined-contribution plan.
- The liability calculated in 2005 for the college was $60 million.
- The District’s ARC is $5.5 million; the District is currently paying $2.5 million in pay-as-you-go. So, we are approximately $3 million short of our ARC. Thus, an interest adjustment will be calculated and expensed each year on this shortage. This interest adjustment will equate to $1 million a year with-in five years if we make no additional contributions. This adjustment will be taken out of new revenue prior to any distribution per the formula.
- The District’s pay-as-you-go amount is estimated to grow to by at least $200,000 each year for the next 20 years. This amount is taken out of new revenue prior to any distribution per the formula.
- The Omniparty has selected a 3rd party administrator to assist with developing our defined-benefit plan, to invest the $6 million currently set aside in an irrevocable trust and to assist with future actuarial calculations and plan designs.
- If we only meet our pay-as-you-go requirement, there will be a draw on new revenue of between $250,000 and $500,000 each year for the next 20 years.
Appendix 7

Atkinson, Andelson, Loya, Ruud and Romo memo dated January 17, 2007
We have been asked whether a trust set up for the purpose of complying with GASB 45 may be revocable. In our opinion, a GASB 45 trust established for purposes of investing public retirement health and welfare funds must be irrevocable to comply with GASB 45, Government Code section 53622 and California Constitution Article XVI, Section 17(a), as discussed herein.

DISCUSSION

The authorities under which school and college retiree health funds may be invested are Constitution Article XVI, Section 17, and Government Code sections 53620, et seq. Under both the Constitutional provision and the statutory provision, such funds must be held and invested for the sole or exclusive purpose of providing retiree health benefits and plan administrative expenses. Specifically, Government Code section 53622(a) provides:

(a) Funds intended for the payment of employee retiree health benefits shall only be held for the purpose of providing benefits to participants in the retiree health benefit plan and defraying reasonable expenses of administering that plan. (Emphasis added.)

Similarly, California Constitution Article XVI, Section 17(a), requires the funds be held for the “exclusive purposes of providing benefits to participants in the . . . retirement system and their beneficiaries and defraying reasonable expenses for administering the system.” (Emphasis added.) Constitution Article XVI, Section 17, was amended in 1992 with the passage of “The California Pension Protection Act of 1992.” (“Proposition 162.”) The purposes of Proposition 162 include preventing the diversion of public pension funds to other uses, and to ensure pension assets are exclusively used to provide benefits and services to participants of the system. (Proposition 162 Ballot Measure.)

Government Code section 53608 authorizes the legislative body of Districts¹ to deposit with a trust company the bonds, notes, bills, debentures, obligations, certificates of indebtedness, warrants, or other evidences of indebtedness in which the money of the Districts is invested

¹ Local Agencies are defined to include school districts and community college districts under Government Code section 53600.
pursuant to legislative authority. (Gov. Code § 53608.) Said differently, funds placed in the trust established under Government Code section 53608 must comply with the laws authorizing the investment of such funds. As stated above, the legislative authority for investing retiree health and welfare benefits provide that such funds be held for the exclusive purpose of providing benefits to retirees. (Gov. Code § 53622(a) and Const. Art. XVI, § 17(a).) Such exclusive designation is accomplished with an irrevocable trust. However, in our opinion, such exclusive designation would not be accomplished with a revocable trust because of the ability to revoke the trust and apply the funds to some other purpose. This ability to revoke the trust is inconsistent with Proposition 162’s purpose of preventing the diversion of public funds designated for retiree health benefit purposes for other uses.

Moreover, the General Accounting Standards Board (“GASB”) document entitled “New Staff Guidance on Qualifying OPEB Plan Trusts and Fiduciary Responsibility,” provides for a trust to be GASB 45 compliant the following must occur: 1) employer contributions must be irrevocable; 2) assets must be dedicated to providing benefits to retirees and their beneficiaries; and 3) assets must be legally protected from the employer’s creditors. These requirements are consistent with the California laws stated above.

Based on the above authority, in our opinion, District Boards may establish GASB 45 OPEB Trusts for purposes of funding accrued OPEB liabilities provided that the trust is irrevocable and the assets are dedicated to providing benefits to retirees and their beneficiaries. Districts have statutory authority under Government Code section 53608 to deposit with a trust company funds which the Districts are authorized to invest and the investments of health and welfare trust funds are governed by Government Code sections 53620, *et seq.*, and Constitutional Article XVI, Section 17, both of which require such funds to be dedicated exclusively for providing retiree benefits. Finally, GASB 45 guidance provides that such trusts must be irrevocable.

**CONCLUSION**

In our opinion, the GASB 45 Trust must be irrevocable to comply with GASB 45, Government Code section 53622, and Constitution Article XVI, Section 17, all of which require retiree health fund investments to only be held for the purpose of providing benefits to participants in the retiree health benefit plan and defraying reasonable expenses for administering the system. A revocable trust would not comply with these requirements because of the possibility of applying the trust assets to some other purpose. Therefore, a GASB 45 trust established under the authority of the Health Fund Investment provisions of the Government Code must be irrevocable.

We are not aware of authority which would allow a trust established for funding retiree health benefits under the GASB 45 standard to be irrevocable. If Keenan is aware of such authority, please forward such information to us for further analysis.
Appendix 8

Futuris Program Services Agreement
dated June 12, 2008
This Program Services Agreement (the "Agreement") is entered into as of June 12, 2008 between Keenan & Associates ("Keenan"), and Sierra Joint Community College District ("Employer"), with reference to the following:

A. Keenan has created the Futuris Public Entity Investment Trust Program (the "Program") to assist public entity employers with the establishment and maintenance of a trust for investment of funds to be used by public entity employers for the provision of retiree health and welfare benefits to participating employees and for other purposes determined appropriate by the Employer. The Program assists employers to:

- Establish a trust (the "Trust") under the terms of a Trust Agreement ("Trust Agreement") that complies with the requirements of Section 115 of the Internal Revenue Code ("Code");
- The funds contributed into the Trust are irrevocably designated for the payment of retiree health and welfare benefits to participating employees of the Employer, as required under Governmental Accounting Standards Board Statement Nos. 43 and 45 ("GASB 43 and 45");
- Appoint a qualified trustee/custodian ("Trustee") who will appoint an investment manager ("Investment Manager") for the Trust;
- Appoint a board of authority ("Board of Authority") with authority to make decisions on behalf of the Employer with respect to the Program and the Trust;
- Monitor the operations of the Trust and coordinate communications between the Employer, the Employer's outside accounting firm and the service providers to the Trust; and
- Determine the actions necessary to comply with the financial reporting requirements for retiree health benefits and other post-employment benefits ("OPEB") obligations under GASB 43 and 45.

B. Employer is a state governmental public entity employer that has previously adopted one or more retiree health and welfare benefit plans, each a ("Plan") for its participating employees ("Employees").

C. Employer desires to participate in the Program in order to obtain the services of Keenan in connection with the formation of the Trust, and to obtain the services of a qualified third party Trustee to administer the Trust pursuant to a Trust Administrative Services Agreement ("Trustee Agreement"). Under the Trustee Agreement, the Trustee will be authorized to appoint a registered Investment Manager to manage the assets of the Trust. Keenan, the Trustee and the Investment Manager are sometimes collectively referred to herein as the "Service Providers."
NOW, THEREFORE, the parties agree as follows:

1. **Services Provided By Keenan.** Employer hereby engages Keenan, and Keenan hereby accepts the engagement, to provide the following services to Employer with respect to the Program and the formation and operation of the Trust during the term of this Agreement:

   a. **Access to Service Providers.** Keenan will provide access to the Futuris comprehensive program including referrals to organizations handling:

   (1) actuarial services,
   (2) trustee, custodial and investment management services,
   (3) financial auditing,
   (4) bond underwriting, and
   (5) such additional services as Employer may request.

   b. **Facilitate Actuarial Study.** Keenan will assist and coordinate with the Employer to enlist the services of an actuary (the "Actuary"), at the Employer's expense, to conduct an actuarial study for determining the funding needs for OPEB obligations through a Trust. Keenan will provide the following services in connection with the actuarial study, and such other related services as Employer reasonably requests:

   (1) consult with Employer to develop the actuarial assumptions provided to the Actuary in order to meet GASB compliance criteria,
   (2) coordinate communications between the Actuary and the Employer for the completion of an actuarial evaluation for determining the OPEB obligations and provide the Actuary with information on OPEB obligations which is required for the Actuary to prepare an actuarial study with meets the requirements of GASB 43 and 45,
   (3) consult with the Employer to review the analysis of the initial GASB compliant actuarial study, and
   (4) consult with the Employer in an evaluation of Employer's funding needs based on the actuarial study.

   c. **GASB Effective Date.** Keenan will work with the Employer to confirm the Employer's effective date for implementation of GASB 43 and 45 based on 1998 and 1999 revenues.

   d. **Facilitate Auditing Services.** Keenan will meet with the governing body or the designated officers of the Employer to assist and coordinate with the Employer to enlist the services of an auditor, at the Employer's expense, to conduct an audit to determine the Employer's liabilities for OPEB obligations.

   e. **GASB Timeline.** Keenan will assist the Employer with creating a GASB compliance timeline.
f. **Board Meetings.** Keenan will participate in Employer Board Meetings to the extent requested by Employer in order to explain the requirements of GASB 43 and 45 and the operation of the Program.

g. **Board of Authority.** Keenan will assist the Employer to form the Employer’s Board of Authority. The Board of Authority will have decision-making authorization with respect to the Trust on behalf of the Employer, and will in that capacity perform the following functions:

1. execute an Adoption Agreement (the “Adoption Agreement”) pursuant to which Employer will adopt the Trust,
2. appoint and direct the Trustee, and
3. review the asset allocation models developed by the Investment Manager and adopt the models deemed appropriate by the Board of Authority for investment of funds contributed to the Trust.

h. **Assistance with Creation of Trust.** Keenan will work with the Trustee to coordinate preparation and execution of the Adoption Agreement, pursuant to which the Board of Authority will adopt the Trust Agreement, under which the Employer may designate funds to be irrevocably contributed for payment of Plan obligations (the “Benefit Fund”). Keenan’s services in connection with creation of the Trust will consist of the following:

1. communication with the Employer’s governing body regarding the structure and operation of the Futuris Program,
2. communication with the Board of Authority regarding the creation of the Trust, and
3. assistance to the Employer, at Employer’s request and expense, with the preparation and submission to the Internal Revenue Service for a Private Letter Ruling for the Trust.

i. **Funding Methods.** Keenan will discuss with the Employer the methods by which the Trust could be funded.

j. **Coordinate Meetings with Service Providers.** Keenan will coordinate meetings between the Employer and the Trustee and Investment Manager and facilitate any additional or ongoing meetings that may be required.

k. **Communication Sessions.** Keenan will conduct, in conjunction with the Employer, group and individual sessions discussing Employer liabilities as a result of GASB 43 and 45 requirements.

l. **Board of Authority Consulting.** Keenan will consult with the Board of Authority as to operational and coordinating issues that may arise between the Board of Authority, the Trustee and/or the Investment Manager.

m. **Substantive Plan.** Keenan will submit to Employer a draft plan document that meets the requirements for a “Substantive Plan” under the GASB guidelines. Keenan will assist Employer to review the Substantive Plan and to make such changes as are requested by Employer.
request and additional cost of Employer, Keenan will assist Employer to submit its Substantive Plan for a private letter ruling from the Internal Revenue Service.

n. **Post-Adoption Assistance.** Keenan will consult with Employer to develop, execute and monitor an annual plan for reviewing the actuarial cost of future retiree health and welfare benefits and the investment return assumptions for funds held in the Trust.

o. **Assistance with Preparation of Required Supplemental Information Schedules.** Keenan will assist Employer with the preparation of any required supplemental information schedules necessary for Employer's financial statements to comply with GASB 43 and 45.

p. **Preparation and Delivery of a Futuris Investment Fund Program Guide.** Keenan will prepare and deliver to the Employer a guide-book to the Futuris Investment Fund Program that will be a practical guide to the operations, contacts, installation and administration procedures associated with the Program.

2. **Other Services Provided by Trustee and Investment Adviser.** Keenan will not provide trustee, custodial, investment management or securities broker services to Employer in connection with the creation, implementation or operation of the Trust. These services will be provided by the Trustee and Investment Manager under separate agreements between Employer and the Trustee.

3. **Optional Keenan Consulting Services.** Keenan offers a separate consulting agreement with services that could include, but are not limited to:

   (1) assistance to Employer in determining its goals and objectives for funding its OPEB obligations using a GASB compliant program,
   (2) assistance in analyzing the Employer's retiree and active employees' health and welfare Plans,
   (3) assistance with the review of Employer's past policies and practices with respect to the funding and payment of retiree health and welfare benefits,
   (4) assistance in reviewing possible GASB liability modifications,
   (5) work with the Employer in analyzing additional methods by which OPEB liabilities can be reduced, and
   (6) assistance in determining final modified GASB liability for funding by the Employer.

4. **Employer Responsibilities.** Throughout the term of this Agreement, Employer or its duly appointed Board of Authority shall do the following:

   a. **Accurate Information.** Provide accurate and timely information to the appropriate Service Providers concerning the Plan provisions, participating employees, costs, anticipated retirement dates of employees, and other relevant information necessary, in the requested format, for the Service Providers to provide services to Employer.

   b. **Authorized Board.** Appoint the Board of Authority, which is to be authorized to exercise authority on behalf of the Employer under the Program.
c. **Execute Trust and Related Agreements.** Approve, execute and retain in effect a Substantive Plan, Adoption Agreement, Trust and Investment Policy Statement, and such other agreements as may be required for the Trust to validly invest its assets, to meet the requirements of Section 115 of the Code and the California Government Code, and to comply with the requirements of GASB 43 and 45 with respect to those assets of the Trust that are designated for funding Plan obligations.

d. **Health and Welfare Plan Decisions.** Make discretionary decisions relating to each Plan including, but not limited to, determining eligibility status of employees and their dependents under each Plan, determining eligibility and amount of benefits payable to Employees under each Plan and interpreting Plan provisions.

e. **Decisions Related to Trust.** Make all decisions relating to the Trust, it being acknowledged by Employer that Keenan shall have no authority or obligation to make any decisions regarding the Trust, contributions to be made to the Trust, obligations owed by Employer under its Plans, investments to be made by the Trust, or any other matters related to the Trust, all of which decisions shall be made by Employer or its agents under separate agreements with those agents.

f. **Contributions to Trust.** All contributions or funding by Employer to comply with OPEB obligations and GASB 43 and 45 requirements shall be made pursuant to the Program into the Trust.

g. **Payments to Participants.** Direct the Trustee to make payments to, or on behalf of, participants and/or their dependents of amounts payable to them under the terms of each Plan.

h. **Payments to Intermediaries.** Direct the Trustee to make payments to intermediaries that provide coverage to participants of the Plan.

5. **Compensation of Keenan.** For the services provided by Keenan pursuant to this Agreement, Keenan shall receive the compensation described in Keenan’s Fee Schedule which is attached to this Agreement as Attachment A. Employer acknowledges and agrees and hereby instructs the Trustee to pay to Keenan out of assets held in the Trust the compensation that is due to Keenan under this Agreement. In the event the Trustee fails to or is unable to pay Keenan out of the Trust assets, Client shall promptly pay to Keenan the outstanding compensation that is due.

Employer acknowledges and agrees that Investment Manager and the Trustee will each provide separate services on behalf of the Trust, and will each be compensated for and be responsible for their services in accordance with the terms of the written agreements of Employer and the Trustee. Employer further acknowledges that the Actuary will provide separate services to Employer and will be compensated for and be responsible for its services in accordance with the terms of the written agreement between Employer and the Actuary. Keenan shall only be responsible for providing to Client the specific services included in this Agreement and under no circumstances shall Keenan be responsible or liable for the services provided by the other Service Providers or the Actuary.

6. **Term and Termination.** The initial term of this Agreement shall begin on the date hereof and shall continue until the date that is thirty-six (36) months after the date of the initial funding of the Trust (“Initial Term”). This Agreement shall be extended automatically for additional one (1)
year periods thereafter ("Renewal Term") unless either party gives the other a 90-day written notice, before the end of the current term, of its intent to terminate this Agreement. This Agreement may also be terminated (i) upon a breach by one party of a material term or covenant in this Agreement, if the non-breaching party provides written notice of any such breach to the breaching party and its election to terminate this Agreement, and such breach is not cured within 15 days (or such longer reasonable period, not to exceed 60 days, as may be required to effect a cure) after the date of such written notice of breach and termination, or (ii) at the election of Keenan, if the Employer does not fund the Trust within twelve (12) months of the date hereof or otherwise fails to make agreed upon contributions to the Trust. The waiver by a party of the other party’s breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by such party, nor does such party waive its rights to seek future remedy for a previous breach.

7. **Representations.** Keenan and Employer make the following representations and warranties:

   a. **Keenan Representations.** Keenan represents and warrants that it has full right, authority, power and capacity to enter into, execute and deliver this Agreement and each agreement, document and instrument to be executed and delivered by Keenan pursuant to this Agreement and to carry out the transactions contemplated hereby and thereby. This Agreement and each agreement, document and instrument executed and delivered by Keenan pursuant to this Agreement constitutes a valid and binding obligation of Keenan, enforceable in accordance with their respective terms. The execution and delivery by Keenan of this Agreement and the performance of the transactions contemplated hereby have been duly and validly authorized by all necessary action under its organizational documents and under any agreement applicable to Keenan and do not require any notice to, consent from, or filing with, any third party.

   b. **Employer Representations.** Employer represents and warrants that it has full right, authority, power and capacity to enter into, execute and deliver this Agreement and each agreement, document and instrument to be executed and delivered by Employer pursuant to the Program and to carry out the transactions contemplated hereby and thereby. This Agreement and each agreement, document and instrument executed and delivered by Employer pursuant to the Program constitutes a valid and binding obligation of Employer, enforceable in accordance with their respective terms. The execution and delivery by Employer of this Agreement and the performance of the transactions contemplated hereby have been duly and validly authorized by all necessary action under its organizational documents and under any agreement applicable to Employer and do not require any notice to, consent from, or filing with, any third party.

8. **Indemnification.**

   a. If either party breaches this Agreement, then the breaching party shall defend, indemnify and hold harmless the non-breaching party, its officers, agents and employees against all claims, demands, actions, liabilities or costs (including, without limitation, reasonable attorneys’ fees and expenses) arising from such breach.

   b. The party making the indemnification demand ("Indemnified Party") shall notify the other party ("Indemnifying Party") promptly in writing of any such demand ("Demand") and reasonably cooperate with the Indemnifying Party in connection with responding to the Demand. The failure to notify the Indemnifying Party of the Demand shall not relieve the Indemnifying Party
of any liability it may have to the Indemnified Party except to the extent such liability was caused by
the Indemnified Party’s failure to notify the Indemnifying Party of the Demand.

c. The Indemnifying Party shall defend or settle the Demand on behalf of the
Indemnified Party in the Indemnifying Party’s sole discretion except that the Indemnifying Party
shall not admit any liability of the Indemnified Party or commit the Indemnified Party to payment of
any damages or other expenses.

9. Relationship with Other Service Providers.

Employer acknowledges that Keenan has devoted substantial time and effort to the
development of the Program, and that Keenan has entered into arrangements with other Service
Providers in order to provide an integrated service platform to Employer with service levels and
features based upon Keenan’s understanding of the needs of public entity employers. Employer
therefore agrees that Employer will not, for a period of one year following the expiration of the term
of this Agreement or the termination of this Agreement (unless such termination occurs as a result
of Keenan’s breach of this Agreement), retain the services of a Service Provider (then providing
services to Employer pursuant to the Program) in connection with the Trust or the contribution
and/or investment of funds designated for payment of Employer obligations under its Plans.


a. Privacy of Employer Information. Keenan acknowledges that in the course of
carrying out its duties under this Agreement, it may receive confidential information relating to
Employer. Keenan agrees that neither it nor its agents will use such information beyond the
purpose for which it was provided or disclose such confidential information to other parties, other
than the other Service Providers, as required for Keenan and the other Service Providers to fulfill
their respective responsibilities as stated in this Agreement, the Trust, and the agreements between
Employer and the Trustee, except to the extent required by the Internal Revenue Service, by law, or
with the consent of the Employer. Additionally, Keenan, its agents or affiliates agree to take
appropriate steps to secure such confidential information from misuse or unauthorized disclosure.
The obligations of this Section shall survive termination of this Agreement. Keenan further agrees
that such confidential information will remain the property of Employer and Keenan will return the
confidential information and all copies thereof (other than confidential copies that Keenan may be
required to retain to demonstrate its performance under this Agreement) to the Employer upon
request or termination of this Agreement.

b. Consent to Provide Keenan Access to Information. Employer hereby agrees that,
for the purpose of allowing Keenan to perform its services under this Agreement, the Employer
agrees to release to Keenan all information necessary for the actuarial study and Keenan shall have
access to and receive copies of all reports, correspondence and communications sent or furnished by
Trustee, Investment Manager to or from the Employer in connection with the Program.
Specifically, Keenan shall have access to Trust information on the website
maintained by Trustee for
the Trust. In addition, Employer agrees to provide Keenan with the most current actuarial study on
file as defined by GASB 43 and 45.

c. Proprietary and Confidential Information. Employer acknowledges that it may
receive certain information with respect to the business practices and records of Keenan which may
be confidential in nature ("Information"). Employer agrees that such Information is proprietary and confidential and shall not be disclosed or used for any purpose other than as necessary in connection with this Agreement, unless such disclosure is required pursuant to an order of a court of competent jurisdiction, by law, or Keenan agrees in writing to such disclosure. The confidentiality and non-disclosure obligations of this Section shall survive termination of this Agreement. Employer further agrees that Information will remain the property of Keenan and to return the Information and all copies thereof to Keenan upon request or upon termination of this Agreement.

d. Insurance. Keenan shall procure and maintain to the extent available on reasonable terms the following minimum insurance coverages during the Term and shall provide certificates of insurance to Employer upon Employer’s request:

Workers’ Compensation. Workers’ Compensation Insurance in conformance with the laws of the State of California and applicable federal laws.

Bodily Injury, Death and Property Damage Liability Insurance. General Liability Insurance (including motor vehicle operation) with a One Million Dollars ($1,000,000) limit of liability for each occurrence and a Two Million Dollars ($2,000,000) aggregate limit of liability.

Professional Liability Insurance. Professional Liability Insurance with a One Million Dollars ($1,000,000) limit of liability for each occurrence and a Two Million Dollars ($2,000,000) aggregate limit of liability.

Fidelity Insurance. Fidelity Insurance with a One Million Dollars ($1,000,000) limit of liability for each occurrence and a Two Million Dollars ($2,000,000) aggregate limit of liability.

e. Invalidity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any of the other provisions of this Agreement, all of which shall remain in full force and effect.

f. Complete Agreement; Amendments. This Agreement contains the entire understanding between the parties related to the subject matter covered by this Agreement and supersedes all prior and collateral statements, proposals, presentations, communications, reports, agreements or understandings, if any, related to such matters. No modification or amendment to any provision hereof shall be binding unless in writing and signed by authorized representatives from both parties.

g. Waivers. No failure or delay in exercising any right, power or privilege under this Agreement shall be construed as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege under this Agreement.

h. Third-Party Beneficiaries. Notwithstanding any provision herein to the contrary, this Agreement is not intended and shall not be construed as creating or conferring any rights or remedies on any third parties that are not parties to this Agreement. Enforcement of any remedy for breach of this Agreement may only be pursued by the parties to this Agreement.
i. **Notices.** Any written notices required by the terms of this Agreement shall be sent by certified mail (or other form of guaranteed delivery) to the address of the Party given below:

Employer: the address set forth on the signature page

Keenan: Keenan & Associates  
Attn: General Counsel  
2355 Crenshaw Blvd.  
Suite 200  
Torrance, CA 90501-3325

j. **Force Majeure.** Neither party shall be held responsible for the delay or failure to perform services or obligations under this Agreement when such delay or failure is due to fire, flood, epidemic, strikes, acts of God or any public enemy, unusually severe weather, failure or malfunction of any electronic, electric or mechanical equipment, legislative or regulatory acts of any public authority, delays or defaults caused by any public carriers, or other circumstances which cannot reasonably be forecast or provided against.

k. **Governing Law.** This Agreement shall be construed and enforced in accordance with the laws of the State of California.

l. **Assignment; Successors.** This Agreement may not be assigned by either party without the prior written consent of the other party. The terms and conditions of this Agreement apply to the parties, their heirs, executors, administrators, successors, and permitted assigns.

m. **Dispute Resolution.** Any and all disputes that may arise out of or relate to this Agreement, other agreements or any other relationship involving Employer and Keenan (whether occurring prior to, as part of, or after the signing of this Agreement), shall first be resolved by good faith negotiations between the parties with the assistance of non-binding mediation. In the event either party determines that they are not able to resolve the dispute through negotiation and mediation, then the dispute shall be submitted to, and resolved by, final and binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association. Judgment upon an award of the arbitrators may be entered and enforced in any court having jurisdiction. Negotiation, mediation and arbitration shall be the exclusive means of dispute resolution as between Employer and Keenan and their respective agents, employees, officers and members. Arbitration shall be before a single arbitrator in the County of Los Angeles, California. The Arbitrator shall apply California substantive law. Any party may bring an action in any court of competent jurisdiction, if necessary: (i) to compel arbitration under this arbitration provision, or (ii) to obtain preliminary or other equitable relief in support of claims to be prosecuted in arbitration, or (iii) to enter a judgment of any award rendered pursuant to such arbitration. The parties acknowledge that a breach of the provisions of this Agreement could result in irreparable harm to the other party, and therefore agree that the non-breaching party shall be entitled to seek specific performance or other equitable relief in any court of competent jurisdiction.

n. **Scope of Services Rendered; Other Plans.** The parties specifically agree and recognize that Keenan is a service provider to Employer and is not providing tax, accounting or legal advice to Employer. The parties understand that Employer is responsible, together with its legal counsel, for the continued qualification of the Trust in accordance with Section 115 of the
Code and for operation of the Trust as required by provisions of the State Government Code and all other applicable law. Keenan shall have no responsibility whatsoever with regard to any other qualified or non-qualified employee benefit plans maintained by Employer other than as provided in this Agreement or as in any other written agreement entered into between Keenan and the Employer. Keenan shall further have no responsibility or liability for any services provided by the Actuary, Trustee, Investment Manager or any other service provider to the Trust or Employer in connection with the Program, and shall be responsible solely for the services described herein which Keenan has agreed to provide to Employer.

o. Legal Fees. In the event of any dispute relating to this Agreement, the prevailing party shall be entitled to recover attorneys’ fees and costs, including but not limited to, those incurred in resolving the dispute.

p. Construction. Any rule of construction that ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement, or any amendments or exhibits hereto.

q. Interest on Overdue Payments. All payments and invoices are due and payable upon presentation by Keenan. In the event Employer fails to pay any invoice within thirty days of presentation, Keenan shall be entitled to receive interest on such outstanding invoice from the date of presentation at the rate of (a) 1-1/2 percent per month or (b) the maximum interest rate permitted by applicable law, whichever is lower.
r. Counterparts and Facsimile Signatures. This Agreement may be executed in counterparts and by facsimile signatures, which will be effective as if original signatures.

IN WITNESS WHEREOF, the parties have signed this Agreement as of the date first written above. Each person signing this Agreement on behalf of a party represents and warrants that he or she has the necessary authority to bind such party.

SIERRA JOINT COMMUNITY COLLEGE DISTRICT

By: [Signature]
Title: [Title]
Address for Notice:
Sierra Joint Community College District
5000 Rocklin Road
Rocklin, CA 95677

KEENAN & ASSOCIATES

By: [Signature]
Title: [Title]

(Updated as of 070503)
Appendix 9

Futuris RBOA bylaws
January 1, 2011
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

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. If the Title of an existing Board member changes and that new title is not one of the designated titles 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.
2.3: The number of Board members will consist of such number of individuals that are deemed necessary by the governing body of the Sierra Joint CCD.

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

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

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

2.7: 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.

2.8: Board meetings shall be conducted by the Chair. When the Chair is not present, the Vice Chair 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.

2.15: The Board may approve reimbursement for reasonable expenses incurred by Board members. All expenditures of funds shall be subject to Board approval.

2.16: The Board shall designate the Sierra Joint CCD, 5000 Rocklin Road, Rocklin, CA 95677 as the location at which it will receive notices, correspondence, and other communications and shall designate the Chair 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.

4: Retirement Board of Authority – Actuarial, Contribution & Withdrawal Parameters

4.1: The Board will acknowledge the amount of any contribution from the Sierra Joint CCD and deliver contributions and allocation instructions to the Trustee. Such contributions and allocation instructions 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 from the Trust.

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 response to all information requested by the Discretionary Trustee in a timely fashion.

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 to 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.

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

Updated 1-1-11
Appendix 10

RBOA meeting
December 7, 2011
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.
MEETING AGENDA

SIERRA JOINT COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING
December 7, 2011
9:00 AM – 12:00 PM

SIERRA JOINT COMMUNITY COLLEGE DISTRICT
Board Room – LRC 133
5000 Rocklin Road
Rocklin, CA. 95677
(916) 624-3333

I. CALL TO ORDER

II. ROLL CALL

RETIREMENT BOARD OF AUTHORITY (the “Board”) MEMBERS
Director of Finance Kerri Hester
Vice President, Human Resources Kim Myers
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
Senior Vice President Gail Beal
Account Manager Roslyn Washington

CONSULTANTS
Morgan Stanley Smith Barney Cary Allison
Benefit Trust Company Scott Rankin

GUESTS
None

OTHER
None

III. APPROVAL OF AGENDA

Action
2011/2012-001

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, May 11, 2011, for any adjustments and adoption.

PUBLIC COMMENTS:
BOARD CONSIDERATION:

V. CORRESPONDENCE

Correspondence will be presented and reviewed by the Retirement Board of Authority. No action may be taken in response; only referred for action on a subsequent agenda.

PUBLIC COMMENTS:
BOARD CONSIDERATION:

VI. INVESTMENTS

PORTFOLIO REVIEW

Morgan Stanley Smith Barney (MSSB) will review the overall performance of the District’s Futuris Public Entity Investment Trust portfolio.

PUBLIC COMMENTS:
BOARD CONSIDERATION:

MARKET OVERVIEW

Morgan Stanley Smith Barney (MSSB) will provide an overview of the actions of the global capital markets since the last Retirement Board of Authority meeting.

PUBLIC COMMENTS:
BOARD CONSIDERATION:

VII. EDUCATION

For OPEB plan governance, the Retirement Board of Authority is mandated to use the “prudent person” standard as codified by the California’s Constitution and Governmental Code.

This standard requires that plan fiduciaries be (1) “familiar with such matters” as managing investments in a plan that pays OPEB benefits and that they take into account (2) “the circumstances then prevailing” relative to keeping abreast of changes in the economy, the marketplace for investment products and services to OPEB plans. The Education Agenda is for the furtherance of these OPEB requirements.

PUBLIC COMMENTS:
BOARD CONSIDERATION:
VIII. ADMINISTRATION

REVIEW OF THE COMPREHENSIVE COMPLIANCE PLAN, INCLUDING THE SUBSTANTIVE PLAN  
Volumes I & II of the Comprehensive Compliance Plan, including the Substantive Plan, are to be reviewed. Volumes I & II have been scanned and are stored in an electronic Library format. The electronic Library Data Discs have been delivered to the District.

PUBLIC COMMENTS:
BOARD CONSIDERATION:

STATUS OF UPDATES TO THE COMPREHENSIVE COMPLIANCE PLAN, INCLUDING THE SUBSTANTIVE PLAN  
Updating the “Substantive Plan” is a dynamic process that requires an annual review to incorporate modifications to program provisions or changes to cost arrangements. The Retirement Board of Authority will review the current status of updates to the “Substantive Plan”.

ANNUAL REPORTING ON THE STATUS OF THE TRUST  
California Government Code 53216.4 requires an annual reporting of the funds held in the Investment Trust to the plan participants and their beneficiaries. Protocols for the promulgation of the Annual Report to the District’s Investment Trust participants should be acknowledged by the Retirement Board of Authority.

PUBLIC COMMENTS:
BOARD CONSIDERATION:

STATUS OF ACTUARIAL VALUATION STUDY  
The Retirement Board of Authority members will discuss the status of the District’s new Actuarial Valuation Study relative to the discount rate being use.

PUBLIC COMMENTS:
BOARD CONSIDERATION:

RETIREMENT BOARD OF AUTHORITY ELECTION OF VICE CHAIRPERSON  
The Retirement Board of Authority has been duly appointed by the Sierra Joint Community College District Board of Trustees. The RBOA will elect a Vice Chairperson.

PUBLIC COMMENTS:
BOARD CONSIDERATION:

DIRECTORS’ AND OFFICERS’ INSURANCE  
The Retirement Board of Authority members will get an update for the purchase of this coverage.

PUBLIC COMMENTS:
BOARD CONSIDERATION:
RETIREMENT BOARD OF AUTHORITY (RBOA) BYLAWS

The current Trust document provides provisions to operate the Trust. RBOA Bylaws provide additional direction for issues not discussed in the provisions of the Trust Document. There will be a discussion to review the creation of RBOA Bylaws for the Sierra Joint Community College District Public Entity Investment Trust.

PUBLIC COMMENTS:
BOARD CONSIDERATION:

DISBURSEMENTS

The Retirement Board of Authority members approve all reasonable expenses and withdrawals associated with the management and operation of the District’s Public Entity Investment Trust.

PUBLIC COMMENTS:
BOARD CONSIDERATION:

FUTURE TRANSFER OF ASSETS INTO THE TRUST

The District’s transfer of assets into the Investment Trust may require a tailored funding procedure. To meet the possibly tailored funding procedure, the Retirement Board of Authority (RBOA) will provide timing and asset transfer schedules related to the District’s Annual Required Contribution (ARC) and Pay-As-You-Go funding strategies based on current District financial considerations.

PUBLIC COMMENTS:
BOARD CONSIDERATION:

PRIVATE LETTER RULING

The Retirement Board of Authority will review updates relative to the District’s application for a Private Letter Ruling (PLR) from the Internal Revenue Service (IRS) regarding the Section 115 Trust arrangement.

PUBLIC COMMENTS:
BOARD CONSIDERATION:

IX. 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.

X. 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:

XI. 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: 12/07/2011

SUBJECT: Approval of Minutes

ITEM #: 2011/2012-002
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 May 11, 2011.

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

The meeting was called to order by Senior Vice President of Keenan Financial Services, Gail Beal at 2:08 PM.

II. ROLL CALL

RETIREMENT BOARD OF AUTHORITY (the “BOARD”) MEMBERS
Director of Finance                                      Kerri Hester
Interim Vice President, Human Resources                Victoria Simmons
Federation of United School Employees (FUSE)           Arlene Goff
Sierra College Management Association (SCMA)           Adele Hamlett
Vice President, Student Services                       Mandy Davies

PROGRAM COORDINATOR
Senior Vice President                                    Gail Beal
Senior Vice President                                    Bob Schoenherr
Account Manager                                          Roslyn Washington

CONSULTANTS
Morgan Stanley Smith Barney                               Cary Allison
Benefit Trust Company                                     Scott Rankin

GUESTS
Benefit Trust Company                                    Joe Morsman

OTHER
None

Those absent were:

Sierra College Faculty Association (SCFA)                Todd Jensen
Keenan & Associates                                      Stacey Bjelke
Accounting Specialist                                    Kourtney Crandell
III. APPROVAL OF AGENDA

A motion was made by Board member Kerri Hester to approve the Agenda as presented, seconded by Board member Victoria Simmons and unanimously carried by the Board.

IV. APPROVAL OF MINUTES

A motion was made by Board member Mandy Davies to approve the minutes of the previous meeting with an amendment to the motion acknowledging Disbursements from the Trust to reflect that Board member Arlene Goff abstained rather than agreed. The motion was seconded by Victoria Simmons and unanimously carried by the Board.

V. CORRESPONDENCE

No correspondence was presented.

VI. INVESTMENTS

PORTFOLIO REVIEW

Cary Allison of Morgan Stanley Smith Barney (MSSB) provided an overview of the District’s Investment Trust Change in Portfolio, Asset Allocation, and Time Weighted Return (Gross and Net of Fees) for period ending April 30, 2011. As of April 30, 2011, the District’s Investment Trust portfolio had an allocation of 57.4% in fixed income funds and 42.6% in equity funds (equity funds comprised 26.2% in domestic equity and 16.4% in international equity). The value of the portfolio on December 31, 2010 was $7,713,514.86 and as of April 30, 2011 the value is $8,136,599.29. The April 30, 2011 portfolio value represents an inception to date net rate of return of 7.39% compared to the S&P/Barclays Blend of 5.20%. The investments results for the last 12 months show a net increase of 11.28% compared to the S&P/Barclays Blend of 11.74%.

A motion was made by Board member Mandy Davies to approve the Portfolio Review as presented, seconded by Board member Adele Hamlett, and unanimously carried by the Board.

MARKET OVERVIEW

Cary Allison of Morgan Stanley Smith Barney (MSSB) presented to Board members the Asset Allocation and Portfolio Updates for the Futuris Public Entity Investment Trust Model Portfolios for the period ending March 31, 2011.
Carry Allison also presented the first quarter “Capital Markets Overview” from Morgan Stanley Smith Barney (MSSB) tracking global economic expansion. In the first quarter, despite the natural disaster in Japan and the political turmoil in the Middle East and North Africa, the global business and equity bull cycles continued. There is growing optimism that the recovery from the financial crisis has become self-sustaining. Expected growth of about 6% in 2011 for emerging market economies, while developed-market economies could expand around 2%. Global mergers-and-acquisitions activity for the quarter totaled $716.3 billion, up 16% from a year ago. The U.S. unemployment rate fell to 8.8%, its lowest level in two years.

Carry Allison continued by providing Board members with MSSB’s “Global Investment Committee 2011 Outlook”. This report reiterated many of the same positive growth indicators reflected in the Capital Markets Overview as follows:

- Global GDP recovery has now become business cycle expansion.
- Global economy growth of 4% with emerging economies expanding by 6% and developed ones by 3%.
- Low 1%-2% inflation in developed countries but 6% in developing ones.
- Developing economy central banks and European Central Bank tighten; Fed on hold until 2012.
- Modest US trade-weighted dollar strength; broad developed country currencies weakness to developing country currencies, especially Asia.
- Longer-term prospects good for a multi-year global business cycle expansion.

Board member Mandy Davies inquired as to how much is the economy affected by the U.S. weak dollar? Cary responded by indicating that U.S. companies are selling a tremendous amount of product overseas and as such the weak dollar has little effect. Cary continued by saying that the economy is no longer in recovery, but is now in an expansion period. MSSB favors equities at this time as we are currently trading at P/E Ratio of 13. Interest rates are no longer going down so this is another reason that MSSB favors equities. Cary also presented the Board with Oppenheimer Funds article entitled “International Bond Fund” He continued by indicating that MSSB is hedging out of Government bonds and explained why the District’s Investment Trust is now positioned with International Bonds Funds.

**REVIEW OF INVESTMENT POLICY STATEMENT**

Scott Rankin of Benefit Trust Company (BTC) reviewed the Investment Policy Statement (IPS) for Board members. He explained that Benefit Trust Company (BTC) is recommending changes to language contained in Appendix A as regards both Equity and Fixed Income Investments that reads “nor shall the trust assets be invested in any mutual fund that holds more than 5% of its portfolio in any single issue or issuer”. Benefit Trust Company recommends this language be deleted and replaced with “not more than 5% of the Trust assets shall be invested in any single equity security”. Scott Rankin explained that by deleting this language, it will prevent a mutual fund manager from being fired for being temporarily over the 5% restriction. The IPS would maintain a requirement that the trust as a whole can not have 5% invested in any one security, looking at the underlying securities of each mutual fund. Technology allows this calculation to be done automatically and Morgan Stanley Smith Barney periodically runs these reports to monitor diversification.

Under Appendix A: Fixed Income Investments, Benefit Trust Company recommends that the following verbiage be deleted “Yankee Bonds” i.e. foreign government bonds or corporate bonds of foreign companies, issued in U.S. dollar denominations, and offered through registration and filing with the SEC and carry a minimum BBB rating” and that it be replaced with new verbiage as follows: “Investment grade foreign
government or corporate bonds carrying a minimum BBB rating, whether or not denominated in U.S. currency, and whether or not hedged for foreign currency risk.” This recommendation is made as a concession to the evolution of the management of international fixed income funds as few of the top managers continue to invest in Yankee Bonds, preferring instead to buy bonds directly off of the foreign exchanges. Additionally, Benefit Trust Company recommends that the following verbiage “nor shall the Trust assets be invested in any mutual fund that holds more that 5% of its portfolio in any single” also be deleted and replaced with “not more than 5% of the Trust assets shall be invested in any single debt security issue or issuer”.

Scott indicated to Board members that the purpose of the language changes was to drill down to the core of the specifics relative to what is expected from District’s Investment Trust Fund managers. Scott further explained that by the time a fund had reached chosen fund status in the District’s Trust portfolio, it had been scanned twice by both Benefit Trust Company (BTC) and Morgan Stanley Smith Barney (MSSB). The Investment Policy Statement was signed by the attending Board members accepting the language changes suggested by BTC.

A motion was made by Board member Kerri Hester to approve the Investment Policy Statement (IPS) with the recommended language changes. The motion was seconded by Board member Victoria Simmons and unanimously carried by the Board.

VII.  EDUCATION

Cary Allison of Morgan Stanley Smith Barney (MSSB) advised the Board of asset-allocation changes in the District’s Investment Trust portfolio and the thought processes behind those changes. The PIMCO Total Return Fund (PTTRX) to Prudential Total Return Bond Fund (PDBZX) change was done because the PIMCO Total Return Fund got too large and Morgan Stanley Smith Barney (MSSB) feels that Fund Management is better when funds are smaller. Board member Mandy Davies inquired about the high expenses on some of the new investments. Cary responded by explaining that at MSSB “we take the expenses into consideration greatly, but smaller funds like Royce Global Value will charge a higher expense until fund assets increase”.

The changes made in the Trust’s portfolio are as follows:

- **Domestic Equities** -- Royce Special Equity (RSEIX) replaced Perkins Mid-Cap Value (JMCVX).
- **Domestic Equities** -- Prudential Global Real Estate (PURZX) replaced Cohen & Steers Global Realty I (CSSPX).
- **International/Global Equities** -- Royce Global Value (RGVIX) replaced Artio International Equity II (JETIX)/ Dodge & Cox International Stock (DODFX).
- **Global Allocation** – Blackrock Global Allocation (MALOX) was removed from this investment category.
- **Fixed Income** -- Prudential Total Return Bond Fund (PDBZX) replaced PIMCO Total Return (PTTRX).
- **International Fixed Income** – Brandywine Global Opportunities Bond was an addition to this investment category.

Cary Allison also provided Board members with two articles from the Royce Funds.

One article was a Royce Funds Research Paper entitled “Small-Cap: The Evergreen Asset Class” while the other article focused on the volatility of small company stocks and was entitled “Risky Business: Risk Management Begins with the Idea of Attempting to Establish a Margin of Safety”.

Keenan & Associates
License No. 0451271

Tel: 800-654-8102/Fax: 310-533-1329

Appendices Page 94
The Royce Funds Research Paper reflected the fact that the investment universe of small companies is both large and diverse. Small-cap equities form the largest domestic equity universe, accounting for approximately 85% of all traded companies in the U.S. At Royce Funds, the universe of small-cap equities are divided into two distinct segments namely:

- Micro-caps have market caps up to $500 million. The U.S. micro-cap segment consists of more than 3,300 companies with approximately $400 billion in total capitalization.
- Small-caps have market capitalization between $500 million and $2.5 trillion. The U.S. small-cap segment encompasses more than 1,100 companies with a total capitalization of approximately $1.3 trillion.

In the Royce Funds article entitled “Risky Business: Risk Management Begins with the Idea of Attempting to Establish a Margin of Safety”, Royce Funds recognize that the historically superior long-term returns of small-cap stocks come with higher business risk and greater volatility. For Royce portfolio managers, managing the volatility of small-cap stocks begins with the basic concept of establishing a “Margin of Safety”. Establishing a “Margin of Safety” begins with the company’s balance sheet and ends with the purchase price in the context of a detailed analysis of the company’s fundamentals.

VIII. ADMINISTRATION

REVIEW OF THE COMPREHENSIVE COMPLIANCE PLAN, INCLUDING THE SUBSTANTIVE PLAN

The Review of the Comprehensive Compliance Plan, including the “Substantive Plan” was deferred to the next meeting as Board members have not had a chance to review Volume I and Volume II. Gail Beal of Keenan Financial Services (KFS) suggested that Roslyn Washington of KFS email each Board member a copy of the electronic library so they will be able to approve this as an action item at the next RBOA Meeting. The Board agreed that this was a good idea.

A motion was made by Board member Kerri Hester to defer a review of the Comprehensive Compliance Plan including the “Substantive Plan” until the next RBOA meeting. The motion was seconded by Board member Mandy Davies, and unanimously carried by the Board.

STATUS OF ACTUARIAL STUDY

The first draft of the Actuarial Valuation Study is completed and copies were distributed by Board member Kerri Hester. Gail Beal of Keenan Financial Services (KFS) inquired as to the discount rate used and Kerri Hester responded 4.5%. Gail inquired as to the rationale for using that rate and Kerri indicated she didn’t recall but would ask the Actuary. The discount rate used in the previous Actuarial Valuation Study was 7%. Gail Beal suggested that Kerri ask the actuary to run it again at 6% to compare to the study done at 4.5%. Typically an actuary will use the discount rate of 5% where there is not a Fiduciary structure in place.
RETIREMENT BOARD OF AUTHORITY ELECTION OF VICE CHAIRPERSON

This Agenda Item was deferred to the next RBOA Meeting because the Board would like all members present. It was noted that Todd Jensen was absent at this meeting and Kip Meyer will be replacing Victoria Simmons on the Retirement Board of Authority (RBOA).

A motion was made by Board member Mandy Davies to defer the RBOA election of Vice Chairperson to the next RBOA Meeting. The motion was seconded by Board member Arlene Goff and unanimously carried by the Board.

DIRECTORS’ AND OFFICERS’ INSURANCE

This Agenda Item was deferred to the next RBOA Meeting as the District did not have an opportunity to research the issue.

A motion was made to defer this Agenda Item to the next RBOA Meeting by Board member Mandy Davies, seconded by Board member Arlene Goff and unanimously carried by the Board.

RETIREMENT BOARD OF AUTHORITY BYLAWS

A motion was made to defer this Agenda Item to the next RBOA Meeting by Board member Adele Hamlett, seconded by Board member Arlene Goff and unanimously carried by the Board.

Roslyn Washington of Keenan Financial Services (KFS) will email each Board member a copy of the RBOA Bylaws template so they can redline any suggested modifications or changes.

DISBURSEMENTS

A motion was made to defer this Agenda Item to next RBOA Meeting by Board member Adele Hamlett, seconded by Board member Arlene Goff and unanimously carried by the Board.

The Board needs to get a copy of the Withdrawal Request Form to include with the Benefit Trust Company (BTC) copy of withdrawal.

PRIVATE LETTER RULING

Scott Rankin of Benefit Trust Company provided Board members with an update on the status of the District’s Private Letter Ruling (PLR). Scott advised the Board that a PLR has not been issued by the IRS. However, this does not mean that there are issues with the District’s Public Entity Investment Trust. The unique structure of the Futuris Public Entity Investment Trust is somewhat different from what the IRS normally works with and sees. Another reason for the delay in the IRS issuing a PLR is due to the fact that the original IRS Agent the District’s PLR attorney had worked with has retired and a new IRS agent needed to be re-educated relative to the unique features of the OPEB Trust. The District’s PLR attorney, Brian Johnston of Polsinelli Shughart PC continues to work on this issue and hopes it will be resolved soon.
STAFF ON-LINE ACCESS TO TRUST ACCOUNT

All access to the Books and Records of the District’s Public Entity Investment Trust must be approved by the Retirement Board of Authority (RBOA).

On April 8, 2011, on behalf of the Retirement Board of Authority, Board member Kerri Hester gave authorization to Benefit Trust Company to provide Carolyn Schwenk access to the Books and Records of the District’s Investment Trust through the Benefit Trust Company website.

A motion, to approve access to the Books and Records of the District’s Investment Trust for Carolyn Schwenk, was made by Board member Mandy Davies, seconded by Board member Adele Hamlett, and unanimously carried by the Board.

IX. INFORMATION REPORTS

RETIREMENT BOARD OF AUTHORITY COMMENTS

Board member Kerri Hester inquired relative to OPEB Bonds and would like more information at the next RBOA meeting. Gail Beal of Keenan Financial Services (KFS) noted that this is a Trust funding option that some other Districts have chosen and that KFS would provide the Board with information. Board member Adele Hamlett proposed that the Board change the number of authorized signatures from two to a higher number. Board member Mandy Davies stated that she felt the Public Entity Investment Trust team was doing a phenomenal job!

PROGRAM COORDINATOR/CONSULTANT COMMENT

Scott Rankin of Benefit Trust Company (BTC) advised the Board members that BTC will be changing their online access system to Sunguard effective July 1, 2011. However, everyone’s online username and password will remain the same.

VISITORS COMMENTS

There were no Visitors comments.

X. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

The Agenda items for the next Retirement Board of Retirement Meeting will include:

- OPEB Bond Information – Information Item.
- The Comprehensive Compliance Plan, including the “Substantive Plan” – Action Item
- Actuarial Valuation Study – Information Item
- RBOA Bylaws – Action item
- Disbursements (include the 12/8 withdrawal $6500 with request form) – Action Item
- Directors & Officers Insurance – Action Item
XI. ADJOURNMENT

The meeting was adjourned by Gail Beal, Senior Vive President, Keenan Financial Services at 4:34 PM.

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.
PRESENTED TO: Retirement Board of Authority

DATE: 12/07/2011

SUBJECT: Correspondence
ITEM #: 2011/2012-003
Enclosure: No
Action Item: No

Prepared by: Morgan Stanley Smith Barney
Requested by: Retirement Board of Authority

BACKGROUND:

Communications received by, or sent on behalf of, the Retirement Board of Authority are presented to the governing body. These communications are normally informational in content and no action is required except to acknowledge receipt.

STATUS:

The Retirement Board of Authority will review any correspondence received.

RECOMMENDATION:

If the Retirement Board of Authority decides further discussions or actions are required on any specific communication, they will direct it be placed on a future agenda and/or have staff research the issue further.
BACKGROUND:

As Board members of the Retirement Board of Authority you have a fiduciary responsibility as described in Government Code section 53215, et seq. As part of fulfilling your fiduciary responsibility, it is important to periodically review the District's Public Entity Investment Trust Portfolio.

STATUS:

Morgan Stanley Smith Barney (MSSB) will provide a review of the District’s Futuris Public Entity Investment Trust Portfolio Performance Report.

RECOMMENDATION:

The Retirement Board of Authority should review and accept the Investment Trust Portfolio Performance Report and file as appropriate.
### Change In Portfolio

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<td>Contributions</td>
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<td>Withdrawals</td>
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<td>Change in Market Value</td>
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<td>Portfolio Value on 10-31-11</td>
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### Asset Allocation

- **CASH AND RECEIVABLES**: 0.50%
- **FIXED INCOME FUNDS**: 4,557,913.41
- **DOMESTIC EQUITY FUNDS**: 2,085,755.97
- **INTERNATIONAL EQUITY FUNDS**: 1,197,140.75

### Time Weighted Return - Gross of Fees

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### Time Weighted Return - Net of Fees

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<tr>
<th>Description</th>
<th>Month To Date</th>
<th>Quarter To Date</th>
<th>Year To Date</th>
<th>Latest 1 Year</th>
<th>Latest 3 Year</th>
<th>Annualized Inception To Date</th>
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<td>5.25</td>
<td>0.74</td>
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<td>5.52</td>
<td>5.52</td>
<td>4.35</td>
<td>6.97</td>
<td>10.90</td>
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<td>0.11</td>
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<td>5.03</td>
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<td>10.93</td>
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<td>S&amp;P 20/ Bar Aggr 80</td>
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<td>5.90</td>
<td>9.74</td>
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## PORTFOLIO APPRAISAL

**October 31, 2011**

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**FIXED INC MUTUAL FUNDS**

| Taxable Funds | | | | | | |
| Delaware Diversified Income Instl | | | | | | |
| DPFF.X | 8.78 | 730,769.01 | 9.34 | 777,533.43 | 9.9 | 4.5 |
| Legg Mason Global Opps Bd Is | | | | | | |
| GOBS.X | 10.69 | 315,394.36 | 11.18 | 329,824.00 | 4.2 | 7.0 |
| Metropolitan West Total Return Bond | | | | | | |
| MWTI.X | 10.39 | 765,599.79 | 10.46 | 770,792.14 | 9.8 | 4.6 |
| Oppenheimer International Bond Y | | | | | | |
| OIBY.X | 6.52 | 404,812.46 | 6.45 | 400,278.50 | 5.1 | 4.2 |
| Prudential Total Return Bond Z | | | | | | |
| PDBZ.X | 13.81 | 762,005.49 | 14.37 | 792,830.15 | 10.1 | 3.9 |
| Templeton Global Bond Adv | | | | | | |
| TGBA.X | 12.28 | 654,423.35 | 13.23 | 705,299.36 | 9.0 | 4.8 |
| Western Asset Core Plus Bond Instl | | | | | | |
| WACP.X | 9.69 | 681,794.28 | 11.11 | 781,355.83 | 10.0 | 3.9 |

**DOMESTIC EQUITY FUNDS**

| Large Cap Funds | | | | | | |
| Blackrock Equity Dividend Instl | | | | | | |
| MADV.X | 16.36 | 294,581.23 | 17.90 | 322,282.04 | 4.1 | 2.1 |
| Hartford Capital Appreciation Y | | | | | | |
| HCAY.X | 32.02 | 386,222.33 | 33.26 | 401,171.08 | 5.1 | 0.0 |
| Hancock Classic Value Instl | | | | | | |
| JCVLX | 11.97 | 247,893.80 | 15.93 | 329,964.14 | 4.2 | 0.5 |
| Nuveen TradeWinds Value Opportunities Instl | | | | | | |
| NVOR.X | 23.48 | 155,426.04 | 34.81 | 230,387.69 | 2.9 | 1.7 |

**Mid Cap Funds**

| Insitl Realty Shares | | | | | | |
| COHEN & STEERS | | | | | | |
| CSRLX | 22.78 | 138,119.47 | 39.68 | 240,542.34 | 3.1 | 2.0 |
| Hartford Midcap Y | | | | | | |
| HMDY.X | 19.04 | 137,481.22 | 22.71 | 163,955.25 | 2.1 | 0.0 |

**Small Cap Funds**

| Insitl Equity Instl | | | | | | |
| ROYCE SPECIAL EQUITY | | | | | | |
| RSEI.X | 21.28 | 172,569.81 | 20.63 | 167,277.57 | 2.1 | 0.4 |

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<tr>
<td>4,314,798.73</td>
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| Appendixes Page 102 | | | | | | |
| 19 of 112 | | | | | | |
## PORTFOLIO APPRAISAL

*October 31, 2011*

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<td>Balanced Funds</td>
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<td><strong>7,840,810.64</strong></td>
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BACKGROUND:

As Members of the Retirement Board of Authority you have a fiduciary responsibility as described in Government Code section 53215, et seq. In fulfilling your fiduciary responsibility, it is important to understand the impact of global capital market conditions on the assets in the trust.

STATUS:

Morgan Stanley Smith Barney (MSSB) will provide an overview of the current global capital market conditions.

RECOMMENDATION:

The Retirement Board of Authority should receive the information.
Asset Allocation and Portfolio Updates

Cary M. Allison, CIMA®
Senior Vice President, Senior Investment Management Consultant
September 30, 2011
MODELS (USING CAPITAL MARKET ASSUMPTIONS AND EFFICIENT FRONTIER)

<table>
<thead>
<tr>
<th>Target Returns</th>
<th>Portfolio 4.5</th>
<th>Portfolio 5</th>
<th>Portfolio 6</th>
<th>Portfolio 7</th>
<th>Portfolio 8</th>
<th>Portfolio 9</th>
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<td>EQUITIES</td>
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<td>Large Cap Growth</td>
<td>0%</td>
<td>1%</td>
<td>3%</td>
<td>5%</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>Large Cap Value</td>
<td>0%</td>
<td>4%</td>
<td>7%</td>
<td>8%</td>
<td>11%</td>
<td>14%</td>
</tr>
<tr>
<td>Small/Mid Growth</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
<td>2%</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>Small/Mid Value</td>
<td>0%</td>
<td>2%</td>
<td>3%</td>
<td>5%</td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>International</td>
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<td>30%</td>
<td>42%</td>
<td>58%</td>
<td>76%</td>
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<tr>
<td>Domestic Intermediate</td>
<td>80%</td>
<td>60%</td>
<td>48%</td>
<td>40%</td>
<td>27%</td>
<td>14%</td>
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<tr>
<td>International Intermediate</td>
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<td>18%</td>
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<td>10%</td>
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<tr>
<td>Total Fixed Income</td>
<td>100%</td>
<td>86%</td>
<td>70%</td>
<td>58%</td>
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<td>24%</td>
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<td>Grand Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

PORTFOLIO STATISTICS

| Avg Annual Return | 4.61% | 5.03% | 6.09% | 7.11% | 8.01% | 9.15% |
| Standard Deviation (Risk) | 3.92% | 3.89% | 5.24% | 6.84% | 8.66% | 11.33% |
| Sharpe Ratio      | 0.54  | 0.65  | 0.69  | 0.68  | 0.64  | 0.58  |

Nominal Benchmarks

| Standard & Poor's 500 | 0% | 10% | 25% | 40% | 60% | 75% |
| Barclay's Aggregate Bond | 100% | 90% | 75% | 60% | 40% | 25% |

NOTE: The Futuris portfolios listed above are sample representations only and may be altered from time to time at the discretion of the Trustee.
# PORTFOLIOS

<table>
<thead>
<tr>
<th>EQUITIES</th>
<th>Style</th>
<th>Ticker</th>
<th>Expenses</th>
<th>Portfolio 4.5 4.5% Target</th>
<th>Portfolio 5 5% Target</th>
<th>Portfolio 6 6% Target</th>
<th>Portfolio 7 7% Target</th>
<th>Portfolio 8 8% Target</th>
<th>Portfolio 9 9% Target</th>
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<tr>
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<td>HCAYX</td>
<td>0.71%</td>
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<td>4%</td>
<td>4%</td>
<td>6%</td>
<td>7%</td>
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<td></td>
<td></td>
<td><strong>Subtotals</strong></td>
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<td>10%</td>
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<td><strong>Subtotals</strong></td>
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<td>7%</td>
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<td>Brandywine Global Opportunities Bond</td>
<td>Global Bond</td>
<td>GOBSX</td>
<td>0.65%</td>
<td>5%</td>
<td>6%</td>
<td>5%</td>
<td>4%</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Oppenheimer International Bond Inst</td>
<td>International Bond</td>
<td>OBYX</td>
<td>0.54%</td>
<td>5%</td>
<td>7%</td>
<td>6%</td>
<td>5%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Templeton Global Bond Inst</td>
<td>Global Bond</td>
<td>TGBAX</td>
<td>0.67%</td>
<td>10%</td>
<td>13%</td>
<td>11%</td>
<td>9%</td>
<td>8%</td>
<td>5%</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Subtotals</strong></td>
<td>26%</td>
<td>22%</td>
<td>18%</td>
</tr>
<tr>
<td><strong>SUMMARY</strong></td>
<td></td>
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<tr>
<td>Total Equities</td>
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<tr>
<td>Total Fixed Income</td>
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<td></td>
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<tr>
<td>Grand Total</td>
<td></td>
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<td></td>
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<tr>
<td><strong>Blended Expense Ratio</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
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</tbody>
</table>

NOTE: The Futuris portfolios listed above are sample representations only and may be altered from time to time at the discretion of the Trustee.

Prepared by Cary M. Allison, CIMA
Senior Vice President, Senior Investment Management Consultant

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Disclosures

Other Important Disclosures
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Introduction

- In the third quarter, the global equity upswing of the first half of the year stalled due to concerns over the cumulative effects on the global economy of the European sovereign debt crisis, partisan bickering in the U.S. Congress, and persistently high unemployment.

- Although the likelihood of a U.S. recession is slight, in our view, the Federal Reserve has pledged to stand by the economy and housing market via lower borrowing costs.

- Both Morgan Stanley and Citi economists reduced global growth expectations for 2011 to 3.9% and 3.0%, respectively, and 3.8% and 2.9% for 2012. U.S. economic growth is expected by both firms to be 1.7% in 2011 and about 2% in 2012.

- According to the Dow Jones-UBS Commodity Index, commodity prices fell more steeply in the third quarter than they fell in the second quarter.

- The third quarter saw the slowing of emerging-market economies—and China’s in particular. However, given the relatively strong overall pace of growth in the more fiscally sound emerging economies, the underlying demand for commodities should be persistent.

- Mergers-and-acquisitions activity decreased in the third quarter. Global M&A volume for the quarter totaled $595.2 billion, down 18% from the second quarter. Global deal volume for the third quarter was down 21% from a year ago.

- The Dow Jones Industrials were down 11.5% for the third quarter.

- The NASDAQ Composite declined 12.9% for the quarter.

- The S&P 500 lost 13.9% for the quarter.
The U.S. Economy

- In its September 29 update, the Department of Commerce estimated that Gross Domestic Product grew at an annual rate of 1.3% in the second quarter of 2011, in comparison with 0.4% in the first quarter of 2011. Both Morgan Stanley and Citi economists forecast that U.S. GDP will grow 1.7% in 2011.

- For the quarter, the seasonally adjusted unemployment rate fell from 9.3% for July to 9.1% for September. The slight increase in employment was caused by the return to work in August of 45,000 striking telecommunications workers. Job gains in the quarter took place in construction, health care, and professional and business services. Government jobs continued their downward trend.

- According to the most recent estimate from the Commerce Department, corporate profits rose 3.3% between the first quarter of 2011 and the second quarter of 2011, and rose 8.5% between the second quarter of 2010 and the second quarter of 2011.

- Inflation remained low in the U.S. According to the Bureau of Labor Statistics, the seasonally adjusted Consumer Price Index rose 0.5% in July and 0.4% in August. Both Morgan Stanley and Citi economists expect an inflation rate of 1.6% for 2011.

- The Census Bureau reported that privately owned housing starts in August 2011 were at a seasonally adjusted annual rate of 571,000—5.0% below the revised July estimate, and 5.8% below August 2010 housing starts. Most experts agree that uncertainties about the economy and expectations of ongoing declines in house prices continue to weigh down demand for new homes.

- The Census Bureau also reported that seasonally adjusted retail and food services sales were unchanged between July and August, but increased 7.2% between August 2010 and August 2011.

- In September, the Institute for Supply Management’s manufacturing-sector index (“PMI”) was 51.6, up 1.0 from August, and up from July’s 50.9. PMI has been above 50 for 26 consecutive months, and above 42 for 28 consecutive months.

- The ISM Nonmanufacturing Index (“NMI”) fell 0.3 points to 53.0 between August and September, but rose 0.6 between July and August. The index has now been above 50 for twenty-two consecutive months. Generally speaking, a PMI or NMI over 50 indicates that the sector is expanding, and a PMI over 42 indicates that the overall economy is expanding.
The U.S. Equity Markets

- For the third quarter, the Dow Jones Industrials were down 11.5%, the NASDAQ Composite declined 12.9%, and the S&P 500 lost 13.9%.

- Nine out of ten sectors of the S&P 500 Stock Sectors fell for the quarter. Utilities fared the best, with a 1.6% gain. Consumer Staples showed a comparatively small drop of 4.2%. Information Technology and Telecommunications Services also fell moderately, losing 7.7% and 8.0%, respectively. Financials and Materials were the laggards, down 22.8% and 24.5%, respectively.

- Equity investors grew agitated during the third quarter, according to the CBOE VIX volatility index, the so-called “fear index.” Concerns about the global economy, the European sovereign debt crisis, continued high U.S. unemployment, the U.S. debt-ceiling debate, and the downgrade of the U.S. sovereign rating caused the VIX to register the largest quarterly increase in its history, rising 160% to 42.96. This level has been surpassed just 3% of the time in the past 20 years.

- On August 4 to 8, the VIX experienced its largest three-day increase ever. It closed during that period at a 29-month high of 48. The index hovered above 30 for 41 days through the end of the quarter. Analysts suggest that such levels can occur prior to stock rebounds.

- In a quarter of minimal growth, stocks of large-capitalization companies outperformed stocks of mid- and small-cap companies. The Russell 1000 index, a large-cap index, fell 14.7% for the quarter. In comparison, the Russell 2000 index, a small-cap index, fell 21.9% for the third quarter. The Russell Midcap index declined 18.9% for the quarter.

- Although the third quarter was challenging for both value- and growth-style stocks, growth stocks fared slightly better. Growth stocks often outperform as the pace of earnings growth moderates. The large-cap Russell 1000 Value index fell 16.2% for the quarter, while the Russell 1000 Growth index fell 13.1% for the quarter. The Russell Midcap Value index fell 18.5% for the quarter, while the Russell Midcap Growth index fell 19.3% for the quarter. In small caps, the Russell 2000 Value index fell 21.5% for the quarter, while the Russell 2000 Growth index also fell steeply for the quarter.

### Key U.S. Stock-Market Index Returns (%) for the Period Ending 9/30/11

<table>
<thead>
<tr>
<th>Index</th>
<th>Quarter (Annualized)</th>
<th>12 Months</th>
<th>Five Years (Annualized)</th>
<th>Seven Years (Annualized)</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P 500</td>
<td>(13.9)</td>
<td>1.1</td>
<td>(1.2)</td>
<td>2.3</td>
</tr>
<tr>
<td>Dow Jones</td>
<td>(11.5)</td>
<td>3.8</td>
<td>1.4</td>
<td>3.8</td>
</tr>
<tr>
<td>Russell 2000</td>
<td>(21.9)</td>
<td>(3.5)</td>
<td>(1.0)</td>
<td>3.0</td>
</tr>
<tr>
<td>Russell Midcap</td>
<td>(18.9)</td>
<td>(0.9)</td>
<td>0.6</td>
<td>5.0</td>
</tr>
<tr>
<td>Russell 1000</td>
<td>(14.7)</td>
<td>0.9</td>
<td>(0.9)</td>
<td>2.7</td>
</tr>
</tbody>
</table>

Source: Vestek

*Past performance is not a guarantee of future results. Investors cannot invest directly in an index. The performance of unmanaged indices reflects no deductions for fees, expenses or taxes that would affect the performance of actively managed assets.*
Global Equity Markets

- Europe’s protracted debt woes, along with the weakening Chinese and U.S. economies, roiled overseas equity markets in the third quarter.

- The MSCI EAFE index (a benchmark for developed markets) fell 19.0% for U.S.-currency investors, and fell 15.7% for local-currency investors, as the U.S. dollar appreciated in relation to the currencies of other nations on the index. In contrast, in the second quarter of 2011, the MSCI EAFE index was up 1.8% in U.S. dollars, and fell 0.5% in local currency.

- The worsening of the global economic outlook has helped drive emerging-market equities down from their May 2 peak. For the third quarter, the MSCI Emerging Markets index was down 22.5% for U.S.-currency investors, and fell 14.9% for local-currency investors, as the U.S. dollar appreciated in relation to many emerging-market currencies. This contrasts with the previous quarter, when the MSCI Emerging Markets index was down 1.1% for U.S.-dollar based investors, and fell 2.6% for local-currency investors.

- The MSCI Europe index of developed markets fell 22.6% for U.S.-currency investors, and dropped 17.5% for local-currency investors during the quarter. In comparison, the MSCI Far East index fell 8.7% for the quarter in terms of the dollar, and fell 11.8% in terms of local currencies.

- More-specific emerging-economy equity market indices also struggled in the face of the quarter’s European debt concerns. The MSCI BRIC (Brazil, Russia, India, and China) index fell 25.8% for the quarter in terms of the dollar. The MSCI BRIC fell 19.0% for the quarter in local terms. For the quarter, the MSCI EM Asia index fell 21.1% in U.S.-dollar terms, and fell 16.9% in local terms.

### Key Global Equity-Market Indices Based on the U.S. Dollar (%) for the Period Ending 9/30/11

<table>
<thead>
<tr>
<th>Index</th>
<th>Quarter</th>
<th>12 Months</th>
<th>Five Years (Annualized)</th>
<th>Seven Years (Annualized)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSCI EAFE</td>
<td>(19.0)</td>
<td>(9.0)</td>
<td>(3.0)</td>
<td>3.8</td>
</tr>
<tr>
<td>MSCI EAFE Growth</td>
<td>(19.0)</td>
<td>(8.5)</td>
<td>(1.8)</td>
<td>4.3</td>
</tr>
<tr>
<td>MSCI EAFE Value</td>
<td>(19.0)</td>
<td>(9.5)</td>
<td>(4.3)</td>
<td>3.3</td>
</tr>
<tr>
<td>MSCI Europe</td>
<td>(22.6)</td>
<td>(11.3)</td>
<td>(3.6)</td>
<td>3.6</td>
</tr>
<tr>
<td>MSCI Japan</td>
<td>(6.4)</td>
<td>0.1</td>
<td>(4.8)</td>
<td>1.7</td>
</tr>
<tr>
<td>MSCI Emerging Markets</td>
<td>(22.5)</td>
<td>(15.9)</td>
<td>5.2</td>
<td>12.6</td>
</tr>
</tbody>
</table>

Source: Vestek

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The U.S. Bond Market

- As U.S. economic data and European sovereign debt worries worsened in the third quarter, investors shopped for safe havens among bonds.

- Investors flocked to Treasury bonds, in particular, in the third quarter. This flight to safety sparked a strong Treasurys rally. Treasurys that mature in 10 or more years rose in price, while yields fell to historic lows. The yield on 30-year Treasury bonds fell to 2.9% at the end of the quarter, which represents the best quarterly return on Treasurys since the end of 2008, at the peak of the financial crisis.

- At the same time, yields on corporate bonds rose relative to Treasurys, as yields on the latter fell to levels not seen since the 1940s.

- The Barclays Capital U.S. Aggregate Bond index, a general measure of the fixed-income market, rose 3.8% for the third quarter. In contrast, the Barclays Capital High Yield index, a measure of lower-rated corporate bonds, fell 6.1% for the quarter.

- Investors shook off their wariness of mortgage-backed securities, sending the Barclays Capital Mortgage Backed index up 2.4% for the quarter.

- During the third quarter, investors overlooked the ongoing negative headlines about state and local government finances, which was a boon to the municipal-bond market.

- In addition, the rally in U.S. Treasurys sparked municipal bond price gains. As a result, the Barclays Capital Muni index was up 3.8% for the quarter.

### U.S. Bond-Market Index Returns (%) for the Period Ending 9/30/11

<table>
<thead>
<tr>
<th>Index</th>
<th>Quarter</th>
<th>12 Months</th>
<th>Five Years (Annualized)</th>
<th>Seven Years (Annualized)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barclays Capital U.S. Aggregate</td>
<td>3.8</td>
<td>5.3</td>
<td>6.5</td>
<td>5.6</td>
</tr>
<tr>
<td>Barclays Capital High Yield</td>
<td>(6.1)</td>
<td>1.8</td>
<td>7.1</td>
<td>7.2</td>
</tr>
<tr>
<td>Barclays Capital Govt/Credit</td>
<td>4.7</td>
<td>5.1</td>
<td>6.5</td>
<td>5.5</td>
</tr>
<tr>
<td>Barclays Capital Government</td>
<td>5.9</td>
<td>5.6</td>
<td>6.6</td>
<td>5.5</td>
</tr>
<tr>
<td>Barclays Capital Intermediate Govt/Credit</td>
<td>2.4</td>
<td>3.4</td>
<td>5.9</td>
<td>4.9</td>
</tr>
<tr>
<td>Barclays Capital Long Govt/Credit</td>
<td>15.6</td>
<td>12.7</td>
<td>9.4</td>
<td>8.0</td>
</tr>
<tr>
<td>Barclays Capital Mortgage Backed Securities</td>
<td>2.4</td>
<td>5.6</td>
<td>6.7</td>
<td>5.8</td>
</tr>
<tr>
<td>Barclays Capital Muni</td>
<td>3.8</td>
<td>3.9</td>
<td>5.0</td>
<td>4.8</td>
</tr>
</tbody>
</table>

Source: Vestek

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INDEX DESCRIPTIONS:

DOW JONES INDUSTRIAL AVERAGE: The most widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue-chip stocks, primarily industrials. The 30 stocks are chosen by the editors of the Wall Street Journal (which is published by Dow Jones & Company), a practice that dates back to the beginning of the century. Charles Dow officially started the Dow in 1896, at which time it consisted of only 11 stocks. The Dow is computed using a price-weighted indexing system, rather than the more common market cap-weighted indexing system. Simply put, the editors at WSJ add up the prices of all the stocks and then divide by the number of stocks in the index. (In actuality, the divisor is much higher today in order to account for stock splits that have occurred in the past.)

DOW JONES-UBS COMMODITY INDEX: Composed of futures contracts on physical commodities which are traded on U.S. exchanges, with the exception of aluminum, nickel, and zinc, which trade on the London Metal Exchange (LME).

NASDAQ COMPOSITE INDEX: Covers 4,500 stocks traded over the counter. It represents many small company stocks but is heavily influenced by about 100 of the largest NASDAQ stocks. It is a value-weighted index calculated on price change only and does not include income.

S&P 500 INDEX: Covers 400 industrial, 40 utility, 20 transportation and 40 financial companies in the U.S. markets (mostly NYSE issues). The index represents about 75% of NYSE market cap and 30% of NYSE issues. It is a capitalization-weighted index calculated on a total-return basis with dividends reinvested. Measures the performance of the 1,000 largest companies in the Russell 3000 index, which represents approximately 89% of the total market capitalization of the Russell 3000 index. As of the latest reconstitution, the average market capitalization was approximately $9.9 billion; the median market capitalization was approximately $3.7 billion. The smallest company in the index had an approximate market capitalization of $1,404.7 million.

RUSSELL 1000 GROWTH INDEX: Measures the performance of those 1000 companies with higher price-to-book ratios and higher forecasted growth values.

RUSSELL 1000 VALUE INDEX: Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

RUSSELL 2000 INDEX: Measures the performance of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 11% of the total market capitalization of the Russell 3000 index. As of the latest reconstitution, the average market capitalization was approximately $55.0 million; the median market capitalization was approximately $5.0 million. The largest company in the index had an approximate market capitalization of $1,402.7 million.

RUSSELL 2000 GROWTH INDEX: Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.


RUSSELL 3000 INDEX: Measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

RUSSELL MIDCAP INDEX: Measures the performance of the 800 smallest companies in the Russell 1000 index, which represent approximately 35% of the total market capitalization of the Russell 1000 index. As of the latest reconstitution, the average market capitalization was approximately $3.7 billion; the median market capitalization was approximately $2.9 billion. The largest company in the index had an approximate market capitalization of $10.3 billion.

RUSSELL MIDCAP GROWTH INDEX: Russell Midcap Growth index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth index.

An investment cannot be made directly in a market index. RUSSELL MIDCAP VALUE INDEX: Measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value index.

VIX INDEX: (Chicago Board Options Exchange Volatility Index) Estimates volatility in the S&P 500 index for the next 30 days using a weighted blend of prices for various options on the S&P 500 index.

THE BARCLAYS CAPITAL U.S. AGGREGATE BOND INDEX: A broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities. MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS.

BARCLAYS CAPITAL GOVERNMENT INDEX:

Barclays Capital Treasury bond and agency bond indices (all publicly issued debt of agencies of the U.S. government, quasi-federal corporations and corporate debt guaranteed by the U.S. government), but no mortgage-backed securities) are combined to form the government bond index. The Barclays Capital U.S. Intermediate Government/Credit Bond index is a total return index consisting of investment-grade corporate debt issues as well as debt issues of U.S. government agencies and the U.S. Treasury. The debt issues all maintain maturities within a range of one to 10 years. An investment cannot be made directly in a market index.

BARCLAYS CAPITAL HIGH YIELD INDEX: The Barclays Capital U.S. High Yield index covers the universe of fixed rate, non-investment-grade debt. Pay-in-kind (PIK) bonds, Eurobonds and debt issues from countries designated as emerging markets (e.g., Argentina, Mexico, Venezuela, etc.) are excluded, but Yankee and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes and step-up coupon structures are also included. Liquidity Rules: All bonds included in the High Yield index must be dollar-denominated and nonconvertible and have at least one year remaining to maturity and an outstanding par value of at least $150 million. Quality Rating Rules: Securities in the index must be rated Ba1 or lower. If both Moody’s and S&P provide a rating for a security, the lower of the two ratings is used. A small number of unrated bonds are included in the index; to be eligible they must have previously held a high yield rating or have been associated with a high yield issuer, and must trade accordingly. Components: The index has several subcomponents. Intermediate indices include bonds with remaining maturities of less than 10 years; long indices include bonds with remaining maturities of 10 years or more. The index also has subdivisions by credit quality, and subindices are available that exclude securities in default. BARCLAYS CAPITAL MIDCAP INDEX: The composite measure of the total return performance of the muni-bond market. The muni market contains over 2 million bond issues. The market is divided into seven major sectors: state G.O. debt (31%), prerefunded bonds (7.7%); electric-utility revenue bonds (7.7%); hospital revenue bonds (3.4%); state-housing revenue bonds (3.4%); industrial-development and pollution-control revenue bonds (1.8%); and transportation revenue bonds (7.1%). These weightings are reviewed annually. BARCLAYS CAPITAL GOVT/CREDIT INDEX:

The U.S. Government/Credit index is the nonsecuritized component of the U.S. Aggregate index and was the first macro index launched by Barclays Capital. The U.S. Government/Credit index includes Treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year), government-related issues (i.e., agency, sovereign, supranational and local-authority debt) and U.S. dollar corporate. In order to qualify for inclusion in the U.S. Government/Credit index, a bond or security must have at least one year to maturity; at least $250 million par amount outstanding; must be rated Baa3 by Moody’s, BBB- by Standard & Poor’s, and BBB- by Fitch Investor Service; must be fixed rate, although it can carry a coupon that steps up; and it must be U.S.-dollar denominated. BARCLAYS CAPITAL LONG GOVERNMENT/CREDIT INDEX: Composed of all bonds covered by BARCLAYS CAPITAL GCB index with maturities of 10 years or greater. Total return comprises price appreciation/depreciation and income as a percent of the original investment. Indices are rebalanced monthly by market capitalization.

BARCLAYS CAPITAL MORTGAGE BACKED SECURITIES INDEX: Includes all fixed securities issued and backed by mortgage pools of Ginnie Mae (GNMA), Fannie Mae (FNMA), Freddie Mac (FHLMC) and half-coupon securities. The index excludes buydowns, graduated equity mortgages (GEM), project loans, Nonagency (whole loans),

Please refer to important information, disclosures and qualifications at the end of this material.
jumbos, collateralized mortgage obligations (CMOs), graduated payment mortgages (GPMs), adjustable rate mortgages (ARMs), manufactured home mortgages, prepayment-penalty collateral. Formed by grouping the universes of over 1 million individual fixed-rate MBS pools into approximately 5,500 generic aggregates. Pool aggregates must be U.S.-dollar denominated, have at least $250 million current outstanding and average weighted life of at least one year.

**MSCI EUROPE, AUSTRALASIA AND THE FAR EAST (EAFE) INDEX**: A free-float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. and Canada. As of May 27, 2010, the index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. **MSCI EUROPE INDEX**: A free-float-adjusted market capitalization weighted index that is designed to measure developed market equity performance in Europe. As of June 2007, the index consisted of the following 16 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom. This series approximates the maximum possible dividend reinvestment. The amount reinvested is the dividend distributed to individuals resident in the country of the company, but does not include tax credits. **MSCI JAPAN INDEX**: A free-float-adjusted market capitalization index that is designed to measure equity market performance in Japan. **MSCI EAFE GROWTH INDEX**: A free-float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. and Canada. As of May 27, 2010, the index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. The MSCI Global Value and Growth Indices cover the full range of developed, emerging and All Country MSCI International Equity Indices across all size segmentations. MSCI Barra uses a two dimensional framework for style segmentation in which value and growth securities are categorized using a multifactor approach, which uses three variables to define the value investment-style characteristics and five variables to define the growth investment-style characteristics, including forward-looking variables. The objective of the index design is to divide constituents of an underlying MSCI Equity index into respective value and growth indices, each targeting 50% of the free float-adjusted market capitalization of the underlying market index. **MSCI EAFE VALUE INDEX**: A free-float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. and Canada. As of May 27, 2010, the index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. The MSCI Value and Growth Indices cover the full range of developed, emerging and All Country MSCI Equity Indices. The MSCI Value and Growth Indices cover the full range of developed, emerging and All Country MSCI Equity Indices. As of the close of May 30, 2003, MSCI implemented an enhanced methodology for the MSCI Global Value and Growth Indices, adopting a two dimensional framework for style segmentation in which value and growth securities are categorized using different attributes: three for value and five for growth including forward-looking variables. The objective of the index design is to divide constituents of an underlying MSCI Standard Country index into a value index and a growth index, each targeting 50% of the free float-adjusted market capitalization of the underlying country index. Country Value/Growth indices are then aggregated into regional value/growth indices. Prior to May 30, 2003, the indices used price/book value (P/BV) ratios to divide the standard MSCI country indices into value and growth indices. All securities were classified as either “value” securities (low P/BV securities) or “growth” securities (high P/BV securities), relative to each MSCI country index. **MSCI FAR EAST INDEX**: A free-float-adjusted market capitalization weighted index that is designed to measure developed market equity performance in the Far East. As of March 2010, the index consists of the following three developed country indices: Japan, Hong Kong, and Singapore. **MSCI EMERGING MARKETS INDEX**: A free-float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of May 27, 2010, the index consisted of the following 21 emerging-market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand and Turkey. **MSCI BRIC INDEX**: A free-float-adjusted market capitalization index that measures equity market performance in larger emerging markets. The index consists of the following emerging-market country indices: Brazil, Russia, India and China. **MSCI EM ASIA INDEX**: A free-float-adjusted market capitalization index that measures equity market performance in emerging markets in Asia. The index consists of the following emerging-market country indices: China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan and Thailand.
Although the statements of fact and data in this report have been obtained from, and are based upon, sources the firm believes reliable, we do not guarantee their accuracy, and any such information may be incomplete or condensed. All opinions included in this report constitute the firm’s judgment as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security. This report may contain forward-looking statements, and there can be no guarantee that they will come to pass. Past performance is not a guarantee of future results.

The indices are unmanaged, and an investor cannot invest directly in an index. The indices are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns consist of income and capital appreciation (or depreciation) and do not take into account fees, taxes or other charges. Such fees and charges would reduce performance.

To the extent the investments depicted herein represent international securities, you should be aware that there may be additional risks associated with international investing, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes and differences in financial and accounting standards. These risks may be magnified in emerging markets. International investing may not be for everyone. Value investing involves the risk that the market may not recognize that securities are undervalued and they may not appreciate as anticipated. Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations. Small- and mid-capitalization companies may lack the financial resources, product diversification and competitive strengths of larger companies. In addition, the securities of small-capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies. Bonds are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond’s maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which allows the issuer to redeem the debt, fully or partially, before the scheduled maturity date. Proceeds from sales prior to maturity may be more or less than originally invested due to changes in market conditions or changes in the credit quality of the issuer. With respect to fixed income securities, please note that, in general, as prevailing interest rates rise, fixed income securities prices will fall. High-yield bonds are subject to additional risks such as increased risk of default and greater volatility because of the lower credit quality of the issues.

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SIERRA JOINT COMMUNITY COLLEGE DISTRICT  
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:  
Retirement Board of Authority

DATE:  
12/07/2011

SUBJECT:  
Education

ITEM #:  
2011/2012-006

Enclosure:  
Yes

Action Item:  
No

Prepared by:  
Morgan Stanley Smith Barney

Requested by:  
Retirement Board of Authority

BACKGROUND:

The investment of public funds carries with it certain fiduciary duties and therefore also potential liability for fiduciaries. The Futuris program has been designed to help the Retirement Board of Authority to mitigate its potential fiduciary liability.

STATUS:

There will be a discussion regarding two articles entitled “Behavioral Finance: Beware of Potentially Irrational Investment Decisions” and “A Case for Waiting Out the Storm”, prepared by Morgan Stanley Smith Barney (MSSB) and presented by Cary Allison of MSSB.

RECOMMENDATION:

The Retirement Board of Authority shall hear and receive the information.
Behavioral Finance
Beware of Potentially Irrational Investment Decisions
Theory of Behavioral Finance

- The study of how psychology affects financial decision making and its impact on financial markets

- Two building blocks of behavioral finance:
  - Cognitive psychology (how people think)
  - Limits to arbitrage (when markets will be inefficient)\(^1\)

\(^1\) Behavioral Finance, Jay R. Ritter, University of Florida
Agenda

• Market Psychology
• Behavioral Finance
• Strategies for Foundation Trustees
# Market Psychology

The varying importance of factors driving asset prices across market phases

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<th>Market Phase</th>
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<th>Early Stage</th>
<th>Mid-Stage</th>
<th>Peak of Bull</th>
<th>Bear Market</th>
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<td>General vertical direction (but not horizontal direction) of asset price movements</td>
<td>20% Improving but ignored</td>
<td>30% Solid underlying performance</td>
<td>40% Sweet summer of growth</td>
<td>20% Optimistic, long-duration projections</td>
<td>30% Overawareness of deteriorating conditions</td>
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<tr>
<td>Fundamentals</td>
<td>20% Attractive, but no takers</td>
<td>50% Abundant bargains</td>
<td>30% Willingness to pay up</td>
<td>20% Revised models justify stretching</td>
<td>20% Shocked recognition of outlandish prices paid</td>
</tr>
<tr>
<td>Valuation</td>
<td>60% Exhaustion, disbelief, and demoralization</td>
<td>20% Doubt, reflection, and conversion</td>
<td>30% Faith, hope, and charity</td>
<td>60% Euphoria, greed, and extrapolation</td>
<td>50% Fear, panic, and loathing</td>
</tr>
</tbody>
</table>

Note: The percentages indicated above are hypothetical only and reflect the personal views of the author and do not necessarily reflect those of Morgan Stanley Smith Barney LLC.

Source: Morgan Stanley Private Wealth Management Asset Allocation Group (David M Darst)
Introduction to Behavioral Finance

Basic rules of prudent portfolio management:
- Think and act strategically long-term
- Adopt prudent diversification and asset allocation policies
- Align investments with foundation interests
- Focus on prudent fiduciary oversight responsibilities and process

On the other hand…
- The potentially irrational concerns of “behavioral finance” often lead investors to make poor financial decisions
In Other Words: What You Want Isn’t Always What You Get

**Common Investment Goals**
- Positive returns every quarter
- Low volatility
- Little to no risk

**Common Subconscious Goals**
- Be a part of something special
- Access to a “secret” successful strategy
- Be able to impress colleagues
- Have someone else do the hard work

**Irrational Investment Strategies**
Theory vs. Reality

“In many important ways, real financial markets do not resemble the ones we would imagine if we only read finance textbooks.”

Richard Thaler, Professor of Behavioral Finance, University of Chicago

“Financial theory cannot always be reconciled with market reality. Behavior finance tries to find explanations for these apparent contradictions. It’s not that investors are irrational, but their thinking is often guided by subtle biases and mental blind spots. Researchers call these traits ‘cognitive illusions.’”

Consulting Group, “The Pitfalls of Investor Psychology”
Behavioral Finance: Emotion-Driven Decisions

- Herding
- Over-confidence
- Loss Aversion / Future Regret
- Anchoring
- Mental Accounting
- Framing
Herding

Herd Behavior:

• Mimic actions of a larger group when the individual would have not taken the action alone
• “Hardwired” trait stemming from the desire to be part of a group
• Fear of being “unconventionally wrong”
• Believe that being contrarian is risky behavior
• Investment managers may succumb because:
  – If strategy works, the client is happy
  – If it doesn’t, the “herd” can be blamed

Avoiding Herd Behavior:

• Rely on independent advice based on fundamentals
• Beware of excessive costs and frequent trades by following the herd
• Beware of painless but sub-optimal results
Over-confidence

Over-confidence:

- Over-optimism
  - Investors habitually assuming they know more than they actually do
- Tendency to reinterpret past decisions to exaggerate foresight
- Investor believes their prediction and choice is the most optimal one

Avoiding over-confidence:

- Avoid systematic biases in individual decision-making
- Seek counsel from professionals or other advisors (CPAs, financial advisors, etc.)

“I will tell you how to become rich. Be fearful when others are greedy. Be greedy when others are fearful.”

-Warren Buffett
Loss Aversion / Future Regret

Loss Aversion:*

- “Once burned, twice shy”
- 85% of investors sell winners faster than losers
- Investors are four times more likely to sell a winner than a loser
- Investors are two times more likely to repurchase ex-winners than ex-losers

Avoiding Loss Aversion:

- Establish a risk tolerance threshold for losses
- Document risk tolerance in investment policy statement
- Focus on portfolio diversification and overall asset allocation strategy

*Gender, Overconfidence and Common Stock Investment, Terrance Odean, Brad Barber, 2001
Anchoring

Anchoring:
- Focusing on past performance and original investment
- Unable to see potential benefits of selling at a loss
- Tendency to focus on irrelevant factors

Avoiding Anchoring:
- Base decisions on current prices and expectations
- Recognize potential in other investments
Mental Accounting or Framing

Mental Accounting or Framing:
- Dividing investments into separate “mental” pools of assets
- Reacting irrationally with different accounts—instead of focusing on total portfolio
- Taking more potential risk on “house” accounts, i.e, where gain has been realized

Avoiding Mental Accounting:
- Develop a long-term investment strategy based on entire wealth and entire portfolios
- Focus on long-term asset allocation strategies that meet your time-frame and objectives
- Use investment gains to conduct rebalancing strategies
How Does Your Organization Make Decisions?

- By consensus
- By majority vote
- A dominant voice
- By delegation to a third party representative
- Delegation to a sub-committee
- By advisor or other professional recommendation
Avoiding Behavioral Finance Theory in Investment Decisions

- Understand risk tolerance levels
- Be aware that subconscious desires can often impact decision making
- Maintain focus on long-term investment strategy

“You don’t need extraordinary intelligence to succeed as an investor. You need a philosophy and the ability to think independently. It doesn’t matter what people think of a stock.

“What matters is whether you know enough to evaluate the business.”

Warren Buffett

CNMNMoney.com
Strategies to Help Ensure Rational Investment Decisions

- Carefully crafted and documented investment policy statements
- Focus on asset allocation strategy
- Properlystaffed board and investment committees:
  - Good judgment, not expertise
  - Focus on prudent fiduciary process, not short-term results
  - Seek professional investment management and advice
  - Concentrate on a global perspective
  - Maintain meticulous records and minutes
Important Disclosures

Although the statements of fact and data in this presentation have been obtained from, and are based upon, sources that the Firm believes to be reliable, we do not guarantee their accuracy, and any such information may be incomplete or condensed. All opinions included in this presentation constitute the Firm’s judgment as of the date of this presentation and are subject to change without notice. This presentation is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security. Past performance is not a guarantee of future results.

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A Case for Waiting Out the Storm
Value of $100,000 Invested in the S&P 500
January 1, 1973

Source: Consulting Group
At What Point do You Think Investors Would Have Given Up and Thrown in the Towel?
$57,378 Removed from the Market and Reinvested in an Interest Bearing CD at 5%
What if You had Kept Your $57,378 Invested in the S&P 500 Instead of Going to Cash?

Source: Consulting Group
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Past performance cannot guarantee future results.

The charts depicted within this presentation are for illustrative purposes only and are not indicative of future performance. The data do not reflect the material differences between stocks, bonds, bills and inflation, such as fees (including sales and management fees), expenses or tax consequences. Common stocks generally provide an opportunity for more capital appreciation than fixed income investments but are also subject to greater market fluctuations. Corporate bonds, US Treasury bills and US government bonds fluctuate in value but, if held to maturity, offer a fixed rate of return and a fixed principal value. Government securities are guaranteed as to the timely payment of interest and provide a guaranteed return of principal. The principal value and interest on treasury securities are guaranteed by the US government if held to maturity. The Standard & Poor's 500 Index is a market capitalization-weighted index of 500 widely held common stocks. Investors cannot directly invest in an index. Actual results may vary based on an investor's investment objectives and portfolio holdings. Investors may need to seek guidance from their legal and/or tax advisor before investing.

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BACKGROUND:

GASB 43 & 45 state that the actuarial report will be based on the Substantive Plan, which is comprised of the terms of an OPEB plan as understood by the employer and plan members. Under the Futuris program, Keenan Financial Services prepares a written summary of the Substantive Plan, as part of an overall Comprehensive Compliance Plan, which acts as both a road map and a record of the Retirement Board of Authority’s compliance with its fiduciary duties.

STATUS:

Volumes I and II of the Comprehensive Compliance Plan, which includes the Substantive Plan, are to be reviewed by the Retirement Board of Authority (RBOA). These volumes have been scanned and stored in an electronic Library format. The electronic Library Data Discs have been delivered to the District.

RECOMMENDATION:

The Retirement Board shall accept the information and take appropriate action as necessary.
SIERRA JOINT COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO: Retirement Board of Authority

DATE: 12/07/2011

SUBJECT: Status of Updates to the Comprehensive Compliance, including the Substantive Plan

ITEM #: 2011/2012-008

Enclosure: Yes

Action Item: No

Prepared by: Keenan Financial Services

Requested by: Retirement Board of Authority

BACKGROUND:

Under the Futuris program, Keenan Financial Services prepares a written summary of the Substantive Plan, as part of an overall Comprehensive Compliance Plan, which acts as both a road map and a record of the Retirement Board of Authority’s compliance with its fiduciary duties.

STATUS:

For the ongoing maintenance of the Comprehensive Compliance Plan, including the Substantive Plan, any required updates will be reviewed by the Retirement Board of Authority (RBOA).

RECOMMENDATION:

The Retirement Board of Authority will review the information presented and file the information accordingly.
November 11, 2011

Kerri Hester  
Director of Finance  
Sierra Joint Community College District  
5000 Rocklin Road  
Rocklin, CA 95677

RE: 2010-2011 Updates to the Sierra Joint Community College District Futuris Comprehensive Compliance Plan

Dear Kerri:

As part of Keenan's annual review of the Futuris Comprehensive Compliance Plan, and based on the information provided in the enclosed Ongoing OPEB Questionnaire & Due Diligence, Keenan Financial Services has completed a review of the current retiree health benefits and other post employment benefits (OPEB) for the Sierra Joint Community College District.

According to the information provided, changes occurred during the past plan year (July 1, 2010 – June 30, 2011) that would require updates to the District’s Substantive Plan Volume II. These changes were necessary due to updates to the Sierra Joint Community College District's modifications of program provisions or changes in insurance carriers of the Health Benefits Program provided to retirees. Please accept the updated electronic copy of the Sierra Joint Community College District Substantive Volume II, and file accordingly.

Any changes that take place after June 30, 2011 will be captured during the next annual review of the Futuris Comprehensive Compliance plan.

Thank you for allowing us to service the Sierra Joint Community College District Futuris Public Entity Investment Program. Please let us know if you have any questions.

Sincerely,

[Signature]

Roslyn Washington  
Account Manager  
Keenan Financial Service  
(800) 444-9995x3610

Enclosures
Ongoing OPEB Questionnaire & Due Diligence

PUBLIC ENTITY EMPLOYER NAME: Sierra Joint Community College District

PLAN YEAR __July 1, 2010 - June 30, 2011___

To help us understand & determine ongoing Other Post Employment Benefits (OPEB) provided for retirees of the Public Entity Employer, please complete the following questionnaire.

1. To determine OPEB ongoing liabilities, has a current Actuarial Valuation Report been produced & updated per GASB mandate? __Yes___ __No___
   Date of most current Actuarial Valuation Report __2/1/2010___

2. Who is the Actuary that completed the Valuation Report?
   Dennis Daugherty, Nicolay Consulting Group

3. Have there been any changes/modifications to Bargaining Agreements recently (within this past year) that affect Retirees OPEB?
   - Yes___ __No___
   Date of most current Bargaining Agreement __9/12/2009___

   - Yes___ __No___
   Date of most current Bargaining Agreement __10/2/2005___

   - Yes___ __No___
   Date of most current Bargaining Agreement __2/21/2007___

   - Yes___ __No___
   Date of most current Bargaining Agreement ____________

4. Have there been modifications of program provisions or changes in insurance carriers of the Health Benefits Program provided to retirees of the Employer in the past year?
   - Yes___ __No___

5. Are Spouses, Domestic Partners or Dependents covered under the Health Benefits provided to retirees of the Employer?
   - Yes___ __No___

6. Have there been modifications of program provisions or changes in insurance carriers of the Dental Benefits provided to retirees of the Employer?
   - Yes___ __No___
Ongoing OPEB Questionnaire & Due Diligence

7. Are Spouses, Domestic Partners or Dependents covered under Dental Benefits provided to retirees of the Employer? [ ] Yes [ ] No

8. Have there been any modifications of any separate Prescription Drug Plan provided for retirees of the Employer (including benefits for dependents)? [ ] Yes [ ] No

9. Are there any changes to Retiree Benefits provided for disabled employees within the past year? [ ] Yes [ ] No

10. Are Long Term Care Benefits provided for retirees of the Employer? [ ] Yes [ ] No

11. Are there any changes to other insurance coverage provided for retirees of the Employer, including their dependents? (i.e., Life Insurance, change of carriers, changes regarding how much of the premium is paid by the Employer versus the Retiree, etc.) [ ] Yes [ ] No

If the answer to No.11 is Yes, please list additional insurance coverage and any changes here or on a separate page.

12. Within the past year, have there been changes to any other arrangements or commitments for the Employer to pay for the cost of any post retirement benefits (other than pension benefits). This would be applicable to any employee or employee contract or bargaining agreement that may be in place between the employee(s), the bargaining unit and the Employer. [ ] Yes [ ] No

If the answer to No.12 is Yes, please list details below or on a separate page.

Keenan
Ongoing OPEB Questionnaire & Due Diligence

13 Within the past year, have there been changes to any other arrangements or commitments for the Employer to pay for the costs of any dependent of a retired Employee of the Employer?

☐ Yes  ☐ No

If the answer to No. 13 is Yes, please list additional costs, benefits, etc. here or on a separate page.

14 There are NO updates required at this time.

QUESTONNAIRE COMPLETED BY: Keenan Service Rep (Printed name and Signature)

PUBLIC ENTITY EMPLOYER ACKNOWLEDGEMENT: Keenan Service Rep (Printed name and Signature)

DATE: 7/6/2011

Keenan
BACKGROUND:

California Government Code 53216.4 requires an annual reporting of the funds held in the Investment Trust to participants and their beneficiaries.

STATUS:

The Retirement Board of Authority approved the method of how the reporting on the status of funds held in trust will be made in compliance with California Government Code 53216.4. The Retirement Board of Authority established Investment Trust beneficiary reporting protocols which should be acknowledged by a motion of the Board.

RECOMMENDATION:

The Retirement Board of Authority will review the report as necessary and take appropriate action.
ANNUAL REPORT FOR THE  
SIERRA JOINT COMMUNITY COLLEGE DISTRICT  
FUTURIS TRUST

The Sierra Joint Community College District has established the Futuris Public Entity Investment Trust. This Trust is an IRS Section 115 Trust that is used for the purposes of investment and disbursement of funds irrevocably designated by the District for the payment of its obligations to eligible employees (and former employees) of the District and their eligible dependents and beneficiaries for life, sick, hospitalization, major medical, accident, disability, dental and other similar benefits (sometimes referred to as “other post-employment benefits,” or “OPEB”), in compliance with governmental Accounting Statement Nos. 43 and 45.

The Governmental Accounting Standards Board (GASB) adopted Statements 43 and 45 for public sector employers to identify and report their Other Post-Employment Benefits (OPEB) liabilities. GASB Statements 43 and 45 establish uniform financial reporting standards for OPEB and improve relevance and usefulness of the reporting. In particular, the statements require systematic, accrual-based measurement and recognition of OPEB expenses over the employees’ years of service as well as providing information regarding the progress being made toward funding the plan.

GASB 43 establishes uniform financial reporting standards for OPEB Plans, while GASB 45 establishes uniform financial reporting standards for Employers. Both of these standards provide instructions for calculating expenses and liabilities as well as requiring supplementary information schedules to be added to the year-end financial reports.

The District has created a Retirement Board of Authority consisting of District personnel to oversee and run the Futuris Trust. Benefit Trust Company is the qualified Discretionary Trustee for asset and fiduciary management and investment policy development. Keenan & Associates is the Program Coordinator for the Futuris Trust providing oversight of the Futuris program and guidance to the District.

The fiscal year 2010-2011 annual statement for the Trust is available at www.sierracollege.edu/. This statement shows (as of the date of the statement): the total assets in the Trust, the market value, the book value, all contribution and distribution activity (including all fees and expenses associated with the Trust), income activity, purchase activity, sale activity, and realized gains and losses. Please note that the Trust is not itself an employee benefit plan. Rather, the assets in the Trust are irrevocably designated for the funding of employee benefit plans. You are being provided this information pursuant to California Government Code Section 53216.4.

For more information regarding the Futuris Public Entity Investment Trust, please contact the Director of Finance at (916) 660-7603 with the Sierra Joint Community College District.
SIERRA JOINT COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO: Retirement Board of Authority

DATE: 12/07/2011

SUBJECT: Status of Actuarial Valuation Study

ITEM #: 2011/2012-010

Enclosure: Yes

Action Item: No

Prepared by: Keenan Financial Services

Requested by: Retirement Board of Authority

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 of the District’s Actuarial Valuation Study and discuss the recent Exposure Draft from the Governmental Accounting Standards Board (GASB).

RECOMMENDATION:

The Retirement Board of Authority should receive the information presented and file the information accordingly.
SIERRA COMMUNITY
COLLEGE DISTRICT

Actuarial Valuation of
Postemployment Health Benefits
Valuation Date: July 1, 2010
July 1, 2011

Ms. Linda Fisher
Manager, Finance
Sierra Community College District
5000 Rocklin Road
Rocklin, California 95677

Dear Ms. Fisher:

Re: Actuarial Valuation of Postemployment Healthcare Plans

The Nicolay Consulting Group is pleased to present the results of the July 1, 2010 actuarial valuation of the postemployment health insurance program that Sierra Community College provides to employees who were hired prior to July 1, 1994. In preparing this report, we relied on employee data and plan information supplied by the District and its broker. On the basis of that information, this report has been prepared in accordance with generally accepted actuarial principles and methods. It is our opinion that the actuarial assumptions used are reasonably related to the actual experience of the plan and to anticipated future experience.

The financial projections presented in this letter are intended for the District’s internal use in evaluating the potential cost of the retiree health programs. Because future events frequently do not occur as expected, it should be recognized that there are usually differences between anticipated and actual results. These differences may be material. Consequently, we can express no assurance that the projected values will occur. We recommend that the District obtain an updated actuarial valuation on a periodic basis.

I, the undersigned, meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. Questions about the report should be directed to Dennis Daugherty at (415) 512-5300 x221

Sincerely,

Nicolay Consulting

Dennis Daugherty, F.S.A.
Member, American Academy of Actuaries
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SECTION I

Introduction

Sierra Community College District provides postretirement medical benefits to retirees who satisfy plan eligibility requirements. The amounts presented in this report are based on the closed group of active employees, retirees and dependents who were hired prior to July 1, 1994. This report provides an estimate of the District’s liability as of July 1, 2010, an illustration of GASB 45 accrual accounting requirements and a ten-year projection of the pay-as-you-go cost to provide the benefits. Section II contains valuation results. Section III describes the plans and presents a demographic summary. Section IV lists the actuarial assumptions used to complete the valuation. Section V contains a Glossary of terms.

Accounting Requirements

In July 2004 the Governmental Accounting Standards Board issued Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This statement requires governmental entities to account for postretirement benefits on an accrual basis. Each employee’s benefit will “accrue” throughout their working lifetime and that employers are now required to show the annual accruals as a current year expense. We understand that the District adopted Statement 45 in the 2008-2009 fiscal year.
SECTION II
Valuation Results

Tables 2-1 and 2-2 contain the estimated present values of the cost to provide postemployment medical benefits to current retirees and employees who are expected to receive the benefit. The present values are based on a 4.50% discount rate.

A primary goal of GASB 45 is to require employers to recognize postemployment healthcare expense systematically over periods approximating employees' years of service. The Actuarial Accrued Liability is the estimated present value of future benefits that are associated with past service rendered by employees and retirees.

Table 2-1
Actuarial Accrued Liability
(i.e., Present Value of Future Benefits attributable to past service)
as of July 1, 2010

<table>
<thead>
<tr>
<th></th>
<th>Faculty and Administrative Employees and Board Members</th>
<th>Classified Supervisory and Confidential Employees</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Employees</td>
<td>$12,718,097</td>
<td>$12,559,672</td>
<td>$25,277,769</td>
</tr>
<tr>
<td>Retirees and Dependents</td>
<td>$27,851,001</td>
<td>$23,934,742</td>
<td>$51,785,743</td>
</tr>
<tr>
<td>Total</td>
<td>$40,569,098</td>
<td>$36,494,414</td>
<td>$77,063,512</td>
</tr>
</tbody>
</table>

Table 2-2

Actuarial Accrued Liability
as of July 1, 2010

<table>
<thead>
<tr>
<th></th>
<th>Medical</th>
<th>Medicare Part B</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Employees</td>
<td>$21,469,098</td>
<td>$3,808,671</td>
<td>$25,277,769</td>
</tr>
<tr>
<td>Retirees and Deps</td>
<td>$44,509,939</td>
<td>$7,275,804</td>
<td>$51,785,743</td>
</tr>
<tr>
<td>Total</td>
<td>$65,979,037</td>
<td>$11,084,475</td>
<td>$77,063,512</td>
</tr>
</tbody>
</table>

Projected Health Benefit Costs
Table 2-3 contains a twenty-year projection of the District’s cost to provide postemployment benefits to current and future retirees. The cost estimates are based on expected age-adjusted retiree claim costs. GASB 45 requires accounting for postemployment healthcare benefits based on claim costs, or age-adjusted claims costs approximating claims costs.

Table 2-3

Projected Future Annual Cost of Postemployment Healthcare Benefits

<table>
<thead>
<tr>
<th>Year</th>
<th>Estimated Retiree Age-Adjusted Claim Cost</th>
<th>Year</th>
<th>Estimated Retiree Age-Adjusted Claim Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011/12</td>
<td>$3,339,619</td>
<td>2021/22</td>
<td>$5,147,811</td>
</tr>
<tr>
<td>2012/13</td>
<td>$3,564,808</td>
<td>2022/23</td>
<td>$5,302,738</td>
</tr>
<tr>
<td>2013/14</td>
<td>$3,767,087</td>
<td>2023/24</td>
<td>$5,417,458</td>
</tr>
<tr>
<td>2014/15</td>
<td>$3,971,936</td>
<td>2024/25</td>
<td>$5,451,640</td>
</tr>
<tr>
<td>2015/16</td>
<td>$4,141,083</td>
<td>2025/26</td>
<td>$5,437,528</td>
</tr>
<tr>
<td>2016/17</td>
<td>$4,360,302</td>
<td>2026/27</td>
<td>$5,467,972</td>
</tr>
<tr>
<td>2017/18</td>
<td>$4,555,993</td>
<td>2027/28</td>
<td>$5,466,341</td>
</tr>
<tr>
<td>2018/19</td>
<td>$4,690,086</td>
<td>2028/29</td>
<td>$5,398,725</td>
</tr>
<tr>
<td>2019/20</td>
<td>$4,848,175</td>
<td>2029/30</td>
<td>$5,301,149</td>
</tr>
</tbody>
</table>
Health Benefit Costs Under GASB 45

The following Tables provide illustrations of the liability and financial statement expense that will appear in the District's financial statement for the fiscal year beginning July 1, 2010. We understand that as of June 30, 2010 the District's Benefit Trust contained $6,813,723.

Normal Cost is the portion of the actuarial present value of future benefits that is allocated to a particular year. Another interpretation is that the Normal Cost is the present value of future benefits that are “earned” by employees for service rendered during the current year. This valuation is based on the Projected Unit Credit method of calculation and an attribution period that runs from date of hire until the expected retirement date.

The District elected level dollar amortization of its Unfunded Actuarial Accrued Liability over a closed 30-year period commencing in the 2008/09 fiscal year. As of July 1, 2010 the remaining amortization period is 28 years.

Table 2-4 presents the District’s Actuarial Accrued Liability, Plan Assets and Annual Required Contribution.

<table>
<thead>
<tr>
<th>Table 2-4</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of 2010/2011 Fiscal Year</td>
<td></td>
</tr>
<tr>
<td>OPEB* Annual Required Contribution and Annual OPEB Cost</td>
<td></td>
</tr>
<tr>
<td>based on a 4.50% discount rate</td>
<td></td>
</tr>
<tr>
<td>Actuarial Accrued Liability</td>
<td>$77,063,512</td>
</tr>
<tr>
<td>Actuarial Value of Assets</td>
<td>$6,813,723</td>
</tr>
<tr>
<td>Unfunded Actuarial Accrued Liability</td>
<td>$70,249,789</td>
</tr>
<tr>
<td>Remaining Amortization Period</td>
<td>28 years</td>
</tr>
<tr>
<td>Amortization Factor (based on 4.50% Discount Rate)</td>
<td>15.743</td>
</tr>
<tr>
<td>Annual Level Dollar Amortization of Unfunded AAL</td>
<td>$4,462,323</td>
</tr>
<tr>
<td>Normal Cost (based on the Projected Unit Credit Method)</td>
<td>$1,014,222</td>
</tr>
<tr>
<td>Annual Required Contribution</td>
<td>$5,476,545</td>
</tr>
<tr>
<td>Interest on net OPEB Obligation</td>
<td>($70,449)</td>
</tr>
<tr>
<td>Adjustment to ARC</td>
<td>$99,443</td>
</tr>
<tr>
<td>Annual OPEB Cost</td>
<td>$5,505,539</td>
</tr>
</tbody>
</table>

* Other Postemployment Benefits
Table 2-5 presents a five-year projection under the assumptions that the District makes small annual contributions to the Trust, does not take any withdrawals from the Trust, the Trust earns 4.50% annually, the discount rate remains 4.50% and the Normal Cost component of the ARC decreases 4% per year throughout the five-year period.

<table>
<thead>
<tr>
<th>Table 2-5</th>
<th>Sierra Community College District</th>
</tr>
</thead>
<tbody>
<tr>
<td>Five-year Projection of Annual OPEB Cost and Net OPEB Obligation</td>
<td></td>
</tr>
<tr>
<td>Based on a 4.50% discount rate and</td>
<td></td>
</tr>
<tr>
<td>assuming full pay-as-you-go funding plus small annual contributions to the</td>
<td></td>
</tr>
<tr>
<td>Trust</td>
<td></td>
</tr>
<tr>
<td>2010/11</td>
<td>2011/12</td>
</tr>
<tr>
<td>Actuarial Accrued Liability (AAL)</td>
<td>$77,063,512</td>
</tr>
<tr>
<td>Actuarial Value of Assets at beginning of year</td>
<td>$6,813,723</td>
</tr>
<tr>
<td>Unfunded Actuarial Accrued Liability (UAAL)</td>
<td>$70,249,789</td>
</tr>
<tr>
<td>Remaining Amortization Period</td>
<td>28</td>
</tr>
<tr>
<td>Normal Cost</td>
<td>$1,014,222</td>
</tr>
<tr>
<td>Amortization of UAAL</td>
<td>$4,462,323</td>
</tr>
<tr>
<td>Annual Required Contribution (ARC)</td>
<td>$5,476,545</td>
</tr>
<tr>
<td>Annual Required Contribution (ARC)</td>
<td></td>
</tr>
<tr>
<td>Interest on net OPEB Obligation</td>
<td>($70,449)</td>
</tr>
<tr>
<td>Adjustment to ARC</td>
<td>($99,443)</td>
</tr>
<tr>
<td>Annual OPEB Cost</td>
<td>$5,605,539</td>
</tr>
<tr>
<td>Age-adjusted retiree cost plus Trust Contributions</td>
<td>($3,318,215)</td>
</tr>
<tr>
<td>Increase in net OPEB Obligation</td>
<td>$2,187,324</td>
</tr>
<tr>
<td>Net OPEB Obligation – Beginning of Year</td>
<td>($1,565,523)</td>
</tr>
<tr>
<td>Net OPEB Obligation – End of Year</td>
<td>$621,801</td>
</tr>
<tr>
<td>Estimated Age-adjusted retiree cost</td>
<td>$3,170,215</td>
</tr>
</tbody>
</table>
SECTION III
Plan Description and Demographic Summary

Plan Description
The District offers WHA and Kaiser plans to participating retirees who are not yet eligible for Medicare. Medicare eligible retirees have a choice of the Kaiser Senior Advantage program or a Hartford Medicare Supplement and US Scripts Prescription Drug plan. The District pays the required premiums to the health plans. The District pays the Medicare Part B premium for retirees who request reimbursement.

Eligibility and Benefits

Faculty Employees, Administrative Employees and Board Members

<table>
<thead>
<tr>
<th>Hire Date</th>
<th>Eligibility Rule</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior to November 27, 1984</td>
<td>Attainment of age 55</td>
<td>Lifetime medical coverage for retirees.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Spouses receive coverage while the retiree is alive. Surviving spouses are covered until remarriage.</td>
</tr>
<tr>
<td>From November 27, 1984 through June 30, 1988</td>
<td>Attainment of age 55</td>
<td>Lifetime medical coverage for retirees.</td>
</tr>
<tr>
<td></td>
<td>At least 5 years of full-time service with the District</td>
<td>Spouses receive coverage while the retiree is alive. Surviving spouses are covered until remarriage.</td>
</tr>
<tr>
<td>On or after July 1, 1988</td>
<td>Attainment of age 55</td>
<td>Lifetime medical coverage for retirees.</td>
</tr>
<tr>
<td></td>
<td>At least 12 years of full time service with the District</td>
<td>Spouses receive coverage while the retiree is alive. Surviving spouses are covered for three months.</td>
</tr>
<tr>
<td>On or after July 1, 1994, except on or after January 1, 1995 for Board Members (per Education Code Section 53201)</td>
<td>N/A</td>
<td>None</td>
</tr>
</tbody>
</table>
## Classified, Supervisory and Confidential Employees

<table>
<thead>
<tr>
<th>Hire Date</th>
<th>Eligibility Rule</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior to December 10, 1985</td>
<td>Attainment of age 55</td>
<td>Lifetime medical coverage for retirees. Spouses receive coverage while</td>
</tr>
<tr>
<td></td>
<td></td>
<td>the retiree is alive. Surviving spouses are covered until remarriage.</td>
</tr>
<tr>
<td>Between December 10, 1985 and June 30, 1986</td>
<td>Attainment of age 55</td>
<td>Lifetime medical coverage for retirees. Spouses receive coverage while</td>
</tr>
<tr>
<td></td>
<td>At least 5 years of full time service with the District</td>
<td>the retiree is alive. Surviving spouses are covered for three months.</td>
</tr>
<tr>
<td>On or after July 1, 1986</td>
<td>Attainment of age 55</td>
<td>Lifetime medical coverage for retirees. Spouses receive coverage while</td>
</tr>
<tr>
<td></td>
<td>At least 15 years of full-time service with the District</td>
<td>the retiree is alive. Surviving spouses are covered for three months.</td>
</tr>
<tr>
<td>On or after July 1, 1994</td>
<td>N/A</td>
<td>None</td>
</tr>
</tbody>
</table>
Demographic Data
The District provided demographic information as of July 2010. Tables 3-1 and 3-2 summarize this information for active employees hired prior to July 1, 1994. Table 3-3 contains retiree information.

Table 3-1
Faculty Employees, Administrative Employees and Board Members
as of July 1, 2010

<table>
<thead>
<tr>
<th>Age</th>
<th>5-9</th>
<th>10-14</th>
<th>15-19</th>
<th>20-24</th>
<th>25+</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 40</td>
<td>0</td>
<td>0</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>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>45-49</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>50-54</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>3</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>55-59</td>
<td>0</td>
<td>0</td>
<td>6</td>
<td>2</td>
<td>6</td>
<td>14</td>
</tr>
<tr>
<td>60-64</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>10</td>
<td>9</td>
<td>24</td>
</tr>
<tr>
<td>65+</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>0</td>
<td>0</td>
<td>17</td>
<td>18</td>
<td>21</td>
<td>56</td>
</tr>
</tbody>
</table>

Table 3-2
Classified, Supervisory and Confidential Employees
as of July 1, 2010

<table>
<thead>
<tr>
<th>Age</th>
<th>5-9</th>
<th>10-14</th>
<th>15-19</th>
<th>20-24</th>
<th>25+</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 40</td>
<td>0</td>
<td>0</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>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>45-49</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>4</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>50-54</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>7</td>
<td>4</td>
<td>18</td>
</tr>
<tr>
<td>55-59</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>6</td>
<td>6</td>
<td>15</td>
</tr>
<tr>
<td>60-64</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>7</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td>65+</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>0</td>
<td>0</td>
<td>20</td>
<td>24</td>
<td>15</td>
<td>59</td>
</tr>
</tbody>
</table>
### Table 3-3

**Retirees and Surviving Spouses Currently Receiving Benefits**

as of July 1, 2010

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>50-54</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>55-59</td>
<td>2</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>60-64</td>
<td>19</td>
<td>23</td>
<td>42</td>
</tr>
<tr>
<td>65-69</td>
<td>28</td>
<td>27</td>
<td>55</td>
</tr>
<tr>
<td>70-74</td>
<td>30</td>
<td>17</td>
<td>47</td>
</tr>
<tr>
<td>75-79</td>
<td>24</td>
<td>27</td>
<td>51</td>
</tr>
<tr>
<td>80-84</td>
<td>16</td>
<td>14</td>
<td>30</td>
</tr>
<tr>
<td>85-89</td>
<td>11</td>
<td>10</td>
<td>21</td>
</tr>
<tr>
<td>90+</td>
<td>7</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td>137</td>
<td>132</td>
<td>269</td>
</tr>
</tbody>
</table>

167 spouses are also receiving benefits.
SECTION IV

Actuarial Method and Assumptions

Methodology

The valuation process uses a mathematical model to project the number of retirees and dependents in each future year. The health care trend rate assumption is used to project per capita health care costs. The expected benefits payable in each future year are calculated based on the projected number of retirees and dependents and the projected per capita costs.

The present value of the future benefits is calculated by discounting the expected benefit payments back to the valuation date. The present value of future benefits is then attributed to periods of an individual's active employment.

The Projected Unit Credit (PUC) attribution method was used to complete this valuation. Under the Projected Unit Credit method the projected benefit for each employee is treated as if it is earned ratably over that employee's period of service from the date of hire to the expected date of retirement. The Normal Cost for the plan in a given year is the sum of the costs of the present value of future benefits "earned" by each employee for that year of service. Under the PUC method, the Normal Cost at the time of adoption of accrual accounting is the same as it would have been if accrual accounting had occurred in the past. The amount that would have been accrued to that date is called the Actuarial Accrued Liability.

In order to project District liabilities into the future, a number of economic, demographic, and baseline cost assumptions are necessary. We used the demographic assumptions that were used in recent California PERS and STRS pension valuations.
Valuation Date
The valuation date is July 1, 2010. This date is the starting point from which current health premium costs are increased according to the assumed annual rates of health care cost trend. The District census is projected from the valuation date to the date of the final benefit payment for each employee and retiree on the census. After calculating future costs for the projected retiree and dependent population, all liabilities are discounted back to the valuation date to obtain the present value of future costs.

Economic Assumptions
Health Care Trend
GASB 45 requires that the valuations be based on the "substantive plan". That is, the valuation should be based on an employer’s past practices and the plan as it is understood by employees and retirees. We assumed that the District will continue its recent practice of periodically modifying its postemployment medical plans by increasing copayment and deductible provisions.

We used the annual trend rates shown in Table 4-1. These rates represent our best estimate of the future annual rate of increase in the District’s healthcare costs.

<table>
<thead>
<tr>
<th>Year</th>
<th>Medical</th>
<th>Medicare Part B</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>7.6%</td>
<td>7.6%</td>
</tr>
<tr>
<td>2013</td>
<td>7.3%</td>
<td>7.3%</td>
</tr>
<tr>
<td>2014</td>
<td>7.0%</td>
<td>7.0%</td>
</tr>
<tr>
<td>2015</td>
<td>6.7%</td>
<td>6.7%</td>
</tr>
<tr>
<td>2016</td>
<td>6.4%</td>
<td>6.4%</td>
</tr>
<tr>
<td>2017</td>
<td>6.1%</td>
<td>6.1%</td>
</tr>
<tr>
<td>2018</td>
<td>5.8%</td>
<td>5.8%</td>
</tr>
<tr>
<td>2019 and later</td>
<td>5.5%</td>
<td>5.5%</td>
</tr>
</tbody>
</table>
Discount Rate

Present value calculations are based on an assumed discount rate. Paragraph 13c of GASB 45 specifies that the discount rate “should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits.” The District selected a 4.50% discount rate for use in this valuation.

Baseline Cost

Estimates of retiree health benefit obligations are normally based on current costs for a one year period. We refer to this as the baseline cost. The components of baseline cost, such as average per capita cost, and the current plan population are projected into the future to estimate the cost of future benefits.

Paragraph 13a(2) of GASB 45 specifies that “When an employer provides benefits to both active employees and retirees through the same plan, the benefits to retirees should be segregated for actuarial measurement purposes, and the projection of future retiree benefits should be based on claims costs, or age-adjusted premiums approximating claims costs, for retirees, in accordance with actuarial standards, issued by the Actuarial Standards, Board.”

On January 1, 2011 the District made significant changes in its plan offerings. Blue Shield plans were replaced with WHA plans. Kaiser, Kaiser Senior Advantage and Hartford/US Scripts plans are still offered. In this valuation we used the 2011 premium rates to develop the 2010/11 valuation baseline cost.
### Table 4-2

#### 2011 Calendar Year

**Monthly Premium Rates**

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>High Option</th>
<th>Low Option</th>
<th>KPIC (PPO)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Kaiser</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Active Employees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee</td>
<td>$459.83</td>
<td>$412.87</td>
<td>$794.94</td>
</tr>
<tr>
<td>Employee + 1 Dep.</td>
<td>$919.66</td>
<td>$825.74</td>
<td>$1,589.87</td>
</tr>
<tr>
<td>Family</td>
<td>$1,301.46</td>
<td>$1,168.57</td>
<td>$2,250.01</td>
</tr>
<tr>
<td><strong>Early Retirees</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retiree</td>
<td>$384.32</td>
<td>$344.93</td>
<td>$1,138.16</td>
</tr>
<tr>
<td>Retiree + 1 Dependent</td>
<td>$768.64</td>
<td>$689.87</td>
<td>$2,276.33</td>
</tr>
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<td>$110.50 if age 65 was attained in 2010</td>
<td>$115.40 if age 65 is attained in 2011</td>
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The rates shown in Table 4-2 are one of the components used in the development of age specific estimates of the District’s “true cost” of postemployment medical coverage. Other factors used in the development are the enrollment of active employees and retirees in the various plans and our database of retiree claim data. This database provides a view of how medical claim costs typically vary by age. The result of our analysis is shown in Table 4-3. These annual costs were used in the valuation.
Table 4-3
Postemployment Medical Baseline Costs for Selected Ages for the Plan year beginning July 1, 2010

Expected Annual Cost per retiree, dependent spouse or surviving spouse

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Contributions
Retirees are not required to contribute any portion of the cost of their postemployment coverage. Medicare Part B premium costs are reimbursed by the District if a retiree requests reimbursement.

Administrative Expenses
We did not include any internal administrative expenses in this valuation.

Plan Assets
As of June 30, 2010 the District’s Trust Fund balance was $6,813,723. The District does not anticipate withdrawing funds from the Trust and will continue to make modest contributions. The 2010/11 contribution is anticipated to be $148,000. Contributions in the 2011/12 and following years are anticipated to be $132,000.
Demographic Assumptions
In estimating this obligation, a number of demographic assumptions are needed. In most cases, the same demographic assumptions used in valuing an employer's pension obligation can be used in projecting retiree health care obligations. In most instances, we used the same demographic assumptions that were used in recent California PERS and STRS valuations.

Census Data
The District provided census data as of July 1, 2010.

Health Plan Participation
We assumed that when they retire 100% of eligible employees will enroll in the postretirement medical program.

Based on past patterns we assumed that 85% of retirees and spouses who are age 65 or older will apply for reimbursement of Medicare Part B premium.

Dependent Participation
Based on the enrollment pattern of active employees and retirees who are younger than age 65 we assumed that 80% of future retirees will enroll a spouse. Female spouses are assumed to be three years younger than male spouses.

Medicare Coverage
We assumed all current and future retirees are/will be eligible for and enroll in Medicare.

Disablement
Because of the anticipated low rate of disability among District employees we did not value disability retirement.

Withdrawal
Because all employees included in this valuation have at least 16 years of service we assumed there will not be any future withdrawals from this group.
Retirement Rates
The rates shown in Table 4-4 and Table 4-5 match rates that were used in recent PERS and STRS pension valuations.

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Mortality
Table 4-6 and Table 4-7 contain samples of mortality rates used in the valuation. These rates match those used in recent PERS and STRS pension valuations.

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SECTION V
Glossary

- **Accrual Accounting** – A method of matching the cost of an employee’s service, including long term obligations such as OPEB, to that employee’s period of active service.

- **Actuarial Accrued Liability (AAL)** – The Actuarial Present Value of all postemployment benefits attributable to past service. Note: the AAL is sometimes referred to as the Past Service Liability.

- **Actuarial Cost Method** – A procedure for allocating the actuarial present value of 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. 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

- **Actuarial Valuation** – The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets and related Actuarial Present Values.

- **Actuarial Value of Assets** – The value of cash, investments and other property belonging to a plan. These are amounts that may be applied to fund the Actuarial Accrued Liability. Note: assets must be segregated and placed in a Trust in order to be considered OPEB assets.

- **Amortization Payment** – That portion of the Annual OPEB cost which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.
In the year that Statement 45 becomes effective an employer is allowed to commence amortization of the Unfunded Actuarial Accrued Liability, over a period not to exceed 30 years.

- **Annual Other Postemployment Benefit (OPEB) Cost** - An accrual-basis measure of the periodic cost of an employer’s participation in a defined benefit OPEB plan. The annual OPEB cost is the amount that must be calculated and reported as an expense.

When an employer has no net OPEB obligation (e.g., in the year of implementation) the annual OPEB cost is equal to the Annual Required Contribution (ARC).

In subsequent years the Annual OPEB cost will include:

- the ARC (equal to the Normal Cost plus one year’s amortization of the Unfunded Actuarial Accrued Liability);
- one year’s interest on the net OPEB obligation at the beginning of the year using the valuation discount rate; and
- an adjustment to the ARC. This adjustment is intended to provide a reasonable approximation of that portion of the ARC that consists of interest associated with past contribution deficiencies. GASB Statement No. 45 specifies that this adjustment should be equal to an amortization of the discounted present value of the net OPEB obligation at the beginning of the year. The amortization should be calculated using the same amortization method and period used in determining the ARC for that year. If the net OPEB obligation is positive the adjustment should be deducted from the ARC.

- Note: As long as the net OPEB obligation is zero, there will not be any interest charge or adjustment to the ARC. However, if an employer does not contribute the full amount of the ARC, a net OPEB obligation will emerge.

- **Annual required contributions of the employer (ARC)** - The employer’s periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the parameters.

- **Defined benefit OPEB plan** - An OPEB plan having terms that specify the benefits to be provided at or after separation from employment. The benefits may be specified in dollars (for example, a flat dollar payment or an amount based on one or more factors, such as age, years of service, and compensation), or as a type or level of coverage (for example, prescription drugs or a percentage of healthcare insurance premiums).
• **Defined contribution plan** - A pension or OPEB plan having terms that (a) provide an individual account for each plan member and (b) specify how contributions to an active plan member’s account are to be determined, rather than the income or other benefits the member or his beneficiaries are to receive at or after separation from employment. Those benefits will depend only on the amounts contributed to the member’s account, earnings on investments of those contributions, and forfeitures of contributions made for other members that may be allocated to the member’s account. For example, an employer may contribute a specified amount to each active member’s postemployment healthcare account each month. At or after separation from employment, the balance of the account may be used by the member or on the member’s behalf for the purchase of health insurance or other healthcare benefits.

• **Employer’s contributions** - Contributions made in relation to the annual required contributions of the employer (ARC). An employer has made a contribution in relation to the ARC if the employer has (a) made payments of benefits directly to or on behalf of a retiree or beneficiary, (b) made premium payments to an insurer, or (c) irrevocably transferred assets to a trust, or an equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) or plan administrator.

• **Healthcare cost trend rate** - The rate of change in 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.

• **Investment return assumption (discount rate)** - The rate used to adjust a series of future payments to reflect the time value of money.

• **Net OPEB obligation** - The cumulative difference since the effective date of GASB Statement 45 between annual OPEB cost and the employer’s contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.

Most employers will have no net OPEB obligation at the beginning of the year in which Statement 45 is implemented.

If an employer contributes the annual OPEB cost to the plan each year, and there are no actuarial or investment gains or losses then the net OPEB Obligation will remain zero.

• **Normal Cost** - That portion of the Actuarial Present Value of benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. Another
interpretation is that the Normal Cost is the present value of future benefits that are "earned" by employees for service rendered during the current year.

- **OPEB assets** - The amount recognized by an employer for contributions to an OPEB plan greater than OPEB expenses.

- **OPEB expense** - The amount recognized by an employer in each accounting period for contributions to an OPEB plan on the accrual basis of accounting.

- **Other postemployment benefits (OPEB)** - Postemployment benefits other than pension benefits. Other postemployment benefits (OPEB) include postemployment healthcare benefits, regardless of the type of plan that provides them, and all postemployment benefits provided separately from a pension plan, except benefits defined as special termination benefits.

- **Plan assets** - Resources, usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, or in an equivalent arrangement, in which (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employer(s) or plan administrator, for the payment of benefits in accordance with the terms of the plan.

- **Present Value** – See Actuarial Present Value.

- **Projected Unit Credit Cost Method** – An actuarial cost method under which the projected benefits of each individual included in an Actuarial Valuation are separately calculated and allocated to each year service by a consistent formula.

- **Substantive plan** - The terms of an OPEB plan as understood by the employer(s) and plan members.

- **Unfunded Actuarial Accrued Liability (UAAL)** – The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.

- **Valuation date** – The date as of which the postretirement benefit obligation is determined.
The Sierra Joint Community College District approved authorizing the establishment of the Futuris Public Entity Investment Trust and the creation of the Retirement Board of Authority that will manage the District’s Public Entity Investment Trust.

The Retirement Board of Authority has been duly appointed by the Sierra Joint Community College District Board of Trustees and they will elect a Vice Chairperson.

The formally designated Retirement Board of Authority members will elect a Vice Chairperson.
BACKGROUND:

The establishment of an OPEB Trust that funds liabilities over the long term involves certain fiduciary liability for the Retirement Board of Authority members. Directors’ and Officers’ Insurance can be purchased to cover exposures related to the liability.

STATUS:

There will be an update on the status of obtaining Directors’ and Officers’ Insurance.

RECOMMENDATION:

The Retirement Board of Authority will make a decision as necessary and take appropriate action.
SIERRA JOINT COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO: Retirement Board of Authority

DATE: 12/07/2011

SUBJECT: Retirement Board of Authority (RBOA) Bylaws
ITEM #: 2011/2012-013
Enclosure: Yes
Action Item: Yes

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

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 Bylaws template in the creation of 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.
SIERRA JOINT COMMUNITY COLLEGE DISTRICT
FUTURIS RETIREMENT BOARD OF AUTHORITY
BYLAWS

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

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. If the Title of an existing Board member changes and that new title is not one of the designated titles 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.

2.3: The number of Board members will consist of such number of individuals that are deemed necessary by the governing body of the Sierra Joint CCD.

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

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

2.6: The Chair will act as the presiding officer for Board meetings.
2.7: 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.

2.8: Board meetings shall be conducted by the Chair. When the Chair is not present, the Vice Chair 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.

2.15: The Board may approve reimbursement for reasonable expenses incurred by Board members. All expenditures of funds shall be subject to Board approval.

2.16: The Board shall designate the Sierra Joint CCD, 5000 Rocklin Road, Rocklin, CA 95677 as the location at which it will receive notices, correspondence, and other communications and shall designate the Chair 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.
4: Retirement Board of Authority – Actuarial, Contribution & Withdrawal Parameters

4.1: The Board will acknowledge the amount of any contribution from the Sierra Joint CCD and deliver contributions and allocation instructions to the Trustee. Such contributions and allocation instructions 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 from the Trust.

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 response to all information requested by the Discretionary Trustee in a timely fashion.

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.

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

Updated 1-1-11
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:

There are pending requests for monies to be withdrawn from the Trust for the reimbursement of retiree premium payments.

RECOMMENDATION:

The Retirement Board of Authority should acknowledge any expenses and discuss the requests for future distributions.
Withdrawal Request Form

You are hereby authorized to process the following withdrawal from:

Futuris Account Name: Sierra Joint CCD
Futuris Account Number: 43-E008-06-6

Withdrawal Amount: $5,600.00

☐ Check Box 1 Mail check payable to Nicolay Consulting Group

Name
Attn: Dennis Daugherty
Address
575 Market Street, Suite 2450
Address
San Francisco, CA 94105
City, State, Zip

☐ Check Box 2 Send Electronic Fund Transfers (Fed Wires) to:

Bank Name
Bank Account Number
Bank Routing orABA#
Bank Address
Bank Contact Name and Phone Number

Submitted By: Kerri Hester Date: September 27, 2011

Approving Signature: [Signature]

Fax the signed form to 913-319-0381 Attn: Melissa Cassway
Scan and E-mail the signed form to: mcassway@benefittrust.com & srakin@benefittrust.com
TO: Sierra Community College District  
5000 Rocklin Road  
Rocklin, California 95677  

Attn: Ms. Linda Fisher  
Manager, Finance

Date: July 13, 2011  
Invoice No.: 343-2011-07

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<td>4. Internal review of the valuation results.</td>
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<td>5. Preparation of draft and final valuation reports entitled “Actuarial Valuation of Postemployment Healthcare Benefits”</td>
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<td></td>
</tr>
<tr>
<td>Principal Cash:</td>
<td>Income Shares/Par Change:</td>
<td></td>
</tr>
<tr>
<td>Check #: 16462</td>
<td>Broker Code:</td>
<td></td>
</tr>
<tr>
<td>Tax Code: 0 - NO TAX CONSEQUENCE</td>
<td>Vault #: 0</td>
<td></td>
</tr>
<tr>
<td>Income Code:</td>
<td>Disbursement Code: 600 - DISTRIBUTION TO</td>
<td></td>
</tr>
<tr>
<td>Funds Code: 0 - SAME DAY FUNDS</td>
<td>Market Value:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tax Cost:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Book Value:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Gain/Loss</td>
<td></td>
</tr>
</tbody>
</table>
BACKGROUND:

The District’s Investment Trust was created for the exclusive purpose of prefunding unfunded retiree OPEB liabilities.

STATUS:

The Retirement Board of Authority will discuss the timing of future prefunding transfers to the District’s Investment Trust for fiscal year 2011/2012.

RECOMMENDATION:

The Retirement Board of Authority will discuss and provide the information.
BACKGROUND:

Generally, states and their political subdivisions are not subject to taxation by the federal government. However, separate instrumentalities of states or political subdivisions, may be subject to taxation. These instrumentalities may avoid tax liability by establishing a trust under Internal Revenue Code Section 115. The Futuris program is set up to avoid tax liability through the use of such a trust. The Internal Revenue Service will review these Trusts, on a case-by-case basis, at the request of each public entity, for compliance with the tax code, and issue what is called a “Private Letter Ruling”. The Retirement Board of Authority may, in its discretion, hire outside counsel to prepare and submit a request for a Private Letter Ruling (PLR) to the IRS.

STATUS:

Brian Johnston of Polsinelli Shughart PC has had discussion with the IRS and has had substantive discussion about obtaining a PLR. Final approval is pending.

RECOMMENDATION:

The Retirement Board of Authority should receive the information.
November 18, 2011

Ms. Kerri Hester
Sierra College
5000 Rocklin Road
Rocklin, CA 95667-3337

Re: Futuris PLR Application Status GASB 43/45 Trust

Dear Ms. Hester:

The following is current summary update of the status of the pending IRS application for tax-exemption approval for the District’s trust that holds assets for funding of post-employment benefit obligations. All follow up questions and information requests made by IRS since our last meeting have been provided, and are presently under current review. We are not aware of any further questions or other informational needs by the IRS at this time. Our continued expectation is that this finally will lead to private letter approval determination very soon.

However, we again note and caution that even once this review process is completed, as part of standard IRS practice; it will still likely take a matter of several weeks for the actual approval letters to be issued in final form. The timing of this final review process may also be impacted by upcoming holidays and other mandatory unused vacation periods for which IRS representatives will be taking in the coming weeks. We will continue to diligently monitor developments during this period and as always, we will keep you apprised of any relevant information we gather as well. In the meantime, you should continue to operate the current trust arrangement as you have, which remains compliant with all applicable tax-exemption standards under Code Section 115.

Thank you for your continued cooperation and assistance. Please do not hesitate to contact me with any other questions in the meantime.

Very truly yours,

Brian M. Johnston

BMJ:mee

Chicago Dallas Denver Edwardsville Jefferson City Kansas City Los Angeles New York
Overland Park Phoenix St. Joseph St. Louis Springfield Topeka Washington, DC Wilmington DE

In California Polsinelli Shughart LLP
Appendices Page 191

2147352.1
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.
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.
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.
Appendix 11

RBOA minutes
February 12, 2009
I. CALL TO ORDER

The meeting was called to order by Executive Vice President of Keenan Financial Services, Steve Gedestad, at 9:49 AM.

II. ROLL CALL

MEMBERS
Director of Business Services
  Joyce Lopes
Associate Vice President, Human Resources
  Ron Martinez
Accounting Manager
  Linda Fisher
Systems Analyst/Senior Programmer
  John Lervold
Professor
  Todd Jensen

PROGRAM COORDINATOR
Executive Vice President
  Steve Gedestad
Senior Vice President
  absent-Gail Beal
Senior Vice President
  Bob Schoenherr

CONSULTANTS
None

GUESTS
See attached list

OTHER
None
III. APPROVAL OF AGENDA

2008/2009-056

A motion was made by Joyce Lopes, seconded by Todd Jensen, and unanimously carried to approve the Agenda with moving Agenda Item 2008/2009-060 to before 2008/2009-059.

IV. APPROVAL OF MINUTES

2008/2009-057

A motion was made by Joyce Lopes, seconded by John Lervold, and unanimously carried to approve the Minutes as presented.

V. CORRESPONDENCE

2008/2009-058

No correspondence presented.

VI. ADMINISTRATION

OPTIONS TO LOWER GASB LIABILITY

2008/2009-059

The Retirement Board reviewed a draft of the Nicolay Consulting Group’s Actuarial Valuation for July 1, 2008. There will be a review of the eligibility provisions to make sure they are correct. The discount rate that is being used is 7%.

The Retirement Board reviewed the GASB Liability Mitigation spreadsheet. The spreadsheet is to be forwarded to the OMNI group for their review and any action. It is not within the purview if the Retirement Board to make any recommendations concerning the design and funding of the retiree benefit. The Retirement’s Board’s sole responsibility is to invest the assets of the trust as laid out in Agenda Item 2008/2009-060 and the Investment Policy Statement.

REVIEW OF RETIREMENT BOARD OF AUTHORITY RESPONSIBILITIES

2008/2009-060

Members reviewed their responsibilities as outlined in the Trust Agreement for the Retirement Board of Authority.

VII. INFORMATION REPORTS

RETIREMENT BOARD OF AUTHORITY COMMENTS

2008/2009-061

There was no Retirement Board of Authority Comments.
PROGRAM COORDINATOR COMMENTS

There was no Program Coordinator or Consultant Comments.

VISITORS COMMENTS

There were no Visitor comments.

VIII. AGENDA ITEMS FOR NEXT MEETING

The next meeting is scheduled for May 1 for 12:30-2:00. Agenda items will focus on Trust Investment returns.

IX. ADJOURNMENT

A motion to adjourn was made by Todd Jensen, seconded by John Lervold and unanimously carried by the Board. The meeting was adjourned at 2:00 P.M.

Americans with Disabilities Act The Sierra Joint Community College District's Futuris 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 Futuris Retirement Board of Authority meeting, shall be made to: Joyce Lopes, Director of Business Services, Sierra Joint CCD, 5000 Rocklin Road, Rocklin, CA 95677.
SIERRA COMMUNITY COLLEGE DISTRICT

Actuarial Valuation of Postemployment Health Benefits
Valuation Date: July 1, 2010
July 1, 2011

Ms. Linda Fisher  
Manager, Finance  
Sierra Community College District  
5000 Rocklin Road  
Rocklin, California 95677

Dear Ms. Fisher:

Re: **Actuarial Valuation of Postemployment Healthcare Plans**

The Nicolay Consulting Group is pleased to present the results of the July 1, 2010 actuarial valuation of the postemployment health insurance program that Sierra Community College provides to employees who were hired prior to July 1, 1994. In preparing this report, we relied on employee data and plan information supplied by the District and its broker. On the basis of that information, this report has been prepared in accordance with generally accepted actuarial principles and methods. It is our opinion that the actuarial assumptions used are reasonably related to the actual experience of the plan and to anticipated future experience.

The financial projections presented in this letter are intended for the District’s internal use in evaluating the potential cost of the retiree health programs. Because future events frequently do not occur as expected, it should be recognized that there are usually differences between anticipated and actual results. These differences may be material. Consequently, we can express no assurance that the projected values will occur. We recommend that the District obtain an updated actuarial valuation on a periodic basis.

I, the undersigned, meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. Questions about the report should be directed to Dennis Daugherty at (415) 512-5300 x221

Sincerely,

Nicolay Consulting

[Signature]

Dennis Daugherty, F.S.A.
Member, American Academy of Actuaries
# Table of Contents

<table>
<thead>
<tr>
<th>SECTION</th>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>SECTION I</td>
<td>Introduction</td>
<td>1</td>
</tr>
<tr>
<td>SECTION II</td>
<td>Valuation Results</td>
<td>2</td>
</tr>
<tr>
<td>SECTION III</td>
<td>Plan Description and Demographic Summary</td>
<td>6</td>
</tr>
<tr>
<td>SECTION IV</td>
<td>Actuarial Method and Assumptions</td>
<td>10</td>
</tr>
<tr>
<td>SECTION V</td>
<td>Glossary</td>
<td>19</td>
</tr>
</tbody>
</table>
SECTION I

Introduction

Sierra Community College District provides postretirement medical benefits to retirees who satisfy plan eligibility requirements. The amounts presented in this report are based on the closed group of active employees, retirees and dependents who were hired prior to July 1, 1994. This report provides an estimate of the District’s liability as of July 1, 2010, an illustration of GASB 45 accrual accounting requirements and a ten-year projection of the pay-as-you-go cost to provide the benefits. Section II contains valuation results. Section III describes the plans and presents a demographic summary. Section IV lists the actuarial assumptions used to complete the valuation. Section V contains a Glossary of terms.

Accounting Requirements

In July 2004 the Governmental Accounting Standards Board issued Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This statement requires governmental entities to account for postretirement benefits on an accrual basis. Each employee’s benefit will “accrue” throughout their working lifetime and that employers are now required to show the annual accruals as a current year expense. We understand that the District adopted Statement 45 in the 2008-2009 fiscal year.
SECTION II

Valuation Results

Tables 2-1 and 2-2 contain the estimated present values of the cost to provide postemployment medical benefits to current retirees and employees who are expected to receive the benefit. The present values are based on a 4.50% discount rate.

A primary goal of GASB 45 is to require employers to recognize postemployment healthcare expense systematically over periods approximating employees’ years of service. The Actuarial Accrued Liability is the estimated present value of future benefits that are associated with past service rendered by employees and retirees.

<table>
<thead>
<tr>
<th>Table 2-1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial Accrued Liability (i.e., Present Value of Future Benefits attributable to past service) as of July 1, 2010</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Faculty and Administrative Employees and Members</th>
<th>Classified Supervisory and Confidential Employees</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$12,718,097</td>
<td>$12,559,672</td>
<td>$25,277,769</td>
</tr>
<tr>
<td>Retirees and Dependents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$27,851,001</td>
<td>$23,934,742</td>
<td>$51,785,743</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$40,569,098</td>
<td>$36,494,414</td>
<td>$77,063,512</td>
</tr>
</tbody>
</table>
Table 2-2

Actuarial Accrued Liability

as of July 1, 2010

<table>
<thead>
<tr>
<th></th>
<th>Medical</th>
<th>Medicare Part B</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Employees</td>
<td>$21,469,098</td>
<td>$3,808,671</td>
<td>$25,277,769</td>
</tr>
<tr>
<td>Retirees and Deps</td>
<td>$44,509,939</td>
<td>$7,275,804</td>
<td>$51,785,743</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$65,979,037</strong></td>
<td><strong>$11,084,475</strong></td>
<td><strong>$77,063,512</strong></td>
</tr>
</tbody>
</table>

Projected Health Benefit Costs

Table 2-3 contains a twenty-year projection of the District's cost to provide postemployment benefits to current and future retirees. The cost estimates are based on expected age-adjusted retiree claim costs. GASB 45 requires accounting for postemployment healthcare benefits based on claim costs, or age-adjusted claims costs approximating claims costs.

Table 2-3

Projected Future Annual Cost
of Postemployment Healthcare Benefits

<table>
<thead>
<tr>
<th>Estimated Retiree Age-Adjusted Claim Cost</th>
<th>Estimated Retiree Age-Adjusted Claim Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 2010/11</td>
<td>$3,170,215</td>
</tr>
<tr>
<td>Year 2011/12</td>
<td>$3,339,619</td>
</tr>
<tr>
<td>Year 2012/13</td>
<td>$3,564,808</td>
</tr>
<tr>
<td>Year 2013/14</td>
<td>$3,767,087</td>
</tr>
<tr>
<td>Year 2014/15</td>
<td>$3,971,936</td>
</tr>
<tr>
<td>Year 2015/16</td>
<td>$4,141,083</td>
</tr>
<tr>
<td>Year 2016/17</td>
<td>$4,360,302</td>
</tr>
<tr>
<td>Year 2017/18</td>
<td>$4,555,993</td>
</tr>
<tr>
<td>Year 2018/19</td>
<td>$4,690,086</td>
</tr>
<tr>
<td>Year 2019/20</td>
<td>$4,848,175</td>
</tr>
<tr>
<td>Year 2020/21</td>
<td>$5,020,030</td>
</tr>
<tr>
<td>Year 2021/22</td>
<td>$5,147,811</td>
</tr>
<tr>
<td>Year 2022/23</td>
<td>$5,302,738</td>
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<tr>
<td>Year 2023/24</td>
<td>$5,417,458</td>
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<tr>
<td>Year 2024/25</td>
<td>$5,451,640</td>
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<tr>
<td>Year 2025/26</td>
<td>$5,437,528</td>
</tr>
<tr>
<td>Year 2026/27</td>
<td>$5,467,972</td>
</tr>
<tr>
<td>Year 2027/28</td>
<td>$5,466,341</td>
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<tr>
<td>Year 2028/29</td>
<td>$5,398,725</td>
</tr>
<tr>
<td>Year 2029/30</td>
<td>$5,301,149</td>
</tr>
</tbody>
</table>
Health Benefit Costs Under GASB 45

The following Tables provide illustrations of the liability and financial statement expense that will appear in the District's financial statement for the fiscal year beginning July 1, 2010. We understand that as of June 30, 2010 the District's Benefit Trust contained $6,813,723.

Normal Cost is the portion of the actuarial present value of future benefits that is allocated to a particular year. Another interpretation is that the Normal Cost is the present value of future benefits that are "earned" by employees for service rendered during the current year. This valuation is based on the Projected Unit Credit method of calculation and an attribution period that runs from date of hire until the expected retirement date.

The District elected level dollar amortization of its Unfunded Actuarial Accrued Liability over a closed 30-year period commencing in the 2008/09 fiscal year. As of July 1, 2010 the remaining amortization period is 28 years.

Table 2-4 presents the District's Actuarial Accrued Liability, Plan Assets and Annual Required Contribution.

| Table 2-4 |
| Development of 2010/2011 Fiscal Year |
| OPEB* Annual Required Contribution and Annual OPEB Cost based on a 4.50% discount rate |
| ----------- |------------------- |
| Actuarial Accrued Liability | $77,063,512 |
| Actuarial Value of Assets | $6,813,723 |
| Unfunded Actuarial Accrued Liability | $70,249,789 |
| Remaining Amortization Period | 28 years |
| Amortization Factor (based on 4.50% Discount Rate) | 15.743 |
| Annual Level Dollar Amortization of Unfunded AAL | $4,462,323 |
| Normal Cost (based on the Projected Unit Credit Method) | $1,014,222 |
| Annual Required Contribution | $5,476,545 |
| Interest on net OPEB Obligation | ($70,449) |
| Adjustment to ARC | $99,443 |
| Annual OPEB Cost | $5,505,539 |

* Other Postemployment Benefits
Table 2-5 presents a five-year projection under the assumptions that the District makes small annual contributions to the Trust, does not take any withdrawals from the Trust, the Trust earns 4.50% annually, the discount rate remains 4.50% and the Normal Cost component of the ARC decreases 4% per year throughout the five-year period.

| Table 2-5 |
| Sierra Community College District |
| Five-year Projection of Annual OPEB Cost and Net OPEB Obligation |
| Based on a 4.50% discount rate and assuming full pay-as-you-go funding plus small annual contributions to the Trust |

<table>
<thead>
<tr>
<th></th>
<th>2010/11</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Actuarial Accrued Liability (AAL)</strong></td>
<td>$77,063,512</td>
<td>$78,304,832</td>
<td>$79,388,269</td>
<td>$80,251,315</td>
<td>$80,909,029</td>
</tr>
<tr>
<td><strong>Actuarial Value of Assets at beginning of year</strong></td>
<td>$6,813,723</td>
<td>$7,921,348</td>
<td>$7,373,795</td>
<td>$8,216,753</td>
<td>$8,721,444</td>
</tr>
<tr>
<td><strong>Unfunded Actuarial Accrued Liability (UAAL)</strong></td>
<td>$70,249,789</td>
<td>$77,103,918</td>
<td>$81,712,634</td>
<td>$88,649,643</td>
<td>$91,980,585</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Remaining Amortization Period</strong></th>
<th>28</th>
<th>27</th>
<th>26</th>
<th>25</th>
<th>24</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Normal Cost</strong></td>
<td>$1,014,222</td>
<td>$973,653</td>
<td>$934,707</td>
<td>$897,319</td>
<td>$861,426</td>
</tr>
<tr>
<td><strong>Amortization of UAAL</strong></td>
<td>$4,462,233</td>
<td>$4,597,230</td>
<td>$4,730,726</td>
<td>$4,857,941</td>
<td>$4,980,007</td>
</tr>
<tr>
<td><strong>Annual Required Contribution (ARC)</strong></td>
<td>$5,476,545</td>
<td>$5,570,883</td>
<td>$5,665,433</td>
<td>$5,755,260</td>
<td>$5,841,433</td>
</tr>
<tr>
<td><strong>Annual Required Contribution (ARC)</strong></td>
<td>$5,476,545</td>
<td>$5,570,883</td>
<td>$5,665,433</td>
<td>$5,755,260</td>
<td>$5,841,433</td>
</tr>
<tr>
<td><strong>Interest on net OPEB Obligation</strong></td>
<td>($70,449)</td>
<td>$27,981</td>
<td>$121,896</td>
<td>$207,922</td>
<td>$286,784</td>
</tr>
<tr>
<td><strong>Adjustment to ARC</strong></td>
<td>$99,443</td>
<td>($40,243)</td>
<td>($178,839)</td>
<td>($311,801)</td>
<td>($439,653)</td>
</tr>
<tr>
<td><strong>Annual OPEB Cost</strong></td>
<td>$5,605,539</td>
<td>$5,558,621</td>
<td>$5,608,490</td>
<td>$5,651,581</td>
<td>$5,688,564</td>
</tr>
<tr>
<td><strong>Age-adjusted retiree cost plus Trust Contributions</strong></td>
<td>($3,318,215)</td>
<td>($3,471,619)</td>
<td>($3,696,808)</td>
<td>($3,899,087)</td>
<td>($4,103,336)</td>
</tr>
<tr>
<td><strong>Increase in net OPEB Obligation</strong></td>
<td>$2,187,324</td>
<td>$2,087,002</td>
<td>$1,911,882</td>
<td>$1,752,014</td>
<td>$1,584,622</td>
</tr>
<tr>
<td><strong>Net OPEB Obligation – Beginning of Year</strong></td>
<td>($1,565,523)</td>
<td>$621,801</td>
<td>$2,708,803</td>
<td>$4,620,485</td>
<td>$6,372,979</td>
</tr>
<tr>
<td><strong>Net OPEB Obligation – End of Year</strong></td>
<td>$621,801</td>
<td>$2,708,803</td>
<td>$4,620,485</td>
<td>$6,372,979</td>
<td>$7,957,607</td>
</tr>
<tr>
<td><strong>Estimated Age-adjusted retiree cost</strong></td>
<td>$3,170,215</td>
<td>$3,339,619</td>
<td>$3,564,808</td>
<td>$3,767,087</td>
<td>$3,971,936</td>
</tr>
</tbody>
</table>
SECTION III
Plan Description and Demographic Summary

Plan Description
The District offers WHA and Kaiser plans to participating retirees who are not yet eligible for Medicare. Medicare eligible retirees have a choice of the Kaiser Senior Advantage program or a Hartford Medicare Supplement and US Scripts Prescription Drug plan. The District pays the required premiums to the health plans. The District pays the Medicare Part B premium for retirees who request reimbursement.

Eligibility and Benefits
Faculty Employees, Administrative Employees and Board Members

<table>
<thead>
<tr>
<th>Hire Date</th>
<th>Eligibility Rule</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior to November 27, 1984</td>
<td>Attainment of age 55</td>
<td>Lifetime medical coverage for retirees. Spouses receive coverage while the retiree is alive. Surviving spouses are covered until remarriage.</td>
</tr>
<tr>
<td>From November 27, 1984 through June 30, 1988</td>
<td>Attainment of age 55 At least 5 years of full-time service with the District</td>
<td>Lifetime medical coverage for retirees. Spouses receive coverage while the retiree is alive. Surviving spouses are covered until remarriage.</td>
</tr>
<tr>
<td>On or after July 1, 1988</td>
<td>Attainment of age 55 At least 12 years of full time service with the District</td>
<td>Lifetime medical coverage for retirees. Spouses receive coverage while the retiree is alive. Surviving spouses are covered for three months.</td>
</tr>
<tr>
<td>On or after July 1, 1994, except on or after January 1, 1995 for Board Members (per Education Code Section 53201)</td>
<td>N/A</td>
<td>None</td>
</tr>
</tbody>
</table>
### Classified, Supervisory and Confidential Employees

<table>
<thead>
<tr>
<th>Hire Date</th>
<th>Eligibility Rule</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior to December 10, 1985</td>
<td>Attainment of age 55</td>
<td>Lifetime medical coverage for retirees. Spouses receive coverage while the retiree is alive. Surviving spouses are covered until remarriage.</td>
</tr>
<tr>
<td>Between December 10, 1985 and June 30, 1986</td>
<td>Attainment of age 55 At least 5 years of full time service with the District</td>
<td>Lifetime medical coverage for retirees. Spouses receive coverage while the retiree is alive. Surviving spouses are covered for three months.</td>
</tr>
<tr>
<td>On or after July 1, 1986</td>
<td>Attainment of age 55 At least 15 years of full-time service with the District</td>
<td>Lifetime medical coverage for retirees. Spouses receive coverage while the retiree is alive. Surviving spouses are covered for three months.</td>
</tr>
<tr>
<td>On or after July 1, 1994</td>
<td>N/A</td>
<td>None</td>
</tr>
</tbody>
</table>
Demographic Data
The District provided demographic information as of July 2010. Tables 3-1 and 3-2 summarize this information for active employees hired prior to July 1, 1994. Table 3-3 contains retiree information.

Table 3-1
Faculty Employees, Administrative Employees and Board Members
as of July 1, 2010

<table>
<thead>
<tr>
<th>Age</th>
<th>5-9</th>
<th>10-14</th>
<th>15-19</th>
<th>20-24</th>
<th>25+</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 40</td>
<td>0</td>
<td>0</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>1</td>
<td>2</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>45-49</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>3</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>50-54</td>
<td>0</td>
<td>0</td>
<td>6</td>
<td>2</td>
<td>6</td>
<td>14</td>
</tr>
<tr>
<td>55-59</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>10</td>
<td>9</td>
<td>24</td>
</tr>
<tr>
<td>60-64</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>65+</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>0</td>
<td>0</td>
<td>17</td>
<td>18</td>
<td>21</td>
<td>56</td>
</tr>
</tbody>
</table>

Table 3-2
Classified, Supervisory and Confidential Employees
as of July 1, 2010

<table>
<thead>
<tr>
<th>Age</th>
<th>5-9</th>
<th>10-14</th>
<th>15-19</th>
<th>20-24</th>
<th>25+</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 40</td>
<td>0</td>
<td>0</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>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>45-49</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>4</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>50-54</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>7</td>
<td>4</td>
<td>18</td>
</tr>
<tr>
<td>55-59</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>6</td>
<td>6</td>
<td>15</td>
</tr>
<tr>
<td>60-64</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>7</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td>65+</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>0</td>
<td>0</td>
<td>20</td>
<td>24</td>
<td>15</td>
<td>59</td>
</tr>
</tbody>
</table>
Table 3-3

Retirees and Surviving Spouses
Currently Receiving Benefits

as of July 1, 2010

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>50-54</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>55-59</td>
<td>2</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>60-64</td>
<td>19</td>
<td>23</td>
<td>42</td>
</tr>
<tr>
<td>65-69</td>
<td>28</td>
<td>27</td>
<td>55</td>
</tr>
<tr>
<td>70-74</td>
<td>30</td>
<td>17</td>
<td>47</td>
</tr>
<tr>
<td>75-79</td>
<td>24</td>
<td>27</td>
<td>51</td>
</tr>
<tr>
<td>80-84</td>
<td>16</td>
<td>14</td>
<td>30</td>
</tr>
<tr>
<td>85-89</td>
<td>11</td>
<td>10</td>
<td>21</td>
</tr>
<tr>
<td>90+</td>
<td>7</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td>137</td>
<td>132</td>
<td>269</td>
</tr>
</tbody>
</table>

Some spouses are also receiving benefits.
SECTION IV
Actuarial Method and Assumptions

Methodology
The valuation process uses a mathematical model to project the number of retirees and dependents in each future year. The health care trend rate assumption is used to project per capita health care costs. The expected benefits payable in each future year are calculated based on the projected number of retirees and dependents and the projected per capita costs.

The present value of the future benefits is calculated by discounting the expected benefit payments back to the valuation date. The present value of future benefits is then attributed to periods of an individual’s active employment.

The Projected Unit Credit (PUC) attribution method was used to complete this valuation. Under the Projected Unit Credit method the projected benefit for each employee is treated as if it is earned ratably over that employee’s period of service from the date of hire to the expected date of retirement. The Normal Cost for the plan in a given year is the sum of the costs of the present value of future benefits “earned” by each employee for that year of service. Under the PUC method, the Normal Cost at the time of adoption of accrual accounting is the same as it would have been if accrual accounting had occurred in the past. The amount that would have been accrued to that date is called the Actuarial Accrued Liability.

In order to project District liabilities into the future, a number of economic, demographic, and baseline cost assumptions are necessary. We used the demographic assumptions that were used in recent California PERS and STRS pension valuations.
Valuation Date
The valuation date is July 1, 2010. This date is the starting point from which current health premium costs are increased according to the assumed annual rates of health care cost trend. The District census is projected from the valuation date to the date of the final benefit payment for each employee and retiree on the census. After calculating future costs for the projected retiree and dependent population, all liabilities are discounted back to the valuation date to obtain the present value of future costs.

Economic Assumptions
Health Care Trend
GASB 45 requires that the valuations be based on the “substantive plan”. That is, the valuation should be based on an employer’s past practices and the plan as it is understood by employees and retirees. We assumed that the District will continue its recent practice of periodically modifying its postemployment medical plans by increasing copayment and deductible provisions.

We used the annual trend rates shown in Table 4-1. These rates represent our best estimate of the future annual rate of increase in the District’s healthcare costs.

<table>
<thead>
<tr>
<th>Year</th>
<th>Medical</th>
<th>Medicare Part B</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>7.6%</td>
<td>7.6%</td>
</tr>
<tr>
<td>2013</td>
<td>7.3%</td>
<td>7.3%</td>
</tr>
<tr>
<td>2014</td>
<td>7.0%</td>
<td>7.0%</td>
</tr>
<tr>
<td>2015</td>
<td>6.7%</td>
<td>6.7%</td>
</tr>
<tr>
<td>2016</td>
<td>6.4%</td>
<td>6.4%</td>
</tr>
<tr>
<td>2017</td>
<td>6.1%</td>
<td>6.1%</td>
</tr>
<tr>
<td>2018</td>
<td>5.8%</td>
<td>5.8%</td>
</tr>
<tr>
<td>2019 and later</td>
<td>5.5%</td>
<td>5.5%</td>
</tr>
</tbody>
</table>
Discount Rate

Present value calculations are based on an assumed discount rate. Paragraph 13c of GASB 45 specifies that the discount rate “should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits.” The District selected a 4.50% discount rate for use in this valuation.

Baseline Cost

Estimates of retiree health benefit obligations are normally based on current costs for a one year period. We refer to this as the baseline cost. The components of baseline cost, such as average per capita cost, and the current plan population are projected into the future to estimate the cost of future benefits.

Paragraph 13a(2) of GASB 45 specifies that “When an employer provides benefits to both active employees and retirees through the same plan, the benefits to retirees should be segregated for actuarial measurement purposes, and the projection of future retiree benefits should be based on claims costs, or age-adjusted premiums approximating claims costs, for retirees, in accordance with actuarial standards, issued by the Actuarial Standards, Board.”

On January 1, 2011 the District made significant changes in its plan offerings. Blue Shield plans were replaced with WHA plans. Kaiser, Kaiser Senior Advantage and Hartford/US Scripts plans are still offered. In this valuation we used the 2011 premium rates to develop the 2010/11 valuation baseline cost.
Table 4-2

2011 Calendar Year
Monthly Premium Rates

<table>
<thead>
<tr>
<th>Kaiser</th>
<th>High Option</th>
<th>Low Option</th>
<th>KPIC (PPO)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Employees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee</td>
<td>$459.83</td>
<td>$412.87</td>
<td>$794.94</td>
</tr>
<tr>
<td>Employee + 1 Dep.</td>
<td>$919.66</td>
<td>$825.74</td>
<td>$1,589.87</td>
</tr>
<tr>
<td>Family</td>
<td>$1,301.46</td>
<td>$1,168.57</td>
<td>$2,250.01</td>
</tr>
<tr>
<td>Early Retirees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retiree</td>
<td>$384.32</td>
<td>$344.93</td>
<td>$1,138.16</td>
</tr>
<tr>
<td>Retiree + 1 Dependent</td>
<td>$768.64</td>
<td>$689.87</td>
<td>$2,276.33</td>
</tr>
<tr>
<td>Family</td>
<td>$1,087.62</td>
<td>$976.16</td>
<td>$3,221.00</td>
</tr>
<tr>
<td>Kaiser Senior Advantage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retiree or Spouse</td>
<td>$334.84</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>WHA</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Employees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee</td>
<td>$448.56</td>
<td>$337.76</td>
<td>$560.35</td>
</tr>
<tr>
<td>Employee + 1 Dep.</td>
<td>$897.11</td>
<td>$675.52</td>
<td>$1,120.71</td>
</tr>
<tr>
<td>Family</td>
<td>$1,269.41</td>
<td>$955.87</td>
<td>$1,585.79</td>
</tr>
<tr>
<td>Early Retirees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retiree</td>
<td>$572.65</td>
<td>$473.91</td>
<td>$715.37</td>
</tr>
<tr>
<td>Retiree + 1 Dependent</td>
<td>$1,145.29</td>
<td>$947.82</td>
<td>$1,430.74</td>
</tr>
<tr>
<td>Family</td>
<td>$1,620.59</td>
<td>$1,341.26</td>
<td>$2,024.50</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hartford/US Scripts</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Retiree or Spouse</td>
<td>$497.19</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Medicare Part B Premium</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Retiree or Spouse</td>
<td>$96.40 if age 65 was attained prior to 2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$110.50 if age 65 was attained in 2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$115.40 if age 65 is attained in 2011</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The rates shown in Table 4-2 are one of the components used in the development of age specific estimates of the District's "true cost" of postemployment medical coverage. Other factors used in the development are the enrollment of active employees and retirees in the various plans and our database of retiree claim data. This database provides a view of how medical claim costs typically vary by age. The result of our analysis is shown in Table 4-3. These annual costs were used in the valuation.
Table 4-3
Postemployment Medical Baseline Costs for Selected Ages for the Plan year beginning July 1, 2010

Expected Annual Cost per retiree, dependent spouse or surviving spouse

<table>
<thead>
<tr>
<th>Age</th>
<th>Annual Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>55</td>
<td>$7,596</td>
</tr>
<tr>
<td>60</td>
<td>$9,180</td>
</tr>
<tr>
<td>61</td>
<td>$9,600</td>
</tr>
<tr>
<td>62</td>
<td>$10,068</td>
</tr>
<tr>
<td>63</td>
<td>$10,596</td>
</tr>
<tr>
<td>64</td>
<td>$11,196</td>
</tr>
<tr>
<td>65</td>
<td>$4,588</td>
</tr>
<tr>
<td>70</td>
<td>$5,056</td>
</tr>
<tr>
<td>75</td>
<td>$5,455</td>
</tr>
<tr>
<td>80</td>
<td>$5,560</td>
</tr>
<tr>
<td>85</td>
<td>$5,330</td>
</tr>
<tr>
<td>90</td>
<td>$4,943</td>
</tr>
</tbody>
</table>

Contributions
Retirees are not required to contribute any portion of the cost of their postemployment coverage. Medicare Part B premium costs are reimbursed by the District if a retiree requests reimbursement.

Administrative Expenses
We did not include any internal administrative expenses in this valuation.

Plan Assets
As of June 30, 2010 the District’s Trust Fund balance was $6,813,723. The District does not anticipate withdrawing funds from the Trust and will continue to make modest contributions. The 2010/11 contribution is anticipated to be $148,000. Contributions in the 2011/12 and following years are anticipated to be $132,000.
Demographic Assumptions

In estimating this obligation, a number of demographic assumptions are needed. In most cases, the same demographic assumptions used in valuing an employer’s pension obligation can be used in projecting retiree health care obligations. In most instances, we used the same demographic assumptions that were used in recent California PERS and STRS valuations.

Census Data
The District provided census data as of July 1, 2010.

Health Plan Participation
We assumed that when they retire 100% of eligible employees will enroll in the postretirement medical program.

Based on past patterns we assumed that 85% of retirees and spouses who are age 65 or older will apply for reimbursement of Medicare Part B premium.

Dependent Participation
Based on the enrollment pattern of active employees and retirees who are younger than age 65 we assumed that 80% of future retirees will enroll a spouse. Female spouses are assumed to be three years younger than male spouses.

Medicare Coverage
We assumed all current and future retirees are/will be eligible for and enroll in Medicare.

Disablement
Because of the anticipated low rate of disability among District employees we did not value disability retirement.

Withdrawal
Because all employees included in this valuation have at least 16 years of service we assumed there will not be any future withdrawals from this group.
Retirement Rates
The rates shown in Table 4-4 and Table 4-5 match rates that were used in recent PERS and STRS pension valuations.

<table>
<thead>
<tr>
<th>Age</th>
<th>5</th>
<th>10</th>
<th>15</th>
<th>20</th>
<th>25</th>
<th>30</th>
<th>35</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>0.00360</td>
<td>0.00710</td>
<td>0.01000</td>
<td>0.01180</td>
<td>0.01310</td>
<td>0.01470</td>
<td>0.01720</td>
</tr>
<tr>
<td>51</td>
<td>0.00350</td>
<td>0.00690</td>
<td>0.00960</td>
<td>0.01140</td>
<td>0.01270</td>
<td>0.01420</td>
<td>0.01660</td>
</tr>
<tr>
<td>52</td>
<td>0.00350</td>
<td>0.00690</td>
<td>0.00960</td>
<td>0.01140</td>
<td>0.01270</td>
<td>0.01420</td>
<td>0.01670</td>
</tr>
<tr>
<td>53</td>
<td>0.00460</td>
<td>0.00920</td>
<td>0.01290</td>
<td>0.01520</td>
<td>0.01700</td>
<td>0.01900</td>
<td>0.02230</td>
</tr>
<tr>
<td>54</td>
<td>0.00600</td>
<td>0.01180</td>
<td>0.01650</td>
<td>0.01960</td>
<td>0.02180</td>
<td>0.02440</td>
<td>0.02860</td>
</tr>
<tr>
<td>55</td>
<td>0.01940</td>
<td>0.03840</td>
<td>0.05370</td>
<td>0.06350</td>
<td>0.07070</td>
<td>0.07920</td>
<td>0.09290</td>
</tr>
<tr>
<td>56</td>
<td>0.01580</td>
<td>0.03140</td>
<td>0.04390</td>
<td>0.05190</td>
<td>0.05780</td>
<td>0.06470</td>
<td>0.07600</td>
</tr>
<tr>
<td>57</td>
<td>0.01700</td>
<td>0.03370</td>
<td>0.04710</td>
<td>0.05570</td>
<td>0.06200</td>
<td>0.06940</td>
<td>0.08150</td>
</tr>
<tr>
<td>58</td>
<td>0.02020</td>
<td>0.04020</td>
<td>0.05620</td>
<td>0.06630</td>
<td>0.07390</td>
<td>0.08270</td>
<td>0.09710</td>
</tr>
<tr>
<td>59</td>
<td>0.02310</td>
<td>0.04570</td>
<td>0.06400</td>
<td>0.07560</td>
<td>0.08420</td>
<td>0.09420</td>
<td>0.11060</td>
</tr>
<tr>
<td>60</td>
<td>0.03680</td>
<td>0.07290</td>
<td>0.10200</td>
<td>0.12050</td>
<td>0.13420</td>
<td>0.15020</td>
<td>0.17630</td>
</tr>
<tr>
<td>61</td>
<td>0.03640</td>
<td>0.07210</td>
<td>0.10090</td>
<td>0.11920</td>
<td>0.13260</td>
<td>0.14660</td>
<td>0.17440</td>
</tr>
<tr>
<td>62</td>
<td>0.07620</td>
<td>0.15120</td>
<td>0.21150</td>
<td>0.24980</td>
<td>0.27840</td>
<td>0.31140</td>
<td>0.36570</td>
</tr>
<tr>
<td>63</td>
<td>0.06870</td>
<td>0.13630</td>
<td>0.19060</td>
<td>0.22520</td>
<td>0.25100</td>
<td>0.28080</td>
<td>0.32970</td>
</tr>
<tr>
<td>64</td>
<td>0.05340</td>
<td>0.10600</td>
<td>0.14820</td>
<td>0.17510</td>
<td>0.19510</td>
<td>0.21830</td>
<td>0.25630</td>
</tr>
<tr>
<td>65</td>
<td>0.09060</td>
<td>0.17970</td>
<td>0.25130</td>
<td>0.29690</td>
<td>0.33080</td>
<td>0.37010</td>
<td>0.43450</td>
</tr>
<tr>
<td>66</td>
<td>0.05780</td>
<td>0.11460</td>
<td>0.16030</td>
<td>0.18940</td>
<td>0.21110</td>
<td>0.23610</td>
<td>0.27720</td>
</tr>
<tr>
<td>67</td>
<td>0.05330</td>
<td>0.10560</td>
<td>0.14770</td>
<td>0.17450</td>
<td>0.19440</td>
<td>0.21750</td>
<td>0.25540</td>
</tr>
<tr>
<td>68</td>
<td>0.04760</td>
<td>0.09440</td>
<td>0.13210</td>
<td>0.15600</td>
<td>0.17380</td>
<td>0.19450</td>
<td>0.22840</td>
</tr>
<tr>
<td>69</td>
<td>0.04480</td>
<td>0.08890</td>
<td>0.12440</td>
<td>0.14690</td>
<td>0.16370</td>
<td>0.18320</td>
<td>0.21500</td>
</tr>
<tr>
<td>70</td>
<td>0.06600</td>
<td>0.13080</td>
<td>0.18300</td>
<td>0.21620</td>
<td>0.24080</td>
<td>0.26950</td>
<td>0.31640</td>
</tr>
<tr>
<td>71</td>
<td>0.05140</td>
<td>0.10190</td>
<td>0.14250</td>
<td>0.16830</td>
<td>0.18760</td>
<td>0.20990</td>
<td>0.24640</td>
</tr>
<tr>
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Mortality

Table 4-6 and Table 4-7 contain samples of mortality rates used in the valuation. These rates match those used in recent PERS and STRS pension valuations.

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Table 4-7
Sample STRS Mortality Rates

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<td>Male</td>
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SECTION V  

Glossary

- **Accrual Accounting** – A method of matching the cost of an employee’s service, including long term obligations such as OPEB, to that employee’s period of active service.

- **Actuarial Accrued Liability (AAL)** – The Actuarial Present Value of all postemployment benefits attributable to past service. Note: the AAL is sometimes referred to as the Past Service Liability.

- **Actuarial Cost Method** – A procedure for allocating the actuarial present value of 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. 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

- **Actuarial Valuation** – The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets and related Actuarial Present Values.

- **Actuarial Value of Assets** – The value of cash, investments and other property belonging to a plan. These are amounts that may be applied to fund the Actuarial Accrued Liability. Note: assets must be segregated and placed in a Trust in order to be considered OPEB assets

- **Amortization Payment** – That portion of the Annual OPEB cost which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.
In the year that Statement 45 becomes effective an employer is allowed to commence amortization of the Unfunded Actuarial Accrued Liability, over a period not to exceed 30 years.

- **Annual Other Postemployment Benefit (OPEB) Cost** - An accrual-basis measure of the periodic cost of an employer’s participation in a defined benefit OPEB plan. The annual OPEB cost is the amount that must be calculated and reported as an expense.

  When an employer has no net OPEB obligation (e.g., in the year of implementation) the annual OPEB cost is equal to the Annual Required Contribution (ARC).

  In subsequent years the Annual OPEB cost will include:

  - the ARC (equal to the Normal Cost plus one year’s amortization of the Unfunded Actuarial Accrued Liability);
  
  - one year's interest on the net OPEB obligation at the beginning of the year using the valuation discount rate; and
  
  - an adjustment to the ARC. This adjustment is intended to provide a reasonable approximation of that portion of the ARC that consists of interest associated with past contribution deficiencies. GASB Statement No. 45 specifies that this adjustment should be equal to an amortization of the discounted present value of the net OPEB obligation at the beginning of the year. The amortization should be calculated using the same amortization method and period used in determining the ARC for that year. If the net OPEB obligation is positive the adjustment should be deducted from the ARC.

  - Note: As long as the net OPEB obligation is zero, there will not be any interest charge or adjustment to the ARC. However, if an employer does not contribute the full amount of the ARC, a net OPEB obligation will emerge.

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

- **Defined benefit OPEB plan** - An OPEB plan having terms that specify the benefits to be provided at or after separation from employment. The benefits may be specified in dollars (for example, a flat dollar payment or an amount based on one or more factors, such as age, years of service, and compensation), or as a type or level of coverage (for example, prescription drugs or a percentage of healthcare insurance premiums).
Defined contribution plan - A pension or OPEB plan having terms that (a) provide an individual account for each plan member and (b) specify how contributions to an active plan member’s account are to be determined, rather than the income or other benefits the member or his beneficiaries are to receive at or after separation from employment. Those benefits will depend only on the amounts contributed to the member’s account, earnings on investments of those contributions, and forfeitures of contributions made for other members that may be allocated to the member’s account. For example, an employer may contribute a specified amount to each active member’s postemployment healthcare account each month. At or after separation from employment, the balance of the account may be used by the member or on the member’s behalf for the purchase of health insurance or other healthcare benefits.

Employer’s contributions - Contributions made in relation to the annual required contributions of the employer (ARC). An employer has made a contribution in relation to the ARC if the employer has (a) made payments of benefits directly to or on behalf of a retiree or beneficiary, (b) made premium payments to an insurer, or (c) irrevocably transferred assets to a trust, or an equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) or plan administrator.

Healthcare cost trend rate - The rate of change in 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.

Investment return assumption (discount rate) - The rate used to adjust a series of future payments to reflect the time value of money.

Net OPEB obligation - The cumulative difference since the effective date of GASB Statement 45 between annual OPEB cost and the employer’s contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.

Most employers will have no net OPEB obligation at the beginning of the year in which Statement 45 is implemented.

If an employer contributes the annual OPEB cost to the plan each year, and there are no actuarial or investment gains or losses then the net OPEB Obligation will remain zero.

Normal Cost - That portion of the Actuarial Present Value of benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. Another
interpretation is that the Normal Cost is the present value of future benefits that are "earned" by employees for service rendered during the current year.

- **OPEB assets** - The amount recognized by an employer for contributions to an OPEB plan greater than OPEB expenses.

- **OPEB expense** - The amount recognized by an employer in each accounting period for contributions to an OPEB plan on the accrual basis of accounting.

- **Other postemployment benefits (OPEB)** - Postemployment benefits other than pension benefits. Other postemployment benefits (OPEB) include postemployment healthcare benefits, regardless of the type of plan that provides them, and all postemployment benefits provided separately from a pension plan, except benefits defined as special termination benefits.

- **Plan assets** - Resources, usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, or in an equivalent arrangement, in which (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employer(s) or plan administrator, for the payment of benefits in accordance with the terms of the plan.

- **Present Value** – See Actuarial Present Value.

- **Projected Unit Credit Cost Method** – An actuarial cost method under which the projected benefits of each individual included in an Actuarial Valuation are separately calculated and allocated to each year service by a consistent formula.

- **Substantive plan** - The terms of an OPEB plan as understood by the employer(s) and plan members.

- **Unfunded Actuarial Accrued Liability (UAAL)** – The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.

- **Valuation date** – The date as of which the postretirement benefit obligation is determined.