Coronado Unified School District

Actuarial Valuation
Retiree Health Program
As of July 1, 2013

March 2014

Prepared By:

Nyhart Epler
450 B Street, Suite 750
San Diego, CA 92101-8002
(619) 239-0831
www.nyhart.com

450 B Street, Suite 750
San Diego, CA 92101-8002
(p) 619-239-0831
(f) 619-239-0807
www.nyhart.com

April 11, 2014

PRIVATE

Mr. Keith Butler
Assistant Superintendent, Business Services
Coronado Unified School District
201 Sixth Street
Coronado, CA 92118

Re: Coronado Unified School District Actuarial Valuation

Dear Mr. Butler:

We are presenting our report of the July 1, 2013 actuarial valuation conducted on behalf of Coronado Unified School District (the "District") for its retiree health program.

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

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

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

Sincerely,
NYHART EPLER

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

MKJ:rl

Enclosure

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

Coronado Unified School District

Retiree Health Program

GASB Actuarial Valuation

As of July 1, 2013

Table of Contents

SECTION I. EXECUTIVE SUMMARY

Background

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

The District currently provides retiree health benefits to 26 retired employees. In addition, there are approximately 321 employees currently working and earning service credit for retiree health benefits. In general, District paid retiree health benefits are provided only to the retiree's attainment of age 65. To be eligible for retiree health benefits, an employee must retire from PERS or STRS on or after age 55 (age 60 for Certificated employees) with at least 15 years (25 years for Certificated employees) of District eligible service. The District's financial obligation is to provide for the retiree-only cost for medical coverage. A retiree can elect dependent medical coverage and dental or vision coverage on a self-pay basis.

Section V of the report details the plan provisions that were included in the valuation and the current premium costs for coverage. As the premiums billed for retiree medical coverage under age 65 are the same as those for active medical coverage, the District is providing a "rate subsidy" to the retirees. GASB 45 requires that when an employer provides benefits to both active employees and retirees through the same plan, the benefits to retirees should be segregated and measured independently. This requires valuing any "rate subsidy" as an additional financial obligation to the District. It is our understanding that the District participates in a community-rated health plan and is exempt from valuing this rate subsidy.

Results of the Retiree Health Valuation

We have determined that the amount of the actuarial liability for the District's retiree health plan, as of July 1, 2013, is $4,410,310. This represents the present value of all benefits projected to be paid by the District for current and future retirees. If the District were to place this amount in a fund earning interest at the rate of 5% per year, and all other actuarial assumptions were met, the fund would have enough to pay all expected benefits. This includes benefits for the current retirees as well as the current active employees expected to retire in the future. The valuation does not consider employees not yet hired as of the valuation date.

If the amount of the actuarial liability is apportioned into past service, current service and future service components; the past service component (actuarial accrued liability) is $1,984,039, the current service component (normal cost or current year accrual) is $143,342 and the future service component (not yet accrued liability) is $2,282,929.

Changes from Prior Valuation

The valuation reflects updated premium rates and census information. In addition, the valuation reflects updates to the STRS mortality tables and the initial medical trend rates and the lowering of the discount rate from 5% to 4.5%. A reconciliation of the approximate change in the unfunded actuarial accrued liability from the prior valuation is provided in the following table:

July 1, 2011 Valuation @5%	**$3.828 M**
Change due to passage of time (interest plus additional accrual less benefits paid)	(0.001 M)
Decrease due to net demographic experience gain	(0.746 M)
Increase due to new entrants (not included in prior valuation)	0.717 M
Increase due to updates to the initial medical trend rates	0.180 M
Increase due to updates to the STRS mortality tables	0.057 M
Increase due to lowering the discount rate from 5% to 4.5%	0.375 M
July 1, 2013 Valuation @4.5%	**$4.410 M**

Annual Required Contribution (ARC)

Under GASB 45, the District is required to expense for its retiree benefits using accrual accounting. The accrual expense or annual required contribution under GASB terminology is generally accrued over the working career of employees. The annual required contribution for the District's 2013/2014 fiscal year is $283,594. This amount is comprised of the present value of benefits accruing in the fiscal year (normal cost) plus a 25-year amortization (on a level-dollar basis) of the unfunded actuarial accrued liability (past service liability) at July 1, 2013. Thus, it represents a means to expense the plan's liabilities in an orderly manner. The additional net OPEB obligation at the end of the fiscal year will reflect any actual retiree health contributions or premiums including and any GASB eligible pre-funding amounts made by the District during the period.

Funding

The District has not informed us of any funds eligible as plan assets under GASB 45. Under GASB 45, assets cannot be considered as employer contributions or plan assets unless they are segregated for exclusive use for retiree health benefit payments and secured from creditors of the District. The District's unfunded actuarial accrued liability projected to July 1, 2013 is $1,984,039.

The estimated District contribution amount for retiree health benefits for the 2013/2014 fiscal year is approximately $122,867. This amount includes payments for employees expected to retire during the 2013/2014 fiscal year.

There are multiple ways to approach the funding of a retiree health plan. The annual required contribution (accrual expense) is one method, of many, that could be used to pre-fund benefits. Section IV of the report provides other funding alternatives for the District.

Actuarial Basis

The actuarial valuation is based on the assumptions and methods outlined in Section VII of the report. To the extent that a single or a combination of assumptions is not met the future liability may fluctuate significantly from its current measurement. As an example, the healthcare cost increase anticipates that the rate of increase in medical cost will be at moderate levels and decline over several years. Increases higher than assumed would bring larger liabilities and expensing requirements. A 1% increase in the healthcare trend rate for each future year would result in an increase of 15% in the annual required contribution.

Another key assumption used in the valuation is the discount (interest) rate which is based on the expected rate of return of plan assets. The valuation is based on a discount rate of 4.5%. A 0.5% decrease in the discount rate would increase the annual required contribution by 5%. A 0.5% increase in the discount rate would decrease the annual required contribution by 5%.

GASB 45 requires that implicit rate subsidies be considered in the valuation of medical costs. An implicit rate subsidy occurs when the rates for retirees are the same as for active employees. Since pre-Medicare retirees are typically much older than active employees, their actual medical costs are almost always higher than for active employees. The District participates in the Southern California Schools VEBA for its health plan coverage. The rate subsidy for employees participating in the VEBA has not been included assuming that the District is exempt as the VEBA is community rated. Typically, inclusion of the implied rate subsidy will result in significantly larger liabilities and expensing requirements. To date the District's specific experience data in aggregate or split by actives and retirees is not available from the VEBA. An illustration of how the inclusion of the implied rate subsidy could impact the District's liability and annual required contribution estimating the subsidy using health cost factors based on age and the District's active and retiree populations is shown below:

	Increase Due to Estimated Implied Rate Subsidy
Actuarial Liability (AL):	$2,349,002
Actuarial Accrued Liability (AAL):	$ 842,404
Annual Required Contribution (ARC):	$ 152,269
Expected Subsidy Paid Thru Active Premiums:	$ 37,607

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

SECTION II. FINANCIAL RESULTS

A. Valuation Results as of July 1, 2013

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

	Certificated Employees	Classified Employees	District Total
1. Actuarial Liability (AL)			
Actives	$1,330,816	$2,258,597	$3,589,413
Retirees	745,325	75,572	820,897
Total AL	$2,076,141	$2,334,169	$4,410,310
2. Actuarial Accrued Liability (AAL)			
Actives	$ 324,763	$ 838,379	$1,163,142
Retirees	745,325	75,572	820,897
Total AAL	$1,070,088	$ 913,951	$1,984,039
3. Normal Cost	$ 43,461	$ 99,881	$ 143,342
No. of Active Employees	206	115	321
Average Age	43.6	48.9	45.5
Average Past Service	6.6	6.8	6.7
No. of Retired Employees	19	7	26
Average Age	77.1	63.2	73.4
Average Retirement Age	61.0	58.3	60.2

B. Development of Unfunded Actuarial Accrued Liability

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

1. Actuarial Accrued Liability (AAL)	$1,984,039
2. Actuarial Value of Assets*	(0)
3. Unfunded AAL (UAAL)	$1,984,039

* The District has not reported any eligible plan assets under GASB 43 & 45.

C. Amortization of Unfunded Actuarial Accrued Liability

The amortization of the UAAL component of the annual contribution (ARC) is being amortized over a period of 25 years on a level-dollar basis. Under the level-dollar method, the amortization payment is scheduled to remain constant in future years.

1. Unfunded AAL (UAAL)	$1,984,039
2. Amortization Factor	14..82821
3. Amortization of UAAL	$ 133,802

D. Annual Required Contribution (ARC)

The table below presents the development of the annual required contribution (ARC) under GASB 45 for the fiscal year ending June 30, 2014 and estimated for the fiscal year ending June 30, 2015.

	FY2013/2014	FY2014/2015
1. Normal Cost at End of Fiscal Year	$ 149,792	$ 156,533
2. Amortization Component	133,802	133,802
3. Annual Required Contribution	$ 283,594	$ 290,335

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

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

1. Actuarial Accrued Liability (AAL)	$1,984,039
2. Actuarial Valuation of Assets (AVA)	(0)
3. Unfunded Actuarial Accrued Liability (UAAL)	$1,984,039
4. Funded Ratio	0%
5. Estimated Payroll	$17,044,000
6. UAAL as Percentage of Covered Payroll	12%

F. Estimated Net OPEB Obligation/(Asset) at 6/30/14[1]

The table below shows an estimate of the net OPEB obligation/(asset) at the end of the current fiscal year:

1. FY2013/2014 Annual Required Contribution	$283,594
2. Interest on Net OPEB Obligation/(Asset) [0.045 x E7]	14,236
3. Adjustment to ARC [minus E7/C2]	(21,335)
4. Annual OPEB Cost [E1+E2+E3]	$ 276,495
5. Contributions Made (Estimated Direct Benefit Payments)	(122,867)
6. Increase in Net OPEB Obligation/(Asset)	$ 153,628
7. Net OPEB Obligation/(Asset) – June 30, 2013	316,362
8. Net OPEB Obligation/(Asset) – June 30, 2014	$ 469,990

[1] Assumes an a June 30, 2013 financial statement net OPEB obligation of $316,362 and a District contribution for benefit payments of $122,867 for the 2013/2014 fiscal period.

G. Sensitivity Analysis:

1. The impact of a 0.5% decrease in the discount (interest) rate on the District's actuarial liability, actuarial accrued liability, unfunded actuarial accrued liability and the annual required contribution is provided below:

	Percentage (%) Increase	Dollar ($) Increase
- Actuarial Liability	10%	$427,083
- Actuarial Accrued Liability	5%	$105,000
- Unfunded Actuarial Accrued Liability	5%	$105,000
- Annual Required Contribution	5%	$ 14,654

2. The impact of a 0.5% increase in the discount (interest) rate on the District's actuarial liability, actuarial accrued liability, unfunded actuarial accrued liability and the annual required contribution is provided below:

	Percentage (%) Decrease	Dollar ($) Decrease
- Actuarial Liability	(9%)	($376,172)
- Actuarial Accrued Liability	(5%)	($ 96,500)
- Unfunded Actuarial Accrued Liability	(5%)	($ 96,500)
- Annual Required Contribution	(5%)	($ 2,931)

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

	Percentage (%) Increase	Dollar ($) Increase
- Actuarial Liability	19%	$844,267
- Actuarial Accrued Liability	10%	$193,580
- Unfunded Actuarial Accrued Liability	10%	$193,580
- Annual Required Contribution	15%	$ 43,812

H. Calculation of Accrual for Retiree Health Cost

The District may be eligible to charge some portion of the accrual for retiree health benefit costs for active employees under specific categorical programs subject to certain restrictions. Estimates of the retiree health benefit accrual with and without an accrual for past service costs is provided below:

	FY2013/2014	FY2014/2015
1. Number of Active Employees	321	321
2. Estimated Annual Payroll	$17,044,000	$17,556,000
3. Retiree Health Benefit Accrual without Past Service Component		
- Accrual Per Employee Per Year	$467	$488
- Accrual as % of Annual Payroll	0.9%	0.9%
4. Retiree Health Benefit Accrual with Active Past Service Component		
- Accrual Per Employee Per Year	$711	$732
- Accrual as % of Annual Payroll	1.3%	1.4%
5. Retiree Health Benefit Accrual with Active & Retiree Past Service Component		
- Accrual Per Employee Per Year	$883	$904
- Accrual as % of Annual Payroll	1.7%	1.7%

SECTION III. PROJECTED CASH FLOWS

The valuation process includes the projection of the expected benefits to be paid under the District's retiree health benefits program. The expected cash flows takes into account the likelihood of each employee reaching age for eligibility to retire and receive health benefits. The projection is performed by applying the turnover assumption to each active employee for the period between the valuation date and early retirement date. Once the employees reach the earliest retirement date, a certain percent are assumed to enter the retiree group each year. All remaining employees are assumed to have retired by age 65 at the latest. Employees already over age 65 as of the valuation date are assumed to retire immediately. The per capita cost as of the valuation date is projected to increase at the applicable healthcare trend rates both before and after the employee's assumed retirement. The projected per capita costs are multiplied by the number of expected future retirees in a given future year to arrive at the cash flow for that year. Also, a certain number of retirees will leave the group each year due to expected deaths or reaching a limit age and this group will cease to be included in the cash flow from that point forward. Because this is a closed-group valuation, the number of retirees dying each year will eventually exceed the number of new retirees, and the size of the cash flow will begin to decrease and eventually go to zero.

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

Projected Employer Cash Flows – Representative Years

Fiscal Year	Future Retirees	Retired Employees	Total
2013/14	$ 7,517	$ 115,350	$ 122,867
2014/15	$ 25,533	$ 109,309	$ 134,842
2015/16	$ 44,556	$ 91,827	$ 136,383
2016/17	$ 62,284	$ 78,588	$ 140,872
2017/18	$ 75,046	$ 77,551	$ 152,597
2018/19	$ 81,960	$ 67,575	$ 149,535
2019/20	$ 75,353	$ 64,600	$ 139,953
2020/21	$ 92,283	$ 60,974	$ 153,257
2021/22	$ 107,354	$ 56,859	$ 164,213
2022/23	$ 122,407	$ 52,502	$ 174,909
2023/24	$ 141,141	$ 47,953	$ 189,094
2024/25	$ 144,166	$ 43,260	$ 187,426
2025/26	$ 158,358	$ 38,536	$ 196,894
2026/27	$ 160,110	$ 33,888	$ 193,998
2027/28	$ 172,538	$ 29,405	$ 201,943
2028/29	$ 181,346	$ 25,231	$ 206,577
2029/30	$ 219,346	$ 21,462	$ 240,808
2030/31	$ 268,354	$ 18,116	$ 286,470
2031/32	$ 250,602	$ 14,866	$ 265,468
2032/33	$ 290,953	$ 12,130	$ 303,083
2033/34	$ 348,132	$ 9,845	$ 357,977
2034/35	$ 306,187	$ 7,951	$ 314,138
2035/36	$ 271,661	$ 6,654	$ 278,315
2036/37	$ 291,143	$ 5,499	$ 296,642
2037/38	$ 292,412	$ 4,613	$ 297,025
2038/39	$ 305,050	$ 3,874	$ 308,924
2039/40	$ 371,034	$ 3,001	$ 374,035
2040/41	$ 423,904	$ 2,519	$ 426,423
2041/42	$ 442,849	$ 2,117	$ 444,966
2042/43	$ 493,556	$ 1,246	$ 494,802
2043/44	$ 484,377	$ 1,052	$ 485,429
2044/45	$ 441,018	$ 547	$ 441,565
2045/46	$ 486,753	$ 0	$ 486,753
2050/51	$ 268,524	$ 0	$ 268,524
2055/56	$ 0	$ 0	$ 0
2060/61	$ 0	$ 0	$ 0
All Years	$10,341,154	$1,109,099	$11,450,253

SECTION IV. FUNDING ANALYSIS

There are multiple ways to approach the funding of a retiree health benefits program. The annual required contribution (accrual expense) is one method, of many, that could be used to pre-fund benefits. The annual required contribution amount will fluctuate from year to year based on the asset performance and as the population matures. Presented below are other alternatives to pre-fund the District's obligation (the present value of projected benefits – actuarial liability) for its current active employees and retirees using both level-dollar and level-percentage of pay methods.

	Level Dollar Equivalent			Level Percentage of Pay*		
	20 Years	25 Years	30 Years	20 Years	25 Years	30 Years
4.5% Discount Rate						
Fund Present Value of Projected Benefits ($4,410,310) at July 1, 2013:	$324,000	$285,000	$259,000	1.5%	1.2%	1.1%

* Eligible employees only; assumes pay roll increases 3.0% per year.

We have listed below some financial advantages that may be achieved pre-funding retiree health benefits. Of course, pre-funding will have to be weighed against alternative uses of the contribution amounts.

- The earlier contributions are made; the less District contributions in aggregate will have to be made to fulfill its obligations.
- Depending on the investment strategy for funds, higher discount rate may be used for the actuarial valuation resulting in lower OPEB liabilities.
- Pre-funding can mitigate any resulting adverse impact on credit rating that could result from disclosure of OPEB liabilities.
- Pre-funding may provide additional benefit security to current and future retirees.

SECTION V. BENEFIT PLAN PROVISIONS

This study analyzes the postretirement health benefit plans provided by the District. The post-retirement health plans and the District's obligation vary by employee group as described below.

Certificated & Certificated Management Employees

The District provides retiree medical (including prescription drug benefits), dental, and vision benefits to eligible retirees and their eligible dependents to age 65 or Medicare eligibility, if earlier. Eligibility for retiree benefits requires retirement under STRS/PERS on or after age 60 with at least 25 years of District eligible service.

The District will pay for retiree only medical coverage. The District does not provide any financial contribution for coverage beyond age 65. Retirees can elect dependent medical coverage and dental and vision coverage on a self-paid basis. Some past retirees have retired under different provisions or early retirement incentives which may include lifetime benefits and annual caps on benefits.

Classified, Classified Management & Other Employees

The District provides retiree medical (including prescription drug benefits), dental, and vision benefits to eligible retirees and their eligible dependents to age 65 or Medicare eligibility, if earlier. Eligibility for retiree benefits requires retirement under STRS/PERS on or after age 55 with at least 15 years of District eligible service.

The District will pay for retiree only medical coverage. The District does not provide any financial contribution for coverage beyond age 65. Retirees can elect dependent medical coverage and dental and vision coverage on a self-paid basis. Some past retirees have retired under different provisions or early retirement incentives which may include lifetime benefits and annual caps on benefits.

Premium Rates

The District participates in the Southern California Schools VEBA, a community-rated plan. Premium rates may vary by plans selected, coverage tier and Medicare eligibility. The District currently offers a Kaiser HMO and several United Healthcare (UHC) HMOs. The District also offers a self-insured Delta Dental Plan and a self-insured Vision Service Plan (VSP) through the San Diego County Schools Fringe Benefits Consortium.

The premiums billed for retiree medical coverage under age 65 are the same as those for active medical coverage. Thus, the District is providing a "rate subsidy" to the retirees based on this blended rate. GASB 45 requires that when an employer provides benefits to both active employees and retirees through the same plan, the benefits to retirees should be segregated and measured independently. This requires valuing any "rate subsidy" as an additional financial obligation to the District. Under GASB 45, certain community-rated plans are eligible for an exemption from valuing the "rate subsidy".

The following table summarizes the current monthly premiums for health coverages applicable to retired employees effective for the 2013 and 2014 calendar years

Medical Benefits (<65):

2013	Kaiser HMO	UHC Network 1 HMO	UHC Network 2 HMO	UHC Network 3 HMO	UHC Non-CA PPO
Employee Only	$478.66	$535.95	$669.81	$717.87	$1,085.05
Employee Plus Spouse	$1,038.30	$1,092.17	$1,367.13	$1,465.47	$2,289.95

2014	Kaiser HMO	UHC Network 1 HMO	UHC Network 2 HMO	UHC Network 3 HMO	UHC Non-CA PPO
Employee Only	$522.06	$573.49	$719.51	$772.51	$1,115.54
Employee Plus Spouse	$1,133.40	$1,168.81	$1,468.94	$1,577.36	$2,356.49

Medical Benefits (65+ & Medicare Eligible):

2013	Kaiser Senior Advantage	UHC MAPD	UHC Senior Supplement
Employee Only	$238.16	$390.11	$388.85
Employee Plus Spouse	$464.46	$768.35	$765.83

2014	Kaiser Senior Advantage	UHC MAPD	UHC Senior Supplement
Employee Only	$247.03	$408.96	$395.25
Employee Plus Spouse	$481.82	$805.68	$778.26

Dental & Vision Benefits:

2013	Delta Dental Plan	VSP Vision Plan
Employee Only	$54.93	$10.12
Employee Plus One	$94.09	$18.40

2014	Delta Dental Plan	VSP Vision Plan
Employee Only	$49.44	$13.15
Employee Plus One	$84.68	$23.92

SECTION VI. VALUATION DATA

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

Age Distribution of Eligible Retired Participants & Beneficiaries*

	Certificated	Classified	All Retirees
<55	0	0	0
55-59	0	1	1
60-64	6	6	12
65-69	0	0	0
70-74	13	0	13
75+	0	0	0
Total:	19	7	26
Average Age:	77.1	63.2	73.4
Average Retirement Age:	61.0	58.3	60.2

* Excludes retirees or surviving spouse continuing any coverages on a self-pay basis.

Age/Service Distribution of All Active Benefit Eligible Employees

	Service									
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	Total
20-24	7									7
25-29	22									22
30-34	31	11	1							43
35-39	21	7	7							35
40-44	25	12	5	3						45
45-49	23	11	6	1	0	0	1			42
50-54	19	11	10	10	1	2	0			53
55-59	23	7	7	4	3	4	0	0		48
60-64	1	5	6	3	4	1	1	0		21
65-69	0	0	1	2	0	0	0	0	0	3
70+	1	1	0	0	0	0	0	0	0	2
Total:	173	65	43	23	8	7	2	0	0	321
Average Age:			45.5							
Average Service:			6.7							
Average Hire Age:			38.8							

Age/Service Distribution of All Eligible Certificated Employees

					Service					
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40-44**	**Total**
20-24	4									4
25-29	17									17
30-34	29	11	1							41
35-39	17	5	4							26
40-44	12	9	4	1						26
45-49	13	6	4	1						24
50-54	9	9	5	7	1	2				33
55-59	6	2	3	3	1	3				18
60-64	1	4	2	2	2	1	1			13
65-69	0	0	1	1	0	0	0	0		2
70+	1	1	0	0	0	0	0	0	0	2
Total:	109	47	24	15	4	6	1	0	0	206

Average Age:	43.6
Average Service:	6.6
Average Hire Age:	37.0

Age/Service Distribution of All Eligible Classified Employees

					Service					
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40-44**	**Total**
20-24	3									3
25-29	5									5
30-34	2									2
35-39	4	2	3							9
40-44	13	3	1	2						19
45-49	10	5	2	0	0	0	1			18
50-54	10	2	5	3	0	0	0			20
55-59	17	5	4	1	2	1	0	0		30
60-64	0	1	4	1	2	0	0	0	0	8
65-69	0	0	0	1	0	0	0	0	0	1
70+	0	0	0	0	0	0	0	0	0	0
Total:	64	18	19	8	4	1	1	0	0	115

Average Age:	48.9
Average Service:	6.8
Average Hire Age:	42.1

SECTION VII. ACTUARIAL ASSUMPTIONS AND METHODS

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

Fiscal Year: July 1st to June 30th

Measurement Date: July 1, 2013

Funding Policy: Pay-as-you-go

Discount Rate: 4.5% per annum. This discount rate assumes the District continues to fund for its retiree health benefits on a pay-as-you-go basis.

Sensitivity analysis showing a 0.5% increase or decrease in the discount rate is also provided.

[The prior valuation used 5%]

Inflation: 2.8% per annum

[The prior valuation used 3%]

Payroll Increases: 3.0% per annum, in aggregate

[The prior valuation used 3.25%]

Pre-retirement Turnover: According to the Crocker-Sarason T-5 turnover table less mortality. Sample rates are as follows:

Age	Males	Females
20	7.9%	7.9%
25	7.7	7.7
30	7.2	7.2
35	6.3	6.3
40	5.2	5.2
45	4.0	4.0
50	2.6	2.6
55	0.9	0.9

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

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

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

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

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

Retirement Rates:

Age	Percent Retiring*
55	25.0%
56	15.0%
57	10.0%
58	10.0%
59	10.0%
60	50.0%
61	35.0%
62	50.0%
63	25.0%
64	25.0%
65	100.0%

* Of those having met eligibility to receive District paid benefits. The percentage refers to the probability that an active employee who has reached the stated age will retire within the following year.

Participation Rates: 95% of active employees meeting eligibility requirements are assumed to elect retiree health coverage at retirement. Of those electing coverage approximately 25% are assumed to elect coverage for their spouse. Spouses are assumed to be the same age as retiree. 100% of future retirees are assumed to elect an HMO plan.

Claim Cost Development: The valuation was based on the medical premiums furnished by the District. The District participates in the Southern California Schools VEBA which was considered a community-rated plan. It was assumed that withdrawal of the District from the VEBA would not materially change the premiums charged to the other participating employers of the VEBA.

Medical Trend Rates: The current medical costs are assumed to increase at the following trend rates:

Year	Trend
2015	8.0%
2016	7.5%
2017	7.0%
2018	6.5%
2019	6.0%
2020	5.5%
2021+	5.0%

[The prior valuation assumed initial trends 1.0% lower]

Annual Maximum:	The annual maximum that is applicable to certain retirees is assumed to remain constant in future years.
Actuarial Cost Method:	The actuarial cost method used was Projected Unit Credit with service prorate. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the plan year. All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the District were included in the valuation.
Actuarial Value of Assets:	As of the valuation date there are no GASB eligible plan assets.
Amortization of UAAL:	The unfunded actuarial accrued liability is being amortized over an initial 30 years using a level-dollar amortization method. The remaining amortization period at July 1, 2013 is assumed to be 25 years.

SECTION VIII. ACTUARIAL CERTIFICATION

The results set forth in this report are based on the actuarial valuation of the retiree health benefit plans of Coronado Unified School District (the "District") as of July 1, 2013.

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

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

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

Certified by:

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

Date: 4/11/2014