TO: BOARD OF DIRECTORS

FROM: BRUCE BUEL

DATE: APRIL 25, 2008

AGENDA ITEM
E-1
APRIL 30, 2008

RECEIVE ACTUARIAL VALUATION PRESENTATION AND REPORT ON OTHER POST EMPLOYMENT BENEFITS (OPEB) AND ADOPT RESOLUTION APPROVING AGREEMENT AND ELECTION TO PREFUND OPEB THROUGH CALPERS AND CERTIFY FUNDING POLICY AND GASB 43/45 REPORTING COMPLIANCE

ITEM

Receive actuarial valuation presentation and report on Other Post Employment Benefits (OPEB) and adopt Resolution approving agreement and election to prefund OPEB through CALPERS and certify funding policy and GASB 43/45 reporting compliance. [RECOMMEND ADOPTION].

BACKGROUND

In 1990, NCSD adopted Resolution No. 426 to contract with CALPERS for health insurance coverage for its employees. The Resolution stipulates the District will contribute the total amount of insurance premiums for employees and retirees and their dependents.

On December 14, 2005, NCSD adopted Resolution 2005-959 to set a health benefits vesting requirement for future retirees. This action was taken to limit the District's financial liability for post retirement medical insurance. The amendment requires vesting for employees before retirement medical benefits are 100% employer paid. This vesting applies to all employees hired on or after February 1, 2006. The vesting requires the retiree to have worked 20 years under the CALPERS system including at least 5 with the District.

Retiree medical benefits are unlike the pension benefit because there is no funding plan. CALPERS pension is funded through monthly employer contributions and the investment gains of the plan. There is a recent concern for all government agencies on how they will fund future medical benefits to retirees. These are known as "Other Post Employment Benefits" (OPEB). The only OPEB NCSD provides is medical, however, OPEB can include medical, dental, vision and life insurance.

Currently, most (if not all) government agencies fund these OPEB through annual operating income without consideration of the future liability of these expenses. This is often referred to as the "pay-as-you-go" method. This has led the Governmental Accounting Standards Board (GASB) to adopt Statement No. 45 that will require State and local governments to recognize and display OPEB expenses and related liabilities on their financial reports (audits). The GASB No. 45 will be effective for periods beginning after December 15, 2008 for governments with less than $10M in total annual revenues. This means that NCSD must comply in the Fiscal Year 2009-2010. Although, NCSD has several years to comply, it is prudent to start addressing this issue now and be in compliance prior to the effective date.

The District currently has two retired employees receiving medical benefits. The current annual cost for our retired employee's medical is $18,936. We are funding this cost from annual operating income. Much of the GASB No. 45 concern focuses on the large cities that have millions of dollars of OPEB costs with no funding plan. Nevertheless, NCSD's cost will grow as more employees retire and medical costs continue to increase. This liability could become a real issue as an unfunded liability to the District.

To address the concerns of local agencies with OPEB, CALPERS has designed a program to assist in funding. The California Employers' Retiree Benefit Trust (CERBT) Fund is a new Section 115 Trust set up for the purpose of receiving employer contributions that will prefund health and other post employment benefit costs for retirees and their beneficiaries. By joining this new trust fund, CALPERS employers can help finance future costs in large part from the investment earnings provided by CALPERS. Just as earnings from invested retirement contributions cover $3 of every $4 spent in pension benefits, this new trust will generate significant revenues to apply toward OPEB obligations. There are several advantages to prefunding these OPEB with CALPERS:

- Prefunding allows an agency to make actuarially determined periodic contributions to partially or completely fund future obligations
- Earnings on assets reduce employer contributions
- Investment return assumptions, known as discount rate assumptions, will be higher, making annual expense and unfunded liability lower
- Prevents your net obligation from becoming a significant liability on your balance sheet
- Can contribute to a positive credit rating
- Enhances financial security for retirees.

In order to participate in the CALPERS Prefunding Plan, NCSD is required to obtain an actuarial valuation using the actuarial assumptions and methods prescribed by CALPERS. NCSD contracted with The Epler Company to perform this work.

The Finance and Audit Committee and Staff have met twice and conducted two telephone conference calls with Ms. Jones of The Epler Company.

Ms. Jones will present a Power Point presentation on her findings as well as answer questions on the Actuarial Valuation Report.

Upon acceptance of the Actuarial Valuation, the next step is the approval by the Board of Directors of the Agreement and Election to prefund OPEB through CALPERS by adopting the Resolution. The Agreement and Election is provided to NCSD by CALPERS and must be adopted as presented. In addition, the Board of Directors must certify the OPEB funding policy and GASB 43/45 reporting compliance. The Board of Directors may elect to fund less than 100% of the Annual Required Contribution (ARC).

RECOMMENDATION

Staff recommends that your Honorable Board:

1. Accept Actuarial Valuation
2. Adopt Resolution approving the Agreement and Election to Prefund OPEB through CALPERS and certify OPEB Funding Policy and GASB 43/45 Reporting Compliance

ATTACHMENTS

- Power Point Presentation
- Actuarial Valuation
- Resolution 2008-Actuarial with Exhibits "A" and "B"
- Frequently Asked Questions about CALPERS Retiree Benefit Trust Fund

Nipomo Community Services District

January 1, 2008
GASB 45 Actuarial Valuation

Prepared by
The Epler Company
April 30, 2008

Nipomo Community Services District
Purpose of Actuarial Valuation

- Estimate Liability for Retiree Health Benefits
- Determine Impact of New Accounting Standard (GASB 45) Applicable to Retiree Health Benefits

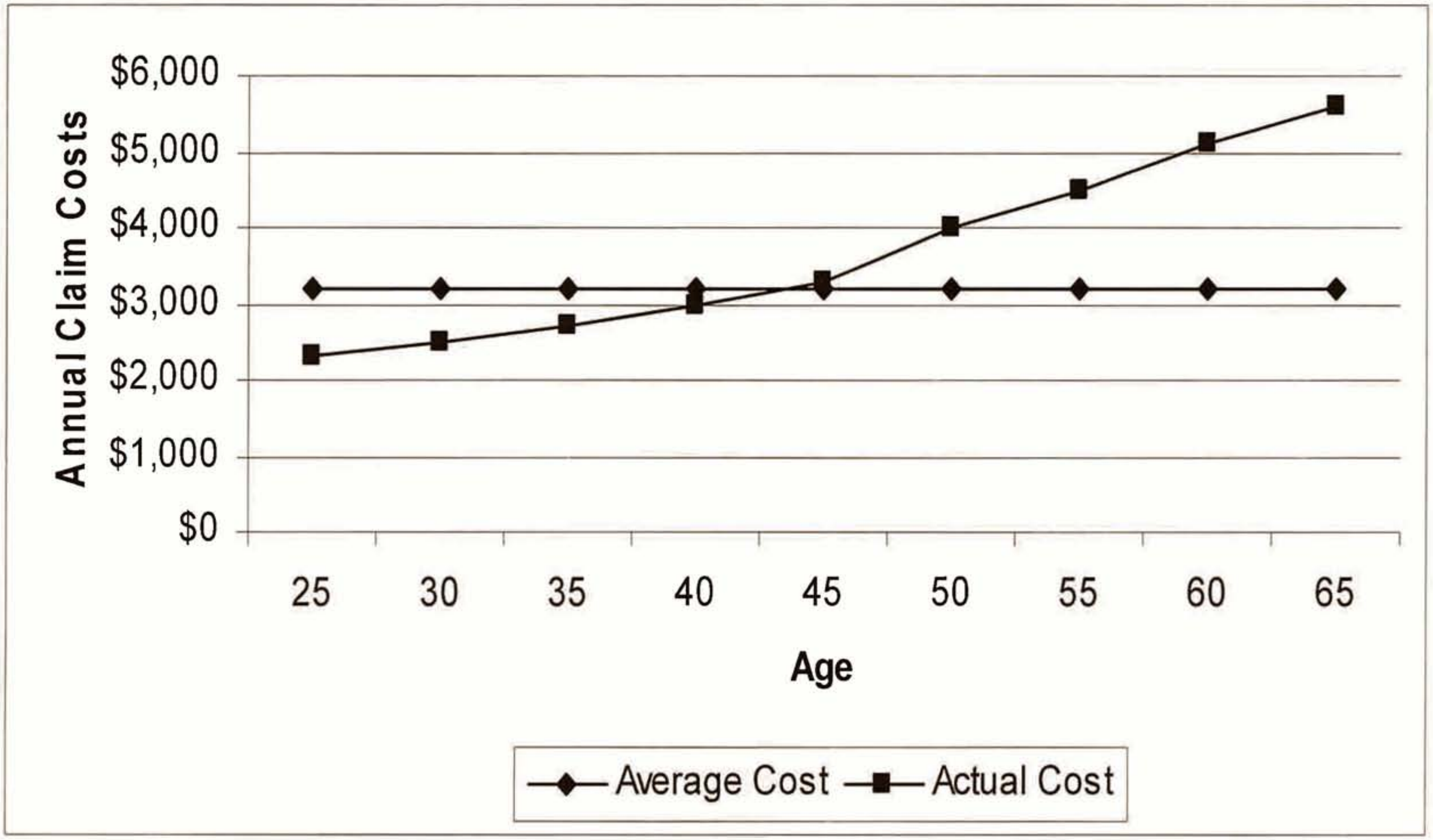
Nipomo Community Services District
GASB 45 Requirements

- GASB 45: Government Accounting Standard Board Statement No. 45
  - Accounting requirements for government entities sponsoring OPEBs
  - Other post-employment benefits (OPEB)
    - Non-pension compensation/benefits received after employment ends in exchange for current service
    - Includes healthcare benefits (medical, Rx, dental, vision)
    - Can include life insurance, disability, long-term care
  - Effective commencing as early as 2007/2008 fiscal year
- GASB Position on OPEB Benefits:
  - Benefits "earned" & obligations accrue during active employment
  - Payments deferred until post-employment
- Requires:
  - Actuarial valuation of employer obligation under substantive plan (& subsequent valuation at least every 2 or 3 years)
  - Accrual accounting versus cash (PAYGO) accounting
  - Disclosure of OPEB obligation & funded status
- Does NOT Require Funding

Nipomo Community Services District GASB Requirements

- Substantive Plan: Explicit Benefit Understood by Employer & Employees
  - Includes written & oral communications
  - Past practices
- Also Implicit Employer Benefit
  - Exists when employer using same rating structure for retired & active employees
  - Subsidizing of retiree cost when using average vs. actual cost (e.g. COBRA rates)
  - Referred to as "hidden or rate subsidy"
  - Exemption if "community-rated plan" & withdrawal from "community" has no impact on "community rates"

Nipomo Community Services District
Illustration of Hidden (Rate) Subsidy



Nipomo Community Services District
Retiree Health Benefits

- District Participates in the CalPERS Health Program (a community-rated plan) for Retiree Medical Benefits
- District Provides Medical Benefits to Retirees & Eligible Dependents for Life (Medicare enrollment is required)
- Eligibility: Retirement From District and PERS (Typically, on or after age 50 with at least 5 years of service)
- District's Contribution:
  - 100% for employees hired prior to February 1, 2006
  - 50% for employees hired on or after February 1, 2006 who retire with 10 years of service plus 5% for each additional year of service (to 100%)

Nipomo Community Services District Background Information

- As of Measurement Date:
  - 13 active employees eligible for health benefits
  - 2 retirees currently receiving health benefits
- 2008/2009 Expected Payments (District contributions) for Retiree Health Benefits = $22,000
- Valuation Assumes District Exempt From Valuing Any Rate Subsidy as CalPERS Health Program is Community-Rated Plan
- Currently No GASB Eligible Pre-Funding for Retiree Health Benefits

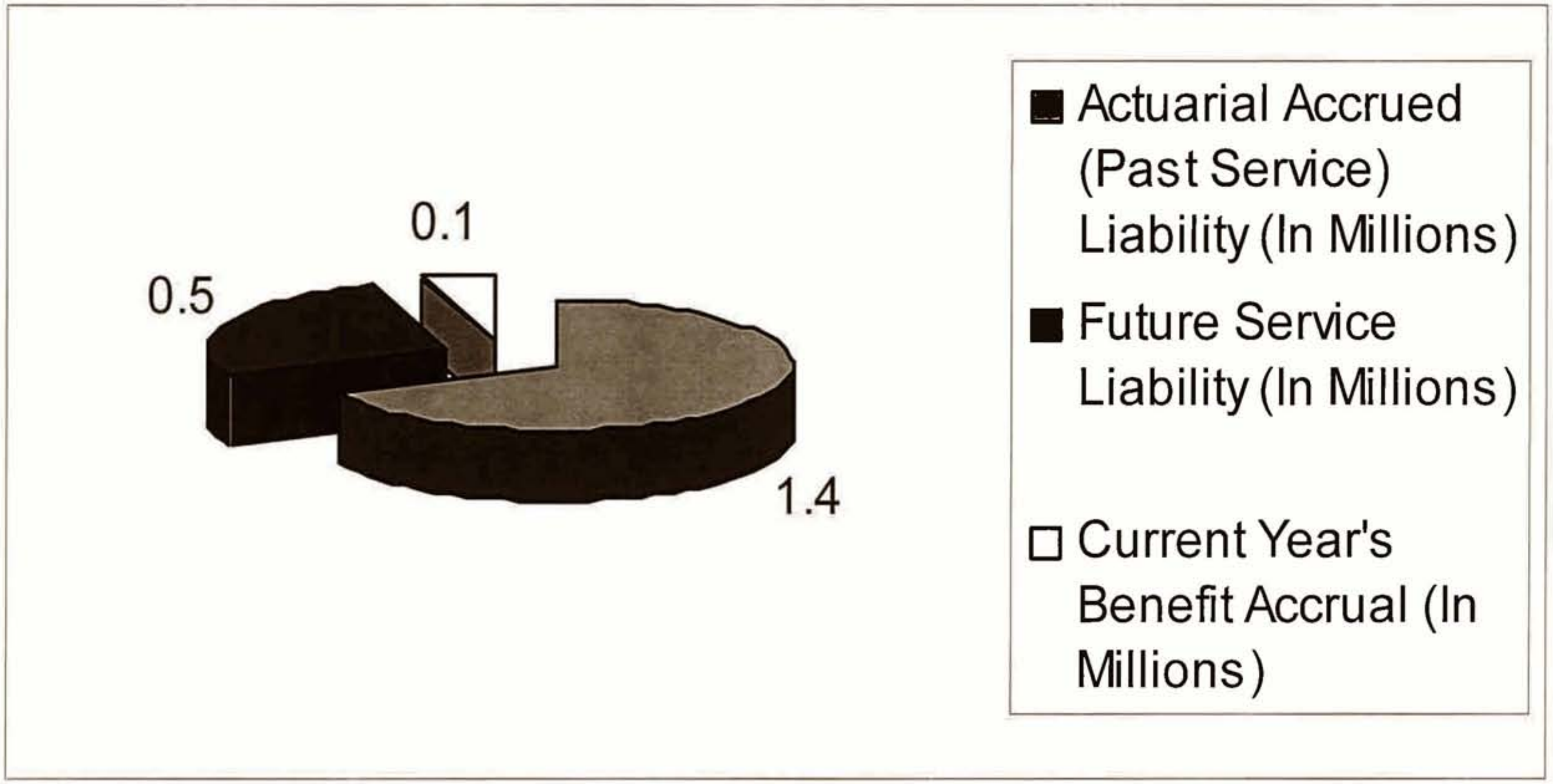
Nipomo Community Services District
Actuarial Valuation

- Project Retiree Health Contributions Expected to be Paid by the District for Future Year (Projected Cash Flows)
  - Demographic assumptions: e.g. mortality, withdrawal, retirement
  - Financial assumptions: e.g. discount (interest rate), healthcare costs, healthcare trend
- Discount Projected Cash Flows to Measurement Date to Determine Present Value of District's Retiree Health Contributions
- Allocate Present Value to Past, Future & Current Period Using Actuarial Cost Method

Nipomo Community Services District

Valuation Results Projected to July 1, 2008

Total Projected District Retiree Health Contributions = $7.1M
Present Value of District Retiree Health Contributions = $2.0M
Using 5% Discount Rate* & Entry Age Normal Cost Method



*Reflects Pay-As-You-Go Funding

Nipomo Community Services District GASB 45 Valuation Results

- Disclose Unfunded Actuarial Accrued Liability (UAAL) = $1.4M at July 1, 2008
- Commence Accrual Accounting: 2008/09 Fiscal Year (FY) Annual Required Contribution (Accrual Expense) = $164,000
  - 2008/09 FY Benefit Accrual* = $106,000 Plus
  - Amortization (Over 30 Years) of UAAL = $58,000
- 2008/09 Fiscal Year Pay-As-You-Go Expense = $22,000
- Difference (Net OBEB Obligation) Accumulates as Liability on Financial Statement = $142,000

*Projected to end of fiscal period

Nipomo Community Services District Management of OPEB Liability

- Review Plan Cost Containment Strategies
- Review Retiree Health Benefit Promise
  - Eligibility
  - Benefits Offered
  - Duration of Benefits
  - District's Financial Obligation (% paid, caps or limit % increase, etc)
- Review Prefunding Strategies
  - Plan Assets Under GASB 45: Segregated for Exclusive Payment of Retiree Health Benefits & Secured from Creditors
  - Reasons to Prefund:
    - Mitigates Impact of Liability
    - Earlier Contributions; Less Contributions Required in Aggregate
    - Higher Rate of Return Under Long Term Investment Strategy - Lowers Liability/Expense
    - Increase Financial Stability/Benefit Security

Nipomo Community Services District GASB Eligible Pre-funding Vehicles

- Establish Employer Specific Trust: E.g. VEBA, Governmental Trust
- Join Available Established Trust: E.g. California Employers' Retiree Benefit Trust (CERBT)
  - Main Advantages to Established Trust
    - Typically lower fees (e.g. legal, accounting and investment fees)
  - Main Disadvantage to Established Trust
    - Less flexibility & control

Nipomo Community Services District
Impact of Pre-funding

- Adopt Full Funding Strategy Under CERBT
  - District Funds the Annual Required Contribution Each Year
  - Assumed Rate of Return on Plan Assets/Discount Rate = 7.75%
- Impact of Change from Pay-As-You-Go Funding to Full Funding Strategy (Fiscal Year 2008/09)
  - Present Value of District Contributions: $2.0M to $1.2M
  - Unfunded Past Service Liability (UAAL): $1.4M to $0.9M
  - Annual Required Contribution: $164K to $113K
  - Expected District Contribution: $ 22K to $113K
  - Net OPEB Obligation at End of Year: $142K to $ 0K

Questions

Nipomo Community Services District

Actuarial Valuation

As of January 1, 2008

Prepared by:

The Epler Company
450 "B" Street, Suite 750
San Diego, CA 92101
(619) 239-0831

March 2008

The EPLER Company

Nipomo Community Services District
Actuarial Valuation as of January 1, 2008

Table of Contents

Section I. Executive Summary

Background

Nipomo Community Services District (the "District") selected The Epler Company 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 estimate the District's accounting requirements for other postemployment benefits (OPEB) under Governmental Accounting Standards Board Statements No. 43 & 45 (GASB 43 & GASB 45). GASB 45 requires accrual accounting for the expensing of OPEB. The expense is generally accrued over the working career of employees, rather than on a pay-as-you-go basis, which has been the practice for most governmental entities and public sector organizations. OPEB generally include post-employment health benefits (medical, dental, vision, prescription drug and mental health), life insurance, disability benefits and long term care benefits. GASB 43 requires additional financial disclosure for funded OPEB Plans.

The District currently provides retiree medical benefits through the CalPERS Health Program to approximately 13 active and 2 retired employees. In general, to be eligible for retiree medical benefits an employee must retire from PERS on or after age 50 with at least 5 years of District service. For employees hired prior to February 1, 2006, the District's financial obligation is to pay 100% of the cost of coverage for the eligible retiree and any covered dependents. For employees hired on or after February 1, 2006, the District's contribution percentage is based on the employee's years of CalPERS eligible service at retirement starting at 50% for employees with 10 years increasing by 5% per year of service to 100%. The District's maximum contribution is based on this contribution percentage applied to the average weighted premium rates established annually by CalPERS. Section V of the report details the plan provisions that were included in the valuation and the current premium costs for coverage.

The EPLER Company

Results of the Retiree Health Valuation

We have determined that the amount of the actuarial liability for the District's retiree health benefits program as of January 1, 2008, the measurement date, is $1.963 million. This value is based on an assumed discount rate of 5% which assumes the District continues to maintain the program as an unfunded plan. The amount represents the present value of all contributions 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 exactly met, the fund would have exactly enough to pay all expected contributions. This includes contributions 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 $1.288 million, the current service component (normal cost or current year accrual) is $0.099 million and the future service component (not yet accrued liability) is $0.576 million.

Funding and Expense

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.

Currently, the District expenses and funds for retiree health benefits on a pay-as-you-go basis. The estimated pay-as-you-go expense and payment amount for the upcoming 2008/2009 fiscal year is approximately $22,000 (net of any required retiree contributions). This amount includes payments for employees expected to retire during the 2008/2009 fiscal year. Under GASB 45, the District will be required to adopt accrual accounting for the expensing of its retiree health benefits. The accrual expense or annual required contribution under GASB terminology is generally accrued over the working career of employees. If the District adopts accrual accounting under GASB 45 for its 2008/2009 fiscal year. its annual required contribution is $164,000. The $164.000 is comprised of the present value of benefits accruing in the current year (normal cost) plus a 30-year amortization (on a level-percentage of pay basis) of the unfunded actuarial accrued liability (past service liability) at July 1, 2008. Thus, it represents a means to expense the plan's liabilities in an orderly manner. The net OPEB obligation at the end of the fiscal year will reflect any actual retiree health payments and any pre-funding amounts made during the period.

Many public entities in California have begun to assess pre-funding options for their retiree health benefit obligations. The annual required contribution is one method to fully fund the District's obligation. If the District were to fully-fund its plan through a GASB eligible trust such as the California Employers' Retiree Benefit Trust (CERBT) with a target rate-of-return of 7.75%, the discount rate could be raised to 7.75%, accordingly. A comparison of using a 7.75% versus a 5% discount rate on the liabilities and expense is provided below:

Projected to July 1, 2008	5% Discount Rate	7.75% Discount Rate
Present Value of Projected Benefits:	\$2.002 Million	\$1.189 Million
Actuarial Accrued (Past Service) Liability:	\$1.360 Million	\$0.895 Million
Unfunded Actuarial Accrued Liability:	\$1.360 Million	\$0.895 Million
Normal Cost (Current Service) Liability:	\$0.101 Million	\$0.055 Million
Annual Required Contribution:	\$164,000	\$113,000

The results using a 6.0% discount rate have also been provided in Section II of the report. Section IV of the report provides other methods to fully fund the District's obligation.

Section II. Financial Results

A. Valuation Results as of January 1, 2008 (Measurement Date)

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 contributions 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. The results using the 5% discount rate reflect the District maintaining its current funding policy. The 7.75% results reflect the District adopting a policy to fully-fund the benefits through the California Employers' Retiree Benefit Trust (CERBT). The results using a 6% discount rate are provided for comparison purpose.

		Discount Rate	
At January 1, 2008	---5.00%---	---6.00%---	---7.75%---
1. Actuarial Liability (AL)			
Actives	$1,584.970	$1,261,246	$ 873,947
Retirees	377,743	336,952	280,795
Total AL	$1,962,713	$1,598,198	$1,154,742
2. Actuarial Accrued Liability (AAL)			
Actives	$ 909,853	$ 758,791	$ 564,302
Retirees	377,743	336,952	280,795
Total AAL	$1,287,596	$1,095,743	$ 845,097
3. Normal Cost	$ 98,548	$ 77,925	$ 52,883
No. of Active Employees	13	13	13
Average Age/Average Past Service	49/8	49/8	49/8
No. of Retired Employees	2	2	2
Average Age	69	69	69
Average Retirement Age	67	67	67

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[1]. Eligible assets under GASB 45 must be segregated and secured for the exclusive purpose of paying for the retiree health benefits. The results using the 5% discount rate reflect the District maintaining its current funding policy. The 7.75% results reflect the District adopting a policy to fully-fund the benefits through CERBT. The results using a 6% discount rate are provided for comparison.

		Discount Rate	
Projected to July 1, 2008	---5.00%---	---6.00%---	---7.75%---
1. Actuarial Accrued Liability (AAL)			
- Actives	$ 982,626	$ 821,206	$ 613,153
- Retirees	377,654	337,504	$ 282,078
- Total AAL	$1,360,280	$1,158,710	$ 895,231
2. Actuarial Value of Assets[1]	0	0	0
3. Unfunded AAL (UAAL)	$1,360,280	$1,158,710	$ 895,231

C. Amortization of Unfunded Actuarial Accrued Liability

The amortization of the UAAL component of the annual required contribution (ARC) is being amortized over the maximum acceptable amortization period of 30 years on a level-percentage of pay basis.

Projected to July 1, 2008	---5.00%---	---6.00%---	---7.75%---
1. Unfunded AAL (UAAL)	$1,360,280	$1,158,710	$895,231
2. Amortization Period	30	30	30
3. Amortization of UAAL	$58,218	$56,574	$54,047

[1] The District has not reported any eligible plan assets under GASB 43 & 45.

D. Annual Required Contribution (ARC)

The table below presents an estimate of the annual required contribution under GASB 45 if the District adopts accrual accounting for its 2008/2009 fiscal year. The results using the 5% discount rate reflect the District maintaining its current funding policy. The 7.75% results reflect the District adopting a policy to fully-fund the benefits through CERBT. The results using a 6% discount rate are provided for comparison purpose.

		Discount Rate	
	---5.00%---	---6.00%---	---7.75%---
1. Normal Cost at End of Year	$106,062	$ 85,079	$ 59,189
2. Amortization of UAAL	58,218	56,574	54,047
3. Annual Required Contribution (ARC)	$164,280	$141,653	$113,236
4. Estimated Payroll	$807,004	$807,004	$807,004
5. Normal Cost as % of Payroll	13.2%	10.6%	7.3%
6. Amortization of UAAL as % of Payroll	7.2%	7.0%	6.7%
7. ARC as % of Payroll	20.4%	17.6%	14.0%

E. Estimated Net OPEB Obligation at June 30, 2009

The table below shows an estimate of the net OPEB obligation at the end of the current fiscal year. The scenario using the 5% discount rate assumes the District continues to not pre-fund for its retiree health benefits. The scenario using the 7.75% discount rate assumes the District fully funds the Annual Required Contribution (ARC) by June 30, 2009. The scenario using the 6% discount rate assumes the District partially funds the ARC (funds the normal cost plus retiree benefit payments).

	---5.00%---	---6.00%---	---7.75%---
1. Annual Required Contribution (ARC)	$164,280	$141,653	$113,236
2. Interest on Net OPEB Obligation	0	0	0
3. Adjustment to ARC	0	0	0
4. Annual OPEB Cost	$164,280	$141,653	$113,236
5. Contributions Made (Inclusive of Benefit Payments)	(21,886)	(106,965)	(113,236)
6. Increase in Net OPEB Obligation	$142,394	$ 34,688	$ 0
7. Net OPEB Obligation – Beginning of Year	$ 0	$ 0	$ 0
8. Net OPEB Obligation – End of Year	$142,394	$ 34,688	$ 0

Section III. Projected Cash Flows

The valuation process includes the projection of the expected contributions to be paid by the District under its retiree health benefits program. This expected cash flow takes into account the likelihood of each employee reaching age for eligibility to retire and receive health benefits. The projection is performed by applying the turnover assumption to each active employee for the period between the valuation date and the expected retirement date. Once the employees reach their retirement date, a certain percent are assumed to enter the retiree group each year. Employees already over the latest assumed retirement age as of the valuation date are assumed to retire immediately. The per capita cost as of the valuation date is projected to increase at the applicable healthcare trend rates both before and after the employee's assumed retirement. The projected per capita costs are multiplied by the number of expected future retirees in a given future year to arrive at the cash flow for that year. Also, a certain number of retirees will leave the group each year due to expected deaths 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:

The EPLER Company

Projected Employer Cash Flows – Representative Years

Fiscal Year	Future Retirees	Retired Employees	Total
2008/09	$2,294	$19,592	$21,886
2009/10	5,299	20,317	25,616
2010/11	8,792	20,916	29,708
2011/12	12,930	22,157	35,087
2012/13	18,302	23,329	41,631
2013/14	24,728	23,435	48,163
2014/15	32,021	23,367	55,388
2015/16	39,047	24,072	63,119
2016/17	46,121	24,617	70,738
2017/18	53,836	25,052	78,888
2018/19	61,313	25,431	86,744
2019/20	70,762	25,749	96,511
2020/21	81,539	26,001	107,540
2021/22	91,008	26,170	117,178
2022/23	100,193	26,238	126,431
2023/24	108,900	26,197	135,097
2024/25	116,465	26,051	142,516
2025/26	124,267	25,803	150,070
2026/27	131,737	25,452	157,189
2027/28	137,586	24,996	162,582
2028/29	143,722	24,430	168,152
2029/30	149,611	23,750	173,361
2030/31	154,753	22,953	177,706
2031/32	160,102	22,036	182,138
2032/33	163,853	20,998	184,851
2033/34	167,437	19,842	187,279
2034/35	171,727	18,581	190,308
2035/36	175,313	17,232	192,545
2036/37	178,337	15,806	194,143
2037/38	180,811	14,318	195,129
2038/39	181,714	12,792	194,506
2039/40	181,611	11,258	192,869
2040/41	180,911	9,743	190,654
2045/46	157,972	3,483	161,455
2055/56	94,185	0	94,185
2065/66	40,918	0	40,918
2075/76	7,437	0	7,437
2085/86	0	0	0
2095/96	0	0	0
All Years	$6,389.856	$754,892	$7,144,748

Section IV. Funding Analysis

There are multiple ways to approach the funding of a retiree health plan. The expense (annual required contribution) is one method, of many, that could be used to pre-fund benefits. The annual expense amount will fluctuate from year to year based on the asset performance and as the population matures. Presented below are sample alternatives to pre-fund the entire District 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
5% Discount Rate						
Fund Present Value of Projected Benefits ($2.0 million) at July 1, 2008:	$161.000	$142,000	$130.000	14.7%	12.3%	10.6%
6% Discount Rate						
Fund Present Value of Projected Benefits ($1.6 million) at July 1, 2008:	$143,000	$128,000	$119.000	13.2%	11.2%	9.9%
7.75% Discount Rate						
Fund Present Value of Projected Benefits ($1.2 million) at July 1, 2008:	$119,000	$109.000	$103,000	11.2%	9.8%	8.9%

*Eligibles only

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 contributions in aggregate will have to be made to fulfill future obligations.
- Depending on the investment strategy for funds, a 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 retiree health benefits of the District. The retiree health benefits provided to retirees are basically a continuation of the medical plans for active employees. Eligible employees are offered a choice of medical (including prescription drug coverage) plans through the CalPERS Health Program under the Public Employees' Medical and Hospital Care Act (PEMHCA). Our findings and assumptions are based on the plans and rates effective January 1, 2008.

Employees Hired Prior to February 1, 2006

Eligibility for medical coverage requires retirement from the District and CalPERS with at least 5 years of District service. Eligible employees must be covered under the CalPERS Health Plan at the time of retirement. The District pays 100% of the cost of coverage for the eligible retiree and covered dependents.

Employees Hired On or After February 1, 2006

Eligibility for medical coverage requires retirement from the District and CalPERS with at least 5 years of District service. Eligible employees must be covered under the CalPERS Health Plan at the time of retirement. The District pays an amount each year that is based on the average of the health plan premiums available to District employees through the CalPERS Health Program. Any premium costs above this amount are paid for by the employee. The District's contribution requires at least 10 years of CalPERS eligible service (at least 5 years of which is with the District). The District's contribution is based on years of service as follow:

CalPERS Service	District's Contribution	CalPERS Service	District's Contribution
10 Years of Service	50%	16 Years of Service	80%
11 Years of Service	55%	17 Years of Service	85%
12 Years of Service	60%	18 Years of Service	90%
13 Years of Service	65%	19 Years of Service	95%
14 Years of Service	70%	20+ Years of Service	100%
15 Years of Service	75%		

Upon the death of a retiree, a surviving spouse of the retiree may continue coverage and receive a District contribution at the retiree rate.

Premium rates

The District participates in the CalPERS Health Program, a community-rated program, for its medical coverage. The following tables summarize the current monthly medical premiums available to eligible retirees. All premiums are effective for the calendar year.

2008 Other So. Cal. Region (unless noted)	Kaiser	Blue Shield	PERS Care	PERS Choice	PERSChoice Out-of-State
Retiree Only	$393.63	$447.97	$712.71	$458.59	$525.47
Retiree Plus Spouse	$787.26	$895.94	$1,425.42	$917.18	$1,050.94
Retiree Only- Medicare	$273.36	$341.44	$404.60	$349.11	$349.11
Retiree Plus Spouse – Medicare	$546.72	$682.88	$809.20	$698.22	$698.22
Retiree Plus Spouse – Mixed	$666.99	$789.41	$1,117.31	$807.70	$874.58

2007 Other So. Cal. Region (unless noted)	Kaiser	Blue Shield	PERS Care	PERS Choice	PERSChoice Out-of-State
Retiree Only	$360.60	$407.02	$731.40	$432.64	$495.74
Retiree Plus Spouse	$721.20	$814.04	$1,462.80	$865.28	$991.48
Retiree Only- Medicare	$289.68	$318.95	$371.68	$341.75	$341.75
Retiree Plus Spouse – Medicare	$579.36	$637.90	$743.36	$683.50	$683.50
Retiree Plus Spouse – Mixed	$650.28	$725.97	$1,103.08	$774.39	$837.49

Section VI. Valuation Data

Active and Retiree Census

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

	Count
<55	0
55-59	0
60-64	0
65-69	1
70-74	1
75-79	0
80+	0
Total:	2
Average Retirement Age:	67.0
Average Age:	69.3

Age/Service Distribution of Active Participants

	Service									
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	Total
20-24	0									0
25-29	0	0								0
30-34	2	0	0							2
35-39	0	0	0							0
40-44	2	0	0	0						2
45-49	0	0	2	0	0					2
50-54	1	0	0	1	0	0				2
55-59	2	1	0	1	0	1	0			5
60-64	0	0	0	0	0	0	0	0		0
65-69	0	0	0	0	0	0	0	0	0	0
70+	0	0	0	0	0	0	0	0	0	0
Total:	7	1	2	2	0	1	0	0	0	13
Average Age:			48.6							
Average Service:			8.1							

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: January 1, 2008

Discount Rate: Results using discount rates associated with alternative funding arrangements are presented in the valuation report as follows:

5.0% per annum. This discount rate assumes the District continues to pre-fund for its retiree health benefits outside of a GASB eligible trust under its current investment policy.

7.75% per annum. This discount rate assumes the District pre-funds at least the annual required contribution within the California Employers' Retiree Benefit Trust (a GASB eligible trust).

6.0% per annum. Provided for comparison purposes only.

Salary Increases: 3.25% per annum, in aggregate

Pre-retirement Turnover: According to the termination rates under the CalPERS pension plan. Sample rates for Miscellaneous employees are as follows:

	Entry Age			
Service	20	30	40	50
0	17.6%	16.2%	14.8%	13.5%
5	7.7%	6.3%	4.9%	1.3%
10	5.7%	4.4%	1.0%	0.5%
15	4.5%	3.1%	0.5%	0.1%
20	3.2%	0.4%	0.1%	0.0%
25	1.9%	0.1%	0.0%	0.0%
30	0.1%	0.0%	0.0%	0.0%

Note: 0.0% includes rates less than ½ of 1%.

Pre-retirement Mortality: According to the pre-retirement mortality rates under the CalPERS pension plan. Sample deaths per 1,000 employees applicable to Miscellaneous employees are as follows:

Age	Males	Females
25	0.3	0.1
30	0.4	0.2
35	0.5	0.3
40	0.8	0.5
45	1.1	0.7
50	1.6	1.0
55	2.2	1.5
60	3.1	2.3

Post-retirement Mortality: According to the post-retirement mortality rates under the CalPERS pension plan. Sample deaths per 1,000 employees applicable to Miscellaneous are as follows:

Age	Males	Females
55	4.3	2.5
60	7.2	4.4
65	13.0	8.0
70	21.4	12.8
75	37.2	21.6
80	62.6	38.8
85	102.0	72.2
90	173.8	125.9

Retirement Age: According to the retirement rates under the CalPERS pension plan. Sample retirement rates are as follows:

Age	Male	Female
50	5.0%	7.0%
51	2.0%	5.0%
52	3.0%	5.0%
53	3.0%	5.0%
54	4.0%	5.0%
55	8.0%	9.0%
56	7.0%	8.0%
57	8.0%	7.0%
58	9.0%	11.0%
59	11.0%	10.0%
60	19.0%	15.0%
61	17.0%	12.0%
62	31.0%	25.0%
63	26.0%	22.0%
64	18.0%	16.0%
65	30.0%	30.0%
66	17.0%	18.0%
67	14.0%	17.0%
68	15.0%	13.0%
69	11.0%	15.0%
70	100.0%	100.0%

Participation Rates: 95% of eligible active employees are assumed to elect medical coverage at retirement. Of those electing coverage, 100% of those electing coverage are assumed to elect HMO coverage. Actual plan coverage is used for current retirees.

Spouse Coverage: 85% of future retirees are assumed to be married with 90% electing coverage for their spouse. Male spouses are assumed to be 3 years older than female spouses. Actual spouse coverage and spouse ages are used for current retirees.

Average Premiums: The CalPERS average weighted premiums are assumed to increase based on the medical trend rates.

Claim Cost Development: The valuation claim costs are based on the premiums paid for medical insurance coverage. The District participates in the CalPERS Health Plan, a community rated plan. The valuation assumes the District is exempt from the valuation of any medical plan rate subsidy.

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

Year	PPO	HMO
2009	10.0%	9.5%
2010	9.0%	8.5%
2011	8.5%	8.0%
2012	8.0%	7.5%
2013	7.5%	7.0%
2014	7.0%	6.5%
2015	6.5%	6.0%
2016	6.0%	5.5%
2017	5.5%	5.0%
2018+	5.0%	5.0%

Actuarial Cost Method: The actuarial cost method used to determine the allocation of the retiree health actuarial liability to the past (accrued), current and future periods is the Entry Age Normal ("EAN") cost method. The EAN cost method is a projected benefit cost method which means the "cost" is based on the projected benefit expected to be paid at retirement.

The EAN normal cost equals the level annual amount of contribution from the employee's date of hire (entry date) to their retirement date that is sufficient to fund the projected benefit. For plans unrelated to pay, the normal cost is calculated to remain level in dollars; for pay-related plans the normal cost is calculated to remain level as a percentage of pay. The EAN actuarial accrued liability equals the present value of all future benefits for retired and current employees and their beneficiaries less the portion expected to be funded by future normal costs.

Actuarial Value of Assets: Any GASB eligible assets of the plan will be valued on a market value basis.

Section VIII. Actuarial Certification

The results set forth in this report are based on the actuarial valuation of the retiree health benefits program of Nipomo Community Services District (the "District") as of January 1. 2008.

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, FCCA Date: 4/8/08
Vice President and Actuary

NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2008-actuarial

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE NIPOMO COMMUNITY SERVICES DISTRICT APPROVING AGREEMENT AND ELECTION TO PREFUND OTHER POST EMPLOYMENT BENEFITS THROUGH CALPERS AND CERTIFICATION OF OPEB FUNDING POLICY AND GASB 43/45 REPORTING COMPLIANCE

WHEREAS, the Nipomo Community Services District (herein "District") Board of Directors (herein "Board") is a local governmental agency formed and authorized to provide services within its jurisdiction, pursuant to Section 61000 et seq. of the California Government Code; and

WHEREAS, Statement 45 of the Governmental Accounting Standards Board (GASB 45) establishes standards for the measurement, recognition and display of OPEB expenses/expenditures, and related liabilities (assets), note disclosures, and if applicable, required supplementary information in the financial reports of State and local governmental employers; and

WHEREAS, Nipomo Community Services District provides medical benefits to its retirees, thus, the District will be required to fund its OPEB liability.

NOW, THEREFORE, the Board of Directors of the Nipomo Community Services District does hereby resolve, declare, determine and order as follows:

1. Authorize the Board President to execute the agreement and election Exhibit "A"
2. Authorize the Board President to execute the Certification of OPEB Funding Policy and GASB 43/45 Reporting Compliance Exhibit "B"

On the motion of Director __________, seconded by Director _________, and on the following roll call vote, to wit:

AYES:
NOES:
ABSENT:
CONFLICTS:

The foregoing resolution is hereby passed, approved and adopted by the Board of Directors of the Nipomo Community Services District this 30th day of April, 2008.

____
Michael Winn, President
Nipomo Community Services District

ATTEST:

____
Donna K. Johnson

APPROVED AS TO FORM:

____
Jon S. Seitz

CALIFORNIA EMPLOYER'S RETIREE BENEFIT TRUST PROGRAM ("CERBT")

AGREEMENT AND ELECTION OF

____
(NAME OF EMPLOYER)

TO PREFUND OTHER POST EMPLOYMENT BENEFITS THROUGH CalPERS

WHEREAS (1) Government Code Section 22940 establishes in the State Treasury the Annuitants' Health Care Coverage Fund for the prefunding of health care coverage for annuitants (Prefunding Plan); and

WHEREAS (2) The California Public Employees' Retirement System (CalPERS) Board of Administration (Board) has sole and exclusive control and power over the administration and investment of the Prefunding Plan (sometimes also referred to as CERBT), the purposes of which include, but are not limited to (i) receiving contributions from participating employers and establishing separate Employer Prefunding Accounts in the Prefunding Plan for the performance of an essential governmental function (ii) investing contributed amounts and income thereon, if any, in order to receive yield on the funds and (iii) disbursing contributed amounts and income thereon, if any, to pay for costs of administration of the Prefunding Plan and to pay for health care costs or other post employment benefits in accordance with the terms of participating employers' plans; and

WHEREAS (3) ____
(NAME OF EMPLOYER)

(Employer) desires to participate in the Prefunding Plan upon the terms and conditions set by the Board and as set forth herein; and

WHEREAS (4) Employer may participate in the Prefunding Plan upon (i) approval by the Board and (ii) filing a duly adopted and executed Agreement and Election to Prefund Other Post Employment Benefits (Agreement) as provided in the terms and conditions of the Agreement; and

WHEREAS (5) The Prefunding Plan is a trust fund that is intended to perform an essential governmental function within the meaning of Section 115 of the Internal Revenue Code as an agent multiple-employer plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 43 consisting of an aggregation of single-employer plans, with pooled administrative and investment functions;

NOW, THEREFORE, BE IT RESOLVED THAT EMPLOYER HEREBY MAKES THE FOLLOWING REPRESENTATION AND WARRANTY AND THAT THE BOARD AND EMPLOYER AGREE TO THE FOLLOWING TERMS AND CONDITIONS:

A. Representation and Warranty

Employer represents and warrants that it is a political subdivision of the State of California or an entity whose income is excluded from gross income under Section 115 (1) of the Internal Revenue Code.

B. Adoption and Approval of the Agreement; Effective Date; Amendment

(1) Employer's governing body shall elect to participate in the Prefunding Plan by adopting this Agreement and filing with the CalPERS Board a true and correct original or certified copy of this Agreement as follows:

Filing by mail, send to:

CalPERS
Constituent Relations Office
CERBT (OPEB)
P.O. Box 942709
Sacramento, CA 94229-2709

Filing in person, deliver to:

CalPERS Mailroom
Attn: Employer Services Division
400 Q Street
Sacramento, CA 95814

(2) Upon receipt of the executed Agreement, and after approval by the Board, the Board shall fix an effective date and shall promptly notify Employer of the effective date of the Agreement.

(3) The terms of this Agreement may be amended only in writing upon the agreement of both CalPERS and Employer, except as otherwise provided herein. Any such amendment or modification to this Agreement shall be adopted and executed in the same manner as required for the Agreement. Upon receipt of the executed amendment or modification, the Board shall fix the effective date of the amendment or modification.

(4) The Board shall institute such procedures and processes as it deems necessary to administer the Prefunding Plan, to carry out the purposes of this Agreement, and to maintain the tax exempt status of the Prefunding Plan. Employer agrees to follow such procedures and processes.

C. Actuarial Valuation and Employer Contributions

(1) Employer shall provide to the Board an actuarial valuation report on the basis of the actuarial assumptions and methods prescribed by the Board. Such report shall be for the Board's use in financial reporting, shall be prepared at least as often as the minimum frequency required by GASB Statement No. 43, and shall be:

(a) prepared and signed by a Fellow or Associate of the Society of Actuaries who is also a Member of the American Academy of Actuaries or a person with equivalent qualifications acceptable to the Board;

(b) prepared in accordance with generally accepted actuarial practice and GASB Statement Nos. 43 and 45; and,

(c) provided to the Board prior to the Board's acceptance of contributions for the valuation period or as otherwise required by the Board.

(2) The Board may reject any actuarial valuation report submitted to it, but shall not unreasonably do so. In the event that the Board determines, in its sole discretion, that the actuarial valuation report is not suitable for use in the Board's financial statements or if Employer fails to provide a required actuarial valuation, the Board may obtain, at Employer's expense, an actuarial valuation that meets the Board's financial reporting needs. The Board may recover from Employer the cost of obtaining such actuarial valuation by billing and collecting from Employer or by deducting the amount from Employer's account in the Prefunding Plan.

(3) Employer shall notify the Board of the amount and time of contributions which contributions shall be made in the manner established by the Board.

(4) Employer contributions to the Prefunding Plan may be limited to the amount necessary to fully fund Employer's actuarial present value of total projected benefits, as supported by the actuarial valuation acceptable to the Board. As used throughout this document, the meaning of the term "actuarial present value of total projected benefits" is as defined in GASB Statement No. 45. If Employer's contribution causes its assets in the Prefunding Plan to exceed the amount required to fully fund the actuarial present value of total projected benefits, the Board may refuse to accept the contribution.

(5) Any Employer contribution will be at least $5000 or be equal to Employer's Annual Required Contribution as that term is defined in GASB Statement No. 45. Contributions can be made at any time following the seventh day after the effective date of the Agreement provided that Employer has first complied with the requirements of Paragraph C.

D. Administration of Accounts, Investments, Allocation of Income

(1) The Board has established the Prefunding Plan as an agent plan consisting of an aggregation of single-employer plans, with pooled administrative and investment functions, under the terms of which separate accounts will be maintained for each employer so that Employer's assets will provide benefits only under employer's plan.

(2) All Employer contributions and assets attributable to Employer contributions shall be separately accounted for in the Prefunding Plan (Employer's Prefunding Account).

(3) Employer's Prefunding Account assets may be aggregated with prefunding account assets of other employers and may be co-invested by the Board in any asset classes appropriate for a Section 115 Trust.

(4) The Board may deduct the costs of administration of the Prefunding Plan from the investment income or Employer's Prefunding Account in a manner determined by the Board.

(5) Investment income shall be allocated among employers and posted to Employer's Prefunding Account as determined by the Board but no less frequently than annually.

(6) If Employer's assets in the Prefunding Plan exceed the amount required to fully fund the actuarial present value of total projected benefits, the Board, in compliance with applicable accounting and legal requirements, may return such excess to Employer.

E. Reports and Statements

(1) Employer shall submit with each contribution a contribution report in the form and containing the information prescribed by the Board.

(2) The Board shall prepare and provide a statement of Employer's Prefunding Account at least annually reflecting the balance in Employer's Prefunding Account, contributions made during the period and income allocated during the period, and such other information as the Board determines.

F. Disbursements

(1) Employer may receive disbursements not to exceed the annual premium and other costs of post employment healthcare benefits and other post employment benefits as defined in GASB 43.

(2) Employer shall notify CalPERS in writing in the manner specified by CalPERS of the persons authorized to request disbursements from the Prefunding Plan on behalf of Employer.

(3) Employer's request for disbursement shall be in writing signed by Employer's authorized representative, in accordance with procedures established by the Board. The Board may require that Employer certify or otherwise establish that the monies will be used for the purposes of the Prefunding Plan.

(4) Requests for disbursements that satisfy the requirements of paragraphs (2) and (3) that are received on or after the first of a month will be processed by the 15th of the following month. (For example, a disbursement request received on or between March 1st and March 31st will be processed by April 15th; and a disbursement request received on or between April 1st and April 30th will be processed by May 15th.)

(5) CalPERS shall not be liable for amounts disbursed in error if it has acted upon the instruction of an individual authorized by Employer to request disbursements. In the event of any other erroneous disbursement, the extent of CalPERS' liability shall be the actual dollar amount of the disbursement, plus interest at the actual earnings rate but not less than zero.

(6) No disbursement shall be made from the Prefunding Plan which exceeds the balance in Employer's Prefunding Account.

G. Costs of Administration

Employer shall pay its share of the costs of administration of the Prefunding Plan, as determined by the Board.

H. Termination of Employer Participation in Prefunding Plan

(1) The Board may terminate Employer's participation in the Prefunding Plan if:

(a) Employer gives written notice to the Board of its election to terminate;

(b) The Board finds that Employer fails to satisfy the terms and conditions of this Agreement or of the Board's rules or regulations.

(2) If Employer's participation in the Prefunding Plan terminates for any of the foregoing reasons, all assets in Employer's Prefunding Account shall remain in the Prefunding Plan, except as otherwise provided below, and shall continue to be invested and accrue income as provided in Paragraph D.

(3) After Employer's participation in the Prefunding Plan terminates, Employer may not make contributions to the Prefunding Plan.

(4) After Employer's participation in the Prefunding Plan terminates, disbursements from Employer's Prefunding Account may continue upon Employer's instruction or otherwise in accordance with the terms of this Agreement.

(5) After thirty-six (36) months have elapsed from the effective date of this Agreement:

(a) Employer may request a trustee to trustee transfer of the assets in Employer's Prefunding Account. Upon satisfactory showing to the Board that the transfer will satisfy applicable requirements of the Internal Revenue Code and the Board's fiduciary duties, then the Board shall effect the transfer within one hundred twenty (120) days. The amount to be transferred shall be the amount in the Employer's Prefunding Account as of the disbursement date and shall include investment earnings up to the investment earnings allocation date immediately preceding the disbursement date. In no event shall the investment earnings allocation date precede the transfer by more than 120 days.

(b) Employer may request a disbursement of the assets in Employer's Prefunding Account. Upon satisfactory showing to the Board that all of Employer's obligations for payment of post employment health care benefits and other post employment benefits and reasonable administrative costs of the Board have been satisfied, then the Board shall effect the disbursement within one hundred twenty (120) days. The amount to be disbursed shall be the amount in the Employer's Prefunding Account as of the disbursement date and shall include investment earnings up to the investment earnings allocation date immediately preceding the disbursement date. In no event shall the investment earnings allocation date precede the disbursement by more than 120 days.

(6) After Employer's participation in the Prefunding Plan terminates and at such time that no assets remain in Employer's Prefunding Account, this Agreement shall terminate.

(7) If, for any reason, the Board terminates the Prefunding Plan, the assets in Employer's Prefunding Account shall be paid to Employer after retention of (i) amounts sufficient to pay post employment health care benefits and other post employment benefits to annuitants for current and future annuitants described by the employer's current substantive plan (as defined in GASB 43), and (ii) amounts sufficient to pay reasonable administrative costs of the Board.

(8) If Employer ceases to exist but Employer's Prefunding Plan continues to exist and if no provision has been made by Employer for ongoing payments to pay post employment health care benefits and other post employment benefits to annuitants for current and future annuitants, the Board is authorized to and shall appoint a third party administrator to carry out Employer's Prefunding Plan. Any and all costs associated

with such appointment shall be paid from the assets attributable to contributions by Employer.

(9) If Employer should breach the representation and warranty set forth in Paragraph A., the Board shall take whatever action it deems necessary to preserve the tax-exempt status of the Prefunding Plan.

I. General Provisions

(1) Books and Records.

Employer shall keep accurate books and records connected with the performance of this Agreement. Employer shall ensure that books and records of subcontractors, suppliers, and other providers shall also be accurately maintained. Such books and records shall be kept in a secure location at the Employer's office(s) and shall be available for inspection and copying by CalPERS and its representatives.

(2) Audit.

(a) During and for three years after the term of this Agreement, Employer shall permit the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, at all reasonable times during normal business hours to inspect and copy, at the expense of CalPERS, books and records of Employer relating to its performance of this Agreement.

(b) Employer shall be subject to examination and audit by the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, during the term of this Agreement and for three years after final payment under this Agreement. Any examination or audit shall be confined to those matters connected with the performance of this Agreement, including, but not limited to, the costs of administering this Agreement. Employer shall cooperate fully with the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, in connection with any examination or audit. All adjustments, payments, and/or reimbursements determined to be necessary by any examination or audit shall be made promptly by the appropriate party.

(3) Notice.

(a) Any notice, approval, or other communication required or permitted under this Agreement will be given in the English language and will be deemed received as follows:

1. Personal delivery. When personally delivered to the recipient. Notice is effective on delivery.

2. First Class Mail. When mailed first class to the last address of the recipient known to the party giving notice. Notice is effective three delivery days after deposit in a United States Postal Service office or mailbox.

3. Certified mail. When mailed certified mail, return receipt requested. Notice is effective on receipt, if delivery is confirmed by a return receipt.

4. Overnight Delivery. When delivered by an overnight delivery service, charges prepaid or charged to the sender's account, Notice is effective on delivery, if delivery is confirmed by the delivery service.

5. Telex or Facsimile Transmission. When sent by telex or fax to the last telex or fax number of the recipient known to the party giving notice. Notice is effective on receipt, provided that (i) a duplicate copy of the notice is promptly given by first-class or certified mail or by overnight delivery, or (ii) the receiving party delivers a written confirmation of receipt. Any notice given by telex or fax shall be deemed received on the next business day if it is received after 5:00 p.m. (recipient's time) or on a nonbusiness day.

6. E-mail transmission. When sent by e-mail using software that provides unmodifiable proof (i) that the message was sent, (ii) that the message was delivered to the recipient's information processing system, and (iii) of the time and date the message was delivered to the recipient along with a verifiable electronic record of the exact content of the message sent.

Addresses for the purpose of giving notice are as shown in Paragraph B.(1) of this Agreement.

(b) Any correctly addressed notice that is refused, unclaimed, or undeliverable because of an act or omission of the party to be notified shall be deemed effective as of the first date that said notice was refused, unclaimed, or deemed undeliverable by the postal authorities, messenger or overnight delivery service.

(c) Any party may change its address, telex, fax number, or e-mail address by giving the other party notice of the change in any manner permitted by this Agreement.

(d) All notices, requests, demands, amendments, modifications or other communications under this Agreement shall be in writing. Notice shall be sufficient for all such purposes if personally delivered, sent by first class, registered or certified mail, return receipt requested, delivery by courier with receipt of delivery, facsimile transmission with written confirmation of receipt by recipient, or e-mail delivery with verifiable and unmodifiable proof of content and time and date of sending by sender and delivery to recipient. Notice is effective on confirmed receipt by recipient or 3 business days after sending, whichever is sooner.

(4) Modification

This Agreement may be supplemented, amended, or modified only by the mutual agreement of the parties. No supplement, amendment, or modification of this Agreement shall be binding unless it is in writing and signed by the party to be charged.

(5) Survival

All representations, warranties, and covenants contained in this Agreement, or in any instrument, certificate, exhibit, or other writing intended by the parties to be a part of their Agreement shall survive the termination of this Agreement until such time as all amounts in Employer's Prefunding Account have been disbursed.

(6) Waiver

No waiver of a breach, failure of any condition, or any right or remedy contained in or granted by the provisions of this Agreement shall be effective unless it is in writing and signed by the party waiving the breach, failure, right, or remedy. No waiver of any breach, failure, right, or remedy shall be deemed a waiver of any other breach, failure, right, or remedy, whether or not similar, nor shall any waiver constitute a continuing waiver unless the writing so specifies.

(7) Necessary Acts, Further Assurances

The parties shall at their own cost and expense execute and deliver such further documents and instruments and shall take such other actions as may be reasonably required or appropriate to evidence or carry out the intent and purposes of this Agreement.

A majority vote of Employer's Governing Body at a public meeting held on the ______ day of the month of __________________ in the year _________, authorized entering into this Agreement.

Signature of the Presiding Officer: ____

Printed Name of the Presiding Officer: _____________________________________

Name of Governing Body: ____

Name of Employer: ____

Date: ______________________________

BOARD OF ADMINISTRATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY____________________________________
KENNETH W. MARZION
ACTUARIAL AND EMPLOYER SERVICES BRANCH
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

To be completed by CalPERS
The effective date of this Agreement is: _________________________

CERTIFICATION OF OPEB FUNDING POLICY & GASB 43/45 REPORTING COMPLIANCE

C

As the employer, I certify that our funding policy is to contribute consistently an amount at least equal to __________% of the ARC.

The California Employers' Retiree Benefit Trust (CERBT) fund plan includes more than 200 members. We understand that, under GASB 43, paragraph 33, as an employer participating in the CalPERS CERBT, we must obtain an actuarial valuation on at least a biennial basis.

We understand that we will be asked to provide accounting information to CalPERS as required in order to facilitate CalPERS compliance with GASB 43 reporting requirements, and we agree to make any information requested available to CalPERS on a timely basis. Our contact information is noted below.

We understand that CalPERS will report aggregated GASB 43 information in the Schedule of Funding Progress and Schedule of Employer Contributions

____
Name of Employer

____
Printed Name and Title of Person Signing the Form

____
Signature Date

____
Designated Employer Contact Name for GASB Reporting

____
Phone # Email Address

Rev 01/28/2008

CalPERS

This information is for: Public Agency Employer

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FAQs - California Employers' Retiree Benefit Trust Fund

What is the Governmental Accounting Standards Board (GASB)?
GASB is a non-profit organization that formulates accounting standards for State and local governments. GASB standards are not law but are accounting principles that improve the relevance of financial reporting.

What are Other Post Employment Benefits (OPEB)?
OPEB consists of post employment healthcare benefits, including medical, dental, vision, and other health-related benefits, whether provided separately or through a defined benefit pension plan. OPEB also includes post employment benefits such as life insurance, disability and long term care benefits if provided separately from a defined benefit pension plan.

What is GASB 45 or Statement No. 45?
Statement No. 45 of the Governmental Accounting Standards Board (GASB 45), titled Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions, establishes standards for the measurement, recognition, and display of OPEB expense/expenditures, and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of State and local governmental employers.

Who can enter into an agreement to prefund OPEB?
CalPERS administers the California Employers' Retiree Benefit Trust Fund (CalPERS Prefunding Plan). California government agencies, including schools, may enter into an agreement with CalPERS to participate in the CalPERS Prefunding Plan. There are no longer any restrictions related to being a participant of PEMHCA, this requirement was eliminated with the passage of AB 554.

What is required to prefund OPEB through CalPERS?
If you are interested in participating in the CalPERS Prefunding Plan, you must obtain an actuarial valuation using the actuarial assumptions and methods prescribed by CalPERS. Once the valuation is completed, you must adopt and execute an agreement and submit the agreement, along with the valuation, to us for approval.

Who should the employer contact to obtain an actuarial valuation?
You will need to hire an actuarial consulting firm to perform the valuation work. This list of consulting actuaries declared themselves able to provide OPEB valuations for California public agencies which meet the criteria specified in the Agreement. CalPERS does not endorse or recommend the work of any consulting actuary or group of consulting actuaries. You may also contact the American Academy of Actuaries, the American Society of Pension Professionals & Actuaries (ASPPA), or the Society of Actuaries to obtain a list of actuarial firms.

Will CalPERS perform GASB 45 actuarial valuations for employers?
No, we have no current plans to perform actuarial valuations for employers who elect to participate in the CalPERS Prefunding Plan.

Can CalPERS give ball-park figures of employers' OPEB liabilities?
No, we recommend that you contact an actuarial consulting firm to obtain this information.

Must each employer submit its actuarial valuation to CalPERS?
Yes, CalPERS requires a copy of the valuation reports. The reports must be prepared and signed by an actuary who is both a member of the American Academy of Actuaries and either a fellow or associate of the Society of Actuaries, or a person with equivalent qualifications acceptable to the Board.

When should the employer submit copies of the actuarial valuation?

The valuation must be provided to CalPERS (1) at the same time you submit an executed Agreement for approval by CalPERS; and (2) for the subsequent valuation periods, before contributions for that period are made to the CalPERS Prefunding Plan. Contributions to the Prefunding Plan will not be accepted until after CalPERS approves the signed agreement.

In addition to the report, do we need to send anything else?
Yes, along with the valuation report, you must submit the Certification of OPEB Actuarial Information (PDF, 23 KB) and Certification of Funding Policy (PDF, 14 KB) certifying the OPEB actuarial valuation and the agency's funding policy. You must also submit a disk or CD containing the Summary of Actuarial Information Required for CalPERS Financial Statements (XLS, 33 KB).

Who can sign the Certification of OPEB Actuarial Information and Funding Policy form?
The certification of the OPEB actuarial valuation can be signed by the employer and the actuary who performed the OPEB actuarial valuation.

Which employers must have valuations?
All employers electing to participate in the CalPERS Prefunding Plan must obtain an actuarial valuation.

How often are the actuarial valuations required?
Actuarial valuations are required as specified by in GASB 45, paragraph 12 or as otherwise directed by CalPERS. Agencies participating in the CERBT will be on a biennial valuation cycle. The GASB standard specifies that plan membership determines the frequency of valuation. Since the CERBT has more than 200 participants, GASB staff advises that participating agencies should have OPEB valuations biennially.

Do we need to send the Certification of OPEB Actuarial Information and Funding Policy and the summary of actuarial information each time we provide CalPERS with a valuation report?
Yes, you must provide the Certification of OPEB Actuarial Information (PDF, 23 KB) and Certification of Funding Policy (PDF, 14 KB) and the summary of actuarial information (XLS, 29 KB) to CalPERS each time you provide a copy of a valuation report.

How can employers enter into an Agreement to prefund their OPEB through CalPERS?
The Agreement and Election to Prefund Other Post Employment Benefits (PDF, 31 KB) is available here or by calling the Employer Contact Center at **888 CalPERS** (or **888**-225-7377). The required information should be entered into the Agreement. The Agreement must then be adopted at a public meeting by the governing body of the public entity electing to participate in the Prefunding Plan and submitted to CalPERS for review and approval.

Who can sign the Agreement?
The presiding officer of the employer's governing body can sign the Agreement.

Is the employer required to provide CalPERS with the original Agreement?
An original Agreement or a certified copy of the Agreement is acceptable. If the employer wishes to have an original signed copy of the Agreement for its records, it should send two copies with original signatures to CalPERS. After approval, CalPERS will sign both copies and return one to the employer for its records.

Where should the Agreement be filed?
The Agreement may be filed by mail or by personal delivery.

If filing by mail, send to:
CalPERS
Constituent Relations Office
CERBT (OPEB)
P.O. Box 242709
Sacramento, CA 94229-2709

If filing in person, deliver to:
CalPERS Mailroom
Attn: Constituent Relations Office
CERBT (OPEB)
400 Q Street
Sacramento, CA 95811

Are employers required to use the CalPERS Agreement document to elect to participate in the Prefunding Plan?
Yes, the Agreement developed by CalPERS must be used to elect to participate in the Prefunding Plan.

What will be the effective date of our participation in the Prefunding Plan?
The effective date of the Agreement and of the employer's participation in the Prefunding Plan will be the date CalPERS approves the Agreement.

What is the earliest date contributions may be made?
Contributions will be accepted as early as seven days after the date the Agreement is approved by CalPERS.

Do employers have to fund the full amount shown in the valuation?
No, employers are not required to fund the full amount shown in the valuation.

What is the minimum contribution amount CalPERS will accept?
The minimum contribution will be the lesser of $5,000 or the annual required contribution as that term is defined in GASB Statement No. 45.

How often may employers contribute?
Employers may contribute as frequently as they wish, but not less than $5,000 per contribution.

How should employers remit contributions?
If paying by check, complete the Contribution by Check Transmittal Form (DOC, 45 KB) and mail with your check payable to CalPERS at the following address:
CalPERS
Fiscal Services Division
P.O. Box 942703
Sacramento, CA 94229-2703

If paying by wire transfer:
Contact the Employer Contact Center at **888 CalPERS** (or **888**-225-7377). A Remittance by Wire Transfer form, including wire instructions, will be faxed to you. The Remittance by Wire Transfer form must be returned to CalPERS before the wire transfer is initiated to ensure proper crediting to your prefunding account. Note: Transfers greater than $5 million require 72 hours notice prior to sending the transfer.

Who may request disbursements from the trust?
The employer must notify CalPERS by completing a Delegation of Authority to Request Disbursements form, indicating the persons authorized to request disbursements from the Prefunding Plan.

How should requests for disbursements be made and to whom should they be directed?
All requests for disbursement must be in writing and include a certification that the monies will be used for the purposes of the Prefunding Plan. The requests must be signed by an individual authorized by the employer to request disbursements from the Plan. Requests exceeding $10,000 require the signatures of two authorized employer representatives. In an effort to keep the cost of this program down, we suggest disbursements be requested no more frequently than on a quarterly basis. Click here to obtain a Disbursement Request form.

Mail requests for disbursement to:
CalPERS
Constituent Relations Office
CERBT (OPEB)
P.O. Box 242709
Sacramento, CA 94229-2709

What about a Private Letter Ruling?
Historically, private sector companies have relied on a Private Letter Ruling (PLR) from the Internal Revenue Service (IRS) to raise consumer confidence that the trust plans marketed by private sector companies may enjoy tax qualified status.

The IRS does not require a PLR and CalPERS has not sought a PLR regarding the CERBT, our OPEB pre-funding trust. CalPERS is a state agency and not a private sector company. The trust administered by CalPERS has been established under California law by legislative act.

The design of and administrative compliance of the CalPERS OPEB pre-funding trust plan with IRS Section 115 requirements is simple and unexceptional. CalPERS retains highly qualified outside tax counsel who, working in conjunction in with the CalPERS Legal Office, guided establishment and administration practice of the California Employers' Retiree Benefit Trust plan. CalPERS paid careful attention to the details required to establish and to maintain tax qualified status under IRS Section 115.

A PLR does not guarantee tax qualified plan status. Tax qualified plan status is maintained by careful administration, not by a PLR. The unfortunate consequences of ignoring this fact were illustrated during 2007 in the case of a trust program marketed to local public agencies in Orange County by a nationally recognized trust administrator. This trust fund had received a favorable PLR from the IRS. Nevertheless, later the IRS found the trust program to be non-compliant due to improper administration.

Dated: 02-08-2008