School Board of Martin County
Agenda Item Request Form
Board Meeting: October 30, 2012

Agenda Item # 7.06*

1. **AGENDA ITEM:** Martin County School District, Florida – Other Post-Employment Benefits Actuarial report for fiscal year ending June 30, 2012
X appropriate box(s): ☐ **New** ☐ **Renewal** ☐ **Addenda** ☐ **Presentation** ☐ **Grant $**__________

2. **BACKGROUND INFO./STAFF RECOMMENDATION:** Professional actuarial services performed by Gabriel, Roeder, Smith & Company. This is a requirement of Government Accounting Standard Board (GASB) no. 45, Other Post-Employment Benefits ("OPEB").

3. **FINANCIAL IMPACT:**
Is there a financial impact (Finance Review Required)? ☐ **YES** ☐ **NO**
Is funding provided in approved budget? ☐ **YES** ☐ **NO**
What additional funding is required? Indicate Amount $__________
Source:__________

4. **REQUIRED SIGNATURES: By signing below, you are verifying that you have reviewed the item and it is ready for submittal to the Superintendent and School Board respectively.**

Requestor: Bryan Thabit (Type or Print Name) — [signature] (Signature)

Director/Principal: __________ (Type or Print Name) — __________ (Signature)

Exec. Director or Asst. Superintendent: __________ (Type or Print Name) — __________ (Signature)

Finance Review: Bryan Thabit (Type or Print Name) — [signature] (Signature)

Legal Review: **X REQUIRED** ☐ **NOT REQUIRED** — __________ (Signature)

5. **SUPERINTENDENT RECOMMENDS APPROVAL:** ☐ **YES** ☐ **NO**

All lines must be filled in or note N/A and initial. Use Times New Roman 12. Form Revised 11/30/09

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

THE MARTIN COUNTY SCHOOL DISTRICT, FLORIDA

OTHER POST-EMPLOYMENT BENEFITS

ACTUARIAL REPORT AS OF JANUARY 1, 2012 FOR FISCAL YEAR ENDING JUNE 30, 2012

GRS

Gabriel Roeder Smith & Company
Consultants & Actuaries

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August 24, 2012

Mr. Bryan M. Thabit
Executive Director of Finance
Martin County School District
500 East Ocean Boulevard
Stuart, FL 34994

Re: GASB Statement No. 45 Actuarial Valuation Of Other Post-Employment Benefits (OPEB)

Dear Mr. Thabit:

Gabriel, Roeder, Smith & Company (GRS) has been engaged by the Martin County School District, Florida to perform an Actuarial Valuation of its Other Post-Employment Benefits (OPEB) provided to the District's retiring employees. We are pleased to present the results herein.

The Valuation was performed as of January 1, 2012 with results applicable to the fiscal year ending June 30, 2012 and covers medical (including prescription drug) insurance benefits provided to retirees.

The actuarial calculations were prepared for the purposes of complying with the requirements of Statement No. 45 of the Governmental Accounting Standards Board (GASB) and have been made on a basis consistent with our understanding of these accounting standards. Determinations of the liability associated with the benefits described in this Report for purposes other than satisfying the District's financial reporting requirements, may produce significantly different results. This Report may be provided to parties other than the Martin County School District only in its entirety and only with the permission of the District.

All actuarial calculations were performed on the basis of the Substantive Plan and the Actuarial Assumptions and Methods, as set forth in the respective sections of this Report.

The Valuation was performed on the basis of employee, retiree and financial information supplied by the District officials. Although we did not audit this information, it was reviewed for reasonableness.

The calculations are based upon assumptions regarding future events, which may or may not materialize. They are also based upon present and proposed plan provisions that are outlined in the report. If you have reason to believe that the assumptions that were used are unreasonable, that the plan provisions are incorrectly described, that important plan provisions relevant to this proposal are not described, or that conditions have changed since the calculations were made, you should contact the author of this report prior to relying on information in the report.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law. Due to the limited scope of the actuary's assignment, the actuary did not perform an analysis of the potential range of such future measurements

To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of the plan as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. If you have reason to believe that the information provided in this report is inaccurate, or is in any way incomplete, or if you need further information in order to make an informed decision on the subject matter of this report, please contact the author of the report prior to making such decision.

The signing actuaries are independent of the plan sponsor.

The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the Academy of Actuaries to render the actuarial opinion herein.

We will be pleased to answer any questions pertaining to the Valuation and to meet with you to review this Report.

Respectfully submitted,

GABRIEL, ROEDER, SMITH AND COMPANY

James J. Rizzo, ASA, MAAA
Senior Consultant & Actuary

Piotr Krekora, ASA, MAAA
Consultant & Actuary

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SECTION A

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Management of the Martin County School District (District) implemented GASB Statement No. 45 in its financial statements for the year ending June 30, 2008. This is the accounting standard governing reporting on Other Postemployment Benefits (OPEBs). The results presented herein are applicable to the year ending June 30, 2012 and are based on an Actuarial Valuation performed as of January 1, 2012.

This Actuarial Valuation and Report covers the OPEBs provided to the retirees of the Martin County School District. The Substantive Plan provisions for the District's OPEBs are described in the Section at the end of this Report entitled "Summary of Substantive Plan Provisions."

GASB'S RATIONALE

Prior to implementation, the costs of OPEBs had been reflected in the majority of governmental financial statements on a pay-as-you-go basis of accounting. The issuance of GASB Statement Nos. 43 and 45 reflected GASB's effort in moving toward full accrual accounting for all governmental entities which issue government-wide financial statements according to generally accepted accounting principles.

The subsidy provided by the District had been recorded as an expense only after employees retire, and then only one year at a time as the subsidy is paid. Statement No. 45 views the subsidy for retiree medical benefits as a form of compensation which must be accrued on the books of the District during an employee's working life, rather than waiting until the employee's service to the District has been completed and he or she has retired. So GASB requires the lifetime value of that subsidy to be expensed over the working career of the employees.

DIRECT SUBSIDIES

The District currently provides direct subsidies to retirees' coverage by charging them premiums which are significantly lower than the true cost. The amount of the subsidy depends on how long the retiree had worked for the District. Current dollar amounts are presented in the section entitled Summary of Substantive Plan Provisions.

IMPLICIT RATE SUBSIDY

According to the Summary of Substantive Plan Provisions, retirees and their dependents are permitted to remain covered under the District's respective medical plans as long as they pay a full premium applicable to coverage elected. This conforms to the minimum required of Florida governmental employers per Ch. 112.0801, F.S.

As retirees are required to pay the full amount of the insurance company's stated premium in order to remain covered under the medical plan, it may appear, at first glance, that there is no obligation on the part of the District for subsidizing the retiree coverage. However, the premiums charged are based on a blending of the experience among younger active employees and older retired employees. Since older retirees generally have higher costs, this means that the District is actually subsidizing the cost of the retiree and dependent coverage because it pays all or a significant portion of that premium on behalf of the active employees.

GASB No. 45 calls this the "implicit rate subsidy". Even though it appears that there is no District subsidy of retiree and dependent coverage, there really is, and it is not an insignificant amount. A group of 62-year-old retirees or dependents can easily cost over 50% more than the District is collecting from them for coverage. The District, therefore, has assumed an obligation to pay for that implicit subsidy for the covered lifetimes of the current retirees and their dependents, as well for the covered lifetimes of the current employees after they retire in the future.

Measuring the current year's implicit subsidy and projecting that subsidy for decades into the future and making an allocation of that cost to different years, is the subject of this Actuarial Valuation and Report.

FUNDED AND UNFUNDED PLANS

Currently, the District's OPEB benefits are unfunded. That is, there is no separate Trust Fund or equivalent arrangement into which the District would make contributions to advance-fund the obligation, as it does for its pension plan, the Florida Retirement System (FRS). Therefore, the ultimate subsidies which are provided over time are financed directly by general assets of the District. These assets are invested in very short-term fixed income instruments according to its current investment policy.

Consequently, according to GASB Statement No. 45, the interest discount rate used to calculate the present values and costs of the OPEB must be the long-range expected return on such short-term fixed income instruments. The District selected an interest discount rate of 3.79% for this purpose. If the OPEB Plan were advance-funded with its assets invested in a reasonable mix of stocks and longer bonds and, if the District adopted a Funding Policy to make fully funding cash deposits into a qualifying OPEB Trust, then a much higher interest discount rate may be used, say, 7% to 8%. This would result in a substantially lower Annual OPEB Cost and a substantially lower Unfunded Actuarial Accrued Liability than if 3.79% were used.

ACTUARIAL ASSUMPTIONS

In any long-term actuarial valuation (such as for Pensions and OPEBs), certain demographic, economic and behavioral assumptions are made concerning the population, the investment discount rates and the benefits provided. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Future determinations of the funded status of the plan and the employer's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. These actuarial assumptions form the basis for the actuarial model which is used to project the future population, the future benefits provided, and the future contributions collected. Then the investment discount rate assumption is used to discount those projected net OPEB benefits to a present value. This and other related present values are used to calculate the Annual OPEB Cost that will be expensed in the District's financial statements and the unfunded actuarial accrued liability disclosed in the statements as well.

Calculations for financial reporting purposes are based on the benefits provided under terms of the substantive plan (the plan as understood by the employer and the plan members) in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

It would be instructive to review the Section of this Report titled, "Actuarial Assumptions and Methods" for details of all the relevant Actuarial Assumptions used in this Valuation.

ACTUARIAL COST METHODS

GASB Statement No. 45 allows flexibility to governmental employers in the use of various actuarial cost methods. Several such acceptable actuarial cost methods were investigated. The goal was to recommend to the District the combination of acceptable and appropriate actuarial cost methods that would produce the lowest measure of the liabilities and OPEB Cost.

Liabilities and OPEB Costs for the District's Plan were developed using various actuarial cost methods, such as under the Entry Age Normal Cost Method, the Frozen Entry Age Normal Cost Method, the Aggregate Cost Method and the Projected Unit Credit Normal Cost Method. Furthermore, the Normal Costs and the amortization of any Unfunded Actuarial Accrued Liabilities were calculated using both level dollar and level percent of expected pay.

The results presented herein have been obtained with Entry Age Normal actuarial cost method with an amortization of the unfunded actuarial accrued liability as a level percent of expected payroll. This is the most common such method used for government pension valuations (and likely so for OPEB valuations) and spreads the costs evenly throughout the collective careers of those in the covered workforce.

SUMMARY

Following is a chart that summarizes the results of this Actuarial Valuation for the District's OPEB. More details can be found on following pages.

As of	January 1, 2012	January 1, 2009	January 1, 2009
Actuarial Accrued Liability	$ 177,191,403	$ 170,035,245	$ 170,035,245
Actuarial Value of Assets	-	-	-
Unfunded Actuarial Accrued Liability	177,191,403	170,035,245	170,035,245
For FYE	**June 30, 2012**	**June 30, 2011**	**June 30, 2010**
Annual Required Contribution	13,755,893	13,847,846	13,161,458
Per Covered Active Employee	6,015	6,277	5,966
As % of Expected Payroll	15.7%	14.8%	14.6%
Annual OPEB Cost	13,771,116	14,026,570	13,273,486
Employer Contribution Toward the OPEB Cost	(2,821,490)	(3,431,980)	(3,107,807)
Addition to Net OPEB Obligation	10,949,626	10,594,590	10,165,679
Net OPEB Obligation	48,785,046	37,835,420	27,240,830

ACCRUED LIABILITY AND ANNUAL OPEB COST

The Unfunded Actuarial Accrued Liability represents an actuarial measurement of the obligation that has "accrued" so far, based on the actuarial cost method used to allocate the cost to prior years of employment. This will be displayed in the Notes to Financial Statements and Required Supplementary Information within the District's annual financial statement and District's CAFR.

The Annual OPEB Cost is the amount that is expensed for the year. Since the District's OPEB plan is currently unfunded, the offset to that expense comes from actual subsidies paid on behalf of the current retirees and their dependents for the current year. This offset is called the Employer Contribution and equals the total age-adjusted costs paid by the District for coverage for the retirees and their dependents for the year (net of the retiree's own payments for the year). The chart above presents the amount of such Employer Contributions. *Refer to the Appendix for more details on the development of the Employer Contribution to be used for offsetting against the Annual OPEB Cost.*

The cumulative difference between the Annual OPEB Cost for the year and the Employer Contribution for the year is called the Net OPEB Obligation. This is the amount of the expense charged for the year (per GASB No. 45) which was not yet offset by Employer Contributions. The Net OPEB Obligation will be reflected as a liability in the Statement of Net Assets of the District's annual financial statement. It flows right to the balance sheet, and remains there and accumulates each year until fully paid off by future Employer Contributions.

CHANGES IN COSTS AND LIABILITIES

Continual increases in results of successive valuations are inherent to any ongoing plan with no benefit decreases and no advance funding in a trust. Although the detailed analysis of root causes of all changes in costs and liabilities is beyond the scope of this report, below we list a few factors contributing to the changes. We did not measure the impact of each individual change and the order does not have any particular significance.

- *Population Changes:* The number of retirees currently receiving post-employment health benefits through the District core plan increased from 440 in the previous valuation to 544 this year. At the same time, the number of active employees eligible for future post-employment benefits increased from 2,206 to 2,287. Combined population changes had an increasing effect on the valuation results.

- *Initial Cost of Coverage*: The total cost of coverage increased from $593 per employee per month (as expected for year beginning July 1, 2008) to $665 per employee per month for year beginning July 1, 2011. This is lower than the projected $693 per employee per month. This change had a decreasing effect on the cost or liability.

- *Medical Trend Assumption*: We made revisions in the assumed trend of Medical/Rx cost increases. In our previous valuation, we assumed the trends for costs and premiums to be 7.5% for the year beginning July 1, 2012 with subsequent trend rates decreasing ½% each year thereafter to the ultimate value of 5%. We are revising trend rates for costs and premiums charged to retirees the year beginning July 1, 2012 to be 12.9% higher than for the year beginning January 1, 2012 (to reflect the actual premium increases). We then follow similar pattern as used previously: 8.0% for costs and premiums for year beginning July 1, 2013 and decreasing by ½% each subsequent year until reaching the ultimate value of 5%. This had an increasing effect on the costs and liabilities.

- *Reflecting Provisions of the Affordable Care Act:* District Plan is projected to be assessed the Excise Tax on High-Cost Employer Health Plans as soon as it becomes effective. We are estimating that absent any plan changes, this will result in a 2.66% increase in the cost of coverage for they plan year 2018, in addition to 6% medical inflation assumed for that year for a total increase of 8.66% over the 2017 plan year. After 2018, we estimate a 0.435% increase in the trend for all subsequent years. Additional comments can be found on pages B-2 and D-6. This change had an increasing effect on the cost and liability.

- *Medicare Offset Assumption*: We are changing an assumption pertaining to the cost of coverage for retirees eligible for Medicare. In the prior valuation, we had assumed that the employer's costs to the Plan for claims incurred by a retiree enrolled in both Parts A and B of Medicare would be 50% lower than the cost of the same claim incurred by a retiree who was not eligible for Medicare benefits. We are referring to that offset as "Medicare offset" although some of it may be paid by a retiree. We increased that percentage to 60% and this change had a decreasing effect on the results of the valuation.

- *Discount Rate Assumption:* We have been directed to lower the discount rate used in valuing future cash flows from 4.43% to 3.79%. This has an increasing effect on the cost and liability.

As can be seen from this summary of changes, there may have been offsetting factors at work to change the results from the last full valuation to this one. The net effect was an increase in plan's actuarial liabilities and on the plan's accounting expense.

HEALTH INSURANCE SUBSIDY IN FLORIDA RETIREMENT SYSTEM

Part of the District's periodic contribution to the Florida Retirement System (FRS) on behalf of its employees is a contribution toward the Health Insurance Subsidy (HIS) managed by FRS. Currently, HIS provides eligible employees with a lifetime benefit equal to $5 per month per year of creditable service (up to a maximum or $150 per month) after they retire, toward the payment of any insurance-related premiums.

The State of Florida is treating this program as a Cost-Sharing Multiple-Employer defined benefit pension Plan like FRS, rather than being classified as an Agent Multiple-Employer defined benefit OPEB Plan. Accordingly, the State considers the HIS program to be reported pursuant to GASB Statement No. 27. Refer to the State's CAFR.

Since the State has adopted this treatment, it would be advisable for the District to treat its participation in the HIS program in a similar manner, particularly in its Note disclosures. This would permit the District to continue expensing the HIS component of the FRS contributions the same as it treats FRS itself.

SECTION B

SUMMARY OF ACTUARIAL VALUATION RESULTS

ACTUARIAL VALUATION RESULTS AS OF JANUARY 1, 2012	Total Medical/Rx Costs	Retirees' Medical/Rx Premiums	Direct Premium Subsidy	Net Life Insurance Costs	Net Employer Costs
Number of Participants Covered					
Active Participants	2,118	2,118	2,118	2,287	2,287
Retired Participants	544	544	544	455	544
Total Participants	2,662	2,662	2,662	2,742	2,831
Expected Payroll of Active Participants	$ 82,401,849	$ 82,401,849	$ 82,401,849	$ 87,746,600	$ 87,746,600
Actuarial Present Value (APV) of Benefits					
Active Participants	278,144,604	(243,586,636)	163,073,365	9,890,494	207,521,827
Retired Participants	94,607,264	(82,969,895)	48,676,741	5,674,070	65,988,180
Total Participants	372,751,868	(326,556,531)	211,750,106	15,564,564	273,510,007
Actuarial Accrued Liability (AAL)					
(Entry Age Normal Cost Actuarial Method)					
Active Participants	147,267,231	(129,499,889)	87,621,024	5,814,857	111,203,223
Retired Participants	94,607,264	(82,969,895)	48,676,741	5,674,070	65,988,180
Total Participants	241,874,495	(212,469,784)	136,297,765	11,488,927	177,191,403
Actuarial Value of Assets	-	-	-	-	-
Unfunded Actuarial Accrued Liability	241,874,495	(212,469,784)	136,297,765	11,488,927	177,191,403
Annual Required Contribution (ARC) of the Employer for YE 6/30/12 (Enty Age Normal Cost Actuarial Method)					
Normal Cost (Adjusted for Contribution Timing)	9,627,958	(8,371,632)	5,132,029	471,641	6,859,996
26-Year Amortization of UAAL (Adjusted for Timing)	9,413,465	(8,269,069)	5,304,544	446,957	6,895,897
Interest	-	-	-	-	-
ARC for FYE 6/30/12	**$ 19,041,423**	**$ (16,640,701)**	**$ 10,436,573**	**$ 918,598**	**$ 13,755,893**
Per Active Participant	$ 8,990	$ (7,857)	$ 4,927	$ 402	$ 6,015
As % of Expected Payroll	23.1%	(20.2%)	12.7%	1.0%	15.7%
Annual OPEB Cost for FYE 6/30/12					
ARC					13,755,893
Interest on NOO					1,433,962
Adjustment to ARC					(1,418,739)
Total Annual OPEB Cost for FYE 6/30/12					**$ 13,771,116**
Net Expected Employer Contr. for FYE 6/30/12 **(for crediting against Annual OPEB Cost)**	**$ 4,410,109**	**$ (3,755,020)**	**$ 1,939,940**	**$ 226,461**	**$ 2,821,490**
Addition to Net OPEB Obligation at 6/30/12					**$ 10,949,626**
Net OPEB Obligation at the Beginning of the Year					$ 37,835,420
Net OPEB Obligation at 6/30/12					**$ 48,785,046**

Results presented on the previous page reflect the estimated impact of the excise tax on high cost (Cadillac) health plans. As provided by the Patient Protection and Affordable Care Act of 2010, provisions of the law pertaining to the tax will first take effect in 2018. The excise tax will be 40% of costs above a threshold. Under our valuation assumptions, we anticipate that the Plan will not be subject to the excise tax at least until 2028. Additional details can be found on page D-6. The following table illustrates an estimated impact of the tax:

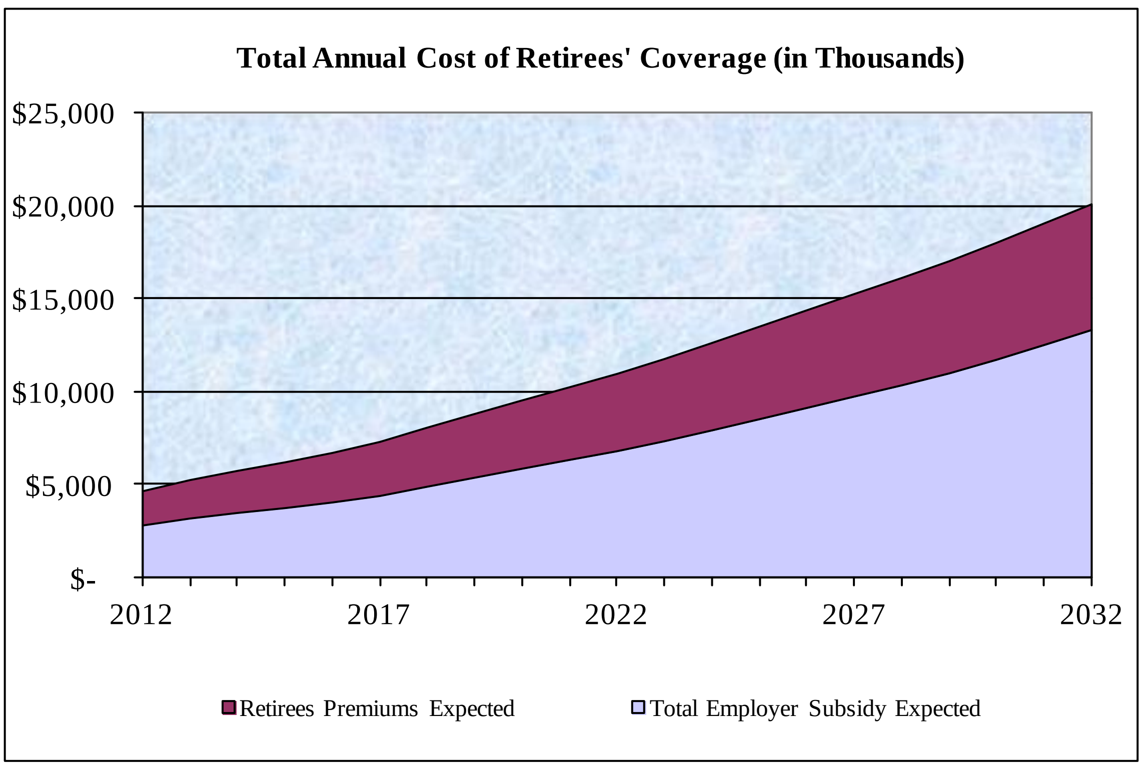
ACTUARIAL VALUATION RESULTS AS OF JANUARY 1, 2012		
	Results Reflecting Expected Impact of Excise Tax	**Original Results (Without Provisions for Excise Tax)**
Number of Participants Covered		
Active Participants	2,287	2,287
Retired Participants and Surviving Spouses	544	544
Total Participants	2,831	2,831
Expected Payroll of Active Participants	$ 87,746,600	$ 87,746,600
Actuarial Present Value of Benefits		
Active Participants	207,521,827	182,410,812
Retired Participants	65,988,180	62,594,004
Total Participants	273,510,007	245,004,816
Actuarial Accrued Liability (Entry Age Normal Cost Actuarial Method)		
Active Participants	111,203,223	99,118,312
Retired Participants	65,988,180	62,594,004
Total Participants	177,191,403	161,712,316
Actuarial Value of Assets	-	-
Unfunded Actuarial Accrued Liability (EANC)	177,191,403	161,712,316
Annual Required Contribution of the Employer (ARC) for YE 6/30/12 (Entry Age Normal Cost Actuarial Method)		
Normal Cost	6,859,996	6,035,903
26-Year Amortization of UAAL (Adjusted for Timing)	6,895,897	6,293,469
Annual Required Contribution for FYE 6/30/12	**$ 13,755,893**	**$ 12,329,372**
Total Annual OPEB Cost for FYE 6/30/12	**$ 13,771,116**	**$ 12,344,595**
Net Employer Contr. for FYE 6/30/12 (for crediting against Annual OPEB Cost)	**$ 2,821,490**	**$ 2,821,490**
Net OPEB Obligation at 6/30/12	**$ 48,785,046**	**$ 47,358,525**

TWENTY-YEAR PROJECTION OF UNFUNDED CASH FLOW

Premiums collected from employees and retirees account only for a portion of the cost of the health care provided, with the balance subsidized by the Employer. The table and graph below illustrate, based on a closed group projection, how the cost of the benefits is distributed between the Employer and the retirees.

Fiscal Year Ending on 6/30	Total Benefits Expected	Retirees Premiums Expected	Total Employer Subsidy Expected
2012	$ 4,671,991	$ 1,850,501	$ 2,821,490
2017	7,335,503	2,920,757	4,414,746
2022	11,010,491	4,176,027	6,834,464
2027	15,323,089	5,537,299	9,785,790
2032	20,168,662	6,788,510	13,380,152

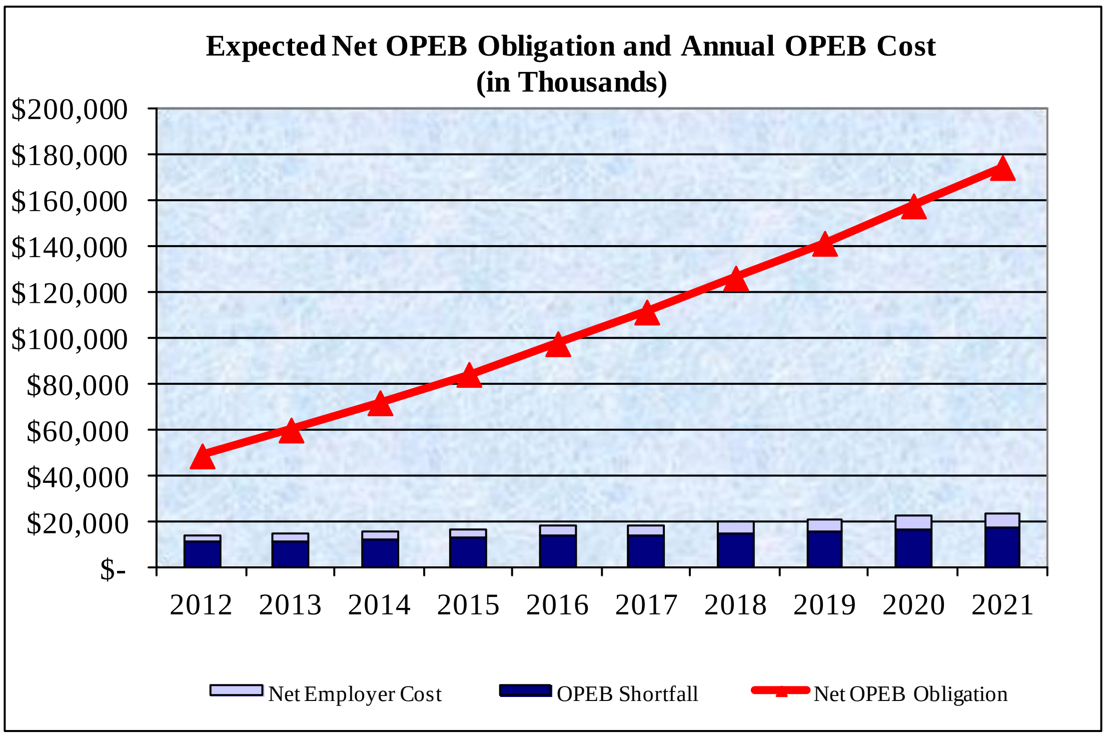
Note: Amounts expected to paid by the Employer on behalf of retirees are included in "Net Employer Subsidy Expected". Amounts shown under "Retirees Premiums Expected" account only for premiums collected from retirees.



TEN-YEAR PROJECTION OF NET OPEB OBLIGATION

All results presented in this Report assume no advance-funding of your OPEB Plan. It is assumed that the current operation of the Plan will continue without change. The graphics and tables below illustrate, based on simulated open group projection, how the Net OPEB Obligation and the Annual OPEB Cost are expected to grow over the next 10 years assuming no advance-funding (i.e., no change in operation). The Net OPEB Obligation will be presented as a liability in the Statement of Net Assets.

Fiscal Year Ending on 6/30	Total Annual OPEB Cost at Fiscal Year End	Current Net Employer Subsidy	Annual Net OPEB Shortfall	Net OPEB Obligation at Fiscal Year End
2012	$ 13,771,116	$ 2,821,490	$ 10,949,626	$ 48,785,046
2013	14,469,519	3,198,451	11,271,068	60,056,114
2014	15,379,904	3,499,196	11,880,708	71,936,822
2015	16,124,002	3,760,358	12,363,644	84,300,466
2016	17,431,382	4,065,281	13,366,101	97,666,567
2017	18,230,892	4,414,746	13,816,146	111,482,713
2018	19,700,389	4,917,733	14,782,656	126,265,369
2019	20,555,246	5,403,405	15,151,841	141,417,210
2020	22,192,255	5,888,178	16,304,077	157,721,287
2021	23,098,815	6,365,077	16,733,738	174,455,025



AGE/SERVICE DISTRIBUTION FOR PLAN PARTICIPANTS

Age Group	Years of Service to Valuation Date - Active Employees							
	0-5	6-9	10-14	15-19	20-24	25-29	30&Up	Total
0 - 14	-	-	-	-	-	-	-	-
15 - 19	2	-	-	-	-	-	-	2
20 - 24	40	-	-	-	-	-	-	40
25 - 29	109	17	2	-	-	-	-	128
30 - 34	72	71	27	1	-	-	-	171
35 - 39	60	53	65	19	-	-	-	197
40 - 44	78	79	70	51	15	-	-	293
45 - 51	142	101	92	56	72	27	2	492
52 - 56	67	61	88	53	53	44	21	387
57 - 61	65	56	50	36	44	36	51	338
62 - 66	24	29	27	29	19	27	31	186
67 - 71	12	16	11	7	5	-	2	53
72 - 76	-	-	-	-	-	-	-	-
77 - 99	-	-	-	-	-	-	-	-
Total	671	483	432	252	208	134	107	2,287

The shaded box represents current eligibility for Early or Normal Retirement.

Age Group	Retirees		
	Male	Female	Total
0 - 44	0	0	0
45 - 49	0	1	1
50 - 54	1	2	3
55 - 59	7	29	36
60 - 64	41	100	141
65 - 69	37	130	167
70 - 74	24	65	89
75 - 79	16	40	56
80 - 84	4	30	34
85 - 89	4	9	13
90 - 94	1	3	4
95 +	0	0	0
Total	135	409	544

Note: Number of retirees presented above reflects the number of retirees covered under either Medical/Prescription or Life Insurance or both.

SECTION C

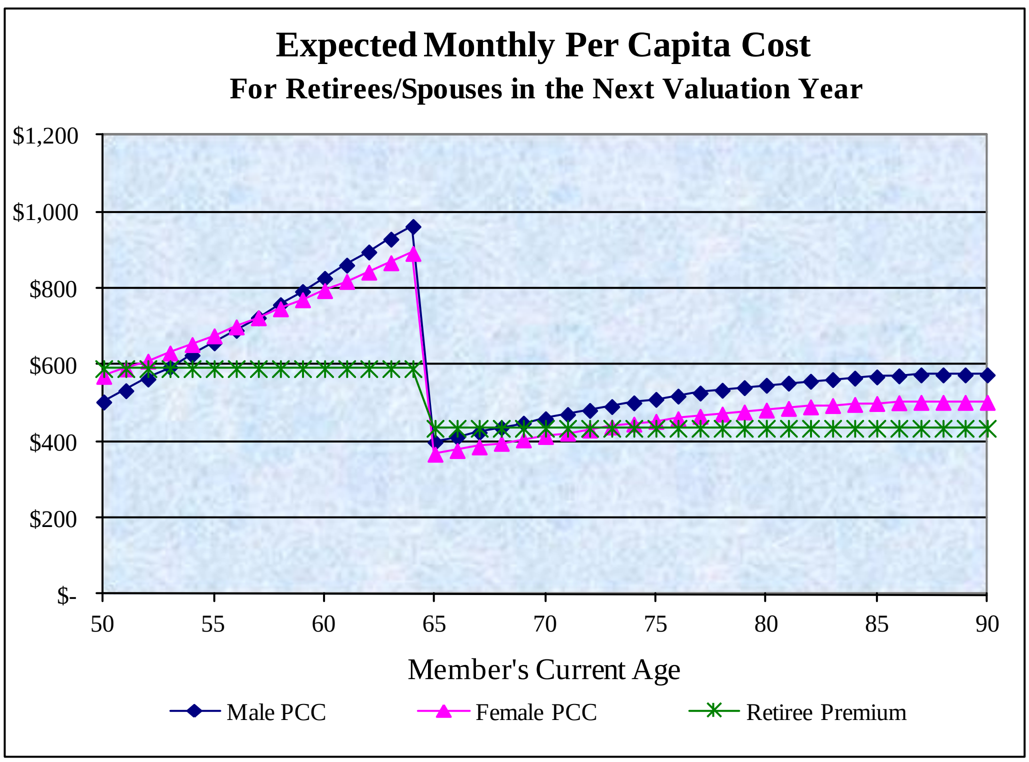
DEVELOPMENT OF INITIAL PER CAPITA COSTS

By offering medical coverage to employees, retirees and their dependents, the Employer assumes the responsibility for the total expected premiums charged by the carriers. These costs are partially offset by contributions from employees and retirees. While the total premium amount charged for covering employees and retirees and their dependents is the same without regard to the age or gender of the member, the true costs of medical and prescription coverage in any given year, depends on these factors. As the ages of employees, retirees and dependents in the covered population increase, so do their costs of benefits.

The table and the graph below illustrate the expected initial monthly Per Capita Costs (PCC) applicable to current retirees in the coming year.

Initial Monthly Per Capita Cost By Age/Sex					
Medicare Not Eligible Retirees			**Medicare Eligible Retirees**		
Sample Ages	**Male**	**Female**	**Sample Ages**	**Male**	**Female**
45	$ 372.33	$ 487.45	**65**	$ 398.72	$ 367.17
50	503.73	570.76	**70**	459.92	413.56
55	658.37	676.74	**75**	510.59	453.14
57	*724.00*	*724.00*	**80**	547.46	482.56
60	827.10	795.02	**85**	569.35	499.86
64	962.70	892.33	**90**	574.61	502.78

For comparison, amount of premium contributed by a retiree is also presented on the graph below. The spread between the Per Capita Cost and the premium actually collected from the retiree is the expected monthly cost borne by the Employer when providing medical coverage to a particular retiree.



The amounts of Per Capita Costs illustrated above have been developed by employing the morbidity tables discussed below. The table shows select values of age grading factors reflecting rates at which medical costs increase with age of the member. These percentages are separate from the annual Trend, which operates to increase costs independent of and in addition to the Aging Factors. For example, in any single year a group of 61-year old males are expected to cost 4.17 % more than a group of 60-year old males.

Medical/Rx Cost Increase By Age					
Sample Ages	**Male**	**Female**	**Sample Ages**	**Male**	**Female**
30	1.86%	0.81%	**65**	3.23%	2.62%
35	4.45%	1.32%	**70**	2.41%	2.08%
40	6.11%	2.23%	**75**	1.67%	1.50%
45	6.40%	3.02%	**80**	1.02%	0.92%
50	5.87%	3.40%	**85**	0.47%	0.39%
55	4.96%	3.45%	**90**	0.00%	0.00%
60	4.17%	3.03%	**95**	0.00%	0.00%

The total cost expected (for the fully-insured health plan) for the entire covered population was allocated by age/sex, based upon the age/sex distribution of all plan members and the morbidity tables above. This procedure resulted in a table of age/sex-specific initial Per Capita Costs for the coming year. These calculations were based upon the benefits provided under the plan options available to employees and retirees as of the Valuation Date.

In the development of the PCC amounts, retirees and dependents age 65 and older are assumed to be Medicare-eligible. The "% of Total Claims Paid by Medicare" is an assumption regarding whether the core plan or the Medicare pays as primary for Medicare-eligible retirees and dependents. In our work, we assume that the employer's cost for a claim incurred by a Medicare eligible retiree is lower than the cost of the same claim incurred by a retiree who is not eligible for Medicare benefits. We are referring to that offset as "% of Total Claims Paid by Medicare" although some of it may be paid by a retiree. According to the Summary of Substantive Plan Provisions, the plan requires Medicare-eligible members continuing coverage in the core plan to enroll in Medicare Part B. The plan pays as secondary payer for post age 65 claims.

Furthermore, we are recognizing the fact, that healthy retirees are less likely to select the medical coverage when required to pay a full blended premium. The impact of this phenomenon is usually less when retirees are offered direct subsidies and continuation of medical coverage is more common among retirees. This adjustment is made through application of the "Antiselection Load" presented below. Another adjustment accounts for the fact that retirees incur on average more claims than their active counterparts. Some of the employees decide to retire simply because of health problems. So retirees often have a higher morbidity status and have more time and interest in their health when compared to individuals who are at same age and sex and who are still actively employed. This is reflected through "Retirement Status Load". These adjustments are summarized below:

Additional Factors used in PCC Development	
Retirement Status Load	15%
Antiselection Load	0%
% of Claims Paid by Medicare	60%

Note: Per Capita Costs for retirees not receiving any direct subsidy are subject to 10% Anti-Selection load

The Monthly Per Capita Costs (PCC) by age and sex represent the costs of coverage after taking out deductibles, coinsurance, co-pays, and Medicare payments, but before applying any monthly retiree contributions (premiums) charged for coverage. Medicare Part D subsidy, if any, has not been given any consideration, since it may not be used to offset the OPEB obligation.

Amounts for each age/sex combination for this Valuation were developed based on census data for all participants of the Health Care Plan and on the total expected claims and other costs incurred by all members of the plan.

Expected Per Capita Costs for disability retirees are assumed the same as applicable to similarly situated regular retirees. Although, some (but not all) of the disability retirements would qualify for Medicare benefits resulting in lower plan costs but disability retirees tend to incur more claims and effectively offset potential savings from Medicare. Detailed claim analysis would help refine that assumption but given a small incidence of disability retirements, accuracy improvements would be material and as such are not warranting additional costs and efforts.

The number of subscribers included in the Actuarial Valuation may be slightly different from the number used to develop the Per Capita Costs. The present distribution of subscribers for the purpose of Per Capita Cost Development is summarized below.

Number of Subscribers						
Coverage	Active/Cobra		Retired - Under 65		Retired - 65 and Over	
	Single	Family/Spouse	Single	Family/Spouse	Single	Family/Spouse
HMO	1,571	530	127	19	0	0
PPO	14	6	17	8	353	18

SECTION D

ACTUARIAL ASSUMPTIONS AND METHODS

ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial Valuation Date: January 1, 2012 for employee and retiree population purposes, for development of per capita cost purposes and for valuation purposes.

Actuarial Cost Method: Individual Entry Age Normal Cost Method with an increasing Normal Cost pattern consistent with the salary increase assumptions used in the FRS pension plan valuation.

Amortization Period and Method: The Unfunded Actuarial Accrued Liability, as calculated pursuant to the Individual Entry Age Actuarial Cost Method, is amortized in a closed amortization, calculated as a level percent of payroll over an 26 year period. The assumed rate of payroll growth is 4.00%. GASB Statement No. 45 requires that any such payroll growth assumption be based upon no increase in the number of active employees covered by the plan.

Investment Discount Rate Since there are currently no invested plan assets held in trust to finance the OPEB obligations, the investment return discount rate is the long-term expectation of investment return on assets held in District funds pursuant to its Investment Policy. The District has selected 3.79% compounded annually.

Florida Retirement System: Unless noted otherwise, demographic assumptions employed in this Actuarial Valuation were basically the same as those employed in the July 1, 2011 Pension Actuarial Valuation of the Florida Retirement System (FRS). These demographic assumptions were developed by FRS from an Actuarial Experience Study, and therefore are appropriate for use in this OPEB Actuarial Valuation. These include assumed rates of future termination, mortality, disability, and retirement. In addition, salary increase assumptions (for development of the pattern of the Normal Cost increases) were the same as FRS uses. Assumptions used in valuation of benefits for participants of the FRS Investment Plan are the same as for similarly situated participants of the FRS Defined Benefits Pension Plan.

In the following pages, we outline assumptions with respect to different employment classes under FRS. Due to composition of the population, only assumptions applicable to Regular Classifications have been used in this valuation.

Mortality Tables: Mortality tables are used to measure the probabilities of participants dying before and after retirement. For active employees, these are based on the RP-2000 Employee Mortality tables for males and females, with projections. Mortality rates for all members once in retirement status were developed based on RP-2000 Healthy White Collar tables for males and females, as projected from the year 2001 using Projection Scale AA. Rates for Regular and Special Risk Class have been adjusted to be 90.9% (male) and 95.8% (female) of the basic rate. Rates for Senior Management Service have been adjusted to be 82.4% (male) and 56.7% (female) respectively.

Mortality rates for impaired (from disability) lives are based on the RP-2000 Disabled Retiree Table for males, adjusted to be 92.4% of the raw rate for those younger than 46 and 73.9% for those 51 and over. Disability mortality rates for females are based on the PBGC Disabled with Social Security Table adjusted to be 82.9% for members under the age of 65 and 88.1% for members age 65 and older.

Rates of Termination from Active Employment:

These rates do not apply to participants eligible for Normal Retirement and do not include separation on account of death or disability. Termination rates are used to measure the probabilities of participants terminating employment for other reasons. During the select period, the rates are based on the number of years of service regardless of age, thereafter, during the ultimate period, termination rates are based on age. In addition, any employees terminating with at least 6 years of service (8 years of service for those hired after June 30, 2011) and who are within ten years from Normal Retirement are assumed to commence monthly pension benefits and, thus, become eligible to accept retiree medical coverage.

% Separating Within Next Year - Regular Class										
Years of Service	Male									
	Attained Age									
	20	25	30	35	40	45	50	55	60	65
0	32.8%	27.2%	25.8%	25.8%	24.4%	24.4%	23.4%	27.4%	27.4%	27.4%
1	25.4%	18.5%	15.4%	14.3%	12.6%	12.5%	12.2%	12.2%	12.2%	12.2%
2	22.7%	17.2%	14.0%	12.8%	12.0%	11.6%	10.7%	10.7%	10.7%	10.7%
3	18.4%	14.6%	13.2%	12.6%	10.7%	10.3%	9.4%	9.3%	9.3%	9.3%
4	15.8%	12.7%	11.8%	10.9%	9.0%	8.8%	7.9%	7.8%	7.8%	7.8%
5	11.7%	9.7%	8.8%	8.5%	7.4%	6.8%	6.0%	6.8%	6.8%	6.8%
6	11.1%	8.5%	7.8%	7.5%	6.7%	6.5%	5.5%	5.4%	5.4%	5.4%
7	11.1%	8.4%	7.1%	6.8%	6.2%	6.0%	5.3%	5.2%	5.1%	5.1%
8	11.0%	7.7%	6.4%	6.2%	5.8%	5.1%	4.6%	4.4%	4.3%	4.3%
9	10.0%	6.3%	5.5%	5.3%	5.3%	5.1%	4.6%	4.3%	4.2%	4.2%
10 or more	9.8%	6.2%	4.7%	4.2%	3.0%	2.7%	3.0%	4.5%	5.3%	3.7%
Years of Service	Female									
	Attained Age									
	20	25	30	35	40	45	50	55	60	65
0	30.3%	26.6%	25.4%	25.4%	24.4%	24.4%	23.2%	23.2%	23.2%	23.2%
1	25.8%	19.8%	16.9%	15.9%	14.0%	13.9%	13.4%	13.4%	13.4%	13.4%
2	22.1%	17.1%	14.5%	13.5%	12.1%	11.9%	11.0%	11.0%	11.0%	11.0%
3	17.4%	13.0%	11.6%	11.2%	10.0%	9.8%	8.8%	8.7%	8.7%	8.7%
4	15.4%	12.9%	11.3%	10.9%	9.1%	8.8%	8.4%	8.3%	8.3%	8.3%
5	13.5%	10.7%	9.4%	9.0%	7.0%	6.7%	6.2%	6.1%	6.1%	6.1%
6	11.4%	9.7%	8.7%	8.0%	6.5%	6.5%	5.9%	5.8%	5.8%	5.8%
7	11.3%	9.2%	8.1%	7.8%	6.3%	6.1%	5.5%	5.4%	5.4%	5.4%
8	10.5%	7.8%	7.1%	6.8%	6.1%	5.8%	5.5%	5.4%	5.4%	5.4%
9	10.2%	7.1%	6.5%	6.2%	5.0%	4.7%	4.6%	4.5%	4.5%	4.5%
10 or more	11.6%	5.3%	5.4%	4.6%	3.3%	3.0%	3.0%	3.0%	3.0%	3.0%

Rates of Disability: Disability rates are used to measure the probabilities of active participants becoming disabled.

% Becoming Disabled Within Next Year				
Sample	Line-of-Duty		Not-Duty	
Ages	Male	Female	Male	Female
20	0.002%	0.001%	0.000%	0.000%
25	0.002%	0.001%	0.027%	0.010%
30	0.003%	0.001%	0.053%	0.026%
35	0.005%	0.003%	0.066%	0.049%
40	0.009%	0.005%	0.092%	0.070%
45	0.014%	0.008%	0.122%	0.114%
50	0.022%	0.010%	0.203%	0.184%
55	0.034%	0.016%	0.339%	0.294%
60	0.048%	0.022%	0.445%	0.419%
65	0.050%	0.020%	0.215%	0.105%

Rates of Retirement: Rates of retirement are used to measure the probabilities of an eligible active employee retiring during the next year. The following rates are applicable to employees retiring from active employment without regard to whether employee first entered the DROP program or not (for the purpose of this valuation, employees entering the DROP program are not considered as retiring).

Unreduced Retirement Annual Rates				
Sample	Regular Class			
Ages	Male		Female	
	First Eligibility	Subsequent Eligibility	First Eligibility	Subsequent Eligibility
40	0.0%	0.0%	0.0%	0.0%
45	11.4%	3.0%	13.1%	1.7%
50	25.1%	9.5%	21.9%	6.2%
55	31.3%	9.1%	26.7%	7.6%
60	39.4%	10.4%	35.5%	14.6%
65	23.5%	11.0%	29.2%	19.0%
70	24.6%	12.3%	22.6%	15.1%
75	23.6%	12.3%	21.2%	15.1%
80	100.0%	100.0%	100.0%	100.0%
85	100.0%	100.0%	100.0%	100.0%

Price Inflation: Long term price inflation is assumed to be 3% per year.

Salary Increases: These Rates are used to measure changes in salary. Salary increase rates are shown in the following tables and are the same as used by the actuary for the Florida Retirement System. Rates presented in tables below reflect assumptions pertaining to annual salary increases due to promotion and longevity, and are in addition to general wage increases assumption of 4% per year (including general price inflation of 3.0%).

Salary Increases in the Coming Year - Regular Class

Years of Service	Male									
	Attained Age									
	20	25	30	35	40	45	50	55	60	65
0	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%
1	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%
2	2.99%	2.99%	2.99%	2.99%	2.99%	2.99%	2.99%	2.99%	2.99%	2.99%
3	2.84%	2.84%	2.84%	2.84%	2.84%	2.84%	2.84%	2.84%	2.84%	2.84%
4	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%
5	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%
6	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%
7	2.18%	2.18%	2.18%	2.18%	2.18%	2.18%	2.18%	2.18%	2.18%	2.18%
8	2.18%	2.18%	2.18%	2.18%	2.18%	2.18%	2.18%	2.18%	2.18%	2.18%
9	2.18%	2.18%	2.18%	2.18%	2.18%	2.18%	2.18%	2.18%	2.18%	2.18%
10 or more	3.00%	3.00%	3.00%	3.00%	2.50%	2.00%	1.50%	0.50%	0.50%	0.50%

Years of Service	Female									
	Attained Age									
	20	25	30	35	40	45	50	55	60	65
0	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
1	4.23%	4.23%	4.23%	4.23%	4.23%	4.23%	4.23%	4.23%	4.23%	4.23%
2	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%
3	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%
4	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%
5	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%
6	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%	2.47%
7	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%
8	2.18%	2.18%	2.18%	2.18%	2.18%	2.18%	2.18%	2.18%	2.18%	2.18%
9	1.97%	1.97%	1.97%	1.97%	1.97%	1.97%	1.97%	1.97%	1.97%	1.97%
10 or more	3.00%	3.00%	3.00%	3.00%	2.50%	2.00%	1.00%	0.00%	0.00%	0.00%

HEALTH COVERAGE ASSUMPTIONS

Coverage Acceptance Rates: Not everyone who retires will accept coverage and pay the required premium upon retirement. Following are the assumptions as to future Medical Coverage Acceptance Rates among eligible employees. Lapse rates presented below reflect the discontinuation of coverage under the core District plan.

Acceptance and Lapsing rate									
Service	Under 15 years			15 through 24 years			25 years or more		
Coverage Tier	Ret Only	Ret + 1	Total	Ret Only	Ret + 1	Total	Ret Only	Ret + 1	Total
Acceptance at Retirement (before age 65)	19%	1%	20%	47%	3%	50%	85%	5%	90%
Acceptance at Retirement (age 65 and after)	9%	1%	10%	47%	3%	50%	85%	5%	90%
Lapsing at age 65	50%	50%	50%	0%	0%	0%	0%	0%	0%
Continuation of Survivors	N/A	0%	N/A	N/A	0%	N/A	N/A	0%	N/A

Expenses: Expenses are included in the Per Capita Costs.

Per Capita Costs: As described in a previous section of this Report, expected monthly Per Capita (or per person) Costs were developed for the year following the Actuarial Valuation Date.

Expected Retiree Contributions: Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation a weighted average has been used with weights derived from the current distribution of members among plans offered. Such average expected retiree premium contributions for the first year are shown in the table below.

Average Premium (as of Valuation Date)		
Coverage	Non-Medicare	Medicare
Retiree	$ 591.00	$ 435.00
Spouse	$ 638.00	$ 435.00

Health Care Cost Trend Rates: Monthly Per Capita Costs (PCC) and Retiree Contributions for Medical and Rx benefits are assumed to increase each year according to the rates set forth in the following table. For example, the Per Capita Costs and premiums for a year beginning on 7/1/2012 are expected to increase by 12.9% over the rates for the year beginning on 7/1/2011. The rates presented below illustrate assumed medical cost inflation in the absence of the Excise Tax on High-Cost Employer Health Plans.

Annual Increase Rates					
Year of Increase	Medical/Rx	Contribution	Year of Increase	Medical/Rx	Contribution
2012	12.9%	12.9%	**2018**	5.5%	5.5%
2013	8.0%	8.0%	**2019**	5.0%	5.0%
2014	7.5%	7.5%	**2020**	5.0%	5.0%
2015	7.0%	7.0%	**2021**	5.0%	5.0%
2016	6.5%	6.5%	**2022**	5.0%	5.0%
2017	6.0%	6.0%	**Thereafter**	5.0%	5.0%

Excise Tax on High-Cost Employer Health Plans (aka Cadillac Tax) Effective 1/1/2018 The "Cadillac" tax is a 40% excise tax paid by the coverage provider (employer and/or insurer) on the value of health plan costs in excess of certain thresholds. The thresholds for active employees and Medicare eligible retirees are $10,200 for single coverage of $27,500 for family coverage in 2018. Respective thresholds for retirees not eligible for Medicare are $11,850 and $30,950 for year 2018. Many plans are below the thresholds today, but are likely to exceed them in the next decade. The thresholds will be indexed at CPI-U, which is lower than the medical inflation rates affecting the cost of the plans. There is considerable uncertainty about how the tax would be applied, and considerable latitude in grouping of participants for tax purposes. Combining early retiree and Medicare eligible retiree costs is allowed and can keep plans under the thresholds for a longer period of time.

Since this is a fully insured plan, should the excise tax ever become applicable, carriers will be the coverage providers paying the tax and are expected to pass the cost in the form of premium increases. The District will need to decide whether to reduce benefits to avoid the tax, or how the additional cost will be allocated between the employer and the members. GASB does not permit recognition of future plan changes in a valuation, so the net claims growth assumption (reflected in the long-term trends) will be based on the current plan design.

Based on the assumptions used for this valuation, premiums applicable to retirees are projected to become subject to excise tax as soon as it becomes effective (in 2018). Although the amount of tax initially assessed on the health insurance premiums is not expected to be significant, it will increase over time. We are modeling the impact of the tax by adding 2.66% to the assumed medical trend rates for the 2018 plan year and then adding .435% to trend rates for all subsequent years.

Special notes to preparers- the law has an age/gender adjustment and an early retiree adjustment that may affect this calculation to reduce the likelihood of the tax being applied. Also, it appears that blending with the Medicare group will always be beneficial in minimizing this tax. In short, the preparer and auditor may consider the number of unknowns in a valuation of the excise tax liability to render the result not sufficiently reliable per GASB's Concept Statement 4.

Implementation of the new requirements: The District's health plans appear to be already in compliance with the following provisions of the Affordable Care Act:

- **Removal of the Lifetime Maximum,**
- **Extension of dependent coverage up to age 26 for covered employee's children,**
- **Elimination of annual dollar limits (effective 2014)/restrictions on annual dollar limits:** This provision has no impact - **t**here are no changes required for the plans,
- **Medicare Advantage Plans – Effective 1/1/2011**: District does not subsidize coverage through Medicare Advantage plans, retirees changing coverage to an MA plans pay the full amounts charged by the vendors and as such are considered lapsing for the purpose of this valuation.

- **Medicare Part D Subsidy – Shrinking Medicare Prescription Drug "Donut Hole" Starting 1/1/2011.** This provision has no impact - Plans sponsored by the District had no Donut Hole.

Consequently, no additional consideration has been given in the valuation of these liabilities as of this valuation.

A number of provisions of the underlying health care plans would need to change soon if the plan currently has and subsequently loses its grandfathered status. The provisions include:

- Elimination of limits on pre-existing conditions (effective 6 months after enactment for covered children under age 19; 2014 for all other enrollees).
- Elimination of cost-sharing for preventive services.
- Elimination of emergency services preauthorization.
- Elimination of OB-GYN preauthorization
- Providing enrollees with a choice of primary care physician.
- Elimination of waiting periods exceeding 90 days (Effective 2014)
- Tying annual cost-sharing limits to HAS limits (effective 2014)

The District's health plans appear to already be in compliance with the above provisions. Thus, no additional consideration has been given in the valuation of these liabilities as of this valuation.

We have not identified any other specific provision of health care reform that would be expected to have a significant impact on the measured obligation. As additional guidance on the legislation is issued we will review and monitor those impacts.

MISCELLANEOUS AND TECHNICAL ASSUMPTIONS

Pay Increase Timing:	End of (fiscal) year. This is equivalent to assuming that reported pays represent amounts paid to members during the year starting on the valuation date.
Decrement Timing:	Decrements of all types are assumed to occur at the middle of the year.
Eligibility Testing:	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
Decrement Relativity:	Decrement rates are treated as absolute rates of decrement.
Adjustments:	None.
Decrement Operation:	All decrements operate simultaneously. Disability and termination rates cease upon eligibility for normal or early retirement.

DEFINITIONS OF TECHNICAL TERMS

Actuarial Accrued Liability:	Actuarial Accrued Liability is the actuarial present value of projected future benefits that are attributable to an employees' service to date. Sometimes it's expressed as the difference between the actuarial present value of all future benefit payments and the actuarial present value of future normal costs.
Actuarial Assumptions:	These are factors for estimating expected future experience with respect to occurrences of mortality, disability, turnover, retirement, rates of investment income and salary increases, coverage acceptance, trend, aging, etc.
Actuarial Cost Method:	This is a mathematical budgeting procedure for allocating the dollar amount of the "actuarial present value of future benefit payments" between future normal costs and actuarial accrued liabilities. It is often referred to as the "Actuarial Funding Method" or "Actuarial Valuation Cost Method".
Actuarial Present Value:	Actuarial Present Value of a series of payments (or a single payment) is the amount of funds currently required to provide those payments in the future. This amount is determined by discounting future payments at predetermined rates of interest, taking into account the probability of payment. It is also referred to as "Present Value."
Amortization:	Amortization is a process of paying off, or recognizing, an interest-discounted amount with periodic payments of interest and principal, (similar to paying off an installment loan) -- as opposed to paying it off with a single sum.
Annual Required Contribution: (ARC):	The ARC is the portion of the present value of projected benefits that is attributable to the current period. Usually it is determined as the normal cost (as defined below) plus the portion of the unfunded actuarial accrued liability amortized in the current period. The ARC is an amount that is actuarially determined to ensure that, if paid on an ongoing basis, it would provide sufficient resources for future benefit payments.
Normal Cost:	Normal Cost is the actuarial cost of a portion of projected future benefits allocated to the current year by the actuarial cost method. It is sometimes referred to as "Current Service Cost."
Unfunded Actuarial Accrued Liability (UAAL):	UAAL is the difference between actuarial accrued liability and the actuarial value of plan assets.

SECTION E

SUMMARY OF SUBSTANTIVE PLAN PROVISIONS

SUMMARY OF SUBSTANTIVE PLAN PROVISIONS AS OF JANUARY 1, 2012

ELIGIBILITY FOR RETIREE BENEFITS

Any employee of the Martin County School District who participates in and satisfies the Vesting, Disability, Early or Normal Retirement provisions of the Florida Retirement System (FRS) may be eligible for certain Other Post-Employment Benefits. Currently, the eligibility requirements for retirement under the FRS Defined Benefit Pension Plan are as follows.

VESTING RETIREMENT

Enrolling to FRS prior to July 1, 2011: Termination after 6 years of creditable service.
Enrolling to FRS on or after July 1, 2011: Termination after 8 years of creditable service.

However, there will be no OPEB benefits available after termination of employment, unless employee satisfies eligibility requirements for any other retirement benefits listed below and starts receiving retirement benefits from FRS.

DISABILITY RETIREMENT

Line of Duty: Members are eligible if totally and permanently disabled during the actual performance of duty. There is no service credit requirement.
Non-Duty: Members are eligible if totally and permanently disabled after completing at least 8 years of creditable service.

SURVIVORSHIP

Line of Duty: Member died during the actual performance of duty. There is no service credit requirement.
Non-Duty: Employment is terminated by death after 6 years of creditable service for all classes of membership.

EARLY RETIREMENT

FRS pension plan employees may elect to retire early with a reduced pension benefit at age 42 and one month upon accrual of six years of creditable service (8 years if hired on or after July 1, 2011).

NORMAL RETIREMENT

Enrolling to FRS prior to July 1, 2011: Age 62 with six years of creditable service, or 30 years of creditable service regardless of age; eligible immediately.
Enrolling to FRS on or after July 1, 2011: Age 65 with eight years of creditable service, or 33 years of creditable service regardless of age; eligible immediately.

DROP PARTICIPANTS

DROP Participants are considered active employees while still in the DROP period. Upon actual retirement at the end of or during the DROP period the employee becomes eligible for certain post-employment benefit coverage.

Eligibility requirements for retirement under the FRS Investment Plan are as follows.

RETIREMENT

Participants of the FRS Investment Plan are eligible for OPEB's if retiring from the District after attaining the age of 59 ½ with 6 years of credited service, or after meeting the Normal Retirement requirements listed above.

OTHER POST-EMPLOYMENT BENEFITS

The post-employment benefits include continued coverage for the retiree and dependents in the Medical/Prescription Plans as well as participation in the Dental and Vision group plans sponsored by the Employer and the Employee Assistance Program sponsored by the employer if hired prior to 7/1/2011. In addition, retirees are eligible to continue participation in the Employer's group term life insurance policy.

HEALTH-RELATED BENEFITS

Eligible retirees who are not yet Medicare eligible, may choose among the same Medical Plan options available for active employees of the Employer. Dependents of retirees may be covered at the retirees' option the same as dependents of active employees; however, they must be enrolled at the time of retirement. Prescription Drug coverage is automatically extended to retirees and their dependents who continue coverage under any one of the Medical Plan options. Covered retirees and their dependents are subject to all the same Medical and Prescription benefits and rules for coverage as are active employees. Retirees and their dependents attaining Medicare eligibility have only one plan (PPO) available to them. To remain covered under the program, they must enroll in Parts A and B under Medicare. All coverage of Medicare eligible retirees and dependents is secondary to Medicare. Retirees and dependents attain Medicare eligibility at age 65; however, disabled employees may be qualified for Medicare at an earlier age. Retirees and their dependents are eligible to participate in Employer-sponsored Vision, Dental, Core Life and EAP Plans just like active employees.

Results presented in this report are based on the healthcare plan design in effect as of July 1, 2011.

RETIREE CONTRIBUTIONS FOR MEDICAL/PRESCRIPTION BENEFITS

In order to begin and maintain retiree coverage, contributions are required from the retiree. For dependent coverage, the retiree is required to pay a premium as well. Retirees who were hired on or before June 30, 2011 are eligible to receive a Board contribution towards single retiree health coverage in the same amount as paid for single employee coverage based on the number of years of service with the District. Employees hired July 1, 2011 or later are not eligible for retiree direct Board subsidy. If any required amounts are not paid timely, the coverage for the retiree and/or the dependent(s) will cease. Coverage for children of retirees is available (until their limiting age). However, for measuring the long term costs, the relatively few children covered by retirees coupled with the short duration of their coverage remaining results in costs that are not material in the long term. Consequently, only spouses are included in the chart below. The amount of the contributions required for retiree and dependent coverage may change from time to time. The chart below summarizes present (7/1/11– 6/30/12) contribution amounts required from retirees and their spouses to maintain coverage. Medical coverage is provided by AETNA for plan year 2011/2012 and by the Blue Cross Blue Shield of Florida in 2012/2013.

Monthly premiums collected from retirees as of July 1, 2011					
	Years of Service	% of subsidy base paid by MCSD	Retiree under 65		Retiree over 65
			HMO	POS/PPO	POS/PPO
Retiree	0-14	0%	590.62	893.58	436.48
	15 - 19	25%	450.96	753.92	296.82
	20 - 24	50%	311.31	614.27	157.17
	25	75%	171.65	474.61	H.I.S.
	26 - 29	75%	171.65	474.61	H.I.S.
	30+	100%	H.I.S.	334.95	H.I.S.
Dependent(s)	N/A	N/A	583.10	883.04	435.03

SURVIVORSHIP BENEFITS

Eligibility for coverage for the designated dependent(s) ceases upon the death of the retiree. No benefit (other than COBRA) is offered to surviving beneficiary of the active employee.

DENTAL AND VISION PLANS

Retirees are charged $5.40 per month for single Vision coverage and $9.00 per month for family Vision coverage for the 2011/2012 plan year. Coverage is provided through Superior Vision for 2011/2012 and 2012/2013 and the rates remain the same.

Similarly, retirees may continue their participation in group dental coverage subject to premiums payment according to schedule outlined in the table below:

Monthly Retiree Dental Premiums						
	As of July 1, 2011			As of July 1, 2012		
	DHMO	Low PPO	High PPO	DHMO	Low PPO	High PPO
Retiree	21.58	22.78	34.90	17.32	23.80	36.46
Dependent(s)	31.04	36.04	55.18	33.44	37.64	57.64

Premiums for Dental and Vision coverage for retirees and their families is fully paid by retirees and therefore these benefits are not Employer-provided and are not considered as other post-employment benefits for the purposes of GASB Statement No. 45.

LIFE INSURANCE

Retirees may continue into retirement the Employer-sponsored term life insurance policy. The benefit changes at retirement and will be limited to only include the basic life insurance, without the accidental death rider. The insurance reduces further at age 65 with the last reduction at age 70. See the table below for values and refer to your policy for more information. This coverage is subject to payment of premiums at a rate of $0.22 per $1000 of the face value. As of 1/1/2011, the rate of $0.22 per $1000 is used for Retiree Core Life insurance and a rate of $0.290 is used for Supplemental Life per $1000. Life Insurance is provided through The Standard Insurance Company. This rate remained the same from 2008 through 2012 plan years.

Life Insurance Rates as of July 1, 2011	Retired Teachers & Non-Instructional		Retired Administrators	
	Face Value	Premium	Face Value	Premium
Under 65	$35,000	7.70	2 x salary or a max of $75,000	16.50
65 – 69	$22,750	5.01	$48,750	10.73
70 and over	$17,500	3.85	$37,500	8.25

COBRA BENEFITS

Former employees, retirees and dependents may be eligible for an extended benefit under COBRA, regardless of the terms of the employer's other post-employment benefits. COBRA benefits are not considered as other post-employment benefits for the purposes of GASB Statement No. 45.

FUNDING VEHICLE

There is no separate trust through which benefits for retirees are funded. No assets are currently accumulated or earmarked for this purposes. All approved benefits are paid from the Employer's general assets when due.

TERMINATION AND AMENDMENT

The post-employment benefits are extended to retirees and continued at the discretion of the Employer, which reserves the right (subject to State Statute and any collective bargaining agreements) to change or terminate benefits and to change premium contributions required from retirees in the future as circumstances change.

APPENDIX

GASB DISCLOSURES

Required Actuarial Information (GASB STATEMENT NO. 45)			
Employer FYE June 30	**2012**	**2011**	**2010**
Normal Cost (service cost for one year)	$ 6,859,996	$ 6,731,064	$ 6,322,088
Amortization of Unfunded Actuarial Accrued Liability	6,895,897	6,819,882	6,557,579
Interest on Normal Cost and Amortization	-	296,900	281,791
Annual Required Contribution (ARC)	13,755,893	13,847,846	13,161,458
Net OPEB Obligation (NOO), beginning of year	37,835,420	27,240,830	17,075,151
Annual Required Contribution (ARC)	13,755,893	13,847,846	13,161,458
Interest on NOO	1,433,962	1,206,769	756,429
Adjustment to ARC	(1,418,739)	(1,028,045)	(644,401)
Annual OPEB Cost (Expense)	13,771,116	14,026,570	13,273,486
Employer Contributions Made	(2,821,490)	(3,431,980)	(3,107,807)
Increase (decrease) in NOO	10,949,626	10,594,590	10,165,679
NOO at end of year	48,785,046	37,835,420	27,240,830

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
10/1/2006	$0	$130,668,397	$130,668,397	0.00%	$85,608,688	152.63%
1/1/2009	$0	$170,035,245	$170,035,245	0.00%	$90,042,692	188.84%
1/1/2012	$0	$177,191,403	$177,191,403	0.00%	$87,746,600	201.94%

Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	$13,273,486	$3,107,807	23.41%	$27,240,830
6/30/2011	$14,026,570	$3,431,980	24.47%	$37,835,420
6/30/2012	$13,771,116	$2,821,490	20.49%	$48,785,046

Required Actuarial Information
(GASB STATEMENTS NO. 43 & 45)

Reporting Year	**2012**	**2011**	**2010**
Contribution rate	3.2%	3.7%	3.5%
Actuarial valuation date	01/01/2012	01/01/2009	01/01/2009
Annual OPEB cost	$13,771,116	$14,026,570	$13,273,486
Contributions made	$2,821,490	$3,431,980	$3,107,807
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level % closed	Level % closed	Level % closed
Remaining amortization period	26 years	27 years	28 years
Asset valuation method	Unfunded	Unfunded	Unfunded
Actuarial assumptions:			
Investment rate of return *	3.79%	4.43%	4.43%
Projected salary increases *	4.5% - 8.73%	4.5% - 9.75%	4.5% - 9.75%
Payroll growth assumptions	4.0%	4.0%	4.0%
Initial Per Capita Cost trend rate	12.9%	6.0%	6.0%
2nd trend rate	8.0%	2.0%	2.0%
3rd trend rate	7.5%	8.0%	8.0%
Ultimate Per Capita Cost trend rate	5.435%**	5.0%	5.0%
Years to Ultimate rate	8	8	8
* Includes general price inflation at	3.0%	3.0%	3.0%

** Includes an additional 0.435% trend representing our estimate of the ultimate effect of the Federal Excise Tax.

DEVELOPMENT OF ACTUAL EMPLOYER CONTRIBUTION

The OPEB Plan is based on the self-insured health insurance plan. According to GASB 45 and its Implementation Guide, the Employer Contribution for the self-insured component is based on actual claims for covered retirees and their dependents for the fiscal year (2008-2009 Comprehensive Implementation Guide Q&A 8.21.4). The Employer Contribution for the fully insured component is based on the age/sex-adjusted premiums for covered retirees and their dependents.

The total net Employer Contribution reduces the Annual OPEB Cost to obtain the actual Net OPEB Obligation reported in the Statement of Net Assets as a long term liability. The process of developing the Employer Contribution for the year ending June 30, 2012 is illustrated in the following chart. Refer to the discussion on the following pages for step-by-step instructions of developing the cost of coverage through the self-insured plan.

	Development of Employer Contribution for Year Ending June 30, 2012				
1.	Age-Adjusted Premiums Paid on Behalf of Retirees				
	a) Medical/Prescription Benefits	$	4,410,109		
	b) Life Insurance Benefits	$	261,882		
	c) Total Age-Adjusted Premiums Paid on Behalf of Retirees			**$**	**4,671,991**
2.	Retirees' Premium Contributions for Coverage				
	a) Gross Medical/Prescription Premiums Charged by the Vendor	$	3,755,020		
	b) Direct Employer's Subsidy to Medical/Prescription Premiums	$	1,939,940		
	c) Life Insurance Premiums Charged by the Vendor	$	35,421		
	d) Total Retiree/Spouse Contributions: [(a)-(b)]+(c)			**$**	**1,850,501**
3.	**Total Expected Employer Contribution [1(c) - 2(d)]**			**$**	**2,821,490**

DISCLOSURES FOR FISCAL YEAR ENDING 6/30/2013

GASB allows for performing actuarial valuation biennially with results applicable to two reporting years (per paragraph 12 of GASB Statement 45). However, a new fully compliant valuation would need to be performed if significant changes have occurred since the previous valuation that affect the valuation results, including significant changes in benefit provisions, the size or composition of the membership, or other factors that impact long-term actuarial assumptions through the reporting date. Refer also to Q&A 8.17.5 of the 2008-2009 Comprehensive Implementation Guide. In the absence of such changes, following disclosures can be used in your 2012/2013 fiscal year reporting.

Required Actuarial Information
(GASB STATEMENT NO. 45)

Employer FYE June 30	2013	2012	2011
Normal Cost (service cost for one year)	$ 7,278,157	$ 6,859,996	$ 6,731,064
Amortization of Unfunded Actuarial Accrued Liability	7,171,733	6,895,897	6,819,882
Interest on Normal Cost and Amortization	-	-	296,900
Annual Required Contribution (ARC)	14,449,890	13,755,893	13,847,846
Net OPEB Obligation (NOO), beginning of year	48,785,046	37,835,420	27,240,830
Annual Required Contribution (ARC)	14,449,890	13,755,893	13,847,846
Interest on NOO	1,848,953	1,433,962	1,206,769
Adjustment to ARC	(1,829,324)	(1,418,739)	(1,028,045)
Annual OPEB Cost (Expense)	14,469,519	13,771,116	14,026,570
Employer Contributions Made	(3,198,451)	(2,821,490)	(3,431,980)
Increase (decrease) in NOO	11,271,068	10,949,626	10,594,590
NOO at end of year	60,056,114	48,785,046	37,835,420

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
10/1/2006	$0	$130,668,397	$130,668,397	0.00%	$85,608,688	152.63%
1/1/2009	$0	$170,035,245	$170,035,245	0.00%	$90,042,692	188.84%
1/1/2012	$0	$177,191,403	$177,191,403	0.00%	$87,746,600	201.94%

Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	$14,026,570	$3,431,980	24.47%	$37,835,420
6/30/2012	$13,771,116	$2,821,490	20.49%	$48,785,046
6/30/2013	$14,469,519	$3,198,451	22.10%	$60,056,114