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March 1, 2016

Michele Rollins, Ed.D.
Assistant Superintendent, Business Services
Mill Valley School District
411 Sycamore Avenue
Mill Valley, California 94941

Mill Valley School District –
GASB 45 Actuarial Valuation of Post Employment Benefits as of July 1, 2015

Dear Michele:

We are pleased to enclose the above titled actuarial report for the Mill Valley School District. If you have any questions, please give me a call at (415) 394-3740.

Sincerely,

John R. Botsford, FSA, MAAA

JRB:jvb
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Mill Valley School District

GASB 45 Actuarial Valuation of Post Employment Benefits
Other than Pensions as of July 1, 2015

Prepared by:

John R. Botsford
FSA, MAAA

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March 1, 2016

Mill Valley School District
411 Sycamore Avenue
Mill Valley, California 94941

Mill Valley School District –
GASB 45 Actuarial Valuation of Post Employment Benefits as of July 1, 2015

At the request of the Mill Valley School District, we have completed an actuarial valuation of post employment benefits as of July 1, 2015.

The purpose of this report is to determine the Annual Required Contribution and required financial disclosures under the Governmental Accounting Standards Board Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45). Our determinations reflect the procedures and methods prescribed in GASB 45 and GASB 43.

In preparing our report, we relied, without audit, on information (some oral and some in writing) supplied by Mill Valley School District's staff. This information includes but not limited to employee census data, financial information and plan provisions. While Milliman has not audited the financial and census data, they have been reviewed for reasonableness and are, in our opinion, sufficient and reliable for the purposes of our calculations. If any of this information as summarized in this report is inaccurate or incomplete, the results shown could be materially affected and this report may need to be revised.

All costs, liabilities, rates of interest, and other factors for the District have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the District and reasonable expectations); and which, in combination, offer our best estimate of anticipated experience affecting the District. Further, in our opinion, each actuarial assumption used is reasonably related to the experience of the Plan and to reasonable expectations which, in combination, represent our best estimate of anticipated experience for the District.

This valuation report is only an estimate of the District's financial condition as of a single date. It can neither predict the District's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of District benefits, only the timing of District contributions. While the valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct. Determining results using alternative assumptions is outside the scope of our engagement.

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 (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. The District has the final decision regarding the appropriateness of the assumptions and actuarial cost methods.

Actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting the District in fulfilling its financial accounting requirements. The computations prepared for this purpose may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the District's funding policy and goals. The calculations in this report have been made on a basis consistent with our understanding of the OPEB plan provisions described in Appendix A of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes. This report does not reflect the provisions of GASB Statement No. 74 and No. 75, which will first be effective for fiscal years ending June 30, 2017, and June 30, 2018, respectively. Additional calculations will be required to meet to disclosure requirements of the these new standards.

Milliman's work is prepared solely for the internal business use of the Mill Valley School District. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions:

(a) Mill Valley School District may provide a copy of Milliman's work, in its entirety, to District's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the Mill Valley School District.

(b) Mill Valley School District may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuary is independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, I hereby certify that, to the best of my knowledge and belief, the report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable Actuarial Standards of Practice of the American Academy of Actuaries. The undersigned is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,

John R. Botsford, FSA, MAAA
Principal and Consulting Actuary

JRB:jvb

TABLE OF CONTENTS

Introduction

Milliman, Inc. ("Milliman") has been retained by Mill Valley School District ("District") to provide a GASB 45 actuarial valuation of its post employment benefit (OPEB) plans. In our valuation we:

- Project expected payouts
- Calculate the present value of total benefits
- Calculate the actuarial accrued liability (present value of benefits attributable to past service)
- Determine the Annual Required Contribution (ARC) and annual OPEB expense under GASB Statement No. 45

Background

Retirees are eligible for retiree health benefits if they meet certain requirements relating to age and service. The retiree health benefits are described in the labor agreements between Mill Valley School District and California School Employees Association (CSEA) Chapter No. 360 and the Mill Valley Teachers Association (MVTA).

Appendix A provides a detailed summary of benefits.

Rationale for Significant Assumptions

With any valuation of future benefits, assumptions of anticipated future events are required. If actual events differ from the assumptions made, the actual cost of the plan will vary as well. The following assumptions should be reviewed for appropriateness.

Demographic Assumptions. We are using the same withdrawal, retirement, disability retirement, and Certificated mortality rates that were used in the prior valuation. For Classified employees, we updated the mortality rates based on the statistics taken from the 2014 California PERS (CalPERS) experience study. The Certificated mortality rates include a two-year setback to reflect an assumed improvement in future mortality. The Classified mortality rates include projection Scale BB to 2028 to reflect an assumed improvement in future mortality.

Health Cost Trend. We derived the health cost inflation trend assumption based on the "Getzen" model developed by the Society of Actuaries. Please see Appendix B for a detailed description of the health cost trend. The CalPERS minimum contribution is assumed to increase by 3.5% per year, down from 4.0% assumed in the prior valuation. The minimum contribution is indexed to the medical component of CPI. Over the past 10 years, medical CPI has averaged approximately 3.5% per year.

Implicit Rate Subsidy. Actuarial standards of practice now require measurement of an implicit rate subsidy for community rated health plans (this includes all health plans sponsored by CalPERS). Therefore we measured the implicit rate subsidy for the District in the valuation. Appendix B provides a more detailed summary of the implicit rate subsidy.

Coverage Election Rates and Spouse Age Difference. We reviewed retiree and spouse election rates and the spouse age difference assumption. We continue to assume that 100% of new retirees who are eligible for health benefits will elect coverage. However, based on the plan's experience we recommend that the percentage of retirees who continue CalPERS Health coverage and receive the minimum CalPERS reimbursement amount from the District after five years of retirement or upon reaching age 65 be increased from 60% to 70%. In addition, we recommend a decrease in the percentage of new retirees who also elect spouse coverage from 70% to 50%. These recommend changes are based on a review of recent retiree election rates. The results of this valuation reflect these recommended changes.

Discount Rate. GASB 45 requires that the interest rate used to discount future benefit payments back to the present be based on the expected rate of return on any investments set aside to pay for these benefits. Assets are invested in Strategy 1 of the California Employers' Retiree Benefit Trust ("CERBT") Fund. We have used a discount rate of 7.00% for this valuation based on a fully funded plan with assets invested in the CERBT's Strategy 1 investment strategy, which is the same as was used in the prior valuation. This rate is derived based on the fund's investment policy and includes a 2.50% long-term inflation assumption. The rate also assumes that the District will continue to fund the full ARC each year. If the District does not fund the full ARC, a lower discount rate may be required.

Asset Class	Expected Arithmetic Nominal Return (50 yrs)	Asset Allocation
Global Equity	8.27%	57.00%
U.S. Fixed Income	6.54%	27.00%
Treasury Inflation-Protected Securities	4.15%	5.00%
Real Estate Investment Trusts	8.59%	8.00%
Commodities	6.09%	3.00%
Expected Arithmetic Return (50 yrs) (1)		7.56%
Expected Geometric Return (50 yrs) (2)		6.84%

1 Arithmetic return is the average expected return based on the asset allocation.

2 Geometric return is less than the arithmetic return on account of the variation in future expected returns.

A complete summary of the actuarial assumptions is presented in Appendix B.

GASB 74/75

In June 2015, the Governmental Accounting Standards Board adopted GASB 74 and 75 which will replace GASB 43 and 45. The new standards, which will be first effective for the District for the 2018 fiscal year (and 2017 for the trust fund itself), are a significant change from the current standards. A study of the impact of the new standard was beyond the scope of this valuation. If the District would like an analysis on the impact of the new standard on the District's financial statements, we would be happy to assist.

Results of Study

The valuation results are summarized in the following exhibit and use the following terms:

The **Present Value of Benefits** is the present value of projected benefits (projected claims less retiree contributions) discounted at the valuation interest rate (7.0%).

The **Actuarial Accrued Liability (AAL)** is the present value of benefits that are attributed to past service only. The portion attributed to future employee service is excluded. For retirees, this is equal to the present value of benefits. For active employees, this is equal to the present value of benefits prorated by service to date over service at the expected retirement age.

The **Normal Cost** is that portion of The District's provided benefit attributable to employee service in the current year. Employees who are not eligible for benefits are assumed to have an equal portion of the present value of benefits attributed to each year of service from date of hire to expected retirement age.

The **Annual Required Contribution (ARC)** is equal to the Normal Cost plus an amount to amortize the unfunded AAL over a period of 20 years from July 1, 2008 as a level percentage of projected payroll. The remaining amortization period on July 1, 2015 for the 2015-2016 fiscal year, was 13 years.

	July 1, 2015	July 1, 2013
Participants		
Active employees	312	296
Retirees	47	41
Total	359	337
Present Value of Benefits	$ 11,168,574	$ 8,051,872
Actuarial Accrued Liability	$ 5,960,936	$ 3,981,782
Assets	1,298,819	50,000
Unfunded Actuarial Accrued Liability	$ 4,662,117	$ 3,931,782
Normal Cost	$ 437,189	$ 282,648
Annual Required Contribution (ARC)	$ 945,212	$ 674,364
Annual benefit payments	$ 125,259	$ 104,778

Changes from the Prior Valuation

The Actuarial Accrued Liability (AAL) increased by approximately $(0.4) million since the last valuation. Exhibit 7 shows a summary of changes since the last valuation and their approximate effect on the AAL.

In the prior valuation, we determined the value of the refunded employee contributions for employees who terminated employment from the District after 5 years of service but prior to retirement. Effective January 1, 2016, the annual employee contributions from actives have ceased and the value of the refund from those contributions was not valued in this valuation. We determined that valuing this amount from June 30, 2015 to January 1, 2016 was not material to the AAL and did not include it in this valuation.

Variability of Results

The results contained in this report represent our best estimates. However, variation from these or any other estimates of future retiree medical costs is not only possible but probable. Actual future costs may vary significantly from estimates in this report.

Exhibit 1. Projected Benefit Payments

The table below illustrates the projected pay-as-you-go District costs of providing retiree health benefits. The projections only consider the closed group of existing employees and retirees and is based on the current labor agreements.

	District's Contribution		Implicit Rate Subsidy		
Year ending June 30	Current Retirees	Future Retirees	Current Retirees	Future Retirees	Total
2016	$70,583	$17,724	$21,420	$15,532	$125,259
2017	57,186	47,635	18,501	47,122	170,444
2018	49,849	75,259	22,420	71,138	218,666
2019	55,266	109,365	18,643	101,829	285,103
2020	49,350	157,999	2,512	138,064	347,925
2021	53,029	191,432	3,124	179,914	427,499
2022	56,573	233,242	3,808	223,009	516,632
2023	59,942	286,073	4,689	277,703	628,407
2024	63,278	327,181	5,697	316,882	713,038
2025	64,862	348,578	6,834	369,177	789,451
2026	64,515	374,395	8,114	432,916	879,940
2027	63,795	361,355	9,554	413,950	848,654
2028	62,690	331,804	11,248	359,506	765,248
2029	61,343	357,440	13,149	388,572	820,504
2030	59,715	400,810	0	418,211	878,736
2031	57,638	420,964	0	402,511	881,113
2032	55,145	491,402	0	412,049	958,596
2033	52,370	560,608	0	450,595	1,063,573
2034	49,251	681,398	0	512,954	1,243,603
2035	45,854	745,119	0	491,635	1,282,608

Exhibit 2. Liabilities and Normal Cost

The **Present Value of Benefits** is the actuarial present value of benefits expected to be paid for all retirees and covered employees.

The **Actuarial Accrued Liability (AAL)** is the actuarial present value of benefits attributed to employee service rendered prior to the valuation date. The AAL equals the present value of benefits multiplied by a fraction equal to service to date over service at expected retirement.

The **Normal Cost** is the actuarial present value of benefits attributed to one year of service. This equals the present value of benefits divided by service at expected retirement. Since retirees are not accruing any more service, their normal cost is zero.

	July 1, 2015	July 1, 2013
Present Value of Benefits		
Active employees	$ 10,365,903	$ 7,353,599
Retirees	802,671	698,273
Total	$ 11,168,574	$ 8,051,872
Actuarial Accrued Liability		
Active employees	$ 5,158,265	$ 3,283,509
Retirees	802,671	698,273
Total	$ 5,960,936	$ 3,981,782
Normal Cost	$ 437,189	$ 282,648

Exhibit 3. Unfunded Actuarial Accrued Liability

The **Unfunded Actuarial Accrued Liability (UAAL)** is the actuarial accrued liability offset by any assets set aside to provide retiree health benefits. This is equal to the value of the retiree health benefits accrued to date that has not been funded. The UAAL is amortized as a level percentage of expected payroll over 20 years on a closed basis starting July 1, 2008. The remaining amortization period on July 1, 2015 for the 2015-2016 fiscal year, was 13 years. This means the amortization amount would be expected to increase at the same rate as projected payroll increases each year, and the amortization period would decline with each successive valuation year until the unfunded liability is fully amortized in 2028. We have assumed the District's payroll will increase 3.00% per year for this purpose.

	July 1, 2015	July 1, 2013
Unfunded Actuarial Liability (UAAL)		
Actuarial Accrued Liability	$ 5,960,936	$ 3,981,782
Assets	1,298,819	50,000
Unfunded Actuarial Accrued Liability	$ 4,662,117	$ 3,931,782
Funded percentage	21.79%	1.26%
Amortization of UAAL for ARC		
UAAL	$ 4,662,117	$ 3,931,782
Amortization Period	13 years	15 years
Level % of Payroll Amortization Factor	10.4488	11.6448
Amortization Amount – Beginning of Year	$ 446,187	$ 337,643
Interest to End of Year	$ 31,233	$ 23,635
Amortization Amount – End of Year	$ 477,420	$ 361,278

Exhibit 4. Required Financial Statement Disclosures

The following table shows the calculation of the Annual Required Contribution and Net OPEB Obligation.

	For The Fiscal Year Ending June 30, 2016	June 30, 2015
Determination of Annual Required Contribution		
Normal Cost at fiscal year end	$ 467,792	
Amortization of UAAL	477,420	
Annual Required Contribution (ARC)	$ 945,212	$ 674,364
Determination of Net OPEB Obligation		
Annual Required Contribution	$ 945,212	$ 674,364
Interest on prior year Net OPEB Obligation	139,822	142,871
Adjustment to ARC	(191,166)	(184,377)
Annual OPEB Cost	$ 893,868	$ 632,858
Estimated/Actual District Contributions	TBD [2]	(674,283)
Increase in Net OPEB Obligation	$ TBD [2]	$ (41,425)
Net OPEB Obligation – beginning of year	$ 1,997,452	$ 2,038,877
Net OPEB Obligation – end of year	$ TBD [2]	$ 1,997,452

[1] Figures obtained from District's financial statements as of June 30, 2015.

[2] End of year OPEB Obligation will be determined once the District contributions are finalized.

The following table shows the annual OPEB cost and net OPEB obligation.

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
06/30/2014 [1]	641,553	104.4%	2,038,877
06/30/2015 [1]	632,858	106.5%	1,997,452
06/30/2016 [3]	893,868	TBD	TBD

[1] Figures obtained from District's financial statements as of June 30, 2015.
[2] End of year OPEB Obligation will be determined once the District contributions are known.

Funded Status and Funding Progress. As of July 1, 2015, the most recent actuarial valuation date, the plan was 21.79% funded. The actuarial accrued liability for benefits was $5,960,936, and the actuarial value of assets was $1,298,819, resulting in an unfunded actuarial accrued liability of $4,662,117.

Exhibit 5. Required Supplementary Information

The following table shows a schedule of Funding Progress required under GASB 45.

Actuarial Valuation Date	Actuarial Value of Assets	AAL (PUC)	UAAL	Funded Ratio
07/01/2012	$ 0	$ 5,884,496	$ 5,884,496	0.00%
07/01/2013	$ 50,000	$ 3,981,782	$ 3,931,782	1.26%
07/01/2015	$ 1,298,819	$ 5,960,936	$ 4,662,117	21.79%

Exhibit 6. Breakdown of Valuation Results by Employee Classification

The following table shows the valuation results by employee classification. They are based upon a 7.00% discount rate.

	Certificated	Classified	Total
Counts			
Actives	199	113	312
Retirees	36	11	47
Total	235	124	359
Actuarial Accrued Liability			
Actives	$ 3,525,914	$ 1,632,351	$ 5,158,265
Retirees	693,873	108,798	802,671
Total	$ 4,219,787	$ 1,741,149	$ 5,960,936
ARC [1]	$ 644,887	$ 300,325	$ 945,212
Annual Benefit Payments	$ 107,119	$ 18,140	$ 125,259

[1] In the calculation of the ARC we allocated the assets for each employment classification by the ratio of each classification's AAL to the total District AAL.

Exhibit 7. Valuation Results – Changes from Prior Valuation

The following exhibit shows changes of Actuarial Accrued Liability (AAL) from the prior valuation:

	In Millions
Actuarial Accrued Liability (AAL) as of July 1, 2013	$ 4.0
Increase due to benefit accrued from July 1, 2013 to June 30, 2015	$ 0.6
Decrease due to expected benefit payments made from July 1, 2013 to June 30, 2015	(0.3)
Increase due to decrease in the discount period from July 1, 2013 to June 30, 2015	0.6
Decrease due to updated health cost and health cost trends	(0.5)
Decrease due to plan amendment (retirement date based caps)	(0.3)
Increase due to change in demographic rates (mortality, retirement and disability)	0.1
Increase due to updated PERS election assumption (60% to 70%)	0.1
Decrease due to updated spousal election assumption (70% to 50%)	(0.4)
Increase due to inclusion of Implicit Rate Subsidy	2.5
Decrease due to demographic changes	(0.4)
Total change in Actuarial Accrued Liability	$ 2.0
Actuarial Accrued Liability (AAL) as of July 1, 2015	$ 6.0

Appendix A. Summary of Benefits

The following description of retiree health benefits is intended to be only a brief summary. For details, reference should be made to Summary Plan Descriptions, Plan Documents, labor agreements, and employee booklets.

Eligibility

Employees are eligible for retiree health benefits if they satisfy the following requirements:

Classified

Retirees who are at least age 55, with at least 20 years of employment with the District, of which at least 10 years were full-time service, and currently employed by the District at the time of retirement.

Certificated
Employees who are between 55 and 62 years old on July 1, 2011 and have at least 20 full-time years of service with the District may elect to retire under Medical Option II. In lieu of 20 years, Certificated employees who are at least age 50 on July 1, 2011 need at least 10 full-time years of service with the District at retirement or are between age 45 and age 49 on July 1, 2011 need at least 15 full-time years of service with the District at retirement to retire under Medical Option II.

Employees who were employed by the District before June 30, 2007, and have at least 25 years of District service at retirement are also eligible to receive a District paid medical benefit.

District Benefits

Classified – Employees Represented by California School Employees Association

The District pays for Classified retirees and their dependents, the cost of CalPERS medical premiums up to a fixed dollar cap based on the elected coverage. The capped amounts, effective January 1, 2014, are shown in the table below.

	Single	Two Party	Family
Hired before July 1, 2012	$ 742.72	$ 1,485.44	$ 1,759.64
Hired on or after July 1, 2012	$ 742.72	$ 1,485.44	$ 1,556.30

In prior years, the fixed dollar caps have been negotiated such that the caps have increased annually at the same rate as the Kaiser premiums. As such, these caps are expected to increase to $746.47, $1,492.94, and $1,940.82 in 2016 for Single, Two-Party, and Family, respectively.

The District will pay the above amounts for up to five years after retirement or until age 65, whichever comes first. For employees who retire on or after June 30, 2018, the medical premium amount the District will pay will be capped at the rate that exists at the retirement date for all future years. After the earlier of five years after retirement or age 65, the District will pay the retiree $1,000 per year toward the cost of medical premiums until the retiree reaches age 70.

For any eligible retiree who elects continuation of CalPERS Health Plan coverage instead of the benefits above, the District will pay at least the minimum monthly premium amount specified by

CalPERS under the "unequal method", and the retiree will pay the remaining premium amount. The minimum is $67.10 per month for 2015 and $75.00 per month for 2016.

Certificated – Employees Represented by Mill Valley Teachers Association

For Certificated retirees who elect Medical Option II upon early retirement, the District pays for retirees and their dependents, the cost of CalPERS medical premiums up to a fixed dollar cap based on the elected coverage. The capped amounts for 2014 are shown in the table below.

	Single	Two Party	Family
Hired before July 1, 2012	$ 742.72	$ 1,485.44	$ 1,759.64
Hired on or after July 1, 2012	$ 742.72	$ 1,485.44	$ 1,556.30

In prior years, the fixed dollar caps have been negotiated such that the caps have increased annually at the same rate as the Kaiser premiums. As such, these caps are expected to increase to $746.47, $1,492.94, and $1,940.82 in 2016 for Single, Two-Party, and Family, respectively. For retirees who retire before July 1, 2016, the District will pay the active cap set each year. For employees retired on or after July 1, 2016, the District will pay the capped amount that exists at the retirement date for all future years.

For Certificated employees hired before June 30, 2007, and who retiree with at least 25 years of service, but do not elect the Medical Option II, the District pays for retirees and their dependents, the cost of CalPERS medical premiums up to the fixed dollar cap described above for a 3 year period. If during the 3 year period, the retiree reaches age 65, the District will pay the Medicare Supplement premium plus the Medicare Part B premium, subject to the fixed dollar District cap. For retirees who retire before July 1, 2016, the District will pay the active cap set each year. For employees retired on or after July 1, 2016, the District will pay the capped amount that exists at the retirement date for all future years. After the 3 year period (or age 65 for Medical Option II retirees), retirees may elect continuation of CalPERS Health Plan coverage, in which case the District will pay the minimum monthly premium amount specified by CalPERS under the "unequal method" (i.e. $67.10 per month for 2015 and $75.00 per month for 2016) and the retiree will pay the balance.

Employee Contributions for Prefunding Medical Benefits

Classified

Beginning in July 1, 2011, active full time employees will pay $150 per year into an irrevocable trust fund for the sole purpose of prefunding the retiree medical benefit. If the employee terminates employment from the District after 5 years of service but prior to retirement, the accumulated contributions (without interest) will be refunded to the employee. The annual $150 contribution from actives has ceased effective January 1, 2016.

Certificated

Beginning in February 1, 2011, active full time employees will pay $350 per year into an irrevocable trust fund for the sole purpose of prefunding the retiree medical benefit. If the employee terminates employment from the District after 5 years of service but prior to retirement, the accumulated contributions (without interest) will be refunded to the employee. The annual $350 contribution from actives has ceased effective January 1, 2016.

Minimum Monthly Premium Amount Specified by CalPERS under the "Unequal Method"

Assembly Bill 2544 (AB 2544) defines the scheduled increases in the District's contribution for retirees enrolled in the CalPERS health benefit program (PEMHCA). The District is contributing under the "Unequal" method as described in the California Government Code section 22892(c). The computation formula takes into account the District's years of participation in PEMHCA as follows:

- (# of years with PEMHCA) x (5%) x (District minimum contribution amount for actives)
- The annual adjustment to the minimum monthly District contribution cannot exceed $100.00 per retiree per month.

Below is an illustrative schedule of District contributions under AB 2544 assuming the District's Certificated and Classified group joined PEMHCA in 2004.

Years in PEMHCA	Calendar Year	Monthly Basic District Contribution for Actives*	District Contribution for Retirees under "Unequal" Method
10	2014	$ 119.00	59.50
11	2015	122.00	67.10
12	2016	125.00	75.00
13	2017	129.00	83.85
14	2018	134.00	93.80
15	2019	139.00	104.25
16	2020	144.00	115.20
17	2021	149.00	126.65
18	2022	154.00	138.60
19	2023	159.00	151.05
20	2024	165.00	165.00
21	2025	171.00	171.00
22	2026	177.00	177.00

* Minimum District contributions for actives in 2017 and later are estimated to increase by 3.50% per year and rounded to the nearest dollar. Actual increases will be based on Medical CPI.

Dental and Vision Benefits

Retirees and their spouses may continue dental and vision coverage upon retirement. The entire cost of the premiums is paid for by retirees.

Spouse/Survivor Benefits

Upon the death of a District retiree in pay status, the District continues to pay premiums for surviving spouses at the same rate that was provided to them prior to the death of the retiree. Surviving spouses of employees who die prior to retirement may continue medical coverage at their own expense; and the District will not pay for any portion of the surviving spouse's medical premiums.

Health Plan Premiums

The following table shows monthly retiree health insurance premiums for the 2015 and 2016 premium year for coverage under the CalPERS Health Plan for Bay Area:

	Monthly Premium Rates – Effective January 1, 2015					
	Single		**2-Party**		**Family**	
	Under 65	**Over 65**	**Under 65**	**Over 65**	**Under 65**	**Over 65**
Anthem HMO Select	$ 662.41	$ 445.38	$ 1,324.82	$ 890.76	$ 1,722.27	$ 1,336.14
Anthem HMO Traditional	827.57	445.38	1,655.14	890.76	2,151.68	1,336.14
Blue Shield	928.87	352.63	1,857.74	705.26	2,415.06	1,057.89
Blue Shield NetValue	870.60	352.63	1,741.20	705.26	2,263.56	1,057.89
Kaiser	714.45	295.51	1,428.90	591.02	1,857.57	886.53
PERS Choice	700.84	339.47	1,401.68	678.94	1,822.18	1,018.41
PERS Select	690.43	339.47	1,380.86	678.94	1,795.12	1,018.41
PERSCare	775.08	368.76	1,550.16	737.52	2,015.21	1,106.28
United Healthcare	850.67	267.41	1,701.34	534.82	2,211.74	802.23

Effective January 1, 2016, CalPERS will no longer offer Medicare Advantage plans offered by Anthem and Blue Shield and will add a Health Net option for non-Medicare retirees only.

	Monthly Premium Rates – Effective January 1, 2016					
	Single		**2-Party**		**Family**	
	Under 65	**Over 65**	**Under 65**	**Over 65**	**Under 65**	**Over 65**
Anthem HMO Select	$ 721.79	N/A	$ 1,443.58	N/A	$ 1,876.65	N/A
Anthem HMO Traditional	855.42	N/A	1,710.84	N/A	2,224.09	N/A
Blue Shield	1,016.18	N/A	2,032.36	N/A	2,642.07	N/A
Blue Shield NetValue	1,033.86	N/A	2,067.72	N/A	2,688.04	N/A
HealthNet SmartCare	808.44	N/A	1,616.88	N/A	2,101.94	N/A
Kaiser	746.47	297.23	1,492.94	594.46	1,940.82	891.69
PERS Choice	798.36	366.38	1,596.72	732.76	2,075.74	1099.14
PERS Select	730.07	366.38	1,460.14	732.76	1,898.18	1099.14
PERSCare	889.27	408.04	1,778.54	816.08	2,312.10	1224.12
United Healthcare	955.44	320.98	1,910.88	641.96	2,484.14	962.94

The Medicare Part B premium for 2015 and 2016 is $104.90 per month for an individual with a modified adjusted gross income (MAGI) of $85,000 or less, and married couples with a MAGI of $170,000 or less.

Appendix B. Actuarial Cost Method and Assumptions

The actuarial cost method described below is one of several acceptable costs methods described in GASB 45, and the assumptions represent our best estimate of anticipated future experience based on information provided to us

Actuarial Cost Method

The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit Cost Method. Under this method, the actuarial present value of projected benefits is the value of benefits expected to be paid for current actives and retirees and is calculated based on the assumptions and census data described this report. The Actuarial Accrued Liability (AAL) is the actuarial present value of benefits attributed to employee service rendered prior to the valuation date. The AAL equals the present value of benefits multiplied by a fraction equal to service to date over service at expected retirement. The actuarial value of plan assets is equal to the market value of assets as of June 30, 2015.

The Normal Cost is the actuarial present value of benefits attributed to one year of service. This equals the present value of benefits divided by service at expected retirement. Since retirees are not accruing any more service, their normal cost is zero. In determining the Annual Required Contribution, the Unfunded AAL is amortized as a level percentage of expected payroll over 20 years on a “closed” basis starting on July 1, 2008. The remaining amortization period on July 1, 2015 for the 2015-2016 fiscal year, was 13 years.

The actuarial assumptions are summarized below.

Valuation Date July 1, 2015

Economic Assumptions

Discount Rate (liabilities) 7.00%

GASB 45 requires that the interest rate used to discount future benefit payments back to the present be based on the expected rate of return on any investments set aside to pay for these benefits. Assets are invested in the California Employers’ Retiree Benefit Trust (“CERBT”) Fund under Strategy 1. We have used a discount rate of 7.00% for this valuation. This rate is derived based on the fund’s investment policy as shown below and includes a 2.50% long-term inflation assumption.

Asset Class	Expected Arithmetic Nominal Return (50 yrs)	Asset Allocation
Global Equity	8.27%	57.00%
U.S. Fixed Income	6.54%	27.00%
Treasury Inflation-Protected Securities	4.15%	5.00%
Real Estate Investment Trusts	8.59%	8.00%
Commodities	6.09%	3.00%
Expected Arithmetic Return (50 yrs) (1)		7.56%
Expected Geometric Return (50 yrs) (2)		6.84%

1 Arithmetic return is the average expected return based on the asset allocation.

2 Geometric return is less than the arithmetic return on account of the variation in future expected returns.

Based on the above asset allocation, we maintain the discount rate of 7.00% for this valuation.

Projected Payroll Increases
(for Amortization of UAAL) 3.00% per year

Demographic Assumptions

Below is a summary of the assumed rates for service retirement, disability and termination.

Mortality

Certificated: 2011 CalSTRS Retired Mortality with 2 year age setback for future male and female retirees. The mortality assumptions specified contain a margin for expected future mortality improvement. Refer to the 2011 Experience Analysis Report for details.

Classified: Rates based on statistics based on the statistics taken from the 2014 California PERS (CalPERS) experience study. The mortality rates include an assumed improvement in future mortality based on Scale BB projected to 2028.

Disability

	Certificated		Classified	
Age	Males	Females	Males	Females
25	0.018%	0.018%	0.010%	0.012%
35	0.045%	0.054%	0.53%	0.043%
45	0.099%	0.099%	0.295%	0.188%
55	0.189%	0.252%	0.358%	0.205%
65	0.144%	0.168%	0.282%	0.107%

Certificated disability rates are based on the 2014 CalSTRS valuation.

Demographic Assumptions (continued)

Classified disability rates are based on the 2014 California PERS Experience Study.

Retirement

Certificated retirement rates are based upon the retirement rates found in the 2012 CalSTRS experience study. Classified retirement rates are based upon CalPERS 2014 experience study– 2.0% at 55 for school Districts.

For classified employees, retirement assumptions vary by both age and service, based upon CalPERS assumptions. Sample rates of retirement within the next year are shown below:

	Certificated				*Classified*
	10-30 Years of Service		30+ Years of Service		15 Years of Service
Age	Male	Female	Male	Female	Males/Females
50	–	–	1.50%	2.50%	1.30%
51	–	–	1.50%	2.50%	1.40%
52	–	–	1.50%	2.50%	1.70%
53	–	–	2.00%	2.50%	1.90%
54	–	–	2.00%	3.00%	3.30%
55	2.70%	4.50%	8.00%	9.00%	6.70%
56	1.80%	3.15%	8.00%	9.00%	5.50%
57	1.80%	3.15%	10.00%	11.00%	5.90%
58	2.70%	4.05%	14.00%	16.00%	7.00%
59	4.50%	5.40%	18.00%	19.00%	8.00%
60	6.30%	9.00%	27.00%	31.00%	10.20%
61	6.30%	9.00%	43.00%	40.00%	12.60%
62	10.80%	10.80%	38.00%	37.00%	21.20%
63	11.70%	16.20%	30.00%	35.00%	19.10%
64	10.80%	13.50%	30.00%	32.00%	18.50%
65	13.50%	14.40%	30.00%	32.00%	25.10%
66	10.80%	13.50%	30.00%	32.00%	20.00%
67	10.80%	13.50%	30.00%	32.00%	18.50%
68	10.80%	13.50%	30.00%	32.00%	16.50%
69	10.80%	13.50%	30.00%	32.00%	18.70%
70	10.80%	13.50%	30.00%	35.00%	18.30%
71	10.80%	13.50%	30.00%	35.00%	14.30%
72	10.80%	13.50%	30.00%	35.00%	12.60%
73	10.80%	13.50%	30.00%	35.00%	12.20%
74	10.80%	13.50%	30.00%	35.00%	15.30%
75	10.80%	13.50%	30.00%	35.00%	15.10%
80	100.00%	100.00%	100.00%	100.00%	100.00%

Demographic Assumptions (continued)

Termination

Certificated termination rates are based on the rates developed in the 2012 CalSTRS experience study.

	Certificated	
Years of Service	Male	Female
0	16.00%	15.00%
1	13.00%	12.00%
2	9.00%	8.50%
3	6.40%	6.40%
4	4.60%	4.60%
5	3.94%	3.94%
10	1.80%	1.80%
20	0.50%	0.50%
31+	0.22%	0.22%

Classified termination rates are based on the rates developed in the 2014 CalPERS Experience Study. Sample rates of terminating within one year for a classified employee *with five years of service* are shown below for selected ages:

Entry Age	Classified
30	6.458%
35	4.899%
40	3.269%
45	0.150%
50	0.020%

We have assumed that there will be no retiree medical benefits for those classified employees who terminate employment prior to age 55 or prior to completion of ten years of service.

Enrollment Election upon Retirement

We have assumed that all retirees who are eligible to retire early with a District paid benefit will elect coverage until age 65. All Certificated employees who retire after age 62 with at least 25 years of service are assumed to elect coverage for 3 years and receive the District paid benefit. All Classified employees will receive District paid benefits for up to 5 years after retirement or until age 65, whichever comes first, and $1,000 per year until age 70 thereafter.

After the District paid benefit stops, we have assumed that 70% retirees will continue CalPERS Health coverage and receive the minimum CalPERS reimbursement amount from the District ($67.10 per month for 2015 and $75.00 per month for 2016). We based these assumptions on a review of Mill Valley census from 2007 through 2015.

Dependent Election

We have assumed that 50% of active employees will be married at retirement and elect coverage for their spouses, and that males are three years older than females. This is based on review of Mill Valley School District census data from 2009 through 2015. We have also assumed that Medicare-eligible spouses will enroll in a Medicare plan once the spouse becomes Medicare-eligible and that retirees will not have any covered dependent children.

Medical Inflation

We assumed future increases to the health premiums based on the "Getzen" model published by the Society of Actuaries for purposes of evaluating long term medical trend. Under the Patient Protection and Affordable Care Act of 2010. These trend rate assumptions include provisions of the Consolidated Appropriations Act of 2016 signed into law on December 18, 2015, which delays the Excise Tax by two years, makes the tax a deductible business expense, and removes the health insurer fee for one year only in calendar year 2017. A Federal excise tax will apply for high cost health plans beginning in 2020. A margin to reflect the impact of the excise tax in future years is reflected in the assumed trend. Also the "Getzen" model was updated to reflect latest economic growth factors. We assumed the future increases to the Medicare Part B premiums are based on the Post-65 trend derived from the "Getzen" model (without regard to the Excise tax adjustment) less 1.5%. The following table shows the assumed rate increases in future years for Medical and Medicare Part B premiums.

Fiscal Year	Medical – Pre 65 % Inflation	Fiscal Year	Medical – Post 65 % Inflation	Fiscal Year	Part B % Inflation
2015	Actual Increase	2015	Actual Increase	2015	Actual Increase
2016	6.50%	2016	6.50%	2016	5.25%
2017	6.75%	2017	6.75%	2017	4.00%
2018	5.75%	2018 - 2021	5.50%	2018 - 2019	3.75%
2019	5.50%	2022 - 2036	5.75%	2020 - 2036	3.50%
2020	5.75%	2037 - 2041	5.50%	2037 - 2040	3.25%
2021 - 2035	6.25%	2042 - 2045	5.25%	2041 - 2047	3.00%
2036 - 2037	6.00%	2046	5.50%	2048 +	2.75%
2038 - 2043	5.75%	2047 - 2052	5.75%		
2044 - 2055	5.50%	2053 - 2059	5.50%		
2056 - 2062	5.25%	2060 - 2062	5.75%		
2063 - 2065	5.00%	2063 - 2064	5.50%		
2066 - 2068	4.75%	2065 - 2066	5.25%		
2069 +	4.50%	2067 - 2069	5.00%		
		2070 - 2088	4.75%		
		2089 +	4.50%		

The CalPERS Minimum contribution rate is assumed to increase 3.50% per year.

Implicit Rate Subsidy

The California PERS (PEMHCA) health plans charge the same premiums for retirees who are not yet eligible for Medicare as for active employees. Therefore, the retiree premium rates are being subsidized by the inclusion of active lives in setting rates. Premiums calculated only based on retiree health claims experience would have resulted in higher retiree premiums. GASB 45 requires that the value of this subsidy be recognized as a liability in valuations of OPEB costs. To account for the fact that per member health costs vary depending on age (higher health costs at older ages), we calculated equivalent per member per month (PMPM) costs that vary by age based on the age distribution of covered members, and based on relative cost factors by age. The covered members are based on the enrollment information released by CalPERS for the entire Bay Area Region. The relative cost factors were developed from the Milliman Health Cost Guidelines™. Based on the carrier premium rates and relative age cost factors assumptions, we developed age adjusted monthly PMPM health costs for 2015-16 plan year to be used in valuing the implicit rate subsidy.

Age Adjusted Medical PMPM Costs for 2015-16 Plan Year

	Retirees		Spouses	
Age	**Male**	**Female**	**Male**	**Female**
50	670	837	670	837
55	882	976	882	976
60	1,143	1,149	1,143	1,149
64	1,447	1,326	1,447	1,326

Since premiums for retirees with Medicare are determined without regard to active life experience, no such subsidy exists for this group.

Appendix C. Summary of Participant Data

The following census of participants was used in the actuarial valuation and provided by the Mill Valley School District. The data was collected as of July 2015.

Covered Active Employees

	Certificated			Classified		
Age	Males	Females	Total	Males	Females	Total
Under 25	0	1	1	0	2	2
25 – 29	0	7	7	1	1	2
30 – 34	2	25	27	4	5	9
35 – 39	5	24	29	6	4	10
40 – 44	6	25	31	2	6	8
45 – 49	5	24	29	3	10	13
50 – 54	4	31	35	7	21	28
55 – 59	4	13	17	2	16	18
60 – 64	3	15	18	4	11	15
65 & Over	1	4	5	0	8	8
Total	30	169	199	29	84	113

	Total		
Age	Males	Females	Total
Under 25	0	3	3
25 – 29	1	8	9
30 – 34	6	30	36
35 – 39	11	28	39
40 – 44	8	31	39
45 – 49	8	34	42
50 – 54	11	52	63
55 – 59	6	29	35
60 – 64	7	26	33
65 & Over	1	12	13
Total	59	253	312

Average Age at Valuation Date: 47.72
Average Service at Valuation Date: 9.81

Current Retirees

	Certificated			Classified		
Age	Males	Females	Total	Males	Females	Total
Under 55	0	0	0	0	0	0
55 – 59	0	0	0	0	0	0
60 – 64	1	3	4	0	0	0
65 – 69	1	9	10	2	1	3
70 – 74	4	10	14	0	5	5
75 – 79	0	5	5	0	1	1
80 – 84	1	0	1	1	1	2
85 & Over	0	2	2	0	0	0
Total	7	29	36	3	8	11

	Total		
Age	Males	Females	Total
Under 55	0	0	0
55 – 59	0	0	0
60 – 64	1	3	4
65 – 69	3	10	13
70 – 74	4	15	19
75 – 79	0	6	6
80 – 84	2	1	3
85 & Over	0	2	2
Total	10	37	47

Average Age at Valuation Date: 72.16