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November 3, 2017

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

Mill Valley School District
Actuarial Valuation of Postemployment Benefits as of July 1, 2017

Dear Michele:

I am pleased to enclose above titled report for the Mill Valley School District ("District"). In this report, we have prepared certain disclosures required by GASB Statement No. 74 and 75 for the District's OPEB Plan.

If you have any questions, please give me a call at (208) 342-0494.

Sincerely,

Jeffrey D. Bradley

Jeffrey D. Bradley, FSA, MAAA
Principal and Consulting Actuary

JDB/mji

cc: John Botsford

Enclosure

Mill Valley School District

Actuarial Valuation of
Postemployment Benefits Other than Pensions as of July 1, 2017

Prepared by:

Jeffrey D. Bradley
FSA, MAAA

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Mill Valley School District
411 Sycamore Ave
Mill Valley, CA 94941

Mill Valley School District
Actuarial Valuation of Postemployment Benefits as of July 1, 2017

At the request of the Mill Valley School District ("District"), we have completed an actuarial valuation of the District's OPEB Plan. This report also contains disclosures for the fiscal year ending June 30, 2017 to comply with Statement No. 74 of the Governmental Accounting Standards Board (GASB), and for the fiscal year ending June 30, 2018 to comply with Statement No. 75 of the Governmental Accounting Standards Board (GASB).

Actuarial computations presented in this report under GASB 74 and 75 are for purposes of assisting the District in fulfilling its financial accounting requirements. No attempt is being made to offer any accounting opinion or advice. The calculations enclosed in this report have been made on a basis consistent with our understanding of the plan provisions. Determinations for purposes other than meeting financial reporting requirements may be significantly different than the results contained in this report. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security or meeting employer funding requirements.

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the District's staff. This information includes but is 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 Plan's financial condition as of a single date. It can neither predict the Plan's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of Plan benefits. 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); 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. 74 and 75 are for purposes of assisting the District in fulfilling its financial accounting requirements. 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 Retiree Health Premium Assistance Plan provisions described in Appendix A of this report, and of GASB Statement No. 74 and 75. 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.

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, we hereby certify that, to the best of our 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,

Jeffrey D. Bradley

Jeff Bradley, FSA, MAAA
Principal and Consulting Actuary

JDB/mji

TABLE OF CONTENTS

Section **Page**

Introduction

Milliman, Inc. ("Milliman") has been retained by Mill Valley School District ("District") to provide disclosures required by GASB Statements No. 74 and 75 for the District's OPEB Plan.

GASB 74 applies to financial reporting for public OPEB plans and is required to be implemented for plan fiscal years beginning after June 15, 2016. Note that a plan's fiscal year might not be the same as the employer's fiscal year. Even if the plan does not issue standalone financial statements, but rather is considered a trust fund of a government, it is subject to GASB 74. Under GASB 74, enhancements to the financial statement disclosures are required, along with certain required supplementary information.

GASB 75 governs the specifics of accounting for public OPEB plan obligations for participating employers and is required to be implemented for employer fiscal years beginning after June 15, 2017. GASB 75 requires a liability for OPEB obligations, known as the Net OPEB Liability, to be recognized on the balance sheets of participating employers. Changes in the Net OPEB Liability will be immediately recognized as OPEB Expense on the income statement or reported as deferred inflows/outflows of resources depending on the nature of the change.

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 Summary of Benefits for CSR-Represented, Confidential, and Executive employees. Appendix A provides a detailed summary of benefits.

Key Results

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

The **Total OPEB Liability (TOL)** is the present value of benefits that are attributed to past service only discounted at the valuation interest rate (6.75%). 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 less the present value of future service costs.

The **Service Cost** is that portion of benefits attributable to employee service in the current year. The Service Cost remains level as a percentage of pay throughout a participant's assumed working lifetime. Since retirees are not accruing any more service, their service cost is zero.

The **Fiduciary Net Position (FNP)** is equal to market value of assets.

The **Net OPEB Liability (NOL)** is the Total OPEB Liability minus the Plan's Fiduciary Net Position (formerly unfunded accrued liability).

The **Actuarially Determined Contribution (ADC)** is a target or recommended contribution to an OPEB plan for the reporting period, determined based on the funding policy and most recent measurement available when the contribution for the reporting period was adopted. In determining the Actuarial Determined Contribution, the NOL 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, 2017 for the 2017-2018 fiscal year, was 11 years.

Valuation Date		July 1, 2017
Number of Participants		
Active		314
Retirees		54
Total participants		368
Total OPEB Liability (formerly AAL)	$	5,150,482
Fiduciary Net Position (formerly Assets)		3,080,451
Net OPEB Liability (formerly UAAL)	$	2,070,031
Fiduciary Net Position as % of Total OPEB Liability		59.8%

Actuarially Determined Contribution		Fiscal Year Ending June 30, 2018
Service Cost	$	491,253
Amortization of Net OPEB Liability		223,596
Actuarially Determined Contribution	$	714,849

Benefit Changes since Prior Valuation

Mill Valley School District elected to switch from CalPERS health coverage to Self-Insured Schools of California, effective January 1, 2018. This change is reflected in this valuation. This switch impacts benefits and liabilities for current active District employees as well as for current District retirees.

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. A complete list and description of the actuarial assumptions is presented in Appendix B.

Health Cost Trend. We assume the annual health costs will increase at the health cost inflation trend derived by using the "Getzen" model developed by the Society of Actuaries. Please see Appendix B for an explanation of the "Getzen" trend model.

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, the mortality rates are based on the statistics taken from the 2014 California PERS (CalPERS) experience study and include projection Scale BB to 2028 to reflect an assumed improvement in future mortality. The Certificated mortality rates include a two-year setback to reflect an assumed improvement in future mortality.

Implicit Rate Subsidy. Actuarial standards of practice now require measurement of an implicit rate subsidy for community rated health plans. 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.

Discount Rate. Under GASB 74 & 75, the discount rate should be the single rate that reflects the long-term rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits. To the extent that OPEB plan assets are insufficient to finance all OPEB benefits, the discount rate should be based on 20-year tax-exempt AA or higher Municipal Bonds as of the Measurement Date.

Assets are invested in Strategy 1 of the California Employers' Retiree Benefit Trust ("CERBT") Fund. We have used a discount rate of 6.75% for this valuation based on a fully funded plan with assets invested in the CERBT's Strategy 1 investment strategy, which is lower than the 7.00% rate used in the prior valuation.

This 6.75% assumption 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 ADC each year. If the District does not fund the full ADC, a lower discount rate may be required.

Asset Class	Expected Arithmetic Nominal Return (50 yrs)	Asset Allocation
Global Equity	7.78%	57.00%
U.S. Fixed Income	6.61%	27.00%
Treasury Inflation-Protected Securities	4.20%	5.00%
Real Estate Investment Trusts	7.56%	8.00%
Commodities	5.47%	3.00%
Expected Arithmetic Return (50 yrs) (1)		7.20%
Expected Geometric Return (50 yrs) (2)		6.57%

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.

Selection/Approval of Actuarial Assumptions

An actuarial valuation of post-employment benefits includes estimates of uncertain future events. We have developed a set of economic and demographic actuarial assumptions to anticipate future plan experience. In our opinion, these assumptions fall within a best estimate range of future plan experience. Ultimately, the District and its auditor must select/approve the set of actuarial assumptions used in reporting liabilities on its financial statements.

Exhibit 1. Net OPEB Liabilities

The Valuation Date is July 1, 2017. This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2017, which is also the GASB 74 Reporting Date. For GASB 75, the Reporting Date is June 30, 2018, which is the employer's fiscal year ending date. For GASB 74, the Reporting Date is equal to the Measurement Date; for GASB 75 the Reporting Date is one year prior to the fiscal year end as permitted under GASB 75.

In the initial year that GASB 74 and 75 are adopted, the plan sponsor must also show results for the prior fiscal year end. For this first year, GASB permits that the Net OPEB Liabilities reported for the prior fiscal year be estimated by projecting the Net OPEB Liabilities as of the valuation date back one year. The results for the prior fiscal year end were back projected using standard actuarial techniques.

	As of June 30, 2017	As of June 30, 2016
Total OPEB Liability	$ 5,150,482	$ 4,393,716
Fiduciary Net Position	3,080,451	2,051,196
Net OPEB Liability	$ 2,070,031	$ 2,342,520
Fiduciary Net Position as a % of Total OPEB Liability	59.8%	
Valuation Date	07/01/2017	
Measurement date	06/30/2017	
GASB 74 (Plan) Reporting Date	06/30/2017	
GASB 75 (MVS) Reporting Date	06/30/2018	
Discount Rate	6.75%	

Exhibit 2. Sensitivity on Net OPEB Liabilities

GASB 74/75 requires to show the sensitivity of the Net OPEB Liability (NOL) to changes in the discount rate and health care cost trend rates. The liabilities shown below are based on a measurement date of June 30, 2017, and are applicable for the fiscal year ending June 30, 2017 (for GASB 74) and fiscal year ending June 30, 2018 (for GASB 75).

Sensitivity of the Net OPEB Liability to changes in the discount rate

The following presents what the District's Net OPEB Liability (NOL) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate.

Sensitivity Analysis	1% Decrease in Discount Rate 5.75%	Current Discount Rate 6.75%	1% Increase in Discount Rate 7.75%
Net OPEB Liability as of June 30, 2017	$ 2,459,810	$ 2,070,031	$ 1,704,266

Sensitivity of the Net OPEB Liability to changes in the Healthcare Cost Trend Rates

The following presents what the District's Net OPEB Liability (NOL) would be if it were calculated using a Healthcare cost trend that is 1 percentage point lower or 1 percentage point higher than the current Healthcare cost trend rates.

Sensitivity Analysis	1% Decrease in Healthcare Cost Trend Rate	Current Healthcare Cost Trend Rate	1% Increase in Healthcare Cost Trend Rate
Net OPEB Liability as of June 30, 2017	$ 1,533,633	$ 2,070,031	$ 2,692,563

Exhibit 3. Changes in Net OPEB Liability

The following exhibit shows a reconciliation of the Net OPEB Liability from the measurement date June 30, 2016 to June 30, 2017 for applicable for the fiscal year ending June 30, 2017 (for GASB 74) and for the fiscal year ending June 30, 2018 (for GASB 75).

In the initial year that GASB 74 and 75 are adopted, the plan sponsor must also show results for the prior fiscal year end. For this first year, GASB permits that the Net OPEB Liabilities reported for the prior fiscal year be estimated by projecting the Net OPEB Liabilities as of the valuation date back one year. The results for the prior fiscal year end were back projected using standard actuarial techniques.

	Increase / (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance as of June 30, 2016 [1]	$ 4,393,716	$ 2,051,196	$ 2,342,520
Service cost	$ 431,091	$ 0	$ 431,091
Interest on the total OPEB liability	325,675	0	325,675
Changes of benefit terms	0	0	0
Differences between actual and expected experience with regard to economic or demographic factors	0	0	0
Changes of assumptions	0	0	0
Benefit payments [2]	0	0	0
Contributions from employer [3]	0	861,716	(861,716)
Net investment income	0	167,539	(167,539)
Administrative expense	0	0	0
Other changes	0	0	0
Total changes	$ 756,766	$ 1,029,255	$ (272,489)
Balance as of June 30, 2017	$ 5,150,482	$ 3,080,451	$ 2,070,031

1. Beginning of Year FNP shown does not match the actual market value of assets as of July 1, 2016. The Beginning of Year FNP is a calculated value, such that the investment gain/loss for the year is zero. This is done only for the first year of GASB 74/75 implementation in order to conform to Q&A 4.505 of the GASB 75 Implementation Guide Exposure Draft.
2. MVS pays benefit payments from its general fund instead of the OPEB Trust. Therefore it is not counted as benefit payments in the Fiduciary Net Position column.
3. MVS made contributions totaling $861,716 to the trust fund in FY 2016-17. This amount does not include the pay-as-you-go benefit payment cost paid by the general fund.

Exhibit 4. Calculation of OPEB Expense and Deferred Inflows/Outflows

The following tables illustrate the development of the OPEB expense required by GASB 75 as of June 30, 2018.

OPEB Expense	For the Fiscal Year Ending June 30, 2018	For the Fiscal Year Ending June 30, 2017
Service cost	$ 431,091	N/A
Interest on the total OPEB liability	325,675	N/A
Effect of plan changes	0	N/A
Administrative expense	0	N/A
Member contributions	0	N/A
Expected investment return, net of investment expenses	(167,539)	N/A
Recognition of Deferred (Inflows)/Outflows of Resources		
Economic/demographic gains or losses	$ 0	N/A
Assumption changes or inputs	0	N/A
Investment gains or losses	0	N/A
Total Recognition	$ 0	N/A
OPEB Expense	$ 589,227	N/A

For Fiscal Year Ending June 30, 2018 Deferred Inflows / Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 0	$ 0
Changes of assumptions	0	0
Net difference between projected and actual earnings	0	0
Contributions made subsequent to measurement date	0	0
Total	$ 0	$ 0

Amounts currently reported as deferred inflows of resources and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Recognized Deferred Inflows Outflows of Resources
2019	$ 0
2020	0
2021	0
2022	0
2023	0
Thereafter	0

Exhibit 5. Schedule of Deferred Inflows and Outflows of Resources

The following table illustrates the schedule deferred inflows/outflows of resources required by GASB 75 as of June 30, 2018.

Investment (gains)/losses are recognized in OPEB expense over a period of five years. Economic/demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active and inactive members.

Date Established	Original Amount	Original Recognition Period	Amount Recognized in Expense 06/30/2018	Balance of Deferred Inflows 06/30/2018	Balance of Deferred Outflows 06/30/2018
Investment (gains) or losses					
06/30/2018	$ 0	5.0000	$ 0	$ 0	$ 0
Economic/demographic (gains) or losses					
06/30/2018	$ 0	10.5000	$ 0	$ 0	$ 0
Assumption changes					
06/30/2018	$ 0	10.5000	$ 0	$ 0	$ 0

Exhibit 6. Breakdown of Valuation Results by Employee Classification

The following table shows the valuation results by employee classification. These figures are based on a 6.75% discount rate.

	Certificated	Classified	Total
Counts			
Actives	202	112	314
Retirees	38	16	54
Total	240	128	368
Total OPEB Liability	$ 3,751,934	$ 1,398,548	$ 5,150,482
Fiduciary Net Position	2,243,994	836,457	3,080,451
Net OPEB Liability	$ 1,507,940	$ 562,091	$ 2,070,031
ADC [1]	$ 470,239	$ 244,610	$ 714,849

1 In the calculation of the ADC we allocated the assets for each employment classification by the ratio of each classification's TOL to the total District TOL.

Exhibit 7. Reconciliation of Changes from Prior Valuation

The following table shows changes from the liability reported July 1, 2015 to the July 1, 2017 Total OPEB Liability (TOL) being reported in this valuation.

	In Millions	
Actuarial Accrued Liability (AAL) as of July 1, 2015	$	6.0
Increase due to benefit accrued from July 1, 2015 to June 30, 2017	$	0.9
Decrease due to expected benefit payments made from July 1, 2015 to June 30, 2017		(0.3)
Increase due to decrease in the discount period from July 1, 2015 to June 30, 2017		0.9
Decrease due to updated health cost and health cost trends		(0.6)
Decrease due to change in health plan from CalPERS to SISC		(0.9)
Increase due to change in discount rate from 7.00% to 6.75%		0.2
Change due to switch to Entry Age Normal Cost Method (for GASB compliance)		(0.7)
Decrease due to demographic changes		(0.3)
Total change in liability	$	(0.8)
Total OPEB Liability (TOL) as of July 1, 2017	$	5.2

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, 2017, are shown in the table below.

	Single	Two Party	Family
Hired before July 1, 2012	$ 746.47	$ 1,492.94	$ 1,813.75
Hired on or after July 1, 2012	$ 746.47	$ 1,492.94	$ 1,589.60

Effective January 1, 2018, members will move from CalPERS medical to Self-Insured Schools of California (SISC). These caps will change to the following:

	Single	Two Party	Family
Hired before July 1, 2012	$ 779.00	$ 1,559.00	$ 1,904.37
Hired on or after July 1, 2012	$ 779.00	$ 1,559.00	$ 1,650.02

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.

Any eligible retiree who elects to do so may continue Health Plan coverage through SISC. The full cost of the premium will be paid by the retiree.

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 2017 are shown in the table below.

	Single	Two Party	Family
Hired before July 1, 2012	$ 746.47	$ 1,492.94	$ 1,813.75
Hired on or after July 1, 2012	$ 746.47	$ 1,492.94	$ 1,589.60

Effective January 1, 2018, members will move from CalPERS medical to Self-Insured Schools of California (SISC). These caps are projected to change to the following:

	Single	Two Party	Family
Hired before July 1, 2012	$ 779.00	$ 1,559.00	$ 2,027.00
Hired on or after July 1, 2012	$ 779.00	$ 1,559.00	$ 2,027.00

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 SISC Health Plan coverage, in which case the retiree will pay the entire premium.

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

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 2017 and 2018 premium year for coverage under the CalPERS Health Plan for Bay Area:

	Monthly Premium Rates – Effective January 1, 2017					
	Single		2-Party		Family	
	Under 65	Over 65	Under 65	Over 65	Under 65	Over 65
Anthem HMO Select	$ 783.46	N/A	$ 1,566.92	N/A	$ 2,037.00	N/A
Anthem HMO Traditional	990.05	N/A	1,980.10	N/A	2,574.13	N/A
Blue Shield	1,024.85	N/A	2,049.70	N/A	2,664.61	N/A
HealthNet SmartCare	733.29	N/A	1,466.58	N/A	1,906.55	N/A
Kaiser	733.39	300.48	1,466.78	600.96	1,906.81	901.44
PERS Choice	830.30	353.63	1,660.60	707.26	2,158.78	1,060.89
PERS Select	736.27	353.63	1,472.54	707.26	1,914.30	1,060.89
PERSCare	932.39	389.76	1,864.78	779.52	2,424.21	1,477.28
United Healthcare	1,062.26	324.21	2,124.52	648.42	2,761.88	972.63

Effective January 1, 2018, members will move from CalPERS medical to Self-Insured Schools of California (SISC).

	Monthly Premium Rates – Effective January 1, 2018					
	Single		2-Party		Family	
	Under 65	Over 65	Under 65	Over 65	Under 65	Over 65
Anthem HMO Select	$ 856.00	N/A	$ 1,712.00	N/A	$ 2,224.00	N/A
Kaiser	779.00	316.34	1,559.00	632.68	2,027.00	949.02
SISC 90-10 PPO	825.00	N/A	1,649.00	N/A	2,140.00	N/A
SISC 80-20 PPO	774.00	N/A	1,545.00	N/A	2,005.00	N/A

We assumed that pre-65 retirees not enrolled in a Kaiser plan will migrate to Kaiser upon reaching age 65.

The Medicare Part B premium for 2017 is $134.00 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. We assumed the income for current and future Medicare retirees will be less than these applicable Modified AGI levels.

Appendix B. Actuarial Cost Method and Assumptions

In June 2015, the Governmental Accounting Standards Board adopted GASB 74 and 75 which replaced GASB 43 and 45. The new standards, which will be first effective for the Commission for the 2017 fiscal year, contain significant changes from the current standards. One such change is the requirement that agencies use the Individual Entry Age Normal Level Percent of Pay cost method.

We used the Entry Age Normal Level Percent of Pay cost method in this valuation and in the prior valuation. Under this method, Normal Cost is calculated as a percent of salary that remains constant over an individual's working lifetime such that when the normal costs for all years of service are summed, the result is the individual's present value of projected benefits. The sum of normal costs attributable to all years of service prior to the valuation date is the actuarial accrued liability. Retirees have a normal cost of zero.

In determining the Actuarial Determined Contribution, the NOL 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, 2017 for the 2017-2018 fiscal year, was 11 years.

The actuarial assumptions are summarized below. In our opinion, these assumptions fall within a best estimate range of anticipated future experience based on information provided to us. Note, that the ultimate responsibility of selecting/approving the actuarial cost method and assumptions lies with the District and its auditor.

Valuation Date July 1, 2017

Economic Assumptions

Discount Rate (liabilities) 6.75%

Under GASB 74 & 75, the discount rate should be the single rate that reflects the long-term rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits. To the extent that OPEB plan assets are insufficient to finance all OPEB benefits, the discount rate should be based on 20-year tax-exempt AA or higher Municipal Bonds as of the Measurement Date.

Assets are invested in Strategy 1 of the California Employers' Retiree Benefit Trust ("CERBT") Fund. We have used a discount rate of 6.75% for this valuation based on a fully funded plan with assets invested in the CERBT's Strategy 1 investment strategy, which is lower than the 7.00% rate used in the prior valuation.

This 6.75% assumption 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 ADC each year. If the District does not fund the full ADC, a lower discount rate may be required.

Asset Class	Expected Arithmetic Nominal Return (50 yrs)	Asset Allocation
Global Equity	7.78%	57.00%
U.S. Fixed Income	6.61%	27.00%
Treasury Inflation-Protected Securities	4.20%	5.00%
Real Estate Investment Trusts	7.56%	8.00%
Commodities	5.47%	3.00%
Expected Arithmetic Return (50 yrs) (1)		7.20%
Expected Geometric Return (50 yrs) (2)		6.57%

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.

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

Salary Increases (for EAN Actuarial Cost Method)

CalSTRS salary scale for members hired between ages 35 and 39 for purposes of allocating service costs under the Entry Age Normal cost method. Sample salary increase assumptions are shown below:

Years of Service	Salary Increase
1	8.4%
2	8.2%
5	7.5%
10	6.3%
15	4.7%
20	4.3%

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

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%
55	2.70%	4.50%	8.00%	9.00%	6.70%
60	6.30%	9.00%	27.00%	31.00%	10.20%
65	13.50%	14.40%	30.00%	32.00%	25.10%
70	10.80%	13.50%	30.00%	35.00%	18.30%
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.

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

Medical inflation was based on the "Getzen" model published by the Society of Actuaries for purposes of evaluating long term medical trend. Under the Affordable Care Act of 2010, a federal excise tax will apply for high cost health plans beginning in 2020 (with the passage of the Consolidated Appropriations Act, 2016 on December 18, 2015). A margin to reflect the impact of the excise tax in future years is reflected in the assumed trend.

Fiscal Year	Medical – Pre 65 % Inflation
2017	8.00%
2018	6.25%
2019	5.75%
2020	5.25%
2021 - 2022	5.00%
2023 - 2025	5.25%
2027 - 2036	5.50%
2037	6.00%
2038 - 2041	6.25%
2042 - 2043	6.00%
2044 - 2048	5.75%
2049 - 2058	5.50%
2059 - 2066	5.25%
2067 - 2068	5.00%
2069 - 2070	4.75%
2071 - 2072	4.50%
2073+	4.25%

Fiscal Year	Medical – Post 65 % Inflation
2017	7.75%
2018	6.25%
2019 - 2040	5.50%
2041 - 2046	5.25%
2047 - 2057	5.00%
2058	5.25%
2059 - 2060	5.50%
2061 - 2065	5.25%
2066 - 2067	5.00%
2068 - 2070	4.75%
2071+	4.50%

Fiscal Year	Part B % Inflation
2017	1.75%
2018	4.75%
2019 - 2028	5.50%
2029	5.25%
2030 - 2038	5.00%
2039	4.75%
2040 - 2079	4.25%
2080 +	4.00%

Implicit Rate Subsidy

The SISC 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 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 2017-18 plan year to be used in valuing the implicit rate subsidy.

Age Adjusted Medical PMPM Costs for 2017-18 Plan Year

	Retirees		Spouses	
Age	**Male**	**Female**	**Male**	**Female**
50	712	896	712	896
55	936	1,043	936	1,043
60	1,208	1,222	1,208	1,222
64	1,525	1,404	1,525	1,404

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 District. The data was collected as of July 1, 2017.

Covered Active Employees

Age	Count
Under 25	2
25 – 29	16
30 – 34	23
35 – 39	34
40 – 44	39
45 – 49	50
50 – 54	48
55 – 59	64
60 – 64	21
65 – 69	12
70 & Over	5
Total	314

Average Age at Valuation Date: 47.9
Average Service at Valuation Date: 10.2

Current Retirees and Surviving Spouses

Age	Count
Under 50	0
50 – 54	0
55 – 59	0
60 – 64	6
65 – 69	9
70 – 74	24
75 – 79	10
80 & Over	5
Total	54

Average Age at Valuation Date: 72.1

Appendix D. Glossary of Key Terms

Actuarially Determined Contribution. A target or recommended contribution to an OPEB plan for the reporting period, determined based on the funding policy and most recent measurement available when the contribution for the reporting period was adopted. The District has indicated the contribution policy is to fund the Service Cost plus an amount that amortized the Net OPEB Liability as a level percentage of payroll over 20 years on an "open" basis (i.e. rolling 20 years).

Deferred Inflows/Outflows of Resources. Portion of changes in net OPEB liability that is not immediately recognized in OPEB Expense. These changes include differences between expected and actual experience, changes in assumptions, and differences between expected and actual earnings on plan investments.

Discount Rate. Single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the sum of:

1) The actuarial present value of benefit payments projected to be made in future periods where the plan assets are projected to be sufficient to meet benefit payments, calculated using the Long-Term Expected Rate of Return.

2) The actuarial present value of projected benefit payments not included in (1), calculated using the Municipal Bond Rate.

Long-Term Expected Rate of Return. Long-term expected rate of return on OPEB plan investments expected to be used to finance the payment of benefits, net of investment expenses.

Money-Weighted Rate of Return. The internal rate of return on OPEB plan investments, net of investment expenses.

Municipal Bond Rate. Yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Total OPEB Liability. The portion of actuarial present value of projected benefit payments that is attributable to past periods of member service using the Entry Age Normal cost method based on the requirements of GASB 74 and 75 (formerly Total OPEB Liability).

Fiduciary Net Position. Equal to market value of assets.

Net OPEB Liability. Total OPEB Liability minus the Plan's Fiduciary Net Position (formerly unfunded accrued liability).

Service Cost. The portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.