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January 9, 2014

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, 2013

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

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Mill Valley School District

GASB 45 Actuarial Valuation of Post Employment Benefits
Other than Pensions as of July 1, 2013

Prepared by:

John R. Botsford
FSA, MAAA

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January 9, 2014

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January 9, 2014

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, 2013

At the request of the Mill Valley School District, we have completed an actuarial valuation of post employment benefits as of July 1, 2013.

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.

In preparing our report, we relied, without audit, on information (some oral and some in writing) supplied by Mill Valley 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.

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,

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

JRB:dyu
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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.

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.

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. This rate is derived based on the fund’s investment policy and includes a 2.50% long-term inflation assumption.

Health Cost Trend. We derived the health cost inflation trend assumption based on the “Getzen” model developed by the Society of Actuaries. The CalPERS minimum contribution is assumed to increase by 4.0% per year.

Demographic Assumptions. We are using the same withdrawal, retirement, and disability retirement rates that were used in the prior valuation. We updated the mortality rates to include a margin for future mortality improvement. For Certificated employees, the mortality rates are based on the latest experience study conducted by California State Teachers’ Retirement System. For Classified employees, we projected the CalPERS mortality rates to year 2020 with scale AA.

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

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 discounted at the valuation interest rate.

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 provided benefit attributable to employee service in the current year.

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, 2013 for the 2013-2014 fiscal year, was 15 years.

	July 1, 2013	July 1, 2012
Participants		
Active employees	296	282
Retirees	41	43
Total	337	325
Present Value of Benefits	$ 8,051,872	$ 13,789,190
Actuarial Accrued Liability	$ 3,981,782	$ 5,884,496
Assets	50,000	0
Unfunded Actuarial Accrued Liability	$ 3,931,782	$ 5,884,496
Normal Cost	$ 282,648	$ 473,126
Annual Required Contribution (ARC)	$ 674,364	$ 893,554
Annual benefit payments	$ 104,778	$ 126,425

Changes from the Prior Valuation

The Actuarial Accrued Liability (AAL) decreased by approximately $1.9 million since the last valuation. Exhibit 7 shows a detailed breakdown of the changes.

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.

Year	Year ending June 30	Current Retirees	Future Retirees	Total
1	2014	$ 74,738	$ 30,040	$ 104,778
2	2015	73,712	66,225	139,937
3	2016	51,307	102,920	154,227
4	2017	55,112	124,727	179,839
5	2018	59,143	154,370	213,513
6	2019	41,604	198,915	240,519
7	2020	45,141	245,329	290,470
8	2021	48,591	288,053	336,644
9	2022	51,913	339,983	391,896
10	2023	55,235	428,262	483,497
11	2024	58,516	494,415	552,931
12	2025	60,006	536,816	596,822
13	2026	59,712	583,009	642,721
14	2027	59,226	572,800	632,026
15	2028	58,460	536,936	595,396
16	2029	57,381	577,792	635,173
17	2030	55,954	620,720	676,674
18	2031	54,170	656,196	710,366
19	2032	52,046	756,210	808,256
20	2033	49,559	865,511	915,070

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, 2013	July 1, 2012
Present Value of Benefits		
Active employees	$ 7,353,599	$ 12,730,687
Retirees	698,273	1,058,503
Total	$ 8,051,872	$ 13,789,190
Actuarial Accrued Liability		
Active employees	$ 3,283,509	$ 4,825,993
Retirees	698,273	1,058,503
Total	$ 3,981,782	$ 5,884,496
Normal Cost	$ 282,648	$ 473,126

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, 2013 for the 2013-2014 fiscal year, was 15 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, 2013	July 1, 2012
Unfunded Actuarial Liability (UAAL)		
Actuarial Accrued Liability	$ 3,981,782	$ 5,884,496
Assets	50,000	0
Unfunded Actuarial Accrued Liability	$ 3,931,782	$ 5,884,496
Funded percentage	1.26%	0.00%
Amortization of UAAL for ARC		
UAAL	$ 3,931,782	$ 5,884,496
Amortization Period	15 years	16 years
Level % of Payroll Amortization Factor	11.6448	15.1611
Amortization Amount – Beginning of Year	$ 337,643	$ 388,131
Interest to End of Year	$ 23,635	$ 14,555
Amortization Amount – End of Year	$ 361,278	$ 402,686

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, 2014	June 30, 2013 [1]
Determination of Annual Required Contribution		
Normal Cost at fiscal year end	$ 313,086	$ 490,868
Amortization of UAAL	361,278	402,686
Annual Required Contribution (ARC)	$ 674,364	$ 893,554
Determination of Net OPEB Obligation		
Annual Required Contribution	$ 674,364	$ 893,554
Interest on prior year Net OPEB Obligation	144,679	51,313
Adjustment to ARC	(177,490)	(90,254)
Annual OPEB Cost	$ 641,552	$ 854,613
District Contributions made	TBD [2]	(156,126)
Increase in Net OPEB Obligation	$ TBD [2]	$ 698,487
Net OPEB Obligation – beginning of year	$ 2,066,840	$ 1,368,353
Net OPEB Obligation – end of year	$ TBD [2]	$ 2,066,840

[1] Figures obtained from District's financial statements as of June 30, 2013.

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

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
06/30/2012 [1]	$ 652,681	16.6%	$ 1,368,353
06/30/2013 [1]	854,613	18.3%	2,066,840
06/30/2014 [2]	641,552	TBD	TBD

[1] Figures obtained from District's financial statements as of June 30, 2013.

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

Funded Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date, the plan was 1.26% funded. The actuarial accrued liability for benefits was $3,981,782, and the actuarial value of assets was $50,000, resulting in an unfunded actuarial accrued liability of $3,931,782.

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
01/01/2011	$ 0	$ 2,159,158	$ 2,159,158	0.00%
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%

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	188	108	296
Retirees	33	8	41
Total	221	116	337
Actuarial Accrued Liability			
Actives	$ 2,716,132	$ 567,377	$ 3,283,509
Retirees	610,460	87,813	698,273
Total	$ 3,326,592	$ 655,190	$ 3,981,782
ARC [1]	$ 538,959	$ 123,213	$ 674,364
Annual Benefit Payments	$ 95,309	$ 9,469	$ 104,778

[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, 2012	$	5.9
Increase due to benefit accrued from July 1, 2012 to June 30, 2013	$	0.5
Decrease due to expected benefit payments made from July 1, 2012 to June 30, 2013		(0.1)
Increase due to decrease in the discount period from July 1, 2012 to June 30, 2013		0.2
Decrease due to updated health cost and health cost trends		(0.3)
Decrease due to change in long term discount rate from 3.75% to 7.00%		(2.6)
Increase due to inclusion of a margin for future mortality improvement		0.3
Increase due to demographic changes		0.1
Total change in Actuarial Accrued Liability	$	(1.9)
Actuarial Accrued Liability (AAL) as of July 1, 2013	$	4.0

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 and have at least 20 full-time years of service with the District may elect 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.

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.

District Benefits

Classified

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 for 2014 are shown in the table below. In years prior to 2012, the fixed dollar caps have been negotiated such that the caps have increased annually at the same rate as the Kaiser premiums.

	Single	Two Party	Family
Hired before July 1, 2012	$ 742.72	$ 1,485.44	$ 1,931.07
Hired on or after July 1, 2012	$ 742.72	$ 1,485.44	$ 1,931.07

The District will pay the above amounts for up to 5 years after retirement or until age 65, whichever comes first. Thereafter, the District will pay the retiree $1,000 per year toward the cost of medical premiums until age 70. However, for any eligible retiree who elects continuation of CalPERS Health Plan coverage, 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 $51.75 per month for 2013 and $59.90 per month for 2014.

Certificated

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. In years prior to 2012, the fixed dollar caps have been negotiated such that the caps have increased annually at the same rate as the Kaiser premiums.

	Single	Two Party	Family
Hired before July 1, 2012	$ 742.72	$ 1,485.44	$ 1,931.07
Hired on or after July 1, 2012	$ 742.72	$ 1,485.44	$ 1,931.07

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. 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. $51.75 per month for 2013 and $59.50 per month for 2014) 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.

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.

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
8	2012	$ 112.00	$ 44.80
9	2013	115.00	51.75
10	2014	119.00	59.50
11	2015	124.00	68.20
12	2016	129.00	77.40
13	2017	134.00	87.10
14	2018	139.00	97.30
15	2019	145.00	108.75
16	2020	151.00	120.80
17	2021	157.00	133.45
18	2022	163.00	146.70
19	2023	170.00	161.50
20	2024	177.00	177.00
21	2025	184.00	184.00
22	2026	191.00	191.00

* Minimum District contributions for actives in 2014 and later are estimated to increase by 4.00% 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 2013 and 2014 premium year for coverage under the CalPERS Health Plan for Bay Area:

	Monthly Premium Rates – 2013					
	Single		2-Party		Family	
	Under 65	Over 65	Under 65	Over 65	Under 65	Over 65
Blue Shield	$ 784.63	$ 261.32	$ 1,569.26	$ 522.64	$ 2,040.04	$ 783.96
Blue Shield NetValue	670.21	261.32	1,340.42	522.64	1,742.55	783.96
Kaiser	668.63	288.37	1,337.26	576.74	1,738.44	865.11
PERSCare	1,083.11	370.43	2,166.22	740.86	2,816.09	1,111.29
PERS Choice	667.03	325.74	1,334.06	651.48	1,734.28	977.22
PERS Select	487.20	325.74	974.40	651.48	1,266.72	977.22

	Monthly Premium Rates – 2014					
	Single		2-Party		Family	
	Under 65	Over 65	Under 65	Over 65	Under 65	Over 65
Blue Shield	$ 836.59	$ 298.21	$ 1,673.18	$ 596.42	$ 2,175.13	$ 894.63
Blue Shield NetValue	704.01	298.21	1,408.02	596.42	1,830.43	894.63
Kaiser	742.72	294.97	1,485.44	589.94	1,931.07	884.91
PERSCare	720.04	327.36	1,440.08	654.72	1,872.10	982.08
PERS Choice	690.77	307.23	1,381.54	614.46	1,796.00	921.69
PERS Select	664.52	307.23	1,323.04	614.46	1,719.95	921.69
Anthem HMO Select	657.33	341.12	1,314.66	682.24	1,709.06	1,023.36
Anthem HMO Traditional	728.41	341.12	1,456.82	682.24	1,893.87	1,023.36
United Healthcare	764.24	193.33	1,528.48	386.66	1,987.02	579.99

Since the CalPERS Health Plan is a community rated health plan, we have not included in our valuation the value of any implicit rate subsidy for retirees whose premium rates are the same as active employees.

The Medicare Part B premium for 2013 and 2014 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 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, 2013 for the 2013-2014 fiscal year, was 15 years.

The actuarial assumptions are summarized below.

Valuation Date July 1, 2012

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. 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 assumptions.

Asset Class	Expected Nominal Return	Asset Allocation
U.S. Equity *	8.66%	35.00%
International Equity *	8.81%	31.00%
U.S. Fixed Income	5.45%	18.00%
Treasury Inflation-Protected Securities	3.48%	5.00%
Real Estate Investment Trusts	8.13%	8.00%
Commodities	7.20%	3.00%
Expected Average Return (30 yrs)		6.96%

* Total Equity allocation in CERBT's Strategy 1 is 66%, approximately 35% invested in the domestic equity and 31% invested in the international equity.

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: Rates used for the latest CalSTRS valuation, included a margin for future mortality improvement.

Classified: Rates used for the CalPERS valuation projected to year 2020 with Scale AA.

Disability

	Certificated		Classified	
Age	Males	Females	Males	Females
25	0.012%	0.021%	0.010%	0.010%
35	0.036%	0.042%	0.064%	0.038%
45	0.123%	0.126%	0.283%	0.171%
55	0.252%	0.318%	0.489%	0.335%
65	0.144%	0.168%	0.378%	0.146%

Demographic Assumptions (continued)

Retirement

For classified employees, retirement assumptions vary by both age and service, based upon CalPERS assumptions. Sample rates of retirement within the next year for a classified employee with 15 years of service 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	100.00%	100.00%	100.00%	100.00%	18.30%
71	100.00%	100.00%	100.00%	100.00%	14.30%
72	100.00%	100.00%	100.00%	100.00%	12.60%
73	100.00%	100.00%	100.00%	100.00%	12.20%
74	100.00%	100.00%	100.00%	100.00%	15.30%
75	100.00%	100.00%	100.00%	100.00%	15.10%
80	100.00%	100.00%	100.00%	100.00%	100.00%

Demographic Assumptions (continued)

Termination

	Certificated	
Years of Service	Male	Female
0	15.30%	15.30%
1	12.50%	11.00%
2	7.70%	8.50%
3	6.00%	7.00%
4	4.80%	6.00%
5	3.60%	5.25%
10	2.00%	1.80%
20	0.60%	0.50%
30+	0.25%	0.40%

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	8.557%
35	7.471%
40	6.381%
45	1.350%
50	1.070%

We have assumed that there will be no retiree medical benefits for those 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. After the District paid benefit stops, we have assumed that 60% of retirees will continue CalPERS Health coverage and receive the minimum CalPERS reimbursement amount from the District ($51.75 per month for 2013, and $59.50 per month for 2014).

Probability of Marriage / Dependent Coverage

We have assumed that 70% of active employees will be married at retirement and elect coverage for their spouses, and that males are three years older than females. We have also assumed 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, a Federal excise tax will apply for high cost health plans beginning in 2018. 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.

Calendar Year	Pre-65 % Inflation
2013	Actual Increase
2014	6.75%
2015	6.00%
2016	5.75%
2017 – 2028	6.00%
2029 – 2031	7.00%
2032 – 2035	6.75%
2036	6.50%
2037 – 2038	6.25%
2039 – 2042	6.00%
2043 – 2047	5.75%
2048 – 2055	5.50%
2056 – 2066	5.25%
2067 – 2075	5.00%
2076 – 2080	4.75%
2081 and beyond	4.50%

Calendar Year	Post-65 % Inflation
2013	Actual Increase
2014 – 2016	6.50%
2016 – 2024	6.00%
2025 – 2034	5.75%
2035 – 2037	5.50%
2038 – 2042	5.25%
2043	5.50%
2044	5.75%
2045	5.50%
2046	5.75%
2047 – 2052	5.50%
2053	5.25%
2054 – 2055	5.50%
2056 – 2059	5.75%
2060 – 2068	5.50%
2069 – 2074	5.25%
2075 – 2077	5.00%
2078 – 2083	4.75%
2084 and beyond	4.50%

Calendar Year	Medicare Part B % Inflation
2013	Actual Increase
2014 – 2015	5.00%
2016 – 2024	4.50%
2025 – 2034	4.25%
2035 – 2037	4.00%
2038 – 2046	3.75%
2047 – 2063	3.50%
2064 – 2075	3.25%
2076 – 2081	3.00%
2082 and beyond	2.75%

The CalPERS Minimum contribution rate is assumed to increase 4.00% per year.

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 2013.

Covered Active Employees

	Certificated			Classified		
Age	Males	Females	Total	Males	Females	Total
Under 25	0	0	0	1	0	1
25 – 29	1	5	6	1	4	5
30 – 34	1	18	19	3	2	5
35 – 39	5	31	36	4	6	10
40 – 44	5	28	33	1	7	8
45 – 49	2	20	22	6	9	15
50 – 54	5	28	33	5	16	21
55 – 59	3	12	15	1	17	18
60 – 64	2	13	15	4	11	15
65 & Over	1	8	9	1	9	10
Total	25	163	188	27	81	108

	Total		
Age	Males	Females	Total
Under 25	1	0	1
25 – 29	2	9	11
30 – 34	4	20	24
35 – 39	9	37	46
40 – 44	6	35	41
45 – 49	8	29	37
50 – 54	10	44	54
55 – 59	4	29	33
60 – 64	6	24	30
65 & Over	2	17	19
Total	52	244	296

Average Age at Valuation Date: 47.69
Average Service at Valuation Date: 9.42

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	2	3	0	0	0
65 – 69	3	10	13	2	1	3
70 – 74	1	11	12	0	4	4
75 – 79	0	1	1	1	0	1
80 – 84	2	1	3	0	0	0
85 & Over	0	1	1	0	0	0
Total	7	26	33	3	5	8

	Total		
Age	**Males**	**Females**	**Total**
Under 55	0	0	0
55 – 59	0	0	0
60 – 64	1	2	3
65 – 69	5	11	16
70 – 74	1	15	16
75 – 79	1	1	2
80 – 84	2	1	3
85 & Over	0	1	1
Total	10	31	41

Average Age at Valuation Date: 70.53