GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

THE SCHOOL DISTRICT OF HARDEE COUNTY, FLORIDA

OTHER POST-EMPLOYMENT BENEFITS
ACTUARIAL REPORT FOR YEAR ENDING JUNE 30, 2011

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September 2, 2011

Mr. Greg Harrelson, CPA, CGFO
Director of Finance
Hardee County School District
1009 N. 6th Ave
Wauchula, FL 33873-2008

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

Dear Mr. Harrelson:

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

The Valuation was performed as of January 1, 2011 with results applicable to the fiscal year ending June 30, 2011 and covers medical (including prescription drug) insurance benefits provided to retirees.

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

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

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

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

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

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

The signing actuaries are independent of the plan sponsor.

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

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

Respectfully submitted,

GABRIEL, ROEDER, SMITH AND COMPANY

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

Piotr Krekora, ASA, MAAA
Consultant & Actuary

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SECTION A

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Management of the School District of Hardee County (District) implemented GASB Statement No. 45 in its financial statements for the year ending June 30, 2009. This is the accounting standard governing reporting on Other Postemployment Benefits (OPEBs). The results presented herein are applicable to the year ending June 30, 2011 and are based on an Actuarial Valuation performed as of January 1, 2011.

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

GASB'S RATIONALE

The issuance of GASB Statement Nos. 43 and 45 marks another major step in GASB's movement toward full accrual accounting for all governmental entities which issue government-wide financial statements according to generally accepted accounting principles.

Until now, the costs of OPEBs have been reflected in the majority of governmental financial statements on a pay-as-you-go basis of accounting. Currently, the subsidy provided by the District has been recorded as an expense only after employees retire, and then only one year at a time as the subsidy is paid. Statement No. 45 views the subsidy for retiree medical benefits as a form of compensation which must be accrued on the books of the District during an employee's working life, rather than waiting until the employee's service to the District has been completed and he or she has retired. So GASB requires the lifetime value of that subsidy to be expensed over the working career of the employees.

DIRECT SUBSIDIES

The District currently does not offer any form of direct subsidy to retiree coverage.

IMPLICIT RATE SUBSIDY

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

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

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

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

FUNDED AND UNFUNDED PLANS

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

Consequently, according to GASB Statement No. 45, the interest discount rate used to calculate the present values and costs of the OPEB must be the long-range expected return on such short-term fixed income instruments. The District selected an interest discount rate of 4.00% for this purpose. If the OPEB Plan were advance-funded with its assets invested in a reasonable mix of stocks and longer bonds and, if the District adopted a Funding Policy to make fully funding cash deposits into a qualifying OPEB Trust, then a much higher interest discount rate may be used, say, 7% to 8%. This would result in a substantially lower Annual OPEB Cost and a substantially lower Unfunded Actuarial Accrued Liability than if 4.00% were used.

ACTUARIAL ASSUMPTIONS

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

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

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.

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

ACTUARIAL COST METHODS

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

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

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

SUMMARY

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

	As of	January 1, 2011	January 1, 2008	January 1, 2008
Actuarial Accrued Liability	$	4,902,773	$ 4,418,739	$ 4,418,739
Actuarial Value of Assets		0	0	0
Unfunded Actuarial Accrued Liability		4,902,773	4,418,739	4,418,739
	For FYE	**June 30, 2011**	**June 30, 2010**	**June 30, 2009**
Annual Required Contribution		485,608	433,857	416,330
Per Covered Active Employee		704	599	575
As % of Expected Payroll		2.0%	1.7%	1.7%
Annual OPEB Cost		480,849	432,861	416,330
Employer Contribution Toward the OPEB Cost		(269,699)	(263,089)	(280,169)
Addition to Net OPEB Obligation		211,150	169,772	136,161
Net OPEB Obligation		517,083	305,933	136,161

ACCRUED LIABILITY AND ANNUAL OPEB COST

The Unfunded Actuarial Accrued Liability represents an actuarial measurement of the obligation that has "accrued" so far, based on the actuarial cost method used to allocate the cost to prior years of employment.

This will be displayed in the Notes to Financial Statements and Required Supplementary Information within the District's annual financial statement and District's CAFR.

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

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

CHANGES IN COSTS AND LIABILITIES

Continual increases in results of subsequent valuations are inherent to any ongoing plan with no benefit decreases and no advance funding in a trust. Consistently with this pattern, the Actuarial Accrued Liability and the Annual OPEB Cost increased when compared to the previous valuation. Although the detailed analysis of root causes of all changes in costs and liabilities is beyond the scope of this report, below we list a few factors contributing to the changes. We did not measure the impact of each individual change and the order does not have any particular significance:

- *Population Changes:* The numbers of retirees currently receiving post-employment health benefits decreased from 51 in the previous valuation to 48 this year. This had an increasing effect on the results as we expected a deeper decrease in retiree population due to migration of Medicare eligible retirees to a Medicare Advantage option. Although nearly all eligible retirees changed coverage to that option, changes related to migration had been offset by higher than projected increase in under-65 retiree population. At the same time, the number of active employees eligible for future post-employment benefits decreased from 724 to 690 . This had a decreasing effect on the results of the valuation. The combined population changes had a slight increasing impact on the cost and liability resulting from this valuation.

- *Initial Cost of Coverage*: The total cost of coverage increased from $527.23 per employee per month (for the year plan beginning October 1, 2007) to $670.16 per employee per month for the year beginning October 1, 2010. This is lower than the projected $695.95 per employee per month. This change had a slight decreasing effect on the cost and liability.

- *Retiree Medical Coverage Assumptions:* We have revised the assumed rate of coverage acceptance and continuation. In the previous Valuation, we had assumed that 25% of retiring employees under the age of 65 would elect to continue medical coverage through the District's plan. However, data collected for this year's Valuation suggests that larger proportion of retirees have been making that choice in the recent years and, consequently, we are assuming that 35% of employees will elect to keep the coverage upon retirement. This change had an increasing effect on the cost and liability. At the same time, more retirees eligible for Medicare benefits seem to migrate to the Medicare Advantage option than initially expected. Consequently, we are now assuming that 95% of retirees attaining age 65 will discontinue their coverage under the core District plan. This change had a decreasing effect on the cost and liability. The combined coverage assumptions changes had a slight increasing impact on the cost and liability resulting from this valuation.

- *Medical Trend Assumption*: We made revisions in the assumed trend of Medical/Rx cost increases. In our original valuation, we assumed the initial trends for costs and premiums to be 20% for the first year followed by 0% trend for year beginning October 1, 2009 and further followed by 10% increase for year beginning October 1, 2010 with subsequent trend rates decreasing ½% each year thereafter to the ultimate value of 5%. We are revising trend rates for costs and premiums charged to retirees the year beginning October 1, 2011 to be 9%. We then follow similar pattern as used previously: 8.5% for costs and premiums for year beginning September 1, 2012 and decreasing by ½% each subsequent year until reaching the ultimate value of 5%. This had a modest decreasing effect on the costs and liabilities.

- *Discount Interest Rate:* Management elected to revise interest rate used for discounting future subsidies in this unfunded plan from 4.75% to 4%. This change had an increasing impact on the Actuarial Accrued Liability and the Annual OPEB Cost.

- *Demographic Assumptions:* We have also revised certain demographic assumptions to reflect changes made the Florida Retirement System for its July 1, 2009 actuarial valuation. This has an increasing effect on the cost and liability.

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

HEALTH INSURANCE SUBSIDY IN FLORIDA RETIREMENT SYSTEM

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

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

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

SECTION B

SUMMARY OF ACTUARIAL VALUATION RESULTS

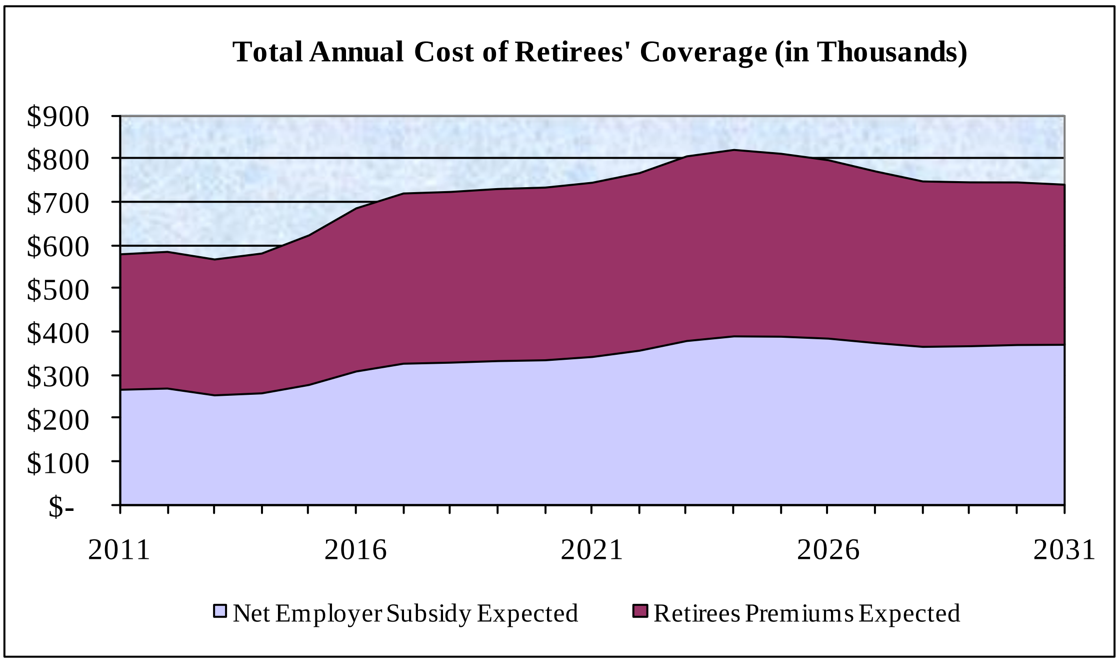
ACTUARIAL VALUATION RESULTS as of January 1, 2011	Total Medical/Rx Costs	Retirees' Medical/Rx Premiums	Net Life Insurance Costs	Net Employer Costs
Number of Participants Covered				
Active Participants	559	559	685	690
Retired Participants	48	48	155	166
Total Participants	607	607	840	856
Expected Payroll of Active Participants	$ 19,553,889	$ 19,553,889	$ 23,883,530	$ 23,992,107
Actuarial Present Value of Benefits				
Active Participants	10,921,579	(5,978,729)	679,646	5,622,496
Retired Participants	2,786,449	(1,458,562)	359,288	1,687,175
Total Participants	13,708,028	(7,437,291)	1,038,934	7,309,671
Actuarial Accrued Liability (Entry Age Normal Cost Actuarial Method)				
Active Participants	5,936,081	(3,192,195)	471,712	3,215,598
Retired Participants	2,786,449	(1,458,562)	359,288	1,687,175
Total Participants	8,722,530	(4,650,757)	831,000	4,902,773
Actuarial Value of Assets	-	-	-	-
Unfunded Actuarial Accrued Liability	8,722,530	(4,650,757)	831,000	4,902,773
Annual Required Contribution of the Employer (ARC) for YE 6/30/11 (Entry Age Normal Cost Actuarial Method)				
Normal Cost	414,145	(229,580)	23,272	207,837
18-Year Amortization of UAAL	494,182	(263,492)	47,081	277,771
Interest	-	-	-	-
Total Annual Required Contribution for FYE 6/30/11	**$ 908,327**	**$ (493,072)**	**$ 70,353**	**$ 485,608**
Per Active Participant	$ 1,625	$ (882)	$ 102	$ 704
As % of Expected Payroll	4.6%	(2.5%)	0.3%	2.0%
Annual OPEB Cost for FYE 6/30/11				
Annual Required Contribution				485,608
Interest on NOO				12,237
Adjustment to ARC				(16,996)
Total Annual OPEB Cost for FYE 6/30/11				**$ 480,849**
Net Employer Contr. for FYE 6/30/11 (for crediting against Annual OPEB Cost)	**$ 566,278**	**$ (310,673)**	**$ 14,094**	**$ 269,699**
Addition to Net OPEB Obligation at 6/30/09				**$ 211,150**
Net OPEB Obligation at Beginniing of the Year				305,933
Net OPEB Obligation at 6/30/11				**$ 517,083**

Note: Number of participants presented in the right-most column reflects the number covered under either Medical/Prescription or Life Insurance or both. Amounts in each column have been developed independently and some small differences may occur due to rounding.

TWENTY-YEAR PROJECTION OF UNFUNDED CASH FLOW

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

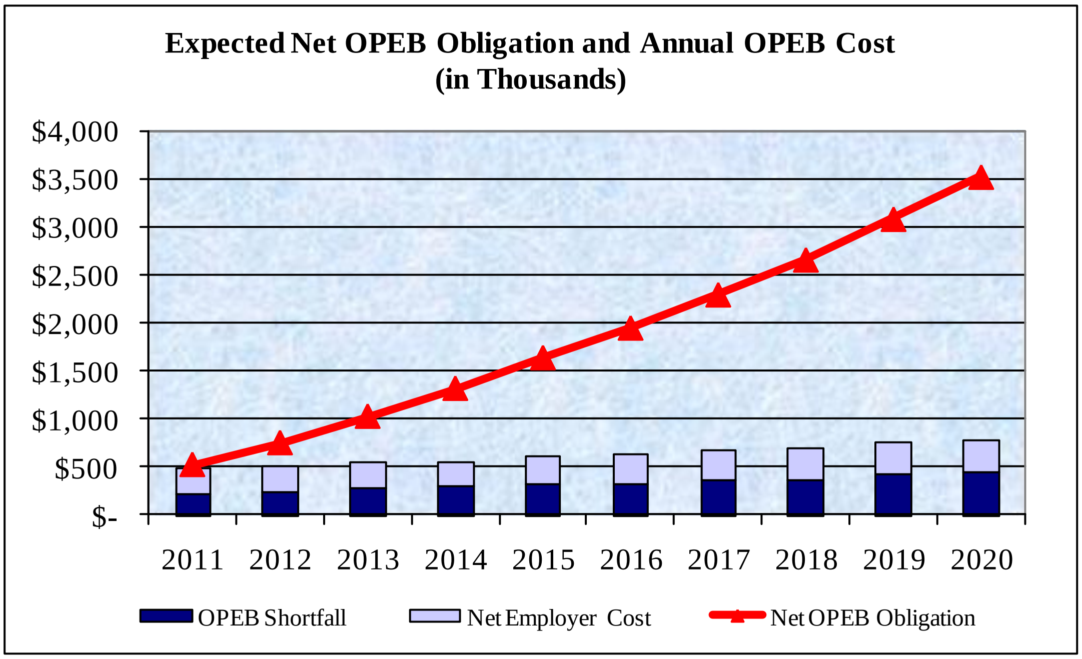
Year Ending In	Total Benefits Expected	Retirees Premiums Expected	Net Employer Subsidy Expected
2011	$ 581,287	$ 311,588	$ 269,699
2016	687,073	375,279	311,794
2021	746,002	400,818	345,184
2026	797,747	410,427	387,320
2031	741,536	368,364	373,172



TEN-YEAR PROJECTION OF NET OPEB OBLIGATION

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

Year Ending In	Total Annual OPEB Cost at Fiscal Year End	Current Net Employer Subsidy	Annual Net OPEB Shortfall	Net OPEB Obligation at Fiscal Year End
2011	$ 480,849	$ 269,699	$ 211,150	$ 517,083
2012	501,141	272,536	228,605	745,688
2013	533,251	256,870	276,381	1,022,069
2014	553,525	261,503	292,022	1,314,091
2015	601,171	280,846	320,325	1,634,416
2016	621,660	311,794	309,866	1,944,282
2017	676,558	329,694	346,864	2,291,146
2018	697,214	332,107	365,107	2,656,253
2019	761,145	335,701	425,444	3,081,697
2020	778,121	337,582	440,539	3,522,236



AGE/SERVICE DISTRIBUTION FOR PLAN PARTICIPANTS

Age Group	Years of Service to Valuation Date - Active Employees							
	0-5	6-9	10-14	15-19	20-24	25-29	30&Up	Total
0 - 14	-	-	-	-	-	-	-	-
15 - 19	-	-	-	-	-	-	-	-
20 - 24	18	1	-	-	-	-	-	19
25 - 29	40	9	1	-	-	-	-	50
30 - 34	23	30	7	-	-	-	-	60
35 - 39	21	14	24	9	-	-	-	68
40 - 44	12	14	11	18	11	1	-	67
45 - 51	21	16	15	26	43	13	5	139
52 - 56	8	9	5	13	20	20	32	107
57 - 61	6	7	5	6	13	13	52	102
62 - 66	2	4	4	6	7	15	27	65
67 - 71	3	-	1	2	1	4	2	13
72 - 76	-	-	-	-	-	-	-	-
77 - 99	-	-	-	-	-	-	-	-
Total	154	104	73	80	95	66	118	690

Note: The shaded box represents current eligibility for Early or Normal Retirement. Number of employees presented above reflects the number of employees covered under either Medical/Prescription or Life Insurance or both.

Age Group	Retirees		
	Male	Female	Total
0 - 44	-	-	-
45 - 49	-	-	-
50 - 54	-	2	2
55 - 59	2	11	13
60 - 64	12	35	47
65 - 69	10	36	46
70 - 74	5	24	29
75 - 79	2	15	17
80 - 84	3	9	12
85 - 89	-	-	-
90 - 94	-	-	-
95 - +	-	-	-
Total	34	132	166

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

SECTION C

DEVELOPMENT OF INITIAL PER CAPITA COSTS

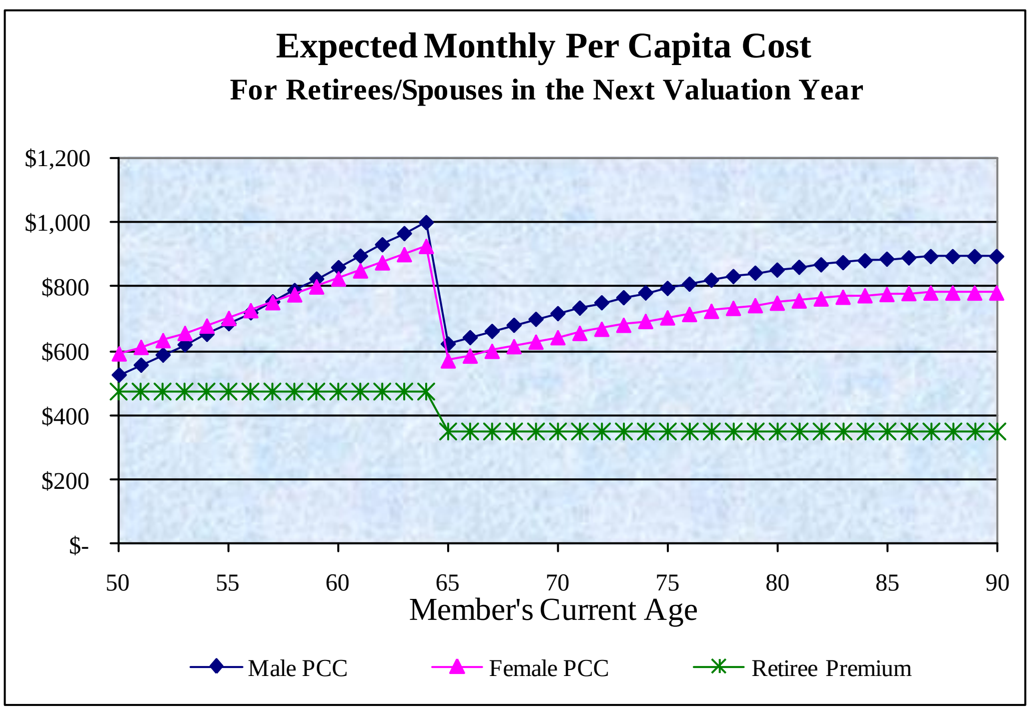
DEVELOPMENT OF INITIAL PER CAPITA COSTS

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

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

Initial Monthly Per Capita Cost By Age/Sex					
Not Medicare Eligible Retirees			**Medicare Eligible Retirees**		
Sample Ages	**Male**	**Female**	**Sample Ages**	**Male**	**Female**
45	$ 386.73	$ 506.30	**65**	$ 620.08	$ 571.01
50	523.21	592.83	**70**	715.25	643.16
55	683.83	702.91	**75**	794.06	704.71
57	*752.00*	*752.00*	**80**	851.39	750.47
60	859.08	825.77	**85**	885.43	777.36
64	999.93	926.84	**90**	893.62	781.91

For clarity, premium contributions applicable to a spouse are not presented on the graph below. The spread between the Per Capita Cost and the premium actually collected from the retiree is the expected monthly cost borne by the Employer when providing medical coverage to a particular retiree.



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

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

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

In the development of the PCC amounts, retirees and dependents age 65 and older are assumed to be Medicare-eligible. The "% of Total Claims Paid by Medicare" is an assumption regarding whether the core plan or the Medicare pays as primary for Medicare-eligible retirees and dependents. According to the Summary of Substantive Plan Provisions, the plan does not require Medicare-eligible members continuing coverage in the core plan to enroll in Medicare Part B. For those retirees, we have assumed that the plan pays as primary payer for claims that would be otherwise covered under Medicare Part B. This assumption does not apply to retirees electing Medicare Advantage coverage option as they are considered discontinuing their coverage under the plan for the purpose of this valuation.

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

Additional Factors used in PCC Development	
Retirement Status Load	15%
Antiselection Load	10%
% of Claims Paid by Medicare	40%

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

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

The number of subscribers included in the Actuarial Valuation may be slightly different from the number used to develop the Per Capita Costs as the data provided by the carrier was prepared as a of a later date and included employees hired after the Valuation Date. The present distribution of subscribers for the purpose of Per Capita Cost Development is summarized below.

Coverage	**Number of Subscribers**	
	Active	Retired
Single	385	44
Family/Spouse	186	6

SECTION D

ACTUARIAL ASSUMPTIONS AND METHODS

ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial Valuation Date: January 1, 2011 for employee and retiree population purposes, for development of per capita cost purposes and for valuation purposes.

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

Amortization Period and Method: The Unfunded Actuarial Accrued Liability, as calculated pursuant to the Individual Entry Age Actuarial Cost Method, is amortized in a closed amortization, calculated as a level percent of payroll over 18 years. The ratio of Annual Required Contribution to the current year's employer subsidy (employer contribution) was too low to justify a 30-year amortization period. The assumed rate of payroll growth is 4.00%. GASB Statement No. 45 requires that any such payroll growth assumption be based upon no increase in the number of active employees covered by the plan.

Investment Discount Rate: Since there are currently no invested plan assets held in trust to finance the OPEB obligations, the investment return discount rate is the long-term expectation of investment return on assets held in District funds pursuant to its Investment Policy. The District has selected 4.00% compounded annually.

Florida Retirement System: Unless noted otherwise, demographic assumptions employed in this Actuarial Valuation were basically the same as those employed in the July 1, 2009 Pension Actuarial Valuation of the Florida Retirement System (FRS). These demographic assumptions were developed by FRS from an Actuarial Experience Study, and therefore are appropriate for use in this OPEB Actuarial Valuation. These include assumed rates of future termination, mortality, disability, and retirement. In addition, salary increase assumptions (for development of the pattern of the Normal Cost increases) were the same as FRS uses. Assumptions used in valuation of benefits for participants of the FRS Investment Plan are the same as for similarly situated participants of the FRS Defined Benefits Pension Plan.

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

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

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

Rates of Termination from Active Employment:

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

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

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

% Becoming Disabled Within Next Year				
Sample Ages	Line-of-Duty		Not-Duty	
	Male	Female	Male	Female
20	0.002%	0.000%	0.000%	0.000%
25	0.002%	0.001%	0.027%	0.010%
30	0.003%	0.001%	0.053%	0.025%
35	0.005%	0.003%	0.066%	0.048%
40	0.009%	0.005%	0.092%	0.070%
45	0.014%	0.008%	0.122%	0.114%
50	0.022%	0.010%	0.203%	0.184%
55	0.034%	0.016%	0.339%	0.294%
60	0.048%	0.022%	0.445%	0.419%
65	0.050%	0.020%	0.215%	0.105%

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

Salary Increases in the Coming Year - All Employees

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

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

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

Rates of Retirement:

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

Unreduced Retirement Annual Rates				
Sample Ages	**Regular Class**			
	Male		Female	
	First	Subsequent	First	Subsequent
40	0.0%	0.0%	0.0%	0.0%
45	13.0%	3.4%	14.9%	2.0%
50	28.5%	10.8%	24.9%	7.1%
55	35.6%	10.4%	30.4%	8.6%
60	44.8%	11.9%	40.3%	16.6%
65	25.8%	12.1%	32.1%	20.9%
70	24.6%	12.3%	22.6%	15.1%
75	23.6%	12.3%	21.2%	15.1%
80	64.8%	43.6%	58.0%	44.1%
85	54.7%	33.8%	48.7%	33.8%

HEALTH COVERAGE ASSUMPTIONS

Coverage Acceptance Rates: Not everyone who retires will accept coverage and pay the required premium upon retirement. Following are the assumptions as to future Medical Coverage Acceptance Rates. Lapse rates presented below reflect the discontinuation of coverage under the core District plan. In this Actuarial Valuation, retirees changing their coverage to Blue Medicare plan are considered lapsing the coverage under the District plan.

Acceptance and Lapsing rate			
	Ret Only	**Ret + 1**	**Total**
At Retirement (before age 65)	30%	5%	35%
At Retirement (age 65 and after)	2%	0%	2%
Lapsing at age of 65	95%	95%	95%
Continuation of Survivors	N/A	N/A	N/A

Expenses: Expenses are included in the Per Capita Costs.

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

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

Average Premium (as of Valuation Date)		
Coverage	**Non-Medicare**	**Medicare**
Retiree	$ 474.00	$ 350.00
Spouse	$ 507.00	$ 350.00

Health Care Cost Trend Rates: Monthly Per Capita Costs (PCC) and Retiree Contributions for Medical and Rx benefits are assumed to increase each year according to the rates set forth in the following table. For example, the Per Capita Costs and Premium Amounts for the year beginning on 10/1/2011 are expected to increase by 9% over the rates for the year beginning on 10/1/2010.

Annual Increase Rates					
Year of Increase	**Medical/Rx**	**Contribution**	**Year of Increase**	**Medical/Rx**	**Contribution**
2011	9.0%	9.0%	**2018**	5.5%	5.5%
2012	8.5%	8.5%	**2019**	5.0%	5.0%
2013	8.0%	8.0%	**2020**	5.0%	5.0%
2014	7.5%	7.5%	**2021**	5.0%	5.0%
2015	7.0%	7.0%	**2022**	5.0%	5.0%
2016	6.5%	6.5%	**2023**	5.0%	5.0%
2017	6.0%	6.0%	**Thereafter**	5.0%	5.0%

Early Retiree Reinsurance Program – effective 6/1/2010: Due to the short term nature of any expected payments (payments nationally will not be in excess of $5 billion dollars) no explicit assumption has been made to account for the impact of these reimbursements.

Removal of the Lifetime Maximum: This provision has no impact **- t**here are no changes required for the plans.

Extension of dependent coverage up to age 26 for covered employee's children: This provision has been reflected in the current premium rates.

Elimination of annual dollar limits (effective 2014)/restrictions on annual dollar limits: This provision has no impact **- t**here are no changes required for the plans.

Medicare Advantage Plans – Effective 1/1/2011: District does not currently provide coverage through Medicare Advantage plans.

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

Excise Tax on High-Cost Employer Health Plans (aka Cadillac Tax) Effective 1/1/2018 The "Cadillac" tax is a 40% excise tax paid by the coverage provider (employer and/or insurer) on the value of health plan costs in excess of certain thresholds. The thresholds are $10,200 for single coverage of $27,500 for family coverage in 2018. Many plans are below the thresholds today, but are likely to exceed them in the next decade. The thresholds will be indexed at CPI-U, which is lower than the medical inflation rates affecting the cost of the plans. There is considerable uncertainty about how the tax would be applied, and considerable latitude in grouping of participants for tax purposes. Combining early retiree and Medicare eligible retiree costs is allowed and can keep plans under the thresholds for a longer period of time.

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

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

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

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

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

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

MISCELLANEOUS AND TECHNICAL ASSUMPTIONS

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

DEFINITIONS OF TECHNICAL TERMS

Actuarial Accrued Liability: Actuarial Accrued Liability is the actuarial present value of projected future benefits that have been accrued (or earned) by employees to date. Sometimes it's expressed as the difference between the actuarial present value of all future benefit payments and the actuarial present value of future normal costs. It is also referred to as "Accrued Liability" or "Past Service Liability".

Actuarial Assumptions: These are factors for estimating expected future experience with respect to occurrences of mortality, disability, turnover, retirement, rates of investment income and salary increases, coverage acceptance, trend, aging, etc.

Actuarial Cost Method: This is a mathematical budgeting procedure for allocating the dollar amount of the "actuarial present value of future benefit payments" between future normal costs and actuarial accrued liabilities. It is often referred to as the "Actuarial Funding Method" or "Actuarial Valuation Cost Method".

Actuarial Present Value: Actuarial Present Value of a series of payments (or a single payment) is the amount of funds currently required to provide those payments in the future. This amount is determined by discounting future payments at predetermined rates of interest, taking into account the probability of payment. It is also referred to as "Present Value."

Amortization: Amortization is a process of paying off an interest-discounted amount with periodic payments of interest and principal, (similar to paying off an installment loan) -- as opposed to paying it off with a single sum.

Annual Required Contribution (ARC): The ARC is the portion of the present value of projected benefits earned by employees that is attributable to the current period. Usually it is determined as the normal cost (as defined below) plus the portion of the unfunded actuarial accrued liability amortized in the current period. The ARC is an amount that is actuarially determined to ensure that, if paid on an ongoing basis, it would provide sufficient resources for future benefit payments.

Normal Cost: Normal Cost is the actuarial cost of a portion of projected future benefits allocated to the current year by the actuarial cost method. It is sometimes referred to as "Current Service Cost."

Unfunded Actuarial Accrued Liability (UAAL): UAAL is the difference between actuarial accrued liability and the actuarial value of plan assets. Sometimes it is referred to as "Unfunded Past Service Liability," "Unfunded Accrued Liability," or "Unfunded Supplemental Present Value."

SECTION E

SUMMARY OF SUBSTANTIVE PLAN PROVISIONS

SUMMARY OF SUBSTANTIVE PLAN PROVISIONS AS OF JANUARY 1, 2010 FOR FISCAL YEAR END JUNE 30, 2011

ELIGIBILITY FOR RETIREE BENEFITS

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

VESTING RETIREMENT Termination after 6 years of creditable service. However, there will be no OPEB benefits available after termination of employment, unless employee satisfies eligibility requirements for any other retirement benefits listed below and starts receiving retirement benefits from FRS.

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

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

EARLY RETIREMENT All employees may retire with a reduced pension benefit upon accrual of six years of creditable service and attainment of age 42 and one month.

NORMAL RETIREMENT Age 62 with six years of creditable service, or 30 years of creditable service regardless of age; eligible immediately.

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

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

RETIREMENT Participants of the FRS Investment Plan are eligible for retirement benefits after one year of service regardless of age. However, OPEB's are only available to employees meeting requirements for Normal Retirement under the Pension Plan (listed above), or if retiring from the District after attaining the age of 59 ½ with 6 years of credited service.

OTHER POST-EMPLOYMENT BENEFITS

The post-employment benefits include continued access to purchase coverage for the retiree and dependents in the Medical/Prescription, Dental, and Life Insurance Plans sponsored by the Employer.

HEALTH-RELATED BENEFITS

Eligible retirees may choose among the same Medical Plan options available for similarly situated active employees of the Employer. Dependents of retirees may be covered at the retirees' option the same as dependents of similarly situated active employees. Prescription Drug coverage is automatically extended to retirees and their dependents who continue coverage under any one of the Medical Plan options. Covered retirees and their dependents are subject to all the same Medical and Prescription benefits and rules for coverage as are similarly situated active employees. Retirees and their dependents are eligible to participate in an Employer-sponsored Dental/Vision Plan. Retirees and their dependents, who are Medicare eligible, are not required to enroll for Part B under Medicare. The plan pays as secondary for claims covered under Part A of the Medicare. For claims otherwise covered under Medicare Part B, the plan pays as secondary only for those participants who have enrolled into Part B.

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

RETIREE CONTRIBUTIONS FOR MEDICAL/PRESCRIPTION COVERAGE

In order to begin and maintain retiree Medical/Prescription coverage, premium contributions are required from the retiree. For dependent coverage, the retiree is required to pay a premium as well. If any required amounts are not paid timely, the coverage for the retiree and/or the dependent(s) will cease. The amount of the contributions required for retiree and dependent coverage may change from time to time.

The chart below summarizes the current total monthly contribution amounts required from retirees and their spouses to maintain medical/prescription coverage. A retiree's FRS Health Insurance Subsidy (HIS) payment provided by the State may be directed toward the payment of these amounts. Coverage for children of retirees is available (until their limiting age). However, for measuring the long term costs, the relatively few children covered by retirees coupled with the short duration of their coverage remaining results in costs that are not material in the long term. Consequently, only spouses are included in the chart below.

Retiree Premium Rates as of July 1						
Year	**Retiree Under 65 (Blue Options)**			**Retiree Over 65 (Blue Medicare)***		
	Retiree Only	**Spouse***	**Retiree + Spouse***	**Retiree Only**	**Spouse**	**Retiree + Spouse***
2009	$430.46	$460.60	$891.06	$257.27	$257.27	$514.54
2010	$473.52	$506.66	$980.18	$350.25	$350.25	$700.50

** Retirees changing their coverage to Blue Medicare option are considered lapsing their coverage under the District plan*

***Coverage for spouse only is not available. Rates applicable to spouses have been derived from the rates applicable to a dual (Retiree + Spouse) coverage.*

PLAN B PARTICIPANTS

Employees may elect to waive medical coverage with Blue Cross Blue Shield and use their Flexible Spending Account with Total Administrative Services Corp. (TASC) to pay for various types of coverages. Retirees can do the same but must pay all premiums for any of the types of coverages without the benefit of a Board-paid flexible spending account. No retiree has flexible spending account at TASC.

SURVIVORSHIP BENEFITS

No benefit (other than COBRA) is offered to surviving beneficiaries of active and retired employees.

DENTAL AND VISION PLAN

Dental and Vision benefits for active employees and their dependents are voluntary and fully paid by the employee. Consequently, Dental and Vision benefits are not Employer-provided in any sense and are not considered as other post-employment benefits for the purposes of GASB Statement No. 45.

LIFE INSURANCE

Retiring employees may continue the basic life insurance coverage offered by the District into retirement subject to premium payments in the amount of $8.55 per month. Benefit amounts decreases with retirees' age according the following schedule (premiums decrease proportionally):

Age of a Retiree	Benefit Amount
Less than 65	$15,000
65 – 69	$ 9,750
70 – 74	$ 7,500
75 +	$ 3,750

COBRA BENEFITS

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

FUNDING VEHICLE

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

TERMINATION AND AMENDMENT

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

APPENDIX

GASB DISCLOSURES

Required Actuarial Information (GASB STATEMENT NO. 45)			
Employer FYE June 30	**2011**	**2010**	**2010**
Normal Cost (service cost for one year)	$ 207,837	$ 170,976	$ 170,976
Amortization of Unfunded Actuarial Accrued Liability	$ 277,771	$ 245,743	$ 236,291
Interest on Normal Cost and Amortization	$ -	$ 17,138	$ 9,063
Annual Required Contribution (ARC)	$ 485,608	$ 433,857	$ 416,330
Net OPEB Obligation (NOO) at beginning of year	$ 305,933	$ 136,161	$ -
Annual Required Contribution (ARC)	$ 485,608	$ 433,857	$ 416,330
Interest on NOO	$ 12,237	$ 6,127	$ -
Adjustment to ARC	$ (16,996)	$ (7,123)	$ -
Annual OPEB Cost (Expense)	$ 480,849	$ 432,861	$ 416,330
Employer Contributions Made	$ (269,699)	$ (263,089)	$ (280,169)
Increase (decrease) in NOO	$ 211,150	$ 169,772	$ 136,161
NOO at end of year	$ 517,083	$ 305,933	$ 136,161

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
1/1/2008	$0	$4,418,739	$4,418,739	0.00%	$24,528,149	18.01%
1/1/2011	$0	$4,902,773	$4,902,773	0.00%	$23,992,107	20.43%

Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	$416,330	$280,169	67.29%	$136,161
6/30/2010	$432,861	$263,089	60.78%	$305,933
6/30/2011	$480,849	$269,699	56.09%	$517,083

Required Actuarial Information (GASB STATEMENTS NO. 43 & 45)			
Reporting Year	**2011**	**2010**	**2009**
Contribution rate	1.1%	1.0%	1.1%
Actuarial valuation date	01/01/2011	01/01/2008	01/01/2008
Annual OPEB cost	$480,849	$432,861	$416,330
Contributions made	$269,699	$263,089	$280,169
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level %, closed	Level %, closed	Level %, closed
Remaining amortization period	18 years	19 years	20 years
Asset valuation method	Unfunded	Unfunded	Unfunded
Actuarial assumptions:			
Investment rate of return *	4.00%	4.50%	4.50%
Projected salary increases *	4.5% - 9.5%	4.5% - 9.5%	4.5% - 9.5%
Payroll growth assumptions	4.0%	4.0%	4.0%
Initial trend rate	9.0%	20.0%	20.0%
2nd trend rate	8.5%	0.0%	0.0%
3rd trend rate	8.0%	10.0%	10.0%
Ultimate trend rate	5.0%	5.0%	5.0%
Years to Ultimate rate	8	12	12
* Includes general price inflation at	3.0%	3.0%	3.0%

DEVELOPMENT OF ACTUAL EMPLOYER CONTRIBUTION

For the fully insured health and life insurance plans, the Employer Contribution is the difference between age/sex-adjusted premium the group rate paid by the employer for the coverage. These two may not be the same if retirees are covered under the same policy as active employees (like in this case).

The total net Employer Contribution reduces the Annual OPEB Cost. The net result is added to the previous year's Net OPEB Obligation to obtain the new Net OPEB Obligation reported in the Statement of Net Assets as a long term liability. Following table illustrates development of that figure.

Development of Employer Contribution for Year Ending June 30, 2011			
1.	Age-Adjusted Premiums Paid on Behalf of Retirees		
	a) Medical/Prescription Benefits	$	566,278
	b) Life Insurance Benefits	$	25,184
	c) Total Age-Adjusted Premiums Paid on Behalf of Retirees	**$**	**591,462**
2.	Retiree/Spouse Contributions		
	a) Medical/Prescription Benefits	$	310,673
	b) Life Insurance Benefits	$	11,090
	c) Total Retiree/Spouse Contributions	**$**	**321,763**
3.	**Total Employer Contribution (1c - 2c)**	**$**	**269,699**

DISCLOSURES FOR FISCAL YEAR ENDING 6/30/2012

GASB allows for performing actuarial valuation biennially with results applicable to two reporting years (per paragraph 12 of GASB Statement 45). However, a new fully compliant valuation would need to be performed if significant changes have occurred since the previous valuation that affect the valuation results, including significant changes in benefit provisions, the size or composition of the membership, or other factors that impact long-term actuarial assumptions through the reporting date. Refer also to Q&A 8.17.5 of the 2008-2009 Comprehensive Implementation Guide. In the absence of such changes, following disclosures can be used in your 2011/2012 fiscal year reporting.

Required Actuarial Information
(GASB STATEMENT NO. 45)

Employer FYE June 30	2012	2011	2010
Normal Cost (service cost for one year)	$ 220,303	$ 207,837	$ 170,976
Amortization of Unfunded Actuarial Accrued Liability	$ 288,882	$ 277,771	$ 245,743
Interest on Normal Cost and Amortization	$ -	$ -	$ 17,138
Annual Required Contribution (ARC)	$ 509,185	$ 485,608	$ 433,857
Net OPEB Obligation (NOO) at beginning of year	$ 517,083	$ 305,933	$ 136,161
Annual Required Contribution (ARC)	$ 509,185	$ 485,608	$ 433,857
Interest on NOO	$ 20,683	$ 12,237	$ 6,127
Adjustment to ARC	$ (28,727)	$ (16,996)	$ (7,123)
Annual OPEB Cost (Expense)	$ 501,141	$ 480,849	$ 432,861
Employer Contributions Made	$ (272,536)	$ (269,699)	$ (263,089)
Increase (decrease) in NOO	$ 228,605	$ 211,150	$ 169,772
NOO at end of year	$ 745,688	$ 517,083	$ 305,933

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
1/1/2008	$0	$4,418,739	$4,418,739	0.00%	$24,528,149	18.01%
1/1/2011	$0	$4,902,773	$4,902,773	0.00%	$23,992,107	20.43%

Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	$416,330	$280,169	67.29%	$136,161
6/30/2011	$480,849	$269,699	56.09%	$517,083
6/30/2012	$501,141	$272,536	54.38%	$745,688