

THE SCHOOL DISTRICT OF HARDEE COUNTY, FLORIDA

OTHER POST-EMPLOYMENT BENEFITS

ACTUARIAL REPORT AS OF JANUARY 1, 2008

August 21, 2009

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 Hardee County School District, Florida to perform an Actuarial Valuation of its Other Post-Employment Benefits (OPEB) provided to its retiring employees. We are pleased to present the results herein. The Valuation was performed as of January 1, 2008 with results applicable to the fiscal year ending June 30, 2009 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 undersigned is a member of the American Academy of Actuaries and meets 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
Senior Analyst & Actuary

TABLE OF CONTENTS

<u>SECTION</u>	<u>TITLE</u>	<u>PAGE</u>
A	EXECUTIVE SUMMARY	A-1
B	SUMMARY OF ACTUARIAL VALUATION RESULTS	
	1. SUMMARY OF ACTUARIAL VALUATION RESULTS	B-1
	2. 20 -YEAR PROJECTION OF UNFUNDED CASH FLOW	B-2
	3. 10 -YEAR PROJECTION OF NET OPEB OBLIGATION	B-3
	4. AGE AND SERVICE TABLES	B-4
C	DEVELOPMENT OF INITIAL PER CAPITA COSTS	C-1
D	ACTUARIAL ASSUMPTIONS AND METHODS	
	1. METHODS AND DEMOGRAPHIC/ECONOMIC ASSUMPTIONS	D-1
	2. HEALTH COVERAGE ASSUMPTIONS	D-6
	3. MISCELLANEOUS AND TECHNICAL ASSUMPTIONS	D-7
	4. DEFINITION OF TECHNICAL TERMS	D-8
E	SUMMARY OF SUBSTANTIVE PLAN PROVISIONS	E-1
APPENDIX	GASB DISCLOSURES	F-1

SECTION A
EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

The Governmental Accounting Standards Board (GASB) issued Statement No. 45 to set forth rules for how governmental employers should account for Other Post-Employment Benefits (OPEBs). This Accounting Standard is effective for fiscal years beginning after December 15, 2006 for governments that were “Phase 1” governments for the purpose of implementing Statement No. 34. Management of the Hardee County School District (The District) has indicated that it was a Phase 2 entity for that purpose. Thus, the latest implementation date for the District is the '08 -'09 fiscal year. The results presented herein are applicable to the year ending June 30, 2009 and are based on an actuarial valuation performed as of January 1, 2008.

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 4.50% 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 4.50% 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. 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.

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 derived using the Entry Age 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 spreads the costs evenly as a percent of pay 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, 2008
Actuarial Accrued Liability	\$	4,418,739
Actuarial Value of Assets		0
Unfunded Actuarial Accrued Liability		4,418,739
	For FYE	June 30, 2009
Annual OPEB Cost		416,330
Per Covered Active Employee		575
As % of Expected Payroll		1.7%
Employer Contribution Toward the OPEB Cost		(280,169)
Addition to Net OPEB Obligation	\$	136,161
Net OPEB Obligation	\$	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 promise that has been made to current retirees and to current employees. 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.

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 of \$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 2007 CAFR Note 6.

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.

HARDEE COUNTY SCHOOL DISTRICT FINANCIALS

The figures presented above would be integrated into the District's government-wide financial statements. There are some issues to flesh-out with respect to allocations to any enterprise funds and to functions in the annual financial statement, and with respect to budgeting and governmental fund accounting. A full discussion and treatment of these matters is beyond the scope of this Actuarial Valuation Report, but can be addressed more thoroughly, if necessary.

SECTION B

SUMMARY OF ACTUARIAL VALUATION RESULTS

ACTUARIAL VALUATION RESULTS as of January 1, 2008

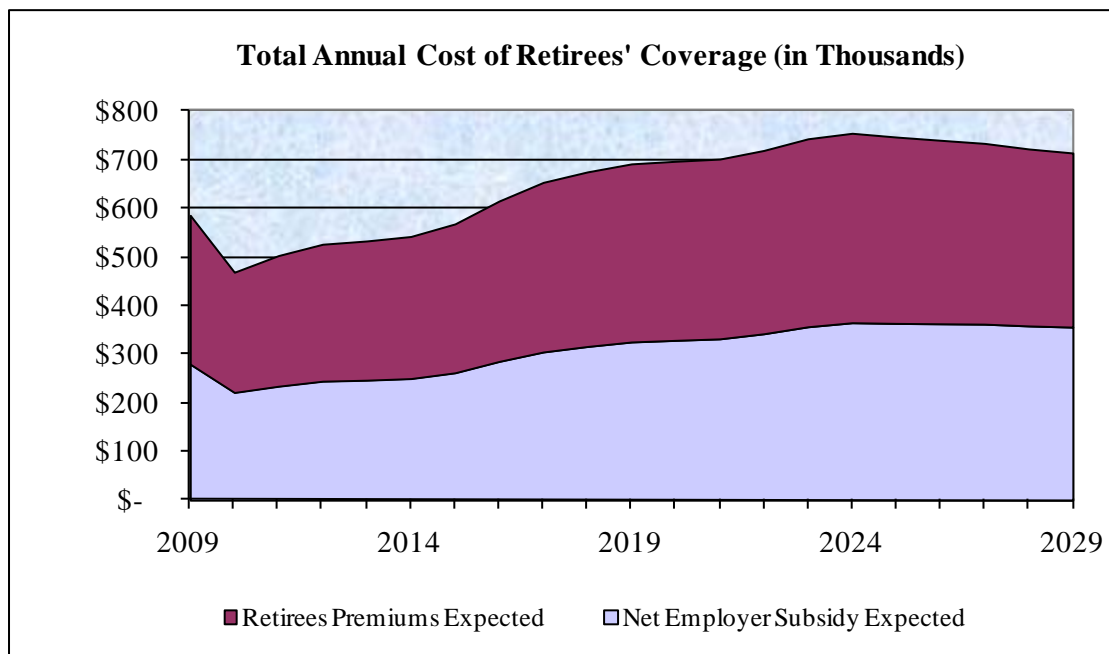
	Total Medical/Rx Costs	Retirees' Medical/Rx Premiums	Net Life Insurance Costs	Net Employer Costs
Number of Participants Covered				
Active Participants	591	591	717	724
Retired Participants	51	51	122	131
Total Participants	642	642	839	855
Expected Payroll of Active Participants	\$ 20,212,442	\$ 20,212,442	\$ 24,321,274	\$ 24,528,149
Actuarial Present Value of Benefits				
Active Participants	9,336,963	(4,958,816)	362,492	4,740,639
Retired Participants	2,430,374	(1,250,670)	264,290	1,443,994
Total Participants	11,767,337	(6,209,486)	626,782	6,184,633
Actuarial Accrued Liability (Entry Age Normal Cost Actuarial Method)				
Active Participants	5,731,356	(3,011,713)	255,102	2,974,745
Retired Participants	2,430,374	(1,250,670)	264,290	1,443,994
Total Participants	8,161,730	(4,262,383)	519,392	4,418,739
Actuarial Value of Assets	-	-	-	-
Unfunded Actuarial Accrued Liability	8,161,730	(4,262,383)	519,392	4,418,739
Annual Required Contribution of the Employer (ARC) for YE 6/30/09 (Entry Age Normal Cost Actuarial Method)				
Normal Cost	335,833	(179,790)	14,933	170,976
20-Year Amortization of UAAL	436,448	(227,931)	27,774	236,291
Interest	17,185	(9,073)	951	9,063
<u>Annual Required Contribution for FYE 6/30/09</u>	<u>\$ 789,466</u>	<u>\$ (416,794)</u>	<u>\$ 43,658</u>	<u>\$ 416,330</u>
Per Active Participant	\$ 1,336	\$ (705)	\$ 60	\$ 575
As % of Expected Payroll	3.9%	(2.1%)	0.2%	1.7%
<u>Total Annual OPEB Cost for FYE 6/30/09</u>				<u>\$ 416,330</u>
<u>Net Employer Contr. for FYE 6/30/09</u> <u>(for crediting against Annual OPEB Cost)</u>	<u>\$ 565,238</u>	<u>\$ (303,747)</u>	<u>\$ 18,678</u>	<u>\$ 280,169</u>
<u>Net OPEB Obligation at 6/30/09</u>				<u>\$ 136,161</u>

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

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.

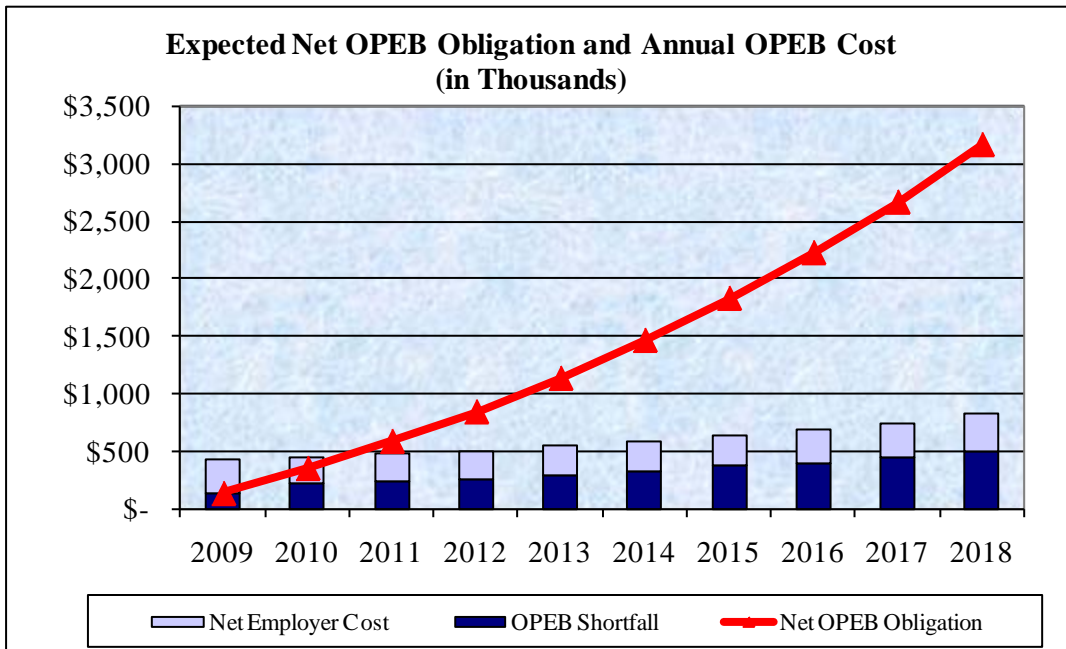
Year	Total Benefits Expected	Retirees Premiums Expected	Net Employer Subsidy Expected
2009	\$ 584,929	\$ 304,760	\$ 280,169
2014	541,606	290,946	250,660
2019	690,265	364,670	325,595
2024	752,897	387,854	365,043
2029	712,560	356,520	356,040



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. The numbers below would be presented in the annual financial statement for the year ending June 30 of the year indicated.

Year	Total Annual OPEB Cost at Fiscal Year End	Current Net Employer Subsidy	Annual Net OPEB Shortfall	Net OPEB Obligation at Fiscal Year End
2009	\$ 416,330	\$ 280,169	\$ 136,161	\$ 136,161
2010	439,830	222,177	217,653	353,815
2011	469,337	235,006	234,331	588,146
2012	501,902	245,298	256,605	844,751
2013	538,235	247,372	290,863	1,135,614
2014	579,613	250,660	328,953	1,464,566
2015	627,059	262,477	364,582	1,829,148
2016	681,360	285,777	395,583	2,224,731
2017	743,281	305,071	438,210	2,662,941
2018	815,203	316,356	498,847	3,161,788



AGE/SERVICE DISTRIBUTION FOR PLAN PARTICIPANTS

Age Group	Years of Service to Valuation Date - Active Employees							Total
	0-5	6-9	10-14	15-19	20-24	25-29	30&Up	
0 - 14	0	0	0	0	0	0	0	0
15 - 19	0	0	0	0	0	0	0	0
20 - 24	18	2	0	0	0	0	0	20
25 - 29	48	7	0	0	0	0	0	55
30 - 34	28	17	6	0	0	0	0	51
35 - 39	29	16	25	7	0	0	0	77
40 - 44	22	9	16	26	10	1	0	84
45 - 51	29	15	15	34	26	27	2	148
52 - 56	11	3	6	16	19	27	42	124
57 - 61	9	6	6	9	14	27	41	112
62 - 66	6	3	6	3	5	10	11	44
67 - 71	1	1	2	1	1	1	2	9
72 - 76	0	0	0	0	0	0	0	0
77 - 99	0	0	0	0	0	0	0	0
Total	201	79	82	96	75	93	98	724

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

Age Group	Retirees		
	Male	Female	Total
0 - 44	0	0	0
45 - 49	0	1	1
50 - 54	0	3	3
55 - 59	3	9	12
60 - 64	6	36	42
65 - 69	6	24	30
70 - 74	5	16	21
75 - 79	2	17	19
80 - 84	1	2	3
85 - 89	0	0	0
90 - 94	0	0	0
95 - +	0	0	0
Total	23	108	131

SECTION C

DEVELOPMENT OF INITIAL PER CAPITA COSTS

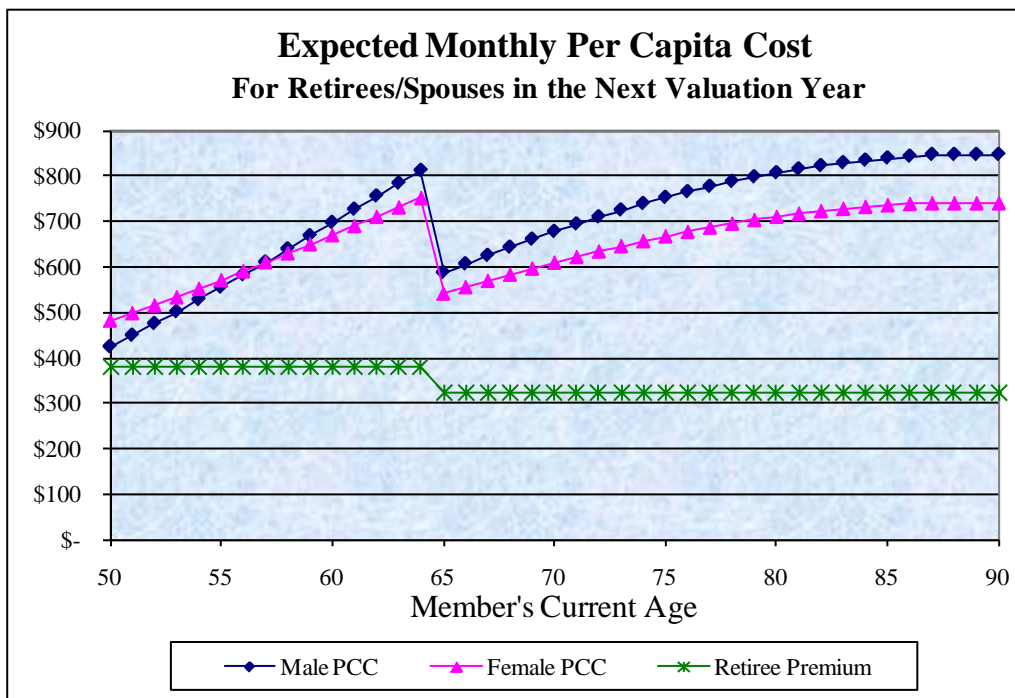
DEVELOPMENT OF INITIAL PER CAPITA COSTS

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			Sample		
Ages	Male	Female	Ages	Male	Female
40	\$ 230.89	\$ 361.74	65	\$ 587.08	\$ 540.62
45	313.70	410.69	70	677.19	608.93
50	424.41	480.89	75	751.80	667.21
55	554.70	570.18	80	806.08	710.54
60	696.86	669.84	85	838.32	736.00
64	811.11	751.83	90	846.06	740.30

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.

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	30%

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	383	45
Family/Spouse	181	6

SECTION D

ACTUARIAL ASSUMPTIONS AND METHODS

ACTUARIAL ASSUMPTIONS AND METHODS

- Actuarial Valuation Date:** January 1, 2008 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 a 20 year period. 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 4.0%. 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 4.50% compounded annually.
- Florida Retirement System:** Unless noted otherwise, demographic assumptions employed in this Actuarial Valuation were basically the same as those employed in the 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.
- In the following pages, we outline assumptions used in this actuarial valuation. FRS recognizes that different demographic assumptions may be appropriate to different employment classifications. However, due to composition of the population, only assumptions applicable to Regular Classifications have been used in this valuation. Assumptions used for valuation of liability for participants of the Investment Plan are the same as for participants of the Defined Benefit Plan.
- 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. Mortality rates for impaired (from disability) lives are based on 92.4% of the RP-2000 Disabled Retiree Table for males, and 103.6% of the PBGC Disabled with Social Security Table for females.

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										
Years of Service	Male									
	Attained Age									
	20	25	30	35	40	45	50	55	60	65
0	32.8%	27.2%	25.8%	25.8%	24.4%	24.4%	23.4%	27.4%	27.4%	27.4%
1	31.8%	23.2%	19.2%	17.9%	15.8%	15.7%	15.2%	18.4%	18.4%	18.4%
2	25.2%	19.1%	15.5%	14.2%	12.0%	11.6%	10.7%	14.1%	14.1%	14.1%
3	18.4%	14.6%	13.2%	12.6%	10.7%	10.3%	9.4%	12.4%	12.3%	12.3%
4	15.8%	12.7%	11.8%	10.9%	9.0%	8.8%	7.9%	9.9%	9.7%	9.7%
5	13.3%	11.0%	10.0%	9.7%	8.4%	7.7%	6.9%	8.9%	8.8%	8.8%
6	12.4%	9.4%	8.6%	8.3%	7.5%	7.2%	6.1%	6.4%	6.3%	6.3%
7	11.7%	8.8%	7.5%	7.2%	6.6%	6.3%	5.6%	5.5%	5.4%	5.4%
8	11.0%	7.7%	6.4%	6.2%	5.8%	5.7%	5.1%	4.9%	4.8%	4.8%
9	10.5%	6.6%	5.8%	5.6%	5.5%	5.4%	4.8%	5.0%	4.9%	4.9%
10 or more	10.9%	6.9%	5.2%	4.7%	3.3%	3.0%	3.3%	5.0%	5.9%	4.1%
Years of Service	Female									
	Attained Age									
	20	25	30	35	40	45	50	55	60	65
0	31.9%	28.0%	26.7%	26.7%	25.7%	25.7%	24.4%	27.8%	27.8%	27.8%
1	28.6%	22.0%	18.8%	17.7%	15.5%	15.4%	14.8%	17.6%	17.6%	17.6%
2	23.3%	18.0%	15.3%	14.2%	12.1%	11.9%	11.5%	13.7%	13.7%	13.7%
3	18.3%	14.7%	13.2%	12.6%	10.6%	10.3%	9.2%	11.3%	11.2%	11.2%
4	15.4%	12.9%	11.3%	10.9%	9.1%	8.8%	8.4%	9.7%	9.6%	9.6%
5	15.3%	12.2%	10.7%	10.2%	8.0%	7.7%	7.0%	8.3%	8.2%	8.2%
6	12.4%	10.5%	9.5%	9.2%	7.2%	7.0%	6.5%	7.0%	6.9%	6.9%
7	11.9%	9.7%	8.5%	8.2%	6.6%	6.4%	5.8%	6.3%	6.2%	6.2%
8	11.6%	8.6%	7.9%	7.5%	6.0%	5.8%	5.5%	6.0%	5.9%	5.9%
9	11.3%	7.9%	7.2%	6.9%	5.5%	5.3%	5.1%	5.6%	5.4%	5.4%
10 or more	11.6%	5.3%	5.4%	4.6%	3.3%	3.0%	3.2%	5.4%	7.2%	4.1%

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	0.004%	0.001%	0.000%	0.000%
25	0.004%	0.001%	0.030%	0.010%
30	0.006%	0.002%	0.058%	0.026%
35	0.010%	0.007%	0.073%	0.049%
40	0.018%	0.010%	0.102%	0.075%
45	0.029%	0.016%	0.188%	0.165%
50	0.044%	0.022%	0.313%	0.285%
55	0.069%	0.035%	0.523%	0.478%
60	0.095%	0.049%	0.687%	0.599%
65	0.099%	0.044%	0.239%	0.150%

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	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
3	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
4	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
5	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
6	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
7	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
8	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
9	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
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	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
2	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
3	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
4	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
5	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
6	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
7	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
8	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
9	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
10 or more	3.00%	3.00%	3.00%	3.00%	2.50%	2.00%	1.00%	0.00%	0.00%	0.00%

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%
45	7%	3%	6%	1%
50	20%	14%	14%	8%
55	20%	13%	16%	9%
60	26%	18%	26%	17%
65	32%	33%	25%	28%
70	17%	18%	18%	19%
75	16%	18%	17%	19%
80	100%	100%	100%	100%
85	100%	100%	100%	100%

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)	20%	5%	25%
At Retirement (age 65 and after)	2%	1%	3%
Lapsing at age of 65	90%	90%	90%
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	\$ 379.00	\$ 322.00
Spouse	\$ 379.00	\$ 379.00

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 a year beginning on 7/1/2008 are expected to increase by 20% over the rates for the year beginning on 7/1/2007, followed by no increase for the year beginning on 7/1/2009.

Annual Increase Rates					
Year of Increase	Medical/Rx	Contribution	Year of Increase	Medical/Rx	Contribution
2008	20.0%	20.0%	2015	7.5%	7.5%
2009	0.0%	0.0%	2016	7.0%	7.0%
2010	10.0%	10.0%	2017	6.5%	6.5%
2011	9.5%	9.5%	2018	6.0%	6.0%
2012	9.0%	9.0%	2019	5.5%	5.5%
2013	8.5%	8.5%	2020	5.0%	5.0%
2014	8.0%	8.0%	Thereafter	5.0%	5.0%

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, 2008

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 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 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.

RETIREE CONTRIBUTIONS FOR MEDICAL/PRESCRIPTION BENEFITS

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.

Monthly Retiree Premiums as of July 1						
Year	Retiree Under Age 65			Retiree Over Age 65		
	Retiree Only	Spouse*	Retiree + Spouse	Retiree Only	Spouse*	Retiree + Spouse
2007	\$ 378.80	\$ 378.79	\$ 757.59	\$ 321.97	\$ 378.80	\$ 700.77
2008	\$ 453.84	\$ 453.83	\$ 907.67	\$ 385.75	\$ 453.84	\$ 839.59

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

NEW PLAN OPTIONS AVAILABLE TO RETIREES ELIGIBLE FOR MEDICARE BENEFITS

Effective July 1, 2009 retirees eligible for Medicare benefits have an option of enrolling into a recently introduced Blue Medicare plan – a Medicare Advantage plan administered by Blue Cross Blue Shields. Benefits provided through this plan are not subsidized by the District (not implicitly or directly) and all retirees changing coverage from the core District plan to Blue Medicare are considered lapsing the coverage for the purpose of this valuation.

PLAN B PARTICIPANTS

Employees may elect to waive medical coverage with CIGNA and use their Flexible Spending Account to pay for various types of coverage with Northeast Florida Educational Consortium (NEFEC). Retirees can do the same but must pay all NEFEC premiums for any of the types of coverage without the benefit of a Board-paid flexible spending account.

SURVIVORSHIP BENEFITS

No benefit (other than COBRA coverage) 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 \$4.13 per month. Benefit amount decreases with retirees' age according the following schedule:

Age of a Retiree	Benefit Amount
Less than 65	\$15,000
65 – 69	\$ 9,750
70 – 74	\$ 6,750
75 – 79	\$ 4,500
80 +	\$ 3,000

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	2009
Normal Cost (service cost for one year)	\$ 170,976
Amortization of Unfunded Actuarial Accrued Liability	\$ 236,291
Interest on Normal Cost and Amortization	<u>\$ 9,063</u>
Annual Required Contribution (ARC)	\$ 416,330
Net OPEB Obligation (NOO) at beginning of year	\$ -
Annual Required Contribution (ARC)	\$ 416,330
Interest on NOO	\$ -
Adjustment to ARC	<u>\$ -</u>
Annual OPEB Cost (Expense)	\$ 416,330
Employer Contributions Made	\$ (280,169)
Increase (decrease) in NOO	<u>\$ 136,161</u>
NOO at end of year	\$ 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%

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

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

Reporting Year	2009
Contribution rate	1.1%
Actuarial valuation date	01/01/2008
Annual OPEB cost	\$416,330
Contributions made	\$280,169
Actuarial cost method	Entry Age
Amortization method	Level percent, closed
Remaining amortization period	20 years
Asset valuation method	Unfunded
Actuarial assumptions:	
Investment rate of return *	4.50%
Projected salary increases *	4.5% - 9.5%
Payroll growth assumptions	4.0%
Initial trend rate	20.0%
Ultimate trend rate	5.0%
* Includes general price inflation at	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, 2009		
1.	Age-Adjusted Premiums Paid on Behalf of Retirees	
	a) Medical/Prescription Benefits	\$ 565,238
	b) Life Insurance Benefits	\$ 25,621
	c) Total Age-Adjusted Premiums Paid on Behalf of Retirees	\$ 590,859
2.	Retiree/Spouse Contributions	
	a) Medical/Prescription Benefits	\$ 303,747
	b) Life Insurance Benefits	\$ 6,943
	c) Total Retiree/Spouse Contributions	\$ 310,690
3.	Total Employer Contribution (1c - 2c)	\$ 280,169