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**D.C. Everest Area School District**

6300 Alderson Street  
Weston, WI 54476  
Phone 715-359-4221

**Mr. Jack E. Stoskopf, Jr.**  
Assistant Superintendent  
Business/Personnel Services

**MISSION STATEMENT**

D.C. Everest Area School District, in partnership with the community, is committed to being an innovative educational leader in developing knowledgeable, productive, caring, creative, responsible individuals prepared to meet the challenges of an ever-changing global society.

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**TO:** Dr. Kim Hall, Director of Human Resources

**FROM:** Jack E. Stoskopf, Jr., Assistant Superintendent for Business/Personnel Services

**RE:** GASB 45 Actuarial Study

**DATE:** May 13, 2011

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For school districts with over 200 employees, it is required to have a post-employment actuarial study completed every two years.

Willis North America, Inc. has prepared our postretirement benefit valuation report under Governmental Accounting Standard Board rule 45 (GASB 45) requirements. This valuation report addresses the costs and obligations incurred by the district by providing post-employment benefits as compensation for services rendered by employees. On a biennial basis, a valuation needs to be completed and submitted with the DPI.

The valuation report identifies the districts Actuarial Accrued Liability (AAL), the Annual Required Contribution (ARC), and the projected pay-as-you-go expense. Budget amounts for various funds are derived from this report for the OPEB trust fund.

I recommend the school board accept this report.

***D. C. Everest Area School  
District***

***Postretirement Benefit Valuation Report  
Under GASB 45***

***Expense Development for Year Beginning July 1, 2011***

**Willis**  
2323 N. Mayfair Rd., Suite 600  
Milwaukee, WI 53226-0997  
800-558-1536

***May 11, 2011***

***D. C. Everest Area School District***  
***Postretirement Medical Valuation as of June 30, 2011***

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***D. C. Everest Area School District***  
***Postretirement Medical Valuation as of June 30, 2011***

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**Executive Summary**

This report has been prepared by Willis North America, Inc. for the D. C. Everest Area School District for the following purposes:

- To provide the June 30, 2011 reporting and disclosure information for financial statements, governmental agencies, and other interested parties as required in the Statement of Governmental Accounting Standards No. 45 (SGAS 45)
- To present the SGAS 45 expense for the year beginning July 1, 2011.
- To summarize the actuarial methods, assumptions, and data used in the valuation.

The D. C. Everest Area School District is providing a retiree medical program for employees who meet the eligibility requirements upon retirement. Under SGAS 45 retiree benefits are viewed as a form of deferred compensation. As such, the benefits are treated as being earned over the working lifetime of the employee so that the cost is fully charged to operations by the earliest date of eligibility under the plan.

The SGAS 45 Annual Required Contribution (ARC, also called the Expense) and the Actuarial Accrued Liability (AAL) are summarized in Table 1:

*Table 1*

Actuarial Accrued Liability (AAL) as of 6/30/2011	\$11,891,917
Present Value of Future Benefits as of 6/30/2011	\$20,385,191
ARC for Year Beginning 7/1/2011	\$1,042,109
Annual OPEB Cost For Year Beginning 7/1/2011	\$1,050,694

***D. C. Everest Area School District***  
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**Changes Since Prior Valuation**

There have been no changes in the substantive plan since the prior valuation for non-DCETA employees. For DCETA employees, the maximum has been reduced from \$24,780 to \$22,130 for single coverage and from \$67,200 to \$60,000 for family coverage effective with the 2011-12 year.

Those teachers retiring on 6/9/11 will receive an additional contribution of \$1,030 for single coverage or \$2,800 for family coverage.

The discount rate has been changed from 6.0% to 3.5% as this is the rate is consistent with the return on assets. This has resulted in a \$2.5M increase in the AAL.

The employee census has been updated to reflect the current population.

The claim cost and retiree contribution assumptions were updated to reflect the current experience of the plan.

***D. C. Everest Area School District***  
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**Section 1: Accounting Information**

SGAS 45 requires that certain information regarding postretirement benefits other than pension benefits be disclosed in the footnotes to the sponsor's financial statements. The disclosures include a statement of annual required contribution, actuarial accrued liability, reconciliation of the plan's funded status, and a statement of assumptions and amortization methods.

Presented in this section is an illustration of this information for the prior year.

***Section 1.1: Development of Annual OPEB Cost for Year Ending 6/30/2012***

***Section 1.2: Development of Annual OPEB Cost for Year Ending 6/30/2012 by Bargaining Group***

***Section 1.3: Actuarial Accrued Liability by Source***

***Section 1.4: Actuarial Accrued Liability by Bargaining Unit***

***Section 1.5: Development of Net OPEB Obligation as of 6/30/2012***

***Section 1.6: Asset Projection***

***Section 1.7: Roll Forward Calculation***

***Section 1.8: Schedule of GASB Funding Progress***

***Section 1.9: Summary of Other Actuarial Cost Methods***

***D. C. Everest Area School District***  
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**Section 1.1**

**Development of Annual OPEB Cost for Year Ending 6/30/2012**

**Actuarial Cost Method - Projected Unit Credit Method 7/1/11 - 6/30/12**

Normal Cost	\$703,307
Interest on Normal Cost	\$12,202
Normal Cost Component	\$715,509
Actuarial Accrued Liability (AAL)	\$11,891,917
Actuarial Value of Assets	(\$5,789,208)
Unfunded Actuarial Accrued Liability (UAAL)	\$6,102,709
Funded Ratio	48.7%
Amortization Method	Closed
Amortization Period	30 years
Discount Rate	3.50%
Amortization Factor	19.036
Annual Amortization	\$346,314
Interest on Amortization Payment	\$6,008
Amortization Component	\$352,322
Net OPEB Obligation	(\$489,643)
Interest on Net OPEB Obligation	(\$17,138)
Amortization Factor	19.036
Adjustment to Annual Required Contribution	(\$25,722)
Annual Required Contribution (ARC)	\$1,042,109
Annual OPEB Cost	\$1,050,694

Amortization of Unfunded Actuarial Accrued Liability is a Level Dollar Amount

***D. C. Everest Area School District***  
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**Section 1.2**  
**Development of Annual OPEB Cost for Year Ending 6/30/2012 by**  
**Bargaining Group**

**Actuarial Cost Method - Projected Unit Credit Method**

	<u>Administrators</u>	<u>DCETA</u>	<u>EPU</u>	<u>Admin</u> <u>Confidential</u>	<u>Custodial</u>
Normal Cost	\$358,966	\$325,668	\$9,224	\$369	\$7,262
Interest on Normal Cost	\$6,228	\$5,650	\$160	\$6	\$126
Normal Cost Component	\$365,194	\$331,318	\$9,384	\$375	\$7,388
Actuarial Accrued Liability (AAL)	\$5,126,360	\$6,442,649	\$125,248	\$16,474	\$160,491
Actuarial Value of Assets	(\$2,495,608)	(\$3,136,402)	(\$60,973)	(\$8,020)	(\$78,130)
Unfunded Actuarial Accrued Liability (UAAL)	\$2,630,752	\$3,306,247	\$64,275	\$8,454	\$82,361
Funded Ratio	48.7%	48.7%	48.7%	48.7%	48.7%
Amortization Method	Closed	Closed	Closed	Closed	Closed
Amortization Period	30 years	30 years	30 years	30 years	30 years
Discount Rate	3.50%	3.50%	3.50%	3.50%	3.50%
Amortization Factor	19.036	19.036	19.036	19.036	19.036
Annual Amortization	\$149,289	\$187,622	\$3,647	\$480	\$4,674
Interest on Amortization Payment	\$2,590	\$3,255	\$63	\$8	\$81
Amortization Component	\$151,879	\$190,877	\$3,711	\$488	\$4,755
Net OPEB Obligation	(\$211,075)	(\$265,272)	(\$5,157)	(\$678)	(\$6,608)
Interest on Net OPEB Obligation	(\$7,388)	(\$9,285)	(\$180)	(\$24)	(\$231)
Amortization Factor	19.036	19.036	19.036	19.036	19.036
Adjustment to Annual Required Contribution	(\$11,088)	(\$13,935)	(\$271)	(\$36)	(\$347)
Annual Required Contribution (ARC)	\$505,984	\$508,259	\$12,824	\$828	\$11,796
Annual OPEB Cost	\$509,685	\$512,910	\$12,914	\$840	\$11,912

Amortization of Unfunded Actuarial Accrued Liability is a Level Dollar Amount

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	<u>Food Services</u>	<u>At Will</u>	<u>Concession Stand</u>	
			<u>Operator</u>	<u>Total</u>
Normal Cost	\$445	\$1,170	\$204	\$703,307
Interest on Normal Cost	\$8	\$20	\$4	\$12,202
Normal Cost Component	\$453	\$1,190	\$208	\$715,509
Actuarial Accrued Liability (AAL)	\$6,429	\$11,490	\$2,776	\$11,891,917
Actuarial Value of Assets	(\$3,130)	(\$5,594)	(\$1,351)	(\$5,789,208)
Unfunded Actuarial Accrued Liability (UAAL)	\$3,299	\$5,896	\$1,425	\$6,102,709
Funded Ratio	48.7%	48.7%	48.7%	48.7%
Amortization Method	Closed	Closed	Closed	Closed
Amortization Period	30 years	30 years	30 years	30 years
Discount Rate	3.50%	3.50%	3.50%	3.50%
Amortization Factor	19.036	19.036	19.036	19.036
Annual Amortization	\$187	\$335	\$81	\$346,314
Interest on Amortization Payment	\$3	\$6	\$1	\$6,008
Amortization Component	\$190	\$340	\$82	\$352,322
Net OPEB Obligation	(\$265)	(\$473)	(\$114)	(\$489,643)
Interest on Net OPEB Obligation	(\$9)	(\$17)	(\$4)	-\$17,138
Amortization Factor	19.036	19.036	19.036	19.036
Adjustment to Annual Required Contribution	(\$14)	(\$25)	(\$6)	-\$25,722
Annual Required Contribution (ARC)	\$629	\$1,506	\$284	\$1,042,109
Annual OPEB Cost	\$634	\$1,514	\$286	\$1,050,694

Amortization of Unfunded Actuarial Accrued Liability is a Level Dollar Amount

***D. C. Everest Area School District***  
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**Section 1.3**  
**Actuarial Accrued Liability by Source**

Inactives	\$2,253,810
Actives Fully Eligible	\$1,316,875
Actives Not Fully Eligible	\$8,321,232
Total	\$11,891,917

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**Section 1.4**  
**Actuarial Accrued Liability by Bargaining Group**

**Summary of Obligations as of 6/30/2011**

Actuarial Accrued Liability (AAL)	Inactives	Actives	Total
Administrators			
Medical	\$443,955	\$4,441,614	\$4,885,569
Dental	\$27,806	\$197,017	\$224,823
Life	\$15,968		\$15,968
DCETA	\$1,605,836	\$4,836,813	\$6,442,649
EPU	\$12,226	\$113,022	\$125,248
Admin Confidential	\$9,743	\$6,731	\$16,474
Custodial	\$138,276	\$22,215	\$160,491
Food Services		\$6,429	\$6,429
At Will		\$11,490	\$11,490
Concession Stand Operator		\$2,776	\$2,776
Total	\$2,253,810	\$9,638,107	\$11,891,917

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**Section 1.5**  
**Development of Net OPEB Obligation as of 6/30/2012**

Annual Required Contribution (ARC)	\$1,042,109
Interest on net OPEB Obligation	(\$17,138)
Adjustment to Annual Required Contribution	(\$25,722)
Annual OPEB Cost	\$1,050,694
Projected Pay-as-you-go Expense	\$650,915
Net OPEB Obligation - Beginning of Year	(\$489,643)
Prefunding	\$0
Net OPEB Obligation - Projected End of Year	(\$89,864)

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**Section 1.6**  
**Asset Projection**

7/1/2010 Assets	\$5,196,948
Interest	\$138,485
District Contribution	\$1,045,516
Benefits	\$591,741
7/1/2011 Assets	\$5,789,208
7/1/2011 Assets	\$5,789,208
Interest	\$191,329
District Contribution	\$650,915
Benefits	\$650,915
7/1/2012 Assets	\$5,980,537

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**Section 1.7**  
**Roll Forward Calculation**

	Year Beginning	
	7/1/2011	7/1/2012
Annual Required Contribution	\$1,042,109	\$1,078,583
Interest on Net OPEB Obligation	(\$17,137)	(\$3,145)
Adjustment to ARC	\$25,722	\$4,721
Annual OPEB Cost	\$1,050,694	\$1,080,158
Contributions Made	(\$650,915)	(\$716,007)
Increase in Net OPEB Obligation	\$399,779	\$364,152
Net OPEB Obligation Beginning of Year	(\$489,643)	(\$89,864)
Net OPEB Obligation End of Year	(\$89,864)	\$274,288
Actuarial Accrued Liability	\$11,891,917	\$13,036,057
Assets	\$5,789,208	\$5,980,537
Unfunded AAL	\$6,102,709	\$7,055,520

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**Section 1.8**  
**Schedule of GASB Funding Progress**

**GASB 45 Schedule of Funding Progress at 3.5%**

(1) Year Ended	(2) Annual Required Contribution	(3) Interest on NOO	(4) ARC Adjustment (9) / (5)	(5) Amortization Factor
6/30/2010	879,844	0	0	14.5907
6/30/2011	879,844	(19,606)	(22,395)	14.5907
6/30/2012	1,042,109	(17,137)	(25,722)	19.0358
6/30/2013	1,078,583	(3,145)	(4,721)	19.0358

Year Ended	(6) OPEB Cost	(7) Contribution	(8) Change in Net OPEB Obligation	(9) Net OPEB Obligation Balance
	(2) + (3) - (4)		(6) - (7)	(Beginning Balance + (8)) 0
6/30/2010	879,844	2,048,480	(1,168,636)	841,876
6/30/2011	882,633	1,045,516	(162,883)	(326,760)
6/30/2012	1,050,694	650,915	399,779	(489,643)
6/30/2013	1,080,158	716,007	364,152	(89,864)
				274,288

***D. C. Everest Area School District***  
***Postretirement Medical Valuation as of June 30, 2011***

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**Section 1.9**  
**Summary of Other Actuarial Cost Methods**

	Unit Credit	Cost Method	
		Entry Age Normal Level \$	Aggregate Level \$
Actuarial Accrued Liability (AAL)	\$11,891,917	\$12,620,242	\$0
Assets	(\$5,789,208)	(\$5,789,208)	(\$5,789,208)
Unfunded Actuarial Accrued Liability (UAAL)	\$6,102,709	\$6,831,034	(\$5,789,208)
Net OPEB Obligation	(\$489,643)	(\$489,643)	\$0
UAAL Subject to Amortization	\$6,592,352	\$7,320,677	(\$5,789,208)
Normal Cost	\$703,307	\$707,801	\$1,798,000
Interest Cost	\$18,210	\$18,952	\$31,194
Amortization of UAAL	\$346,314	\$384,575	\$0
Adjustment to ARC	(\$25,722)	(\$25,722)	\$0
Annual Required Contribution (ARC)	\$1,042,109	\$1,085,606	\$1,829,194

	Cost Method	
	Frozen Entry Age Level \$	Frozen Attained Age Level \$
Actuarial Accrued Liability (AAL)	\$12,620,242	\$11,891,917
Assets	(\$5,789,208)	(\$5,789,208)
Unfunded Actuarial Accrued Liability (UAAL)	\$6,831,034	\$6,102,709
Net OPEB Obligation	(\$489,643)	(\$489,643)
UAAL Subject to Amortization	\$7,320,677	\$6,592,352
Normal Cost	\$681,500	\$746,025
Interest Cost	\$18,496	\$18,952
Amortization of UAAL	\$384,575	\$346,314
Adjustment to ARC	(\$25,722)	(\$25,722)
Annual Required Contribution (ARC)	\$1,058,848	\$1,085,568

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**Section 2: Supporting Documentation**

**Summary of Participant Data as of 6/30/2011**

Number of Participants in Valuation

Retirees and Survivors	80
Actives	693
Total	773

**Weighted Average Assumptions as of 6/30/2011**

Discount Rate	3.50%
Expected Long-Term Rate of Return on Assets	3.50%

**Assumed Health Care Cost Trend**

	Medical	Dental
2011 - 2015	10.0%	5.0%
2016 - 2020	8.0%	5.0%
2021 and after	6.0%	5.0%

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**Section 3: Basis of Valuation**

**Section 3.1:** Plan Participants

**Section 3.2:** Actuarial Basis

**Section 3.3:** Assumptions

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**Section 3.1: Plan Participants**

Administrators, Teachers, and Clerical, Administrative Confidential, Custodial and Food Service employees of the School District are eligible to participate in the postretirement medical benefit programs. Administrators are also eligible to participate in the postretirement dental benefit program.

Eligibility and benefit provisions vary by group and are explained in the Assumptions section.

The valuation includes all active employees and retirees and their covered spouses who are currently receiving benefits under the plan.

**Exhibit 3.1a:** Count of Active Participants

**Exhibit 3.1b:** Count of Inactive Participants

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**Exhibit 3.1a: Count of Active Participants**

Age	Years of Service							Total
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+	
Under 20	0	0	0	0	0	0	0	0
20 - 24	8	1	0	0	0	0	0	9
25 - 29	53	10	1	0	0	0	0	64
30 - 34	35	35	5	0	0	0	0	75
35 - 39	21	28	44	1	0	0	0	94
40 - 44	20	39	35	16	7	0	0	117
45 - 49	20	41	23	9	17	9	0	119
50 - 54	10	17	13	16	10	13	10	89
55 - 59	3	10	17	9	15	3	17	74
60 - 64	2	10	8	2	8	4	4	38
65 - 69	0	3	4	0	2	3	2	14
70+	1	0	1	0	0	0	0	2
<b>Total</b>	<b>173</b>	<b>194</b>	<b>151</b>	<b>53</b>	<b>59</b>	<b>32</b>	<b>33</b>	<b>695</b>

Statistics for Active Participants

Average Age                    44.5  
Average Service                11.0  
Percent Male                    26.0%

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**Exhibit 3.1b: Count of Retired Participants**

Age	Retirees and Survivors
Under 50	0
50 - 54	0
55 - 59	23
60 - 64	57
65 - 69	0
70 - 74	0
75 - 79	0
80+	0
Total	80

**Section 3.2: Actuarial Basis**

**A. Funding Policy**

Prior to July 1, 2007, the retiree medical plan was operated on a Pay-As-You-Go basis.

**B. Valuation of Assets**

The plan has a segregated postretirement medical and dental benefit asset account which it designates as Fund 73. As of 6/30/2010, the balance in the asset account is \$5,196,948.

In order to be considered as an asset under GASB45, the resource (stock, cash etc) must be segregated and restricted in a trust or equivalent arrangement. Employer contributions to the plan must be irrevocable, dedicated to providing retiree benefits and protected from creditors.

**C. Actuarial Cost Method**

Unit Credit Actuarial Cost Method with unfunded Actuarial Accrued liability amortized as a level dollar amount over 30 years.

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**Section 3.3: Assumptions**

Discount Rate: 3.50%

Mortality: 2007 Current Liability Combined Mortality

Eligibility Requirements:

Administrators: Age 55 with 10 years of service (hired prior to July 1, 2008)  
Age 55 with 15 years of service (hired on or after July 1, 2008)  
DCETA: Age 57 with 15 years of service  
Age 55 for retirement on 6/9/11  
EPU: Age 59 with 25 years of service  
Admin Confidential: Age 59 with 20 years of service  
Custodial: Age 59 with 25 years of service  
Food Service: Age 59 with 25 years of service  
At Will: Age 59 with 25 years of service  
Concession Stand Operator  
Age 59 with 25 years of service

Must have participated in the District's health plan for 5 years immediately prior to retirement.

Benefits:

- Medical
- Dental for Administrators only

Maximum Duration of Benefit Payments:

- Administrators: Earlier of eligible for Medicare or 7 years
- DCETA: Earlier of eligible for Medicare or 7 years
- Clerical: Until eligible for Medicare
- Admin Confidential: Until eligible for Medicare
- Custodial: Earlier of age 65 or eligible for Medicare
- Food Service: Earlier of age 65 or eligible for Medicare
- At Will: Until eligible for Medicare
- Concession Stand Operator: Until eligible for Medicare

Note that spouse benefits are assumed to continue to the maximum duration if retiree reaches age 65 first.

Maximum Monthly Medical Benefit Payment:

- Administrators: No maximum
- DCETA: \$295 single, \$800 family. District contribution calculation equals monthly contribution times 12 months times 7 years divided by number of eligible months left before age 65 or a maximum of 7 years. Cannot exceed the total cost of insurance. Those retiring on 6/9/11 will receive an additional monthly contribution of \$2,800 for family or \$1,030 for single divided over

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their eligible amounts. Effective with the 2011-12 year, the maximum will be set at \$60,000 for family or \$22,130 for single coverage.

- EPU: \$275 single, \$550 family
- Admin Confidential: \$275 single, \$550 family
- Custodial: \$325 single, \$600 family
- Food Service: \$250 single, \$500 family
- At Will: \$275 single, \$550 family
- Concession Stand Operator: Allowed to continue coverage at full cost beyond the initial 18 month period

The School District pays 100% of the Dental costs for Administrators.

**Current Cost:**

Medical claim cost varies by age. Rates for sample ages are:

Age 55:	\$1,124.04 per month, per participant
Age 60:	\$1,241.03
Age 64:	\$1,343.33

Dental : \$76.21 per month, per participant (Administrators only)

**Annual Increase in Medical Cost Due to Aging:**

- Under 50: 3%
- 50 to 64: 2%

**Annual Trend Rates:**

Medical	10%	2012 - 15
	8%	2016 - 20
	6%	2021 +
Dental	5%	All years

**Retiree Contributions:** None for Administrators. Participants pay the excess of actual cost and employer cap amount.

**Participation Assumptions:**

- Probability of Electing Coverage upon Retirement = 100%
- Percent of Future Retirees Who Are Married = 80%
- Probability of Electing Coverage on Spouse = 100%

**Age Difference in Spouses:**

Male is 3 years older than female

**Valuation Date:** 6/30/2011

**New Employees:** None

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**Section 3.4: Description of GASB 45 Terms**

Actuarial Accrued Liability (AAL): That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of OPEB benefits and expenses which is not provided for by future Normal Costs

Actuarial Cost Method (Unit Credit): A method under which the projected OPEB benefit of each individual is allocated equally to years from the date of hire to the date of full eligibility.

Actuarial Present Value of Future Benefits: Total benefits expected to be payable to future and current retirees, spouses and dependents discounted for the time value of money and the probability of paying those benefits

Normal Cost: That portion of the Actuarial Present Value of OPEB benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

Actuarial Accrued Liability: Value of benefits allocated to all periods prior to a valuation year.

Annual Required Contribution (ARC): Normal cost plus the amortization of the AAL adjusted for the timing of payment. GASB 45 does not require that the ARC be funded. However, if the employer contribution is less than the ARC, the deficiency will be amortized over future years and increases the future years' ARC.

Annual OPEB Cost: ARC plus one year's interest on the net OPEB Obligation plus an adjustment to the ARC which is the amortization of cumulative past under- or over-contributions.

Net OPEB Obligation: The cumulative difference between the annual OPEB cost and the contributions to the plan since the adoption of GASB 45 (transition) by the D. C. Everest Area School District.

***D. C. Everest Area School District***  
***Postretirement Medical Valuation as of June 30, 2011***

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**Certification**

We have prepared the attached actuarial valuation of the D. C. Everest Area School District's Postretirement Medical Benefit Programs in accordance with Statement of Governmental Accounting Standards No. 45.

We have based the valuation on financial and census data which were provided to us by the D. C. Everest Area School District. We have not audited the data beyond a check for reasonableness.

All costs, liabilities, and other factors associated with the valuation of this plan have been determined in accordance with generally accepted actuarial principles and procedures, and are consistent with the provisions of SGAS 45, including the Actuarial Standard of Practice No. 6 for Measuring Retiree Group Benefit Obligations (American Academy of Actuaries).

The actuarial computations under Statements of Governmental Accounting Standards contained in this report are for the sole purpose of fulfilling employer accounting requirements. The use of the results of this report for other purposes may lead to inappropriate conclusions.

  
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Sheryl Henry, FSA, MAAA

  
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Date

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