

AGENDA
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
BOARD OF TRUSTEES STUDY SESSION
October 14, 2015, 6:00 p.m.
District Office Board Room
3401 CSM Drive, San Mateo, CA 94402

NOTICE ABOUT PUBLIC PARTICIPATION AT BOARD MEETINGS

The Board welcomes public discussion.

- *The public's comments on agenda items will be taken at the time the item is discussed by the Board.*
- *To comment on items not on the agenda, a member of the public may address the Board under "Statements from the Public on Non-Agenda Items;" at this time, there can be discussion on any matter related to the Colleges or the District, except for personnel items. No more than 20 minutes will be allocated for this section of the agenda. No Board response will be made nor is Board action permitted on matters presented under this agenda topic.*
- *If a member of the public wishes to present a proposal to be included on a future Board agenda, arrangements should be made through the Chancellor's Office at least seven days in advance of the meeting. These matters will be heard under the agenda item "Presentations to the Board by Persons or Delegations." A member of the public may also write to the Board regarding District business; letters can be addressed to 3401CSM Drive, San Mateo, CA 94402.*
- *Persons with disabilities who require auxiliary aids or services will be provided such aids with a three day notice. For further information, contact the Executive Assistant to the Board at (650) 358-6753.*
- *Regular Board meetings are recorded; recordings are kept for one month.*
- *Government Code §54957.5 states that public records relating to any item on the open session agenda for a regular board meeting should be made available for public inspection. Those records that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to the members of the Board. The Board has designated the Chancellor's Office at 3401 CSM Drive for the purpose of making those public records available for later inspection; members of the public should call 650-358-6753 to arrange a time for such inspection.*

6:00 p.m. ROLL CALL

Pledge of Allegiance

DISCUSSION OF THE ORDER OF THE AGENDA

MINUTES

15-10-1 [Approval of the Minutes of the Meeting of September 30, 2015](#)

STATEMENTS FROM THE PUBLIC ON NON-AGENDA ITEMS

NEW BUSINESS

15-10-1A [Approval of Personnel Items: Changes in Assignment, Compensation, Placement, Leaves, Staff Allocations and Classification of Academic and Classified Personnel](#)

STUDY SESSION

15-10-1C [Medical and Other Discretionary Employee Benefits](#)

15-10-2C [A Discussion of Liabilities](#)

15-10-3C [Other Pension Employee Benefits \(OPEB\) Trust](#)

STATEMENTS FROM BOARD MEMBERS

RECESS TO CLOSED SESSION

1. Public Employee Discipline/Dismissal/Release
2. Conference with Labor Negotiator
Agency Negotiator: Eugene Whitlock
Employee Organizations: AFT, CSEA and AFSCME

CLOSED SESSION ACTIONS TAKEN

ADJOURNMENT

**Minutes of the Regular Meeting of the Board of Trustees
San Mateo County Community College District
September 30, 2015, San Mateo, CA**

The meeting was called to order at 6:10 p.m.

Board Members Present: President Patricia Miljanich, Vice President Dave Mandelkern, Trustees Richard Hober, Thomas Mohr and Karen Schwarz, Student Trustee Rupinder Bajwa

Others Present: Chancellor Ron Galatolo, Executive Vice Chancellor Kathy Blackwood, Skyline College President Regina Stanback Stroud, College of San Mateo President Michael Claire, District Academic Senate President Diana Bennett

Pledge of Allegiance

DISCUSSION OF THE ORDER OF THE AGENDA

Vice President Mandelkern noted that the agenda for both open and closed sessions is quite full. He suggested that the Board consider ending the open session portion of the meeting at approximately 8:30 p.m. and tabling items not addressed by that time until a future meeting. The Board agreed to monitor progress of agenda items and make a decision on tabling items as the meeting progresses.

MINUTES

It was moved by Trustee Hober and seconded by Trustee Mohr to approve the minutes of the study session of September 9, 2015. The motion carried, all members voting Aye.

STATEMENTS FROM EXECUTIVES

Chancellor Galatolo said he received brochures from Chief Elections Officer Mark Church listing polling places for the November 3, 2015 election. As requested by the Board, all of the District Colleges are listed as polling places.

Skyline College President Stanback Stroud asked everyone to join her in sending condolences to Connie Beringer, former Dean of Language Arts at Skyline College on the loss of her husband, Dr. Jack Fiedler, who passed away recently. Dr. Fiedler was a former administrator, counselor and faculty member in the District.

College of San Mateo President Claire said Dr. Fiedler was a faculty member at College of San Mateo. He asked that the Board adjourn this meeting in his memory. President Claire said the Child Development Center received a one-time gift of close to \$592,000 from the Lazarus Foundation Trust. President Claire said the Food Pantry, which is a partnership with the Second Harvest Food Bank, had a successful opening.

Executive Vice Chancellor Blackwood said the District submitted an application for the Silicon Valley Leadership Group's "Red Tape to Red Carpet" award. Congresswoman Jackie Speier, State Senator Jerry Hill and State Assemblymember Kevin Mullin provided letters of support. Chancellor Galatolo said two Board members recommended that the District apply for the award.

District Academic Senate President Bennett said she is participating in the Institutional Effectiveness Partnership Initiative's Partnership Resource Team as a faculty member. President Bennett said the Academic Senate will hold a Districtwide open forum for faculty and others for the Online Education Initiative and Canvas.

BOARD SERIES PRESENTATION – INNOVATIONS IN TEACHING, LEARNING AND SUPPORT SERVICES: SMALL BUSINESS DEVELOPMENT CENTER AT COLLEGE OF SAN MATEO (15-9-3C)

Kathy Ross, Dean of Business/Technology at College of San Mateo, said the College was awarded a grant to run a Small Business Development Center (SBDC) on campus and the SBDC opened its doors in 2013. She said SBDCs are an extension of the Small Business Administration under the Department of Commerce. Dean Ross introduced Robert Shoffner, the faculty member who leads the program.

Mr. Shoffner said there are 1,100 SBDCs nationwide and 35 in California. He said SBDCs are an integral component of the Small Business Administration's network of training and counseling services. The SBDC at College of San Mateo

receives funding from the federal, state and local governments, as well as from the District and private companies. There is no fee charged to the businesses who use the services provided by the SBDC.

Mr. Shoffner said small businesses are the engine of job growth in the United States. He said the SBDC helps businesses achieve their entrepreneurial dreams and helps make the economy of San Mateo County stronger. The advisory staff includes people with considerable industry and functional expertise.

Mr. Shoffner said the SBDC has clients in just about every city in San Mateo County; fifty percent of the clients are located in San Mateo, Daly City and Redwood City. A large number of business sectors are served, with the service establishment sector comprising 42%. In 2014, the approximate ownership of businesses by group was: women-30%; African American-1%; Asian-19%; and Hispanic-12%. The SBDC is focused on how to help minority businesses in the County.

Mr. Shoffner said the SBDC offers counseling, along with workshops and training events. He discussed a variety of events including Getting to Wow with Bill Reichert and The Angels Forum with Carol Sands. The SBDC is also partnering with the District's Community, Continuing and Corporate Education for a five seminar series.

Mr. Shoffner said the SBDC has a strong focus on student engagement. He served as consultant to the College of San Mateo Business Club for the Innovator Forum event in spring 2015. The Center is using student interns to assist with social media strategy and will be utilizing a team of students to assist with counseling one or more business clients under the direction of the Center Director and business advisors. The Center is working with the College of San Mateo Cosmetology Department to develop a series of workshops to prepare students for entrepreneurship and self-employment. Mr. Shoffner said the Center is also reaching out to students at Cañada College and Skyline College.

Mr. Shoffner said the SBDC has had 130 new business clients since its opening in 2013. The total client base is 3,000. There were 980 total client hours; 114 total clients counseled; 8 new businesses created; and 50 jobs created. Success stories include Amour, Seedles, Grace Yoga, and San Francisco Wine School.

Mr. Shoffner said plans for 2015-16 include assisting the Bay Area Entrepreneur Center of Skyline College with a major rebranding effort; expanding student engagement efforts at all three campuses; expanding outreach efforts to ethnic/minority communities; and holding the San Mateo County Economic Summit.

Trustee Mohr asked how the SBDC is promoted to the business community. Mr. Shoffner said social media is utilized and he also conducts outreach by attending several events each week, such as meetings of Chambers of Commerce and business organizations.

Vice President Mandelkern asked Mr. Shoffner to compare and contrast the activities of the SBDC and the Bay Area Entrepreneur Center (BAEC) and asked if there is an opportunity for cooperation between the two. Mr. Shoffner said there are opportunities for collaboration. He said the businesses that typically come to the BAEC are early stage businesses which can be referred to the SBDC for additional assistance. He said the SBDC has some counselors at the BAEC. The BAEC will also be used as the Northern California site for the SBDC and some events will be held there. President Stanback Stroud said the BAEC is an incubator center; there are seven tenants who pay a small amount of rent to have their businesses housed there.

Vice President Mandelkern said the Board previously was presented with information on the EDGE, an initiative of the San Mateo Chamber of Commerce. He asked how this initiative compares and contrasts with the SBDC. Mr. Shoffner said he sees the SBDC and the EDGE as complementary. He said the EDGE is set up to help technology-oriented businesses interface with the City and get established in downtown San Mateo. He said the SBDC can help the businesses in other areas, such as counseling and securing of capital.

Trustee Holober asked if the SBDC is available to non-profit organizations. Mr. Shoffner said it serves for-profit businesses primarily, but will work with non-profit organizations on a selective basis.

Student Trustee Bajwa asked how students may take advantage of the SBDC's resources and workshops. Mr. Shoffner said events are posted on the District website and he also reaches out to the business clubs on the campuses. He added

that all events are free of charge to students. President Claire said business faculty at College of San Mateo encourage students to attend SBDC events.

STATEMENTS FROM THE PUBLIC ON NON-AGENDA ITEMS

Tom Bauer, Vice Chancellor of Auxiliary Services and Enterprise Operations, said the Auxiliary Services Department's annual report is finished and copies are placed at each Board member's place on the dais. He acknowledged the outstanding work of Kevin Chak, Manager of the Skyline College Bookstore, and Amanda Bortolo, who works in the Skyline College Copy Center, who put the report together. He said the pictures in the report show that (1) the community members pictured are intertwined and integrated with the services, and (2) the employees pictured – whether they work in the Bookstores, Food Service, the San Mateo Athletic Club or Community Education – are committed to the success of Auxiliary Services.

Maxine Turner, a member of the public, asked how and why a new, large demolition and new construction project (Building 19) was added to the capital projects between the time that the EIR Notice of Preparation went out in May and the time that the EIR came out for review. President Miljanich explained that this portion of the Board meeting is set aside to hear statements from members of the public but the Board is not allowed to engage in dialogue about an item that is not on the agenda. She said José Nuñez, Vice Chancellor of Facilities Planning, Maintenance and Operations, will follow up with an email response to Ms. Turner.

Donna Bischoff, a member of the public, said she has complained to the District about watering on the College of San Mateo campus in the middle of the day and watering in general. She said she was provided information on the District's water conservation efforts. She said she was horrified to see that in July and August, new sod was being put in for the North Gateway project. She said she does not believe there is a correlation between positive student outcomes and the amount of sod on a campus. She said sod uses water and manpower and produces pollution and runoff. She said the District's efforts to conserve water are positive, but she asked that the District reconsider putting in sod on the campuses.

NEW BUSINESS

APPROVAL OF PERSONNEL ITEMS: CHANGES IN ASSIGNMENT, COMPENSATION, PLACEMENT, LEAVES, STAFF ALLOCATIONS AND CLASSIFICATION OF ACADEMIC AND CLASSIFIED PERSONNEL (15-9-3A)

It was moved by Trustee Holober and seconded by Trustee Mohr to approve the items in the report. Vice President Mandelkern asked for confirmation that the normal hiring process was followed for all appointments listed on the report. Vice Chancellor Eugene Whitlock said the hiring process was followed for all positions except reclassifications, which are not subject to the hiring process. The motion carried, all members voting Aye.

APPROVAL OF CONSENT AGENDA

President Miljanich said the consent agenda consists of board reports 15-9-1CA through 15-9-9CA as listed on the printed agenda. Trustee Schwarz requested that items 15-9-6CA and 15-9-7CA be removed from the consent agenda for further discussion. It was moved by Trustee Mohr and seconded by Trustee Holober to approve the remaining items on the consent agenda. The motion carried, all members voting Aye.

ACCEPTANCE OF PROGRAM SELF-EVALUATION FOR THE COLLEGE OF SAN MATEO CHILD DEVELOPMENT CENTER AND SKYLINE COLLEGE EARLY LEARNING & CHILD DEVELOPMENT CENTER (15-9-6CA)

It was moved by Trustee Schwarz and seconded by Vice President Mandelkern to accept the self-evaluation. Trustee Schwarz said the board report indicates that the self-evaluation will be presented to parents of children enrolled in the Centers. She asked if they will receive copies of this written report or if it will be a verbal report. Executive Vice Chancellor Blackwood said she believes the parents will receive a verbal report and that the written report will be posted on the website. Trustee Schwarz said she would like the Board to have an opportunity to attend a session at which a verbal report is presented and asked that the Board be notified about the scheduling of the sessions. Trustee Mohr said it would be helpful for the Board to have a summary of findings rather than the lengthy report. Chancellor Galatolo suggested that the District seek Board approval tonight and follow up with a summary of findings and a timeline for the verbal reports to parents. After this discussion, the motion to accept the self-evaluation carried, all members voting Aye.

APPROVAL OF APPOINTMENT OF OFFICIAL REPRESENTATIVES TO THE ADULT-EDUCATION COLLEGE AND CAREER EDUCATIONAL LEADERSHIP (ACCEL); AGREEMENT TO REPORT ON FUND USE AND OUTCOMES; AND AGREEMENT TO RULES AND PROCEDURES (15-9-7CA)

It was moved by Trustee Schwarz and seconded by Trustee Holober to approve the governance structure as detailed in the report. Trustee Schwarz said the report is lengthy and it might be helpful for the Board to receive a brief presentation on ACCEL. Gregory Anderson, Vice President of Instruction at Cañada College, said this report is simply a request for the Board to accept the governance and funding structure of ACCEL as required by the State. Chancellor Galatolo said ACCEL is an ongoing program and reports will continue to be provided periodically. After this discussion, the motion carried, all members voting Aye.

Other Recommendations

APPROVAL OF DISTANCE EDUCATION SUBSTANTIVE CHANGE PROPOSAL FOR SKYLINE COLLEGE TO BE SUBMITTED TO THE ACCREDITING COMMISSION FOR COMMUNITY AND JUNIOR COLLEGES (ACCJC) (15-9-1B)

It was moved by Trustee Mohr and seconded by Trustee Holober to approve the proposal as detailed in the report. The motion carried, all members voting Aye. Trustee Mohr said he appreciates the inclusion of a process for students to evaluate whether they are ready for online learning and the availability of advising and counseling.

ADOPTION OF DISTRICT STRATEGIC PLAN (15-9-2B)

It was moved by Trustee Schwarz and seconded by Trustee Mohr to adopt the Strategic Plan as presented. Executive Vice Chancellor Blackwood said development of the Strategic Plan began in September 2014 and was spearheaded by two committees. The Strategic Plan Steering Committee was composed of two Board members, Chancellor, College Presidents, President of the District Academic Senate, Deputy and Executive Vice Chancellors, Vice Chancellor(s) of Educational Services and Planning, and Director of Community and Government Relations. The District Strategic Planning Task Force was composed of the same group, minus the two Board members and adding the College Researchers and College Academic Senate Presidents. In addition, Rick Voorhees and Tom Gonzales of the Voorhees Group provided assistance.

Executive Vice Chancellor Blackwood said multiple forums were held to discuss: (1) the planning process, including the environmental scan and planning assumptions; (2) Districtwide data including trends for demographic shifts, instructional program trends, degrees and certificates awarded, and student success; and (3) draft goals and strategies. Executive Vice Chancellor Blackwood said she received many subsequent emails and telephone calls which provided extensive additional information and revisions to the goals and strategies. Presentations were made to District and College participatory governance groups and to the Board. District Academic Senate President Bennett said the Strategic Plan was discussed and reviewed at the District Academic Senate and local Senate levels and faculty provided significant input. She said she is confident that faculty had adequate opportunity to engage in the process.

Jamillah Moore, Vice Chancellor of Educational Services and Planning, noted that the Board has had an excellent vision regarding student access and success and said the Strategic Plan goals are aligned with the Boards goals. She outlined each of the four strategic goals and discussed how they are aligned with Board goals.

Executive Vice Chancellor Blackwood said the Strategic Plan is also tied to resource allocation. She said the new resource allocation model includes annual funding for an Innovation Fund to support program development. Executive Vice Chancellor Blackwood said that when she builds the budget each year, she also includes budgeting for two years out. She said that for this budget cycle, she included ongoing money in each year to continue to expand and achieve the goals of the Strategic Plan. She said staff will brief the Board at the annual retreat and again at the end of the year on how the money was spent and what was achieved.

Vice Chancellor Moore said the Strategic Plan is accompanied by a set of metrics and planning assumptions. She said the metrics are a summary of data-driven trends and their implications and are a work in progress. The planning assumptions are statements that shape the planning process and create a shared future vision. Vice Chancellor Moore said the Strategic Plan is grounded in its foundation in the Colleges' Educational Master Plans. She said the programs included in the Strategic Plan are the Middle Colleges at Cañada College and Skyline College; Project Change at College of San Mateo; and the SparkPoint Centers at Cañada College and Skyline College. Vice Chancellor Moore said there is work to be done, but those involved in the planning process believe the Strategic Plan is a working document that addresses the

importance of access, equity and completion. She said the Board will receive ongoing updates and will engage in dialogue regarding progress and what adjustments might need to be made.

Vice Chancellor Moore said three students will describe their experiences in existing programs.

Nick is a student who participated in Project Change, which serves youth who have been through the juvenile justice system. He said the program provides support that is out of the ordinary. He said he is the first in his family to attend college and he did not understand the process. He said Project Change guided him through it and also provided financial help for textbooks. He said he realized he could either continue on the path he was on or become whatever he wanted to be. Nick said he is leaving tomorrow to join AmeriCorps. He said he would not have been able to accomplish what he has without the help of Project Change. Vice President Mandelkern asked Nick about his educational goals. Nick said his long-term goal is to become a firefighter and eventually a chief. He said he wants to get a dual major in Fire Science and Sociology and transfer to a four-year institution to earn a degree.

Alexandra Wildman, a student at the Middle College at Cañada College, said attending Middle College was the best decision she has ever made. She said students experience “culture shock” when they first arrive at the Middle College; however, the weeklong orientation provides the opportunity to explore the campus and be introduced to resources and services that are not available at the high schools. She said that the Middle College teachers are also the students’ counselors and they help students every step of the way. Ms. Wildman said Middle College students are fully integrated into the campus. She currently serves as Vice President of the Associated Students of Cañada College (ASCC) and other Middle College students serve on the ASCC Board with her. Vice President Mandelkern asked Ms. Wildman about her educational goals. Ms. Wildman said she is interested in Public Health. She hopes to eventually earn a Ph.D. and work for the National Institutes of Health.

Monique Hernandez said she is a single mother who returned to school at Skyline College after taking ten years off. She said her EOPS Counselor advised her of the resources and services available on campus and connected her with the SparkPoint Center and with a job opportunity. She said SparkPoint has had a tremendous impact on her life. She was able to gain access to services for which she was eligible, receive credit counseling and improve her credit score, and meet with a financial coach to learn how to budget and build plans for the future. She said she not only gained advocates, but learned how to become an advocate for herself. She said she was able to help other students through her job at SparkPoint and witnessed the impact of the Food Pantry and Grove Scholarships for students in need. Ms. Hernandez said she transferred from Skyline College and is now in her second year at San Francisco State University. Her goal is to earn a doctorate in marriage and family therapy.

Trustee Schwarz thanked the students for their comments. She said it is gratifying to hear of their success and said she is happy that the District offers such opportunities for students. She said she is pleased that Middle College students have become more and more involved in campus life.

Executive Vice Chancellor Blackwood thanked the students for sharing their stories. She also thanked the College Researchers who provided a multitude of data to the Voorhees Group; Sue Harrison, Roxanne Brewer and Ginny Brooks for editing assistance; everyone who came to forums and meetings to participate in the process; and the Board for encouraging and directing the development of the Strategic Plan. She expressed special thanks to Trustees Holober and Mohr who served on the Steering Committee.

Trustee Schwarz thanked Trustees Holober and Mohr for giving their time and providing information to the entire Board. She said she agrees that having a working document that can be tweaked as needed is the appropriate road to take.

Trustee Mohr said the Strategic Plan is the means by which the Board gives direction to the District. He said it is also the platform by which partnerships are formed throughout the District and how discourse is conducted around the well-being of students. He said it provides the opportunity to understand the kinds of investments the District is making in students. Trustee Mohr said he appreciates the tremendous effort that has gone into the development of the Strategic Plan. He said it is very explicit and goes to the heart of the matter.

Vice President Mandelkern thanked everyone at the District and Colleges who participated in the strategic planning process, along with Trustees Holober and Mohr. Vice President Mandelkern said he appreciates the inclusion of the SWOT (strengths, weaknesses, opportunities and threats) Analysis. He suggested that the SWOT Analysis also address:

1. remediation of the anticipated retirement of a number of key employees
2. the competitive dynamic with for-profit colleges

Vice President Mandelkern said his suggestions are the opinion of only one Board member and are meant to be constructive.

Trustee Holober acknowledged Trustee Mohr's important role in how the Strategic Plan evolved. He said Trustee Mohr repeatedly stressed the Board's role in establishing and measuring goals and having accountability around academic performance, etc. He said this is a crucial element of the Strategic Plan. Trustee Holober said another important concept in the document is timing; the District is experiencing relatively good times economically, allowing it to enhance academic offerings. He said the focus on equity and justice, bringing added resources to bear on targeted populations who could benefit from having access and the ability to succeed, is a key message.

Trustee Holober said it is very important to acknowledge and understand that the Strategic Plan is a working document and that the metrics are placeholder numbers rather than directives. Vice President Mandelkern agreed and said he hopes the metrics will be revisited and honed quite frequently.

Trustee Holober said Strategic Goal #4 evolved over the course of the writing of the Plan. He said it originally spoke only to entrepreneurial activities but now addresses three areas which he said he believes should be ranked in importance as follows:

1. Preserve the District's community-supported status
2. Be prudent in how money is spent, i.e. utilize program review
3. Entrepreneurial activities

Trustee Holober said the Board has had debate on some entrepreneurial activities, reflecting differing philosophies on what kinds of activities are appropriate. He said he believes there should be full-fledged Board discussions when embarking on entrepreneurial activities.

Student Trustee Bajwa said the District Student Council discussed the Strategic Plan and supports it enthusiastically. He said he is pleased that it is a living document and that its title includes "Students First."

Vice President Mandelkern said he believes the issue of job placement as a goal could be expanded upon and improved in Goal #2. He said he also would like to see metrics around this issue.

With regard to the issue of student success in Goal #2, Vice President Mandelkern said the State-mandated metrics are still being used and he would like to see a more individualized look at the District's students' goals. He said he believes that students who accomplish what they came to the Colleges to do should be recorded as successes. Trustee Mohr said this issue was discussed extensively. He said it is assumed that data will be brought back over a period of time by the College researchers and definitions need to be brought together soon. Trustee Mohr added that he believes there is a strong need for a researcher at the District Office. Trustee Holober said Goal #1 includes the State-mandated metrics on transfer and degree/certificate completion. He said an additional metric could speak to students who complete an educational plan indicating that their goal is to brush up on skills and then achieve that goal. Executive Vice Chancellor Blackwood said most students who take only one or two courses do not complete an educational plan, making it difficult to obtain data. She said 65% to 70% of District students complete educational plans. Vice President Mandelkern said metrics are critical and he would like to see 100% of students complete educational plans. Chancellor Galatolo said he believes the focus for developing metrics should first be on current initiatives, e.g. Middle College, First Year Experience and Project Change.

Vice President Mandelkern said he believes that protecting the District's community-supported status is the most significant factor in Goal #4. He asked about the metric regarding building coalitions among other community-supported districts. Chancellor Galatolo said protecting the District's status is a primary focus. He said the District has attempted to form coalitions; however, this has proven difficult because of the small number of community-supported districts and the frequent leadership changes within those districts. Vice President Mandelkern said this is one of the most significant issues for the District and he would be open to suggestions on developing metrics. President Miljanich said it would be difficult to develop meaningful metrics for this issue. She noted that Chancellor Galatolo has shown great leadership in this area.

Vice President Mandelkern said the Strategic Plan does not address how to replicate successful programs, such as MathJam and Writing in the End Zone, across the campuses. He said he hopes this will be addressed moving forward. Trustee Schwarz said this has been discussed when presentations are made to the Board. She said she believes each College should decide if a program would work on its campus. She said she appreciates the diversity of what occurs at each College. President Claire said each campus has its own personality, but this does not prevent them from considering ideas from the other Colleges. Trustee Mohr said the Strategic Plan brings the Colleges closer together than they were before. Vice President Mandelkern said he believes it is important to examine best practices and he hopes successful programs will be applied across the District when it makes sense. President Stanback Stroud said there is a culture of collaboration in the District and the Colleges are willing to learn from each other.

President Miljanich said she appreciates the focus on connecting Board goals with the goals in the Strategic Plan. She said she understands that the Strategic Plan is a work in progress and she appreciates everything that has been done to this point.

After this discussion, the motion to adopt the Strategic Plan carried, all members voting Aye.

ADOPTION OF RESOLUTION NO. 15-27 CALLING ON THE ACCREDITING COMMISSION FOR COMMUNITY AND JUNIOR COLLEGES TO GRANT CITY COLLEGE OF SAN FRANCISCO FULL ACCREDITATION (15-9-3B)

It was moved by Trustee Mohr and seconded by Trustee Schwarz to adopt Resolution No. 15-27. The motion carried, all members voting Aye.

APPROVAL OF SOLE SOURCE PURCHASE OF PRECOR FITNESS EQUIPMENT (15-9-100B)

It was moved by Trustee Mohr and seconded by Trustee Schwarz to approve the sole source purchase as detailed in the report. The motion carried, with Trustees Holober, Miljanich, Mohr and Schwarz voting Aye. Vice President Mandelkern had stepped away from the meeting during consideration of this item and did not cast a vote.

APPROVAL OF CONTRACT AWARD FOR CAPITAL IMPROVEMENT PROGRAM PHASE 3 (CIP3) CONSTRUCTION MANAGEMENT SERVICES (15-9-101B)

It was moved by Trustee Mohr and seconded by Trustee Schwarz to approve the contract as detailed in the report. Ms. Turner asked how the Board can vote to authorize projects before the ERI is certified. Karen Powell, Executive Director of Facilities Planning and Operations, said the District is precluded from moving forward with construction until the EIR is certified; however, the District's counsel and environmental consulting firm have both confirmed that it is appropriate and usual to engage in planning efforts. Ms. Turner said that if a project does not make it through the CEQA process, the District will have wasted money on a project that cannot be built. President Miljanich said the District will be prepared and ready to begin when a project does make it through the process. Ms. Powell said the schedule to complete the EIR comment period and adopt the plan dovetails well with the timing to initiate the detail design for the projects. She said it is unlikely that the detail design will get underway or incur significant costs before the EIR is certified.

Trustee Holober asked about the timeframe for the CEQA process. Ms. Powell said staff hopes to be able to ask the Board to certify the plan at its December meeting, after the close of the comment period. Trustee Holober asked about the timeframe during which the money for the proposed Swinerton contract would be expended. Vice Chancellor Nuñez said the proposed contract period is seven years. Chancellor Galatolo said expenses would be incurred largely subsequent to the CEQA review and when construction begins. Vice President Mandelkern noted that the proposed construction management contract includes all projects in CIP3; therefore, if a project is challenged, many other projects could still move forward. He said it is important to keep spending in line with projects that have been authorized by the Board.

After this discussion, the motion to approve the contract award carried, all members voting Aye.

AUTHORIZATION FOR CAPITAL IMPROVEMENT PROGRAM PHASE 3 (CIP3) PROJECT DELIVERY METHODS, PHASE ONE PROJECTS (15-9-102B)

It was moved by Trustee Schwarz and seconded by Trustee Mohr to authorize the delivery methods as detailed in the report. Ms. Bischoff said the report includes the planned demolition of Buildings 20 and 20A at College of San Mateo. Chancellor Galatolo said this is planned pending the outcome of the State Supreme Court decision.

Trustee Holober asked what the projected cost of the first-wave projects is. Vice Chancellor Nuñez said the cost for the first seven projects is \$362 million. The total cost for all projects is \$481 to \$530 million. Trustee Holober said he has raised reservations regarding priorities, particularly with regard to Cañada College Building 1. He said this project has more than doubled in size since the time the District was estimating projects for the general obligation bond ballot measure. He said he would prefer to remove this project from the list pending the outcome of a potential Statewide facilities bond which will be on the ballot in 2016 and would allot the District approximately \$29 million. Vice Chancellor Nuñez said the Statewide bond is not applicable to the Cañada College Building 1 project. President Miljanich said she is not in favor of removing this project. She said she does not feel qualified to override the Colleges' determination of the needs for their campuses. Trustee Mohr said he is very comfortable with moving forward with the project. He said College faculty and staff are very much in touch with the needs of the community and students they serve. He said there is a lack of equity when comparing the current facility with the facilities on the other campuses. Trustee Mohr said students deserve something better for their entire well-being and he believes this is why faculty and staff brought the project forward as a top priority.

Trustee Holober said he does not question the need for a new state-of-the-art facility at Cañada College to serve the needs of students and the community. He said he is concerned with the expansion of the project, largely to accommodate an athletic club for the surrounding community. He said he has concerns about the way the current athletic club at College of San Mateo is operated, including employment issues.

Vice President Mandelkern asked if there is prioritization among the seven first-wave projects. Vice Chancellor Nuñez said there is a sequence of projects, with the Cañada College Kinesiology and Skyline College Environmental buildings coming first, followed by the Math/Science building at Cañada College. He said there is only a one month gap between projects. Vice President Mandelkern said he would prioritize the Math/Science building first because of the critical demand for educational facilities. Chancellor Galatolo said that, while the new Math/Science building will improve the labs that are currently available in Buildings 16/18, classes and labs can still be held in the current building. He said Building 1 is critical because the facility has become a drain on the institution in terms of the effectiveness of classes conducted in the building. Chancellor Galatolo said the plan to expand Building 1 to include a fitness facility will largely underwrite the cost of replacing the current facility.

Trustee Schwarz said she appreciates that the report reflects what the Board requested, which was for the faculty and staff at the Colleges to prioritize projects and identify appropriate delivery methods. She said she supports the request for authorization as it is.

Ms. Turner said that when the Measure C bond measure passed, Chancellor Galatolo said the District would be able to complete all of the improvements in the Facilities Master Plan that was in place at the time. She said that after the District hired Steinberg Architects, it did an inadequate CEQA review process and destroyed the historic campus at College of San Mateo by tearing down buildings and replacing them with large, extravagant buildings. Ms. Turner said she believes the Board has been given bad advice by Chancellor Galatolo and some of the architects and planners hired by the District. She said the educational programs at the Colleges seem wonderful but she believes the District has been wasteful on construction projects.

Vice President Mandelkern said the recommended delivery method for four of the first-wave projects is Construction Management at Risk (CMAR). He said the District does not have experience with this method but has had previous success with the Design-Build method. He suggested that the CMAR method might be used on one project first to see how it works. Ms. Powell said many of the most reputable and experienced contractors in the District's market are pursuing work only under CMAR and have said they will not pursue hard bid contracts. She also said staff has worked to select the method that best mitigates risks associated with particular projects. She said staff believes the District will get the best value by using CMAR for the four projects, without taking on undue liability for errors and omissions in the design documents. Trustee Mohr said he did considerable reading on the CMAR method. He said it has significant advantages, including pre-construction services; constructability expertise throughout the project; cost estimating done upfront; budgeting schedule more carefully laid out; and guaranteed cost of the work.

After this discussion, the motion to authorize the CIP3 project delivery methods for the phase one projects carried, with Trustees Mandelkern, Miljanich, Mohr and Schwarz voting Aye and Trustee Holober voting No.

ADOPTION OF RESOLUTION NO. 15-28 REGARDING BOARD ABSENCE (15-9-103B)

It was moved by Trustee Holober and seconded by Trustee Schwarz to adopt the resolution as detailed in the report. The motion carried, with Trustees Holober, Mandelkern, Mohr and Schwarz voting Aye and President Miljanich abstaining.

At this time, the Board agreed to table Information Reports 15-9-4C, A Discussion of Liabilities, and 15-9-5C, Discussion of Board of Trustees Self-Evaluation. These items will be presented at a future meeting.

COMMUNICATIONS

President Miljanich said the Board received an invitation to participate in the Policy Advisory Committee for the San Mateo County sea level rise vulnerability assessment. The first meeting will take place on the morning of October 7. Trustee Mohr has volunteered to attend the meeting and report back to the Board. President Miljanich said the Board also received an email from a candidate for the ACCT Diversity Committee asking for Board members' support.

STATEMENTS FROM BOARD MEMBERS

Trustee Schwarz said she attended the Skyline College Success Summit which was very well done. She said housing and transportation continue to be the two most significant issues facing the County. She said she was particularly interested in two ideas that were discussed: (1) the possibility of partnering with city shuttles, and (2) using pipe bursting to repair pipes. Vice Chancellor Nuñez said pipe bursting has been used on all three campuses.

Vice President Mandelkern said he visited the Bay Area Entrepreneur Center of Skyline College. He said it is an impressive facility located in the heart of the San Bruno community. He said the BAEC and the Small Business Development Center both provide opportunities to fulfill the mission of reaching out to the community to provide resources. Vice President Mandelkern said he attended the Skyline College Success Summit. He said the content and speakers, including Chancellor Galatolo, were first rate and he hopes this event will continue to grow.

Trustee Holober said he submitted a third party comment to the Department of Education on its review of the ACCJC. He said he addressed the finding that the ACCJC does not have acceptance by the educational community and said he agreed with this finding. He said he will forward his comments to the rest of the Board.

Trustee Mohr said he attended a meeting of an advisory committee composed of SMCCCD members and Sequoia Union High School District members to consider cooperating in the development of a new school. He quoted from a statement of the Sequoia Union High School governing board which indicates that they are interested in a Small School with content-specific courses that would provide students with practical and theoretical knowledge to apply in work-based learning environments, i.e. linked learning. Trustee Mohr said he believed it was the intention of the SMCCCD Board to join with the Sequoia District in the formation of an Early College High School which is a different concept than linked learning. He said he and Vice President Anderson will be attending another committee meeting and he will report back to the Board. Trustee Schwarz and Vice President Mandelkern said they agree that the Board should hold further discussions on this issue.

Trustee Mohr said the executive reports submitted to the Board as part of the board packets are superlative. He said activities offered to students outside of the classroom are superior to many universities and take the educational process to a very high level.

Student Trustee Bajwa said student leaders at the Colleges have identified issues and concerns that affect students and have brought them to the District Student Council. He said the Council is looking at ways to address the issues. He said student body fees have not changed since 2001 and a recommendation to increase the fees may come to the Board for consideration. Student Trustee Bajwa said the Board will be invited to attend District Student Council meetings at which certain issues are addressed.

RECESS TO CLOSED SESSION

President Miljanich said that during Closed Session, the Board will (1) consider the personnel items listed as 1A and 1B on the printed agenda, (2) hold a conference with legal counsel regarding three cases of potential litigation as listed on the printed agenda, and (3) hold a conference with agency labor negotiator Eugene Whitlock; the employee organizations are AFT, AFSCME and CSEA.

The Board recessed to Closed Session at 9:05 p.m.

CLOSED SESSION ACTIONS TAKEN

President Miljanich announced that at the closed session just concluded, the Board took action to suspend an Instructional Aide.

ADJOURNMENT

It was moved by Trustee Holober and seconded by Trustee Schwarz to adjourn the meeting. The motion carried, all members voting Aye. The meeting was adjourned at 10:15 p.m. in memory of Dr. Jack Fiedler.

Submitted by

Ron Galatolo, Secretary

Approved and entered into the proceedings of the October 14, 2015 meeting.

Dave Mandelkern, Vice President-Clerk

BOARD REPORT NO. 15-10-1A

TO: Members of the Board of Trustees

FROM: Ron Galatolo, Chancellor

PREPARED BY: Eugene Whitlock, Vice Chancellor, Human Resources and General Counsel
(650) 358-6883

APPROVAL OF PERSONNEL ITEMS

New employment; changes in assignment, compensation, and placement; leaves of absence; changes in staff allocation and classification of academic and classified personnel; retirements, phase-in retirements, and resignations; equivalence of minimum qualifications for academic positions; and short-term temporary classified positions.

A. ADMINISTRATIVE APPOINTMENT, REAPPOINTMENT, ASSIGNMENT AND REASSIGNMENT

None

B. PUBLIC EMPLOYMENT

1. New Hires

Cañada College

Cheri Markt	Instructor, Engineering	Science, Math and Technology
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New Contract I status academic employment, effective January 19, 2016.

College of San Mateo

Katherine Bliss	Program Services Coordinator	Academic Support & Learning Technologies
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New full-time, 12-month classified employment, effective September 28, 2015. This is a new position that was Board approved on June 24, 2015.

Deepthi Yellamraju	Office Assistant II	Creative Arts & Social Science
---------------------------	---------------------	--------------------------------

New part-time (48%), 12-month classified employment, effective October 1, 2015, replacing Gisel Martin.

Gabriel Collins	Cosmetology Aide	Business/Technology
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This item is a correction to the September 30, 2015 Board Report. At the prior meeting, the Board approved a new part-time (48%), 11-month classified employment, effective September 2, 2015, replacing Jacklyn Laquindanum. The correction is to change the employment duration from 11-month to 12-month.

F. LEAVE OF ABSENCE

None

G. PUBLIC EMPLOYEE RETIREMENT AND RESIGNATION

None

H. ESTABLISHMENT OF EQUIVALENCY TO MINIMUM QUALIFICATIONS

None

I. SHORT-TERM, NON-CONTINUING POSITIONS

The following is a list of requested classified short-term, non-continuing services that require Board approval prior to the employment of temporary individuals to perform these services, pursuant to Assembly Bill 500 and its revisions to Education Code 88003:

<i>Location</i>	<i>Division / Department</i>	<i>No. of Pos.</i>	<i>Start and End Date</i>		<i>Services to be performed</i>
District Office	Auxiliary Services/Community Education	1	10/05/2015	12/31/2015	Office Assistant II: Assist with general office support during the preparation of the spring catalog.
Skyline College	Counseling EOPS/CalWORKS	1	10/01/2015	12/31/2015	Office Assistant II: Provide general clerical assistance to staff such as filing and copying. Assist with entering and retrieving data using SARS GRID and Banner. Create files and prepare activity reports. Make follow up phone calls, send informational emails/letters to CalWORKS students. Attend the EOPS/CARE/CalWORKS staff meetings and provide support at events. This position is funded by CalWORKS.

San Mateo County Community College District

October 14, 2015

BOARD REPORT NO. 15-10-1C

MEDICAL AND OTHER DISCRETIONARY EMPLOYEE BENEFITS

There is no printed board report for this agenda item.

BOARD REPORT NO. 15-10-2C

TO: Members of the Board of Trustees
FROM: Ron Galatolo, Chancellor
PREPARED BY: Kathy Blackwood, Executive Vice Chancellor, 358-6790

A DISCUSSION OF LIABILITIES

The District plans for and projects its short and long term liabilities. The District also mitigates those where possible. There are four main liabilities that we should review:

Capital Outlay Bonds. These are the bonds that were approved by the voters in Measures C, A and H. Fortunately, these bonds will be paid by San Mateo County taxpayers. Nonetheless, the bonds appear on our Statement of Net Position in our financial statements. The outstanding amount as of 6/30/2015 is \$837,574,017. The District has authorization for \$261,000,000 in unissued bonds for Measure H.

Workers Compensation. The District is self-insured for workers compensation. Workers compensation covers job-related injuries. Each year, there are incidents, and some of these may result in injuries that have claims that go over multiple years. Each year we hire a firm to perform an actuarial study determining our liability for future claims on existing injuries. We use this study to set the rates that we charge ourselves to cover these costs. This way, we set aside funds every year to pay for these claims. These funds are reflected as Current Liability – Accounts Payable on our Statement of Net Position. The latest actuarial study is attached as Exhibit A. The District has a reserve of \$2,035,000 as of 6/30/2015. In addition, our claims rate has been very low compared to statewide averages, and we were able to lower our workers compensation rate from 1% to 0.96% of payroll.

Post-retirement Medical Benefits. As part of our collective bargaining agreements, the District provides medical benefits for qualified retirees. These are often called Other Post-Employment Benefits or OPEB, to distinguish them from pension benefits. The District started setting aside funds for this purpose in 1991, and established an irrevocable trust in 2009. The Government Accounting Standards Board (GASB) issued accounting pronouncement GASB 45 in 2004 that required governments to assess their liabilities and, over time, recognize them on our financial statements. We started amortizing our liability in 2009 using a 30 year timeframe. Currently, we have funded more than is required by GASB 45. As of 6/30/2015, our required contribution – the amount of the liability we were required to recognize on our financial statements – was \$119,086,798 while we have funded \$67,752,791 in the irrevocable trust. Similar to workers compensation, the District sets a rate to charge ourselves for the future costs of our current employees, and also has been continuing to fund the liability already incurred. The District has an actuarial study done every two years to value these liabilities. The latest study is attached as Exhibit B. Based on the study and our anticipated payroll, the District is charging 5% of payroll. This charge is transferred to the District's Post Retirement Reserve (Fund 8) prior to transferring it to the OPEB Trust. The balance in the OPEB Trust as of 6/30/2015 is \$67,752,791. The balance in the District's Post Retirement Reserve is \$19,243,322 for a total reserve of \$86,996,113. This means that we have funded 73% of our anticipated liability.

PERS and STRS Pensions. The District also participates in the Public Employees Retirement System (CalPERS) and State Teachers Retirement System (CalSTRS). The District and the employee each pay a percentage of the employee’s salary into one of these systems. The State of California has contributed to these systems as well. The rates that are paid are set by the CalPERS Board for CalPERS and by the State legislature for CalSTRS. Over the years, the employee rates for both systems have not changed, but the CalPERS Board has decreased or increased the employer rate as deemed necessary. At this time, both systems are underfunded in terms of their total liability. Last year, the CalPERS Board projected (subject to change) and the State legislature set (in law) rates that are projected to near or exceed 20% by 2021. We anticipate these increases to cost the District at least \$9 million annually by 2021.

Employer Rates	CalPERS	CalSTRS
2013-14	11.44%	8.25%
2014-15	11.77%	8.88%
2015-16	11.85%	10.73%
2016-17	13.05%	12.58%
2017-18	16.60%	14.43%
2018-19	18.20%	16.28%
2019-20	19.90%	18.13%
2020-21	20.20%	19.10%

In addition, for the first time, and effective with our 2014/15 fiscal year, GASB 68 requires the District to record its share of the systems’ total liabilities for these benefits. The rationale is that the employers all have pooled to create these systems and thus are jointly responsible for any shortfall in the systems’ reserves. Each of the systems has less funding than their actuarial studies say is needed to provide benefits for current and future retirees.

	<u>CalSTRS</u>	<u>CalPERS</u>	<u>Total</u>
Net Pension Liability	\$ 58,437,000,000	\$ 11,352,434,849	
SMCCCD Share	0.1030%	0.3571%	
SMCCCD Liability	\$ 60,190,110	\$ 40,539,545	\$ 100,729,655

This means that on our 6/30/2015 Statement of Net Position, the District will record an additional \$100 million of liability. Since our Statement of Net Position is entity-wide, that is, it includes all funds, we do not have a negative ending balance or Net Position, but it will look significantly less than the previous year.



Actuarial Review of the Self-Insured Workers' Compensation Program

Outstanding Liabilities as of June 30, 2015

Forecast for Program Years 2015-16

Presented to

San Mateo Community College District

March 27, 2015



Friday, March 27, 2015

Ms. Kathy Blackwood
Executive Vice Chancellor
San Mateo Community College District
3401 CSM Drive
San Mateo, CA 94402

Re: Actuarial Review of the Self-Insured Workers' Compensation Program

Dear Ms. Blackwood:

As you requested, we have completed our review of San Mateo Community College District's self-insured workers' compensation program. Assuming an SIR of \$350,000 per occurrence, we estimate the ultimate cost of claims and expenses for claims incurred during the 2015-16 program year to be \$704,000. This amount includes allocated loss adjustment expenses (ALAE) and a discount for anticipated investment income, but excludes unallocated loss adjustment expenses (ULAE). ALAE is the direct cost associated with the defense of individual claims (e.g. legal fees, investigation fees, court charges). ULAE is the cost to administer all claims to final settlement, which may be years into the future (e.g. claims adjusters' salaries, taxes). The discount for investment income is calculated based on the likely payout pattern of the District's claims, assuming a 3.0% return on investments per year. For budgeting purposes, the expected costs of 2015-16 claims translates to a rates of \$0.66 per \$100 of payroll.

In addition, we estimate the program's liability for outstanding claims to \$2,035,000 as of June 30, 2015, again including ALAE and discounted for anticipated investment income, but excluding ULAE.

The \$2,035,000 estimate is the minimum liability to be booked by the District at June 30, 2015 for its workers' compensation program, in accordance with Governmental Accounting Standards Board (GASB) Statement #10. GASB #10 requires the District to accrue a liability on its financial statements for the ultimate cost of claims and expenses associated with all reported and unreported claims, including ALAE and ULAE. GASB #10 does not prohibit the discounting of losses to recognize investment income.

Our conclusions regarding the District's liability for unpaid loss and loss adjustment expenses (LAE) at June 30, 2015 are summarized in the table below.

San Mateo Community College District
Self-Insured Workers' Compensation Program
Estimated Liability for Unpaid Loss and ALAE
at June 30, 2015

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$2,418,000					
ULAE	0					
Investment Income Offset	(383,000)					
Discounted Loss and LAE	\$2,035,000	\$2,322,000	\$2,446,000	\$2,591,000	\$2,770,000	\$3,008,000

GASB #10 does not address an actual funding requirement for the program, but only speaks to the liability to be recorded on the District's financial statements.

Because actuarial estimates of claims costs are subject to some uncertainty, we recommend that an amount in addition to the discounted expected loss costs be set aside as a margin for contingencies. Generally, the amount should be sufficient to bring funding to the 75% to 85% confidence level for primary programs. We consider funding to the 70% confidence level to be marginally acceptable and funding to the 90% confidence level to be conservative.

The table below shows our funding recommendations for San Mateo Community College District for the 2015-16 fiscal year.

San Mateo Community College District Self-Insured Workers' Compensation Program Loss and ALAE Funding Guidelines for 2015-16 Self-Insured Retention (SIR) of \$350,000						
	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$807,000					
ULAE	0					
Investment Income Offset	(103,000)					
Discounted Loss and ALAE	\$704,000	\$855,000	\$931,000	\$1,019,000	\$1,129,000	\$1,278,000
Rate per \$100 of 2015-16 Payroll	\$0.66	\$0.80	\$0.87	\$0.96	\$1.06	\$1.20

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2015. They are for losses and allocated loss adjustment expenses only, and do not include a provision for loss control, overhead, excess insurance premiums, and other expenses associated with the program.

The loss projections in this report reflect the estimated impact of benefit legislation contained in AB749, AB227, SB228, SB899, SB863, and recent WCAB court decisions based upon information provided by the WCIRB.

The ultimate impact on loss costs of legislated benefit adjustments are generally difficult to forecast in advance because the changes typically take place over a period of several years following enactment. Furthermore, actuarially derived benefit level evaluations often underestimate actual future cost levels. The shortfalls result from a variety of circumstances, including: increases in utilization levels, unanticipated changes in administrative procedures, and cost shifting among benefit categories. Thus, actual cost increases could differ, perhaps substantially, from the WCIRB's estimates.

The report that follows outlines the scope of our study, its background, and our conclusions, recommendations, and assumptions. Judgments regarding the appropriateness of our conclusions and recommendations should be made only after studying the report in its entirety, including the graphs, attachments, exhibits and appendices. Our report has been developed for the District's internal use. It is not intended for general circulation.

We appreciate the opportunity to be of service to San Mateo Community College District in preparing this report. Please feel free to call John Alltop at (916) 244-1160 or Becky Richard at (916) 244-1183 with any questions you may have concerning this report.

Sincerely,

Bickmore



John Alltop, FCAS, MAAA
President, Consulting, Bickmore
Fellow, Casualty Actuarial Society
Member, American Academy of Actuaries



Becky Richard, ACAS, MAAA
Manager, Property and Casualty Actuarial Services, Bickmore
Associate, Casualty Actuarial Society
Member, American Academy of Actuaries

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I. BACKGROUND

San Mateo Community College District began its self-insured workers' compensation program on July 1, 2006. Its current self-insured retention is \$350,000. Claims administration services are provided by the District's Risk Management Department. Additional background on the program is given in Appendix J.

The purpose of this review is to provide a guide to the District to determine reasonable funding levels for its self-insurance program according to the funding policy the District has adopted and to comply with Governmental Accounting Standards Board Statements #10 and #30. The specific objectives of the study are to estimate the District's liability for outstanding claims as of June 30, 2015, project ultimate loss costs for 2015-16, and provide funding guidelines to meet these liabilities and future costs.

II. CONCLUSIONS AND RECOMMENDATIONS

A. LIABILITY FOR OUTSTANDING CLAIMS

Graph 1 on the following page summarizes our assessment of the District's funding position as of June 30, 2015. The dark-colored bars indicate our estimates of the program's liability for outstanding claims before recognition of the investment income that can be earned on the assets held before the claim payments come due. The horizontal line across each graph indicates the District's available assets at June 30th of each year.

Our best estimate of the full value of the District's liability for outstanding claims within its self-insured retention (SIR) is \$2,418,000 as of June 30, 2015. This amount includes losses, allocated loss adjustment expenses (ALAE), and unallocated loss adjustment expenses (ULAE). ALAE is the direct cost associated with the defense of individual claims (e.g. legal fees, investigation fees, court charges). ULAE is the cost to administer claims to final settlement, which may be years in the future (e.g. claims adjusters' salaries, taxes).

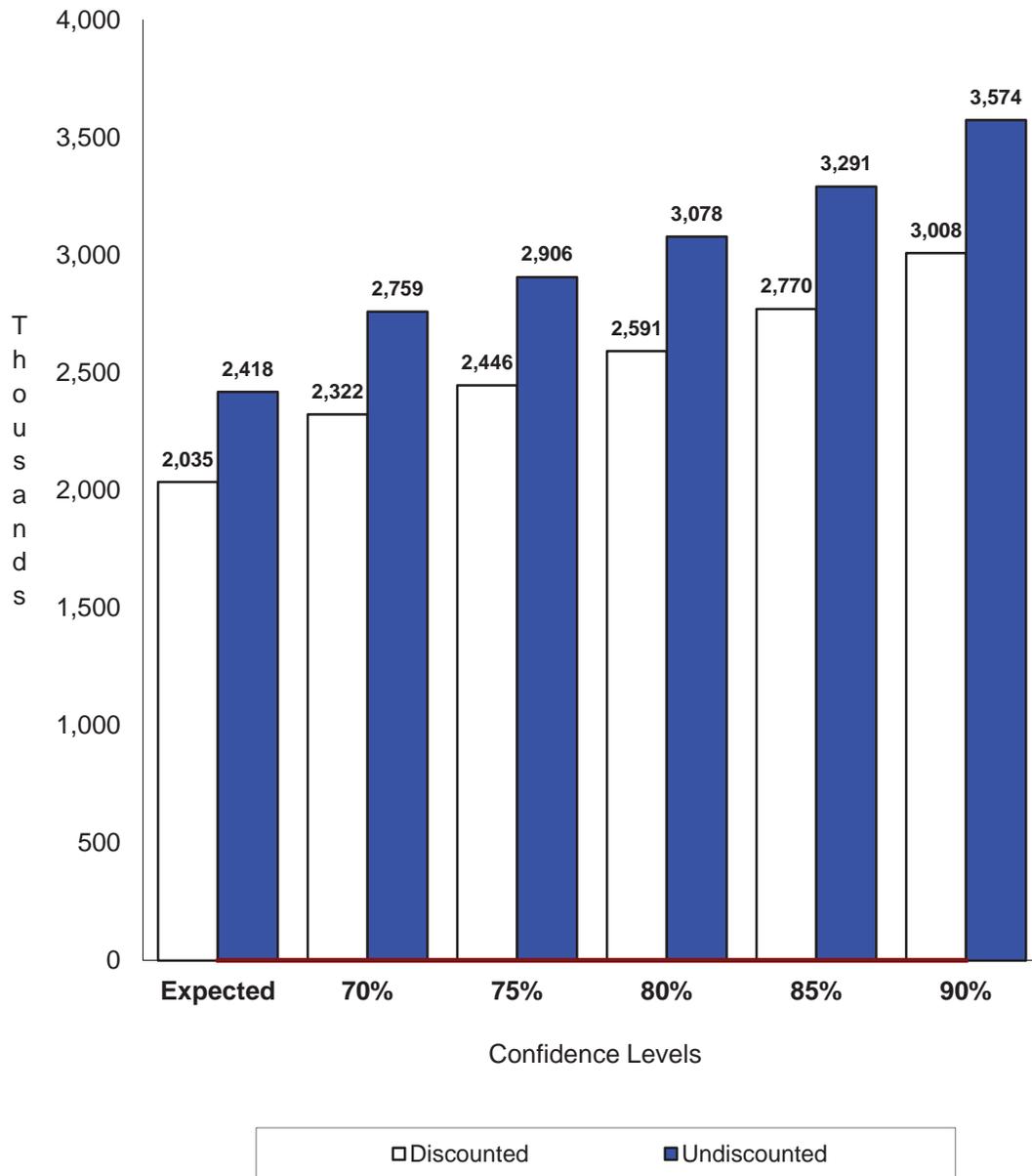
There is some measure of uncertainty associated with our best estimate because of the random nature of much of the process that determines ultimate claims costs. For this reason, we generally recommend that a program such as this include some funding margin for the possibility that actual loss costs will be greater than the best estimate. We generally measure the amount of this margin by thinking in terms of the probability distribution of actual possible results around our best estimate. As the margin grows, the probability that the corresponding funding amount will be sufficient to meet actual claim liabilities increases. We typically refer to this probability as the "confidence level" of funding. Graph 1 shows the liabilities for outstanding claims at several confidence levels that are typically of interest to risk managers in formulating funding policies for self-insurance programs.

The District can earn investment income on the assets it holds until claims payments come due. Assuming a long-term average annual return on investments of 3.0%, we estimate the impact of investment income earnings to be about 16% if the program is funded within the range indicated in the graph, resulting in a discounted liability for outstanding claims of \$2,035,000 as of June 30, 2015.

Investment income earnings will be less than this when the program does not maintain sufficient funding, and more when there is excess funding. Thus, thinking in terms of liabilities discounted for investment income can actually mask funding deficiencies and redundancies that might otherwise be obvious. However, the discounted liabilities do represent legitimate funding targets. The light-colored bars on Graph 1 show our estimates of the District's discounted liability for outstanding claims.

Graph 1

San Mateo Community College District-
Outstanding Liability (\$000's)
at June 30, 2015



The table below displays a breakdown of the program's outstanding loss and ALAE liabilities into case reserves and incurred but not reported (IBNR) reserves at June 30, 2015, before recognition of investment income. Please note, ULAE reserves are not included.

San Mateo Community College District
Self-Insured Workers' Compensation Program
Estimated Liability for Unpaid Loss and ALAE at June 30, 2015

Year	Case Reserves	IBNR Reserves	Total Outstanding
2006-07	\$125,693	\$28,384	\$154,077
2007-08	158,639	61,250	219,889
2008-09	(835)	53,558	52,723
2009-10	179,619	44,244	223,863
2010-11	(84)	86,812	86,728
2011-12	140,208	148,268	288,476
2012-13	129,047	222,832	351,879
2013-14	122,573	280,383	402,956
2014-15	82,688	554,922	637,610
Loss and ALAE	\$937,548	\$1,480,653	\$2,418,201

B. PROGRAM FUNDING: GOALS AND OBJECTIVES

As self-insurance programs have proliferated among public entities, it has become apparent that there is a large measure of inconsistency in the way in which these programs recognize and account for their claims costs. This is the result of the fact that there have been several different sources of guidance available, none of which has been completely relevant to public entity self-insurance programs.

According to the Governmental Accounting Standards Board (GASB), the most relevant source of guidance on the subject is Financial Accounting Standards Board Statement #60. A liability for unpaid claim costs, including all loss adjustment expenses, should be accrued at the time the self-insured events occur. This liability should include an allowance for incurred but not reported claims. It may be discounted for investment income at an appropriate rate of return, provided the discounting is disclosed. The regulations detailing the way in which this must be done are outlined in GASB's statements #10 and #30. These regulations are required to be applied by the District.

GASB #10 and #30 do not address funding requirements. They do, however, allow a range of funded amounts to be recognized for accounting purposes; specifically, GASB #10 and #30 which allow recognition of a funding margin for unexpectedly adverse loss experience. Thus, for accounting purposes, it is possible to formulate a funding policy from a range of alternatives. The uncertainty in any estimate of the program's liability for outstanding claims should be taken into consideration in determining funding policy, but it may be offset by recognizing anticipated investment income earnings. This usually means developing a funding program based on discounted claims costs with some margin for unexpected adverse loss experience.

The amount of the margin should be a question of long-term funding policy. We recommend that the margin be determined by thinking in terms of the probability that a given level of funding will prove to be adequate. For example, a reasonable goal might be to maintain a fund at the 85% confidence level.

A key factor to consider in determining funding policy is the degree to which stability is required in the level of contributions to the program from year to year. If you elect to fund at a low confidence level, the chances are much greater that future events will prove that additional contributions should have been made for current claims. The additional contributions for years by that time long past may be required at the same time that costs are increasing dramatically on then-current claims. The burden of funding increases on past years as well as on current years, may well be prohibitive.

We generally recommend maintaining program funding at the 80% confidence level, after recognition of investment income, with a recommended range of the 75% to 85% confidence levels. We tend to think of the 70% confidence level as marginally acceptable and of the 90% confidence level as conservative. We recommend the 75% to 85% confidence level range because the probabilities are reasonably high that resulting funding will be sufficient to meet claim liabilities, yet the required margins are not so large that they will cause most self-insured entities to experience undue financial hardship. In addition, within this range, anticipated investment income generally offsets the required margin for the most part, which means that it is also reasonable to think of the liabilities as being stated on an undiscounted basis.

We also strongly believe, however, that the confidence level to which any future year is funded should be evaluated in light of the relative certainty of the assumptions underlying the actuarial analysis, the District's other budgetary constraints, and the relative level of risk it is believed appropriate to assume. This means formulating both short and long-term funding goals, which may be the same in some years, but different in others.

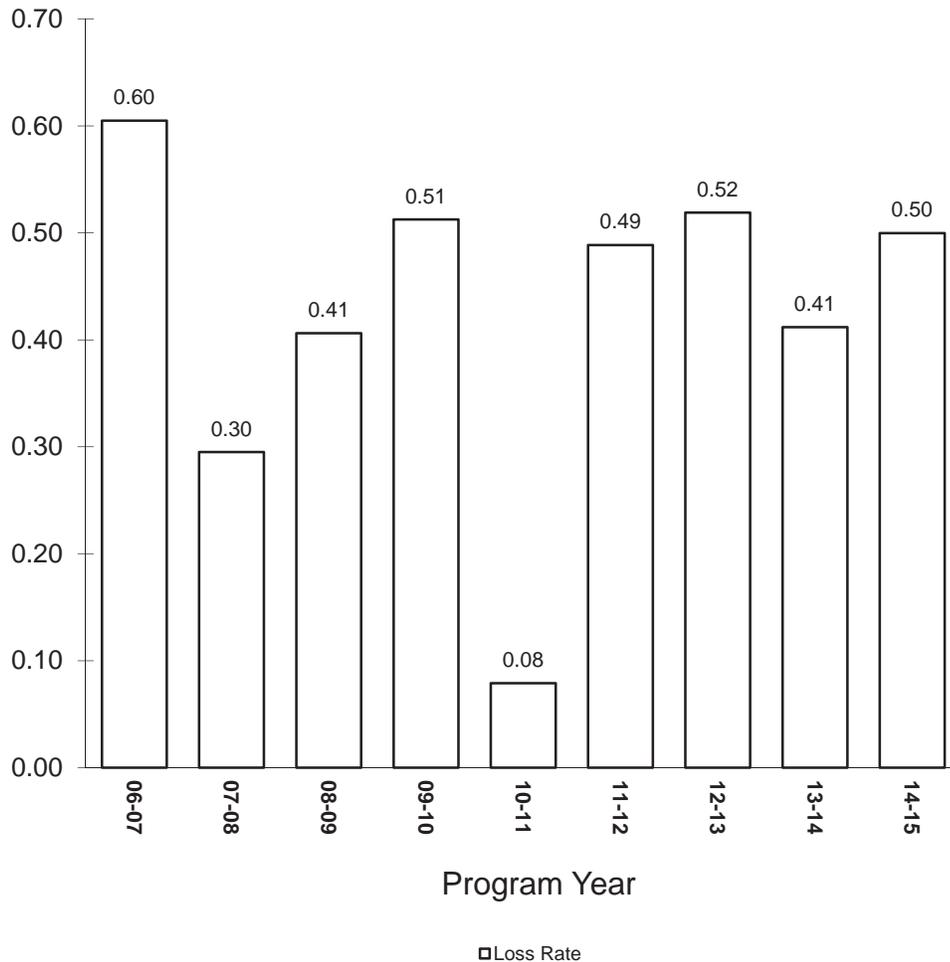
In general, we recommend that you fund each year's claims costs in that year. When surpluses or deficiencies have developed on outstanding liabilities and funding adjustments are necessary, they should be clearly identified as such so that the habit of funding each year's claims costs that year is maintained. We also recommend that you reduce surplus funding more slowly than you would accumulate funding to make up a deficiency.

C. HISTORICAL TRENDS IN THE SELF-INSURANCE PROGRAM

The program’s dollars of loss per \$100 of payroll, or loss rate, has been fairly variable over the period show below. Our loss rate of \$0.50 per \$100 of payroll for the 2014-15 program year is slightly higher than the average loss rate for the most recent three years.

Graph 2

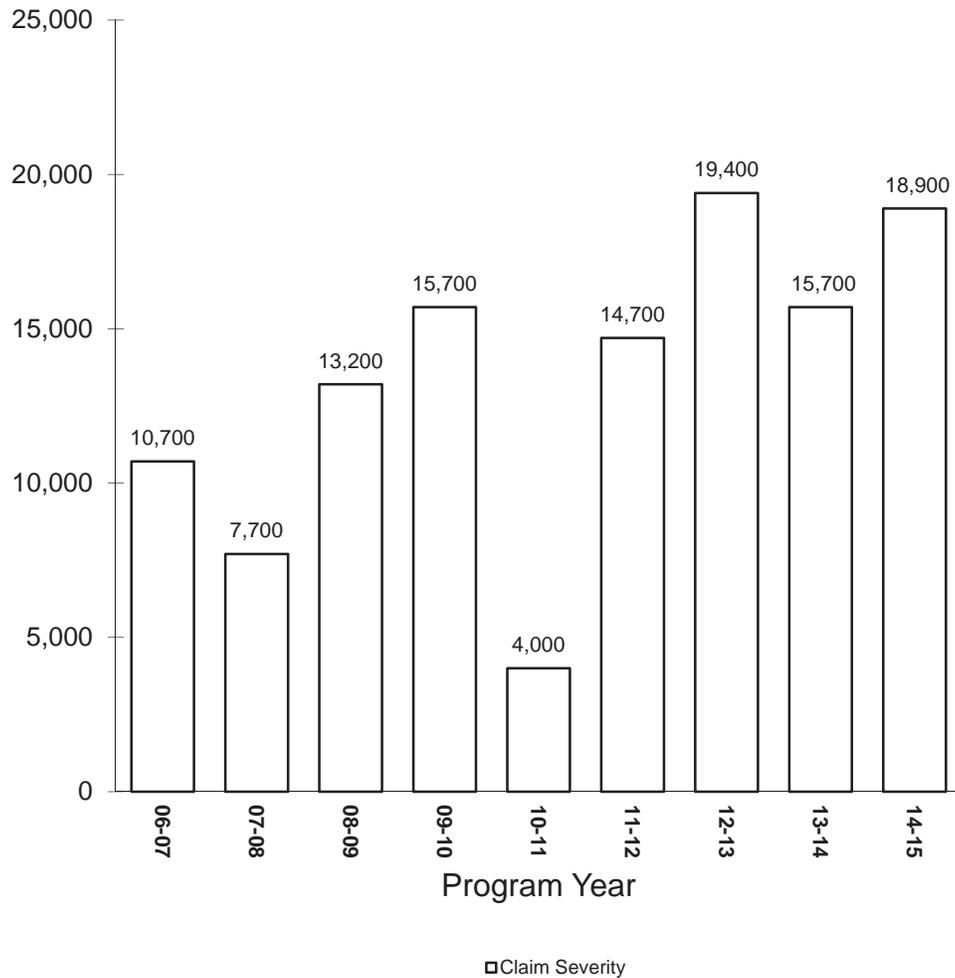
San Mateo Community College District-
 Workers' Compensation
 Ultimate Dollars of Loss & ALAE
 per \$100 of Payroll
 (Loss & ALAE Limited to \$100,000 per Occurrence)



The average dollars of loss per claim, or severity, also has varied. We selected a severity of \$18,900 per claim for the 2014-15 program year based on the most recent increasing trend. See graph below.

Graph 3

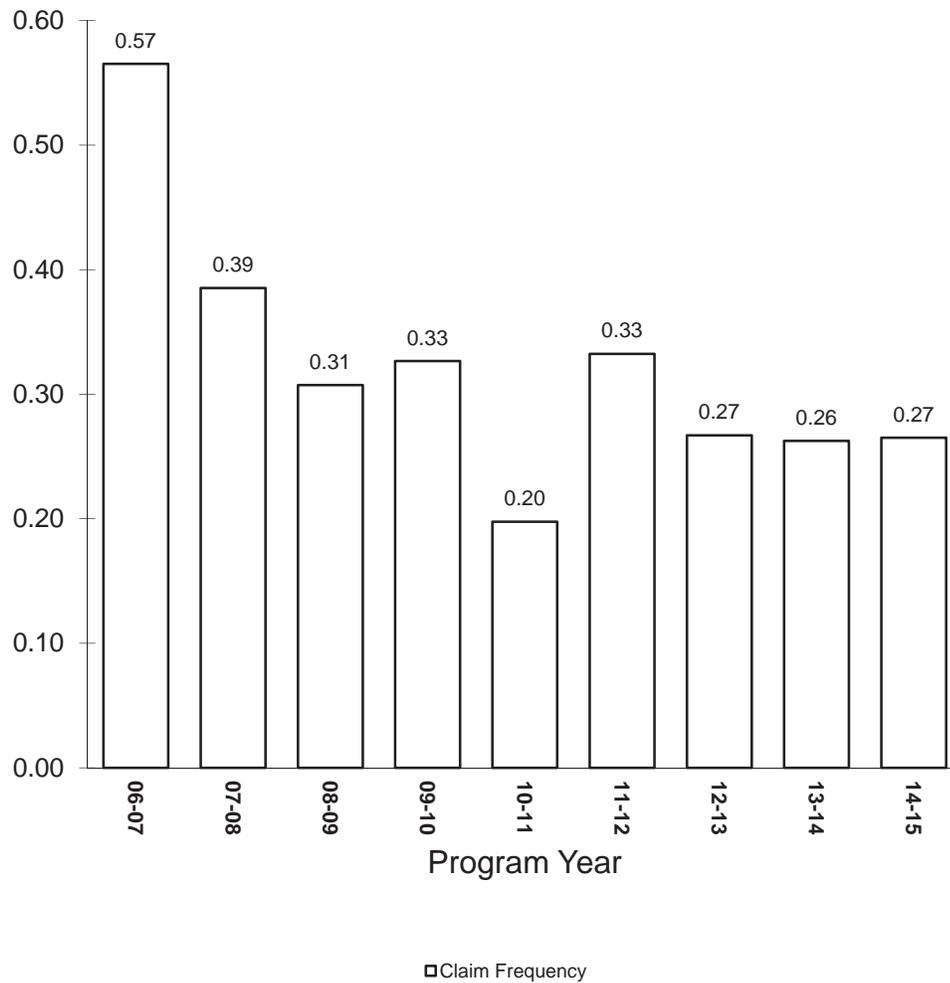
San Mateo Community College District-
Workers' Compensation
Ultimate Dollars of Loss & ALAE
per Claim
(Loss & ALAE Limited to \$100,000 per Occurrence)



The number of claims per \$1 million of payroll, or frequency, appears to have followed a decreasing trend since the program's inception but appears to be leveling off. We selected a frequency of 0.27 claims per \$1 million of payroll based on the most recent trend. See graph below.

Graph 4

San Mateo Community College District-
Workers' Compensation
Number of Claims per
\$1 Million of Payroll



D. COMPARISON WITH PREVIOUS RESULTS

The prior report for San Mateo Community College District was dated March 26, 2013. In the tables below we display actual versus expected development of incurred and paid losses and ALAE by accident year between the 12/31/12 evaluation date of the prior report and the 12/31/14 evaluation date of the current report.

Actual Versus Expected Incurred Loss and ALAE Development

Accident Year	Expected Incurred Development	Actual Incurred Development	Actual Minus Expected
2006-07	\$9,000	(\$153,989)	(\$162,989)
2007-08	22,000	92,363	70,363
2008-09	32,000	(172,888)	(204,888)
2009-10	50,000	190,064	140,064
2010-11	101,000	(5,718)	(106,718)
2011-12	162,000	236,456	74,456
2012-13	316,000	339,860	23,860
2013-14	416,000	278,617	(137,383)
Total	\$1,108,000	\$804,765	(\$303,235)

As shown, actual incurred development was less than anticipated for all program years since the prior report.

Actual Versus Expected Paid Loss and ALAE Development

Accident Year	Expected Paid Development	Actual Paid Development	Actual Minus Expected
2006-07	\$102,000	\$44,470	(\$57,530)
2007-08	60,000	42,181	(17,819)
2008-09	102,000	35,183	(66,817)
2009-10	84,000	76,002	(7,998)
2010-11	91,000	182	(90,818)
2011-12	153,000	213,149	60,149
2012-13	250,000	330,589	80,589
2013-14	215,000	175,162	(39,838)
Total	\$1,057,000	\$916,918	(\$140,082)

As shown, actual paid development was also less than anticipated since the prior report.

In the table below we display the change in our estimates of the program's ultimate losses and ALAE by accident year since our prior report.

Change in Ultimate Loss and ALAE

Accident Year	Prior Report	Current Report	Change In Ultimate
2006-07	\$1,043,000	\$888,000	(\$155,000)
2007-08	501,000	577,000	76,000
2008-09	667,000	434,000	(233,000)
2009-10	542,000	621,000	79,000
2010-11	323,000	154,000	(169,000)
2011-12	657,000	722,000	65,000
2012-13	719,000	787,000	68,000
2013-14	764,000	617,000	(147,000)
Total	\$5,216,000	\$4,800,000	(\$416,000)

As shown, overall we have decreased our estimated ultimate's by \$416,000 since our prior report. These changes correlate with the incurred actual versus expected development shown on the previous pages.

At the time of the prior report, we estimated the liability for outstanding claims as of June 30, 2013 to be \$1,902,000 at the discounted, expected level. Our current estimate as of June 30, 2015, is \$2,035,000, which reflects an increase in our assessment of the District's outstanding liabilities, as shown below:

Outstanding Claim Liabilities for Loss and ALAE

	Prior Report at June 30, 2013	Current Report at June 30, 2015	Change
(A) Case Reserves:	\$992,000	\$937,000	(\$55,000)
(B) IBNR Reserves:	1,272,000	1,481,000	209,000
(C) Claims Administration Reserves:	0	0	0
(D) Total Reserves:	\$2,264,000	\$2,418,000	\$154,000
(E) Offset for Investment Income:	(362,000)	(383,000)	(21,000)
(F) Total Outstanding Claim Liabilities:	\$1,902,000	\$2,035,000	\$133,000

As shown, our estimate of outstanding claims liabilities at the discounted, expected level has increased between June 30, 2013 and June 30, 2015 as reflected in our prior and current reports respectively.

The increase in claim reserves (case and IBNR) is driven primarily by lower than expected payout of claims, minimal change in case reserves and essentially no change in the number of open claims. This increase in reserves leads to a larger offset for investment income. The net change due to the above factors is an overall increase of \$133,000 in our estimate of outstanding claim liabilities for loss and ALAE.

At the time of the prior report, our funding estimate for the 2013-14 year was \$879,000 at the discounted, 75% confidence level. That amount included allocated loss adjustment expenses (ALAE) and a discount for anticipated investment income, but excluded unallocated loss adjustment expenses (ULAE). Our current estimate for the 2015-16 year is \$931,000 at the discounted, 75% confidence level, an increase in the program's expected loss costs, as shown in the table below:

Comparison of Funding for Loss and ALAE

	Prior Report 2013-14 SIR = \$350,000	Current Report 2015-16 SIR = \$350,000	Change
(A) Ultimate Loss and ALAE:	\$1,012,000	\$1,067,000	\$55,000
(B) Ultimate Claims Administration (ULAE):	0	0	0
(C) Total Claim Costs:	\$1,012,000	\$1,067,000	\$55,000
(D) Offset for Investment Income:	(133,000)	(136,000)	(3,000)
(E) Total Recommended Funding:	\$879,000	\$931,000	\$52,000
(F) Funding per \$100 of Payroll:	\$0.91	\$0.87	(\$0.03)

As you can see, our funding recommendations at the discounted, expected level have increased between 2013-14 and 2015-16, as shown in our prior and current reports respectively.

While the rate has decreased, payroll has increased, resulting in a \$55,000 increase in our estimate of ultimate loss and ALAE. As a result, investment income is expected to be slightly higher. The net change due to the above factors is an overall increase of \$52,000 in our annual funding estimate for loss and ALAE.

E. DATA PROVIDED FOR THE ANALYSIS

Overall, the data utilized in preparing this report appears to be accurate.

Comments and issues regarding the data are as follows:

- We have assumed that the program's self-insured retention will remain at \$350,000 per occurrence for 2015-16 (See Appendix J).
- We received loss data evaluated as of 12/31/14 (See Appendix K). We also utilized the data from the District's most recent actuarial study for our assessment of loss development.
- We have assumed that the District's payroll for 2015-16 will be \$106,489,600 based upon information provided by the District (See Appendix L).

The data provided for the analysis appears to be reasonable for use in this actuarial valuation of liabilities and projection of loss costs.

III. ASSUMPTIONS AND LIMITATIONS

Any quantitative analysis is developed within a very specific framework of assumptions about conditions in the outside world, and actuarial analysis is no exception. We believe that it is important to review the assumptions we have made in developing the estimates presented in this report. By doing so, we hope you will gain additional perspective on the nature of the uncertainties involved in maintaining a self-insurance program. Our assumptions, and some observations about them, are as follows:

- Our analysis is based on loss experience, exposure data, and other general and specific information provided to us by the District. We have accepted all of this information without audit.
- We have also made use of loss statistics that have been developed from the information gathered and compiled from a large group of California public entities with self-insured workers' compensation programs.
- In San Mateo Community College District's case, we were not able to obtain sufficient historical data to produce District-specific loss development factors. As a result, we have had to rely, in part, on statistics and historic loss development patterns derived from the loss history of the other comparable entities workers' compensation program in the aggregate. This increases the uncertainty associated with the conclusions of this report.
- We have assumed that the future development of incurred and paid losses can be reasonably predicted on the basis of development of such losses in the recent past. We have also assumed that the historical development patterns for a large group of public entities with similar self-insured workers' compensation programs in the aggregate form a reasonable basis of comparison to the patterns from San Mateo Community College District's data.
- We have made use of cost relationships for claims of various sizes derived from the most recent actuarial review of the large group of California public entities with self-insured workers' compensation programs.
- We have assumed that there is a continuing relationship between past and future loss costs.
- It is not possible to predict future claim costs precisely. Most of the cost of workers' compensation claims arise from a small number of incidents involving serious injury. A relatively small number of such claims could generate enough loss dollars to significantly reduce, or even deplete, the self-insurance fund.
- We cannot predict and have not attempted to predict the impact of future law changes and court rulings on claims costs. This is one major reason why we believe our funding recommendations are reasonable now, but should not be extrapolated into the future.

- The changes in cost levels associated with benefit increases and administrative changes typically take place over a period of several years following their enactment, and these changes are very difficult to forecast in advance. We have based our benefit level factors on those produced by the Workers' Compensation Insurance Rating Bureau of California (WCIRB). See Appendix E for a display of the benefit level cost indices by fiscal year.
- We have assumed that the loss rate trend associated with claim costs increases at 0.5% per year. We have assumed that claim severity increases at 2.5% per year, and that claim frequency decreases at 2.0% per year.
- We have assumed that payroll and other inflation-sensitive exposure measures increase 2.5% annually due to inflation.
- We have assumed that assets held for investment will generate an average annual return of 3.0% over the duration of payment of the loss liabilities. It should be noted that actual future investment returns may vary significantly from this assumption, depending upon the prevailing investment market conditions.
- The claims costs we have estimated include indemnity and medical payments, and all loss adjustment expenses. We have not included estimates for excess insurance contributions and other expenses associated with the program.
- Our funding recommendations do not include provisions for catastrophic events not in the District's history, such as earthquakes, flooding, mass civil disorder, or mass occupational disease.
- Our estimates assume that all excess insurance is valid and collectible. Further, our funding recommendations do not include a provision for losses greater than the District's excess coverage.

IV. GLOSSARY OF ACTUARIAL TERMS

Accident Year - Year during which the accidents that generate a group of claims occurs, regardless of when the claims are reported, payments are made, or reserves are established.

Allocated Loss Adjustment Expenses (ALAE) - Expense incurred in settling claims that can be directly attributed to specific individual claims (e.g., legal fees, investigative fees, court charges, etc.)

Benefit Level Factor - Factor used to adjust historical losses to the current level of workers' compensation benefits.

Case Reserve - The amount left to be paid on a claim, as estimated by the claims administrator.

Claim Count Development Factor - A factor that is applied to the number of claims reported in a particular accident period in order to estimate the number of claims that will ultimately be reported.

Claim Frequency - Number of claims per \$1 million payroll.

Confidence Level - An estimated probability that a given level of funding will be adequate to pay actual claims costs. For example, the 85% confidence level refers to an estimate for which there is an 85% chance that the amount will be sufficient to pay loss costs.

Discount Factor - A factor to adjust estimated loss costs to reflect anticipated investment income from assets held prior to actual claim payout.

Expected Losses - The best estimate of the full, ultimate value of loss costs.

Incurred but not Reported (IBNR) Losses - Losses for which the accident has occurred but the claim has not yet been reported. This is the ultimate value of losses, less any amount that has been set up as reported losses by the claims adjuster. It includes both amounts for claims incurred but not yet received by the administrator and loss development on already reported claims.

Loss Development Factor - A factor applied to losses for a particular accident period to reflect the fact that reported and paid losses do not reflect final values until all claims are settled (see Section IV).

Loss Rate - Ultimate losses per \$100 payroll.

Non-Claims Related Expenses – Program expenses not directly associated with claims settlement and administration, such as excess insurance, safety program expenses, and general overhead. These exclude expenses associated with loss settlements (Indemnity/Medical, BI/PD), legal expenses associated with individual claims (ALAE), and claims administration (ULAE).

Outstanding Losses - Losses that have been incurred but not paid. This is the ultimate value of losses less any amount that has been paid.

Paid Losses - Losses actually paid on all reported claims.

Program Losses - Losses, including ALAE, limited to the SIR for each occurrence.

Reported Losses - The total expected value of losses as estimated by the claims administrator. This is the sum of paid losses and case reserves.

Self-Insured Retention (SIR) - The level at which an excess insurance policy is triggered to begin payments on a claim. Financially, this is similar to an insurance deductible.

Severity - Average claim cost.

Ultimate Losses - The value of claim costs at the time when all claims have been settled. This amount must be estimated until all claims are actually settled.

Unallocated Loss Adjustment Expenses (ULAE) – Claim settlement expenses that cannot be directly attributed to individual claims (e.g., claims adjusters' salaries, taxes, etc.)

San Mateo Community College District - Workers' Compensation

Funding Guidelines for Outstanding Liabilities at
 December 31, 2014

(A) Estimated Ultimate Losses Incurred through 12/31/14: (From Appendix F)	\$5,183,000
(B) Estimated Paid Losses through 12/31/14: (From Appendix F)	2,885,000
(C) Estimated Liability for Claims Outstanding at 12/31/14: (From Appendix F)	<u>\$2,298,000</u>
(D) Estimated Liability for Outstanding Claims Administration Fees at 12/31/14: (From Not Included)	0
(E) Total Outstanding Liability for Claims at 12/31/14: ((C) + (D))	<u>\$2,298,000</u>
(F) Reserve Discount Factor (Based on a Discount Rate of 3.0%) (Appendix H, Page 1, (G))	0.842
(G) Discounted Outstanding Liability for Claims at 12/31/14: ((E) x (F))	<u>\$1,935,000</u>

	<u>Marginally Acceptable</u>		<u>Recommended</u>		<u>Conservative</u>
Confidence Level of Adequacy:	70%	75%	80%	85%	90%
(H) Confidence Level Factor: (From Appendix I)	1.141	1.202	1.273	1.361	1.478
(I) Margin for Adverse Experience: ((G) x [(H) - 1])	273,000	391,000	528,000	699,000	925,000
(J) Total Required Assets at 12/31/14: ((G) + (I))	<u>\$2,208,000</u>	<u>\$2,326,000</u>	<u>\$2,463,000</u>	<u>\$2,634,000</u>	<u>\$2,860,000</u>

San Mateo Community College District - Workers' Compensation

Funding Guidelines for Outstanding Liabilities at
 June 30, 2015

(A) Estimated Ultimate Losses Incurred through 6/30/15: (From Appendix F)	\$5,566,000
(B) Estimated Paid Losses through 6/30/15: (From Appendix F)	3,148,000
(C) Estimated Liability for Claims Outstanding at 6/30/15: (From Appendix F)	\$2,418,000
(D) Estimated Liability for Outstanding Claims Administration Fees at 6/30/15: (From Not Included)	0
(E) Total Outstanding Liability for Claims at 6/30/15: ((C) + (D))	\$2,418,000
(F) Reserve Discount Factor (Based on a Discount Rate of 3.0%) (Appendix H, Page 1, (H))	0.842
(G) Discounted Outstanding Liability for Claims at 6/30/15: ((E) x (F))	\$2,035,000

	Marginally Acceptable	75%	Recommended	85%	Conservative
Confidence Level of Adequacy:	70%	75%	80%	85%	90%
(H) Confidence Level Factor: (From Appendix I)	1.141	1.202	1.273	1.361	1.478
(I) Margin for Adverse Experience: ((G) x [(H) - 1])	287,000	411,000	556,000	735,000	973,000
(J) Total Required Assets at 6/30/15: ((G) + (I))	\$2,322,000	\$2,446,000	\$2,591,000	\$2,770,000	\$3,008,000

San Mateo Community College District - Workers' Compensation
 Funding Options for Program Year 2014-2015 (SIR = \$350,000)

	Dollar Amount	Payroll Rate			
(A) Estimated Ultimate Losses Incurred in Accident Year 2014-2015: (From Appendix F)	\$766,000	\$0.725			
(B) Estimated Claims Administration Fees Incurred in Accident Year 2014-2015: (From Exhibit 5, Page 1, item (L))	0	0.000			
(C) Total Claims Costs Incurred in Accident Year 2014-2015: ((A) + (B))	\$766,000	\$0.725			
(D) Loss Discount Factor (Based on a Discount Rate of 3.0%.) (Appendix H, Page 2, (F))	0.873				
(E) Discounted Total Claims Costs Incurred in Accident Year 2014-2015: ((C) x (D))	\$668,000	\$0.632			
	Marginally Acceptable		Recommended		Conservative
	70%		75%	80%	85%
(F) Confidence Level Factor: (From Appendix I)	1.215		1.322	1.447	1.603
(G) Margin for Adverse Experience: ((E) x [(F) - 1])	144,000		215,000	299,000	403,000
(H) Recommended Funding in 2014-2015 for Claims Costs and Other Expenses ((E) + (G))	\$812,000		\$883,000	\$967,000	\$1,071,000
(I) Rate per \$100 of Payroll: ((H) / \$1,056,433)	\$0.769		\$0.836	\$0.915	\$1.014
				\$1.148	

Payroll rates are per hundred dollars of 2014-2015 payroll of \$105,643,300.

San Mateo Community College District - Workers' Compensation
 Funding Options for Program Year 2015-2016 (SIR = \$350,000)
 One-Year Funding Plan

	Dollar Amount	Payroll Rate			
(A) Estimated Ultimate Losses Incurred in Accident Year 2015-2016: (From Appendix F)	\$807,000	\$0.758			
(B) Estimated Claims Administration Fees Incurred in Accident Year 2015-2016: (From Exhibit 5, Page 1, item (L))	0	0.000			
(C) Total Claims Costs Incurred in Accident Year 2015-2016: ((A) + (B))	<u>\$807,000</u>	<u>\$0.758</u>			
(D) Loss Discount Factor (Based on a Discount Rate of 3.0%) (Appendix H, Page 2, (F))	0.873				
(E) Discounted Total Claims Costs Incurred in Accident Year 2015-2016: ((C) x (D))	<u>\$704,000</u>	<u>\$0.661</u>			
	<u>Marginally Acceptable</u>		<u>Recommended</u>		<u>Conservative</u>
	70%	75%	80%	85%	90%
(F) Confidence Level Factor: (From Appendix I)	1.215	1.322	1.447	1.603	1.816
(G) Margin for Adverse Experience: ((E) x [(F) - 1])	151,000	227,000	315,000	425,000	574,000
(H) Recommended Funding in 2015-2016 for Claims Costs and Other Expenses ((E) + (G))	<u>\$855,000</u>	<u>\$931,000</u>	<u>\$1,019,000</u>	<u>\$1,129,000</u>	<u>\$1,278,000</u>
(I) Rate per \$100 of Payroll: ((H) / \$1,064,896)	\$0.803	\$0.874	\$0.957	\$1.060	\$1.200

Payroll rates are per hundred dollars of 2015-2016 payroll of \$106,489,600.

San Mateo Community College District - Workers' Compensation

IBNR as of 6/30/15 at Expected Claims Level

Accident Year	Estimated Ultimate (A)	Reported as of 12/31/14 (B)	Estimated IBNR as of 12/31/14 (C)	Estimated Percent of IBNR Reported Between 1/1/15 and 6/30/15 (D)	Estimated IBNR Reported (E)	Estimated IBNR as of 6/30/15 (F)
2006-2007	\$888,000	\$856,616	\$31,384	8.5%	\$3,000	\$28,384
2007-2008	577,000	510,750	66,250	7.6%	5,000	61,250
2008-2009	434,000	376,442	57,558	7.4%	4,000	53,558
2009-2010	621,000	573,756	47,244	7.4%	3,000	44,244
2010-2011	154,000	59,188	94,812	8.3%	8,000	86,812
2011-2012	722,000	559,732	162,268	8.9%	14,000	148,268
2012-2013	787,000	540,168	246,832	9.9%	24,000	222,832
2013-2014	617,000	278,617	338,383	17.0%	58,000	280,383
2014-2015	766,000	60,078	323,000	21.4%	151,000	554,922
Totals	\$5,566,000	\$3,815,347	\$1,367,731		\$270,000	\$1,480,653

Notes:

- (A) From Exhibit 4, Page 1.
- (B) Provided by the District. These losses exclude amounts incurred above the District's SIR for each year.
- (C) (A) - (B).
- (D) Percentage of incurred but not reported (IBNR) expected to be reported between 1/1/15 and 6/30/15. The percentage is based on the development pattern selected in Appendix A.
- (E) ((A) - (B)) x (D).
- (F) (A) - (B) - (E).

This exhibit shows the calculation of the amount of incurred but not reported losses we expect as of 6/30/15. This amount is dependent on both the strength of the case reserves and the average frequency and severity of the losses incurred.

San Mateo Community College District - Workers' Compensation

Estimated Ultimate Program Losses

Accident Year	Reported Loss Development Method (A)	Paid Loss Development Method (B)	Exposure Method Based on Reported Losses (C)	Exposure Method Based on Paid Losses (D)	Frequency-Severity Method (E)	Selected Estimate of Ultimate Losses (F)
2006-2007	\$948,274	\$887,957	\$922,982	\$849,762	\$684,696	\$888,000
2007-2008	576,637	433,930	552,613	418,657	367,780	577,000
2008-2009	434,414	519,866	444,475	517,623	511,672	434,000
2009-2010	679,901	561,626	661,234	561,566	526,959	621,000
2010-2011	72,801	97,712	164,511	281,586	335,019	154,000
2011-2012	724,853	780,140	693,820	687,980	614,550	722,000
2012-2013	754,615	930,527	713,206	749,830	535,125	787,000
2013-2014	489,809	550,884	568,332	633,597	606,918	617,000
Totals						\$4,800,000
						Projected Losses for the Year 2014-2015 (G) \$766,000
						Projected Losses for the Year 2015-2016 (H) \$807,000

Notes:

- (A) From Appendix A, Page 1, Column (G).
- (B) From Appendix B, Page 1, Column (G).
- (C) From Appendix C, Page 1, Column (G).
- (D) From Appendix C, Page 2, Column (G).
- (E) From Appendix D, Page 1, Column (C).
- (F) Selected averages of (A), (B), (C), (D), and (E).
- (G) From Exhibit 5, Page 1, Line (K).
- (H) From Exhibit 5, Page 1, Line (K).

This exhibit summarizes the results of the actuarial methods we have applied to estimate ultimate losses for each year. It is important to apply a number of estimation methods because each one relies on specific assumptions about the claims process that tend to hold generally true, but that may be violated in specific situations. Thus, the more estimation methods that can be applied, the better.

San Mateo Community College District - Workers' Compensation

Estimated Ultimate Limited Losses Capped at \$100,000 per Claim

Accident Year	Reported Loss Development Method (A)	Paid Loss Development Method (B)	Exposure Method Based on Reported Losses (C)	Exposure Method Based on Paid Losses (D)	Frequency-Severity Method (E)	Selected Ultimate Limited Losses (F)
2006-2007	502,774	482,718	502,577	484,303	502,994	503,000
2007-2008	268,312	261,172	268,250	261,766	267,995	268,000
2008-2009	369,578	410,364	369,609	405,120	369,992	370,000
2009-2010	461,712	448,922	459,709	441,711	377,986	455,000
2010-2011	61,674	75,072	75,220	144,485	238,510	68,000
2011-2012	422,729	459,929	422,173	446,716	434,070	441,000
2012-2013	472,073	498,935	468,674	470,909	375,000	486,000
2013-2014	360,530	386,583	384,645	430,656	422,006	408,000
2014-2015	174,947	319,414	407,116	511,216	504,000	528,000
Totals						\$3,527,000
						Projected Losses for the Year 2014-2015 (G) \$528,000
						Projected Losses for the Year 2015-2016 (H) \$553,000

Notes:

- (A) From Appendix A, Page 1, Column (D).
- (B) From Appendix B, Page 1, Column (D).
- (C) Based on results in Appendix C, Page 1.
- (D) Based on results in Appendix C, Page 2.
- (E) Based on results in Appendix D, Page 1.
- (F) Selected averages of (A), (B), (C), (D), and (E).
- (G) From Exhibit 5, Page 1, Line (K) / Line (G).
- (H) From Exhibit 5, Page 1, Line (K) / Line (G).

This exhibit summarizes the results of the actuarial methods we have applied to estimate limited losses for each year. These results are used to select a limited loss rate for future years.

San Mateo Community College District - Workers' Compensation

Selection of Projected Limited Loss Rate
 and Projection of Program Losses and ULAE

Accident Year	Ultimate Limited Losses (A)	Trend Factor (B)	Trended Limited Losses (C)	Trended Payroll (\$00) (D)	Trended Limited Loss Rate (E)
2006-2007	503,000	1.654	831,962	1,013,606	0.821
2007-2008	268,000	1.516	406,288	1,080,060	0.376
2008-2009	370,000	1.392	515,040	1,056,869	0.487
2009-2010	455,000	1.250	568,750	1,004,939	0.566
2010-2011	68,000	1.185	80,580	949,788	0.085
2011-2012	441,000	1.172	516,852	972,077	0.532
2012-2013	486,000	1.153	560,358	984,309	0.569
2013-2014	408,000	1.087	443,496	1,015,397	0.437
2014-2015	528,000	1.000	528,000	1,056,433	0.500
Totals	\$3,527,000		\$4,451,326	\$9,133,478	\$0.487
09/10-13/14	1,858,000		2,170,036	4,926,510	0.440
11/12-13/14	1,335,000		1,520,706	2,971,783	0.512
			(F) Selected Limited Rate:		\$0.500
			Prior:		\$0.550
Program Year:		2014-2015	2015-2016		
(G) Factor to SIR:		1.449	1.461		
(H) Trend Factor:		1.000	1.038		
(I) Program Rate:		\$0.725	\$0.758		
(J) Trended Payroll (\$00):		\$1,056,433	\$1,064,896		
(K) Projected Program Losses:		766,000	807,000		
(L) Projected ULAE:		0	0		
(M) Projected Loss and ULAE:		\$766,000	\$807,000		

Notes appear on the next page.

San Mateo Community College District - Workers' Compensation

Selection of Projected Limited Loss Rate
and Projection of Program Losses and ULAE

Notes:

- (A) From Exhibit 4, Page 2, Column (F).
For purposes of projecting future losses, losses are capped at \$100,000 per occurrence.
- (B) From Appendix E, Column (B).
- (C) $(A) \times (B)$.
- (D) From Appendix M, Column (C).
- (E) $(C) / (D)$.
- (F) Selected based on (E).
- (G) Based on a Weibull distribution, a mathematical model of claim sizes.
- (H) From Appendix E.
 - (I) $(F) \times (G) \times (H)$.
- (J) From Appendix M, Column (C).
- (K) $(I) \times (J)$.
- (L) Based on an estimated claim closing pattern and the District's historical claims administration expenses.
- (M) $(K) + (L)$.

This exhibit shows the calculation of future loss costs based on the past loss rates per \$100 of payroll. The projections will be accurate only to the extent that what has happened in the past is representative of what will happen in the future.

San Mateo Community College District - Workers' Compensation

Reported Loss Development

Accident Year (A)	Limited Reported Losses as of 12/31/14 (B)	Reported Loss Development Factor (C)	Ultimate Limited Losses (D)	Program Reported Losses of 12/31/14 (E)	Reported Loss Development Factor (F)	Ultimate Program Losses (G)
2006-2007	490,511	1.025	502,774	856,616	1.107	948,274
2007-2008	260,750	1.029	268,312	510,750	1.129	576,637
2008-2009	357,772	1.033	369,578	376,442	1.154	434,414
2009-2010	445,238	1.037	461,712	573,756	1.185	679,901
2010-2011	59,188	1.042	61,674	59,188	1.230	72,801
2011-2012	401,834	1.052	422,729	559,732	1.295	724,853
2012-2013	437,916	1.078	472,073	540,168	1.397	754,615
2013-2014	278,617	1.294	360,530	278,617	1.758	489,809
2014-2015	60,078	2.912	174,947	60,078	4.075	244,818
Totals	\$2,791,904		\$3,094,329	\$3,815,347		\$4,926,122

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by the District. These losses exclude amounts over \$100,000 per occurrence.
- (C) From Appendix A, Page 2.
- (D) (B) x (C). These estimated losses exclude amounts over \$100,000 per occurrence.
- (E) Losses capped at the District's SIR. Amounts are provided by the District.
- (F) Derived from factors on Appendix A, Page 3.
- (G) (E) x (F).

This method tends to understate ultimate losses for the most recent several years because the large losses for those years generally have not yet emerged at the time of our review.

This exhibit shows the calculation of estimated ultimate losses for each year based on paid losses and case reserves as reported by the claims administrator. These losses tend to "develop" or change from period to period as more information becomes available about the cases. This development tends to follow quantifiable patterns over time.

San Mateo Community College District - Workers' Compensation
Reported Loss Development

Accident Year	<u>Limited Losses Reported as of:</u>									
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	
2006-2007			500,212	515,392	490,942	491,220	491,228	488,396	490,511	
2007-2008		390,608	295,938	323,514	312,934	310,750	310,750	260,750		
2008-2009	206,306	325,311	388,643	461,984	447,923	377,519	357,772			
2009-2010	125,271	290,134	413,493	383,692	437,174	445,238				
2010-2011	92,467	81,275	64,906	59,014	59,188					
2011-2012	56,179	313,855	402,270	401,834						
2012-2013	200,308	362,775	437,916							
2013-2014	184,542	278,617								
2014-2015	60,078									
	<u>Reported Loss Development Factors:</u>									
	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-Ult. Months	
2006-2007			1.030	0.953	1.001	1.000	0.994	1.004		
2007-2008		0.758	1.093	0.967	0.993	1.000	0.839			
2008-2009	1.577	1.195	1.189	0.970	0.843	0.948				
2009-2010	2.316	1.425	0.928	1.139	1.018					
2010-2011	0.879	0.799	0.909	1.003						
2011-2012	5.587	1.282	0.999							
2012-2013	1.811	1.207								
2013-2014	1.510									
Average Dollar-weighted Averages	2.280	1.111	1.025	1.006	0.964	0.983	0.917	1.004		
3-yr	2.166	1.194	0.959	1.044	0.946	0.983				
4-yr	1.943	1.258	1.029	1.024	0.962					
Industry I	2.700	1.085	1.020	1.010	1.005	1.004	1.004	1.004	1.025	
Industry II	2.765	1.262	1.070	1.020	1.013	1.010	1.009	1.009	1.055	
Prior	2.700	1.200	1.065	1.015	1.005	1.004	1.055			
Selected	2.250	1.200	1.025	1.010	1.005	1.004	1.004	1.004	1.025	
Cumulated	2.912	1.294	1.078	1.052	1.042	1.037	1.033	1.029	1.025	

San Mateo Community College District - Workers' Compensation
Reported between \$100,000 and \$500,000 Loss Development

Accident Year	<u>Losses Reported as of:</u>								
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months
2006-2007			314,279	314,477	410,392	575,462	610,580	608,912	366,104
2007-2008				19,693	99,696	107,637	110,033	339,643	
2008-2009			28,966	84,698	101,407	94,697	18,670		
2009-2010					128,517	128,517			
2010-2011									
2011-2012		9,421	82,656	157,898					
2012-2013		48,113	102,252						
2013-2014									
2014-2015									
	<u>Reported Loss Development Factors:</u>								
	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-Ult. Months
2006-2007			1.001	1.305	1.402	1.061	0.997	0.601	
2007-2008				5.063	1.080	1.022	3.087		
2008-2009			2.924	1.197	0.934	0.197			
2009-2010					1.000				
2010-2011									
2011-2012		8.774	1.910						
2012-2013		2.125							
2013-2014									
Average Dollar-weighted Averages	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-Ult. Months
3-yr		5.450	1.945	2.522	1.104	0.760	2.042	0.601	
4-yr					1.004	0.950			
Industry I	3.800	2.125	1.560	1.315	1.195	1.114	1.089	1.075	1.421
Industry II	3.801	2.127	1.559	1.316	1.192	1.114	1.089	1.075	1.421
Prior	3.800	2.125	1.560	1.315	1.195	1.114	1.664		
Selected	3.800	2.125	1.560	1.315	1.195	1.114	1.089	1.075	1.421
Cumulated	36.708	9.660	4.546	2.914	2.216	1.854	1.664	1.528	1.421

San Mateo Community College District - Workers' Compensation

Paid Loss Development

Accident Year (A)	Limited Paid Losses as of 12/31/14 (B)	Paid Loss Development Factor (C)	Ultimate Limited Losses (D)	Program Paid Losses of 12/31/14 (E)	Paid Loss Development Factor (F)	Ultimate Program Losses (G)
2006-2007	444,083	1.087	482,718	722,504	1.229	887,957
2007-2008	234,445	1.114	261,172	334,564	1.297	433,930
2008-2009	357,772	1.147	410,364	376,442	1.381	519,866
2009-2010	378,199	1.187	448,922	378,199	1.485	561,626
2010-2011	59,112	1.270	75,072	59,112	1.653	97,712
2011-2012	323,438	1.422	459,929	405,689	1.923	780,140
2012-2013	305,159	1.635	498,935	407,411	2.284	930,527
2013-2014	175,162	2.207	386,583	175,162	3.145	550,884
2014-2015	26,313	12.139	319,414	26,313	17.416	458,267
Totals	\$2,303,683		\$3,343,109	\$2,885,396		\$5,220,909

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by the District. These losses exclude amounts over \$100,000 per occurrence.
- (C) From Appendix B, Page 2.
- (D) (B) x (C). These estimated losses exclude amounts over \$100,000 per occurrence.
- (E) Losses capped at the District's SIR. Amounts are provided by the District.
- (F) Derived from factors on Appendix B, Page 3.
- (G) (E) x (F).

This method tends to understate ultimate losses for the most recent several years because the large losses for those years generally have not yet emerged at the time of our review.

This exhibit shows the calculation of estimated ultimate losses for each year based on paid losses as reported by the claims administrator. These losses tend to "develop" or change from period to period as more information becomes available about the cases. This development tends to follow quantifiable patterns over time.

San Mateo Community College District - Workers' Compensation
Paid Loss Development

Accident Year	<u>Limited Losses Paid as of:</u>									
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	
2006-2007			274,147	301,408	388,381	431,311	433,937	442,286	444,083	
2007-2008		113,619	176,656	221,105	226,251	234,229	234,445	234,445		
2008-2009	27,664	202,048	246,407	284,263	336,139	350,610	357,772			
2009-2010	40,067	162,724	252,195	302,197	346,597	378,199				
2010-2011	10,982	51,067	58,930	58,938	59,112					
2011-2012	19,782	192,540	299,123	323,438						
2012-2013	76,822	263,922	305,159							
2013-2014	45,489	175,162								
2014-2015	26,313									
	<u>Paid Loss Development Factors:</u>									
	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-Ult. Months	
2006-2007			1.099	1.289	1.111	1.006	1.019	1.004		
2007-2008		1.555	1.252	1.023	1.035	1.001	1.000			
2008-2009	7.304	1.220	1.154	1.182	1.043	1.020				
2009-2010	4.061	1.550	1.198	1.147	1.091					
2010-2011	4.650	1.154	1.000	1.003						
2011-2012	9.733	1.554	1.081							
2012-2013	3.436	1.156								
2013-2014	3.851									
Average	5.506	1.365	1.131	1.129	1.070	1.009	1.010	1.004		
Dollar-weighted										
Averages										
3-yr	4.445	1.307	1.122	1.149	1.059	1.010				
4-yr	4.460	1.366	1.131	1.117	1.075					
Industry I	5.950	1.425	1.165	1.085	1.070	1.035	1.030	1.025	1.100	
Industry II	3.653	1.715	1.266	1.127	1.069	1.041	1.026	1.017	1.102	
Prior	6.100	1.450	1.200	1.150	1.070	1.035	1.147			
Selected	5.500	1.350	1.150	1.120	1.070	1.035	1.030	1.025	1.087	
Cumulated	12.139	2.207	1.635	1.422	1.270	1.187	1.147	1.114	1.087	

San Mateo Community College District - Workers' Compensation
Paid between \$100,000 and \$500,000 Loss Development

Accident Year	<u>Losses Paid as of:</u>								
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months
2006-2007			23,839	41,914	49,161	175,660	244,097	269,854	278,421
2007-2008					24,407	58,154	71,974	100,120	
2008-2009					5,120	18,670	18,670		
2009-2010									
2010-2011									
2011-2012				82,251					
2012-2013		12,855	102,252						
2013-2014									
2014-2015									
	<u>Paid Loss Development Factors:</u>								
	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-Ult. Months
2006-2007			1.758	1.173	3.573	1.390	1.106	1.032	
2007-2008					2.383	1.238	1.391		
2008-2009					3.646	1.000			
2009-2010									
2010-2011									
2011-2012									
2012-2013		7.954							
2013-2014									
Average Dollar-weighted Averages		7.954	1.758	1.173	3.201	1.209	1.249	1.032	
3-yr						1.326			
4-yr									
Industry I	5.004	3.280	2.571	1.941	1.591	1.380	1.272	1.209	1.924
Industry II	5.004	3.280	2.571	1.941	1.591	1.380	1.272	1.209	2.397
Prior	5.004	3.280	2.571	1.941	1.591	1.380	2.959		
Selected	5.004	3.280	2.571	1.941	1.591	1.380	1.272	1.209	1.924
Cumulated	532.080	106.331	32.418	12.609	6.496	4.083	2.959	2.326	1.924

San Mateo Community College District - Workers' Compensation

Exposure and Development Method
Based on Reported Losses

Accident Year	Trended Payroll (\$00) (A)	Reported Losses as of 12/31/14 (B)	Loss Development Factor (C)	Percentage of Losses Yet to Be Reported (D)	Program Rate (E)	Incurred but not Reported (IBNR) (F)	Ultimate Program Losses (G)
2006-2007	1,013,606	856,616	1.107	0.097	0.675	66,366	922,982
2007-2008	1,080,060	510,750	1.129	0.114	0.340	41,863	552,613
2008-2009	1,056,869	376,442	1.154	0.133	0.484	68,033	444,475
2009-2010	1,004,939	573,756	1.185	0.156	0.558	87,478	661,234
2010-2011	949,788	59,188	1.230	0.187	0.593	105,323	164,511
2011-2012	972,077	559,732	1.295	0.228	0.605	134,088	693,820
2012-2013	984,309	540,168	1.397	0.284	0.619	173,038	713,206
2013-2014	1,015,397	278,617	1.758	0.431	0.662	289,715	568,332
2014-2015	1,056,433	60,078	4.075	0.755	0.725	578,265	638,343
Totals	\$9,133,478	\$3,815,347				\$1,544,169	\$5,359,516

Notes:

- (A) From Appendix M, Column (C).
- (B) Provided by the District. These losses exclude amounts incurred above the District's SIR for each year.
- (C) From Appendix A, Page 1, Column (F).
- (D) $1 - 1/(C)$.
- (E) From Appendix C, Page 3, Column (H).
- (F) $(A) \times (D) \times (E)$.
- (G) $(B) + (F)$.

This exhibit shows the calculation of ultimate losses based on the assumption that there is an underlying relationship between losses and payroll that changes in regular ways over time. The method relies on the premise that the losses that are currently unreported will cost what this relationship would suggest.

San Mateo Community College District - Workers' Compensation

Exposure and Development Method
Based on Paid Losses

Accident Year	Trended Payroll (\$00) (A)	Paid Losses as of 12/31/14 (B)	Loss Development Factor (C)	Percentage of Losses Yet to Be Paid (D)	Program Rate (E)	Incurred but not Paid (F)	Ultimate Program Losses (G)
2006-2007	1,013,606	722,504	1.229	0.186	0.675	127,258	849,762
2007-2008	1,080,060	334,564	1.297	0.229	0.340	84,093	418,657
2008-2009	1,056,869	376,442	1.381	0.276	0.484	141,181	517,623
2009-2010	1,004,939	378,199	1.485	0.327	0.558	183,367	561,566
2010-2011	949,788	59,112	1.653	0.395	0.593	222,474	281,586
2011-2012	972,077	405,689	1.923	0.480	0.605	282,291	687,980
2012-2013	984,309	407,411	2.284	0.562	0.619	342,419	749,830
2013-2014	1,015,397	175,162	3.145	0.682	0.662	458,435	633,597
2014-2015	1,056,433	26,313	17.416	0.943	0.725	722,257	748,570
Totals	\$9,133,478	\$2,885,396				\$2,563,775	\$5,449,171

Notes:

- (A) From Appendix M, Column (C).
- (B) Provided by the District. These losses exclude amounts paid above the District's SIR for each year.
- (C) From Appendix B, Page 1, Column (F).
- (D) $1 - 1/(C)$.
- (E) From Appendix C, Page 3, Column (H).
- (F) $(A) \times (D) \times (E)$.
- (G) $(B) + (F)$.

This exhibit shows the calculation of ultimate losses based on the assumption that there is an underlying relationship between losses and payroll that changes in regular ways over time. The method relies on the premise that the losses that are currently unpaid will cost what this relationship would suggest.

San Mateo Community College District - Workers' Compensation

Exposure and Development Method

Accident Year	Trended Payroll (\$00) (A)	Ultimate Limited Losses (B)	Trend Factor (C)	Trended Limited Losses (D)	Trended Limited Loss Rate (E)	Limited Loss Rate (F)	Factor to SIR (G)	Program Loss Rate (H)
2006-2007	1,013,606	503,000	1.654	831,962	0.821	0.496	1.361	0.675
2007-2008	1,080,060	268,000	1.516	406,288	0.376	0.248	1.372	0.340
2008-2009	1,056,869	370,000	1.392	515,040	0.487	0.350	1.383	0.484
2009-2010	1,004,939	455,000	1.250	568,750	0.566	0.400	1.394	0.558
2010-2011	949,788	68,000	1.185	80,580	0.085	0.422	1.405	0.593
2011-2012	972,077	441,000	1.172	516,852	0.532	0.427	1.416	0.605
2012-2013	984,309	486,000	1.153	560,358	0.569	0.434	1.427	0.619
2013-2014	1,015,397	387,000	1.087	420,669	0.414	0.460	1.438	0.662
2014-2015	1,056,433	319,000	1.000	319,000	0.302	0.500	1.449	0.725
Total/Avg	\$9,133,478	\$3,297,000		\$4,219,499	\$0.462			
09/10-13/14	4,926,510	1,837,000		2,147,209	\$0.436			
11/12-13/14	2,971,783	1,314,000		1,497,879	\$0.504			
				Selected Limited Rate:	\$0.500			
				Prior Selected Limited Rate	\$0.530			

Notes:

- (A) From Appendix M, Column (C).
- (B) Selected average of results from Appendices A and B.
- (C) From Appendix E, Column (B).
- (D) (B) x (C).
- (E) (D) / (A).
- (F) Selected Limited Rate / (C). For 2008-2009 and prior (B) / (A).
- (G) Based on a Weibull distribution, a mathematical model of claim sizes.
- (H) (F) x (G).

This exhibit shows the calculation of the underlying historical relationship between losses and payroll that is needed to apply the estimation methods shown on pages 1 and 2 of this Appendix.

San Mateo Community College District - Workers' Compensation
Frequency and Severity Method

Accident Year	Ultimate Program Severity (A)	Adjusted Ultimate Claims (B)	Ultimate Program Losses (C)
2006-2007	14,568	47	684,696
2007-2008	10,508	35	367,780
2008-2009	18,274	28	511,672
2009-2010	18,171	29	526,959
2010-2011	19,707	17	335,019
2011-2012	20,485	30	614,550
2012-2013	21,405	25	535,125
2013-2014	23,343	26	606,918
2014-2015	26,089	28	730,492
Total		265	\$4,913,211

Notes:

- (A) From Appendix D, Page 2, Column (H).
- (B) From Appendix D, Page 2, Column (B).
- (C) (A) x (B).

This exhibit shows the calculation of the estimated ultimate losses for each year based on the observed average frequency and severity of claims.

San Mateo Community College District - Workers' Compensation
 Frequency and Severity Method

Accident Year	Ultimate Limited Losses (A)	Adjusted Ultimate Claims (B)	Ultimate Limited Severity (C)	Trend Factor (D)	Trended Limited Severity (E)	Limited Severity (F)	Factor to SIR (G)	Program Severity (H)
2006-2007	503,000	47	10,702	1.939	20,751	10,702	1.361	14,568
2007-2008	268,000	35	7,657	1.742	13,338	7,657	1.372	10,508
2008-2009	370,000	28	13,214	1.568	20,720	13,214	1.383	18,274
2009-2010	455,000	29	15,690	1.381	21,668	13,034	1.394	18,171
2010-2011	68,000	17	4,000	1.283	5,132	14,030	1.405	19,707
2011-2012	441,000	30	14,700	1.244	18,287	14,469	1.416	20,485
2012-2013	486,000	25	19,440	1.200	23,328	15,000	1.427	21,405
2013-2014	408,000	26	15,692	1.109	17,402	16,231	1.438	23,343
2014-2015	459,000	28	16,393	1.000	16,393	18,000	1.449	26,089
Average Limited Severity:					\$17,447			
Average 09/10-12/13 Limited Severity:					\$17,104			
Average 11/12-13/14 Limited Severity:					\$19,672			
Selected Limited Severity:					\$18,000			
Prior Selected Limited Severity:					\$17,500			

Notes:

- (A) Selected average of results from Appendices A, B, and C.
- (B) Appendix D, Page 3, Column (C).
- (C) (A) / (B).
- (D) From Appendix E, Column (J).
- (E) (C) x (D).
- (F) Selected Limited Severity / (D).
- (G) Based on a Weibull distribution, a mathematical model of claim sizes.
- (H) (F) x (G).

This exhibit shows the calculation of the historical average cost per claim, or severity. The observed average severity is used in the method shown on page 1 of this Appendix.

San Mateo Community College District - Workers' Compensation

Frequency and Severity Method
Projection of Ultimate Claims

Accident Year	Reported Claim Development (A)	Closed Claim Development (B)	Selected Ultimate Claims (C)	Trended Payroll (\$000,000) (D)	Claim Frequency (E)	Trend Factor (F)	Trended Claim Frequency (G)
2006-2007	47	44	47	101	0.464	0.851	0.395
2007-2008	35	34	35	108	0.324	0.868	0.281
2008-2009	28	30	28	106	0.265	0.886	0.235
2009-2010	29	27	29	100	0.289	0.904	0.261
2010-2011	17	18	17	95	0.179	0.922	0.165
2011-2012	30	31	30	97	0.309	0.942	0.291
2012-2013	25	22	25	98	0.254	0.961	0.244
2013-2014	26	23	26	102	0.256	0.980	0.251
2014-2015	17	17	28	106	0.265	1.000	0.265
Total	254	246	265	913.348			0.266

(H) Selected 2014-2015 Frequency: 0.265
 Prior Selected Frequency: 0.300

Program Year:	2014-2015	2015-2016
(I) Trend Factor:	1.000	0.980
(J) Selected Frequency:	0.265	0.260
(K) Estimated Payroll (\$000,000):	\$106	\$106
(L) Ultimate Claims:	28	28

Notes:

- (A) From Appendix D, Page 4, (C).
- (B) From Appendix D, Page 5, (C).
- (C) Selected from (A) and (B).
- (D) From Appendix M, Column (C) divided by 10,000.
- (E) (C) / (D).
- (F) From Appendix E.
- (G) (E) x (F).
- (H) The selected frequency of .265 is based on (G).
- (I) From Appendix E.
- (J) (H) x (I).
- (K) From Appendix M, Column (C) divided by 10,000.
- (L) (J) x (K).

This exhibit summarizes the estimated numbers of claims and shows the estimated frequencies per \$1,000,000 of trended payroll.

San Mateo Community College District - Workers' Compensation

Frequency and Severity Method
Reported Claim Count Development

Accident Year	Claims Reported as of 12/31/2014 (A)	Reported Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
2006-2007	47	1.000	47	0.395
2007-2008	35	1.000	35	0.281
2008-2009	28	1.001	28	0.235
2009-2010	29	1.003	29	0.261
2010-2011	17	1.006	17	0.165
2011-2012	30	1.010	30	0.291
2012-2013	25	1.016	25	0.244
2013-2014	25	1.026	26	0.251
2014-2015	6	2.873	17	0.161
Total	242		254	0.254

Notes:

- (A) Provided by the District.
- (B) From Appendix D, Page 6.
- (C) (A) x (B).
- (D) (C) / [Appendix D, Page 3, (D)] x [Appendix D, Page 3, (F)].

This exhibit shows the calculation of estimated ultimate claims for each year based on reported claims as provided by the District. These numbers of claims tend to "develop" or change from period to period as more claims are filed. This development tends to follow quantifiable patterns over time.

San Mateo Community College District - Workers' Compensation

Frequency and Severity Method
Closed Claim Count Development

Accident Year	Claims Closed as of 12/31/2014 (A)	Closed Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
2006-2007	43	1.032	44	0.369
2007-2008	33	1.041	34	0.273
2008-2009	28	1.055	30	0.251
2009-2010	25	1.078	27	0.243
2010-2011	16	1.110	18	0.175
2011-2012	27	1.154	31	0.300
2012-2013	18	1.246	22	0.215
2013-2014	16	1.433	23	0.222
2014-2015	1	17.196	17	0.161
Total	207		246	0.246

Notes:

- (A) Provided by the District.
- (B) From Appendix D, Page 7.
- (C) (A) x (B).
- (D) (C) / [Appendix D, Page 3, (D)] x [Appendix D, Page 3, (F)].

This exhibit shows the calculation of estimated ultimate claims for each year based on closed claims as provided by the District. These numbers of closed claims tend to "develop" or change from period to period as more claims are closed. This development tends to follow quantifiable patterns over time.

San Mateo Community College District - Workers' Compensation
Reported Claim Count Development

Claims Reported as of:

Accident Year	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months
2006-2007			46	46	47	47	47	47	47
2007-2008		34	34	34	34	35	35	35	
2008-2009	18	28	28	28	28	28	28		
2009-2010	14	29	29	29	29	29			
2010-2011	5	17	17	17	17				
2011-2012	8	30	30	30					
2012-2013	8	25	25						
2013-2014	10	25							
2014-2015	6								

Reported Claim Count Development Factors:

	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-Ult. Months
2006-2007			1.000	1.022	1.000	1.000	1.000	1.000	
2007-2008		1.000	1.000	1.000	1.029	1.000	1.000		
2008-2009	1.556	1.000	1.000	1.000	1.000	1.000			
2009-2010	2.071	1.000	1.000	1.000	1.000				
2010-2011	3.400	1.000	1.000	1.000					
2011-2012	3.750	1.000	1.000						
2012-2013	3.125	1.000							
2013-2014	2.500								
Average	2.734	1.000	1.000	1.004	1.007	1.000	1.000	1.000	
Claim-weighted Averages									
3-yr	3.077	1.000	1.000	1.000	1.011	1.000			
4-yr	3.129	1.000	1.000	1.000	1.007				
Industry I	2.200	1.025	1.006	1.004	1.003	1.002	1.001	1.000	1.000
Industry II	2.494	1.052	1.005	1.004	1.002	1.002	1.001	1.000	1.000
Prior	2.500	1.010	1.007	1.005	1.004	1.002	1.001		
Selected	2.800	1.010	1.006	1.004	1.003	1.002	1.001	1.000	1.000
Cumulated	2.873	1.026	1.016	1.010	1.006	1.003	1.001	1.000	1.000

San Mateo Community College District - Workers' Compensation
Closed Claim Development

Claims Closed as of:

Accident Year	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months
1993-1994									
1994-1995									
1995-1996									
1996-1997									
1997-1998									
1998-1999									
1999-2000									
2000-2001									
2001-2002									
2002-2003									
2003-2004									
2004-2005									
2005-2006									
2006-2007			39	40	41	41	41	42	43
2007-2008		29	30	30	30	32	32	33	
2008-2009	7	21	22	23	23	26	28		
2009-2010	3	21	20	24	25	25			
2010-2011	2	13	15	16	16				
2011-2012	2	24	25	27					
2012-2013	1	18	18						
2013-2014	1	16							
2014-2015	1								

Closed Claim Count Development Factors:

	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-Ult. Months
1993-1994									
1994-1995									
1995-1996									
1996-1997									
1997-1998									
1998-1999									
1999-2000									
2000-2001									
2001-2002									
2002-2003									
2003-2004									
2004-2005									
2005-2006									
2006-2007			1.026	1.025	1.000	1.000	1.024	1.024	
2007-2008		1.034	1.000	1.000	1.067	1.000	1.031		
2008-2009	3.000	1.048	1.045	1.000	1.130	1.077			
2009-2010	7.000	0.952	1.200	1.042	1.000				
2010-2011	6.500	1.154	1.067	1.000					
2011-2012	12.000	1.042	1.080						
2012-2013	18.000	1.000							
2013-2014	16.000								
Average	10.417	1.038	1.070	1.013	1.049	1.026	1.028	1.024	
Claim-weighted Averages									
3-yr	14.500	1.055	1.117	1.016	1.064	1.020			
4-yr	11.833	1.026	1.098	1.011	1.042				
Industry I	3.000	1.150	1.080	1.040	1.030	1.022	1.013	1.009	1.032
Industry II	2.887	1.280	1.065	1.040	1.027	1.020	1.013	1.009	1.031
Prior	5.000	1.150	1.070	1.045	1.032	1.025	1.051		
Selected	12.000	1.150	1.080	1.040	1.030	1.022	1.013	1.009	1.032
Cumulated	17.196	1.433	1.246	1.154	1.110	1.078	1.055	1.041	1.032

San Mateo Community College District - Workers' Compensation

Loss Trend Factors

Accident Year	Benefit Level Factor (A)	Factor to	Factor to							
		2014-2015 Loss Rate Level (B)	2015-2016 Loss Rate Level (C)	2016-2017 Loss Rate Level (D)	2017-2018 Loss Rate Level (E)	2014-2015 Frequency Level (F)	2015-2016 Frequency Level (G)	2016-2017 Frequency Level (H)	2017-2018 Frequency Level (I)	2014-2015 Severity Level (J)
1993-1994	1.883	2.085	2.164	2.204	2.244	0.655	0.642	0.629	0.616	3.161
1994-1995	1.772	1.952	2.026	2.063	2.101	0.668	0.655	0.642	0.629	2.902
1995-1996	1.625	1.780	1.848	1.882	1.917	0.682	0.669	0.655	0.642	2.597
1996-1997	1.456	1.586	1.646	1.677	1.707	0.696	0.682	0.668	0.655	2.269
1997-1998	1.261	1.366	1.418	1.444	1.471	0.710	0.696	0.682	0.668	1.917
1998-1999	1.119	1.208	1.253	1.276	1.300	0.725	0.710	0.696	0.682	1.661
1999-2000	0.998	1.072	1.112	1.133	1.154	0.740	0.725	0.710	0.696	1.445
2000-2001	0.936	1.000	1.038	1.057	1.077	0.755	0.740	0.724	0.710	1.322
2001-2002	0.937	0.997	1.035	1.054	1.074	0.769	0.754	0.739	0.724	1.292
2002-2003	0.989	1.048	1.087	1.107	1.128	0.785	0.770	0.754	0.739	1.330
2003-2004	1.227	1.294	1.343	1.367	1.393	0.801	0.785	0.769	0.754	1.610
2004-2005	1.579	1.657	1.720	1.751	1.784	0.817	0.801	0.785	0.769	2.022
2005-2006	1.697	1.772	1.840	1.873	1.908	0.834	0.818	0.801	0.785	2.119
2006-2007	1.592	1.654	1.717	1.749	1.781	0.851	0.834	0.817	0.801	1.939
2007-2008	1.466	1.516	1.574	1.603	1.632	0.868	0.851	0.834	0.817	1.742
2008-2009	1.352	1.392	1.445	1.471	1.498	0.886	0.869	0.851	0.834	1.568
2009-2010	1.220	1.250	1.297	1.321	1.346	0.904	0.886	0.868	0.851	1.381
2010-2011	1.162	1.185	1.230	1.252	1.275	0.922	0.904	0.886	0.868	1.283
2011-2012	1.155	1.172	1.216	1.239	1.262	0.942	0.923	0.904	0.886	1.244
2012-2013	1.141	1.153	1.196	1.218	1.241	0.961	0.942	0.922	0.904	1.200
2013-2014	1.082	1.087	1.128	1.149	1.170	0.980	0.960	0.941	0.922	1.109
2014-2015	1.000	1.000	1.038	1.057	1.076	1.000	0.980	0.960	0.941	1.000
2015-2016	0.968	--	1.000	1.018	1.037	--	1.000	0.980	0.960	--
2016-2017	0.955	--	--	1.000	1.018	--	--	1.000	0.980	--
2017-2018	0.943	--	--	--	1.000	--	--	--	1.000	--

Notes:

- (A) Based on WCIRB.
- (B) - (E) (A) adjusted for a 0.5% annual loss rate trend.
- (F) - (I) (A) adjusted for a -2.0% annual frequency trend.
- (J) (A) adjusted for a 2.5% annual severity trend.

This exhibit shows the calculation of the ways in which we expect claims costs to have changed over the past twenty years due to changes in statutory workers' compensation benefit levels and changes in actual claims costs in excess of changes in payroll. Changes in the ways in which claims are filed as a result of greater awareness of workers' compensation benefits are not generally reflected in the statutory benefit level factors shown above, but may be part of the reason for changes in actual claims costs in excess of payroll changes.

San Mateo Community College District - Workers' Compensation

Payment and Reserve Forecast

<u>Accident Year</u>	<u>As of</u> <u>12/31/2014</u>	<u>Calendar Period</u>	
		<u>1/1/2015</u> <u>to</u> <u>6/30/2015</u>	<u>7/1/2015</u> <u>to</u> <u>6/30/2016</u>
2006-2007			
Ultimate Loss	\$888,000	\$888,000	\$888,000
Paid in Calendar Period	-	11,419	19,260
Paid to Date	722,504	733,923	753,183
Outstanding Liability	165,496	154,077	134,817
2007-2008			
Ultimate Loss	\$577,000	\$577,000	\$577,000
Paid in Calendar Period	-	22,547	36,062
Paid to Date	334,564	357,111	393,173
Outstanding Liability	242,436	219,889	183,827
2008-2009			
Ultimate Loss	\$434,000	\$434,000	\$434,000
Paid in Calendar Period	-	4,835	9,385
Paid to Date	376,442	381,277	390,662
Outstanding Liability	57,558	52,723	43,338
2009-2010			
Ultimate Loss	\$621,000	\$621,000	\$621,000
Paid in Calendar Period	-	18,938	36,042
Paid to Date	378,199	397,137	433,179
Outstanding Liability	242,801	223,863	187,821
2010-2011			
Ultimate Loss	\$154,000	\$154,000	\$154,000
Paid in Calendar Period	-	8,160	14,397
Paid to Date	59,112	67,272	81,669
Outstanding Liability	94,888	86,728	72,331
2011-2012			
Ultimate Loss	\$722,000	\$722,000	\$722,000
Paid in Calendar Period	-	27,835	50,483
Paid to Date	405,689	433,524	484,007
Outstanding Liability	316,311	288,476	237,993
2012-2013			
Ultimate Loss	\$787,000	\$787,000	\$787,000
Paid in Calendar Period	-	27,710	56,301
Paid to Date	407,411	435,121	491,422
Outstanding Liability	379,589	351,879	295,578
2013-2014			
Ultimate Loss	\$617,000	\$617,000	\$617,000
Paid in Calendar Period	-	38,882	65,279
Paid to Date	175,162	214,044	279,323
Outstanding Liability	441,838	402,956	337,677
2014-2015			
Ultimate Loss	\$383,000	\$766,000	\$766,000
Paid in Calendar Period	-	102,077	149,201
Paid to Date	26,313	128,390	277,591
Outstanding Liability	356,687	637,610	488,409

San Mateo Community College District - Workers' Compensation

Payment and Reserve Forecast

<u>Accident Year</u>	<u>As of</u> <u>12/31/2014</u>	<u>Calendar Period</u>	
		<u>1/1/2015</u> <u>to</u> <u>6/30/2015</u>	<u>7/1/2015</u> <u>to</u> <u>6/30/2016</u>
2015-2016			
Ultimate Loss	-	-	\$807,000
Paid in Calendar Period	-	-	151,716
Paid to Date	-	-	151,716
Outstanding Liability	-	-	655,284
Totals			
Ultimate Loss	\$5,183,000	\$5,566,000	\$6,373,000
Paid in Calendar Period	-	262,403	588,126
Paid to Date	2,885,396	3,147,799	3,735,925
Outstanding Liability	2,297,604	2,418,201	2,637,075
Total Outstanding ULAE	0	0	0
Outstanding Liability plus ULAE	2,297,604	2,418,201	2,637,075

Notes appear on the next page.

San Mateo Community College District - Workers' Compensation

Payment and Reserve Forecast

Notes to previous page:

- Accident Year is associated with date of loss. Calendar Period is associated with date of transaction. For example, for the losses which occurred during 2012-2013, \$27,710 is expected to be paid between 1/1/15 and 6/30/15, \$435,121 will have been paid by 6/30/15, and the reserve for remaining payments on these claims should be \$351,879.
- Ultimate Losses for each accident year are from Exhibit 4, Page 1.
- Paid in Calendar Period is a proportion of the Outstanding Liability from the previous calendar period. These proportions are derived from the paid loss development pattern selected in Appendix B. For example, $\$56,301 = \$351,879 \times 16.0\%$.
- Paid to Date is Paid in Calendar Period plus Paid to Date from previous calendar period. For example, $\$491,422 = \$56,301 + \$435,121$.
- Outstanding Liability is Ultimate Loss minus Paid to Date. For example, $\$351,879 = \$787,000 - \$435,121$.

This exhibit shows the calculation of the liability for outstanding claims as of the date of evaluation, the end of the current fiscal year, and the end of the coming fiscal year. It also shows the expected claims payout during the remainder of the current fiscal year and the coming fiscal year. Refer to the Totals at the end of the exhibit for the balance sheet information. The top parts of the exhibit show information for each program year.

San Mateo Community College District - Workers' Compensation

Short- and Long-Term Liabilities

<u>Liabilities as of 12/31/14:</u>		<u>Expected</u>	<u>Discounted</u>
<u>Current (Short Term)</u>	Loss and ALAE:	\$160,326	\$157,974
	ULAE:	0	0
	Short-Term Loss and LAE:	<u>\$160,326</u>	<u>\$157,974</u>
<u>Non-Current (Long Term)</u>	Loss and ALAE:	\$2,137,278	\$1,776,339
	ULAE:	0	0
	Long-Term Loss and LAE:	<u>\$2,137,278</u>	<u>\$1,776,339</u>
<u>Total Liability</u>	Loss and ALAE:	\$2,297,604	\$1,934,313
	ULAE:	0	0
	Total Loss and LAE:	<u>\$2,297,604</u>	<u>\$1,934,313</u>
<u>Liabilities as of 6/30/15:</u>			
<u>Current (Short Term)</u>	Loss and ALAE:	\$436,410	\$430,008
	ULAE:	0	0
	Short-Term Loss and LAE:	<u>\$436,410</u>	<u>\$430,008</u>
<u>Non-Current (Long Term)</u>	Loss and ALAE:	\$1,981,791	\$1,605,004
	ULAE:	0	0
	Long-Term Loss and LAE:	<u>\$1,981,791</u>	<u>\$1,605,004</u>
<u>Total Liability</u>	Loss and ALAE:	\$2,418,201	\$2,035,012
	ULAE:	0	0
	Total Loss and LAE:	<u>\$2,418,201</u>	<u>\$2,035,012</u>

		<u>Discounted with a Margin for Contingencies</u>				
		<u>70%</u>	<u>75%</u>	<u>80%</u>	<u>85%</u>	<u>90%</u>
		<u>Confidence</u>	<u>Confidence</u>	<u>Confidence</u>	<u>Confidence</u>	<u>Confidence</u>
<u>Liabilities as of 12/31/14:</u>						
<u>Current (Short Term)</u>	Loss and ALAE:	\$180,248	\$189,885	\$201,101	\$215,003	\$233,486
	ULAE:	0	0	0	0	0
	Short-Term Loss and LAE:	<u>\$180,248</u>	<u>\$189,885</u>	<u>\$201,101</u>	<u>\$215,003</u>	<u>\$233,486</u>
<u>Non-Current (Long Term)</u>	Loss and ALAE:	\$2,026,803	\$2,135,159	\$2,261,279	\$2,417,597	\$2,625,429
	ULAE:	0	0	0	0	0
	Long-Term Loss and LAE:	<u>\$2,026,803</u>	<u>\$2,135,159</u>	<u>\$2,261,279</u>	<u>\$2,417,597</u>	<u>\$2,625,429</u>
<u>Total Liability</u>	Loss and ALAE:	\$2,207,051	\$2,325,044	\$2,462,380	\$2,632,600	\$2,858,915
	ULAE:	0	0	0	0	0
	Total Loss and LAE:	<u>\$2,207,051</u>	<u>\$2,325,044</u>	<u>\$2,462,380</u>	<u>\$2,632,600</u>	<u>\$2,858,915</u>
<u>Liabilities as of 6/30/15:</u>						
<u>Current (Short Term)</u>	Loss and ALAE:	\$490,639	\$516,870	\$547,400	\$585,241	\$635,552
	ULAE:	0	0	0	0	0
	Short-Term Loss and LAE:	<u>\$490,639</u>	<u>\$516,870</u>	<u>\$547,400</u>	<u>\$585,241</u>	<u>\$635,552</u>
<u>Non-Current (Long Term)</u>	Loss and ALAE:	\$1,831,310	\$1,929,214	\$2,043,170	\$2,184,410	\$2,372,196
	ULAE:	0	0	0	0	0
	Long-Term Loss and LAE:	<u>\$1,831,310</u>	<u>\$1,929,214</u>	<u>\$2,043,170</u>	<u>\$2,184,410</u>	<u>\$2,372,196</u>
<u>Total Liability</u>	Loss and ALAE:	\$2,321,949	\$2,446,084	\$2,590,570	\$2,769,651	\$3,007,748
	ULAE:	0	0	0	0	0
	Total Loss and LAE:	<u>\$2,321,949</u>	<u>\$2,446,084</u>	<u>\$2,590,570</u>	<u>\$2,769,651</u>	<u>\$3,007,748</u>

Note: Current (short term) liabilities are the portion of the total estimated liability shown on Appendix F that is expected to be paid out within the coming year. Totals may vary from Exhibit 1, due to rounding.

San Mateo Community College District - Workers' Compensation

Discount Factors to be Applied to Overall Reserves

Accident Year	Full Value of Reserve at 12/31/14 (A)	Discount Factor (B)	Discounted Reserve at 12/31/14 (C)	Full Value of Reserve at 6/30/15 (D)	Discount Factor (E)	Discounted Reserve at 6/30/15 (F)
1993-1994	\$0	0.985	\$0	\$0	0.985	\$0
1994-1995	0	0.973	0	0	0.985	0
1995-1996	0	0.949	0	0	0.960	0
1996-1997	0	0.927	0	0	0.938	0
1997-1998	0	0.908	0	0	0.917	0
1998-1999	0	0.890	0	0	0.898	0
1999-2000	0	0.874	0	0	0.881	0
2000-2001	0	0.860	0	0	0.867	0
2001-2002	0	0.849	0	0	0.854	0
2002-2003	0	0.839	0	0	0.843	0
2003-2004	0	0.832	0	0	0.835	0
2004-2005	0	0.826	0	0	0.828	0
2005-2006	0	0.822	0	0	0.824	0
2006-2007	\$165,496	0.823	\$136,193	\$154,077	0.821	\$126,454
2007-2008	242,436	0.828	200,849	219,889	0.825	181,443
2008-2009	57,558	0.833	47,946	52,723	0.832	43,853
2009-2010	242,801	0.835	202,847	223,863	0.834	186,759
2010-2011	94,888	0.839	79,566	86,728	0.837	72,560
2011-2012	316,311	0.841	265,964	288,476	0.840	242,441
2012-2013	379,589	0.842	319,595	351,879	0.841	296,016
2013-2014	441,838	0.849	375,314	402,956	0.843	339,553
2014-2015	356,687	0.858	306,039	637,610	0.856	545,933
Totals	\$2,297,604		\$1,934,313	\$2,418,201		\$2,035,012

(G) Discount Factor at 12/31/14 for Overall Reserve: 0.842
(H) Discount Factor at 6/30/15 for Overall Reserve: 0.842

Notes:

- (A) From Appendix F, Outstanding Liability at 12/31/14.
- (B) Based on Appendix H, Page 2, Column (E).
- (C) (A) x (B).
- (D) From Appendix F, Outstanding Liability at 6/30/15.
- (E) Based on Appendix H, Page 2, Column (E).
- (F) (D) x (E).
- (G) Total of (C) / Total of (A).
- (H) Total of (F) / Total of (D).

This exhibit shows the expected impact of anticipated investment income on the liability for outstanding claims at the date of evaluation and the end of the current fiscal year. For example, if the discount factor in item (G) is 0.842, the discounted liability for outstanding claims is 84.2% of the full value.

San Mateo Community College District - Workers' Compensation

Calculation of Discount Factors

Payment Year (A)	Payment Pattern (B)	Discounted* Reserves (C)	Undiscounted Reserves (D)	Discount Factor (E)
22	5.7%	0.057	0.057	0.985
21	0.7%	0.062	0.065	0.960
20	0.8%	0.068	0.072	0.938
19	0.7%	0.073	0.079	0.917
18	0.8%	0.078	0.087	0.898
17	0.7%	0.083	0.094	0.881
16	0.9%	0.089	0.103	0.867
15	1.0%	0.096	0.113	0.854
14	1.2%	0.105	0.124	0.843
13	1.4%	0.115	0.138	0.835
12	1.5%	0.127	0.153	0.828
11	1.8%	0.141	0.171	0.824
10	2.2%	0.159	0.194	0.821
9	3.4%	0.188	0.228	0.825
8	4.5%	0.227	0.273	0.832
7	4.8%	0.268	0.322	0.834
6	5.8%	0.317	0.379	0.837
5	7.4%	0.381	0.453	0.840
4	8.0%	0.448	0.532	0.841
3	9.7%	0.530	0.629	0.843
2	18.6%	0.698	0.815	0.856
1	18.5%	0.860	1.000	0.860
(F) Discount Factor for Future Funding:				0.873
* Assumed Investment Rate:				3.0%

Notes:

- (A) This is the year of payment relative to the accident year. For example, year 7 refers to payments made in the seventh year after the inception of the accident year. We assume that payments are made at midyear.
- (B) Percent of ultimate loss paid this year. This payment pattern is based on the paid loss development pattern selected in Appendix B, Page 2.
- (C) Discounted Reserves at the beginning of this year is next year's Discounted Reserves discounted one year plus this year's payments discounted six months. For example, in year 2, 69.8% = $[53.0\% / 1.030] + [18.6\% / (1.015)]$.
- (D) Summation of future (B) values. This is the percent of ultimate loss unpaid at the beginning of the year.
- (E) (C) / (D).
- (F) (E) at year 1, with interest accumulated for six months. We assume that the required funding is deposited at the middle of the first year.

This exhibit shows the calculation of the effect of anticipated investment income on future claims costs. Thus, if the discount factor in item (F) is 0.87, on a discounted basis, \$0.87 must be budgeted for every \$1 that will actually be paid on claims that will be incurred in the next fiscal year.

San Mateo Community College District - Workers' Compensation

Confidence Level Table

Probability	Projected Losses	Outstanding Losses
95%	2.166	1.671
90	1.816	1.478
85	1.603	1.361
80	1.447	1.273
75	1.322	1.202
70	1.215	1.141
65	1.122	1.087
60	1.037	1.037
55	0.960	0.992
50	0.887	0.948
45	0.817	0.907
40	0.750	0.866
35	0.684	0.825
30	0.618	0.784
25	0.551	0.741

To read table: For the above retention, there is a 90% chance that final loss settlements will be less than 1.816 times the average expected amount of losses.

This exhibit shows the loads that must be applied to bring estimated losses at the expected level to the various indicated confidence levels.

San Mateo Community College District - Workers' Compensation

Program History

Policy Year Start Date	Policy Year End Date	Policy Year	Self-Insured Retention	
			Per Occurrence	Aggregate
7/1/1993	6/30/1994	1993-1994	350,000	(none)
7/1/1994	6/30/1995	1994-1995	350,000	(none)
7/1/1995	6/30/1996	1995-1996	350,000	(none)
7/1/1996	6/30/1997	1996-1997	350,000	(none)
7/1/1997	6/30/1998	1997-1998	350,000	(none)
7/1/1998	6/30/1999	1998-1999	350,000	(none)
7/1/1999	6/30/2000	1999-2000	350,000	(none)
7/1/2000	6/30/2001	2000-2001	350,000	(none)
7/1/2001	6/30/2002	2001-2002	350,000	(none)
7/1/2002	6/30/2003	2002-2003	350,000	(none)
7/1/2003	6/30/2004	2003-2004	350,000	(none)
7/1/2004	6/30/2005	2004-2005	350,000	(none)
7/1/2005	6/30/2006	2005-2006	350,000	(none)
7/1/2006	6/30/2007	2006-2007	\$350,000	(none)
7/1/2007	6/30/2008	2007-2008	350,000	(none)
7/1/2008	6/30/2009	2008-2009	350,000	(none)
7/1/2009	6/30/2010	2009-2010	350,000	(none)
7/1/2010	6/30/2011	2010-2011	350,000	(none)
7/1/2011	6/30/2012	2011-2012	350,000	(none)
7/1/2012	6/30/2013	2012-2013	350,000	(none)
7/1/2013	6/30/2014	2013-2014	350,000	(none)
7/1/2014	6/30/2015	2014-2015	350,000	(none)
7/1/2015	6/30/2016	2015-2016	350,000	(none)
	Third Party Claims Administrator		Begin Date	End Date
	District's Risk Management Department		7/1/2006	Current

This exhibit summarizes some of the key facts about the history of the program.

San Mateo Community College District - Workers' Compensation

Incurred Losses as of 12/31/14

Accident Year (A)	Unlimited Incurred (B)	Additions to Losses (C)	Subtractions from Losses (D)	Adjusted Incurred (E)	Incurred Over SIR (F)	Incurred Over \$100,000 (G)	Incurred Capped at \$100,000 (H)	Incurred to SIR Layer \$100,000 (I)	Incurred Capped at SIR (J)	Incurred Capped at SIR & Aggregate (K)
2006-2007	\$856,616	\$0	\$0	\$856,616	\$0	\$366,104	\$490,511	\$366,104	\$856,616	\$856,616
2007-2008	600,392	0	0	600,392	89,643	339,643	260,750	250,000	510,750	510,750
2008-2009	376,442	0	0	376,442	0	18,670	357,772	18,670	376,442	376,442
2009-2010	573,756	0	0	573,756	0	128,517	445,238	128,517	573,756	573,756
2010-2011	62,567	0	3,379	59,188	0	0	59,188	0	59,188	59,188
2011-2012	566,057	0	6,325	559,732	0	157,898	401,834	157,898	559,732	559,732
2012-2013	540,168	0	0	540,168	0	102,252	437,916	102,252	540,168	540,168
2013-2014	278,617	0	0	278,617	0	0	278,617	0	278,617	278,617
2014-2015	60,078	0	0	60,078	0	0	60,078	0	60,078	60,078
Total	\$3,914,693	\$0	\$9,704	\$3,904,989	\$89,643	\$1,113,084	\$2,791,905	\$1,023,442	\$3,815,346	\$3,815,346

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by the District.
- (C)
- (D) Subrogation Recoveries.
- (E) (B) + (C) - (D).
- (F) Sum of incurred losses in excess of SIR.
- (G) Sum of incurred losses in excess of \$100,000.
- (H) (E) - (G).
- (I) (G) - (F).
- (J) (E) - (F).
- (K) Minimum of (J) and the aggregate stop loss. See Appendix J.

San Mateo Community College District - Workers' Compensation

Paid Losses as of 12/31/14

Accident Year (A)	Unlimited Paid (B)	Additions to Losses (C)	Subtractions from Losses (D)	Adjusted Paid (E)	Paid Over SIR (F)	Paid Over \$100,000 (G)	Paid Capped at \$100,000 (H)	Paid \$100,000 to SIR Layer (I)	Paid Capped at SIR (J)	Paid Capped at SIR & Aggregate (K)
2006-2007	\$722,504	\$0	\$0	\$722,504	\$0	\$278,421	\$444,083	\$278,421	\$722,504	\$722,504
2007-2008	334,564	0	0	334,564	0	100,120	234,445	100,120	334,564	334,564
2008-2009	376,442	0	0	376,442	0	18,670	357,772	18,670	376,442	376,442
2009-2010	378,199	0	0	378,199	0	0	378,199	0	378,199	378,199
2010-2011	62,492	0	3,379	59,112	0	0	59,112	0	59,112	59,112
2011-2012	412,015	0	6,325	405,689	0	82,251	323,438	82,251	405,689	405,689
2012-2013	407,411	0	0	407,411	0	102,252	305,159	102,252	407,411	407,411
2013-2014	175,162	0	0	175,162	0	0	175,162	0	175,162	175,162
2014-2015	26,313	0	0	26,313	0	0	26,313	0	26,313	26,313
Total	\$2,895,102	\$0	\$9,704	\$2,885,397	\$0	\$581,713	\$2,303,684	\$581,713	\$2,885,397	\$2,885,397

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by the District.
- (C)
- (D) Subrogation Recoveries.
- (E) (B) + (C) - (D).
- (F) Sum of paid losses in excess of SIR.
- (G) Sum of paid losses in excess of \$100,000.
- (H) (E) - (G).
- (I) (G) - (F).
- (J) (E) - (F).
- (K) Minimum of (J) and the aggregate stop loss. See Appendix J.

San Mateo Community College District - Workers' Compensation

Case Reserves as of 12/31/14

Accident Year (A)	Unlimited Reserves (B)	Additions to Losses (C)	Subtractions from Losses (D)	Adjusted Reserves (E)	Reserves Over SIR (F)	Reserves Over \$100,000 (G)	Reserves Capped at \$100,000 (H)	Reserves to SIR Layer \$100,000 (I)	Reserves Capped at SIR (J)	Reserves Capped & SIR & Aggregate (K)
2006-2007	\$134,111	\$0	\$0	\$134,111	\$0	\$87,684	\$46,428	\$87,684	\$134,111	\$134,111
2007-2008	265,828	0	0	265,828	89,643	239,523	26,305	149,880	176,185	176,185
2008-2009	0	0	0	0	0	0	0	0	0	0
2009-2010	195,557	0	0	195,557	0	128,517	67,039	128,517	195,557	195,557
2010-2011	76	0	0	76	0	0	76	0	76	76
2011-2012	154,043	0	0	154,043	0	75,647	78,396	75,647	154,043	154,043
2012-2013	132,757	0	0	132,757	0	0	132,757	0	132,757	132,757
2013-2014	103,455	0	0	103,455	0	0	103,455	0	103,455	103,455
2014-2015	33,765	0	0	33,765	0	0	33,765	0	33,765	33,765
Total	\$1,019,591	\$0	\$0	\$1,019,591	\$89,643	\$531,371	\$488,220	\$441,728	\$929,949	\$929,949

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Appendix K, Page 1, Column (B) - Appendix K, Page 2, Column (B).
- (C) Appendix K, Page 1, Column (C) - Appendix K, Page 2, Column (C).
- (D) Appendix K, Page 1, Column (D) - Appendix K, Page 2, Column (D).
- (E) (B) + (C) - (D).
- (F) Sum of case reserves in excess of SIR.
- (G) Sum of case reserves in excess of \$100,000.
- (H) (E) - (G).
- (I) (G) - (F).
- (J) (E) - (F).
- (K) Minimum of (J) and the aggregate stop loss. See Appendix J.

San Mateo Community College District - Workers' Compensation

Claim Counts as of 12/31/14

Accident Year (A)	Reported Claims (B)	Additions to Reported Claims (C)	Subtractions from Reported Claims (D)	Adjusted Reported Claims (E)	Closed Claims (F)	Additions to Closed Claims (G)	Subtractions from Closed Claims (H)	Adjusted Closed Claims (I)	Open Claims (J)	Adjusted Open Claims (K)
2006-2007	47	0	0	47	43	0	0	43	4	4
2007-2008	35	0	0	35	33	0	0	33	2	2
2008-2009	28	0	0	28	28	0	0	28	0	0
2009-2010	29	0	0	29	25	0	0	25	4	4
2010-2011	17	0	0	17	16	0	0	16	1	1
2011-2012	30	0	0	30	27	0	0	27	3	3
2012-2013	25	0	0	25	18	0	0	18	7	7
2013-2014	25	0	0	25	16	0	0	16	9	9
2014-2015	6	0	0	6	1	0	0	1	5	5
Total	242	0	0	242	207	0	0	207	35	35

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by the District.
- (C)
- (D)
- (E) (B) + (C) - (D).
- (F) Provided by the District.
- (G)
- (H)
- (I) (F) + (G) - (H).
- (J) (B) - (F).
- (K) (E) - (I).

San Mateo Community College District - Workers' Compensation

Exposure Measures

Accident Year	Total Payroll (\$00) (A)	Inflation Trend Factor (B)	Trended Payroll (\$00) (C)
2002-2003	727,963	1.345	979,111
2003-2004	667,000	1.312	875,104
2004-2005	700,153	1.280	896,195
2005-2006	738,747	1.249	922,695
2006-2007	831,506	1.219	1,013,606
2007-2008	908,377	1.189	1,080,060
2008-2009	911,094	1.160	1,056,869
2009-2010	887,755	1.132	1,004,939
2010-2011	860,316	1.104	949,788
2011-2012	902,578	1.077	972,077
2012-2013	936,545	1.051	984,309
2013-2014	990,631	1.025	1,015,397
2014-2015	1,056,433	1.000	1,056,433
2015-2016	1,064,896	1.000	1,064,896

Notes:

- (A) Provided by the District.
- (B) Based on WCIRB.
- (C) (A) x (B).

Total Compensation Systems, Inc.

San Mateo County Community College District
Actuarial Study of
Retiree Health Liabilities
As of February 1, 2015

Prepared by:
Total Compensation Systems, Inc.

Date: June 4, 2015

Total Compensation Systems, Inc.

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Total Compensation Systems, Inc.

**San Mateo County Community College District
Actuarial Study of Retiree Health Liabilities****PART I: EXECUTIVE SUMMARY****A. Introduction**

San Mateo County Community College District engaged Total Compensation Systems, Inc. (TCS) to analyze liabilities associated with its current retiree health program as of February 1, 2015 (the valuation date). The numbers in this report are based on the assumption that they will first be used to determine accounting entries for the fiscal year ending June 30, 2015. If the report will first be used for a different fiscal year, the numbers will need to be adjusted accordingly.

This report does not reflect any cash benefits paid unless the retiree is required to provide proof that the cash benefits are used to reimburse the retiree's cost of health benefits. Costs and liabilities attributable to cash benefits paid to retirees are reportable under Governmental Accounting Standards Board (GASB) Standards 25/27.

This actuarial study is intended to serve the following purposes:

- To provide information to enable San Mateo CCD to manage the costs and liabilities associated with its retiree health benefits.
- To provide information to enable San Mateo CCD to communicate the financial implications of retiree health benefits to internal financial staff, the Board, employee groups and other affected parties.
- To provide information needed to comply with Governmental Accounting Standards Board Accounting Standards 43 and 45 related to "other postemployment benefits" (OPEB's).

Because this report was prepared in compliance with GASB 43 and 45, as appropriate, San Mateo CCD should not use this report for any other purpose without discussion with TCS. This means that any discussions with employee groups, governing Boards, etc. should be restricted to the implications of GASB 43 and 45 compliance.

This actuarial report includes several estimates for San Mateo CCD's retiree health program. In addition to the tables included in this report, we also performed cash flow adequacy tests as required under Actuarial Standard of Practice 6 (ASOP 6). Our cash flow adequacy testing covers a twenty-year period. We would be happy to make this cash flow adequacy test available to San Mateo CCD in spreadsheet format upon request.

We calculated the following estimates separately for active employees and retirees. As requested, we also separated results by the following employee classifications: AFSCME, Certificated Management, Certificated, Classified and Classified Management. We estimated the following:

- the total liability created. (The actuarial present value of total projected benefits or APVTPB)
- the ten year "pay-as-you-go" cost to provide these benefits.
- the "actuarial accrued liability (AAL)." (The AAL is the portion of the APVTPB attributable to employees' service prior to the valuation date.)

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- the amount necessary to amortize the UAAL over a period of 25 years.
- the annual contribution required to fund retiree benefits over the working lifetime of eligible employees (the "normal cost").
- The Annual Required Contribution (ARC) which is the basis of calculating the annual OPEB cost and net OPEB obligation under GASB 43 and 45.

We summarized the data used to perform this study in Appendix A. No effort was made to verify this information beyond brief tests for reasonableness and consistency.

All cost and liability figures contained in this study are estimates of future results. Future results can vary dramatically and the accuracy of estimates contained in this report depends on the actuarial assumptions used. Normal costs and liabilities could easily vary by 10 - 20% or more from estimates contained in this report.

B. General Findings

We estimate the "pay-as-you-go" cost of providing retiree health benefits in the year beginning February 1, 2015 to be \$7,265,110 (see Section IV.A.). The "pay-as-you-go" cost is the cost of benefits for current retirees.

For current employees, the value of benefits "accrued" in the year beginning February 1, 2015 (the normal cost) is \$2,853,655. This normal cost would increase each year based on covered payroll. Had San Mateo CCD begun accruing retiree health benefits when each current employee and retiree was hired, a substantial liability would have accumulated. We estimate the amount that would have accumulated to be \$119,086,798. This amount is called the "actuarial accrued liability" (AAL). The remaining unamortized balance of the initial unfunded AAL (UAAL) is \$116,207,056. This leaves a "residual" AAL of \$2,879,742.

San Mateo CCD has established a GASB 43 trust for future OPEB benefits. The actuarial value of plan assets at January 31, 2015 was \$62,328,025. This leaves a residual unfunded actuarial accrued liability (UAAL) of *negative* \$59,448,283. We calculated the annual cost to amortize the residual unfunded actuarial accrued liability using a 7% discount rate. We used an open 25 year amortization period. The current year cost to amortize the residual unfunded actuarial accrued liability is *negative* \$3,860,401.

Combining the normal cost with both the initial and residual UAAL amortization costs produces an annual required contribution (ARC) of \$7,138,932. The ARC is used as the basis for determining expenses and liabilities under GASB 43/45. The ARC is used in lieu of (rather than in addition to) the "pay-as-you-go" cost.

We based all of the above estimates on employees as of January, 2015. Over time, liabilities and cash flow will vary based on the number and demographic characteristics of employees and retirees.

C. Description of Retiree Benefits

Following is a description of the current retiree benefit plan. District practices are based on Government Code sections collectively known as PEMHCA, which vary from collective bargaining agreements.

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	<i>AFSCME</i>	<i>Certificated Management</i>	<i>Certificated</i>	<i>Classified</i>	<i>Classified Management</i>
Benefit types provided	Medical, Part B				
Duration of Benefits	Lifetime	Lifetime	Lifetime	Lifetime	Lifetime
Minimum Age Required Service	Retirement from Applicable Retirement System				
Dependent Coverage	Yes	Yes	Yes	Yes	Yes
District Contribution %	100%	100%	100%	100%	100%
District Cap	\$704 per month*				

*The District contribution is changed periodically. Grandfathered employees and retirees receive benefits that may exceed this cap.

D. Recommendations

It is outside the scope of this report to make specific recommendations of actions San Mateo CCD should take to manage the substantial liability created by the current retiree health program. Total Compensation Systems, Inc. can assist in identifying and evaluating options once this report has been studied. The following recommendations are intended only to allow the District to get more information from this and future studies. Because we have not conducted a comprehensive administrative audit of San Mateo CCD's practices, it is possible that San Mateo CCD is already complying with some or all of our recommendations.

- We recommend that San Mateo CCD inventory all benefits and services provided to retirees – whether contractually or not and whether retiree-paid or not. For each, San Mateo CCD should determine whether the benefit is material and subject to GASB 43 and/or 45.
- We recommend that San Mateo CCD conduct a study whenever events or contemplated actions significantly affect present or future liabilities, but no less frequently than every two years, as required under GASB 43/45.
- We recommend that the District communicate the magnitude of these costs to employees and include employees in discussions of options to control the costs.
- Under GASB 45, it is important to isolate the cost of retiree health benefits. San Mateo CCD should have all premiums, claims and expenses for retirees separated from active employee premiums, claims, expenses, etc. To the extent any retiree benefits are made available to retirees over the age of 65 – *even on a retiree-pay-all basis* – all premiums, claims and expenses for post-65 retiree coverage should be segregated from those for pre-65 coverage. Furthermore, San Mateo CCD should arrange for the rates or prices of all retiree benefits to be set on what is expected to be a self-sustaining basis.
- San Mateo CCD should establish a way of designating employees as eligible or ineligible for future OPEB benefits. Ineligible employees can include those in ineligible job classes; those hired after a designated date restricting eligibility; those who, due to their age at hire cannot qualify for District-

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paid OPEB benefits; employees who exceed the termination age for OPEB benefits, etc.

- Several assumptions were made in estimating costs and liabilities under San Mateo CCD's retiree health program. Further studies may be desired to validate any assumptions where there is any doubt that the assumption is appropriate. (See Appendices B and C for a list of assumptions and concerns.) For example, San Mateo CCD should maintain a retiree database that includes – in addition to date of birth, gender and employee classification – retirement date and (if applicable) dependent date of birth, relationship and gender. It will also be helpful for San Mateo CCD to maintain employment termination information – namely, the number of OPEB-eligible employees in each employee class that terminate employment each year for reasons other than death, disability or retirement.

Respectfully submitted,



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Total Compensation Systems, Inc.

PART II: BACKGROUND

A. Summary

Accounting principles provide that the cost of retiree benefits should be “accrued” over employees' working lifetime. For this reason, the Governmental Accounting Standards Board (GASB) issued in 2004 Accounting Standards 43 and 45 for retiree health benefits. These standards apply to all public employers that pay any part of the cost of retiree health benefits for current or future retirees (including early retirees).

B. Actuarial Accrual

To actuarially accrue retiree health benefits requires determining the amount to expense each year so that the liability accumulated at retirement is, on average, sufficient (with interest) to cover all retiree health expenditures without the need for additional expenses. There are many different ways to determine the annual accrual amount. The calculation method used is called an “actuarial cost method.”

Under most actuarial cost methods, there are two components of actuarial cost - a “normal cost” and amortization of something called the “unfunded actuarial accrued liability.” Both accounting standards and actuarial standards usually address these two components separately (though alternative terminology is sometimes used).

The normal cost can be thought of as the value of the benefit earned each year if benefits are accrued during the working lifetime of employees. This report will not discuss differences between actuarial cost methods or their application. Instead, following is a description of a commonly used, generally accepted actuarial cost method permitted under GASB 43 and 45. This actuarial cost method is called the “entry age normal” method.

Under the entry age normal cost method, the actuary determines the annual amount needing to be expensed from hire until retirement to fully accrue the cost of retiree health benefits. This amount is the normal cost. Under GASB 43 and 45, normal cost can be expressed either as a level dollar amount or a level percentage of payroll.

The normal cost is determined using several key assumptions:

- The current *cost of retiree health benefits* (often varying by age, Medicare status and/or dependent coverage). The higher the current cost of retiree benefits, the higher the normal cost.
- The “*trend*” rate at which retiree health benefits are expected to increase over time. A higher trend rate increases the normal cost. A “cap” on District contributions can reduce trend to zero once the cap is reached thereby dramatically reducing normal costs.
- *Mortality rates* varying by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce normal costs, the mortality assumption is not likely to vary from employer to employer.
- *Employment termination rates* have the same effect as mortality inasmuch as higher termination rates reduce normal costs. Employment termination can vary considerably between public agencies.
- The *service requirement* reflects years of service required to earn full or partial retiree benefits.

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While a longer service requirement reduces costs, cost reductions are not usually substantial unless the service period exceeds 20 years of service.

- **Retirement rates** determine what proportion of employees retire at each age (assuming employees reach the requisite length of service). Retirement rates often vary by employee classification and implicitly reflect the minimum retirement age required for eligibility. Retirement rates also depend on the amount of pension benefits available. Higher retirement rates increase normal costs but, except for differences in minimum retirement age, retirement rates tend to be consistent between public agencies for each employee type.
- **Participation rates** indicate what proportion of retirees are expected to elect retiree health benefits if a significant retiree contribution is required. Higher participation rates increase costs.
- The **discount rate** estimates investment earnings for assets earmarked to cover retiree health benefit liabilities. The discount rate depends on the nature of underlying assets. For example, employer funds earning money market rates in the county treasury are likely to earn far less than an irrevocable trust containing a diversified asset portfolio including stocks, bonds, etc. A higher discount rate can dramatically lower normal costs. GASB 43 and 45 require the interest assumption to reflect likely *long term* investment return.

The assumptions listed above are not exhaustive, but are the most common assumptions used in actuarial cost calculations. The actuary selects the assumptions which - taken together - will yield reasonable results. It's not necessary (or even possible) to predict individual assumptions with complete accuracy.

If all actuarial assumptions are exactly met and an employer expensed the normal cost every year for all past and current employees and retirees, a sizeable liability would have accumulated (after adding interest and subtracting retiree benefit costs). The liability that would have accumulated is called the actuarial accrued liability or AAL. The excess of AAL over the **actuarial value of plan assets** is called the *unfunded* actuarial accrued liability (or UAAL). Under GASB 43 and 45, in order for assets to count toward offsetting the AAL, the assets have to be held in an irrevocable trust that is safe from creditors and can only be used to provide OPEB benefits to eligible participants.

The actuarial accrued liability (AAL) can arise in several ways. At inception of GASB 43 and 45, there is usually a substantial UAAL. Some portion of this amount can be established as the "transition obligation" subject to certain constraints. UAAL can also increase as the result of operation of a retiree health plan - e.g., as a result of plan changes or changes in actuarial assumptions. Finally, AAL can arise from actuarial gains and losses. Actuarial gains and losses result from differences between actuarial assumptions and actual plan experience.

Under GASB 43 and 45, employers have several options on how the UAAL can be amortized as follows:

- The employer can select an amortization period of 1 to 30 years. (For certain situations that result in a reduction of the AAL, the amortization period must be at least 10 years.)
- The employer may apply the same amortization period to the total combined UAAL or can apply different periods to different components of the UAAL.
- The employer may elect a "closed" or "open" amortization period.
- The employer may choose to amortize on a level dollar or level percentage of payroll method.

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PART III: LIABILITIES AND COSTS FOR RETIREE BENEFITS

A. Introduction.

We calculated the actuarial present value of projected benefits (APVPB) separately for each employee. We determined eligibility for retiree benefits based on information supplied by San Mateo CCD. We then selected assumptions for the factors discussed in the above Section that, based on plan experience and our training and experience, represent our best prediction of future plan experience. For each employee, we applied the appropriate factors based on the employee's age, sex and length of service.

We summarized actuarial assumptions used for this study in Appendix C.

B. Medicare

The extent of Medicare coverage can affect projections of retiree health costs. The method of coordinating Medicare benefits with the retiree health plan's benefits can have a substantial impact on retiree health costs. We will be happy to provide more information about Medicare integration methods if requested.

C. Liability for Retiree Benefits.

For each employee, we projected future premium costs using an assumed trend rate (see Appendix C). To the extent San Mateo CCD uses contribution caps, the influence of the trend factor is further reduced.

We multiplied each year's projected cost by the probability that premium will be paid; i.e. based on the probability that the employee is living, has not terminated employment and has retired. The probability that premium will be paid is zero if the employee is not eligible. The employee is not eligible if s/he has not met minimum service, minimum age or, if applicable, maximum age requirements.

The product of each year's premium cost and the probability that premium will be paid equals the expected cost for that year. We discounted the expected cost for each year to the valuation date February 1, 2015 at 7% interest.

Finally, we multiplied the above discounted expected cost figures by the probability that the retiree would elect coverage. A retiree may not elect to be covered if retiree health coverage is available less expensively from another source (e.g. Medicare risk contract) or the retiree is covered under a spouse's plan.

For any current retirees, the approach used was similar. The major difference is that the probability of payment for current retirees depends only on mortality and age restrictions (i.e. for retired employees the probability of being retired and of not being terminated are always both 1.0000).

We added the APVPB for all employees to get the actuarial present value of total projected benefits (APVTPB). The APVTPB is the estimated present value of all future retiree health benefits for all **current** employees and retirees. The APVTPB is the amount on February 1, 2015 that, if all actuarial assumptions are exactly right, would be sufficient to expense all promised benefits until the last current employee or retiree dies or reaches the maximum eligibility age.

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Actuarial Present Value of Total Projected Benefits at February 1, 2015

	<i>Total</i>	<i>AFSCME</i>	<i>Certificated Management</i>	<i>Certificated</i>	<i>Classified</i>	<i>Classified Management</i>
Active: Pre-65	\$12,199,356	\$1,259,147	\$474,419	\$4,382,567	\$4,086,049	\$1,997,174
Post-65	\$50,525,267	\$4,110,300	\$3,004,454	\$20,485,525	\$15,364,875	\$7,560,113
Subtotal	\$62,724,623	\$5,369,447	\$3,478,873	\$24,868,092	\$19,450,924	\$9,557,287
Retiree: Pre-65	\$3,400,170	\$808,401	\$16,593	\$743,782	\$1,477,809	\$353,585
Post-65	\$70,277,075	\$1,327,731	\$801,103	\$42,259,951	\$24,715,508	\$1,172,782
Subtotal	\$73,677,245	\$2,136,132	\$817,696	\$43,003,733	\$26,193,317	\$1,526,367
Grand Total	\$136,401,868	\$7,505,579	\$4,296,569	\$67,871,825	\$45,644,241	\$11,083,654
Subtotal Pre-65	\$15,599,526	\$2,067,548	\$491,012	\$5,126,349	\$5,563,858	\$2,350,759
Subtotal Post-65	\$120,802,342	\$5,438,031	\$3,805,557	\$62,745,476	\$40,080,383	\$8,732,895

The APVTPB should be accrued over the working lifetime of employees. At any time much of it has not been "earned" by employees. The APVTPB is used to develop expense and liability figures. To do so, the APVTFB is divided into two parts: the portions attributable to service rendered prior to the valuation date (the past service liability or actuarial accrued liability under GASB 43 and 45) and to service after the valuation date but prior to retirement (the future service liability).

The past service and future service liabilities are each funded in a different way. We will start with the future service liability which is funded by the normal cost.

D. Cost to Prefund Retiree Benefits

1. Normal Cost

The average hire age for eligible employees is 38. To accrue the liability by retirement, the District would accrue the retiree liability over a period of about 23 years (assuming an average retirement age of 61). We applied an "entry age normal" actuarial cost method to determine funding rates for active employees. The table below summarizes the calculated normal cost.

Normal Cost Year Beginning February 1, 2015

	<i>Total</i>	<i>AFSCME</i>	<i>Certificated Management</i>	<i>Certificated</i>	<i>Classified</i>	<i>Classified Management</i>
# of Employees	878	84	50	325	291	128
Per Capita Normal Cost						
Pre-65 Benefit	N/A	\$828	\$778	\$852	\$733	\$733
Post-65 Benefit	N/A	\$2,322	\$3,356	\$2,838	\$2,094	\$2,083
First Year Normal Cost						
Pre-65 Benefit	\$692,479	\$69,552	\$38,900	\$276,900	\$213,303	\$93,824
Post-65 Benefit	\$2,161,176	\$195,048	\$167,800	\$922,350	\$609,354	\$266,624
Total	\$2,853,655	\$264,600	\$206,700	\$1,199,250	\$822,657	\$360,448

Accruing retiree health benefit costs using normal costs levels out the cost of retiree health benefits over time and more fairly reflects the value of benefits "earned" each year by employees. This normal cost would increase each year based on covered payroll.

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2. Amortization of Unfunded Actuarial Accrued Liability (UAAL)

If actuarial assumptions are borne out by experience, the District will fully accrue retiree benefits by expensing an amount each year that equals the normal cost. If no accruals had taken place in the past, there would be a shortfall of many years' accruals, accumulated interest and forfeitures for terminated or deceased employees. This shortfall is called the actuarial accrued liability (AAL). We calculated the AAL as the APVTPB minus the present value of future normal costs.

The initial UAAL was amortized using level percent, closed 30 year amortization. The District can amortize the remaining or residual UAAL over many years. The table below shows the annual amount necessary to amortize the UAAL over a period of 25 years at 7% interest. (Thirty years is the longest amortization period allowable under GASB 43 and 45.) GASB 43 and 45 allow amortizing the UAAL using either payments that stay the same as a dollar amount, or payments that are a flat percentage of covered payroll over time. The figures below reflect level percent, open 25 year amortization.

Actuarial Accrued Liability as of February 1, 2015

	<i>Total</i>	<i>AFSCME</i>	<i>Certificated Management</i>	<i>Certificated</i>	<i>Classified</i>	<i>Classified Management</i>
Active: Pre-65	\$7,971,843	\$785,006	\$282,325	\$2,771,266	\$2,705,551	\$1,427,695
Post-65	\$37,437,709	\$2,780,644	\$2,175,831	\$15,118,303	\$11,421,132	\$5,941,799
Subtotal	\$45,409,552	\$3,565,650	\$2,458,156	\$17,889,569	\$14,126,683	\$7,369,494
Retiree: Pre-65	\$3,400,170	\$808,401	\$16,593	\$743,782	\$1,477,809	\$353,585
Post-65	\$70,277,075	\$1,327,731	\$801,103	\$42,259,951	\$24,715,508	\$1,172,782
Subtotal	\$73,677,245	\$2,136,132	\$817,696	\$43,003,733	\$26,193,317	\$1,526,367
Subtot Pre-65	\$11,372,013	\$1,593,407	\$298,918	\$3,515,048	\$4,183,360	\$1,781,280
Subtot Post-65	\$107,714,784	\$4,108,375	\$2,976,934	\$57,378,254	\$36,136,640	\$7,114,581
Grand Total	\$119,086,798	\$5,701,783	\$3,275,852	\$60,893,301	\$40,320,000	\$8,895,862
Unamortized Initial UAAL	\$116,207,056					
Plan assets at 1/31/15	\$62,328,025					
Residual UAAL	(\$59,448,283)					
Residual UAAL Amortization at 7% over 25 Years	(\$3,860,401)					

3. Annual Required Contributions (ARC)

If the District determines retiree health plan expenses in accordance with GASB 43 and 45, costs include both normal cost and one or more components of UAAL amortization costs. The sum of normal cost and UAAL amortization costs is called the Annual Required Contribution (ARC) and is shown below.

Annual Required Contribution (ARC) Year Beginning February 1, 2015

	<i>Total</i>
Normal Cost	\$2,853,655
Initial UAAL Amortization	\$8,145,678
Residual UAAL Amortization	(\$3,860,401)
ARC	\$7,138,932

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The normal cost remains as long as there are active employees who may some day qualify for District-paid retiree health benefits. This normal cost would increase each year based on covered payroll.

4. Other Components of Annual OPEB Cost (AOC)

Expense and liability amounts may include more components of cost than the normal cost plus amortization of the UAAL. This applies to employers that don't fully fund the Annual Required Contribution (ARC) through an irrevocable trust.

- The annual OPEB cost (AOC) includes assumed interest on the net OPEB obligation (NOO). The annual OPEB cost also includes an amortization adjustment for the net OPEB obligation. (It should be noted that there is no NOO if the ARC is fully funded through a qualifying "plan".)
- The net OPEB obligation equals the accumulated differences between the (AOC) and qualifying "plan" contributions.

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PART IV: "PAY AS YOU GO" FUNDING OF RETIREE BENEFITS

We used the actuarial assumptions shown in Appendix C to project ten year cash flow under the retiree health program. Because these cash flow estimates reflect average assumptions applied to a relatively small number of employees, estimates for individual years are **certain** to be **in**accurate. However, these estimates show the size of cash outflow.

The following table shows a projection of annual amounts needed to pay the District share of retiree health premiums.

<i>Year Beginning February 1</i>	<i>Total</i>	<i>AFSCME</i>	<i>Certificated Management</i>	<i>Certificated</i>	<i>Classified</i>	<i>Classified Management</i>
2015	\$7,265,110	\$146,770	\$80,842	\$4,394,536	\$2,466,590	\$176,372
2016	\$7,416,979	\$158,321	\$86,943	\$4,456,878	\$2,516,177	\$198,660
2017	\$7,774,146	\$189,136	\$111,168	\$4,600,516	\$2,601,061	\$272,265
2018	\$8,058,615	\$224,365	\$133,645	\$4,682,560	\$2,688,330	\$329,715
2019	\$8,336,384	\$260,110	\$156,758	\$4,757,674	\$2,763,947	\$397,895
2020	\$8,585,314	\$297,386	\$178,721	\$4,818,546	\$2,837,636	\$453,025
2021	\$8,807,552	\$336,451	\$200,618	\$4,860,197	\$2,901,116	\$509,170
2022	\$9,012,471	\$374,358	\$221,816	\$4,885,632	\$2,960,448	\$570,217
2023	\$9,210,407	\$403,001	\$246,260	\$4,905,969	\$3,034,972	\$620,205
2024	\$9,416,566	\$437,508	\$271,803	\$4,927,194	\$3,105,749	\$674,312

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PART V: RECOMMENDATIONS FOR FUTURE VALUATIONS

To effectively manage benefit costs, an employer must periodically examine the existing liability for retiree benefits as well as future annual expected premium costs. GASB 43/45 require biennial valuations. In addition, a valuation should be conducted whenever plan changes, changes in actuarial assumptions or other employer actions are likely to cause a material change in accrual costs and/or liabilities.

Following are examples of actions that could trigger a new valuation.

- An employer should perform a valuation whenever the employer considers or puts in place an early retirement incentive program.
- An employer should perform a valuation whenever the employer adopts a retiree benefit plan for some or all employees.
- An employer should perform a valuation whenever the employer considers or implements changes to retiree benefit provisions or eligibility requirements.
- An employer should perform a valuation whenever the employer introduces or changes retiree contributions.

We recommend San Mateo CCD take the following actions to ease future valuations.

- We have used our training, experience and information available to us to establish the actuarial assumptions used in this valuation. We have no information to indicate that any of the assumptions do not reasonably reflect future plan experience. However, the District should review the actuarial assumptions in Appendix C carefully. If the District has any reason to believe that any of these assumptions do not reasonably represent the expected future experience of the retiree health plan, the District should engage in discussions or perform analyses to determine the best estimate of the assumption in question.

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PART VI: APPENDICES**APPENDIX A: MATERIALS USED FOR THIS STUDY**

We relied on the following materials to complete this study.

- We used paper reports and digital files containing employee demographic data from the District personnel records.
- We used relevant sections of collective bargaining agreements provided by the District.

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APPENDIX B: EFFECT OF ASSUMPTIONS USED IN CALCULATIONS

While we believe the estimates in this study are reasonable overall, it was necessary for us to use assumptions which inevitably introduce errors. We believe that the errors caused by our assumptions will not materially affect study results. If the District wants more refined estimates for decision-making, we recommend additional investigation. Following is a brief summary of the impact of some of the more critical assumptions.

1. Where actuarial assumptions differ from expected experience, our estimates could be overstated or understated. One of the most critical assumptions is the medical trend rate. The District may want to commission further study to assess the sensitivity of liability estimates to our medical trend assumptions. For example, it may be helpful to know how liabilities would be affected by using a trend factor 1% higher than what was used in this study. There is an additional fee required to calculate the impact of alternative trend assumptions.
2. We used an "entry age normal" actuarial cost method to estimate the actuarial accrued liability and normal cost. GASB allows this as one of several permissible methods under GASB45. Using a different cost method could result in a somewhat different recognition pattern of costs and liabilities.

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APPENDIX C: ACTUARIAL ASSUMPTIONS AND METHODS

Following is a summary of actuarial assumptions and methods used in this study. The District should carefully review these assumptions and methods to make sure they reflect the District's assessment of its underlying experience. It is important for San Mateo CCD to understand that the appropriateness of all selected actuarial assumptions and methods are San Mateo CCD's responsibility. Unless otherwise disclosed in this report, TCS believes that all methods and assumptions are within a reasonable range based on the provisions of GASB 43 and 45, applicable actuarial standards of practice, San Mateo CCD's actual historical experience, and TCS's judgment based on experience and training.

ACTUARIAL METHODS AND ASSUMPTIONS:

ACTUARIAL COST METHOD: Entry age normal. The allocation of OPEB cost is based on years of service. We used the level percentage of payroll method to allocate OPEB cost over years of service.

Entry age is based on the age at hire for eligible employees. The attribution period is determined as the difference between the expected retirement age and the age at hire. The present value of future benefits and present value of future normal costs are determined on an employee by employee basis and then aggregated.

To the extent that different benefit formulas apply to different employees of the same class, the normal cost is based on the benefit plan applicable to the most recently hired employees (including future hires if a new benefit formula has been agreed to and communicated to employees).

AMORTIZATION METHODS: We used a level percent, closed 30 year amortization period for the initial UAAL. We used a level percent, open 25 year amortization period for any residual UAAL.

SUBSTANTIVE PLAN: As required under GASB 43 and 45, we based the valuation on the substantive plan. The formulation of the substantive plan was based on a review of written plan documents as well as historical information provided by San Mateo CCD regarding practices with respect to employer and employee contributions and other relevant factors.

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ECONOMIC ASSUMPTIONS:

Economic assumptions are set under the guidance of Actuarial Standard of Practice 27 (ASOP 27). Among other things, ASOP 27 provides that economic assumptions should reflect a consistent underlying rate of general inflation. For that reason, we show our assumed long-term inflation rate below.

INFLATION: We assumed 2.75% per year.

INVESTMENT RETURN / DISCOUNT RATE: We assumed 7% per year. This is based on assumed long-term return on plan assets assuming 100% funding through Futuris. We used the "Building Block Method" as described in ASOP 27 Paragraph 3.6.2.

TREND: We assumed 4% per year. Our long-term trend assumption is based on the conclusion that, while medical trend will continue to be cyclical, the average increase over time cannot continue to outstrip general inflation by a wide margin. Trend increases in excess of general inflation result in dramatic increases in unemployment, the number of uninsured and the number of underinsured. These effects are nearing a tipping point which will inevitably result in fundamental changes in health care finance and/or delivery which will bring increases in health care costs more closely in line with general inflation. We do not believe it is reasonable to project historical trend vs. inflation differences several decades into the future.

PAYROLL INCREASE: We assumed 2.75% per year. This assumption applies only to the extent that either or both of the normal cost and/or UAAL amortization use the level percentage of payroll method. For purposes of applying the level percentage of payroll method, payroll increase must not assume any increases in staff or merit increases.

ACTUARIAL VALUE OF PLAN ASSETS (AVA): We used asset values provided by San Mateo CCD. We used a 5 year smoothing formula with a 20% corridor around market value.

The following are the calculations for the adjusted value of plan assets:

<i>Futuris - Custom San Mateo CCD</i>	<i>Amount</i>
(1) Market value at 1/31/15	\$62,138,871
(2) Accumulated contributions (disbursements) at 7%	\$62,375,313
(3) Value in (2) + 1/5 of (1) minus (2)	\$62,328,025
(4) Value in (3) adjusted to minimum or maximum*	\$62,328,025
(5) AVA at 1/31/15 adjusted to valuation date at 7%	\$62,328,025

* Minimum is 80% of market value; maximum is 120% of market value

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NON-ECONOMIC ASSUMPTIONS:

Economic assumptions are set under the guidance of Actuarial Standard of Practice 35 (ASOP 35).

MORTALITY

<i>Employee Type</i>	<i>Mortality Tables</i>
Certificated	2009 CalSTRS Mortality
Classified	2014 CalPERS Active Mortality for Miscellaneous Employees

RETIREMENT RATES

<i>Employee Type</i>	<i>Retirement Rate Tables</i>
Certificated	2009 CalSTRS Retirement Rates
AFSCME	Hired before 1/1/2013: 2009 CalPERS Retirement Rates for School Employees Hired after 12/31/2012: 2009 CalPERS Retirement Rates for Miscellaneous Employees 2% @60 adjusted to minimum retirement age of 52
Classified	Hired before 1/1/2013: 2009 CalPERS Retirement Rates for School Employees Hired after 12/31/2012: 2009 CalPERS Retirement Rates for Miscellaneous Employees 2% @60 adjusted to minimum retirement age of 52
Classified Management	Hired before 1/1/2013: 2009 CalPERS Retirement Rates for School Employees Hired after 12/31/2012: 2009 CalPERS Retirement Rates for Miscellaneous Employees 2% @60 adjusted to minimum retirement age of 52

VESTING RATES

<i>Employee Type</i>	<i>Vesting Rate Tables</i>
Certificated	Retirement from applicable retirement systeme
AFSCME	Retirement from applicable retirement systeme
Classified	Retirement from applicable retirement systeme
Classified Management	Retirement from applicable retirement systeme

COSTS FOR RETIREE COVERAGE

There was not sufficient information available to determine whether there is an implicit subsidy for retiree health costs. Based on ASOP 6, there can be justification for using “community-rated” premiums as the basis for the valuation where the insurer is committed to continuing rating practices. This is especially true where sufficient information is not available to determine the magnitude of the subsidy. However, San Mateo CCD should recognize that costs and liabilities in this report could change significantly if either the current insurer changes rating practices or if San Mateo CCD changes insurers.

Retiree liabilities are based on actual retiree costs. Liabilities for active participants are based on the first year costs shown below. Subsequent years’ costs are based on first year costs adjusted for trend and limited by any District contribution caps.

<i>Employee Type</i>	<i>Future Retirees Pre-65</i>	<i>Future Retirees Post-65</i>
AFSCME	Hired < 7/1/95: \$12,887 Hired > 6/30/95: \$8,051	Hired < 7/1/95: \$7,782 Hired > 6/30/95: \$7,632
Certificated	Hired < 7/1/95: \$13,294 Hired > 6/30/95: \$8,051	Hired < 7/1/95: \$9,561 Hired > 6/30/95: \$7,632
Certificated Management	Hired < 7/1/95: \$13,294 Hired > 6/30/95: \$8,051	Hired < 7/1/95: \$9,561 Hired > 6/30/95: \$7,632
Classified	Hired < 7/1/95: \$12,887 Hired > 6/30/95: \$8,051	Hired < 7/1/95: \$7,782 Hired > 6/30/95: \$7,632
Classified Management	Hired < 7/1/95: \$12,887 Hired > 6/30/95: \$8,051	Hired < 7/1/95: \$7,782 Hired > 6/30/95: \$7,632

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PARTICIPATION RATES

<i>Employee Type</i>	<i><65 Non-Medicare Participation %</i>	<i>65+ Medicare Participation %</i>
Certificated	100%	100%
Classified	100%	100%

TURNOVER

<i>Employee Type</i>	<i>Turnover Rate Tables</i>
Certificated	2009 CalSTRS Termination Rates
Classified	2009 CalPERS Termination Rates for School Employees

SPOUSE PREVALENCE

To the extent not provided and when needed to calculate benefit liabilities, 80% of retirees assumed to be married at retirement. After retirement, the percentage married is adjusted to reflect mortality.

SPOUSE AGES

To the extent spouse dates of birth are not provided and when needed to calculate benefit liabilities, female spouse assumed to be three years younger than male.

AGING FACTORS

<i>Attained Age</i>	<i>Medical Annual Increases</i>
50-64	3.5%
65-69	3.0%
70-74	2.5%
75-79	1.5%
80-84	0.5%
85+	0.0%

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APPENDIX D: DISTRIBUTION OF ELIGIBLE PARTICIPANTS BY AGE

ELIGIBLE ACTIVE EMPLOYEES

<i>Age</i>	<i>Total</i>	<i>AFSCME</i>	<i>Certificated Management</i>	<i>Certificated</i>	<i>Classified</i>	<i>Classified Management</i>
Under 25	6	1	0	0	4	1
25-29	47	6	0	2	34	5
30-34	73	6	1	25	32	9
35-39	112	12	5	36	41	18
40-44	84	10	3	33	23	15
45-49	113	11	12	45	27	18
50-54	128	16	7	49	41	15
55-59	133	16	5	51	44	17
60-64	114	6	9	41	35	23
65 and older	68	0	8	43	10	7
Total	878	84	50	325	291	128

ELIGIBLE RETIREES

<i>Age</i>	<i>Total</i>	<i>AFSCME</i>	<i>Certificated Management</i>	<i>Certificated</i>	<i>Classified</i>	<i>Classified Management</i>
Under 50	0	0	0	0	0	0
50-54	2	0	0	0	1	1
55-59	16	7	0	2	6	1
60-64	66	1	1	27	33	4
65-69	115	1	4	53	55	2
70-74	152	0	2	99	50	1
75-79	129	0	1	86	41	1
80-84	129	0	0	89	39	1
85-89	85	0	0	53	31	1
90 and older	74	0	0	35	36	3
Total	768	9	8	444	292	15

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APPENDIX E: CALCULATION OF GASB 43/45 ACCOUNTING ENTRIES

This report is to be used to calculate accounting entries rather than to provide the dollar amount of accounting entries. How the report is to be used to calculate accounting entries depends on several factors. Among them are:

- 1) The amount of prior accounting entries;
- 2) Whether individual components of the ARC are calculated as a level dollar amount or as a level percentage of payroll;
- 3) Whether the employer using a level percentage of payroll method elects to use for this purpose projected payroll, budgeted payroll or actual payroll;
- 4) Whether the employer chooses to adjust the numbers in the report to reflect the difference between the valuation date and the first fiscal year for which the numbers will be used.

To the extent the level percentage of payroll method is used, the employer should adjust the numbers in this report as appropriate to reflect the change in OPEB covered payroll. It should be noted that OPEB covered payroll should only reflect types of pay generating pension credits for plan participants. Please note that plan participants do not necessarily include all active employees eligible for health benefits for several reasons. Following are examples.

- 1) The number of hours worked or other eligibility criteria may differ for OPEB compared to active health benefits;
- 2) There may be active employees over the maximum age OPEB are paid through. For example, if an OPEB plan pays benefits only to Medicare age, any active employees currently over Medicare age are not plan participants;
- 3) Employees hired at an age where they will exceed the maximum age for benefits when the service requirement is met are also not plan participants.

Finally, GASB 43 and 45 require reporting covered payroll in RSI schedules regardless of whether any ARC component is based on the level percentage of payroll method. This report does not provide, nor should the actuary be relied on to report covered payroll.

GASB 45 Paragraph 26 specifies that the items presented as RSI "should be calculated in accordance with the parameters." The RSI items refer to Paragraph 25.c which includes annual covered payroll. Footnote 3 provides that when the ARC is based on covered payroll, the payroll measure may be the projected payroll, budgeted payroll or actual payroll. Footnote 3 further provides that comparisons between the ARC and contributions should be based on the same measure of covered payroll.

At the time the valuation is being done, the actuary may not know which payroll method will be used for reporting purposes. The actuary may not even know for which period the valuation will be used to determine the ARC. Furthermore, the actuary doesn't know if the client will make adjustments to the ARC in order to use it for the first year of the biennial or triennial period. (GASB 45 is silent on this.) Even if the actuary were to know all of these things, it would be a rare situation that would result in knowing the appropriate covered payroll number

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to report. For example, if the employer uses actual payroll, that number would not be known at the time the valuation is done.

As a result, we believe the proper approach is to report the ARC components as a dollar amount. It is the client's responsibility to turn this number into a percentage of payroll factor by using the dollar amount of the ARC (adjusted, if desired) as a numerator and then calculating the appropriate amount of the denominator based on the payroll determination method elected by the client for the appropriate fiscal year.

If we have been provided with payroll information, we are happy to use that information to help the employer develop an estimate of covered payroll for reporting purposes. However, the validity of the covered payroll remains the employer's responsibility even if TCS assists the employer in calculating it.

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APPENDIX F: GLOSSARY OF RETIREE HEALTH VALUATION TERMS

Note: The following definitions are intended to help a *non-actuary* understand concepts related to retiree health valuations. Therefore, the definitions may not be actuarially accurate.

<u>Actuarial Accrued Liability:</u>	The amount of the actuarial present value of total projected benefits attributable to employees' past service based on the actuarial cost method used.
<u>Actuarial Cost Method:</u>	A mathematical model for allocating OPEB costs by year of service.
<u>Actuarial Present Value of Total Projected Benefits:</u>	The projected amount of all OPEB benefits to be paid to current and future retirees discounted back to the valuation date.
<u>Actuarial Value of Assets:</u>	Market-related value of assets which may include an unbiased formula for smoothing cyclical fluctuations in asset values.
<u>Annual OPEB Cost:</u>	This is the amount employers must recognize as an expense each year. The annual OPEB expense is equal to the Annual Required Contribution plus interest on the Net OPEB obligation minus an adjustment to reflect the amortization of the net OPEB obligation.
<u>Annual Required Contribution:</u>	The sum of the normal cost and an amount to amortize the unfunded actuarial accrued liability. This is the basis of the annual OPEB cost and net OPEB obligation.
<u>Closed Amortization Period:</u>	An amortization approach where the original ending date for the amortization period remains the same. This would be similar to a conventional, 30-year mortgage, for example.
<u>Discount Rate:</u>	Assumed investment return net of all investment expenses. Generally, a higher assumed interest rate leads to lower normal costs and actuarial accrued liability.
<u>Implicit Rate Subsidy:</u>	The estimated amount by which retiree rates are understated in situations where, for rating purposes, retirees are combined with active employees.
<u>Mortality Rate:</u>	Assumed proportion of people who die each year. Mortality rates always vary by age and often by sex. A mortality table should always be selected that is based on a similar "population" to the one being studied.
<u>Net OPEB Obligation:</u>	The accumulated difference between the annual OPEB cost and amounts contributed to an irrevocable trust exclusively providing retiree OPEB benefits and protected from creditors.
<u>Normal Cost:</u>	The dollar value of the "earned" portion of retiree health benefits if retiree health benefits are to be fully accrued at retirement.

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<u>OPEB Benefits:</u>	Other PostEmployment Benefits. Generally medical, dental, prescription drug, life, long-term care or other postemployment benefits that are not pension benefits.
<u>Open Amortization Period:</u>	Under an open amortization period, the remaining unamortized balance is subject to a new amortization schedule each valuation. This would be similar, for example, to a homeowner refinancing a mortgage with a new 30-year conventional mortgage every two or three years.
<u>Participation Rate:</u>	The proportion of retirees who elect to receive retiree benefits. A lower participation rate results in lower normal cost and actuarial accrued liability. The participation rate often is related to retiree contributions.
<u>Retirement Rate:</u>	The proportion of active employees who retire each year. Retirement rates are usually based on age and/or length of service. (Retirement rates can be used in conjunction with vesting rates to reflect both age and length of service). The more likely employees are to retire early, the higher normal costs and actuarial accrued liability will be.
<u>Transition Obligation:</u>	The amount of the unfunded actuarial accrued liability at the time actuarial accrual begins in accordance with an applicable accounting standard.
<u>Trend Rate:</u>	The rate at which the cost of retiree benefits is expected to increase over time. The trend rate usually varies by type of benefit (e.g. medical, dental, vision, etc.) and may vary over time. A higher trend rate results in higher normal costs and actuarial accrued liability.
<u>Turnover Rate:</u>	The rate at which employees cease employment due to reasons other than death, disability or retirement. Turnover rates usually vary based on length of service and may vary by other factors. Higher turnover rates reduce normal costs and actuarial accrued liability.
<u>Unfunded Actuarial Accrued Liability:</u>	This is the excess of the actuarial accrued liability over assets irrevocably committed to provide retiree health benefits.
<u>Valuation Date:</u>	The date as of which the OPEB obligation is determined. Under GASB 43 and 45, the valuation date does not have to coincide with the statement date.
<u>Vesting Rate:</u>	The proportion of retiree benefits earned, based on length of service and, sometimes, age. (Vesting rates are often set in conjunction with retirement rates.) More rapid vesting increases normal costs and actuarial accrued liability.

San Mateo County Community College District

October 14, 2015

BOARD REPORT NO. 15-10-3C

OTHER PENSION EMPLOYEE BENEFITS (OPEB) TRUST

There is no printed board report for this agenda item.