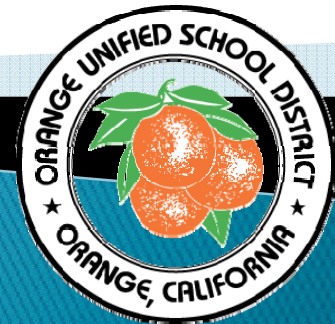


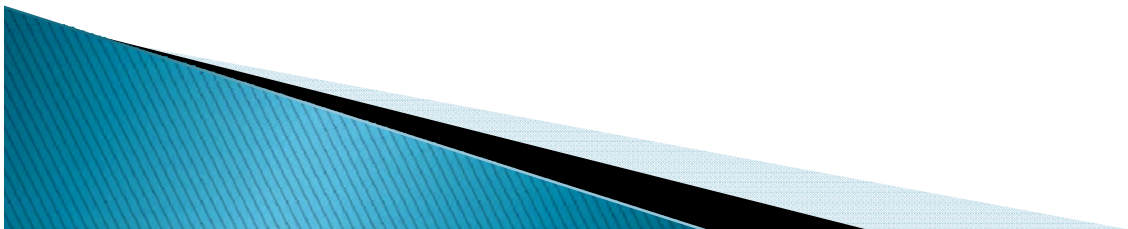
Retirement Health Benefit Trust

Investment Report to the Board of Education
July 29, 2010

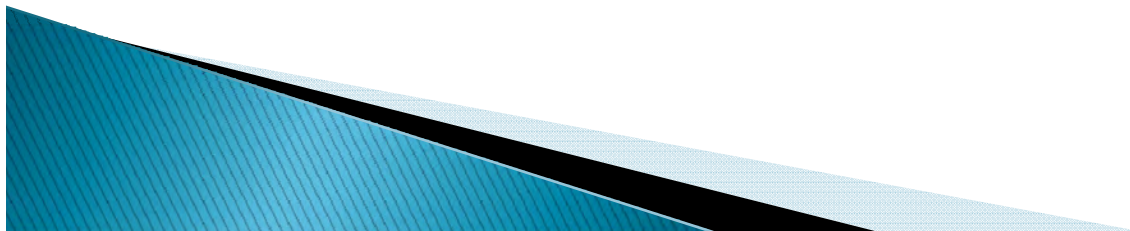


Presentation Overview

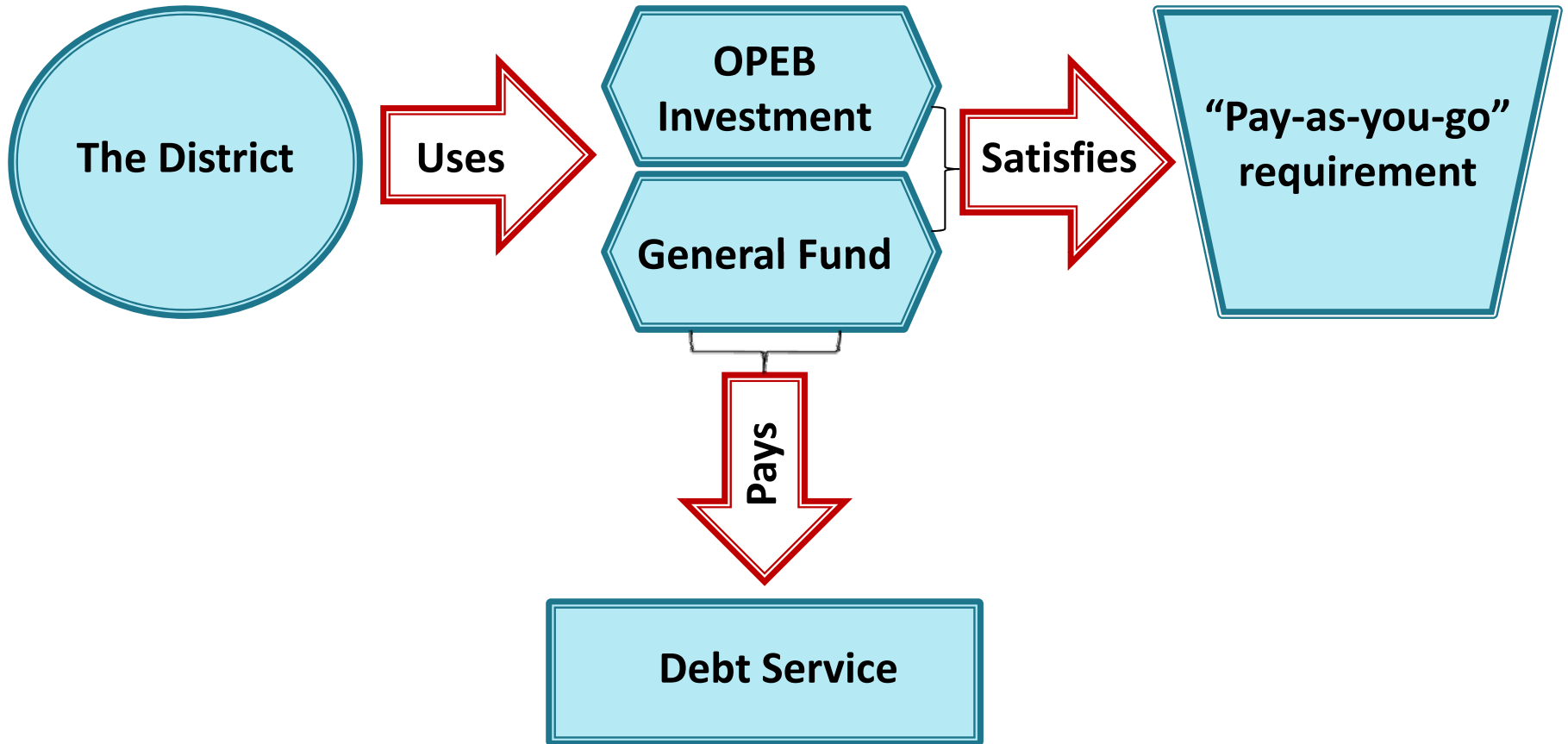
- ▶ Public Entity Trust Investment Concept
- ▶ History
- ▶ Investment Update
- ▶ Actuarial Report Update
- ▶ Next Steps




Before Trust Established



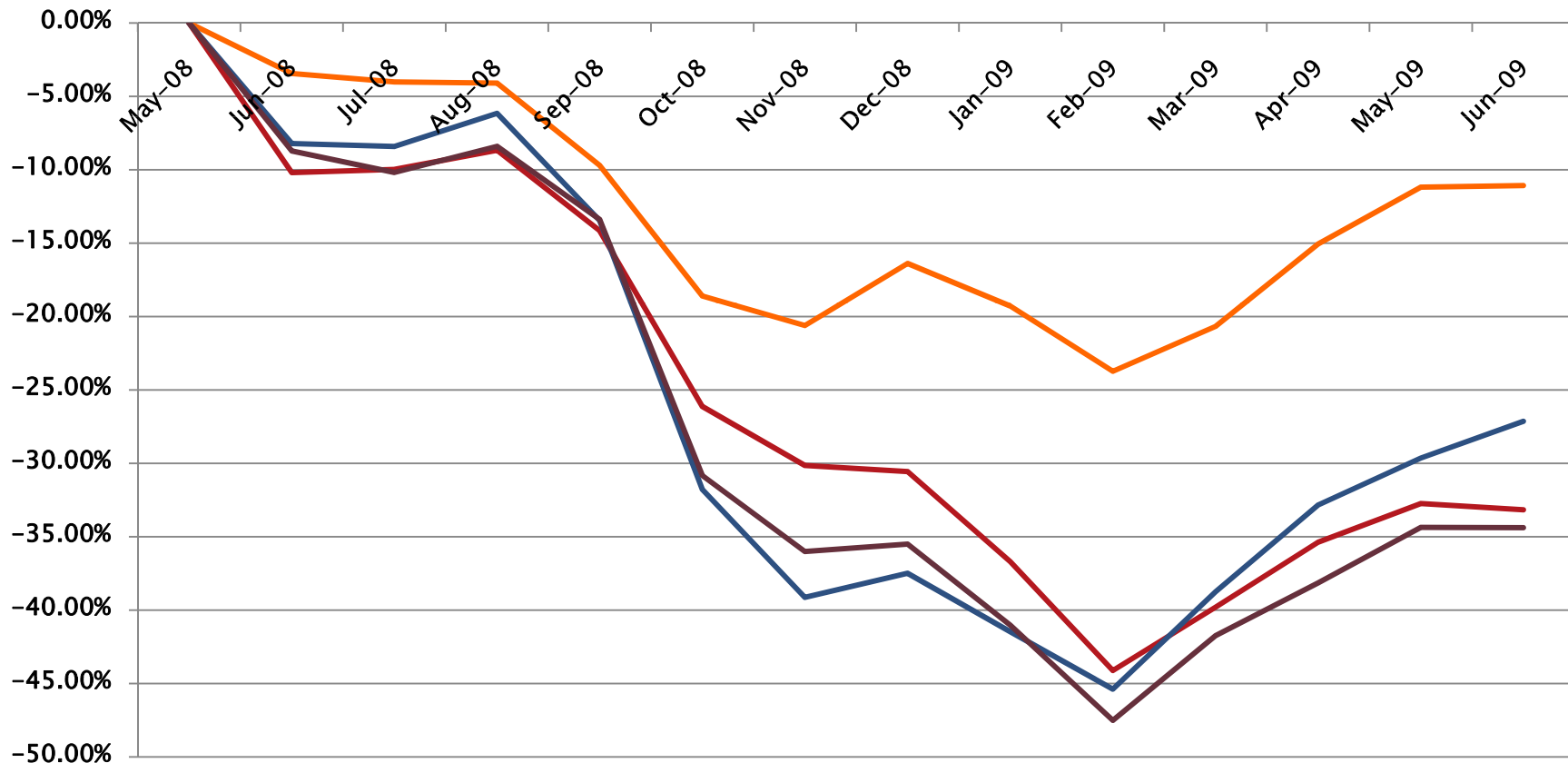
OPEB Investment Trust Concept



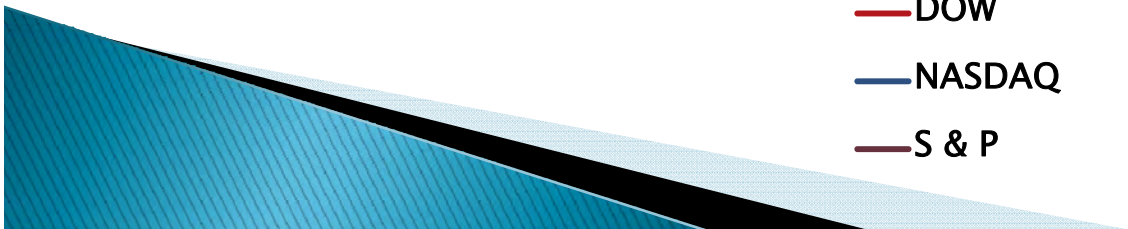
History

- **October 1976:** District approves employee contracts giving retiree medical benefits to retirees with ten years or more service.
 - **July 1991:** All newly-employed certificated employees are no longer eligible for lifetime medical benefits.
 - **July 1992:** All newly-employed classified are no longer eligible for lifetime medical benefits.
 - **May 2006:** The Futuris Retirees Public Entity Trust established to provide a vehicle for irrevocable contributions to fund retiree medical benefits and investment management.
 - **November 2007:** The Epler Company actuarial valuation report identified over \$493 million in retiree medical benefit obligations. Net Present Value of \$182,534,666.
 - **May 2008:** Issued \$94,765,000 Other Post Employment Benefit (OPEB) taxable bonds. Invested the bond proceeds and \$2,000,000 already in the Trust.
 - **July 2009:** Board received the first annual report on the current value of the Trust assets, \$85,163,932.
- 

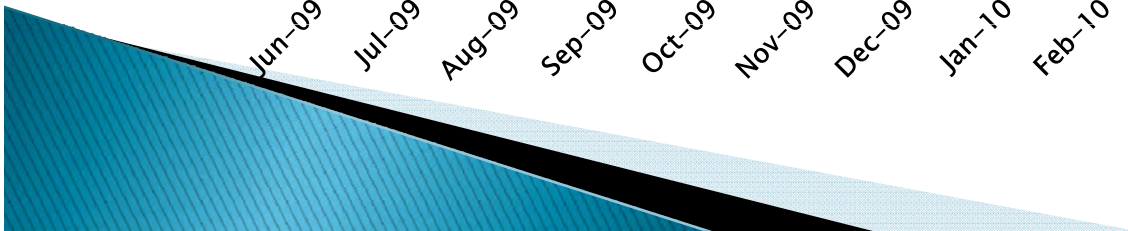
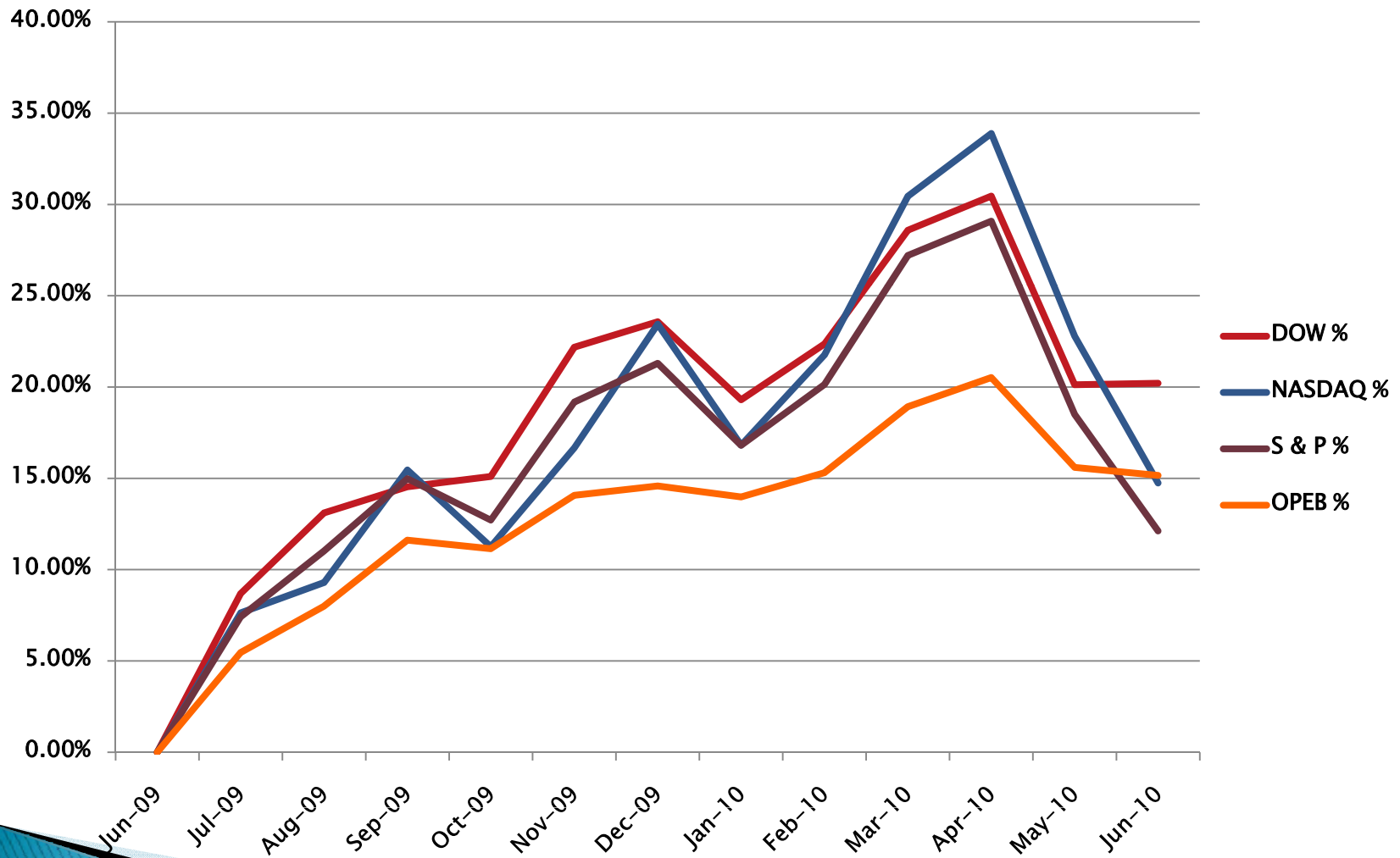
Comparison of 2008-09 Stock Market Indicators to the Trust's Investment Activity



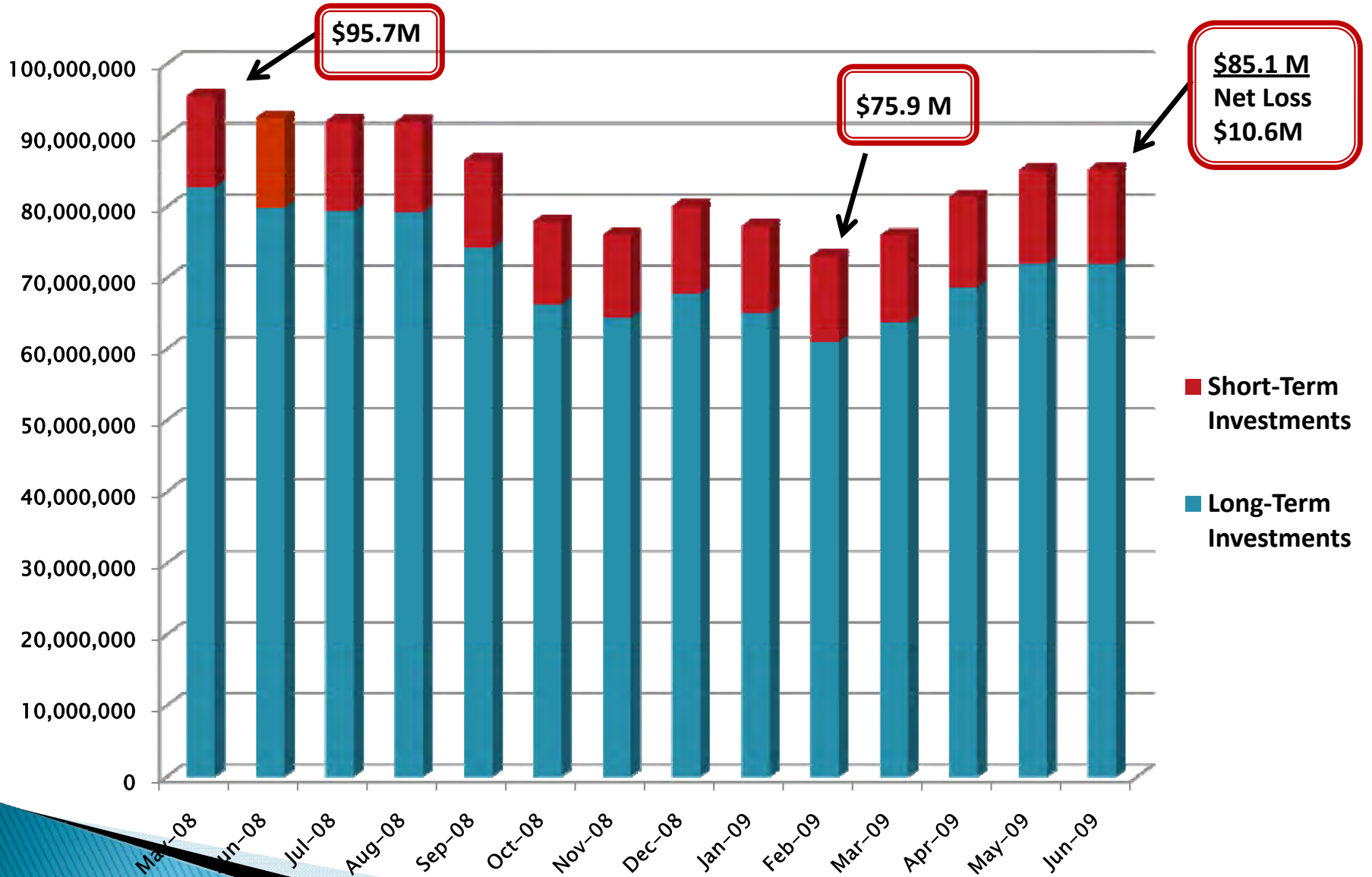
- District OPEB Investments
- DOW
- NASDAQ
- S & P



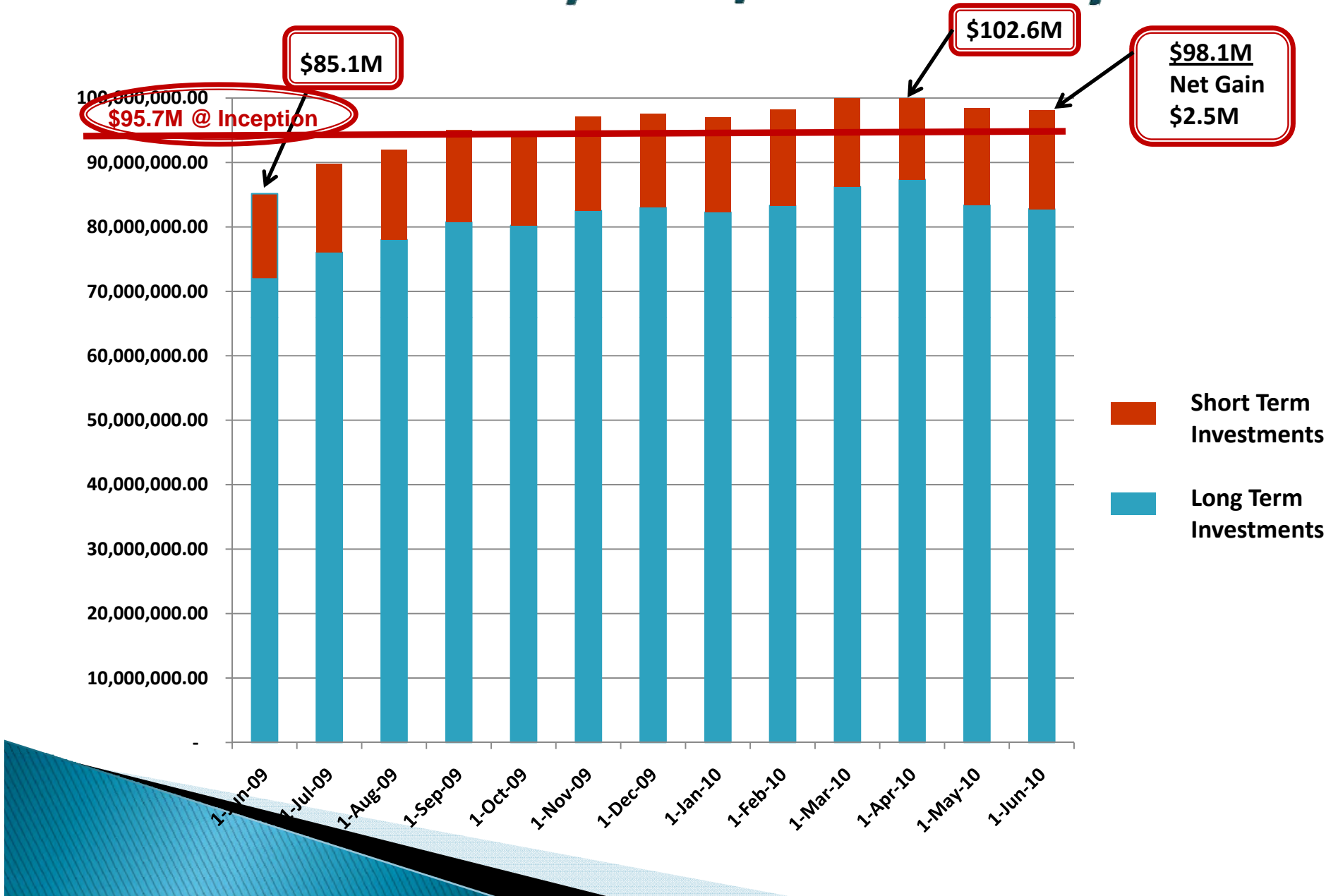
Comparison of 2009-10 Stock Market Indicators to the Trust's Investment Activity



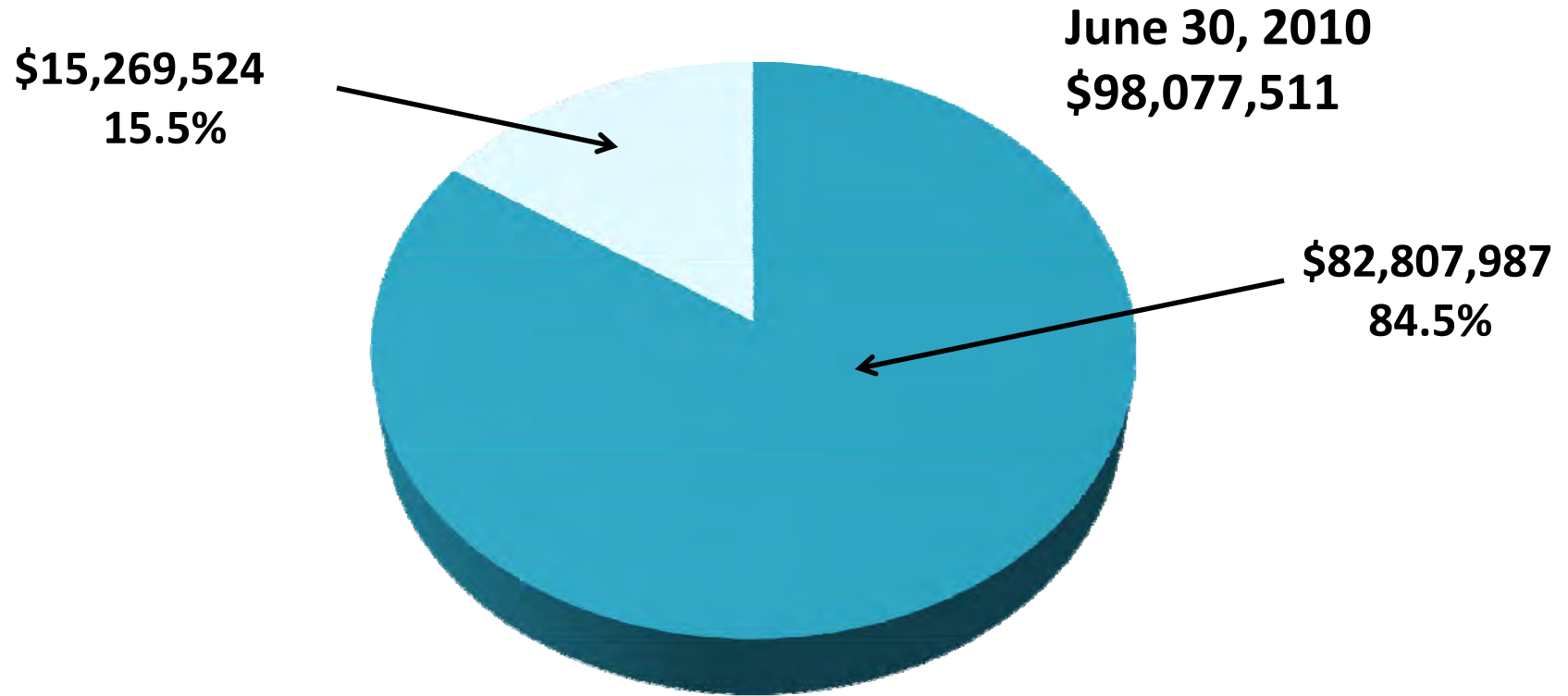
2008-09 Monthly Gain/Loss Activity



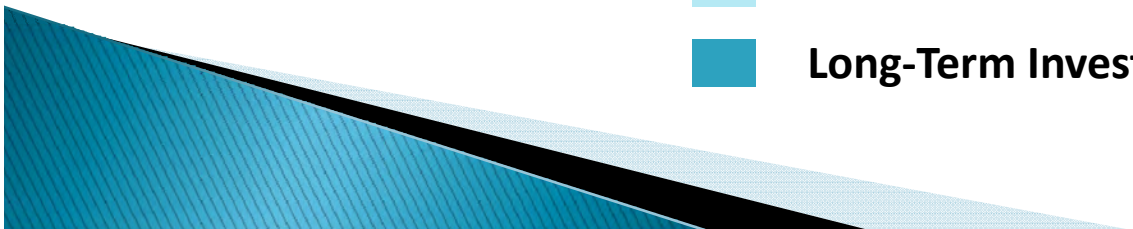
2009-10 Monthly Gain/Loss Activity



Current Investment Allocation



- Short-Term Investments
- Long-Term Investments



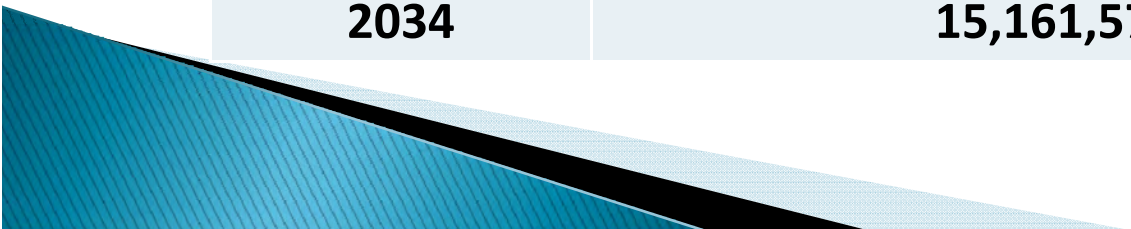
Actuarial Analysis Overview

- ▶ Prepared by Geoffrey Kischuk of Total Compensation Systems, Inc.
- ▶ Net Present Value of Total Projected Benefits is \$117,677,946.
 - Represents the present value of all benefits projected to be paid by the District for current and future retirees.
 - The retiree medical benefit obligation includes:
 - Retiree health benefits for current retirees (917 retirees)
 - Current eligible active employees expected to retire in the future (1,719 employees)
- ▶ Report projects a NPV reduction of \$64,856,720 from the Epler Company Report.
 - Reduction is attributable to:
 - Historical trend of increasing caps has stopped, removing projected increases from the calculation.
 - Though insurance has continues to increase, the freeze in caps has removed the increase from the calculation.

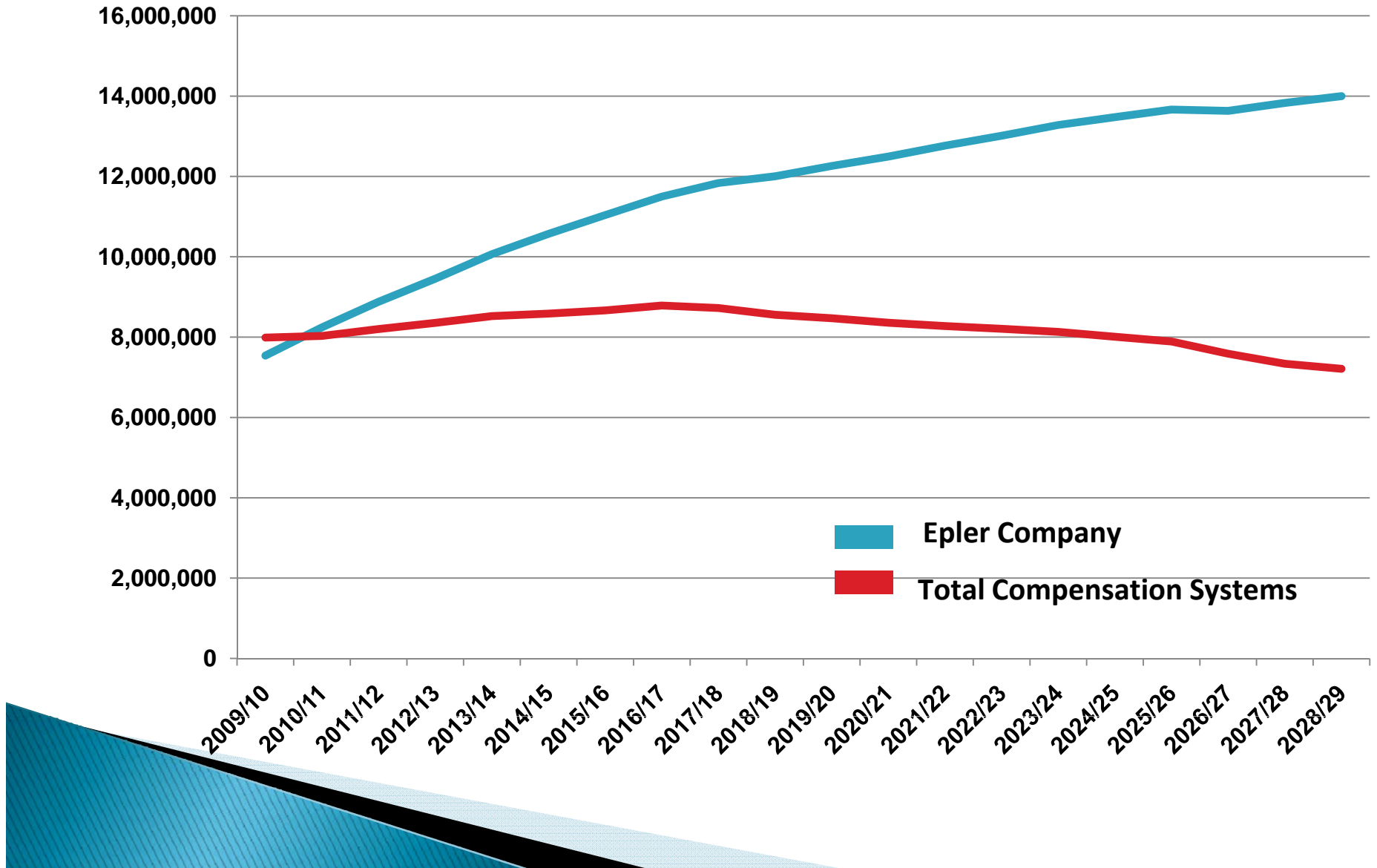


Projected Actuarial Cash Flows

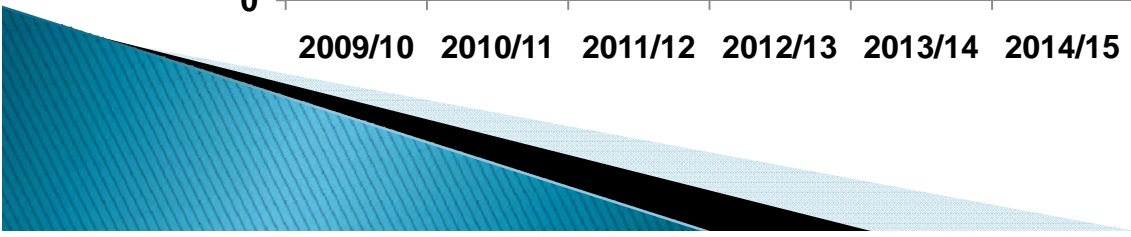
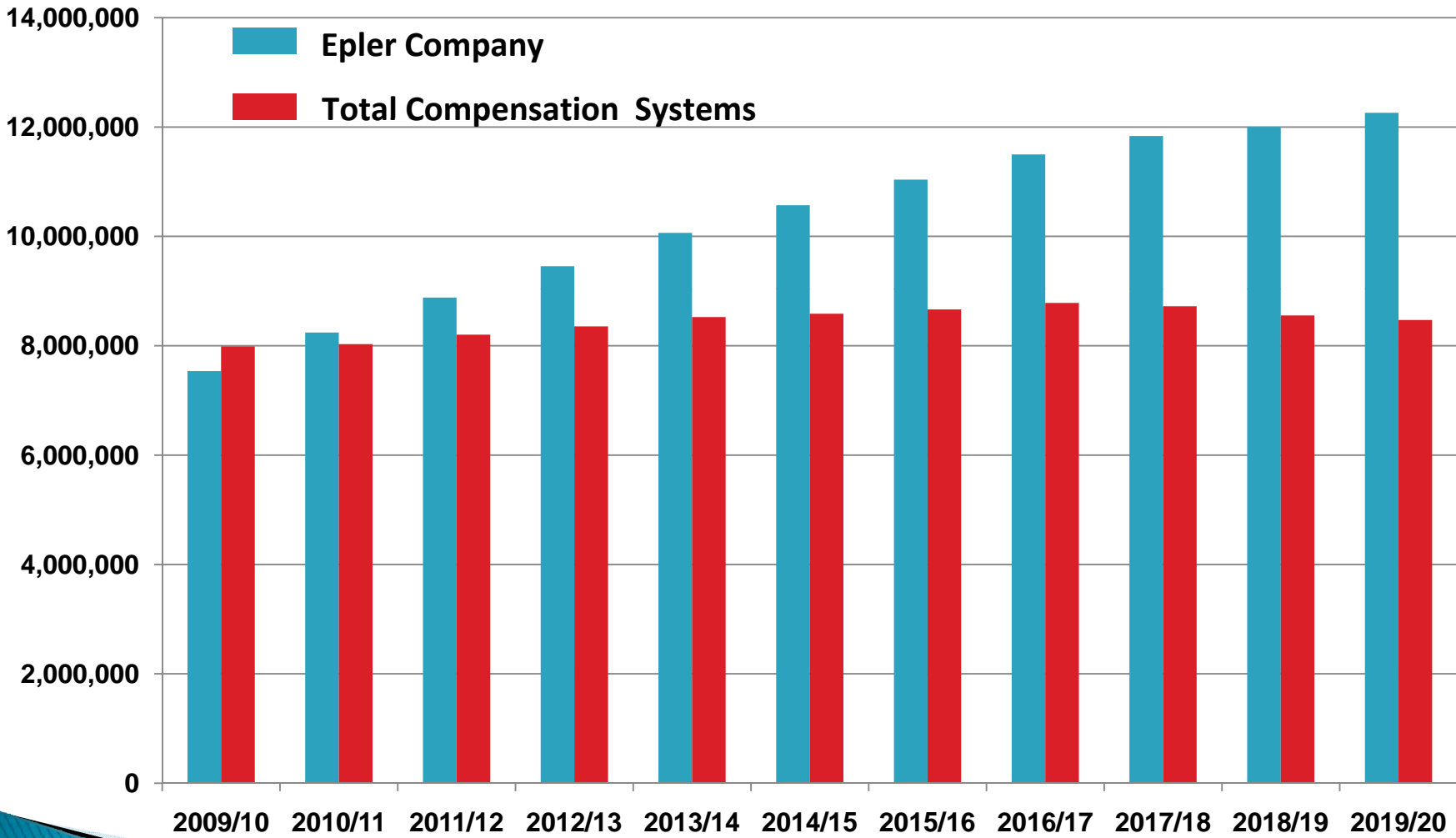
Fiscal Year	Epler Company	Total Comp. Systems
2010	\$8,241,774	\$8,028,597
2011	8,881,228	8,202,020
2012	9,453,755	8,355,378
2013	10,065,686	8,524,226
2014	10,569,593	8,585,271
2015	11,037,129	8,663,551
2016	11,498,994	8,784,603
2017	11,836,102	8,723,150
2018	12,002,755	8,555,442
2019	12,261,385	8,470,877
2020	12,493,336	8,356,940
2034	15,161,576	6,484,719



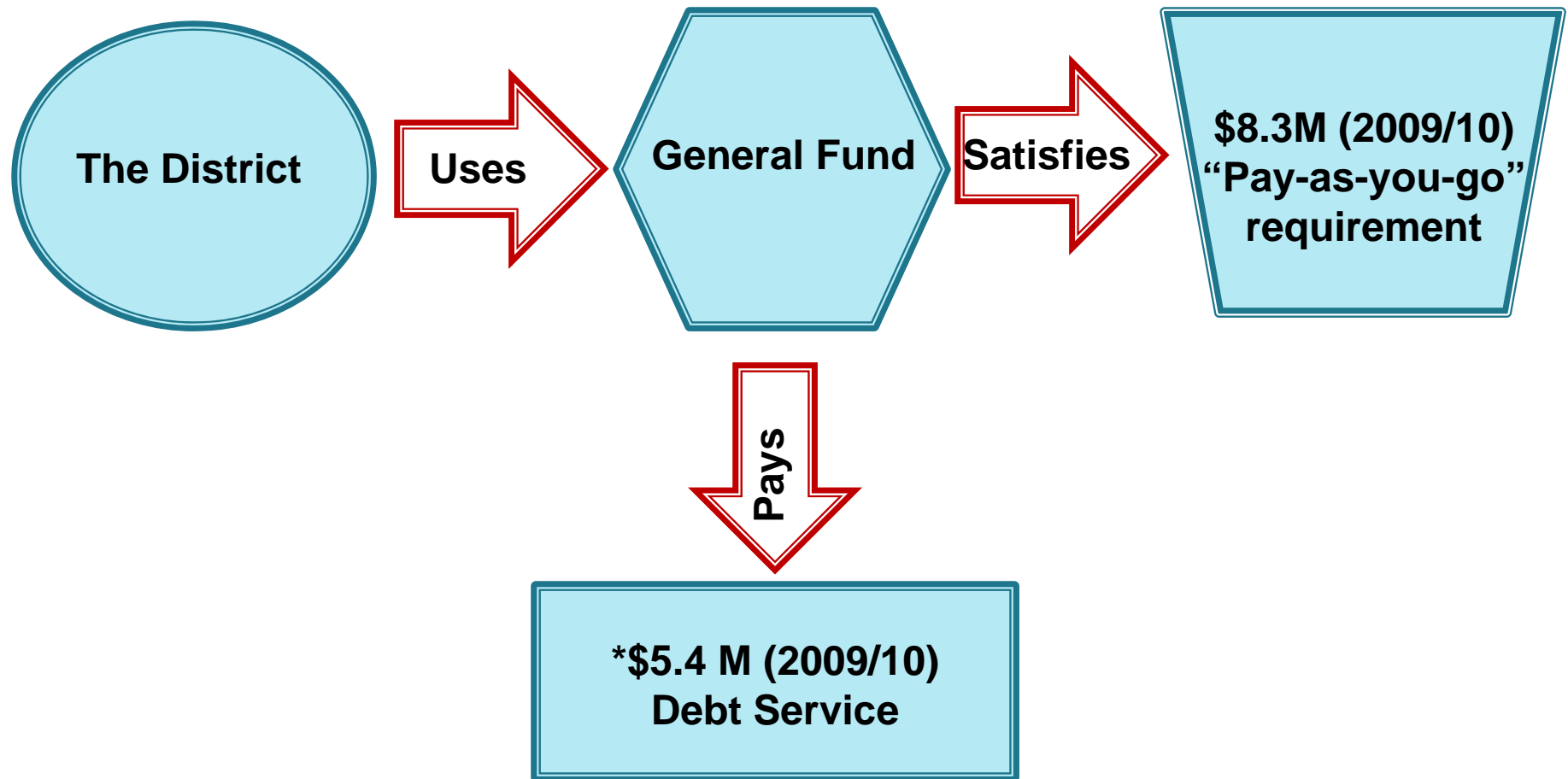
Actuarial Reports: Cash Flow Comparison



Actuarial Reports: Cash Flow Comparison

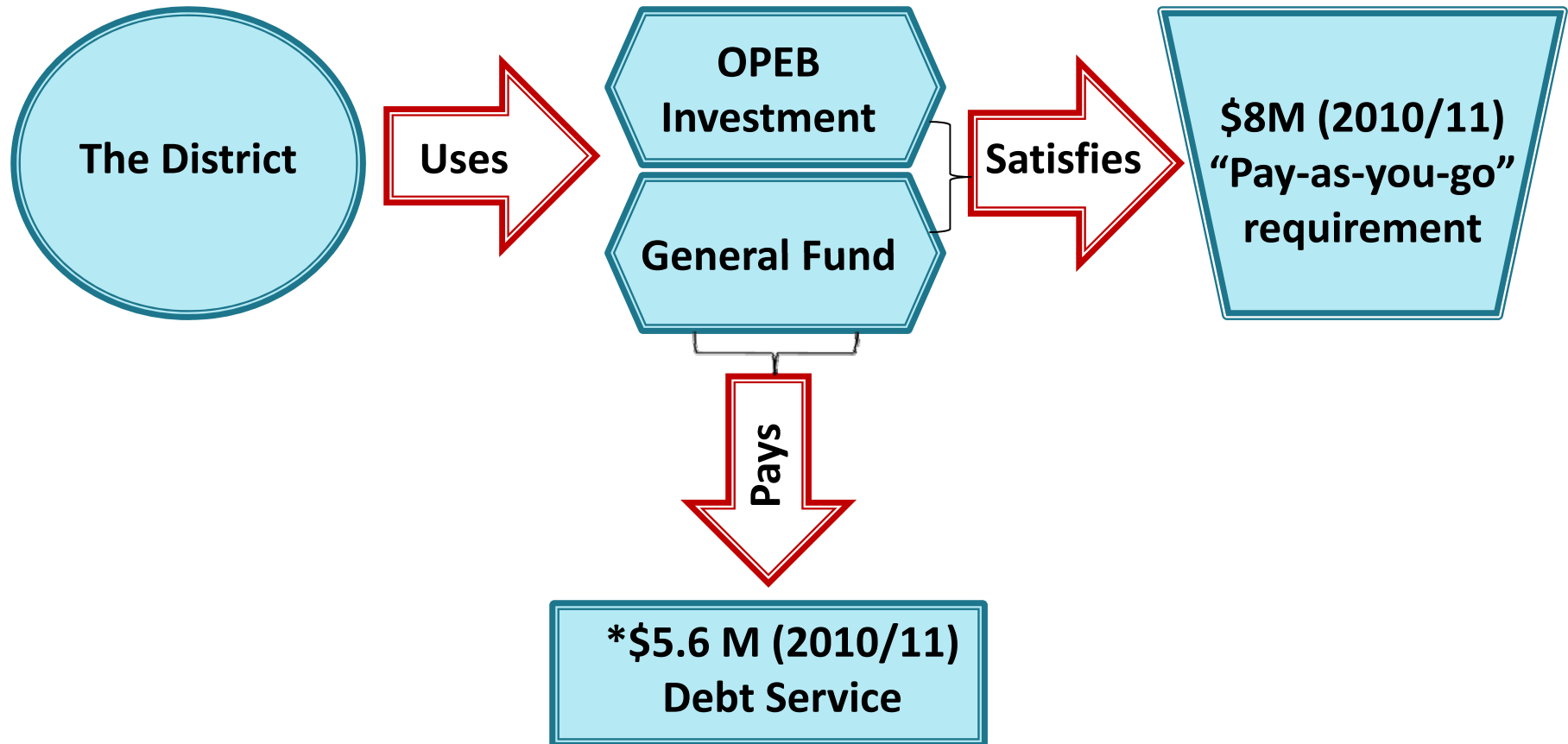


2009-10 Plan due to Investment Fund Loss



*In 2008-2009 the average actual interest rate was 2.387% (projected 3.562%) thereby saving the District \$1.8 million.

Plan with Investment Fund Growth



*In 2009-2010 the average actual interest rate was 1.14% (projected 3.562%) thereby saving the District \$3.3 million.

Next Steps

- ▶ **Update Actuarial Report – December 2011**
(Required every two years)
- ▶ **As investment portfolio recovers, use profits for current OPEB liabilities.**

